STANDARD & POOR'S

S&P PAN ASIA DIVIDEND ARISTOCRATS

INDEX METHODOLOGY

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Introduction

Historically, dividends have contributed approximately a third of total equity returns while capital gains have contributed the remainder. Sustainable dividend income and capital appreciation potential are both important to total return expectations.

The S&P Pan Asia Dividend Aristocrats index is designed to measure the performance of the S&P Pan Asia Broad Market Index (BMI) constituents which have followed a managed-dividend policy of consistently increasing dividends every year for at least seven years.

Highlights

The S&P Pan Asia Dividend Aristocrats index is weighted by trailing annual dividend yield as of the rebalancing reference date. The Dividend Aristocrats constituent universe is reviewed once every year in December.

To ensure investability, a minimum market capitalization of US$1 billion and a minimum 3-month average daily value traded of US$3 million are required.

The index methodology incorporates concentration limits to prevent any stock from being more than 5% of the index weight at each annual rebalancing.

Index Family

The S&P Pan Asia Dividend Aristocrats Index belongs to the S&P Dividend Aristocrats index series. Other indices in this series are the S&P 500 Dividend Aristocrats, the S&P Europe 350 Dividend Aristocrats, the S&P/TSX Canadian Dividend Aristocrats, and the S&P High Yield Dividend Aristocrats Indices.

S&P 500 Dividend Aristocrats. The S&P 500 Dividend Aristocrats is designed to measure the performance of large cap, blue chip companies within the S&P 500 that have followed a managed-dividends policy of consistently increasing dividends every year for at least 25 years. The index is equal-weighted.

S&P Europe 350 Dividend Aristocrats. The S&P Europe 350 Dividend Aristocrats is designed to measure the performance of large cap, blue chip companies within the S&P Europe 350 that have followed a managed-dividends policy of consistently increasing dividends every year for at least 10 years. The index is equal-weighted.

S&P/TSX Canadian Dividend Aristocrats. The S&P/TSX Canadian Dividend Aristocrats is designed to measure the performance of S&P Canada Broad Market Index

(BMI) constituents which have followed a managed-dividends policy of consistently increasing dividends every year for at least seven years. The index is weighted by indicated annual dividend yield.

S&P High Yield Dividend Aristocrats. The S&P High Yield Dividend Aristocrats is designed to measure the performance of the 50 highest dividend yielding S&P Composite 1500 constituents, which have followed a managed-dividends policy of consistently increasing dividends every year for at least 25 years. The index is weighted by indicated annual dividend yield.

Eligibility Criteria

Index Eligibility

To qualify for membership in the S&P Pan Asia Dividend Aristocrats, the company must satisfy the following criteria:

Index Membership. The company's security is a common stock or income trust listed on a Pan Asia exchange and a constituent of the S&P Pan Asia Broad Market Index.

Market Capitalization. The security must have a total market capitalization above US$1 billion as of the rebalancing reference date of each year.

Liquidity. The security must have three-month average daily trading value above US$3 million as of the reference date of each year.

Dividend History. The security has increased ordinary cash dividends every year for at least seven consecutive years.

Dividend analysis each year is based on the 12-month period ending November 30th, using dividend ex-dates throughout the year. The data are reviewed every December. New members are added to the S&P Pan Asia Dividend Aristocrats on the close of the 3rd Friday of December based on a review of the dividend payments of all constituent of the S&P Pan Asia BMI.

Only ordinary dividend payments are considered; special dividends or returns of capital are not considered in the dividend calculations. Evaluations are made on a best-effort basis using the S&P Pan Asia BMI stock level dividend history and other market data sources.

Timing of Changes

Rebalancing. Index constituent membership is reviewed once a year in December. The reference date for such additions and deletions is after the closing of the last trading date of November. Index constituent changes occur after the closing of the 3rd Friday of December, when the new constituents are weighted according to their trailing annual dividend yield as of November 30th.

Additions. At each December rebalancing, a company is added to the index if it is a constituent of the S&P Pan Asia BMI, meets the market capitalization and liquidity requirements listed above, and has increased dividends every year for at least seven consecutive years. In the event that a company has more than one class of common shares listed on the Pan Asia exchanges, the more liquid class will be used for index inclusion.

No additions are made to the index between rebalancings.

Deletions. Index constituents may be deleted from the index for the following reasons:

- During the December rebalancing, if the company's calendar year dividends did not increase from the previous calendar year, or if it no longer meets market capitalization and liquidity eligibility requirements.
- Between rebalancings, if the stock is removed from the S&P Pan Asia BMI.

Index Construction

Index Calculations

The index is calculated by means of the divisor method used for all Standard & Poor's equity indices. The initial divisor is set to have a base index value of 1000 on December 21, 2001. The index value is simply the index market value divided by the index divisor:

$$\textit{Index Value} = \textit{Index Market Value} \big/ \textit{Index Divisor} \qquad (1)$$

At each annual rebalancing, each constituent is assigned a weight factor, W_i, proportional to its indicated yield on the Reference Date.

$$W_{i,\text{after rebalancing}} = (\textit{Yield})_{i,\text{Reference Date}} \,/\, (\textit{Price})_{i,\text{Rebalancing Date}} \qquad (2)$$

For more information on the index calculation methodology, please refer to the Modified Market Capitalization Weighted Indices section of Standard and Poor's Index Mathematics Methodology.

In order to maintain index series continuity, it is also necessary to adjust the divisor.

$$(\textit{Index Value})_{\text{before rebalancing}} = (\textit{Index Value})_{\text{after rebalancing}} \qquad (3)$$

therefore,

$$(\textit{Divisor})_{\text{after rebalancing}} = (\textit{Index Market Value})_{\text{after rebalancing}} \big/ (\textit{Index Value})_{\text{before rebalancing}} \qquad (4)$$

Index Maintenance

Major Rebalancing

The index undergoes a major rebalancing once a year in December. The following steps are taken during the December rebalancing:

1. All companies in the qualifying universe are ranked in decreasing order of trailing annual dividend yield.
2. Index members are weighted according to their trailing annual dividend yield as shown in Equation 2.

Concentration Limits

Limits are also placed on stock concentration. At each rebalancing no single stock has a weight in the index of more than 5%. This prevents the index weight being concentrated in a few names. If the weight is greater than 5%, the stock's weight is reduced until the weight criterion is satisfied. The remaining weight is distributed proportionately among the other index constituents.

Base Date

Daily returns are available from December 21, 2001. The base value for the price return, total return and net return series starting on that date is 1000. The index is calculated on an end-of-day basis.

Currency of Calculation

The S&P Pan Asia Dividend Aristocrats is calculated in US Dollars and Euros. All prices are converted from local currency to US Dollars or Euros using TTM daily rates. Calculations in other currencies and hedged calculations are available from Standard & Poor's on a custom basis.

Index Adjustments

Security action	Adjustment made to Aristocrats	Divisor adjustment for Aristocrats
Constituent change	If the constituent being deleted from the S&P Pan Asia BMI is a member of the Aristocrats, then it is removed from the Aristocrats index.	A divisor adjustment is made to ensure the index level after the deletion is equal to the index level before the deletion.
Share changes between quarterly share adjustments	None.	None.
Quarterly share changes	There is no direct adjustment. However, on the same date the index rebalancing will take place, weights are assigned as per Equation 2.	The rebalancing causes an adjustment as calculated in Equation 4.

Corporate Actions

Corporate Action	Adjustment made to Aristocrats	Divisor adjustment for Aristocrats
Spin-Off	No weight change. The price is adjusted to Price of the Parent Company minus (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.	None.
Rights Offering	The price is adjusted to the Price of Parent Company minus (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.	None.
Stock Split	Index Shares are multiplied by and price is divided by the split factor.	None.
Share Issuance or Share Repurchase	None.	None.
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.

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*:

$$Total\ Return\ Multiplier_t = \frac{[Index\ Value_t + Index\ Dividend\ Points_t]}{Index\ Value_{t-1}} \qquad (5)$$

$$Total\ Return\ Index\ Value_t = (Total\ Return\ Index\ Value_{t-1}) * (Total\ Return\ Multiplier_t) \qquad (6)$$

$$Index\ Dividend\ Points_t = \sum_{i=1}^{N} (Index\ Shares)_{i,t} * (Ex - dividends)_{i,t} \Big/ Divisor_t \qquad (7)$$

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

An Index Committee maintains the S&P Pan Asia Dividend Aristocrats Index. The Index Committee meets regularly. 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

All corporate actions that reflect changes to index constituents are normally announced five days ahead of the effective date. These announcements are posted on the Web site and details are sent to clients by email.

Rebalancings are announced via Standard and Poor's Index Services Web site at www.indices.standardandpoors.com.

Holiday Schedule

The S&P Pan Asia Dividend Aristocrats index is calculated daily on all business days of the year.

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

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

Indices	**Bloomberg**	**Reuters**
S&P Pan Asia Dividend Aristocrats - Price Return (USD)	SPDGPAUP	.SPDGPAUP
S&P Pan Asia Dividend Aristocrats - Total Return (USD)	SPDGPAUT	.SPDGPAUT
S&P Pan Asia Dividend Aristocrats - Net Return (USD)	SPDGPAUN	.SPDGPAUN
S&P Pan Asia Dividend Aristocrats - Price Return (EURO)	SPDGPAEP	.SPDGPAEP
S&P Pan Asia Dividend Aristocrats - Total Return (EURO)	SPDGPAET	.SPDGPAET
S&P Pan Asia Dividend Aristocrats - Net Return (EURO)	SPDGPAEN	.SPDGPAEN

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