
January 2023
FAQs

2023 GICS[®] Structure Changes

Frequently Asked Questions

Background

What is the expected timeline for implementing 2023 GICS structure changes?

S&P Dow Jones Indices (S&P DJI) and MSCI announced major changes to the Global Industry Classification Standards (GICS[®]) structure in March 2022 following their 2021 annual review. The changes will be implemented in GICS Direct and S&P DJI's indices after market close on Friday, March 17, 2023.

What are the major changes to the GICS structure?

The following GICS sectors are going through structure changes at the sector, industry, and sub-industry levels.

Information Technology, Financials and Industrials

- Reclassify Data & Processing & Outsourced Services companies from Information Technology to Industrials and Financials.
- Create Transaction and Service Processing Services sub-industry under Financials
- Merge the Thrifts and Savings Banks into an expanded Regional Banks sub-industry. Create a new sub-Industry — Commercial & Residential Mortgage Finance — under the Diversified Financials industry group (to be renamed Financial Services).
- Separate the Passenger and Cargo/Goods Ground Transportation in the Trucking sub-industry into two sub-industries named Passenger Ground Transportation and Cargo Ground Transportation.

Consumer Discretionary and Consumer Staples

- Discontinue the Internet & Direct Marketing Retail sub-industry and reclassify existing companies into their respective sub-industries based on the nature of goods sold.
- Create the Broadline Retail sub-industry under the Consumer Discretionary sector by including General Merchandise Stores, Department Stores, and Online Marketplaces for Consumer Discretionary Goods.
- Move select companies that sell mainly consumable merchandise from Consumer Discretionary to Consumer Staples.

Real Estate

- Introduce more granular equity REIT sub-industries.

Health Care

- Include companies that manufacture mainly cannabis-based drugs used for medical purposes in the Pharmaceutical sub-industry.

Why are S&P DJI and MSCI changing the GICS structure?

The changes reflect the evolving sector and industry landscape and ensure that the GICS structure is an accurate and complete industry framework.

Has S&P DJI published a list of affected securities?

The full list of companies impacted up and down the cap spectrum was published by S&P DJI on December 15, 2022.

Impact on SPDR ETFs How will these changes impact the S&P 500 sector exposures?

Based on the list of impacted companies published by S&P DJI, the changes will impact the composition of five S&P 500 GICS sectors, with around 3% of the S&P 500 Index market cap to be reclassified at the sector level across 14 stocks, as shown below:

From Information Technology to Financials

Ticker	Name	Weight in S&P 500 Index	Weight Within their Current S&P 500 Sector	Weight Within their Proposed S&P 500 Sector	Current GICS Sub-industry	New Sub-Industry
V	Visa Inc A	1.05%	4.1%	7.4%	Data Processing & Outsourced Services	Transaction and Payment Processing Services
MA	Mastercard Inc A	0.92%	3.6%	6.4%	Data Processing & Outsourced Services	Transaction and Payment Processing Services
PYPL	PayPal Holdings Inc.	0.24%	0.9%	1.7%	Data Processing & Outsourced Services	Transaction and Payment Processing Services
FISV	Fiserv Inc	0.20%	0.8%	1.4%	Data Processing & Outsourced Services	Transaction and Payment Processing Services
FIS	Fidelity National Information	0.12%	0.5%	0.9%	Data Processing & Outsourced Services	Transaction and Payment Processing Services
GPN	Global Payments Inc	0.08%	0.3%	0.6%	Data Processing & Outsourced Services	Transaction and Payment Processing Services
FLT	FleetCor Technologies Inc	0.04%	0.2%	0.3%	Data Processing & Outsourced Services	Transaction and Payment Processing Services
JKHY	Jack Henry & Associates Inc.	0.04%	0.2%	0.3%	Data Processing & Outsourced Services	Transaction and Payment Processing Services

	Total Weight	2.7%	10.6%	18.9%	
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From Information Technology to Industrials

Ticker	Name	Weight in S&P 500 Index	Weight Within their Current S&P 500 Sector	Weight Within their Proposed S&P 500 Sector	Current GICS Sub-industry	New Sub-industry
ADP	Automatic Data Processing	0.31%	1.2%	3.4%	Data Processing & Outsourced Services	Human Resource & Employment Services
PAYX	Paychex Inc	0.12%	0.5%	1.3%	Data Processing & Outsourced Services	Human Resource & Employment Services
BR	Broadridge Financial Solutions Inc.	0.05%	0.2%	0.5%	Data Processing & Outsourced Services	Data Processing & Outsourced Services
	Total Weight	0.5%	1.9%	5.2%		

From Consumer Discretionary to Consumer Staples

TGT	Target Corp	0.21%	2.2%	2.7%	General Merchandise Stores	Consumable Merchandise Retail
DG	Dollar General Corp	0.17%	1.8%	2.2%	General Merchandise Stores	Consumable Merchandise Retail
DLTR	Dollar Tree Inc	0.09%	1.0%	1.2%	General Merchandise Stores	Consumable Merchandise Retail
	Total Weight	0.5%	4.9%	6.1%		

Source: S&P Dow Jones Indices, State Street Global Advisors, as of 12/27/2022. 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.

How will the GICS structure changes impact the Select Sector SPDR Funds? What is the timeline for impacted SPDR ETFs to align with the changes?

The Select Sector SPDR Funds listed below will see the constituent changes listed in the table above but with slightly different weighting, since the funds' benchmarks — the Select Sector Indices — follow a modified market-cap weighted mechanism to meet SEC diversification requirements.

Ticker	Name
XLK	The Technology Select Sector SPDR® Fund
XLF	The Financial Select Sector SPDR® Fund
XLI	The Industrial Select Sector SPDR® Fund
XLY	The Consumer Discretionary Select Sector SPDR® Fund
XLP	The Consumer Staples Select Sector SPDR® Fund

These Select Sector SPDR Funds will undergo a standard rebalance on or around March 17, 2023 when their respective Select Sector index changes take place.

How will the GICS structure changes impact the SPDR Industry ETF lineup? What is the timeline for impacted SPDR ETFs to align with the changes?

The SPDR Industry funds seek to track the corresponding S&P Select Industry Indices which measure the performance of stocks comprising specific GICS sub-industries or groups of sub-industries.

In order to align the S&P Select Industry Indices with the 2023 GICS structure changes, S&P DJI adjusted the membership classification eligibility criteria of five S&P Select Industry Indices that SPDR Industry funds seek to track. Key changes are summarized below:

SPDR ETF (Ticker)	Benchmark Name	Major Changes
SPDR® S&P® Bank ETF (KBE)	S&P Banks Select Industry Index	Thriffs & Mortgage Finance is being discontinued. Those companies will be recaptured by adding the new Commercial & Residential Mortgage Finance sub-industry.
SPDR® S&P® Internet ETF (XWEB)	S&P Internet Select Industry Index	The Internet & Direct Market Retail sub-industry will be discontinued. Companies in this sub-industry will be removed from the index.
SPDR® S&P® Retail ETF (XRT)	S&P Retail Select Industry Index	Department Stores, General Merchandise Stores, and Internet & Direct Marketing Retail are being discontinued. The new Broadline Retail sub-industry will be included to recapture the vast majority companies in those discontinued sub-industries.
SPDR® S&P® Software & Services ETF (XSW)	S&P Software & Services Select Industry Index	The Data Processing & Outsourced Services sub-industry is being reorganized and removed from the S&P Software & Services Select Industry Index.
SPDR® S&P® Transportation ETF (XTN)	S&P Transportation Select Industry Index	Trucking will be discontinued and split into newly created Cargo Ground Transportation and Passenger Ground Transportation.

Source: S&P Dow Jones Indices, State Street Global Advisors, as of 12/31/2022.

As a result, some constituents will be removed due to reclassification. Below is a summary of their impact on index constituents based on the full list of companies impacted by the 2023 GICS structure changes.

SPDR ETF (Ticker)	Current # of Constituents	New # of Constituents	Number of Additions	Number of Deletions	Weight of Deletions
SPDR® S&P® Bank ETF (KBE)	100	100	0	0	0%
SPDR® S&P® Internet ETF (XWEB)	54	38	0	16	30%
SPDR® S&P® Retail ETF (XRT)	97	92	0	5	4%
SPDR® S&P® Software & Services ETF (XSW)	196	152	0	44	22%
SPDR® S&P® Transportation ETF (XTN)	49	49	0	0	0%

Source: S&P Dow Jones Indices, State Street Global Advisors, as of 12/15/2022.

SPDR Industry funds will undergo a standard rebalance on or around March 17, 2023 when their respective S&P Select Industry index changes take place.

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 will seek to maximize tax efficiency and minimize transaction costs, tracking error, and market impact.

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Glossary

Global Industry Classification Standards (GICS®)

A financial-industry guide for classifying industries that is used by investors around the world. The GICS structure consists of 11 sectors, 24 industry groups, 68 industries and 157 sub-industries, and Standard & Poor's (S&P) has categorized all major public companies into the GICS framework.

S&P 500 Index

The version of the popular benchmark for US large-cap equities that includes 500 companies from leading industries and captures about 80% coverage of available market capitalization in the US that reflects returns after reinvestment of dividends.

Important Risk Information

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Investing involves risk including the risk of loss of principal.

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.

When the **Fund focuses its investments** in a particular industry or sector, financial, economic, business, and other developments affecting issuers in that industry, market, or economic sector will have a greater effect on the Fund than if it had not done so.

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

Funds investing in a **single sector** may be subject to more volatility than funds investing in a diverse group of sectors.

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Because of their narrow focus, **sector funds** tend to be more volatile than broadly diversified funds and generally result in greater price fluctuations than the overall market.

All ETFs are subject to risk, including possible loss of principal.

Select Sector SPDR Funds bear a higher level of risk than more broadly diversified funds.

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**.

Non-diversified funds that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole.

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