STANDARD & POOR'S

S&P GLOBAL INFRASTRUCTURE SHARIAH INDEX

INDEX METHODOLOGY

October 2007

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Introduction

In 2006, Standard & Poor's introduced the S&P Shariah Indices. Shariah is Islamic canonical law, which observant Muslims adhere to in their daily lives. Shariah has certain strictures regarding finance and commercial activities permitted for Muslims. Over the last few years, the demand for Shariah compliant financial products has increased.

Recognizing the high demand for indices, which are a real gauge of the global equity markets and have well-established standards, Standard & Poor's has applied Shariah screens to the S&P Global Infrastructure Index to create the S&P Global Infrastructure Shariah Index.

The S&P Global Infrastructure Index is comprised of 75 of the largest publicly listed global infrastructure companies that meet specific investability requirements. The Index is designed to provide liquid exposure to the leading publicly listed companies in the global infrastructure industry, from both developed markets and emerging markets.

By screening out stocks that are not Shariah compliant, the S&P Global Infrastructure Shariah Index, with the top 20 compliant stocks, is the ideal investment vehicle for observant Muslims to invest in the infrastructure sector.

Shariah Screening

Standard & Poor's has contracted with Ratings Intelligence Partners (RI) to provide the Shariah screens and filter the stocks based on these screens. Ratings Intelligence Partners is a London/Kuwait-based consulting company specializing in solutions for the global Islamic investment market. Its team consists of qualified Islamic researchers who work directly with a Shariah Supervisory Board. It is continually working with regional banks to create Shariah-compliant equity products and expand investment offerings.

RI works with a Shariah Supervisory Board, which is a board of Islamic scholars serving to interpret business issues and recommend actions related to business decisions for the indices. The members are:

- Dr. Muhammad Ali Elgari – PhD in Economics from the University of California, U.S.A.
- Dr. Abdul Sattar Abu Ghuddah – PhD in Islamic Law from Al Azhar University, Cairo, Egypt.
- Dr. Nazih Hammad – PhD in Islamic Law from the University of Cairo, Egypt.
- Dr. Mohammad Amin Ali-Qattan – PhD in Islamic Banking, University of Birmingham, United Kingdom.

Highlights

- The S&P Global Infrastructure Index is screened for Shariah compliance.
- Index constituents must meet minimum size and liquidity requirements to ensure investability and tradability.
- The top 20 Shariah complaint companies from the S&P Global Infrastructure Index form the index.
- Shariah compliance is measured according to the strictest standards observed by Middle Eastern countries.
- The indices are screened for compliance on a periodic basis.
- No single stock has a weight of more than 10% in the Index.
- Stocks are reweighted each month to ensure regulation to the 10% capping requirements.

Index Family

The index belongs to S&P family of Shariah indices. The first such launch was based on the S&P 500, the S&P Europe 350 and the S&P Japan 500, covering three major regions of equity investing. Subsequently several other regions have been targeted, including the Gulf Cooperation Council (GCC), the Pan Asia large cap sector, global property markets, the Middle East & North Africa (MENA) and the Emerging markets, using the relevant Standard & Poor's underlying benchmark indices.

Representation

Each parent index is representative of its sector, while remaining highly liquid and investable. Historical performance analysis indicates that there is a high level of correlation between the underlying indices and the Shariah compliant indices.

Eligibility Criteria

Sector-Based Screens

Business activities related to the following are excluded:

1. Pork
2. Alcohol
3. Gambling
4. Financials
5. Advertising and Media (newspapers are allowed, sub-industries are analyzed individually)
6. Pornography
7. Tobacco
8. Trading of gold and silver as cash on a deferred basis

During the selection process, each company's audited annual report is reviewed to ensure that the company is not involved in any non-Shariah compliant activities. Those that are found to be non-compliant are screened out. The above industries are not considered Islamic and would not be appropriate for investment for observant Muslims.

Accounting-Based Screens

After removing companies with non-compliant business activities, the rest of the companies are examined for compliance to financial ratios, as certain ratios may violate compliance measurements. Three areas of focus are leverage, cash, and the share of revenues derived from non-compliant activities. All of these are subject to evaluation on an ongoing basis.

Leverage Compliance. This compliance is measured as:

Debt / Market Value of Equity (12 Month average) < 33 %;

Cash Compliance. There are compliances with reference to cash holdings. These are:

Accounts Receivables / Market Value of Equity (12 Month average) < 49 %;

(Cash + Interest Bearing Securities) / Market Value of Equity (12 Month average) <33%;

Revenue Share from Non-Compliant Activities. In certain cases, revenues from non-compliant activities are permissible, if they comply with the following threshold:

(Non-Permissible Income other than Interest Income) / Revenue < 5%

Dividend Purification Ratio. This ratio is provided to investors for purification purposes, it is calculated as:

Dividends * (Non Permissible Revenue / Total Revenue)

Index Eligibility

The stocks are, first, constituents of the parent indices. They are, then, screened for Shariah compliance. Only those stocks that are compliant remain in the Shariah compliant indices.

The principal universe from which the S&P Global Infrastructure Index is drawn is the S&P/Citigroup Global Broad Market Index (BMI). The BMI comprises all investable, index eligible countries in the world that meet minimum size and liquidity requirements. Currently there are approximately 11,000 index members representing 27 Developed and 26 Emerging Market countries.

The infrastructure clusters are chosen based on the Global Industry Classification Standard (GICS®), as follows:

GICS	Description	Infrastructure Cluster
10102040	Oil & Gas Storage & Transportation	Energy
20305010	Airport Services	Transportation
20305020	Highways & Railtracks	
20305030	Marine Ports & Services	
55101010	Electric Utilities	Utilities
55102010	Gas Utilities	
55103010	Multi Utilities	
55104010	Water Utilities	

Companies belonging to the above GICS sub–industries become the universe for the S&P Global Infrastructure Index.

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 a Market Capitalization Threshold as of the reference date of each year. The Market Capitalization Threshold is currently US$ 100 million.

Liquidity. Stocks must have three-month average daily trading value above a Liquidity Threshold as of the reference date of each year. The Liquidity Threshold is currently US$ 1 million for developed markets and US$ 500,000 for emerging markets, as of the reference date of each year.

Domicile. The stocks' domicile must be a developed market country or an emerging market country with a liquid developed market listing.

Stocks passing these criteria form the Investable Universe.

The reference date for the eligibility screens for the S&P Global Infrastructure Index is the third Friday of October of each year. The Market Capitalization Threshold and Liquidity Threshold are subject to change on an annual basis according to market conditions.

Timing of Changes

In general, additions and deletions coming from changes in Shariah compliance will be made to the Shariah indices once a month, typically the third Friday of the month.

The parent S&P Global Infrastructure Index is screened daily to monitor changes in compliance. At each rebalancing, the top 20 compliant companies, by market capitalization, form the Shariah index.

Once a year after the closing of the third Friday of November, the S&P Global Infrastructure is rebalanced for the addition of new constituents and the removal of ineligible constituents. The Shariah index will reflect changes that occur due to this rebalancing as soon as practical.

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 20 companies; the second is the weighting of the index constituents. The selection of index constituents is done as follows:

1. The 75 members of the S&P Global Infrastructure Index serve as the universe for the S&P Global Infrastructure Shariah Index.
2. The universe is then screened for Shariah compliance and the 20 largest securities are chosen to create the Index.

Constituent Weightings

No single stock can have a weight of more than 10% in the index. The third Friday of each month, stocks are recapped to bring them back to the 10% weight, if needed.

1. Every stock is given an initial Index Capitalization (IC) equal to its float-adjusted market capitalization. A Maximum Weight (MW) is set to 10% for all stocks. The weight of the i^{th} stock in the index is defined as follows:

$$\textit{Weight of Stock}_i = IC_i \Big/ \sum_{i=1}^{20} (IC)_i$$

2. The IC for each stock is, then, modified as follows:

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

   then $IC_i = IC_{i,\,previous} - (10\% * IC_{i,\,previous})$

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

3. If every Weight of Stock_i < MW, then the process is complete and the weights derived in Step 2 are used. If not, Steps 1 and 2 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 at each rebalancing.

Steps 1 through 3 modify the market cap-weighting scheme in a looped manner until the MW constraints are satisfied for all index constituents.

Please refer to the Index Mathematics document for details on index level calculations.

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:

$$\text{Index Value} = \text{Index Market Value} \big/ \text{Index Divisor} \tag{1}$$

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

Index Shares are set at the time of rebalancing in the following manner, such that for the i^{th} constituent:

$$\text{Index Shares}_i = (1{,}000{,}000 * W_i) / \text{Price}_{\text{rebalancing day close}, i} \tag{3}$$

where W_i is the weight for the i^{th} constituent at the rebalancing as derived from the previous section, and $\text{Price}_{\text{rebalancing day close}, i}$ is its price at the close of the rebalancing date.

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

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \tag{4}$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = (\text{Index Market Value})_{\text{after rebalancing}} \big/ (\text{Index Value})_{\text{before rebalancing}} \tag{5}$$

Index Maintenance

Constituents of the S&P Global Infrastructure Shariah Index are also constituents of the underlying S&P Global Infrastructure Index. As such, specific changes to index constituents – such as price adjustments, rights issues, etc. –follow the policy of the S&P Global Infrastructure Index.

Corporate Actions

Maintaining the S&P Shariah indices includes monitoring and completing the adjustments for company additions and deletions, stock splits, stock dividends, rights issues, and stock price adjustments due to restructurings, spin-offs or special dividends.

Corporate actions such as splits, stock dividends, spin-offs, rights offerings, and share changes are applied on the ex-date.

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 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 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

Corporate Action	Adjustment made to index	Divisor adjustment?
Delisting due to corporate event such as merger, acquisition or takeover.	The stock is dropped from the Index as soon as practical. No intra-rebalancing replacements are made.	Yes
Additions or deletions due to Shariah compliance	Shariah compliance reviews are executed monthly resulting on the removal of non-compliant securities and the inclusion of newly compliant stocks. An announcement will be made to all clients beforehand.	Yes
Monthly weight capping	Stock weights are reviewed every month to check for any weights above the 10% threshold. If necessary, weights are recalculated to bring these down to the set threshold.	Yes

Please refer to the Index Mathematics document for a summary of index maintenance adjustments.

Compliance Audit

As soon as any new information regarding a constituent company is collected, compliance is reviewed. RI provides the compliance data to Standard & Poor's via a monthly compliance report. A daily screening report is checked by RI and provided to the Shariah supervisory board. A member of the Shariah board signs off on a monthly basis. Standard & Poor's reviews the monthly report and, accordingly, removes any existing constituents for non-compliance.

Currency of Calculation

The index is calculated in U.S. dollars.

Base Date

The base date for the index is December 31, 2006, with a base value of 1000.

Exchange Rate

Real-time spot Forex rates, as supplied by Reuters, are used for ongoing index calculation. The end-of-day value of the index is calculated using the real-time spot exchange rate provided by Reuters at the time the index is closed.

Index Data

Total Return and Net Return Indices

Standard & Poor's calculates daily total return series 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 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*:

$$\textit{Total Return Multiplier}_t = \frac{[\textit{Index Value}_t + \textit{Index Dividend Points}_t]}{\textit{Index Value}_{t-1}} \qquad (6)$$

$$\textit{Total Return Index Value}_t = (\textit{Total Return Index Value}_{t-1}) * (\textit{Total Return Multiplier}_t) \qquad (7)$$

$$\textit{Index Dividend Points}_t = \sum_{i=1}^{N} (\textit{Index Shares})_{i,t} * (\textit{Ex} - \textit{dividends})_{i,t} \Big/ \textit{Divisor}_t \qquad (8)$$

The net return index also adds index dividend points, as in Equation 8, except that the Ex-dividends term is multiplied by (100% - withholding tax rate).

Index Governance

Index Committee

Each of Standard & Poor's global indices is the responsibility of an Index Committee that monitors overall policy guidelines and methodologies, as well as additions to and deletions from these indices. The Index Committee is composed of Standard & Poor's staff specialized in the various regional equity markets. In some cases, regional Index Committees include non-S&P staff as minority members.

Decisions made by the Index Committee include all matters relating to index construction and maintenance. The Index Committee meets regularly to review market developments, and convenes as needed to address major corporate actions.

It is the sole responsibility of the Index Committee to decide on all matters relating to methodology, maintenance, constituent selection and index procedures. The Index Committee makes decisions based on all publicly available information and discussions are kept confidential to avoid any unnecessary impact on market trading. As the numbers of companies in the S&P global indices are often fixed, constituent changes are generally driven by mergers and acquisitions activities or the impairment of a stock's ability to reflect the market, due to a substantial change in size or liquidity.

Shariah Expertise

Standard & Poor's has contracted with Ratings Intelligence Partners which is a London/Kuwait based Shariah consultancy. The company was established in 2000 to develop leading-edge solutions for the global Islamic investment market. Its current focus is on consulting leading hedge fund organizations in the implementation of Shariah compliant hedge funds. The emphasis is presently on equity long/short strategies; however, work is underway to expand the process to other strategies, subject to Shariah approval.

The Shariah Supervisory Board

Dr. Muhammad Ali El-Gari.

- PhD in Economics from the University of California, California, United States.
- Professor of Islamic Economics, King Abdul Aziz University, Jeddah, Saudi Arabia.
- Former Director, Centre for Research in Islamic Economics, King Abdulaziz University.
- Member, Academic Committee, Islamic Development Bank, Jeddah.
- Member of Islamic Fiqh[1] Academy, Jeddah.
- Editor, Review of Islamic Economics, London (Journal of the International Association of Islamic Economics).
- Shariah board member for National Commercial Bank (Saudi Arabia), Citi Islamic Investment Bank (Saudi Arabia), Saudi American Bank, Saudi British Bank and Dow Jones Islamic Index (United States).

Dr. Abdul Sattar Abu Ghuddah.

- Holds Licenses in Islamic Law from Damascus University, Syria.
- PhD in Islamic Law from Al Azhar University, Cairo, Egypt.
- MSc in Islamic Law and Hadith.
- Shariah advisor of several Islamic financial, banking and governmental institutions.
- Advisor for Islamic Law Encyclopedia (Kuwait Awqaf Ministry).
- Shariah board member for Al-Baraka Islamic Investment Co (Saudi Arabia), Dow Jones Islamic Index (United States), Al-Tawfeek Co (Saudi Arabia) and SAMBA (Riyadh).

Dr. Nazih Hammad.

- PhD in Islamic Law from the University of Cairo, Egypt.
- Former Professor at the college of Shariah, Um Alqura University, Makkah Al Mukkarmah for 17 years.
- Member of the Islamic Fiqh[1] Academy, Jeddah, Saudi Arabia (Organization of Islamic Countries).
- Graduate of the University of Damascus, Syria.
- Shariah board member for Citi Islamic Investment Bank (Bahrain), Permal Asset Management (United States).

Dr. Mohammad Amin Ali Qattan.

- PhD in Islamic Banking from Birmingham University, UK and BA in Islamic Economics from Saudi Arabia.
- Director of the Islamic Economics Unit, College of Business Administration, Kuwait University.
- Faculty member at the American University of Cairo in 2006, Lecturer at the College of Trading Studies in Kuwait.
- Author and presenter of many articles and books in Islamic Economics, accredited trainer in the Islamic business field by many institutions inside and outside Kuwait.
- Member of Shari‘a Control Committees in many Islamic financial firms in Kuwait, USA, London, Geneva, Kenya and Bahrain.

Index Policy

Announcements

All additions, deletions, and weight changes are normally announced two-to-five days ahead of the effective date. These announcements are sent to clients by email.

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

Holiday Schedule

The S&P Global Infrastructure Shariah Index is calculated daily on all business days of the year, with no exceptions.

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

Recalculation Policy

Standard & Poor's attempts to avoid incorrect data that affects the indices on a best-efforts basis. Incorrect share calculations, corporate actions, and exchange rates are corrected immediately. However, index values are typically not corrected retroactively.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such 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 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 14 decimal places.
- Market capitalization is stated to four decimal places.
- Index values are calculated to 14 decimal places.

Index Dissemination

Market-sensitive announcements, including the additions or deletions of stocks in indices, are normally made when markets are closed. In general, announcements for markets in the U.S. are made at 05:15 PM Eastern Time; announcements for other indices are made at 04:15 PM Eastern Time.

Tickers

Daily index values, corporate actions, index weights and portfolios can be received via Standard & Poor's FTP site. Additionally, daily index values can be viewed on Bloomberg and Reuters. The tickers are as below:

Index	**Bloomberg**	**Reuters**
S&P Global Infrastructure Shariah USD	SPSHIF	.SPSHIF
S&P Global Infrastructure Shariah Total Return USD	SPSHIFT	.SPSHIFT
S&P Global Infrastructure Shariah Net Return USD	SPSHIFN	.SPSHIFN
S&P Global Infrastructure Shariah Euro	SPSHIFE	.SPSHIFE
S&P Global Infrastructure Shariah Total Return Euro	SPSHIFET	.SPSHIFET
S&P Global Infrastructure Shariah Net Return Euro	SPSHIFEN	.SPSHIFEN

FTP

Daily stock level and index data are available via FTP on subscription.

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
Alka Banerjee – Vice President, Global Index Management
alka_banerjee@standardandpoors.com +1.212.438.3536

Media Relations

David Guarino – Communications
dave_guarino@standardandpoors.com +1.212.438.1471

Index Operations & Business Development

North America
New York
Maureen O'Shea +1.212.438.2046
Wendy Chan +1.212.438.4080
Toronto
Tony North +1.416.507.3204
Europe
Paris
Christopher O'Brien +33.1.40.75.77.91
London
Susan Fagg +44.20.7176.8388
Asia
Tokyo
Seiichiro Uchi +813.4550.8568
Beijing
Andrew Webb +86.10.6569.2919
Sydney
Jason Hill +61.2.9255.9872

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