

STANDARD
& POOR'S

S&P/TSX EQUAL WEIGHT INDICES

INDEX METHODOLOGY



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Introduction

In 2009, Standard & Poor's introduced the S&P/TSX Equal Weight Indices. Standard & Poor's recognized that there are benchmarking, investing and trading situations that require an equally weighted version of popular float market capitalization weighted indices in Canada.

In response to the Canadian market's need for official equal weighted indices, Standard & Poor's has created the S&P/TSX Equal Weight Global Base Metals CAD Hedged, the S&P/TSX Equal Weight Diversified Banks and the S&P/TSX Equal Weight Oil & Gas Indices.

Highlights

The Indices are designed to track the equally weighted performance of the underlying headline indices. For this, each stock should have an equal weight in the index. But as stock prices move in different directions, the relative weightings of the index constituents will change. A frequent rebalancing of the weights will, obviously, result in greater market capitalization turnover, and excessive turnover can damage the index as an investment vehicle. Therefore, the rebalancing frequency has to achieve a balance between representation and investability. To meet this balance, Standard & Poor's has chosen a semiannual rebalancing cycle for the S&P/TSX Equal Weight Indices.

The S&P Equal Weight Indices have the following characteristics:

- Official index calculation and dissemination by Standard & Poor's.
- Index calculation according to the divisor-based methodology applied to the S&P/TSX Indices.
- Constituent changes incorporated in the index as, and when, they are incorporated the underlying indices.

Index Family

S&P/TSX Equal Weight Global Base Metals CAD Hedged. The S&P/TSX Global Base Metals Index is a subset of the S&P/TSX Global Mining Index. The index is a float-adjusted capitalization weighted benchmark of global securities involved in the production or extraction of base metals.

The S&P/TSX Equal Weight Global Base Metals CAD Hedged Index is the equal-weighted and Canadian dollar hedged version of the S&P/TSX Global Base Metals Index. The index has the same constituents as the capitalization weighted version of the Index, but each company is allocated an equal weight at each semiannual rebalancing.

A currency-hedged index is designed to represent returns for those global investment strategies that involve hedging currency risk, but not the underlying constituent risk. Investors employing a currency-hedged strategy seek to eliminate the risk of currency fluctuations and are willing to sacrifice potential currency gains.

S&P/TSX Equal Weight Diversified Banks. The S&P/TSX Diversified Banks Index is a subset of the S&P/TSX Composite Index. The index is a float-adjusted capitalization weighted benchmark, which includes commercial banks whose businesses are derived primarily from commercial lending operations and have significant activity in retail banking and small and medium corporate lending.

The S&P/TSX Equal Weight Diversified Banks Index is the equal-weighted version of the S&P/TSX Diversified Banks Index. The index has the same constituents as the capitalization weighted version of the Index, but each company is allocated an equal weight at each semiannual rebalancing.

S&P/TSX Equal Weight Oil & Gas. This Index is designed to provide an investable portfolio of securities involved the oil and gas industry. The S&P/TSX Equal Weight Oil & Gas Index includes securities which are constituents of the S&P/TSX 60 and are in the Global Industry Classification Standard (GICS[®]) Oil & Gas Drilling (10101010), Oil & Gas Equipment & Services (10101020), Integrated Oil & Gas (10102010), Oil & Gas Exploration & Production (10102020), Oil & Gas Refining & Marketing (10102030) and Oil & Gas Storage & Transportation (10102040) sub-industries. Each company in the index is allocated an equal weight at each semiannual rebalancing.

For more information on the underlying headline indices, please refer to the S&P/TSX Canadian Indices and the S&P/TSX Global Mining Index Methodologies.

For more information on Global Industry Classification Standard (GICS[®]), please refer to the GICS Methodology.

Partnership

The S&P/TSX Equal Weight Indices are calculated and managed by Standard & Poor's. The Toronto Stock Exchange (TSX) is the owner and distributor of related index data.

Eligibility Criteria

Index Eligibility

S&P/TSX Equal Weight Global Base Metals CAD Hedged. This index is based on the S&P/TSX Global Base Metals Index. All index constituents are members of the S&P/TSX Global Base Metals Index and follow the eligibility criteria for that index.

The S&P/TSX Equal Weight Global Base Metals CAD Hedged Index is maintained in accordance with the S&P/TSX Global Base Metals Index methodology. The S&P/TSX Global Base Metals Index measure the performance of global securities involved in the production or extraction of base metals

For more information on the S&P/TSX Global Base Metals eligibility criteria, please refer to the S&P/TSX Global Mining Index Methodology.

S&P/TSX Equal Weight Diversified Banks. This index is based on the S&P/TSX Diversified Banks Index. All index constituents are members of the S&P/TSX Diversified Banks Index and follow the eligibility criteria for that index.

The S&P/TSX Equal Weight Diversified Banks Index is maintained in accordance with the S&P/TSX Diversified Banks Index methodology. The S&P/TSX Diversified Banks Index is calculated at the end of each business day and is a subset of the S&P/TSX Composite Index. It includes those securities which are classified in the GICS Diversified Banks sub-industry (40101010).

For more information on the S&P/TSX Diversified Banks eligibility criteria, please refer to the S&P/TSX Canadian Indices Methodology.

S&P/TSX Equal Weight Oil & Gas. This index includes securities which are constituents of the S&P/TSX 60 and are in the following GICS sub-industries:

- 10101010 – Oil & Gas Drilling – Drilling contractors or owners of drilling rigs that contract their services for drilling wells
- 10101020 – Oil & Gas Equipment Services – Manufacturers of equipment, including drilling rigs and equipment, and providers of supplies and services to companies involved in the drilling, evaluation and completion of oil and gas wells
- 10102010 – Integrated Oil & Gas – Integrated oil companies engaged in the exploration and production of oil and gas, as well as at least one other significant activity in either refining, marketing and transportation, or chemicals

- 10102020 – Oil & Gas Exploration & Production - Companies engaged in the exploration and production of oil and gas not classified elsewhere
- 10102030 – Oil & Gas Refining & Marketing – Companies engaged in the refining and marketing of oil, gas and/or refined products not classified in the Integrated Oil & Gas or Independent Power Producers & Energy Traders sub-industries
- 10102040 - Oil & Gas Storage & Transportation – Companies engaged in the storage and/or transportation of oil, gas and/or refined products. Includes diversified midstream natural gas companies facing competitive markets, oil and refined product pipelines, coal slurry pipelines and oil & gas shipping companies

All index constituents are members of the S&P/TSX 60 Index and follow the eligibility criteria for that index.

For more information on the S&P/TSX 60 eligibility criteria, please refer to the S&P/TSX Canadian Indices Methodology.

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 100 on October 19, 2009. The index value is simply the index market value divided by the index divisor:

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

For more information on the index calculation methodology, please refer to the Equal Weighted Indices section of Standard & Poor's Index Mathematics methodology.

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,

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

For more information on the calculation of hedged indices, please refer to the Currency Hedged Indices section of Standard & Poor's Index Mathematics methodology.

Index Maintenance

Rebalancing

Rebalancing occurs semiannually after the closing on the third Friday of June and December.

The goal of the index is to maintain a portfolio of equally weighted stocks, while keeping index turnover to a minimum. Intra period index additions and deletions coincide with the underlying S&P/TSX indices. Each constituent in the S&P/TSX Equal Weight Indices is assigned an equal weight at each rebalancing, which varies depending on the number of stocks in the index.

As the stock prices move, the weightings in the index will change. A more frequent rebalancing will result in higher index turnover; and less frequent will result in significant deviations from the equal weights. To achieve a balance between representation and instability, the S&P/TSX Equal Weight indices are rebalanced semiannually.

In the event of an intra-period addition to the index, the new company will be added at a weight of $(1/n)$, where n is equal to the total number of index constituents, including the new addition. All other index weights will be adjusted proportionately.

Base Date

The base date for the S&P/TSX Equal Weight Indices is October 19, 2009. The base values, for both the price return and total return series, on that date are set to 100.

Historical returns are available beginning on September 1, 2004.

Currency of Calculation

The S&P/TSX Equal Weight Indices are calculated in Canadian Dollars.

Index Actions

Underlying Index	Adjustment made to the Equal Weight index	Divisor adjustment?
Constituent change – deletion	The weights of all stocks in the index will have a proportionate change, due to the absolute change in the number of index constituents.	Yes
Constituent change – addition	The weights of all stocks in the index will change, due to the absolute change in the number of index constituents. A stock being added will enter the index at a weight of $1/n$, where n is equal to the total number of index constituents, including the new addition. All other index weights will be adjusted proportionately.	Yes
Share changes between semiannual share adjustments	None.	No
Quarterly share changes	There is no direct adjustment.	No

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 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 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 price is divided by the split factor.	No
Share Issuance or Share Repurchase	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 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 :

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

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

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

For details on total return calculations, please refer to Standard & Poor's Index Mathematics Methodology.

Index Governance

Index Committee

The S&P/TSX Equal Weight Indices are maintained by the S&P/TSX Canadian Index Committee (the “Committee”). The Committee is comprised of four members representing Standard & Poor’s and three members representing the Toronto Stock Exchange (“TSX”). The Committee is chaired by a member designated by Standard & Poor’s.

The Committee is responsible for setting rules and policies for the S&P/TSX Equal Weight Indices, determining the composition of the Index and administering the methodology. In fulfilling its responsibilities, the Committee has full and complete discretion to amend, apply or exempt the application of the methodology and other index policies as circumstances may require, and add, remove or by-pass any security in determining the composition of any of the Indices.

The Committee may rely on any information or documentation submitted to or gathered by it that the Committee believes to be accurate. Where a Canadian public document used by the Committee is available in both official languages, the Committee may assume that the contents of both versions are identical. The Committee reserves the right to reinterpret publicly available information and to make changes to the index based on a new interpretation of that information at its sole and absolute discretion.

Index corrections and changes to index composition are implemented at such time and in such manner, as the Committee deems appropriate. The timing of any index change made in response to a correction is at the sole and absolute discretion of the Committee.

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 for the S&P/TSX Equal Weight Indices are generally made at 05:15 p.m. ET. Press releases are posted on Standard & Poor's Web site at www.indices.standardandpoors.com, and are released to major news services.

In addition, TSX Datalinx offers a fee-based subscription to Index Notices. The Index Notices provide the most detailed and comprehensive coverage of index changes. Complete data for index replication (including share counts, tickers and data on index levels and returns) are also available through TSX Datalinx.

In order to subscribe, contact TSX Datalinx at +1.416.947.4452 or marketdata@tsxdatalinx.com.

Holiday Schedule

The S&P/TSX Equal Weight Indices are calculated when the Canadian equity market is open.

A complete holiday schedule for the year is available on the TSX Web site at www.tsx.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 security before the exchange closed.

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 Data

The Toronto Stock Exchange (TSX) serves as the distributor of both real-time and historical index data. In addition, index levels are available on S&P's Web site at www.indices.standardandpoors.com, through major quote vendors, through numerous investment oriented web sites and various print and electronic media.

Tickers

Index	Bloomberg	Reuters
S&P/TSX Equal Weight Global Base Metals CAD Hedged Index	TXBE	.GSPTXBE
S&P/TSX Equal Weight Diversified Banks Index	TXDE	.GSPTXDE
S&P/TSX Equal Weight Oil & Gas Index	TXOE	.GSPTXOE

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