

STANDARD
& POOR'S

S&P ASIA PROPERTY 40 INDEX

INDEX METHODOLOGY

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Introduction

The S&P Asia Property 40 Index is comprised of 40 leading listed Asian property companies that meet size, liquidity and stability requirements. The index is designed to provide liquid exposure to the leading publicly-listed companies in the Asian property and real estate markets.

Highlights

Index constituents must meet minimum size and liquidity requirements to ensure investability and tradability.

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

To ensure diversified exposure across the global property market, no single market has more than 15 stocks in the index, or represents more than 40% of the index.

Eligibility Criteria

Universe

The universe from which the S&P Asia Property 40 Index is drawn is the S&P/Citigroup Global Property Index. The S&P/Citigroup Global Property Index is comprised of more than 400 stocks in the S&P/Citigroup Global Broad Market Index that fall under the Real Estate Industry Group in the GICS[®] classification system.

Investability Criteria

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

Market Capitalization. Stocks must have a total market capitalization above the market capitalization threshold of US\$ 1 billion, as of the reference date of each year.

Liquidity. Stocks must have three-month average daily value traded above the liquidity threshold of US\$ 3 million, as of the reference date of each year.

Domicile & Location of Trading. Each stock's domicile must be an Asian country and its primary market listing must be an Asian market. To ensure tradability, local Indian listings and both Chinese A & B shares are currently ineligible for the index.

Stocks passing these criteria form the Selection Universe.

The reference date for the eligibility screens above is after the close of business on the third Friday of October. The market cap and liquidity thresholds are subject to change according to market conditions.

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 40 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 according to country of domicile. (China and Hong Kong are treated as separate countries.)
2. The 40 largest stocks will, then, form the index with no more than 15 stocks selected from any one country.

In the event of fewer than 40 qualifying stocks, subject to the country diversification criteria, the largest companies from the Investable Universe, not already in the index, are added until the count reaches 40.

Constituent Weightings

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

1. Every stock is given an initial Adjustment Factor (AF) of 1. A Maximum Weight (MW) in the index is set to 10%. The weight of a stock in the index is defined as follows:

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

Country Weight represents the cumulative index weight of the constituents from a given country, unless that weight exceeds 40%, in which case it is set at 40%.

$$\text{Weight in Country} = \frac{AF_i * \text{Market Cap}_i}{\sum_{i=1}^N (\text{Market Cap}_i * (AF)_i)}$$

$$N = \text{Count of stocks in the respective country}$$

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

$$W_i = \frac{AF_i * Market\ Cap_i}{\sum_{i=1}^N (Market\ Cap)_i * (AF)_i} * CountryWeight$$

3. The adjustment factor for each stock is modified as follows:

If $W_i \geq MW$

then $AF_i = AF_{i, previous} - (10\% * AF_{i, previous})$

else $AF_i = AF_{i, previous}$

4. If, for every stock $W_i < MW$, then the process is complete and the weights derived in step 2 are used. If not, steps 2 and 3 are repeated until all stocks meet the minimum weight requirement. (Note: No further adjustments are made for stocks where the AF has been reduced to 0.1)

The MW parameter is the maximum weight of each stock at the rebalancing. This parameter can be changed depending upon market circumstances at rebalancing. Steps 1 through 4 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 all Standard & Poor's equity indices. The index value is simply the index market value divided by the index divisor:

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

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.

$$(Index\ Value)_{before\ rebalancing} = (Index\ Value)_{after\ rebalancing} \quad (2)$$

Therefore,

$$(Divisor)_{after\ rebalancing} = \frac{(Index\ Market\ Value)_{after\ rebalancing}}{(Index\ Value)_{before\ rebalancing}} \quad (3)$$

Index Maintenance

Rebalancing

Index rebalancings occur after the closing on the third Friday of November of every year. The rebalancing reference date is after the close on the third Friday of October.

Base Date

The index base date is October 18th, 2002. The base value, for both the price return and total return series, is 1000. Daily returns are available from October 18th, 2002.

Index Actions

S&P/Citigroup Global Property Index Action	Adjustment made to the index	Divisor adjustment?
Constituent deletion	If the constituent is a member of the index, it is dropped.	Yes
Share changes between quarterly share adjustments	None.	No
Periodic share or float factor changes	None.	No

Corporate Actions

Corporate Action	Adjustment made to index	Divisor adjustment?
Spin-off	No weight change. The price is adjusted to the Price of the Parent Company minus (Price of Spin-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 (Price of 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 price is divided by the split factor.	No
Share Issuance or Share Repurchase	None.	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

Index Data

Total Return and Net Return Indices

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

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (4)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (5)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex - dividends})_{i,t} / \text{Divisor}_t \quad (6)$$

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 6, except that the Ex-dividends term is multiplied by (100% minus withholding tax rate).

Index Governance

Index Committee

An Index Committee maintains the S&P Asia Property 40 Index. The committee meets regularly. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition, 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

Announcements of additions and deletions are made at 05:15 PM U.S. Eastern Time.

Holiday Schedule

The S&P Asia Property 40 Index is calculated daily on all business days of the year with no exceptions.

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

Index Data

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

Index	Bloomberg	Reuters
S&P Asia Property 40 Index Price Return (USD)	SPP4ADP	
S&P Asia Property 40 Index Price Return (Euro)	SPP4AEP	
S&P Asia Property 40 Index Total Return (USD)	SPP4ADT	
S&P Asia Property 40 Index Total Return (Euro)	SPP4AET	

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

S&P Contact Information

Index Management

David M. Blitzer, Ph.D. – Managing Director & Chairman of the Index Committee
david_blitzer@standardandpoors.com +1.212.438.3907
Andrew Webb – Director, Index Services
andrew_webb@standardandpoors.com +86.10.6569.2919

Product Management

Tim Eisenhauer – Vice President, Strategy & Custom Indices
tim_eisenhauer@standardandpoors.com +1.212.438.7575

Media Relations

David Guarino – Communications
dave_guarino@standardandpoors.com +1.212.438.1471

Index Operations & Business Development

North America

New York – Client Services
index_services@sandp.com +1.212.438.2046

Toronto
Jasmit Bhandal +1.416.507.3203

Europe

London
Susan Fagg +44.20.7176.8888

Asia

Tokyo
Seiichiro Uchi +813.4550.8568

Beijing
Andrew Webb +86.10.6569.2919

Sydney
Guy Maguire +61.2.9255.9822

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