

STANDARD
& POOR'S

S&P GLOBAL PROPERTY 40 INDEX

INDEX METHODOLOGY

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Table of Contents

Introduction	3
Highlights	3
Eligibility Criteria	4
Universe	4
Investability Criteria	4
Stability Criteria	4
Index Construction	5
Approaches	5
Constituent Selection	5
Constituent Weightings	5
Index Calculations	6
Index Maintenance	7
Rebalancing	7
Base Date	7
Index Actions	7
Corporate Actions	7
Index Data	8
Total Return and Net Return Indices	8
Index Governance	9
Index Committee	9
Index Policy	10
Announcements	10
Holiday Schedule	10
Unscheduled Market Closures	10
Index Dissemination	11
Index Data	11

Tickers	11
S&P Contact Information	12
<hr/>	
Index Management	12
Product Management	12
Media Relations	12
Index Operations & Business Development	12
Disclaimer	13
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Introduction

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

Highlights

The S&P Global Property 40 Index includes 40 large, liquid property stocks from North America, Europe and Asia Pacific, which are trading on developed market exchanges.

Index constituents must meet minimum size and liquidity requirements to ensure investability and tradability. Constituents also need to have a stable record of earnings and dividends.

To ensure diversified exposure across the global property market, no single region has more than 20 or fewer than 5 stocks in the index.

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

Eligibility Criteria

Universe

The universe from which the S&P Global Property 40 Index is drawn is the S&P Global Property Index. The S&P Global Property Index is comprised of more than 400 stocks in the S&P Global Broad Market Index (BMI) 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 cap 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. The stocks' domicile must be a developed market country. This includes Australia, Canada, developed Europe, Hong Kong, Japan, New Zealand, Singapore and the U.S..

Stocks passing these criteria form the Investable Universe.

Stability Criteria

The stocks in the Investable Universe are then tested for earnings and dividend stability as follows:

Earnings Stability. Stocks must have non-negative earnings in the last fiscal year.

Dividend Stability: Stocks must have paid dividend in the last fiscal year.

Stocks passing these criteria form the Selection Universe.

The reference dates for the eligibility screens above are the third Friday of April and 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 as being in one of the three regions of North America, Europe or Asia.
2. The 40 largest stocks will, then, form the index such that no more than 20 and no fewer than 5 stocks are selected from any one region.

In the event of fewer than 40 qualifying stocks, subject to the geographical 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. Basket Liquidity (BL) and Maximum Weight (MW) are set to US\$ 400 million and 10%, respectively.
2. The weight for each stock in the index is calculated as follows:

$$W_i = \frac{AF_i * Market\ Cap_i}{\sum_{i=1}^{40} (Market\ Cap)_i * (AF)_i}$$

3. 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.

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

If $S_i < BL$ and/or $W_i \geq MW$

then $AF_i = AF_{i, previous} - 0.2$

else $AF_i = AF_{i, previous}$

5. If, for every stock, $S_i \geq BL$ and $W_i < MW$, then the process is complete and the weights derived in step 2 are used. If not, steps 2, 3 and 4 are repeated until all stocks meet the market cap and liquidity requirements. (Note: No further adjustments are made for stocks which have $AF = 0.2$).

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 MW parameter is the maximum weight of each stock at the rebalancing. These parameters can be changed depending upon market circumstances. Steps 1 through 5 modify the market cap-weighting scheme in a looped manner until the BL and 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:

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

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

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

Index rebalancings occur after the closing on the third Friday of May and November of every year. The rebalancing reference dates are the third Friday of April and October, respectively.

Base Date

The index base date is November 16, 2001. The base value, for both the price return and total return series, is 1000. Daily returns are available from November 16, 2001.

Index Actions

S&P Global Property Index Action	Adjustment made to the index	Divisor adjustment?
Constituent change	If the constituent is a member of the index, it is dropped.	Yes
Share changes between rebalancings	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	No weight change. The price is adjusted to Price of 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	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

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

Index Governance

Index Committee

The S&P Global Index Committee maintains S&P Global Property indices. The committee meets monthly. 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, 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

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

Holiday Schedule

The S&P Global 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 Global Property 40 Index Price Return (USD)	SPP4GDP	.SPP4GDP
S&P Global Property 40 Index Price Return (Euro)	SPP4GEP	.SPP4GEP
S&P Global Property 40 Index Total Return (USD)	SPP4GDT	.SPP4GDT
S&P Global Property 40 Index Total Return (Euro)	SPP4GET	.SPP4GET

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

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