

# Dow Jones U.S. Total Stock Market Indexes<sup>SM</sup>: Size-Segment & Style Indexes

# Methodology

## Introduction

The size-segment and style indexes within the Dow Jones U.S. Total Stock Market Index<sup>SM</sup> family are designed to provide comprehensive coverage of distinct segments of the U.S. equity market.

## Index Universe

The size-segment and style indexes are subsets of the Dow Jones U.S. Total Stock Market Index<sup>SM</sup>.

## Style Evaluation Criteria

Six factors are used to determine whether a stock should be designated “growth” or “value.”

- Projected price-to-earnings ratio (P/E)
- Projected earnings growth
- Price-to-book ratio (P/B)
- Dividend yield
- Trailing revenue growth
- Trailing earnings growth

## Index Composition

The style indexes are created by first determining stocks’ size-segment designation, and then within the size-segment indexes, classifying stocks as either growth or value.

### Size-Segment Classification

Components of the Dow Jones U.S. Total Stock Market Index<sup>SM</sup> are ranked by full market capitalization. Based on these rankings, stocks are assigned to a size-segment index as follows:

- Stocks ranked 1-750 are selected to the Dow Jones U.S. Large-Cap Total Stock Market Index<sup>SM</sup>
- Stocks ranked 501-1000 are selected to the Dow Jones U.S. Mid-Cap Total Stock Market Index<sup>SM</sup>
- Stocks ranked 751-2500 are selected to the Dow Jones U.S. Small-Cap Total Stock Market Index<sup>SM</sup>
- Stocks ranked 2501+ are selected to the Dow Jones U.S. Micro-Cap Total Stock Market Index<sup>SM</sup>

The cutoff values that define the size-segments are subject to the following buffers:

- Large-cap/small-cap: 601/900
- Small-cap/micro-cap: 2001/3000
- Large-cap/mid-cap: 401/600
- Mid-cap/small-cap: 901/1100

For example, the large-cap/small-cap buffers of 601/900 indicate that at the semiannual review, any component stock of the large-cap index ranked 901 or lower is replaced by the highest ranked component in the small-cap index and any component stock of the small-cap index ranked 600 or higher replaces the lowest ranked component of the large-cap index.

### Style Classification

Large-cap index components are assigned to either the large-cap growth or large-cap value index and small-cap index components are assigned to either the small-cap growth or small-cap value index based on the following steps:

- 1 Components are ranked based on each of the six style evaluation criteria. Each company is assigned a composite score based on these rankings. Stocks ranking beyond the 2.5th and 97.5th percentile for each measure are assigned the same values as the stocks at the 2.5th and 97.5th percentile. For each stock, the values of the six factors are z-scored for normalization.
- 2 Companies are sorted by the composite score and then—based on the total Euclidian distance from the growth and value seeds—are given a style score.
- 3 Stocks are sorted by style score and then are assigned to either the growth or value index so that 50% of stocks by float-adjusted market capitalization are in the growth index and 50% are in the value index.

Mid-cap index components are assigned to either the mid-cap growth or mid-cap value index based on their assignment at either the large-cap or small-cap level.

Style assignments are finalized based on buffers that are determined by ranking each index's components by style score and determining a midpoint based on cumulative market capitalization.

- Any company that remains within 10% of the midpoint retains its previous style classification.
- Any company whose rank is more than 15% beyond the midpoint into the opposite style is reclassified into the new style.
- Any company whose rank is 10%-15% beyond the midpoint into the opposite style retains its current classification. If the component's rank is within this range for two consecutive reviews, it is assigned the new style classification at the second review.

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## Review Frequency

The composition of the size-segment and style indexes is reviewed semiannually, in March and September. New stocks are added to the indexes monthly, as they are added to the Dow Jones U.S. Total Stock Market Index<sup>SM</sup>. Shares and float factors are updated quarterly, in March, June, September and December, as they are updated in the Dow Jones U.S. Total Stock Market Index<sup>SM</sup>.

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## Weighting

The indexes are weighted by float-adjusted market capitalization.

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For more information on the Dow Jones U.S. Total Stock Market Indexes<sup>SM</sup>,  
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