

INDEX INSIGHTS



A look into the September 2023 S&P Dow Jones Indices rebalance

By iShares Global Research & Analytics and Product Consulting

It's important for investors to monitor index rebalances. Updates to index holdings, like additions, deletions, and weight changes, may have a corresponding impact on iShares ETFs.¹ In this edition of *Index Insights*, we explore what we expect to happen during the September 2023 S&P Dow Jones Indices (S&P DJI) Quarterly Index Rebalance, including:

- **Elevated turnover in small- and mid-cap indices.** Due to a change in the S&P DJI methodology, turnover levels are expected to be elevated for the S&P MidCap 400 Index and the S&P SmallCap 600 Index compared to the September 2022 rebalance.²
- **Notable additions to the S&P 500 Index.** On the back of changes to the S&P DJI methodology, which now allows for companies with multiple share classes of stock to be included in the S&P Composite 1500 Indices, Blackstone and Airbnb are expected to be added into the S&P 500[®] Index.³

Featured iShares ETFs



iShares Core S&P 500
ETF



iShares Core S&P Mid-
Cap ETF



iShares Core S&P 600
Small-Cap ETF

Expected elevated turnover in small- and mid-cap S&P DJI indexes

In January 2023, and first implemented at the March 2023 rebalance, S&P DJI announced a methodology update that changed how market capitalization guidelines are calculated for the S&P 500[®], MidCap 400, and SmallCap 600 Indices (**Figure 1**). As a result of this change, there is an increased market cap threshold between the S&P MidCap 400 Index and the S&P SmallCap 600 Index, which is expected to lead to stock constituent migration between the two indices and ultimately higher expected turnover.⁴

Figure 1: S&P DJI market capitalization eligibility changes⁵

Index	Previous market capitalization eligibility	New market capitalization eligibility
S&P 500 [®] Index	≥\$14.6 billion	≥\$12.7 billion
S&P MidCap 400 Index	\$3.7 billion - \$14.6 billion	\$4.6 billion - \$12.7 billion
S&P SmallCap 600 Index	\$850 million-\$3.7 billion	\$750 million - \$4.6 billion

Table Description: Table showing the updated S&P DJI market capitalization eligibility criteria for additions to the S&P Composite 1500 Indices, which became effective January 4, 2023.

Expected elevated turnover in small- and mid-cap S&P DJI indexes (cont.)

As a result of the market capitalization threshold changes, there are 10 expected migrations from the S&P MidCap 400 Index to the S&P SmallCap 600 Index. These migrations are expected to be a large contributor to elevated turnover levels, which is anticipated to nearly double compared to the September 2022 rebalance (**Figures 2 and 3**).

Figure 2: Expected index turnover for S&P DJI indexes⁶

S&P DJI Index	Adds	Deletes	September 2023 expected one-way turnover (%)	September 2022 one-way turnover (%)	One-way turnover change (%)	Impacted iShares ETFs
S&P 500 [®] Index	2	0	0.66	0.66	0.00	iShares Core S&P 500 ETF (IVV)
S&P MidCap 400 Index	11	1	4.43	2.07	2.36	iShares Core S&P Mid-Cap ETF (IJH)
S&P SmallCap 600 Index	5	17	5.11	2.03	3.08	iShares Core S&P 600 Small-Cap ETF (IJR)

Table Description: Table showing the expected one-way turnover of certain S&P DJI indexes using pro-forma index data provided by S&P DJI. Pro-forma index data is the projected new index composition following the September 2023 S&P DJI Quarterly Index Rebalance which is effective after market close on September 15, 2023.

Figure 3: Notable expected migrations for S&P 1500 Composite Indices⁷

Constituent	Prior Index	New Index	New expected weight (%)
Lincoln National Corp	S&P 500 [®] Index	S&P SmallCap 600 Index	0.42
Newell Brands Inc	S&P 500 [®] Index	S&P SmallCap 600 Index	0.37
Papa John's International Inc	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.24
Foot Locker Inc	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.15
JetBlue Airways Corp	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.18
Highwoods Properties Inc	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.25
TripAdvisor Inc	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.16
Omniceil Inc	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.26
Cathay General Bancorp	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.26
Sensient Technologies Corp	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.27
Energizer Holdings Inc	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.23
Xerox Holdings Corp	S&P MidCap 400 Index	S&P SmallCap 600 Index	0.19

Table Description: Table showing the expected migrations of companies included in the S&P 1500 Composite Indices using pro-forma index data provided by S&P DJI. Pro-forma index data is the projected new index composition following the September 2023 S&P DJI Quarterly Index Rebalance which is effective after market close on September 15, 2023.

Notable additions to the S&P 500 Index®

In April 2023, S&P DJI announced that constituents with a multiple share class structure would become eligible for the S&P Composite 1500 Indices and thus eligible for inclusion in the S&P 500® Index. As a result, two names are expected to be added to the S&P 500® Index at the September 2023 rebalance: Blackstone Inc. and Airbnb Inc. These names are expected to have impacts on sector weights within the S&P 500® Index, with Financials (Blackstone) and Consumer Discretionary (Airbnb) expected to receive upweights, offset by decreases in Communication Services and Information Technology due to free-float reductions (**Figure 4**).⁸

Figure 4: Expected S&P 500® Index sector changes (bps)⁹

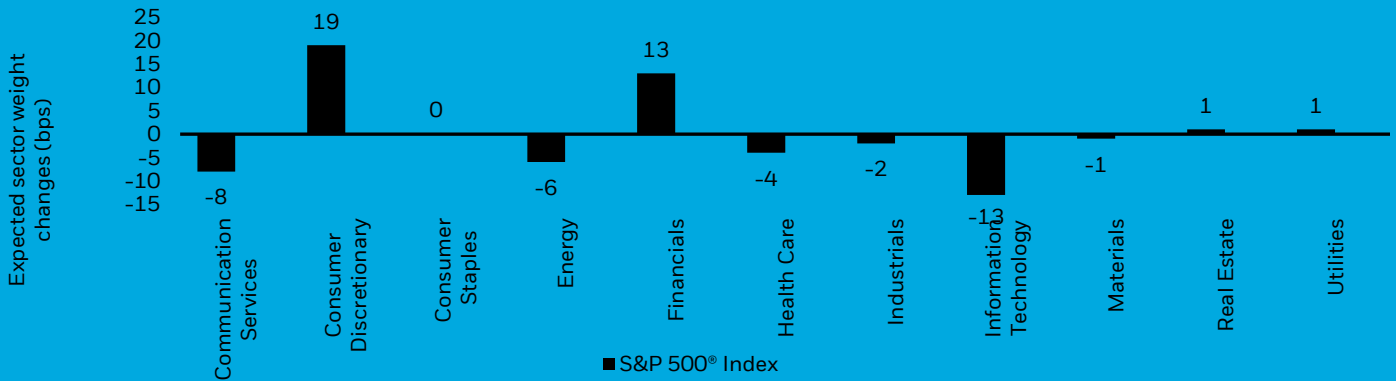


Table Description: Table showing the expected changes in sector weights of the S&P 500® Index using pro-forma index data provided by S&P DJI. Pro-forma index data is the projected new index composition following the September 2023 S&P DJI Quarterly Index Rebalance which is effective after market close on September 15, 2023.

Endnotes

1. For more information on managing equity index rebalances, see “[Index Investing: Equity Index Rebalances: Equity index rebalances.](#)”
2. For more information on the S&P DJI methodology change regarding market capitalization eligibility criteria, see https://www.spglobal.com/spdji/en/documents/indexnews/announcements/20230104-1460758/1460758_spcomposite1500indexmktcapfalrconsultationresults1-4-2023.pdf
3. For more information on the changes to S&P DJI methodology change regarding multiple share class constituents, see <https://press.spglobal.com/2023-04-17-S-P-Dow-Jones-Indices-Announces-Results-of-S-P-Composite-1500-Index-Consultation-on-Share-Class-Eligibility-Rules>
4. Index turnover is a measure of weight changes to an index resulting from the rebalancing of the index. One-way turnover views turnover from the perspective of either buying or selling securities in an index. Two-way turnover reflects both the buying and selling of securities in an index. Pre-rebalance index data as of market close on September 6, 2023 and expected post-rebalance index data is an estimate of expected values as of market close on September 15, 2023. Source: BlackRock, S&P Dow Jones.
5. For more information on the S&P DJI methodology change regarding market capitalization eligibility criteria, see https://www.spglobal.com/spdji/en/documents/indexnews/announcements/20230104-1460758/1460758_spcomposite1500indexmktcapfalrconsultationresults1-4-2023.pdf
6. Pre-rebalance index data as of market close on September 6, 2023 and expected post-rebalance index data is an estimate of expected values as of market close on September 15, 2023. Source: BlackRock, S&P Dow Jones.
7. Pre-rebalance index data as of market close on September 6, 2023 and expected post-rebalance index data is an estimate of expected values as of market close on September 15, 2023. Source: BlackRock, S&P Dow Jones.
8. The free-float market cap is the total value of all shares of a stock that are currently available in the market. That excludes shares allocated with exercise rights to executives and other interested parties. An increase in float means that more of a company’s shares can be traded in the market and are thus more investable which can increase the weight of a company.
9. Pre-rebalance index data as of market close on September 6, 2023 and expected post-rebalance index data is an estimate of expected values as of market close on September 15, 2023. Source: BlackRock, S&P Dow Jones.

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