

# Frequently Asked Questions

## The Impact of Changes to the GICS® Framework and Indices

- 1. When will changes to the GICS framework be implemented?** In November 2014, S&P Dow Jones Indices announced the creation of a new real estate sector within the Global Industry Classification System (GICS) framework. Effective Sept. 1, 2016, real estate will shift out from under the financials sector and become the eleventh GICS sector.
- 2. What was S&P DJI's rationale for adding real estate sector?** The spin-off of real estate from financials at the sector level acknowledges the significant growth of real estate within the GICS framework, which started as just two sub-industries and evolved into 13 sub-industries and two industry groups. The expansion and increasing specialization of real estate firms necessitates the creation of a distinct real estate sector, as it has unique attributes and is the least correlated among industry groups within the financial sector.
- 3. How will the GICS structure change and what will it look like?** GICS changes have implications for both the new real estate and existing financials sectors. Real estate is being moved out from under the financials sector and is now being promoted to its own sector. The real estate investment trusts (REITs) industry is being renamed to equity REITs and excludes mortgage REITs. Mortgage REITs will remain part of the financials sector, given their greater similarity to traditional financial companies, and they will change from being a sub-industry to become a new industry within financials. These changes and the new GICS structure, with respect to the real estate and financials sectors, are outlined in Exhibits 1 and 2.

**Exhibit 1: Structure of New Real Estate Sector**

SECTOR	REAL ESTATE												
INDUSTRY GROUP	REAL ESTATE												
INDUSTRY	EQUITY REITS									REAL ESTATE MANAGEMENT & DEVELOPMENT			
SUB-INDUSTRY	Diversified REITs	Industrial REITs	Hotel & Resort REITs	Office REITs	Health Care REITs	Residential REITs	Rental REITs	Specialized REITs	Diversified Real Estate Activities	Real Estate Operating Companies	Real Estate Development	Real Estate Services	

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

**Exhibit 2: New Structure of Financials Sector**

SECTOR	FINANCIALS								
INDUSTRY GROUP	DIVERSIFIED FINANCIALS								
INDUSTRY	DIVERSIFIED FINANCIAL SERVICES			CONSUMER FINANCE	CAPITAL MARKETS			MORTGAGE REITS	
SUB-INDUSTRY	Other Diversified Financials	Multi-Sector Holdings	Specialized Finance	Consumer Finance	Asset Management & Custody Banks	Investment Banking & Brokerage	Diversified Capital Markets	Mortgage REITs	

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- 4. What will the impact be on the financials sector?** While financials will still remain one of the largest GICS sectors by market capitalization, the shift of real estate into its own sector will still bear an impact on financials. The financials sector will be losing roughly 16.5% of the overall capitalization of real estate companies, and with that, financials will be losing a distinctive industry that may make the sector less diversified than it was, as there will be a higher concentration and influence of the remaining industries within the sector. Additionally, the dividend yield of the financials sector may drop, since real estate offers a relatively higher dividend yield on its own than when compared with the current financials sector, which includes real estate.
- 5. What will the impact be on investable sector indices?** The changes in the GICS framework will also affect the indices linked to the current GICS financial sector. Exhibit 3 details all of the anticipated changes with respect to financial sector-linked indices, as they pertain to respective clients.

<b>Exhibit 3: Anticipated Changes to Financial Sector-Linked Indices</b>				
<b>INDEX SERIES</b>	<b>EFFECTIVE DATE</b>	<b>CURRENT INDICES</b>	<b>INDEX TICKER</b>	<b>INDEX CHANGES</b>
S&P Select Sector Indices	Sept. 16, 2016	Financial Services Select Sector	IXFNS	All companies will be uncapped to their float market cap weight
		Financials Select Sector	IXM	All companies in the real estate sector will drop from the index (it will be the same as IXFNS)
		Real Estate Select Sector	IXRE	The index will stay the same
S&P 500 <sup>®</sup> Equal Weight Sector Indices	Sept. 16, 2016	S&P 500 Equal Weight Financials Index	S40	The real estate sector will be dropped from index, but the name will stay the same
S&P 500 ex-Sector Indices	Sept. 16, 2016	S&P 500 Ex-Financials	SPXXFINP	The index stays the same; The name will change to S&P 500 Ex-Financials & Real Estate
S&P MidCap 400 <sup>®</sup> Capped Sector Indices	Sept. 16, 2016	S&P MidCap 400 Capped Financials	SPMU4FP	The index will stay the same; The name will change to S&P MidCap 400 Financials & Real Estate
S&P SmallCap 600 <sup>®</sup> Capped Sector Indices	Sept. 16, 2016	S&P SmallCap 600 Capped Financials	SPSU6FP	The index will stay the same; The name will change to S&P SmallCap 600 Financials & Real Estate

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