
September 2024
FAQs

The Select Sector SPDR® Funds Index Methodology Updates

What Is Happening?

Effective prior to the market open on September 23, 2024, in conjunction with the upcoming quarterly rebalancing, the Select Sector SPDR® Funds' benchmark — the Select Sector Indices — will change their quarterly capping process that aligns constituent weights with the Regulated Investment Company (RIC) diversification rules.

In addition to changing the capping process, S&P Dow Jones Indices is also adjusting the secondary rebalancing.

Overview

The Change to the Capping Process

During quarterly rebalancing in March, June, September and December (rebalancing months), the Select Sector Indices will use the following new capping process:

1. Constituents are initially float market cap (FMC) weighted.
2. If any company has an FMC weight greater than 24%, cap all companies' weights at 23%
3. If the sum of the companies with weights greater than 4.8% exceed 50% of the total index weight, companies with weights greater than 4.8% will be capped proportionately as a group at 45%, subject to a **minimum weight** of 4.5%.

Shown in a formula as: $Max \left(\frac{45\% \times W_i}{\sum_i^N W_i}, 4.5\% \right)$

Where N = the total number of companies with index weights over 4.8%, after checking the single company cap. W_i = the index weight of the N companies with individual company weights over 4.8%, after checking the single company cap

4. Proportionally redistribute the excess weight from the above two steps to companies whose initial weight is less than 4.8%, subject to a **maximum weight** of 4.5%.

In the previous capping methodology, if the sum of the companies with weights greater than 4.8% exceed 50% of the total index weight, the smallest company that causes the breach with a weight greater than 4.8% will be capped at 4.5%.

The Change to the Secondary Rebalancing

If, on the second to last business day of rebalancing months, a company's weight exceeds 24%, or the sum of the companies with weights greater than 4.8% exceeds 50%, a secondary rebalancing will be triggered. The secondary rebalancing uses **capped index weights** as of the second to last business day of the rebalancing month to rerun the

capping mechanism, adjusted for any index membership, shares outstanding and investable weight factor (IWF) changes between the rebalancing reference date (the second Friday of the rebalancing month) and the latest date.

In the previous methodology, the secondary rebalancing used the **closing prices** of the second to last business day of the rebalancing month, as well as the latest membership, shares outstanding and IWFs to rerun the capping mechanism.

For more details about the new rules please refer to the [Results of Select Sector Indices Consultation on Constituent Weightings Calculations](#).

Q&A

Why did S&P Dow Jones make these changes?

The change to the capping process is intended to mitigate the substantial deviation in weight of single securities while meeting RIC diversification requirements.

The current Select Sector Index weights of some companies can deviate quite substantially from their FMC weight. For example, as of the June 2024 rebalance, the largest three constituents in the S&P 500 Information Technology sector by FMC weight were Microsoft (21.87%), Nvidia (21.57%) and Apple Inc (20.37%). As their aggregated index weight exceed 50%, the smallest of the three – Apple Inc’s weight was reduced to 4.5%, resulting in 15.87% of underweight in Apple Inc relative to its FMC weight.

The change to the secondary rebalancing is intended to reduce index turnover during the secondary rebalancing. Depending on performance of index components, the secondary rebalancing in the previous methodology, if triggered, could cause significant index turnover.

How will the changes impact the Select Sector Indices’ constituents?

The new capping mechanism will impact constituent weights of sectors that have reached the 24% and/or 50% capping.

Based on the FMC weight of sector constituents as of September 5, 2024, **Information Technology, Communication Services, Consumer Discretionary, Consumer Staples, Energy, and Materials** have reached the 24% and/or 50% capping and will be applied with the new capping mechanism. See the table below.

Index Name	Reached 24% Cap?	Reached 50% Cap?
Technology Select Sector Index	N	Y
Communication Services Select Sector Index	Y	Y
Consumer Discretionary Select Sector Index	Y	Y
Consumer Staples Select Sector Index	N	Y
Energy Select Sector Index	Y	Y
Materials Select Sector Index	N	Y

Source: State Street Global Advisors, as of September 5, 2024.

Take the Technology Select Sector Index as an example to illustrate the application of the new capping mechanism.

Apple Inc (22.85%), Microsoft (21.64%), and NVIDIA (18.80%) have FMC weights greater than 4.8%, as a result, the aggregated FMC weight exceeds 50%. Their aggregated weight will be capped at 45%, with each of them assigned a new weight in proportion to their FMC weights. See the table below.

Company	FMC Weight	Proportion	Final Weight
APPLE INC	22.85%	36%	16.25%
MICROSOFT CORP	21.64%	34%	15.39%
NVIDIA CORP	18.80%	30%	13.37%
Total	63.30%	100.00%	45.00%

The excess weight (18.3%) will be redistributed to the rest of companies with weights less than 4.8% in proportion to their FMC weight, subject to a **maximum weight** of 4.5%.

Please refer to the **Appendix** for the Select Sector Indices' proforma weights of top 10 securities based on SSGA's calculation using the new methodology and FMC weight and index membership as of September 5, 2024.

SSGA's calculation do not take into account any potential changes to index membership, shares outstanding and IWF. S&P Dow Jones will publish proforma index data for the September rebalancing on Friday September 13, 2024

How will the changes impact the Select Sector SPDR[®] Funds?

The Select Sector SPDR[®] Funds will undergo a standard rebalancing on or around September 20, 2024 to reflect the changes when their respective Select Sector Index changes take place.

List of Select Sector SPDR Funds

Ticker	Name	Ticker	Name
XLC	The Communication Services Select Sector SPDR [®] Fund	XLI	The Industrial Select Sector SPDR [®] Fund
XLY	The Consumer Discretionary Select Sector SPDR [®] Fund	XLB	The Materials Select Sector SPDR [®] Fund
XLP	The Consumer Staples Select Sector SPDR [®] Fund	XLE	The Energy Select Sector SPDR [®] Fund
XLRE	The Real Estate Select Sector SPDR [®] Fund	XLF	The Financial Select Sector SPDR [®] Fund
XLV	The Health Care Select Sector SPDR [®] Fund	XLU	The Utilities Select Sector SPDR [®] Fund
XLK	The Technology Select Sector SPDR [®] Fund		

Source: State Street Global Advisors

How will the fund manager rebalance the impacted portfolios? What is the expected tax impact?

The impacted funds are expected to rebalance their respective portfolios on or around the effective date of the index change, leveraging State Street Global Advisors' equity execution expertise and more than 25 years of experience managing ETFs.

As is the case when managing any rebalance, State Street Global Advisors portfolio managers will seek to maximize tax efficiency and minimize transaction costs, tracking error, and market impact.

When will S&P Dow Jones publish proforma index constituents for the changes?

S&P Dow Jones will publish proforma index data for the changes on Friday September 13, 2024.

Please contact your State Street Global Advisors representative or email fund_inquiry@ssga.com for the proforma index data after September 13, 2024.

Appendix 1: Top 10 Sector Constituent FMC, Proforma and Current Weights in the Select Sector Indices
Technology Select Sector Index

Security	FMC Weight	Proforma Weight	Current Weight	Proforma vs. Current Diff
APPLE INC	22.85%	16.25%	5.13%	11.12%
MICROSOFT CORP	21.64%	15.39%	21.97%	-6.58%
NVIDIA CORP	18.80%	13.37%	19.09%	-5.72%
BROADCOM INC	4.75%	4.50%	4.31%	0.19%
ADOBE INC	1.81%	2.87%	2.81%	0.06%
SALESFORCE INC	1.70%	2.69%	2.64%	0.05%
ORACLE CORP	1.62%	2.56%	2.51%	0.05%
ADVANCED MICRO DEVICES	1.61%	2.54%	2.49%	0.05%
ACCENTURE PLC IRELAND	1.53%	2.42%	2.37%	0.05%
CISCO SYSTEMS INC	1.42%	2.24%	2.20%	0.04%

Communication Services Select Sector Index

Security	FMC Weight	Proforma Weight	Current Weight	Proforma vs. Current Diff
META PLATFORMS INC-CLASS A	27.87%	19.44%	23.18%	-3.74%
ALPHABET INC-CL A	22.73%	10.57%	10.93%	-0.36%
ALPHABET INC-CL C	19.07%	8.87%	9.17%	-0.30%
NETFLIX INC	7.25%	6.13%	4.52%	1.61%
VERIZON COMMUNICATIONS INC	4.28%	4.50%	4.61%	-0.11%
WALT DISNEY CO/THE	3.98%	4.50%	3.92%	0.58%
COMCAST CORP-CLASS A	3.83%	4.50%	4.70%	-0.20%
AT&T INC	3.64%	4.50%	5.18%	-0.68%
T-MOBILE US INC	2.50%	4.50%	4.96%	-0.46%
ELECTRONIC ARTS INC	0.87%	4.50%	4.75%	-0.25%

Consumer Staples Select Sector Index

Security	FMC Weight	Proforma Weight	Current Weight	Proforma vs. Current Diff
PROCTER & GAMBLE CO/THE	14.42%	10.06%	14.47%	-4.41%
COSTCO WHOLESALE CORP	13.68%	9.54%	13.73%	-4.18%
WALMART INC	11.45%	7.98%	11.48%	-3.50%
COCA-COLA CO/THE	9.61%	6.70%	9.64%	-2.94%
PEPSICO INC	8.58%	5.99%	4.54%	1.45%
PHILIP MORRIS INTERNATIONAL	6.78%	4.73%	5.08%	-0.35%
MONDELEZ INTERNATIONAL INC-A	3.51%	4.50%	4.06%	0.44%
ALTRIA GROUP INC	3.25%	4.50%	3.76%	0.74%
COLGATE-PALMOLIVE CO	3.10%	4.50%	3.59%	0.91%
TARGET CORP	2.45%	3.96%	2.83%	1.13%

Consumer Discretionary Select Sector Index

Security	FMC Weight	Proforma Weight	Current Weight	Proforma vs. Current Diff
AMAZON.COM INC	35.53%	23.00%	21.22%	1.78%
TESLA INC	13.93%	13.93%	17.03%	-3.11%
HOME DEPOT INC	7.82%	7.82%	9.56%	-1.74%
MCDONALD'S CORP	4.53%	4.50%	4.87%	-0.37%
LOWE'S COS INC	3.05%	4.05%	3.77%	0.27%
TJX COMPANIES INC	2.91%	3.87%	3.61%	0.26%
BOOKING HOLDINGS INC	2.80%	3.72%	3.47%	0.25%
STARBUCKS CORP	2.26%	3.01%	2.80%	0.20%
NIKE INC -CL B	2.14%	2.84%	2.65%	0.19%
CHIPOTLE MEXICAN GRILL INC	1.59%	2.11%	1.97%	0.14%

Energy Select Sector Index

Security	FMC Weight	Proforma Weight	Current Weight	Proforma vs. Current Diff
EXXON MOBIL CORP	31.78%	23.00%	23.97%	-0.97%
CHEVRON CORP	15.12%	15.12%	16.83%	-1.71%
CONOCOPHILLIPS	7.87%	7.87%	4.44%	3.43%
EOG RESOURCES INC	4.37%	4.50%	4.87%	-0.37%
MARATHON PETROLEUM CORP	3.72%	4.50%	4.48%	0.02%
SCHLUMBERGER LTD	3.69%	4.47%	4.33%	0.14%
PHILLIPS 66	3.42%	4.15%	4.20%	-0.05%
WILLIAMS COS INC	3.42%	4.14%	4.20%	-0.05%
ONEOK INC	3.35%	4.06%	4.12%	-0.05%
VALERO ENERGY CORP	2.77%	3.36%	3.41%	-0.04%

Materials Select Sector Index

Security	FMC Weight	Proforma Weight	Current Weight	Proforma vs. Current Diff
LINDE PLC	21.79%	18.29%	21.80%	-3.52%
SHERWIN-WILLIAMS CO/THE	8.18%	6.86%	8.18%	-1.32%
ECOLAB INC	6.10%	5.12%	6.11%	-0.99%
AIR PRODUCTS & CHEMICALS INC	5.92%	4.97%	5.93%	-0.96%
NEWMONT CORP	5.83%	4.89%	5.38%	-0.48%
FREEMONT-MCMORAN INC	5.79%	4.86%	5.79%	-0.93%
CORTEVA INC	3.74%	4.43%	3.77%	0.66%
DOW INC	3.51%	4.16%	3.54%	0.62%
DUPONT DE NEMOURS INC	3.31%	3.93%	3.34%	0.59%
NUCOR CORP	3.26%	3.86%	3.29%	-0.04%

Source: State Street Global Advisors, as of September 5, 2024. Proforma weights are based on SSGA's calculation using the new methodology and FMC weight and index membership as of September 5, 2024. Weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. References to specific company stocks should not be construed as recommendations or investment advice. The statements and opinions are subject to change at any time, based on market and other conditions.

ssga.com

For Investment Professional Use Only

Important Risk Information

Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.

Because of their narrow focus, **sector funds** tend to be more volatile than funds that

diversify across many sectors and companies.

Passively managed funds

invest by sampling the index, holding a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of **market stress**.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

Intellectual Property

Information: The S&P 500® Index is a product of S&P Dow Jones Indices LLC or its affiliates ("S&P DJI") and have been licensed for use by State Street Global Advisors. S&P®, SPDR®, S&P 500®, US 500 and the 500 are trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones") and has been licensed for use by S&P Dow Jones Indices; and these trademarks have been licensed for use by S&P DJI and sublicensed for certain purposes by State Street Global Advisors. The fund is not sponsored, endorsed, sold or promoted by S&P DJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any

liability for any errors, omissions, or interruptions of these indices.

Distributor State Street Global Advisors Funds Distributors, LLC, member FINRA, SIPC, an indirect wholly owned subsidiary of State Street Corporation. References to State Street may include State Street Corporation and its affiliates. Certain State Street affiliates provide services and receive fees from the SPDR ETFs. ALPS Portfolio Solutions Distributor, Inc., member FINRA, is the distributor for Select Sector SPDRs. ALPS Portfolio Solutions Distributor, Inc. is not affiliated with State Street Global Advisors Funds Distributors, LLC.

Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus which contains this and other information, call 1-866-787-2257 or visit www.ssga.com. Read it carefully.

Not FDIC Insured • No Bank Guarantee • May Lose Value

State Street Global Advisors, One Iron Street, Boston, MA 02210-1641

©2024 State Street Corporation. All Rights Reserved.

SSL001426
7002662.1.2.AM.INST
Expiration Date: 1/31/2025