

indexone

# African American Consumer Growth Index (AACGTR)

Case Study

**INDEX ONE LIMITED**

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## Introduction

[According to Vanessa Williamson at Brookings](#), the average white household has ten times the net value of the average black household. If Black households possessed a percentage of national wealth proportional to their demographic share, it would amount to \$12.68 trillion in household wealth rather than the actual total of \$2.54 trillion. As a result, the total racial wealth difference is \$10.14 trillion.

The 400 richest American billionaires have more total wealth than all 10 million Black American households combined. Black households have about 3% of all household wealth, while the 400 wealthiest billionaires have 3.5% of all household wealth in the United States. Because wealth in the United States is so highly concentrated, and because the wealthiest Americans are almost exclusively white, the racial wealth gap is also concentrated among the wealthiest families.

Index One, a UK-based cloud indexing software solution, worked alongside Stephen Washington in order to construct an index that demonstrates the wealth gap within African American consumer groups.

Stephen Washington is Director of Community Engagement, Business Partnerships and Outreach at Central State University, and has developed and successfully marketed several managed investment products focused on women and minority investors including The American Diversity Growth Trust, the Victory Lakefront Fund and the African American Consumer Growth Index.

## Pain Points

Stephen Washington identified a gap in consumer behavior within African American communities, and there were little to no market solutions for this problem.

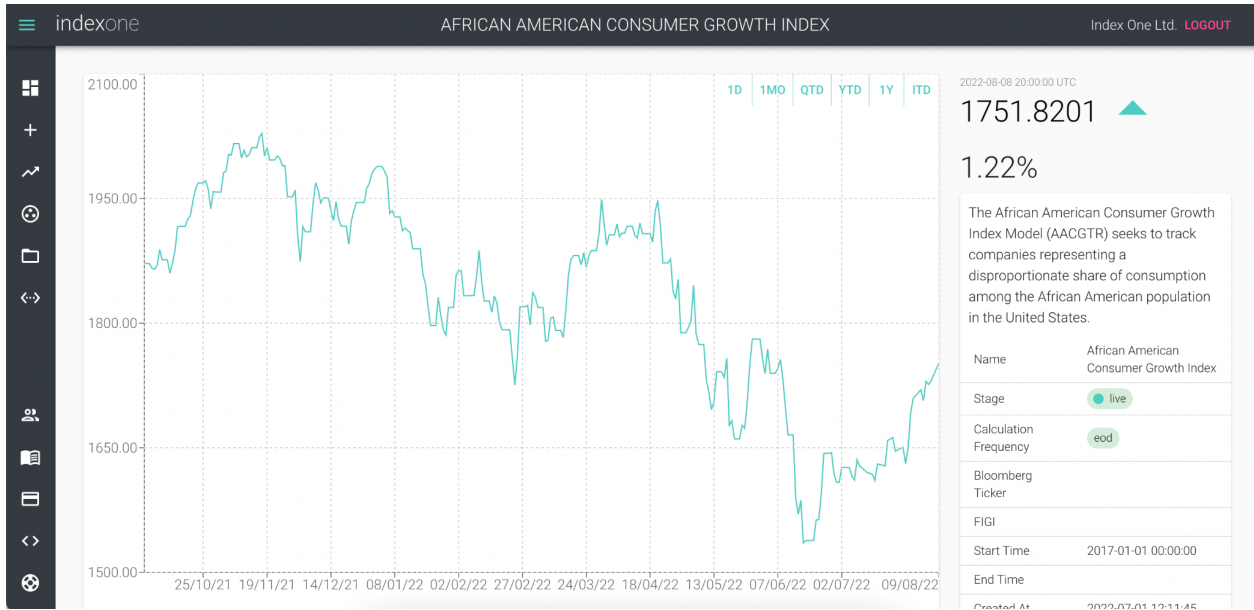
In order to tackle the wealth gap issue among African American consumers, Stephen decided to construct an index aimed to effectively create a circular flow of income while increasing individual wealth within the African American sub economy.

In order to achieve this goal, Stephen required a cost effective solution to construct the methodology, backtest, calculate, and distribute the index.

# The Solution

Index One helped Stephen Washington to derive a portfolio that reflected on the overconsumption patterns of African American consumers, in a cost-efficient and timely manner. Index One helped Stephen calculate and track companies representing a disproportionate share of consumption among the African American population in the United States.

The index focuses on demographic consumption within the African-American sub-economy and aims to align consumption with ownership as an initial point for market participation.



Index Overview Page

The disproportionate consumption factor is defined as consumption categories where the African American consumption share % exceeds the African American consumer unit population share of 13.2%. Each eligible consumption category in the Consumer Expenditure Survey is matched to the relevant industries and sectors according to the North American Industry Classification System (NAICS).

# Key Benefits

- Index One provides Stephen Washington with a low-cost index calculation tool that allows him to create, maintain and distribute index data in a simple and efficient manner.
- By using Index One’s automated index calculation tool, Stephen is able to create financial products such as ETFs and direct indexing products that help create a circular flow of income while increasing individual wealth within the African American sub-economy.

*“We believe utilizing the financial markets to link consumption to investment is just one of the many tools needed to address the racial wealth gap. Financial asset ownership is one important piece of the wealth gap closing puzzle. Access to affordable housing and the building of home equity, access to entrepreneurship, changes to the tax code, and other government innovation are all needed to address this pervasive and destructive phenomenon.”*

*Stephen Washington, President of Investment Services Holdings*

## Corporate Actions

The index composition, values, or specifications may change as a result of corporate actions undertaken by constituent or non-constituent companies. The is adjusted in accordance with relevant actions in order to best meet the index objective.

### Dividends

Dividends issued by companies in cash, stock, or other instruments result in the creation of a receivable instrument on the dividend ex-date, and a divisor adjustment on the dividend payment date.

### Ex-date Adjustment

On the dividend ex-date, a receivable security is added to the index, the amount of which is determined by the dividend per share and the weight of the index constituent.

$$R_{i,t} = d_{i,t} \cdot w_{i,t}$$

### Payment-date Adjustment

On the dividend payment date, the receivable security is removed from the index, and redisplayed into the index with the current index weighting, which is achieved by making an adjustment to the index divisor.

$$R_{i,t} = 0, \quad D_t = \frac{D_{t-1} + R_{i,t} - R_{i,t}}{D_t}$$

### Splits

The index is adjusted for stock splits by multiplying the relevant index constituent weightings by the split factor. The index split factor is obtained by dividing the split "from factor" by the split "to factor". Splits which are issued as stock dividends are handled using the same methodology under the condition that the payment date is equal to the ex date.

$$sf_i = \frac{sf_{f_i}}{sf_{t_i}}, \quad w_{i,t} = w_{i,t-1} \cdot sf_i$$

### Spin-offs

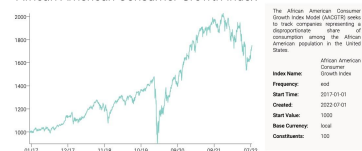
Spin-off companies from index constituents are either included or excluded from the index depending on the index eligibility criteria.

### Eligible Companies

The spin-off company is added to the index using the base weighting formula, no adjustments are made to the parent company.

Index Methodology

## African American Consumer Growth Index



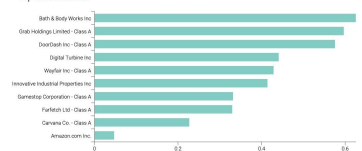
### Index Returns

	1y	3m	6M	30d	7d
Return	-13.38%	-11.9%	73.38%	8.13%	3.64%

### Risk & Return

	1y	3m	6M	30d	7d
volatility	0.19	0.22	0.3	0.16	0.13
skew	-0.54	0.54	3.83	0.32	0.2

### Top Constituents



IndexOne

Data as of 2022-08-08 10:30:37 UTC

Index Factsheet

## About Index One

Index One is a trusted index solution provider based in London, UK.

A tech-driven solution, Index One supports a high-degree of index customization with the ability to personalize portfolios that reflect investors' values and financial objectives.

Create customized indices for a low-fee, build stronger portfolios and make informed investment decisions by promoting accuracy, flexibility and transparency in your index models.

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## About Stephen Washington

Stephen Washington is Director of Community Engagement, Business Partnerships and Outreach at Central State University. Washington was previously Assistant Professor of Finance at Central State University. Washington has also taught Finance at the University of Akron and Cleveland State University.

In addition to over 20 years in academia Washington has over 30 years of experience in the areas of research, trading and marketing of equity securities and managed investment products.

Washington has developed and successfully marketed several managed investment products focused on women and minority investors including The American Diversity Growth Trust, the Victory Lakefront Fund and the African American Consumer Growth Index.

Washington has worked in the area of institutional marketing for leading regional money management and brokerage firms including Key Asset Management and Roulston & Co. Washington holds a Bachelor of Arts degree in Economics from Central State University and a MBA from Atlanta University.

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