

STANDARD
& POOR'S

S&P SELECT INDUSTRY INDICES

INDEX METHODOLOGY

June 2009

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Introduction

The S&P Select Industry Indices are designed to measure the performance of narrow Global Industry Classification Standard (GICS[®]) sub-industries or groups of sub-industries. Membership is based on a company's GICS classification, as well as liquidity and market cap requirements.

The GICS structure consists of 10 sectors, 24 industry groups, 68 industries and 154 sub-industries. Companies are classified primarily based on revenues; however, earnings and market perception are also considered in classification analysis. The GICS sub-industry level offers the most granular level of industry definition within the GICS structure. Therefore, the S&P Select Industry Indices offer the purest representation of a particular industry.

Highlights

Constituent stocks are members of the S&P Total Market Index (TMI), cover at least 90% of float-adjusted market capitalization of the relevant sub-industry(ies), and have a liquidity ratio of at least 60%. This ensures that each index is representative as well as liquid.

Each index has a minimum of 25 stocks. If the relevant sub-industries do not have enough stocks that meet the criteria for inclusion, large, liquid stocks from highly correlated, supplementary sub-industries are included. If an index is still unable to achieve a 25 stock minimum, market capitalization requirements may be relaxed to ensure there are at least 22 stocks in each index on the rebalancing effective date.

Index Family

S&P Total Market Index. The S&P Total Market Index includes all U.S. common equities listed on the NYSE (including NYSE Arca), the NYSE Alternext, the NASDAQ Global Select Market, the NASDAQ Select Market and the NASDAQ Capital Market.

Eligibility Criteria

Index Eligibility

To be eligible for an S&P Select Industry Index, companies must be in the S&P Total Market Index and rank in the top 90% of their relevant GICS sub-industry by float-adjusted market capitalization. Those stocks at the top, whose cumulative market capitalization is less than or equal to 90% of the total float-adjusted market capitalization of the sub-industry, are deemed to qualify.

Companies having a float-adjusted market capitalization above US\$ 500 million are added sequentially in order of float-adjusted market capitalization until the cumulative float-adjusted market capitalization equals 90% of each relevant GICS sub-industry. The 90% rule may be relaxed if individual stock's float-adjusted market capitalization falls substantially below US\$ 500 million. The total of number of companies in the index should be at least 25. If there are still fewer than 25 stocks in any particular index, stocks from a supplementary list of highly correlated sub-industries, that meet the market capitalization and liquidity thresholds, are included in order of their float-adjusted market capitalization to reach 25 constituents. Minimum market capitalization requirements may be relaxed to ensure there are at least 22 companies in each index as of each rebalancing effective date.

Eligibility Factors

Market Capitalization. Float adjusted market capitalization should be at least US\$ 500 million. Stocks with a float-adjusted market capitalization above US\$ 500 million and that meet the liquidity threshold are included in order of their float-adjusted market capitalization until the stock count reaches at least 25. The float-adjusted market capitalization of these stocks must combine to be at least 90% of the total sub-industry market capitalization. The 90% rule may be relaxed if individual stock's float-adjusted market capitalization falls substantially below US\$ 500 million and the total of number of companies in the index is at least 25. If the index still does not have enough stocks that meet the criteria for inclusion, the minimum market capitalization requirements may be relaxed until the other requirements have been satisfied.

Liquidity. Constituents must have a liquidity ratio -- defined by dollar value traded over the previous 12 months divided by average market capitalization over the previous 12 months -- greater than 60%. The length of time to evaluate liquidity is reduced to available trading period for IPOs or spin-offs that do not have 12 months of trading history.

Domicile. U.S. companies only.

Sector Classification.

S&P Select Industry Index	GICS sub-industries (GICS Code)
Aerospace & Defense	Aerospace & Defense (20101010)
Biotechnology	Biotechnology (35201010) <i>Supplementary sub-industry:</i> Life Sciences Tools & Services (35203010)
Building & Construction	Building Products (20102010) Construction & Engineering (20103010) Construction & Farm Machinery & Heavy Trucks (20106010) Construction Materials (15102010)
Computer Hardware	Computer Hardware (45202010) Computer Storage & Peripherals (45202020) <i>Supplementary sub-industry:</i> Electronic Equipment & Instruments (45203010)
Computer Software	Applications Software (45103010) Systems Software (45103020) Home Entertainment Software (45103030)
Food & Beverage	Food Distributors (30101020) Food Retail (30101030) Hypermarkets & Super Centers (30101040) Brewers (30201010) Distillers & Vintners (30201020) Soft Drinks (30201030) Agricultural Products (30202010) Packaged Foods & Meats (30202030)
Health Care Equipment	Health Care Equipment (35101010) Health Care Supplies (35101020)
Health Care Services	Health Care Distributors (35102010) Health Care Services (35102015) Health Care Facilities (35102020) Managed Health Care (35102030)
Homebuilders	Homebuilding (25201030) <i>Supplementary sub-industries:</i> Building Products (20102010) Home Furnishings (25201020) Home Improvement Retail (25504030) Homefurnishing Retail (25504060)
Leisure Time	Casinos & Gaming (25301010) Hotels, Resorts & Cruise Lines (25301020) Leisure Facilities (25301030) Restaurants (25301040)

Sector Classification. (continued)

S&P Select Industry Index	GICS sub-industries (GICS Code)
Metals & Mining	Coal & Consumable Fuels (10102050) Aluminum (15104010) Diversified Metals & Mining (15104020) Gold (15104030) Precious Metals & Minerals (15104040) Steel (15104050)
Oil & Gas Equipment & Services	Oil & Gas Drilling (10101010) Oil & Gas Equipment & Services (10101020)
Oil & Gas Exploration & Production	Integrated Oil & Gas (10102010) Oil & Gas Exploration & Production (10102020) Oil & Gas Refining & Marketing (10102030)
Outsourcing & IT Consulting	IT Consulting & Other Services (45102010) Data Processing & Outsourced Services (45102020)
Pharmaceuticals	Pharmaceuticals (35202010)
Retail	Catalog Retail (25502010) Internet Retail (25502020) Department Stores (25503010) General Merchandise Stores (25503020) Apparel Retail (25504010) Computer & Electronic Retail (25504020) Specialty Stores (25504040) Automotive Retail (25504050) Drug Retail (30101010) Food Retailers (30101030) Hypermarkets & Super Centers (30101040)
Semiconductors	Semiconductors (45301020) <i>Supplementary sub-industry:</i> Semiconductor Equipment (45301010)
Telecom	Communications Equipment (45201020) Alternative Carriers (50101010) Integrated Telecom Services (50101020) Wireless Telecomm Services (50102010)
Transportation	Air Freight & Logistics (20301010) Airlines (20302010) Marine (20303010) Railroads (20304010) Trucking (20304020) Airport Services (20305010) Highways & Rail tracks (20305020) Marine Ports & Services (20305030)

Timing of Changes

Index rebalancings occur after the closing on the third Friday of the quarter ending month. The reference date for additions and deletions is after the closing of the last trading date of the previous month.

Additions. Companies are added between rebalancings only if a deletion in the index causes the stock count to fall below 22. In those cases, each stock deletion is accompanied with a stock addition. The new company will be added to the index at the weight of the deleted constituent.

In the case of mergers involving at least one index constituent, the merged company will remain in the index if it meets all of the eligibility requirements. The merged company will be added to the index at the weight of the pre-merger index constituent. If both companies involved in a merger are index constituents, the merged company will be added at the weight of the company deemed the acquirer in the transaction.

In the case of spin-offs, the Select Industry Indices will follow the S&P TMI's treatment of the action. If the S&P TMI treats the pre- and post-spun company as a deletion/addition action, using the stock's when-issued price, the S&P Select Industry Indices will treat the spin-off this way as well.

Deletions. A company is deleted from a Select Industry index if the S&P Total Market Index drops the constituent. If a constituent deletion causes the number of companies in the relevant index to fall below 22, each stock deletion is accompanied with a stock addition.

In case of GICS changes, where a company does not belong to a qualifying sub-industry after the classification change, it is removed from the relevant index at the next rebalancing.

Index Construction

Approaches

The index series is equal-weighted and calculated by the divisor methodology used in all Standard & Poor's equity indices.

Index Calculations

The initial divisor is set to have a base index value of 1000 on December 15, 2000. The index value is simply the index market value divided by the index divisor:

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

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

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (2)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (3)$$

Please refer to the S&P Index Mathematics document for more details on the mathematics of equal-weighted indices.

Index Maintenance

General Approach

Index maintenance will follow the U.S. Total Market Index (TMI) and the treatment of corporate actions should be the same as in the TMI. In particular, treatment of spin-offs, special dividends and other corporate actions will be the same. Market or when-issued prices will be used except in cases where S&P believes that it would be very difficult for indexed portfolios to be able to execute trades at those prices. In such cases, Standard & Poor's may choose to calculate a theoretical price based on the corporate action.

Rebalancing

Index membership is reviewed quarterly. Rebalancings occur after the closing on the third Friday of the quarter ending month. The reference date for additions and deletions is after the closing of the last trading date of the previous month.

Base Date

The indices base dates are December 15 2000. The base value, for both the price return and total return series, on that date is 1000.

Historical daily returns are available beginning on December 17 1999.

Index Actions

S&P TMI Action	Adjustment made to index	Divisor adjustment?
Constituent deletion	If the constituent is a member of the index, it is dropped.	Yes
Constituent add	<p>Only in cases where the deletion causes the component count to fall below 22 stocks, then the dropped is accompanied by an add assuming the weight of the dropped stock.</p> <p>For equal and modified market cap weighted indices, when a stock is removed from an index at a price of \$0.00, the stock's replacement will be added to the index at the weight using the previous day's closing value, or the most immediate prior business day that the deleted stock was not valued at \$0.00.</p>	No, except in the case of stocks removed at \$0.00
Share changes between quarterly share adjustments	None.	No
Quarterly share changes	There is no direct adjustment, however, on the same date the index rebalancing will take place.	Only because of the index rebalancing.
GICS change	None. If, after the GICS change, a company no longer qualifies to belong to the relevant Select Industry index, it is removed at the next rebalancing.	No
Spin-off treated as a deletion/addition action in the S&P TMI.	No weight change. The price is adjusted to the when-issued price of the parent company, as announced in the S&P TMI action. Index Shares change so that the company's weight remains the same as its weight before the spin-off.	No

Corporate Actions

Corporate Action	Adjustment made to index	Divisor adjustment?
Other Spin-offs	No weight change. The price is adjusted to the Price of the Parent Company minus (the Price of the 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 of the Parent Company minus (the Price of the Rights Subscription/Rights Ratio). Index Shares change so that the company's weight remains the same as its weight before the spin-off.	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

Each index will have a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date t :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (4)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (5)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex - dividends})_{i,t} / \text{Index Divisor}_t \quad (6)$$

Index Governance

Index Committee

The U.S. Index Committee maintains Standard & Poor's U.S. indices. There are eight members of the committee; all are full-time professional members of Standard & Poor's staff. The committee meets monthly. 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 U.S. 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 for the S&P Select Industry Indices are made at 05:15 PM Eastern Time.

Holiday Schedule

The S&P Select Industry Indices are calculated when the U.S. equity markets are open.

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 Alert

Complete data for index replication (including share counts, tickers and data on index levels and returns) are available through Standard & Poor's fee-based service, S&P Index Alert.

Tickers

S&P Select Industry Index	Bloomberg
Aerospace & Defense	SPSIAD
Biotechnology	SPBIO
Building & Construction	SPSIBC
Computer Hardware	SPSICH
Computer Software	SPSICS
Food & Beverage	SPSIFB
Health Care Equipment	SPSIHE
Health Care Services	SPSIHP
Homebuilders	SPHOME
Leisure Time	SPSILT
Metals & Mining	SPSIMM
Oil & Gas Equipment & Services	SPSIOS
Oil & Gas Exploration & Production	SPSIOP
Outsourcing & IT Consulting	SPSIOC
Pharmaceuticals	SPSIPH
Retail	SPSIRE
Semiconductors	SPSEMI
Telecom	SPSITE
Transportation	SPSITN

FTP

Daily stock level and index data is available via FTP on subscription.

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

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