

Dow Jones U.S. Total Stock Market IndexesSM: Size-Segment & Style Indexes

Methodology

Introduction

The size-segment and style indexes within the Dow Jones U.S. Total Stock Market IndexSM 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 IndexSM.

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 IndexSM 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 IndexSM
- Stocks ranked 501-1000 are selected to the Dow Jones U.S. Mid-Cap Total Stock Market IndexSM
- Stocks ranked 751-2500 are selected to the Dow Jones U.S. Small-Cap Total Stock Market IndexSM
- Stocks ranked 2501+ are selected to the Dow Jones U.S. Micro-Cap Total Stock Market IndexSM

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 style score midpoint (i.e. the point where growth and value probabilities equal 50%).

- Any company within 5% of the style score midpoint (i.e. greater than 45% or less than 55%) will retain its previous style classification in the index.
- Any company with a style score beyond the 5% buffer around the style score midpoint (i.e. less than 45% or greater than 55%) will be classified into the new style category in the index.
- Any company ranked 5%-15% beyond the style score midpoint (i.e. between 35% and 45% or between 55% and 65%) that changed style in the previous style classification quarter will retain its current style classification in the index. However, if the company changes style in the next style classification quarter, it will be assigned the new style in the index.

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 IndexSM. 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 IndexSM.

Weighting

The indexes are weighted by float-adjusted market capitalization.

Data Availability

Calculation of the size-segment and style indexes began on February 28, 2005. Real index history is available daily from this date forward. Back-tested historical data have been calculated daily back to December 31, 1991, the date at which the index base values are set at 1000.

Estimated back-tested historical data represents calculations of how the index might have performed in the past if it had existed. Back-tested performance information is purely hypothetical and is solely for informational purposes. Back-tested performance does not represent actual performance, and should not be interpreted as an indication of actual performance. Past performance is not indicative of future results. Index performance is not the same as fund performance as it does not reflect management and other fees.

For more information on the **Dow Jones U.S. Total Stock Market IndexesSM**, email djindexsupport@djindexes.com or call U.S. +1.609.520.7249; Asia +86.10.5737.2634; Europe +49.69.29.725.180.. Learn more at www.djindexes.com.

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