STANDARD & POOR'S

S&P POWERPICKS INDICES

INDEX METHODOLOGY

July 2008

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Introduction

S&P PowerPicks represent the collective ‘best ideas’ of Standard & Poor’s equity research staff. Each of the contributing equity industry analysts considers the stocks included in the PowerPicks portfolios to be those best positioned for superior growth from each analyst’s coverage universe. The PowerPicks portfolios are diversified across all of the ten S&P economic sectors, as defined by the Global Industry Classification Standard (GICS®).

The constituents of the US PowerPicks and Global Picks portfolios are determined at the beginning of each year and are held in the portfolio until year-end. The constituents of the Mid-Year Global Picks portfolios are determined at the end of June and are held in the portfolio until the end of the following June.

Highlights

The PowerPicks Indices are designed to reflect the performance of the equity research group’s PowerPicks recommendations. The indices offer a passive means of tracking active security selection value generated by Standard & Poor's analysts. The indices are equal-weighted, with constituents being reviewed and re-weighted on an annual basis.

Eligibility Criteria

The S&P Global PowerPicks and the S&P Mid-Year Global PowerPicks Indices

The indices are comprised of the corresponding list of S&P Global PowerPicks chosen once a year by Standard & Poor's equity research group. Each annual portfolio is comprised of 30 stocks – 10 each from North America, Europe and Asia.
The S&P Global PowerPicks Index is comprised of the S&P Global Picks chosen at the end of each year. The S&P Mid-Year Global PowerPicks Index is comprised of the S&P Global Picks chosen at the end of each June.

Eligibility Factors

Market Capitalization. All index constituents must have at least US$ 2 billion in float-adjusted market capitalization, defined at the share class level, as of the reference date.

Liquidity. All index constituents must have a minimum average daily value traded of US$ 2 million for the preceding three months, as of the reference date.

Domicile and Exchange Listing. Companies domiciled in a developed market country and trading on a major developed market exchange are eligible. Emerging market companies are eligible if they have an ADR or GDR listed on a major developed market exchange. Companies listed on major exchanges in the following countries are eligible:

Developed Market Countries			
Australia	France	Italy	Singapore
Austria	Germany	Japan	Spain
Belgium	Great Britain	Netherlands	Sweden
Canada	Hong Kong	Norway	Switzerland
Denmark	Iceland	Portugal	United States
Finland	Ireland		

The S&P US PowerPicks Index

The index is comprised of the corresponding list of S&P US PowerPicks chosen once a year by Standard & Poor's equity research group. Each annual portfolio is comprised of forty stocks.

Eligibility Factors

Market Capitalization. All index constituents must have at least US$ 2 billion in float-adjusted market capitalization, defined at the share class level, as of the year-end prior to the annual index reconstitution.

Liquidity. All index constituents must have a minimum average daily value traded of US$ 2 million for the preceding three months, as of the year-end prior to the annual index reconstitution.

Exchange Listing. All constituents must be listed on a major US exchange.

Timing of Changes

The S&P Global PowerPicks Index and the S&P US PowerPicks Index are rebalanced annually in January. The rebalancing of the indices is effective after the market close of the third Friday in January. The S&P Mid-Year Global PowerPicks Index is rebalanced annually in July. The rebalancing of the index is effective after the market close of the third Friday in July. New constituents and index weights are made available to clients at least two weeks in advance.

Additions. No companies are added between rebalancings.

Deletions. Between rebalancing periods, a company may be deleted from the indices due to corporate events such as mergers, acquisitions, takeovers or delistings.

Index Construction

Approaches

The index is calculated using the divisor method commonly used for S&P equal-weighted indices.

Constituent Weightings

Index constituents are re-weighted to equal weights on an annual basis.

Index Calculations

The Index Value is simply the index market value divided by the index divisor:

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

The indices are rebalanced once a year after the close of trading on the third Friday of January for the S&P Global PowerPicks Index and the S&P US PowerPicks Index, and after the close of trading on the third Friday of July for the S&P Mid-Year Global PowerPicks Index. At each rebalancing, all index constituents are assigned equal weights.

For information on the calculation of equal weighted indices, please refer to S&P Index Mathematics Methodology.

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

$$(\textit{Index Value})_{\textit{before rebalancing}} = (\textit{Index Value})_{\textit{after rebalancing}} \quad (5)$$

Therefore,

$$(\textit{Divisor})_{\textit{after rebalancing}} = (\textit{Index Market Value})_{\textit{after rebalancing}} \big/ (\textit{Index Value})_{\textit{before rebalancing}} \quad (6)$$

Index Maintenance

Rebalancing

The S&P Global PowerPicks Index and the S&P US PowerPicks Index are rebalanced annually in January. The rebalancing of the indices is effective after the market close of the third Friday January. The S&P Mid-Year Global PowerPicks Index is rebalanced annually in July. The rebalancing of the index is effective after the market close of the third Friday in July. New constituents and index weights are made available to clients at least two weeks in advance.

Base Date

The indices are set to have a base index value of 100 as of the following dates:

Index	Base Date
S&P Global PowerPicks Index	January 21, 2005
S&P Global Mid-Year PowerPicks Index	July 20, 2007
S&P US PowerPicks Index	January 17, 1997

Corporate Actions

Corporate Action	Adjustment made to the index	Divisor adjustment
Spin-Off	The price is adjusted to the Price of the Parent Company minus (Price of Spin-off company/Share Exchange Ratio). The IWF changes so that the weight of the company is the same as before the spin-off.	None.
Rights Offering	The price is adjusted to the Price of the Parent Company minus (Price of the Rights Offering/Rights Ratio). The IWF changes so that the weight of the company is the same as before the rights offering.	None.
Stock Split	Index Shares are multiplied by and the price is divided by the split factor.	None.
Share Issuance or Share Repurchase	None. Actual shares outstanding of the company play no role in the daily index calculation.	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.	A divisor adjustment is made to ensure the index level after the price adjustment is equal to the index level before the price adjustment.

Source: Standard & Poor's.

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 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,

$$Total\ Return\ Multiplier_t = \frac{[Index\ Value_t + Index\ Dividend\ Points_t]}{Index\ Value_{t-1}} \qquad (6)$$

$$Total\ Return\ Index\ Value_t = (Total\ Return\ Index\ Value_{t-1}) * (Total\ Return\ Multiplier_t) \qquad (7)$$

$$Index\ Dividend\ Points_t = \sum_{i=1}^{N} (1 - Tax\ Rate_{i,t}) * Index\ Shares_{i,t} * (Ex - dividends)_{i,t} \Big/ Index\ Divisor_t \qquad (8)$$

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

An Index Committee maintains the S&P PowerPicks Index Series. The Committee meets regularly. At each meeting, the 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 5:15 p.m. ET via www.indices.standardandpoors.com.

Holiday Schedule

The indices are calculated daily, throughout the calendar year. The only days an index is not calculated are on days when all exchanges where the 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 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

	Bloomberg	**Reuters**
S&P Global PowerPicks Index	SPPPGP	.SPPPGP
S&P Global PowerPicks Total Return Index	SPPPGT	.SPPPGT
S&P Global PowerPicks Net Total Return Index	SPPPGN	.SPPPGN
S&P Mid-Year Global PowerPicks Index	SPPPGMP	.SPPPGMP
S&P Mid-Year Global PowerPicks Total Return Index	SPPPGMT	.SPPPGMT
S&P Mid-Year Global PowerPicks Net Total Return Index	SPPPGMN	.SPPPGMN

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