S&P Dow Jones Indices

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# TalkingPoints

## S&P 500® Dividend Aristocrats® Bond Select 30 Index

**Heather McArdle**
Director, Fixed Income Indices
S&P Dow Jones Indices

The S&P 500 Dividend Aristocrats Bond Select 30 Index is composed of up to 30 bonds issued by unique "Aristocrat" dividend issuers of the S&P 500 Dividend Aristocrats. The S&P 500 Dividend Aristocrats Bond Select 30 Index is designed to be a more liquid and investable subset of the S&P 500 Bond Index, while representing those S&P 500 issuers that have increased their dividend payouts.

### What is the S&P 500 Dividend Aristocrats Bond Select 30 Index?

The S&P 500 has been the flagship index tracking the U.S. equity market for over 50 years. Over the past few years, corporations have issued large amounts of debt, likely taking advantage of the lower interest rate environment. The S&P 500 Bond Index seeks to track debt issued by members of the S&P 500.

The S&P 500 Dividend Aristocrats Bond Select 30 Index is composed of up to 30 bonds issued by unique "Aristocrat" dividend issuers of the S&P 500 Dividend Aristocrats, based on a set of eligibility criteria. On the equity side, these dividend issuers are required to have increased dividends every year for at least 25 years. The select index universe consists of bonds that are members of the S&P 500 Investment Grade Corporate Bond Index, and each issuer must be a current member of the S&P 500 Dividend Aristocrats. The issuers are ranked in order of market value, and the 30 largest names are selected. The index captures bonds that mature between one and seven years, and it captures only one bond per issuer, with the largest bond of that issuer chosen. The S&P 500 Dividend Aristocrats Bond Select 30 Index is designed to be a more liquid and investable subset of the S&P 500 Bond Index, while representing those S&P 500 issuers that have increased their dividend payouts.

### What are some of the key benefits of the index?

- Diversification: One bond per issuer is chosen from 30 of the most recognizable names in the U.S. corporate bond market. As of April 28, 2017, the index was tracking over USD 40 billion of market value in those 30 bonds.

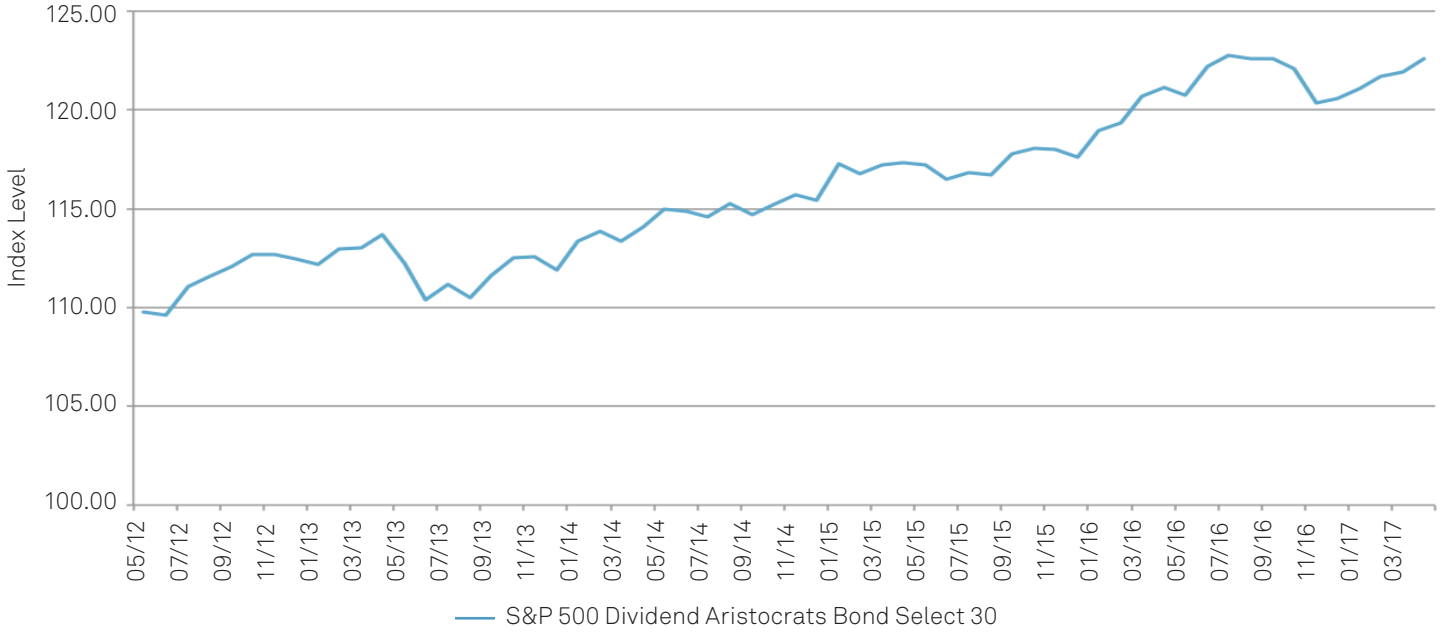
- Liquidity: To help ensure liquidity, the largest bond by par amount outstanding is used for each issuer.
- Short Duration: Bonds selected are within a 1-7 year maturity range, resulting in a 3.67-year effective duration (as of April 28, 2017).
- High Quality: The weighted average rating of the index is A- (as of April 28, 2017).
- Composition: The average number of years that S&P 500 Dividend Aristocrats Bond Select 30 Index issuers have increased dividends is 42 years (as of April 28, 2017).
- Transparency: The index makes opaque bond markets more transparent by focusing on issuers that are already familiar to market participants.

**Exhibit 1: Eligibility Criteria of the S&P 500 Dividend Aristocrats Bond Select 30 Index**

| Feature | Criteria |
|---|---|
| Currency | USD |
| Coupon type | Fixed, Step-Up, Zero, and Fixed to Float can be included |
| Optionality | Bullets, callable, and puttable |
| Maturity | 1-7 years (Maturity of at least one year, but less than seven years) |
| Size | Minimum par: USD 250 million |
| Eligible Issuers | Unique S&P 500 Dividend Aristocrats Index issuers |
| Rating | Lowest investment grade rating of S&P Global Ratings, Moody's, and Fitch |
| Weighting | Market value-weighted |
| Index Calculation | Daily |
| Index Rebalancing | Monthly, effective after the close of the last calendar day of the month |

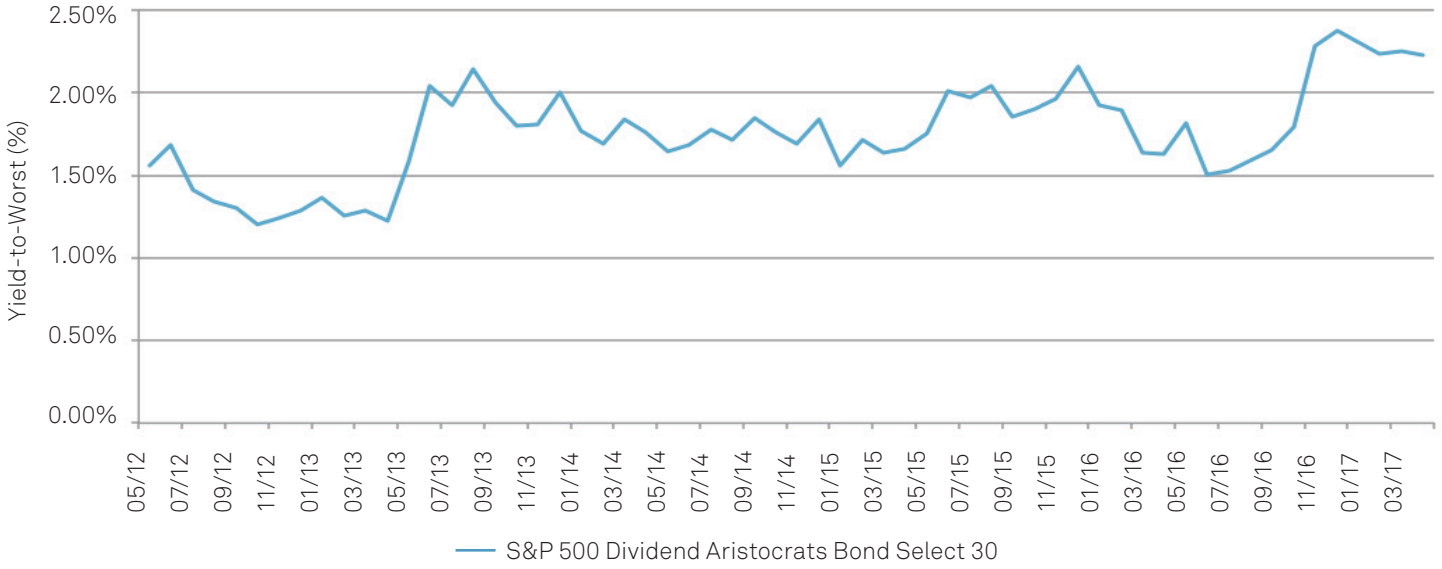
Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

**Exhibit 2: S&P 500 Dividend Aristocrats Bond Select 30 Index (TR) Performance**




Source: S&P Dow Jones Indices LLC. Data as of April 28, 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

**Exhibit 3: S&P Dividend Aristocrats Bond Select 30 Index Yield-to-Worst**




Source: S&P Dow Jones Indices LLC. Data as of April 28, 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

**Exhibit 4: S&P 500 Dividend Aristocrats Bond Select 30 Index Quick Facts**

| Category | Date |
|---|---|
| Ticker | SP5DABDT |
| First Value Date | Dec. 31, 2010 |
| Base Date | Dec. 31, 2010 |
| Launch Date | March 10, 2017 |
| Base Value | 100 |

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

**Exhibit 5: Index Characteristics**

| Metric | Value |
|---|---|
| Number of Constituents | 30 |
| Total Par Value (USD Millions) | 39,189.63 |
| Market Value Outstanding (USD Millions) | 40,327.13 |
| Par Weighted Coupon | 2.86% |
| Weighted Average Maturity | 3.99 Years |
| Par Weighted Price | 101.88 |
| Yield-to-Maturity | 2.23% |
| Yield–to-Worst | 2.23% |
| Option-Adjusted Spread | 61 |
| Modified Duration | 3.69 |
| Effective Duration | 3.67 |
| Convexity | 0.14 |

Source: S&P Dow Jones Indices LLC. Data as of April 28, 2017. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 6: S&P 500 Dividend Aristocrats Bond Select 30 Index (TR)**

| Period | Total Return (%) |
|---|---|
| 1-Year | 1.23 |
| 3-Year | 2.43 |
| 5-Year | 2.33 |

Source: S&P Dow Jones Indices LLC. Data as of April 28, 2017. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 7: Top 10 Issuers in the S&P 500 Dividend Aristocrats Bond Select 30 Index With Longest Track Record of Increasing Dividends**

| Issuer Name | Years of Increased Dividend Payment, Year Over Year* |
|---|---|
| Coca-Cola Co | 54 |
| Colgate-Palmolive Co | 54 |
| Emerson Electric Co | 54 |
| Johnson & Johnson | 54 |
| Procter & Gamble Co | 54 |
| 3M Co | 54 |
| Becton Dickinson And Co | 45 |
| Illinois Tool Works Inc | 45 |
| Ppg Industries Inc | 45 |
| Target Corp | 45 |

*Data is gathered on a best efforts basis and data begins in 1962, meaning those 8 companies at 54 may actually be higher; years through 2016. Issuers above are constituents of the S&P 500 Dividend Aristocrats Bond Select 30 Index as of April 28, 2017.

Source: S&P Dow Jones Indices LLC. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Performance Disclosure

The S&P 500 Dividend Aristocrats Bond Select 30 Index was launched on March 10, 2017. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. Complete index methodology details are available at www.spdji.com.

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Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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