

# **S&P MLP Indices** *Methodology*

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# Introduction

The S&P MLP Indices are designed to measure leading partnerships that trade on major U.S. exchanges. Each index includes both master limited partnerships as well as publicly traded limited liability companies (LLCs), which have a similar legal structure to MLPs and share the same tax benefits. As the vast majority of traded partnerships have operations in the oil and gas industries, the S&P MLP Indices focus on companies in the Global Industry Classification Standard (GICS<sup>®</sup>) Energy Sector and the GICS Gas Utilities Industry.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

## Highlights and Index Family

Constituent companies are publicly traded partnerships that meet minimum market capitalization and liquidity requirements. The indices employ a float-adjusted market capitalization weighting scheme, with constituents subject to single stock and concentration limit caps. The indices included in this family are:

- **S&P MLP Index**
- **S&P MLP 8% Capped Index**

# Eligibility Criteria

## Eligibility Factors

**Listing and Classification.** To qualify for index membership, a stock must satisfy the following criteria:

1. Be a publicly traded partnership with either a master limited partnership or a limited liability company structure.
2. Be listed on the NYSE (including NYSE Arca), the NYSE American, the NASDAQ Global Select Market, the NASDAQ Select Market or the NASDAQ Capital Market.
3. Belong to the GICS Energy Sector (Code: 10) or Gas Utilities Industry (Code: 551020).

**Market Capitalization.** Stocks must have a float-adjusted market capitalization of at least US\$ 300 million as of the rebalancing reference date (US\$ 250 million for current constituents).

**Liquidity.** Stocks must have an average daily value traded of at least US\$ 2 million for the three-months prior to the rebalancing reference date (US\$ 1.5 million for current constituents).

# Index Construction

## Constituent Selection

All stocks satisfying the *Eligibility Criteria* are selected and form the index.

## Constituent Weightings

At each rebalancing, the weight for each index constituent is set in the following manner:

1. With data reflected on the rebalancing reference date, each company is weighted by float-adjusted market capitalization.
2. For the **S&P MLP Index**, any company with a weight greater than 15% is capped at 15%. For the **S&P MLP 8% Capped Index**, any company with a weight greater than 8% is capped at 8%.
3. All excess weight is proportionally redistributed to all uncapped stocks within the respective index.
4. After this redistribution, if the weight of any other stock(s) breaches the weight limits established in Step 2 above, the process is repeated iteratively until no stock(s) breaches the respective weight cap.
5. The weights of all stocks within an index which have a weight greater than 4.5% are added together. If the total weight of these stocks is less than 45% then the capping process is completed.
6. If the total weight is greater than 45%, then the stocks in question are ranked in descending order based on weight, summed cumulatively, and the first stock that brings the total weight of the group above 45% is, then, capped. This stock is capped to a weight equal to the larger of (1) 4.5% or (2) the difference between 45% and the total weight of all the stocks larger than the stock in question.
7. All stocks with weights greater than 4.5%, but with lower weights than the stock capped in Step 6, are capped to a weight of 4.5%.
8. All excess weight is proportionally redistributed to all stocks within the respective index with a weight less than 4.5%.
9. After this redistribution, if the weight of any stock(s) that was originally less than 4.5% then breaches 4.5%, the process is repeated iteratively until no stocks breach the 4.5% weight cap.

## **Index Calculations**

The indices are calculated by means of the divisor methodology used for all S&P Dow Jones' equity indices.

*For more information on the index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The indices undergo a major rebalancing once a year in October, coinciding with the annual review of the qualifying universe. The rebalancing effective date is after the close of the third Friday. The reference date is after the close of the third Friday in September.

Stocks are assigned index shares using the closing prices as of the second Friday of October as the reference price. Since index shares are assigned based on prices one week prior to the rebalancing, the actual weight of each stock at the rebalancing differs from the target equal weights due to market movements.

## Additions and Deletions

Except for spin-offs, companies can only be added to the index at the time of rebalancing. Between rebalancings, deletions can occur due to acquisitions, mergers and spin-offs or due to bankruptcies or suspensions.

## Corporate Actions

Corporate Action	Adjustment Made to Index	Divisor Adjustment?
Spin-Off	In general, both the parent company and spin-off companies remain in the index until the next index rebalancing, regardless of whether they conform to the theme of the index.	No
Rights Offering	The price is adjusted to the Price of Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index Shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Dividend, Stock Split, Reverse Stock Split	Index Shares are multiplied by and the price is divided by the split factor.	No
Share Issuance or Share Repurchase	None. Actual shares outstanding of the company play no role in the daily index calculation.	No
Special Dividends	The price of the stock making the special dividend payment is reduced by the per-share special dividend amount after the close of trading on the day before the ex-date.	Yes
Delisting, acquisition or any other corporate action resulting in the deletion of the stock from the underlying index	The stock is dropped from the index. If the acquirer is an index constituent and the acquisition is stock-based, the index shares of the acquirer increase proportionately to the terms of the transaction. The weight lost by the deletion and any applicable index share changes causes the weights of all other index constituents to change proportionately.	Yes

For more information on Corporate Actions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web Site, [www.spdji.com](http://www.spdji.com)

## Mergers and Acquisitions

In cases of mergers involving two index constituents, the merged company deemed to be the acquirer in the transaction remains in the indices, provided it meets all eligibility requirements. If the acquisition payment type is stock-based, the acquirer's index shares increase proportionately to the terms of the transaction. If the acquisition payment type is not stock-based, the acquirer's index shares remain at pre-merger levels.

## Base Date

Daily returns are available from July 20, 2001. The base value for both the price return and total return series starting on that date is 1000.

# Index Data

## Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

*For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology located on our Web site, [www.spdji.com](http://www.spdji.com).*

*For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology located on our Web site, [www.spdji.com](http://www.spdji.com).*

# Index Governance

## **Index Committee**

S&P Dow Jones Indices' Global Thematic and Strategy Index Committee maintains the indices. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

*For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

# Index Policy

## **Announcements**

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

All methodology changes are posted to the S&P Dow Jones Indices' Web site and announced via email to all clients. The latest available version is posted on the Web site at [www.spdji.com](http://www.spdji.com).

*For more information, please refer to the Announcements section of S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

## **Pro-Forma Files**

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided daily in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing.

*Please visit [www.spdji.com](http://www.spdji.com) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## **Holiday Schedule**

The indices are calculated all business days of the year when the U.S. equity market is open.

*A complete holiday schedule for the year is available at [www.spdji.com](http://www.spdji.com).*

## **Rebalancing**

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

## **Unexpected Exchange Closures**

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).

## **Recalculation Policy**

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

**Contact Information**

For questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## Tickers

Index	Return Type	Bloomberg	Reuters
S&P MLP Index	Price Return	SPMLP	.SPMLP
	Total Return	SPMLPT	.SPMLPT

## FTP

Daily index levels and data are available via FTP subscription.

For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).

## Web site

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).

# Appendix

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Rebalancing Reference Date	10/20/2017	The rebalancing reference date is the last business day of the month prior to rebalancing.	The rebalancing reference date is the third Friday of the month prior to rebalancing.

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