

**STANDARD
& POOR'S**

S&P GCC 40

INDEX METHODOLOGY

July 2009

Table of Contents

Introduction	3
Highlights	3
Eligibility Criteria	4
Eligibility Factors	4
Timing of Changes.	4
Index Construction	5
Approaches	5
Constituent Selection	5
Constituent Weightings	6
Index Calculations	7
Index Maintenance	8
Rebalancing	8
Base Date	8
Exchange Rate	8
Index Actions	9
Index Data	10
Total Return and Net Return Indices	10
Index Governance	11
Index Committee	11
Index Policy	12
Announcements	12
Holiday Schedule	12
Unscheduled Market Closures	12
Index Dissemination	13
Tickers	13
FTP	13

S&P Contact Information	14
Index Management	14
Media Relations	14
Index Operations & Business Development	14
Disclaimer	15

Introduction

The Gulf Cooperation Council (GCC) is a trade bloc made up of six countries located in the Persian Gulf region: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. These countries have recently been experiencing strong economic growth, making the GCC equity markets an increasingly attractive investment opportunity. The S&P GCC 40 provides exposure to 40 of the largest, most liquid companies trading on the primary exchange of these countries.

Highlights

To provide broad exposure across GCC countries, the index limits the number of companies from any single country to 12 and requires that every country be represented in the index.

Saudi Arabia is excluded at this time, as the market is not accessible to foreign investors. This is subject to change in the future based on legal and market-based developments.

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

The index uses a modified market capitalization-weighting scheme. Modifications are made to market capitalization weights, if required, to reflect available float, reduce single stock and single country concentration and enhance index basket liquidity.

Eligibility Criteria

Eligibility Factors

Market Capitalization. Stocks must have a float-adjusted market capitalization above US\$ 200 million.

Liquidity. Stocks must have three-month average daily value traded above US\$ 1 million.

Domicile. Companies must be domiciled in Bahrain, Kuwait, Oman, Qatar, or the United Arab Emirates.

Timing of Changes.

The index is rebalanced twice a year in February and August. The semi-annual rebalancing of the index is effective after the market close of business of the first Tuesday of February and August. The reference date for the data used in the review is the last trading date of the prior December and June, respectively. New constituents will be made available to clients with a one-week notice.

Additions. No companies are added between rebalancings.

Deletions. Between rebalancings, a company can be deleted from the S&P GCC 40 due to corporate events such as mergers, acquisitions, delistings or a significant event that affects company size and liquidity.

Index Construction

Approaches

The S&P GCC 40 methodology employs a modified market capitalization-weighting scheme, using the divisor methodology used in most Standard & Poor's equity indices.

At each rebalancing, modifications are made to market capitalization weights, if required, to reflect available float, reduce single stock concentration and enhance index basket liquidity as follows:

- No stock can have a weight of more than 8% in the Index,
- No country can have a weight of more than 40% in the Index, and
- The minimum initial portfolio size that can be turned over in a single day (based on recent trading volumes) cannot be lower than US\$ 200 million.

There are two steps in the creation of the S&P GCC 40. The first is the selection of the 40 companies; the second is the weighting of the index constituents.

Constituent Selection

1. The initial selection universe consists of all constituents of the S&P GCC Investable Index.
2. The average three-month daily value traded (hereafter referred to as “liquidity”) and the float-adjusted market capitalization (hereafter referred to as “market cap”) are measured, as of the reference date.
3. All stocks with a market cap of less than US\$ 200 million (the “Market Cap Threshold”) and/or liquidity of less than US\$ 1 million (the “Liquidity Threshold”) are removed.
4. The remaining stocks are sorted in decreasing order of their float-adjusted market capitalization. The top forty become index members, subject to the constraint that there can be no more than twelve companies from any particular country and that each country is represented in the index.
5. After the selection of the initial forty constituents, if one or more countries are not represented in the index, the stock with the largest float-adjusted market capitalization from such country(ies) is selected for inclusion. The constituent(s) with the smallest float-adjusted market capitalization from the initial selection pool will be removed, to keep the number at 40.

6. If any particular country's company count exceeds twelve the next largest eligible stock from a country that does not yet have twelve constituents is chosen.

The Market Cap Threshold and Liquidity Threshold are subject to change based on market conditions. If there are not a minimum of forty eligible companies at the time of the review one or more of the eligibility requirements may be relaxed to ensure forty constituents.

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 float-adjusted market capitalization. Basket Liquidity (BL), Maximum Weight (MW) and Maximum Country Weight (CW) are set to US\$ 200 million, 8% and 40%, respectively. The weight of the i^{th} stock in the index is defined as follows:

$$W_i = \frac{IC_i}{\sum_{i=1}^{40} (IC)_i}$$

$$W_c = \sum W_i \text{ for all companies with country } C.$$

2. Trade size, S , is calculated for each stock as follows:

$$S_i = L_i/W_i$$

where L_i is the liquidity of the i^{th} stock, as defined by the three-month average daily value traded.

3. For individual stock constraints, the IC for each stock i is, then, modified as follows:

If $W_i > MW$ and/or $S_i < BL$

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

Else $IC_i = IC_{i, previous}$

4. For country weight constraints, the IC for each stock i is, then, modified as follows:

If $W_c \geq CW$

Then $IC_i = IC_{i, previous} - (5\% * IC_{i, previous})$, for every stock in country C .

Else $IC_i = IC_{i, previous}$

5. If, for every stock $W_i < MW$, $W_c < CW$ and $S_i > BL$, then the process is complete and the weights derived in steps 1 and 2 are used. If not, steps 3 and 4 are

repeated until all stocks and countries meet the maximum weight and basket liquidity requirements.

The basket liquidity (*BL*) parameter essentially sets a limit of the minimum portfolio size that must be turned over in a single day, based on the historical average value-traded pattern. The maximum weight (*MW*) parameter is the maximum weight of each stock at the rebalancing. The country weight (*CW*) parameter is the maximum weight of each country at the rebalancing. Steps 1 through 4 modify the market cap-weighting scheme in a looped manner until the *CW*, *MW* and *BL* constraints are satisfied for all index constituents.

The basket liquidity, maximum weight and maximum country weight constraints are subject to change based on market conditions. If the basket liquidity rule cannot be satisfied for all index constituents, after all possible iterations are completed, one or more of these constraints may be changed to ensure that the constraint is satisfied for all 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:

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

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,

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

Index Maintenance

Rebalancing

The index is rebalanced semiannually in February and August. The rebalancing of the index is effective after the market close of business of the first Tuesday of each of these months. The data reference dates are the last business day of the prior December and June, respectively. New constituents and index weights will be made available to clients with a one-week notice.

Base Date

The base value of the S&P GCC 40 is 100 on July, 31, 2005. Data history begins and daily returns are available starting from that date.

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 indices. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

Index 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	No weight change. 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 price is divided by the split factor.	No
Share Issuance or Reduction	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 ex-date.	Yes
Delisting	The stock is removed. No replacements are made.	Yes
Significant event that effects company size and liquidity	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 or does not maintain the exchange listing included in the index, it is removed. An announcement will be made in other cases.	Yes, if there is a removal.

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 GCC 40 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.

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

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

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

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

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 the Total Return Index Value will always be greater than or equal to returns from the Index Value.

Index Governance

Index Committee

The S&P GCC 40 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 Threshold, the Market Cap Threshold, Basket Liquidity and Maximum Weight, or other matters. In the rare event that less than 40 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. No separate announcements are made for routine corporate actions whose index implications are discussed in this document. If required, special or unusual events may warrant a posting on the aforementioned Web site.

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. The only days the index is not calculated are on days when all exchanges where the S&P GCC 40 index constituents are listed are officially closed or if WM Reuters' exchange rates services 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 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 Dissemination

Tickers

Index returns are available on most vendor platforms. Bloomberg and Reuters tickers are as follows:

Index	Bloomberg	Reuters
S&P GCC 40	SPTGC4DP	.SPTGC4DP
S&P GCC 40 Total Return	SPTGC4DT	.SPTGC4DT
S&P GCC 40 Net Total Return	SPTGC4DN	.SPTGC4DN
S&P GCC 40 EUR	SPTGC4EP	.SPTGC4EP
S&P GCC 40 EUR Total Return	SPTGC4ET	.SPTGC4ET
S&P GCC 40 EUR Net Total Return	SPTGC4EN	.SPTGC4EN

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.

S&P Contact Information

Index Management

David M. Blitzler, Ph.D. – Managing Director & Chairman of the Index Committee	
david_blitzler@standardandpoors.com	+1.212.438.3907
Julia Sanchez-Aronhalt – Index Manager	
julia_sanchez@standardandpoors.com	+1.212.438.1331

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
-------------	-----------------

Disclaimer

Copyright © 2009 by The McGraw-Hill Companies, Inc. Redistribution, reproduction and/or photocopying in whole or in part is prohibited without written permission. All rights reserved. “S&P” and “Standard & Poor’s” are registered trademarks of Standard & Poor’s Financial Services LLC. This document does not constitute an offer of services in jurisdictions where Standard & Poor’s or its affiliates do not have the necessary licenses. Standard & Poor’s receives compensation in connection with licensing its indices to third parties. All information provided by Standard & Poor’s is impersonal and not tailored to the needs of any person, entity or group of persons. Standard & Poor’s and its affiliates do not sponsor, endorse, sell, promote or manage any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of any Standard & Poor’s index. Standard & Poor’s is not an investment advisor, and Standard & Poor’s and its affiliates make no representation regarding the advisability of investing in any such investment fund or other vehicle. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this presentation. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by Standard & Poor’s to buy, sell, or hold such security, nor is it considered to be investment advice. Standard & Poor’s does not guarantee the accuracy and/or completeness of any Standard & Poor’s index, any data included therein, or any data from which it is based, and Standard & Poor’s shall have no liability for any errors, omissions, or interruptions therein. Standard & Poor’s makes no warranties, express or implied, as to results to be obtained from use of information provided by Standard & Poor’s and used in this service, and Standard & Poor’s expressly disclaims all warranties of suitability with respect thereto. While Standard & Poor’s has obtained information believed to be reliable, Standard & Poor’s shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages, even if it is advised of the possibility of same. These materials have been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. Standard & Poor’s makes no representation with respect to the accuracy or completeness of these materials, the content of which may change without notice. The methodology involves rebalancings and maintenance of the indices that are made periodically during each year and may not, therefore, reflect real time information. Analytic services and products provided by Standard & Poor’s are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor’s has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process. Standard & Poor’s and its affiliates

provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process.