STANDARD & POOR'S

S&P RUSSIA 10 INDEX

INDEX METHODOLOGY

October 2008

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Introduction

The S&P Russia 10 Index provides tradable exposure to 10 leading Russian stocks available to foreign investors through London listings.

Highlights

The index includes 10 of the largest publicly-traded Russian companies trading on the London International Order Book.

Constituent weights are driven by liquidity, with no single stock having a weight of more than 15% in the index at each semi-annual index rebalancing. An evolutionary, algorithm-driven optimization is used to maximize index basket liquidity at each rebalancing.

Index Family

The S&P Russia 10 Index belongs to the family of 10 stock indices, providing liquid exposure to single markets. Other indices in this series are the S&P India 10, the S&P Overseas China 10, the S&P Saudi Arabia 10 and the S&P Vietnam 10.

Eligibility Criteria

Index Eligibility

All Russian companies traded in London are eligible for inclusion in the S&P Russia 10 Index.

Eligibility Factors

After the initial selection of stocks as defined above, the universe is, then, narrowed down to an investable set of stocks based on the following criteria:

Liquidity. Each eligible stock must have three-month average daily trading value traded (ADTV) above US$ 3 million as of each rebalancing reference date.

Trading History. Each eligible stock must have been trading for at least three months prior to the rebalancing reference date.

Exchange Listing. Companies must be listed on the London International Order Book (IOB). Companies listed on the London International Order Book Unregulated (IOBU) are excluded from the index.

Stocks passing these criteria form the Selection Universe. The rebalancing reference dates are the last trading date of June and December.

Index Construction

Approaches

The S&P Russia 10 index methodology employs a liquidity-driven weighting scheme, using the divisor methodology used in Standard & Poor's equity indices.

There are two steps in the creation of the Index. The first is the selection of the 10 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 sorted in decreasing order of their three-month average float-adjusted market capitalization. When available the float market cap of the local Russian listing underlying the GDR is used.
2. The 10 largest stocks, then, form the index.

Constituent Weightings

The weight for each index constituent is set at each rebalancing, using an optimization algorithm that has the following constraints and goals:

Constraints

1. No stock has a weight of more than 15% at each rebalancing.
2. The sum of the weights of stocks with weight equal to 15% is less than or equal to 60% of the index.

Goals

1. Maximize basket liquidity.

$$\text{\textit{Basket Liquidity}} = \frac{L_i}{W_i} \tag{1}$$

where:

L_i is the liquidity of the i^{th} stock, as defined by the three-month ADTV.

$$W_i \quad = \quad \frac{FloatAdjustedMarketCap_i}{\sum_{i=1}^{10} FloatAdjustedMarketCap_i} \qquad (2)$$

2. Basket liquidity is based on historical value traded and represents the maximum size of the basket that can be traded if 100% of the market volume is demanded for the smallest volume stock in the index. Mathematically, it is defined as the minimum of (*ADVT/Index Weight*) for every constituent.

Given the non-smooth nature of the optimization problem, the optimization is done using a non-deterministic, evolutionary algorithm that switches over to a traditional method on an as-needed basis. Standard & Poor's uses publicly available commercial software to optimize the index basket (Premium Solver Platform™ Version 6.5 from Frontline Systems).

Index Calculations

The index is calculated by means of the divisor methodology used in most Standard & Poor's equity indices. The index value is simply the index market value divided by the index divisor:

$$Index\ Value \quad = \quad {}^{Index\ Market\ Value}\!\big/_{Index\ Divisor} \qquad (3)$$

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.

$$(Index\ Value)_{before\ rebalancing} = \quad (Index\ Value)_{after\ rebalancing} \qquad (4)$$

Therefore,

$$(Divisor)_{after\ rebalancing} \quad = \quad {}^{(Index\ Market\ Value)_{after\ rebalancing}}\!\big/_{(Index\ Value)_{before\ rebalancing}} \qquad (5)$$

Index Maintenance

Rebalancing

Frequency. Index rebalancings occur after the closing on the third Friday of January and July of each year. The reference dates are the last trading day of December and June, respectively. The universe is sampled and constituents are selected and weighted at each semi-annual rebalancing.

Corporate Actions

Corporate Action	Adjustment made to the 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 the 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
Delisting or acquisition	The stock is dropped from the Index. No intra-rebalancing replacements are made.	Yes

Base Date

The index base date is July 21, 2006. The base value, for both the price return and total return series, is 1000. Daily returns are available from July 21, 2006.

Index Data

Total Return Index

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*:

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

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

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

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 Russia 10 Index. 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

Index rebalancing announcements are made at 05:00 p.m. London time three-to-ten business days before the effective date on Standard & Poor's Web site at www.indices.standardandpoors.com.

No separate announcements are made for routine corporate actions whose index implications are discussed in this document.

Pricing

The pricing of index constituents is taken from the stocks included in the index – specifically their London IOB market listing.

To arrive at the membership and weightings, all calculations are made in U.S. dollars. The index is calculated in U.S. dollars. The closing value for the index is calculated after London market close.

Holiday Schedule

The S&P Russia 10 Index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when the London International Exchange is officially closed.

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 Russia 10 Index	SPSCRUUP	.SPSCRUUP
S&P Russia 10 Index (TR)	SPSCRUUT	.SPSCRUUT
S&P Russia 10 Index (Net TR)	SPSCRUUN	.SPSCRUUN
S&P Russia 10 Index (EUR)	SPSCRUEP	.SPSCRUEP
S&P Russia 10 Index (EUR) (TR)	SPSCRUET	.SPSCRUET
S&P Russia 10 Index (EUR) (Net TR)	SPSCRUEN	.SPSCRUEN

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
Kirsty Knight – Director, Europe Index Operations
kirsty_knight@standardandpoors.com +44.20.7176.8441

Media Relations

David Guarino – Communications
dave_guarino@standardandpoors.com +1.212.438.1471

Index Operations & Business Development

North America
New York
David Kao +1.212.438.3354
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

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