STANDARD
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S&P VIETNAM 10 INDEX

INDEX METHODOLOGY

September 2008

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Introduction

The S&P Vietnam 10 Index is comprised of 10 leading Vietnamese companies that meet size, liquidity, tradability and foreign ownership requirements. The index is designed to provide tradable exposure to the Vietnamese equity market to investors.

Highlights

The S&P Vietnam 10 Index includes 10 of the most liquid publicly-traded Vietnamese companies trading on local market exchanges.

Constituent weights are driven by liquidity, with no single stock having a weight of more than 15% in the index at reconstitution. The index is rebalanced quarterly to reflect current liquidity and foreign investment restrictions. Availability of shares to foreign investors is reviewed on a monthly basis. If available ownership falls below US$ 5 million for any constituent on any non-rebalancing month, that stock may be replaced by a stock outside the index that has the highest available foreign investment limit.

An evolutionary, algorithm-driven optimization is used to maximize index basket liquidity at each annual rebalancing.

Eligibility Criteria

Index Eligibility

To be eligible for the S&P Vietnam 10 Index, companies must first be traded on the local Vietnam exchanges.

Eligibility Factors

The universe is, then, narrowed down to an investable set of stocks based on the following criteria:

Market Capitalization. Stocks must have a float-adjusted market capitalization above US$ 50 million at each quarterly rebalancing.

Liquidity. Stocks must have three-month average daily trading value above US$ 200,000 as of each quarterly rebalancing.

Foreign Ownership Availability. Stocks must have foreign ownership market capitalization above US$ 5 million.

Stocks passing these criteria form the Selection Universe. The market capitalization and liquidity criteria are subject to change according to market conditions.

The index is rebalanced quarterly on the fifth business date of February, May, August and November based the prior month's-end data.

Index Construction

Approaches

The S&P Vietnam 10 index methodology employs a liquidity-driven weighting scheme, using the divisor methodology used in most 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 available foreign ownership market capitalization.

   Availability of shares for foreign investors is reviewed on a monthly basis. If available ownership falls below US$ 5 million for any constituent on any non-rebalancing month, that stock may be replaced by a stock outside the index that has the highest available foreign investment.

2. The 10 highest 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% or less than 1% at each rebalancing.
2. The sum of the weights of stocks capped at 15% is less than 60% of the index.

Goals.

1. Maximize basket liquidity.

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

where:

L_i is the liquidity of the i^{th} stock, as defined by the three-month average daily value traded.

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

2. The 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 all of the index constituents.

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 (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 fifth business day of February, May, August and November based the prior month's-end data.

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, acquisition or any other corporate action resulting in the deletion of the stock from the S&P/IFCI India index	The stock is dropped from the Index. No intra-year replacements are made.	Yes

Base Date

The index base date is August 5th, 2005. The base value, for both the price return and total return series, is 1000. Daily returns are available from August 5th, 2005.

Index Data

Total Return and Net Return Indices

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*:

$$Total\ Return\ Multiplier_t = \frac{[Index\ Value_t + Index\ Dividend\ Points_t]}{Index\ Value_{t-1}} \quad (8)$$

$$Total\ Return\ Index\ Value_t = (Total\ Return\ Index\ Value_{t-1}) * (Total\ Return\ Multiplier_t) \quad (9)$$

$$Index\ Dividend\ Points_t = \sum_{i=1}^{N} (Index\ Shares)_{i,t} * (Ex-dividends)_{i,t} \Big/ Divisor_t \quad (10)$$

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 8, except that the Ex-dividends term is multiplied by (100% - withholding tax rate).

Index Governance

Index Committee

An Index Committee maintains the S&P Vietnam 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 05:15 p.m. ET 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.

Holiday Schedule

The S&P Vietnam 10 Index is calculated daily, throughout the calendar year. The only days the index is not calculated are on days when <u>all</u> exchanges where the S&P Vietnam 10 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 Vietnam 10 Index Price Return (USD)	SPVNUP	.SPVNUP
S&P Vietnam 10 Index Price Return (VDN)	SPVNEP	.SPVNEP
S&P Vietnam 10 Index Total Return (USD)	SPVNUT	.SPVNUT
S&P Vietnam 10 Index Total Return (VDN)	SPVNET	.SPVNET
S&P Vietnam 10 Index Net TR (USD)	SPVNUN	.SPVNUN
S&P Vietnam 10 Index Net TR (VDN)	SPVNEN	.SPVNEN

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

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