Appendix 15.2

Dow Jones Averages Overview

The Dow Jones Industrial, Transportation, and Utility Averages (DJIA, DJTA, and DJUA) are maintained and reviewed by S&P Dow Jones. For the sake of continuity, composition changes are rare, and generally occur only after corporate acquisitions or other dramatic shifts in a component's core business. When such an event necessitates that one component be replaced, the entire index is reviewed. As a result, multiple component changes are often implemented simultaneously.

While there are no rules for component selection, a corporation's stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors and accurately represents the sector(s) covered by the average.

Unlike the DJTA and DJUA, which include only transportation and utilities stocks, the DJIA is not limited to traditionally defined industrial stocks. Instead, the index serves as a measure of the entire U.S. market, covering such diverse industries as financial services, technology, retail, entertainment, and consumer goods.

The Dow Jones averages are unique in that they are price weighted rather than market capitalization weighted. Their component weightings are therefore affected only by changes in the stocks' prices, in contrast with other indexes' weightings that are affected by both price changes and changes in the number of shares outstanding.

When the averages were initially created, their values were calculated by simply adding up the component stocks' prices and dividing by the number of components. Later, the practice of adjusting the divisor was initiated to smooth out the effects of stock splits and other corporate actions.

The first U.S. stock index was assembled in 1884 by Charles Dow, the Wall Street Journal editor and Dow Jones & Company co-founder. First published in February 1885, it comprised nine railroads and two non-rails. When he created the Dow Jones Industrial Average, first published on May 26, 1896, it consisted of a dozen stocks. Only one of the original 12, General Electric, is in the average today. Over the years the number of components included in the average has increased from12 to 20 to 30 as the U.S. economy has expanded. The Dow's focus has shifted from agricultural products and basic materials such as coal, iron, lead, rubber, and leather to technology companies, financial services providers, manufacturers, and retailers.

Initially, Dow published a list of 20 "active" stocks, 18 of which were rails--the direct predecessor of the 20-stock DJTA. On October 26, 1896, the two non-rail stocks were replaced with two rail stocks and the Dow Jones Railroad Averages made its formal debut. The name of the index was changed to Transportation Average from 2 Railroad Averages in 1970 to reflect the evolution of the transportation industry and the inclusion of non-rail transportation stocks in the index. The DJTA is a 20-stock, price-weighted index that represents the stock performance of large, well-known U.S. companies within the transportation industry. Introduced in January 1929, the DJUI is a 15-stock, price-weighted index that represents the stock performance of large, well known U.S. companies within the utilities industry.

Competition for the DJIA began to arrive in the mid-1920s. For example, the forerunner of Standard & Poor's began compiling the performance of 200 stocks on a regular basis in 1926.

Source: Dow Jones Averages Methodology, February 2017.