

**STANDARD
& POOR'S**

S&P SELECT FRONTIER

INDEX METHODOLOGY

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Introduction

The S&P Select Frontier index is comprised of the largest and most liquid companies from countries that have smaller economies or less developed capital markets than traditional emerging markets and are, therefore, excluded from most emerging market benchmarks and investment funds.

Highlights

- The S&P Select Frontier index consists of 40 of the largest and most liquid companies from markets excluded from the S&P/IFCI Emerging Markets Index.
- Constituents include listings in London, Hong Kong and New York, as well as local listings from markets generally accessible to foreign investors. This excludes markets that lack Reuters real-time pricing, have high foreign investment restrictions or high capital gains taxes, have low overall market liquidity, limited currency markets or have high foreign portfolio investment risk.
- At each rebalancing, to be eligible for the Index a stock must have a minimum float-adjusted market capitalization of US\$ 100 million, a minimum average daily value traded of US\$ 1 million and a minimum of 15 days traded over each of the previous six months.
- The Index uses a modified market capitalization-weighting scheme. Modifications are made to cap weights, if required, to reflect available float, reduce single stock concentration and enhance index basket liquidity.

Related Indices

S&P/IFCG Extended Frontier 150 Index -- The S&P/IFCG Extended Frontier 150 consists of the 150 largest and most liquid companies from over 30 countries. The index constituent universe is drawn from markets such as Bahrain, Botswana, Bulgaria, Cambodia, Colombia, Cote d'Ivoire, Croatia, Estonia, Georgia, Jordan, Kazakhstan, Kenya, Kuwait, Qatar, the United Arab Emirate (UAE), and Vietnam, among others.

S&P/IFCG Frontier Market Index -- Frontier markets are not currently included in the S&P/IFCG Composite Index and are not considered “investable” under Standard & Poor’s definition, although they may be open to foreign portfolio investment under certain conditions. Standard & Poor’s calculates Frontier Market indices for Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania, Slovenia, the Slovak Republic and the Ukraine in Europe; Botswana, Côte d’Ivoire, Ghana, Kenya, Lebanon, Tunisia, Mauritius, and Namibia in the Middle East and Africa; Ecuador, Jamaica, and Trinidad & Tobago in Latin America and the Caribbean; and Bangladesh and Vietnam in Asia.

S&P/IFCI Emerging Market Index -- The S&P/IFCG (Global) indices are the core of the S&P family of emerging market indices. All the constituents of the S&P/IFCI (Investable) indices are selected from constituent members of the S&P/IFCG indices. The S&P/IFCI indices are designed to measure the type of returns foreign portfolio investors might receive from investing in emerging market securities that are legally and practically available to foreign holders.

Eligibility Criteria

Index Eligibility

The universe from which index candidates are drawn includes all publicly listed companies from those markets in Standard & Poor's Emerging Market Data Base (EMDB) which are not included in the S&P/IFCI. In addition, other potential candidate stocks are researched in order to find large and liquid companies from non-EMDB markets. The result of such research yielded companies from countries such as Cambodia, Cyprus, Kazakhstan and Panama. In the cases of multiple listings, the listing with the highest liquidity is selected; in some cases this means the GDR or foreign listing.

The index excludes the local listings of stocks from countries that may present significant problems for a foreign investor. Some reasons for a country to be excluded include high foreign investment restrictions, high capital gains taxes, low overall market liquidity, limited currency markets and high foreign portfolio investment risk. Companies from these countries may, however, be eligible for inclusion if they also have a foreign listing or ADR/GDR listing on a developed market exchange.

Eligibility Factors

Market Capitalization. All companies must have at least US\$ 100 million in float-adjusted market capitalization, defined at the share class level, as of the data reference date prior to the semi-annual index reconstitution.

Liquidity. All index constituents must have a minimum average daily value traded of US\$ 1 million for the preceding 6 months, as of the data reference date prior to the semi-annual index reconstitution.

Days Traded. All index constituents must have traded 15 or more days over each of the previous six months prior to the rebalancing.

Domicile. All markets, except those falling into the categories below, are considered for inclusion.

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- Markets that have high foreign investment restrictions or high capital gains taxes.
- Markets that have low overall market liquidity.
- Markets that have limited currency markets in their local currency.
- Markets that have high foreign portfolio investment risk.

This results in the following list of countries eligible either through local markets or through developed market listings:

Local Markets in the Index Universe			
Bahrain	Jordan	Pakistan	Vietnam
Bulgaria	Kuwait	Romania	
Colombia	Nigeria	Sri Lanka	
Croatia	Oman	U.A.E.	

Frontier Markets Eligible through ADRs, GDRs or H Shares			
Bangladesh	Ghana	Namibia	Ukraine
Cambodia	Jamaica	Panama	Zimbabwe
Cote d'Ivoire	Kazakhstan	Qatar	
Cyprus	Kenya	Slovenia	
Ecuador	Lebanon	Sri Lanka	
Estonia	Lithuania	Trinidad & Tobago	
Georgia	Mauritius	Tunisia	

The S&P Select Frontier index might include a stock whose issuing company is headquartered in an emerging market but which is listed only on foreign exchanges, such as Cambodian securities listed in Hong Kong or Kazakhstan companies that trade primarily or exclusively in the form of GDRs. Generally, these stocks are considered domiciled in their home market.

Public Float Available to Foreign Investors. If a stock has foreign investment restrictions, it is considered for inclusion only if its foreign investment limit has not been met.

Timing of Changes

The index is rebalanced twice a year in January and July. The semi-annual rebalancing of the index is effective after the market close of the last trading date of January and July. The reference date for the data used in the review is the last trading date of December and June, respectively. New constituents and index shares will be made available to clients with a one-week notice.

Additions. No companies are added between rebalancings.

Deletions. Between rebalancing periods, a company may be deleted from the S&P Select Frontier index due to corporate events such as mergers, acquisitions, takeovers or delistings.

Index Construction

Approaches

The S&P Select Frontier index is calculated by means of the divisor methodology used in most Standard & Poor's equity indices.

The index uses a modified market capitalization-weighting scheme. Modifications are made to market cap weights, if required, to reflect available float, reduce single stock concentration and enhance index basket liquidity as follows:

- No stock can have a weight of more than 8% in the Index
- No country can have more than 5 constituents or a weight more than 30% in the Index
- The minimum initial portfolio size that can be turned over in a single day (based on recent trading volumes) cannot be lower than US\$ 200 million.

There are two steps in the creation of the S&P Select Frontier index. The first is the selection of the companies; the second is the weighting of the index constituents

Constituent Selection

All constituents of S&P/IFCG Extended Frontier 150 comprise the initial selection universe.

1. Average three-month daily value traded (hereafter referred to as the "Liquidity Threshold"), float-adjusted market capitalization (hereafter referred to as the "Market Cap Threshold"), and the number of days traded over each of the last six months (hereafter referred to as the "Days Traded Threshold"), as of the reference date, are measured.
2. All local listings, except those markets listed in the prior section, are removed.
3. All stocks with a market capitalization of less than US\$ 100 million (the "Market Cap Threshold"), liquidity of less than US\$ 1 million (the "Liquidity Threshold"), and/or at least one month of fewer than 15 days traded (the "Days Traded Threshold") are removed.
4. If a company has multiple share classes, the share class with the lower liquidity is removed.
5. The remaining stocks are sorted in decreasing order of their float-adjusted market capitalization. The top thirty become index members, subject to the constraint that there cannot be more than five companies from any one country.

The Market Cap Threshold, Liquidity Threshold, Days Traded Threshold and number of constituents are subject to change based on market conditions.

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), Maximum Weight (MW) and Maximum Country Weight (CW) are set to US\$ 200 million, 8% and 30%, respectively.
2. The weight for each stock in the index is calculated as follows:

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

$$W_c = \sum W_i \text{ for all companies within country } C.$$

$$N = \text{Number of constituents}$$

3. Basket Liquidity S_i , 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 six-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 $AF_i = AF_{i, previous} - 0.05$

Else $AF_i = AF_{i, previous}$

5. The adjustment factor for the Maximum Country Weight is modified as follows:

If $W_i \geq CW$

Then $AF_i = AF_{i, previous} - 0.05$, for every stock i in country C

Else $AF_i = AF_{i, previous}$

6. If, for every stock, $S_i \geq BL$, $W_i < MW$, and $W_c < CW$ then the process is complete and the weights derived in step 2 are used. If not, steps 2, 3, 4 and 5 are repeated until all stocks meet the weight and liquidity requirements, and each country meets the maximum country weight requirement. (Note: No further adjustments are made for stocks which have $AF=0.05$).

The basket liquidity (BL) parameter essentially sets a limit on 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. The CW parameter is the maximum weight of each country at the rebalancing. Steps 1 through 6 modify the market cap-weighting scheme in a looped manner until the BL and

MW constraints are satisfied for all index constituents, and the CW constraint is satisfied for all countries.

The basket liquidity, maximum weight and maximum country weight constraints are subject to change based on market conditions. If the basket liquidity rule cannot be satisfied for all index constituents after all possible iterations are completed, one or more of these constraints may be changed to ensure that the constraint is satisfied for all constituents.

Index Calculations

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

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

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

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

$$\text{Index Shares}_i = \frac{(1000000 * W_i)}{\text{Price}_{\text{rebalancing day close}, i}} \quad (3)$$

where W_i is the weight for the i^{th} constituent at the rebalancing as described 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.

Therefore,

$$\frac{(\text{Divisor})_{\text{after rebalancing}}}{(\text{Index Market Value})_{\text{after rebalancing}}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (4)$$

Index Maintenance

Rebalancing

The index is rebalanced semi-annually in January and July. The rebalancing is effective after the market close of the last business day of each of these months. The data reference dates are the last business day of the prior December and June, respectively. New constituents and index weights will be made available to clients with a one-week notice.

Base Date

The base value of the S&P Select Frontier index is 1000 on January 31, 2007. Index history begins on January 31, 2007. Daily price returns, total returns and net returns are available starting from that date.

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 (the 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	The price is adjusted to the Price before the rights issuance 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 Reduction	None	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 ex-date.	Yes
Delisting	The stock is removed. No replacements are made.	Yes
Merger or acquisition	If the surviving company is already an index member, it is retained in the index. If the surviving company does not belong to one of the eligible countries, as required in the criteria, it is removed.	Yes, if there is a removal.

Exchange Rate

WM/Reuters foreign exchange rates are taken daily at 4:00 PM Greenwich Mean Time (GMT) and used in the calculation of the US\$ and Euro indices. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

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 for the S&P Select Frontier index 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 ,

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

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

$$Index\ Dividend\ Points_t = \sum_{i=1}^N (1 - Tax\ Rate_{i,t}) * Index\ Shares_{i,t} * (Ex - dividends)_{i,t} / Index\ Divisor_t \quad (7)$$

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

The S&P/IFC Index Committee maintains the index. The Index Committee members are all full-time professional members of Standard & Poor's staff. The Index Committee meets as needed. 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, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, share counts, the Liquidity Threshold, the Market Cap Threshold, Basket Liquidity and Maximum Weight, 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

Rebalancing results, which may include additions, deletions and weight changes; recapping, which may result in revised index weights; other intra-rebalancing deletions; and any other relevant news affecting this Index, will be normally announced two-to-five days ahead of the effective date. These announcements are posted on the Web site and sent to clients by email. No separate announcements are made for routine corporate actions whose index implications are discussed in this document. If required, special or unusual events may warrant a posting on the aforementioned Web site.

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

Holiday Schedule

The index is calculated daily, throughout the calendar year. The only days the Index is not calculated are on days when all exchanges where the S&P Select Frontier 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 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 exchange listing included 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 four decimal places.
- Market capitalization is stated to two decimal places.
- Index values are calculated to five decimal places.

Index Dissemination

Index Products

Daily data are available through Standard & Poor's FTP server as well as Standard & Poor's Web site, www.indices.standardandpoors.com.

Significant news about index level revisions or constituent changes is released to subscribers by e-mail and through Standard & Poor's Web site at www.indices.standardandpoors.com.

Tickers

Index returns are available on most vendor platforms.

Index	Bloomberg
S&P Select Frontier	SPSFP
S&P Select Frontier Total Return	SPSFT
S&P Select Frontier Net Return	SPSFN

FTP

Daily stock level, index data and corporate action files are available via FTP on subscription.

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

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