

STANDARD
& POOR'S

S&P AGRIBUSINESS NORTH AMERICA INDEX

INDEX METHODOLOGY

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Introduction

The S&P Agribusiness North America Index is designed to provide liquid exposure to the upstream and downstream supply chain of the agribusiness sector.

Highlights

The S&P Agribusiness North America Index includes 24 of the largest publicly-traded agribusiness companies trading on the U.S and Canadian exchanges. To ensure investability, constituents must have a developed market listing and meet minimum market capitalization and liquidity requirements.

The index is comprised of a diversified mix of Agribusiness related Producers, Distributors & Processors and Equipment & Materials Suppliers companies.

Constituent weights are driven by size, with no single stock having a weight of more than 10% in the index at each rebalancing.

Eligibility Criteria

Index Eligibility

The universe from which the S&P Agribusiness North America Index is drawn is all publicly listed companies in Standard & Poor's Capital IQ (CIQ) database with a Global Industry Classification Standard (GICS[®]) classification of Agricultural Products, Construction & Farm Machinery & Heavy Trucks, Fertilizers & Agricultural Chemicals or Packaged Foods & Meats.

Eligibility Factors

The universe is, then, narrowed down to an investable set of stocks based on the following criteria:

Market Capitalization. Stocks must have a total market capitalization above US\$ 500 million at each semi-annual rebalancing.

Liquidity. Stocks must have three-month average daily trading value above US\$ 2 million at each annual rebalancing.

Listing Venues. The stock must be trading on a U.S or a Canadian exchange. ADRs are included.

Stocks passing these criteria form the Selection Universe.

The rebalancing reference date is after the close of the last business day of April and October of each year. The market capitalization and liquidity criteria listed above are subject to change at each rebalancing according to market conditions.

Timing of Changes

Additions. Additions are made to the Index only at the time of the semi-annual rebalancing. To be eligible for addition to the index, a company must meet the investability criteria listed above.

Deletions. Deletions can occur due to acquisitions, mergers and spin-offs or due to bankruptcies or suspension. Companies may also be removed when they no longer represent the market.

Index Construction

Approaches

The methodology employs a modified market capitalization-weighting scheme, using the divisor methodology used in most Standard & Poor's equity indices.

There are two steps in the creation of the Index. The first is the selection of the 24 companies; the second is the weighting of the index constituents.

Constituent Selection

The selection of index constituents is done as follows:

1. All stocks in the Selection Universe are classified as being in one of the two clusters – (1) Producers, Distributors & Processors or (2) Equipment & Materials Suppliers. Cluster classification is based on their GICS Sub-Industry classification and their business operations within the Sub-Industry, defined as follows:

GICS Sub-Industry

Producers, Distributors & Processors	Equipment and Materials Suppliers
Agricultural Products	Construction & Farm Machinery & Heavy Trucks
Packaged Foods & Meats	Fertilizers and Agricultural Chemicals

Business Operations

Producers, Distributors & Processors	Equipment & Materials Suppliers
<ul style="list-style-type: none"> - Breeding and operation of livestock farms. - Production, processing and distribution of livestock cattle, pigs, hogs, poultry, and fish. - Processing livestock into value-added products. - Production and sale of animal feed. - Production, processing and refining of agricultural commodities and by-products. Buying, storing, transporting and distribution of agricultural commodities. Agricultural commodities include, but are not limited to, oilseeds, cocoa, palm oil, corn, cotton, wheat, oats, grain, soybeans, barley and edible nuts. - Harvesting and operation of agricultural facilities such as coffee and rubber plantations, cotton fields, mills and farms. 	<ul style="list-style-type: none"> - Production and sale of crop nutrients, potash, fertilizers and animal feed ingredients. - Production and sale of crop protection products such as herbicides and insecticides. - Development and production of seeds. - Manufacture and distribution of agricultural equipment. Agricultural equipment includes, but is not limited to, agricultural tractors, combine harvesters, hay and forage equipment, seeding and planting equipment, feed making equipment, tillage equipment, irrigation systems, pavers, spreaders and sprayers. Other related agricultural equipment includes those used in liquid injection and surface spreading of biosolids.

2. The 12 largest companies, as defined by total US\$ market capitalization, from each cluster will, then, form the index.

Constituent Weightings

At each rebalancing, the weight for each index constituent is set in the following manner:

1. Every stock is given an initial Index Capitalization (*IC*) equal to its market capitalization. The Maximum Weight (*MW*) is set to 10% for all stocks. The weight of a stock is defined as follows:

$$W_i = \text{Cluster Weight} * \text{Weight in Cluster}$$

where,

Cluster	Count	Weight
Producers, Distributors & Processors	12	50%
Equipment & Material Suppliers	12	50%

$$\text{Weight in Cluster} = \frac{IC_i}{\sum_{i=1}^N IC_i}$$

$N =$ Count of stocks in the respective cluster

2. The weight for each stock is calculated as follows:

$$\text{Weight of Stock}_i = \frac{IC_i}{\sum_{i=1}^N (IC)_i} * \text{ClusterWeight}$$

3. The IC for each stock is modified as follows:

If $\text{Weight of Stock}_i > MW$

$$\text{then } IC_i = IC_{i, \text{previous}} - (5\% * IC_{i, \text{previous}})$$

$$\text{else } IC_i = IC_{i, \text{previous}}$$

4. If, for every stock i , the $\text{Weight of Stock}_i < MW$ then the process is complete and the weights derived in step 2 are used. If not, steps 1-3 are repeated until all stocks meet the maximum weight requirements.

The MW parameter is the maximum weight of each stock at the rebalancing. This parameter can be changed depending upon market circumstances. Steps 1 through 3 modify the market cap-weighting scheme in a looped manner until the MW constraints are satisfied for all index constituents.

Index Calculations

The index is calculated by means of the divisor methodology used in most Standard & Poor's equity indices. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \frac{\text{Index Market Value}}{\text{Index Divisor}} \quad (1)$$

$$\text{Index Market Value} = \sum_{i=1}^N (\text{Index Shares})_i * (\text{Price})_i \quad (2)$$

For more information on the index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of Standard & Poor's Index Mathematics Methodology.

In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (3)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (4)$$

Index Maintenance

Rebalancing

Frequency. Index rebalancings occur after the closing on the third Friday of May and November of each year. The rebalancing reference date is after the close of the last business day of April and October of each year. The universe is sampled and constituents are selected and weighted at each semi-annual rebalancing.

Corporate Actions

Corporate Action	Adjustment made to the index	Divisor adjustment?
Spin-off	No weight change. The price is adjusted to the Price of the Parent Company minus (the Price of the Spun-off Company/Share Exchange Ratio). Index shares change so that the company's weight remains the same as its weight before the spin-off.	No
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Split	Index shares are multiplied by and the price is divided by the split factor.	No
Share Issuance or Share Repurchase	None. Actual shares outstanding of the company play no role in the daily index calculation.	No
Special Dividends	The price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Delisting, acquisition or any other corporate action resulting in the deletion of the stock from the S&P Agribusiness North American index	The stock is dropped from the Index. No intra-year replacements are made.	Yes

Base Date

The index base date is November 21, 2003. The base value, for both the price return and total return series, is 1000. Daily returns are available from November 21, 2003.

Index Data

Total Return and Net Return Indices

The index has a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date t :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (5)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (6)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex-dividends})_{i,t} / \text{Divisor}_t \quad (7)$$

There is also a net return index series, which adds dividends after adjustments for withholding taxes based on a Luxembourg domicile. Effectively, the net return index adds index dividend points, as in Equation 7, except that the Ex-dividends term is multiplied by (100% - withholding tax rate).

Index Governance

Index Committee

An Index Committee maintains the S&P Agribusiness North America Index. The Committee meets regularly. At each meeting, the Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

Standard & Poor's considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements

Index rebalancing announcements are made at 05:15 p.m. ET three-to-ten business days before the effective date on Standard & Poor's Web site at www.indices.standardandpoors.com.

No separate announcements are made for routine corporate actions whose index implications are discussed in this document.

Holiday Schedule

The S&P Agribusiness North America Index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when all exchanges where the S&P Agribusiness North America index constituents are listed are officially closed or if WM Reuters' exchange rates are not published.

A complete holiday schedule for the year is available on Standard & Poor's Web site at www.indices.standardandpoors.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, Standard & Poor's will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the primary exchange for each stock in the index. If an exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices. If all exchanges fail to open, Standard & Poor's may determine not to publish the index for that day.

Index Dissemination

Complete data for index replication (including share counts, tickers and data on index levels and returns) are available through Standard & Poor's index data group for subscription via FTP.

Tickers

	Bloomberg	Reuters
S&P North American Agribusiness Index (US\$)	SPAENAUP	.SPAENAUP
S&P North American Agribusiness Index (CAD)	SPAENACP	.SPAENACP

For further information, please refer to Standard & Poor's Web site at www.indices.standardandpoors.com.

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