The universe of companies from which the companies that are part of the Good Div index will be selected is DJ Euro STOXX, FTSE 100 and SMI.

To achieve its stock selection, SG Research team has built a filter with seven criteria, leading to a basket of 30 equally-weighted stocks. With a view to selecting liquid stocks, the universe is limited to companies with market capitalization of over 1bn EUR and sufficient liquidity (10 MEUR/ Day) to be actively tradable.

Key driver I: high and secure dividends

1 High dividend yield: SG Research team selects companies which are included in the first tercile of the stock universe in terms of net dividend yield (dividend paid / stock price, with tax credit excluded from the dividend amount. source= JCF). SG Research team takes the next dividend to be paid until its payment. SG proprietary basket has a very high dividend yield compared to the market (on average twice the market dividend yield).

2 Secure dividend: SG Research team excludes stocks which pay more than what they earn in dividends (payout <100%). The Dividend payout is the dividend paid / Earning per Shares, source= JCF.

3 Separating the good from the bad dividends: SG Research team excludes stocks which have entered the first tercile due to a recent massive decline in price over the last 3 months, sometimes the leading indicator of a dividend cut. Markets are efficient, integrating bad news ahead of analyst consensus.

Key driver II: picking the best of high yield

4. Positive newsflow: SG Research team excludes stocks which disappoint market expectations, monitoring earnings momentum (3 Months percentage change in 12 Months forward earnings) every quarter. Seeking stocks with potential, SG Research team selects those which have positive relative earning momentum.

5. Neutralizing potentially significant country bias: the relative weight of UK/Swiss quoted stocks in the basket is equal to (or lower than, if the filter is too restrictive) the weight of the UK/Swiss stocks relative to the Eurozone market (i.e. the weight of the UK/Swiss stocks in the STOXX 600) . This allows the basket to factor in some exchange rate volatility included in local yields. For example, if sterling should prove weak over the longer term, UK-based assets will have to bear a higher dividend yield to compensate for the currency risk. The reverse is true for assets quoted in Swiss francs.
Overall, SG Research team has decided to screen Eurozone, UK and Swiss assets separately, and then to allocate weightings according to the DJ Stoxx 600. The country biases are thus neutralized.

Key drivers III: risk control

6. Low volatility: SG Research team excludes stocks which have a one-year beta of over 1 (over the last year), in order to build a portfolio with a below-average level of volatility. Beta is a measure of sensitivity to market fluctuations. A beta of more than 1 indicates that market movements are amplified, both upwards and downwards.

7. Keeping the best alpha-generation: SG Research team retains only the 30 best stocks identified by SG proprietary filter