

S&P/ASX Emerging Companies Index

Frequently Asked Questions

1. At what frequency will the S&P/ASX Emerging Companies Index be calculated?

Initially, the index values will only be available from Standard & Poor's as end-of-day index values. Later in 2009, ASX anticipates making the index a real-time index and disseminating index values via ASX Signals.

2. How many companies are in the Index?

The index is capped at 200 constituents. This is to keep the portfolio manageable, in keeping with the objective of developing an investable index.

3. What are the liquidity thresholds companies must meet for index inclusion?

To be included in the Index, companies must have a six-month minimum daily average trade value of A\$ 200,000. An index constituent will be deleted at a rebalancing if the six-month minimum daily average trade value is less than A\$ 75,000.

4. As per the S&P/ASX 200 and S&P/ASX 300, are companies in the index float-adjusted to remove holdings of strategic shareholders who possess 5% or more of issued capital?

The S&P/ASX Emerging Companies Index uses full market capitalisation to determine index eligibility. However, actual index weightings are determined using float-adjusted capitalisation. The decision to use full market capitalisation for index inclusion is a reflection on a characteristic of small- and microcap companies, which is that many have founders with large shareholdings in the firm. This trait is seen as a desirable feature by many portfolio managers operating in this segment of the market, and an adjustment for these holdings would be seen as penalising otherwise desirable companies. Once the index

constituents have been determined, then the weighting of each company in the index is based on float-adjusted capitalisation, with a minimum float of 30%.

5. Since companies ranked 350 to 600 by full average market capitalisation over the past six-months are eligible for inclusion, why are companies just outside the 300 not eligible for inclusion?

Companies just outside of the 300 mark are not included to ensure that the performance characteristics of the index are distinct from other indices, such as the S&P/ASX Small Ordinaries, the S&P/ASX 200 and the S&P/ASX 300. The Index can, therefore, be thought of as containing the future leaders of the ASX. S&P expects the index will include some companies that will eventually migrate into larger cap indices. By keeping the S&P/ASX Emerging Companies Index distinct from the S&P/ASX 300, there is room for high performing companies to remain part of the “emerging” sector before they migrate into the S&P/ASX 300, and for the S&P/ASX Emerging Companies Index to reflect the performance of such stocks.

6. Why is the index rebalanced semi-annually (March and September) rather than quarterly?

The lower levels of liquidity seen in the sector can result in higher transaction costs. By reducing index turnover it is anticipated that index volatility will be reduced, as will any transaction costs. In addition, companies in this sector can experience rapid changes in liquidity and capitalization. By keeping rebalancings to twice a year the likelihood of unnecessary changes is reduced.

7. Is historic data available? If so, what is available and how can I access this data?

Yes, index levels are available starting from December 2003 and Index constituents from August 3, 2009. To access the data, please contact Standard & Poor's at index_services@standardandpoors.com.

13. Who can I contact at Standard & Poor's if I have questions about this index?

Questions about the indices can be addressed to:

Jesse Stewart

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14. Who do I contact at Standard & Poor’s to license my use of this index?

Questions regarding licensing the S&P/ASX Emerging Companies Index can be addressed to:

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