

What is STARS?

STARS (STock Appreciation Ranking System) is a proprietary Standard & Poor's stock ranking system that was created in 1987 for U.S., stocks, and in 2002 for European and Asian stocks. STARS is a qualitative evaluation that is based on an analysts' determination of the future appreciation potential of a specific common stock relative to its relevant S&P benchmark index, given a 12-month time horizon.¹ Stocks are ranked between 5 STARS (highest) and 1 STARS (lowest) based on a combination of the following: intrinsic value analysis, technical analysis, relative valuation, sum of parts analysis and a top-down industry and macroeconomic overlay.

The overarching investment philosophy that drives the methodology is "Growth at a Reasonable Price." Rankings range from 5 to 1.

- 5 STARS (Strong Buy): Total return is expected to out-perform that of its relevant S&P benchmark index by a very wide margin, with shares rising in price on an absolute basis.
- 4 STARS (Buy): Total return is expected to out-perform that of its relevant S&P benchmark index, with shares rising in price on an absolute basis.
- 3 STARS (Hold): Total return is expected to closely approximate that of its relevant S&P benchmark index, with shares generally rising in price on an absolute basis.
- 2 STARS (Sell): Total return is expected to under-perform that of its relevant S&P benchmark index, and share price is not expected to show a gain.
- 1 STARS (Strong Sell): Total return is expected to under-perform that of its relevant S&P benchmark index by a wide margin, with shares falling in price on an absolute basis.

What are the differences between the S&P STARS Indices and All STARS Baskets?

	STARS*		All STARS*		
	US	Europe	US	Europe	Asia
Eligibility	<ol style="list-style-type: none"> 1. Member of the S&P 1500 2. STARS ranking of 5, 4 will be used in the event of insufficient 5 STARS. 	<ol style="list-style-type: none"> 1. European common stocks with a STARS ranking. 2. STARS ranking of 5, 4 will be used in the event of insufficient 5 STARS. 	<ol style="list-style-type: none"> 1. Member of the S&P 500. 2. Denominated in U.S. dollars. 3. STARS ranking of 4 or higher. 4. Stock issuer must have a market capitalization of at least US\$ 3 billion. 5. The average of the daily trading volume over the prior six months must be at least 	<ol style="list-style-type: none"> 1. Member of the S&P Europe 350. 2. STARS ranking of 4 or higher. 3. Stock issuer must have a market capitalization equivalent of at least US\$ 3 billion. 4. The average of the daily trading volume over the prior six months must be at least 	<ol style="list-style-type: none"> 1. Stocks must be traded in Hong Kong, Japan, Korea, Singapore or Taiwan. 2. Stock issuer must have a market capitalization equivalent of at least US\$ 1 billion. 3. The average of the daily trading volume over the prior six months must be at least to

¹ Benchmark S&P Indices are as follows: for U.S. stocks – the S&P 500[®]; for European stocks – the S&P Europe 350; and for Asia stocks – the S&P Asia 50.

			US\$ 5 million 6. The average one-month historical volatility of the stock is less than 80% in prior six months 7. GICS sector concentration limitation	to US\$ 5 million. 5. The average one-month historical volatility of the stock is less than 80% in prior six months 6. GICS sector concentration limitation	US\$ 1 million. 4. the average one-month historical volatility of the stock is less than 80% in prior six months
Constituents Count	25 names	25 names	Minimum 30 stocks**	Minimum 20 stocks**	Minimum 20 stocks**
Rebalance	Monthly	Monthly	Semi-Annually	Semi-Annually	Semi-Annually
Weighting	Equal	Equal	Equal	Equal	Equal

* Please refer to the Index Methodology documentation for detailed construction, maintenance and governance rules.

** If the eligible stocks with 5 STARS and 4 STARS combined are fewer than the minimum, then only those stocks will constitute the basket for the next period until the next rebalance.

Are there other STARS based S&P indices?

Citigroup S&P Global STARS Custom Index and S&P 500 130/30 also utilize STARS research.