

STANDARD
& POOR'S

S&P EXTENDED FRONTIER 150

INDEX METHODOLOGY

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Introduction

The S&P Extended Frontier 150 is comprised of the largest and most liquid companies from frontier markets. These markets tend to be relatively small, less liquid and information is generally less available than in other markets. Though not included in any standard emerging market series, they represent an investment opportunity and have been known to provide respectable returns. The index constituents have, however, been carefully selected to ensure that only the “Blue Chips” of these markets make it into the index.

This S&P Extended Frontier 150 is designed to meet the increasingly sophisticated needs of global investors, who are seeking to expand into less known markets that have a potential for return similar to or greater than other better known emerging markets.

Highlights

The S&P Extended Frontier 150 consists of the 150 largest and most liquid companies from over 30 countries. The index constituent universe is drawn from markets such as Bahrain, Botswana, Bulgaria, Cambodia, Colombia, Cote d’Ivoire, Croatia, Estonia, Georgia, Jordan, Kazakhstan, Kenya, Kuwait, Qatar, the United Arab Emirate (UAE), Vietnam and many others. The index uses a modified market capitalization scheme to ensure that no country has a weight greater than 15% in the index and no security is over 10% of the index.

The markets are components of the S&P Frontier BMI Indices. In the event that any of these markets graduates to the S&P/IFCI, it will be removed from the S&P Extended Frontier 150 candidate’s universe.

Eligibility Criteria

Index Eligibility

The universe from which index candidates are drawn includes all publicly listed companies from those markets in the S&P Frontier BMI Indices. In addition, candidate stocks are researched in order to find large and liquid companies from non-S&P Frontier BMI markets. The result of such research yields companies from countries such as Cambodia, Cyprus and Georgia. In the cases of multiple listings, the listing with the largest liquidity is selected; in some cases this means the GDR or foreign listing.

Eligibility Factors

Market Capitalization. All companies must have at least US\$ 50 million in float-adjusted market capitalization, defined at the share class level, as of the data reference date prior to the annual index reconstitution.

Liquidity. All index constituents must have a minimum value traded of US\$ 25 million for the preceding six months, as of the data reference date prior to the annual index reconstitution. To ensure the highest liquidity possible, value traded from multiple listings are analyzed for each company. Only the listing with the highest liquidity is selected in the final round.

Days Traded. All index constituents must have traded 10 or more days over each of the previous six months prior to the rebalancing.

Pricing. Only those stocks whose real time stock pricing is available on Reuters are considered for inclusion.

Investability. Markets that have broad foreign investment restrictions are excluded. Saudi Arabia currently applies such restrictions and is not included in this index universe.

Domicile. A stock's domicile is determined by a number of factors, including country of incorporation, primary exchange, liquidity, geographic source of revenues, geographic location of assets, and the headquarters of the company. In today's complex world of multinationals there are no straightforward answers and each stock is decided on a case-by-case basis. The countries included in the index universe are:

Markets in Index Universe			
Bahrain	Georgia	Mauritius	Sri Lanka
Bangladesh	Ghana	Namibia	Trinidad & Tobago
Botswana	Jamaica	Nigeria	Tunisia
Bulgaria	Jordan	Oman	U.A.E.
Cambodia	Kazakhstan	Pakistan	Ukraine
Colombia	Kenya	Panama	Vietnam
Cote d'Ivoire	Kuwait	Qatar	Zimbabwe
Croatia	Latvia	Romania	
Ecuador	Lebanon	Slovak Republic	
Estonia	Lithuania	Slovenia	

The S&P Extended Frontier 150 might include a stock whose issuing company is headquartered in a frontier market but which is listed only on foreign exchanges, such as Cambodian securities listed in Hong Kong or companies that trade primarily or exclusively in the form of GDRs. Generally, these stocks are considered domiciled in their home market.

Eligible Securities. A major element of construction in this Index is the inclusion of all institutionally investable stocks in each of the frontier countries reviewed. All equity share classes, which meet market capitalization and liquidity requirements, are included in the selection universe.

Sector Classification. Since this is a liquidity and size driven index, sector plays a lesser role in the selection of constituents. Nevertheless, whenever multiple stocks meet the necessary inclusion criteria the final selection may come down to Sector representation.

Stocks are classified by the Global Industry Classification Standard (GICS[®]) – a four-tiered industry classification structure. Standard & Poor's global indices provide geographic and economic balance across the 10 GICS Sectors. These Sectors, consistent across all Standard & Poor's indices, are Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities.

Multiple Share Classes. For market capitalization measurement purposes, this Index uses shares by class or series in determining shares outstanding. If a class of shares is selected for the S&P Extended Frontier 150 principally due to its trading activity, but other share classes of the same issuer are not selected, only the selected share class' market capitalization is included in the S&P Extended Frontier 150, not the company's entire share capital.

Shares Outstanding. All investable primary market share classes are included in the S&P Extended Frontier 150. All ordinary share classes, except fixed dividend shares, are eligible for inclusion in the index. Each share class is weighted according to a unique Investable Weight Factor (IWF), designed to measure shares available to the public (float).

Timing of Changes

The index is rebalanced once a year in January using the last business day of the preceding December as the reference date. The annual rebalancing is effective after the market close on the last business day of January. In mid-July, the index weights are reviewed to ensure that no country represents more than 15% and that no security represents more than 10% of the index. If necessary, a recapping will be performed and become effective after the close of the last business day of July to bring the index weights down to the required levels. New constituents and index weights will be made available to clients 5 business days prior to the rebalancing date.

Additions. No companies are added between rebalancings.

Deletions. Between rebalancing periods, a company may be deleted from the S&P Extended Frontier 150 due to corporate events such as mergers, acquisitions, takeovers, delistings or the removal of the stock from the S&P Frontier BMI Index.

Index Construction

Approaches

The S&P Extended Frontier 150 employs a modified market capitalization-weighting scheme, using the divisor methodology used in Standard & Poor's equity indices.

The methodology stipulates that, at the annual rebalancing and at the mid year review, no individual country can have a weight of more than 15% and no stock can have a weight of more than 10% in the index. In order to uphold these parameters, the index uses a modified market capitalization-weighting scheme. Modifications are made to market cap weights, if required, to reflect available float, and reduce single country and stock concentration.

Index Calculations

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

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

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.

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

Therefore,

$$\frac{(\text{Divisor})_{\text{after rebalancing}}}{(\text{Index Market Value})_{\text{after rebalancing}}} = \frac{1}{(\text{Index Value})_{\text{before rebalancing}}} \quad (3)$$

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

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

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

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

The tax rate refers to withholding taxes on dividends imposed on a Luxembourg based holding company investing as a non-resident investor. Standard & Poor's may revise these rates annually in the second quarter of the year. The principal source for the rates is the annual Ernst & Young Worldwide Corporate Tax Guide. Standard & Poor's also consults other sources.

Index Dividend Points will be zero on those dates in which no basket constituents are going ex-dividends, while on other dates it will be a positive number. Therefore, returns calculated from Total Return Index Value will always be greater than or equal to returns from the Index Value.

Index Maintenance

Rebalancing

The S&P Extended Frontier 150 is rebalanced once a year in January and index weights are reviewed in July. The annual rebalancing of the index is effective after the market close of the last business day of January. The mid-year recapping, if necessary, is effective after the market close of the last business day of July. The data reference dates are the last business day of the prior December, for the annual rebalancing, and the second Friday of July, for the mid-year review. New constituents and index weights are made available to clients 5 business days prior to the rebalancing date.

Base Date

The base value of the S&P Extended Frontier 150 is 1000 on January 31, 2005. Index history begins on January 31, 2005. Daily price returns, total returns and net returns are available starting from that date.

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 (the 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 before the rights issuance 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 Reduction	None	No
Special Dividends	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 ex-date.	Yes
Delisting	The stock is removed. No replacements are made.	Yes
Merger or acquisition	If the surviving company is already an index member, it is retained in the index. If the surviving company does not belong to one of the eligible countries as required in the criteria, it is removed.	Yes, if there is a removal.

Exchange Rate

WM/Reuters foreign exchange rates are taken daily at 4:00 PM Greenwich Mean Time (GMT) and used in the calculation of the S&P Emerging Market equity indices. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

Investable Weight Factor (IWF)

IWFs are updated at the time of the annual reconstitution. The availability factor for each company is obtained from generally available annual reports, share registrars, stock exchanges, published handbooks, and press announcements. Research is also conducted to update restrictions imposed on foreign ownership. All holdings are identified and segregated on a “best efforts” basis.

Please refer to the Appendix I for an explanation of the Investable Weight Factor (IWF) and float shares.

Index Data

Total Return and Net Return Indices

Both a price return and a total return index series are calculated. Cash dividends are applied on the ex-date of the dividend.

Standard & Poor's calculates daily total return series for the S&P Extended Frontier 150 using both gross and net cash dividends reinvested. Net reinvested return is reflective of the return to an investor where dividends are reinvested after the deduction of a withholding tax. The tax rate applied is the rate to non-resident institutions that do not benefit from double taxation treaties. The net reinvested return series approximates the returns available to an investor based in Luxembourg, reflecting the minimum possible dividend reinvestment since the highest rates are theoretically applied to Luxembourg-based investors. The rates applied are the current effective rates and are sourced from Ernst & Young's Worldwide Corporate Tax Guide and the Economic Intelligence Unit. These rates are maintained and updated to reflect any ongoing changes.

Index Governance

Index Committee

An S&P Index Committee maintains the index. The Index Committee members are all full-time professional members of Standard & Poor's staff. The Index Committee meets as needed. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, share counts, the liquidity requirements, minimum market capitalization requirements, maximum country and share weights, or other matters. In the rare event that less than 150 stocks qualify for inclusion at the rebalancing, Standard & Poor's may modify the criteria to include multiple share classes or reduce the market cap limit, in that order.

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

Rebalancing results, which may include additions, deletions and weight changes; recapping, which may result in revised index weights; other intra-rebalancing deletions; and any other relevant news affecting this Index, will be normally announced two-to-five days ahead of the effective date. These announcements are posted on the Web site and sent to clients by email.

All index announcements are via Standard & Poor's Web site at www.indices.standardandpoors.com.

Holiday Schedule

The index is calculated daily, throughout the calendar year. Provided at least one component exchange is open and trading.

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 exchange listing included 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 Precision

The level of precision for index calculation is as follows:

- Index values are published rounded to two decimal places.
- Share prices are rounded to six decimal places.
- Shares outstanding are expressed in units.
- Investable Weight Factors are rounded to four decimal places.
- Exchange rates are stated to four decimal places.
- Market capitalization is stated to two decimal places.
- Index values are calculated to five decimal places.

Index Dissemination

Index Products

Daily data are available through Standard & Poor's FTP server as well as Standard & Poor's Web site www.indices.standardandpoors.com.

Significant news about index level revisions or constituent changes is released to subscribers by e-mail and Standard & Poor's Web site at www.indices.standardandpoors.com.

Tickers

Index returns are available on most vendor platforms.

Index	Bloomberg
S&P Extended Frontier 150 USD	SPIFCXF
S&P Extended Frontier 150 Total Return USD	SPIFCXFT
S&P Extended Frontier 150 Net Return USD	SPIFCXFN

FTP

Daily stock level, index data and corporate action files are available via FTP on subscription.

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

Appendix

Explanation of Investable Weight Factor (IWF) or Float Shares

$IWF = 1 - \Sigma$ % held by strategic shareholders

All issues in the S&P Extended Frontier 150 series are assigned a float factor, called an investable weight factor or IWF. The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The company's adjusted market capitalization determines an equity issue's relative weight in the index.

Standard & Poor's identifies three types of shareholders whose holdings are considered to be control blocks and subject to float adjustment:

1. Holdings by other publicly traded corporations, venture capital firms, private equity firms/strategic partners or leveraged buy-out groups.
2. Holdings by government entities, including all levels of government (restricted only to governments of domestic listing markets).
3. Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders. Secondly, holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

The holdings within each group form a cumulative total. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that cumulative group will be excluded from the float-adjusted count of shares to be used in index calculations. To arrive at the 10% and over calculations, individual holdings below 5% will be ignored. Holdings under 5% will only be taken into account if they belong to clearly related shareholders like family members or board members. This rule has been adopted to provide a level playing field for all countries, as reporting requirements differ widely between markets.

Additionally, statutory limits on foreign ownership are recognized and applied where necessary. Corporate charter or government decree may limit the total amount of shares that non-domiciled investors may own. Case-by-case research is needed to assess the impact of large foreign holdings within a foreign ownership restriction.

Some Exceptions to the Rule:

Holdings by investors whose interests are not strategic in nature but are for investment purposes will be ignored completely. These include mutual funds, pension funds, and other institutional investors. It is common for domestic and international fund managers to have exposures in companies which put them in the category of ‘block owners’ by most definitions. However, the nature of the funds management business is plainly to buy and sell shares when there is value in doing so, and not to seek control or remove shares from circulation. Ordinarily these shares are considered part of float. The following ‘block owners’ will not be subject to a float adjustment:

- a. Holdings by Depositary Banks
- b. Pension Funds
- c. Mutual funds
- d. 401K plans of the company
- e. Government Pension Funds
- f. Insurance Companies
- g. Investment Funds
- h. Independent Foundations
- i. Savings and Investment Plans
- j. Rights/Warrants

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