Bloomberg Low Volatility Dividend Leaders Index Methodology

January 2024

Bloomberg

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Introduction

The Bloomberg Low Volatility Dividend Leaders Index is constructed to track the performance of US large and mid cap companies that have at least 10 consecutive years of increasing annual dividend payments. Further, the top quartile of companies is selected with the lowest trailing one-year volatility. Overall, the Index aims to provide exposure to US large and mid cap companies that have a strong history of dividend growth and exhibit low volatility.

Section 1: Overview

Name	Bloomberg Low Volatility Dividend Leaders Index
Base date	2007-04-23
Inception Date	2024-01-17
Rebalance	Quarterly
Publication	Weekdays
Currency	USD
Tickers	BLVDL (Price Return) BLVDLT (Total Return) BLVDLN (Net Return)

Section 2: Index Eligibility Process

Parent Universe

To be selected for the Bloomberg Low Volatility Dividend Leaders Index, a security must be a member of the Bloomberg US 1000 Index (B1000). Please refer to the Bloomberg US Domestic Indices methodology through the link below for additional details.

Bloomberg US Domestic Indices Methodology

Multiple Classes of Securities

One security per issuer is permitted. If an issuer has multiple securities, then the security currently in the Index will take precedence if it has met all other criteria for eligibility. Otherwise, the security with the highest 90-day average daily value traded is eligible for inclusion in the Index.

Section 3: Index Construction Process

Index Selection Process

Investability Screening

For a security to be included in the Index, it must satisfy the following conditions:

1) It must have data available as of the Selection Date defined below for:
    a. Trailing 12-month Dividend per Share amounts each for the previous 11 years
    b. Free Float Market Capitalization
    c. 90-day Average Daily Value Traded
2) It must be in the top 90th percentile of the Parent Universe by Company Free Float Market Capitalization as of the Selection Date
3) It must be in the top 90th percentile of the Parent Universe by Composite 90-day Average Daily Value Traded as of the Selection Date

Dividend Growth Screening

Of the securities remaining in the Parent Universe after applying the Investability Screening, a security must have 10 consecutive years of dividend growth, as defined below:

$$\left(\frac{DIV_{i,t}}{DIV_{i,t-1}}-1\right)>0,\left(\frac{DIV_{i,t-1}}{DIV_{i,t-2}}-1\right)>0,\dots,\left(\frac{DIV_{i,t-8}}{DIV_{i,t-9}}-1\right)>0,\left(\frac{DIV_{i,t-9}}{DIV_{i,t-10}}-1\right)>0$$

Where:

DIV_i	Trailing 12-month Dividend per Share of security i
t	Selection Date

Low Volatility Screening

Of the securities that remain after applying the Dividend Growth Screening, securities are ranked according to their trailing one-year Volatility, where a security with a lower Volatility receives a better rank. To be included in the Index, a security must be in the top quartile of the trailing one-year Volatility rank, as defined below:

$$\left(\frac{R_i}{\mathrm{N}}\right) \leq 0.25$$

Where:

R_i	Rank of the trailing one-year Volatility of security i (lower Volatility equates to a lower R value) as of the Selection Date
N	Number of securities that are remaining in the universe after the Dividend Growth Screening

Index Weighting

The Index is Low Volatility weighted such that:

$$LV_i = \frac{1}{V_i}$$

and

$$W_i = \frac{LV_i}{\sum_1^M LV_i}$$

Where:

V_i	Trailing one-year Volatility of security i as of the Selection Date
W_i	Final weight of security i
M	Number of Index members

Index Rebalance and Reconstitution

The Index is reconstituted and rebalanced quarterly in January, April, July, and October.

Selection Date

The Index Eligibility Process and Index Construction Process is applied using data as of the last day in March, June, September, and December.

Index Share Determination Date

Index Weighting is determined using prices as of the last day in March, June, September, and December.

Index Announcement Date

An Index reconstitution and rebalance announcement date shall be the 2nd Friday in April, July, October, and January, respectively.

Index Effective Date

The Index reconstitutions and rebalances go effective after the close of trading on the 3rd Friday in April, July, October, and January, respectively.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Selection Date	Last Day			X			X			X			X
Share Determination Date	Last Day			X			X			X			X
Announcement Date	2nd Friday	X			X			X			X		
Effective Date	3rd Friday	X			X			X			X		

Section 4: Index Maintenance

Index Calculation

Refer to the Bloomberg US Domestic Indices Methodology for index calculation details.

Deletion Policy

Index securities are not deleted outside Index Rebalance and Reconstitution window except in the case of a delisting.

Addition Policy

Index securities are not added outside of the Index reconstitution.

Replacement Policy

Index securities are not replaced outside of the Index reconstitution.

Corporate Actions

Refer to Bloomberg US Domestic Indices Non-Market Cap Corporate Action Methodology for the treatment of corporate actions.

Section 5: Risks and Limitations

Risks

The following is a summary of certain risks associated with the Index but is not meant to be an exhaustive list of all risks associated with the Index. Although the Index is designed to be representative of the markets it is measuring, it may not be representative of every use case. There is also inherent, though transparent, judgment in its construction, as outlined in this Methodology. The Index is designed for general applicability and not to address the individual circumstances and needs of users. BISL does not advise about the usefulness of the Index to a particular circumstance; users are therefore encouraged to seek their own counsel for such matters. This Methodology is subject to change, which may impact its usefulness to users. Although efforts will be made to alert users of any change, every individual user may not be aware of them. Such changes may also significantly impact the usefulness of the Index. BISL may also decide to cease publication of this Index. BISL maintains internal policies regarding user transitions, but no guarantee is given that an adequate alternative is available generally or for a particular use case. Markets for stocks, as with all markets, can be volatile. As the Index is designed to measure this market, it could be materially impacted by market movements, thus significantly affecting the use or usefulness of the Index for some or all users. Also, certain equity markets are less liquid than others – even the most liquid markets may suffer periods of illiquidity. Illiquidity can have an impact on the quality or amount of data available to BISL for calculation and may cause the Index to produce unpredictable results.

Limitations of the index

Though the Index is designed to be representative of the markets it measures or otherwise aligns with its stated objective, it may not be representative in every case or achieve its stated objective in all instances. It is designed and calculated strictly to follow the rules of this Methodology, and any Index level or other output is limited in its usefulness to such design and calculation.

Markets can be volatile, including those market interests that the Index measures or upon which the Index is dependent to achieve its stated objective. For example, illiquidity can have an impact on the quality or amount of data available to the administrator for calculation and may cause the Index to produce unpredictable or unanticipated results.

In addition, market trends and changes to market structure may render the objective of the Index unachievable or to become impractical to replicate by investors.

In particular, the Index measures global equity markets. As with all equity investing, the Index is exposed to market risk. The value of equities fluctuate with the changes in economic forecasts, interest rate policies established by central banks and perceived geo-political risk. The Index does not take into account the cost of replication and as a result a tracking portfolio's returns will underperform the Index with all else equal. As the Index is designed to measure those markets, it could be materially impacted by market movements, thus significantly impacting the use or usefulness of the fixings for some or all users.

In addition, certain sub-indices may be designed to measure smaller subsets of the Index such as specific styles, size, and sector. Some of these sub-indices have very few qualifying constituents and may have none for a period of time. During such period, the sub-index will continue to be published at its last value, effectively reporting a 0% return, until new constituents qualify. If no constituents are expected to qualify (due to changes in market structure and other factors), the sub-index may be discontinued. In such an event, this discontinuation will be announced to index users.

Section 6: Benchmark Oversight and Governance

Benchmark Governance Structure

Please refer to the BISL Benchmark Procedures Handbook available here.

Index and data reviews

Please refer to the BISL Benchmark Procedures Handbook available here.

Expert judgement

Please refer to the BISL Benchmark Procedures Handbook available here.

Conflicts of interest

Please refer to the BISL Benchmark Procedures Handbook available here.

Restatement policy

Please refer to the BISL Benchmark Procedures Handbook available here.

Appendix A: ESG Disclosure

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY	
Item 1. Name of the benchmark administrator.	Bloomberg Index Services Limited ("BISL")
Item 2. Type of benchmark or family of benchmarks. *Choose the relevant underlying asset from the list provided in Annex II to Commission Delegated Regulation (EU)*2020/1816.	Equity
Item 3. Name of the benchmark or family of benchmarks.	Bloomberg Low Volatility Dividend Leaders Index
Item 4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	No
Item 5. Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.	
(a) List of environmental factors considered:	Not applicable
(b) List of social factors considered:	Not applicable
(c) List of governance factors considered	Not applicable
Item 6. Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark. Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years.	
(a) List of environmental factors considered:	As above
(b) List of social factors considered:	As above
(c) List of governance factors considered:	As above
Item 7. Data and standards used	
(a) Data input. (i)*Describe whether the data are reported, modelled or sourced internally or externally.* (ii)*Where the data are reported, modelled or sourced externally, please name the third party data provider.*	Not Applicable
(b) Verification and quality of data. *Describe how data are verified and how the quality of those data is ensured.*	Not Applicable
(c) Reference standards *Describe the international standards used in the benchmark methodology.*	N/A
Date on which information has been last updated and reason for the update:	January 2024

Disclaimer

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