

STANDARD  
& POOR'S

# S&P/TSX CANADIAN INDICES

INDEX METHODOLOGY



March 2007

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# Introduction

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The S&P/TSX Canadian indices provide investable indices for the Canadian equity markets. The headline and broadest index is the S&P/TSX Composite. This is the basis for numerous sub-indices, which break down the Canadian market by different factors including size, Global Industry Classification Standard (GICS<sup>®</sup>) and income trust inclusion versus non-inclusion.

## Partnership

The S&P/TSX Canada indices are calculated and managed by Standard & Poor's. The Toronto Stock Exchange (TSX) is the owner and distributor of all S&P/TSX equity index data.

## Highlights

The S&P/TSX Composite is the headline index and the principal broad market measure for the Canadian equity markets. It includes common stock and income trust units. Constituents of the S&P/TSX Composite are also members of either the S&P/TSX Equity indices (the S&P/TSX Equity, the S&P/TSX Equity 60, and the S&P/TSX Equity Completion) or the suite of indices which include income trusts (the S&P/TSX Income Trust, the S&P/TSX Capped REIT, and the S&P/TSX Capped Energy Trust), or both. The S&P/TSX SmallCap Index is a completely separate index from the S&P/TSX Composite family of indices and its methodology can be viewed in a separate document.

*For more information on the S&P/TSX SmallCap Index, please refer to its methodology document.*

**S&P/TSX Composite Index Family.** Within the S&P/TSX Composite, the S&P/TSX 60 covers large cap securities, with a view to matching the sector balance of the S&P/TSX Composite. The S&P/TSX Completion represents the remaining securities of the S&P/TSX Composite.

**S&P/TSX Equity Index Family.** The S&P/TSX Equity, the S&P/TSX Equity 60 and the S&P/TSX Equity Completion indices are derived from their parent indices, which include both income trusts and equities. The S&P/TSX Equity is the S&P/TSX Composite excluding income trusts. Similarly, the S&P/TSX Equity 60 and the S&P/TSX Equity Completion are the S&P/TSX 60 and S&P/TSX Completion, respectively, excluding income trusts.

**S&P/TSX Income Trust Indices.** The S&P/TSX Income Trust is a modular component of the S&P/TSX Composite. The index contains all of the income trust constituents from its parent index, the S&P/TSX Composite Index. Constituents of this index are not capped. The S&P/TSX Income Trust Index, in turn, is the parent index for the S&P/TSX Capped Energy Trust Index and the S&P/TSX Capped REIT Index. The relative weight of any single index constituent is capped at 25% for both indices.

<b>Index</b>	<b>GICS® Code</b>
S&P/TSX Capped Energy Trust	10
S&P/TSX Capped REIT	404020

**S&P/TSX Capped Sector Indices.** Thirteen real-time capped indices covering sectors or industries are calculated from the securities in the S&P/TSX Composite. These indices are defined using GICS®. To be a constituent of a particular sector index, a stock must be a constituent of the S&P/TSX Composite and will be classified in the relevant GICS® category. The relative weight of any single index constituent is capped at 25%.

*For the Capping Methodology, please refer to Appendix III.*

*For more information on the structure of GICS codes, please refer to the GICS methodology.*

<b>Index*</b>	<b>GICS® Code</b>
Consumer Discretionary	25
Consumer Staples	30
Diversified Metals & Mining	15104020
Energy	10, excluding 10102030, 10102040 and 10102050
Financials	40, excluding 4040
Gold	15104030
Health Care	35
Industrials	20
Information Technology	45
Materials	15
Real Estate	4040
Telecommunication Services	50
Utilities	55

*\*Indices with less than 4 constituents are not capped.*

Standard & Poor's also publishes end-of-day Sector, Industry Group, Industry and Sub Industry Indices based on the S&P/TSX Composite Index.

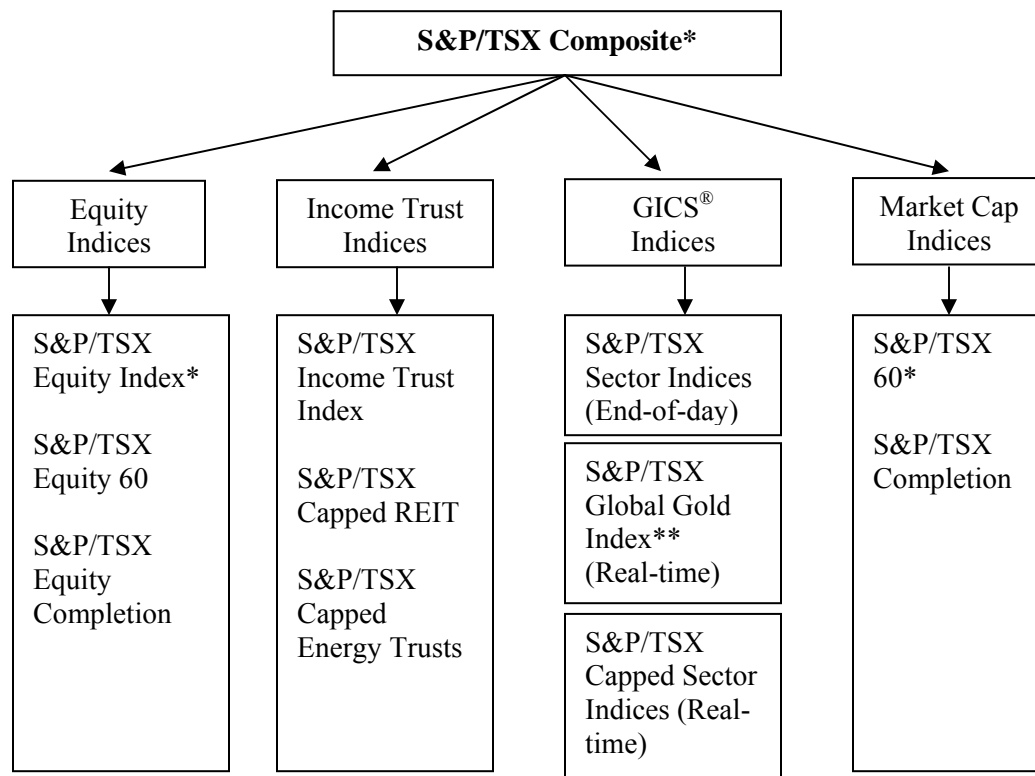
*For more information on GICS, please refer to the section on sector classification under Eligibility Criteria.*

**S&P/TSX Capped Indices.** Standard & Poor’s calculates capped versions of several headline indices.

Index	Capping %
S&P/TSX Capped Composite	10
S&P/TSX 60 Capped	10

*For the Capping Methodology, please refer to Appendix III.*

### Index Family



*\*Indices marked with an asterisk are also available in Capped versions.*

*\*\*For information on the S&P/TSX Global Gold Index, please refer to the S&P/TSX Global Gold Index methodology document.*

## **Related Indices**

Standard & Poor's calculates related Canadian indices covered in separate methodology documents.

**S&P/TSX SmallCap Index.** The S&P/TSX SmallCap Index provides an investable index for the Canadian small cap market. It includes common stock and income trust units, and is calculated in real-time. The index is also the basis for the S&P/TSX Equity SmallCap Index, which is calculated end-of-day and excludes income trusts.

**S&P/TSX Global Gold Index.** The S&P/TSX Global Gold Index is designed to provide an investable index of global gold securities. Eligible Securities are classified under the Global Industry Classification Standard (GICS®) Code 15104030 which includes producers of gold and related products, including companies that mine or process gold and the South African finance houses which primarily invest in, but do not operate, gold mines.

**S&P/TSX Venture Composite Index.** The S&P/TSX Venture Composite Index is a broad market indicator for the Canadian venture capital market. The index is market capitalization weighted and, at its inception, included 531 companies. A quarterly revision process is used to remove companies that comprise less than 0.05% of the weight of the index, and add companies whose weight, when included, will be greater than 0.05% of the index.

**S&P/TSX Canadian Bond Index.** The S&P/TSX Canadian Bond Index is the first multi-dealer priced, independent gauge of the investment grade segment of the Canadian fixed income market. The index can be divided into as many as 300 standard sub-indices based on credit rating, issuer, maturity and industry sector (Corporates). Industry sectors are based on the Global Industry Classification Standard (GICS®).

# Eligibility Criteria

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## **Additions to the S&P/TSX Composite Index**

Additions to the S&P/TSX Composite Index are generally only made as part of the Quarterly Review. Additions to the S&P/TSX 60 are made on an as-needed basis as determined by the Index Committee. The Index Committee may nevertheless choose to review and add a security to any of the indices in between quarterly review periods.

Additions to the S&P/TSX Composite will also be made to the S&P/TSX Equity Index or S&P/TSX Income Trust Index, the relevant S&P/TSX market cap and GICS<sup>®</sup> Indices, and any related Capped Indices, as applicable.

*For the S&P/TSX 60 methodology, please refer to Appendix I.*

*For a list of defined terms used in this document, please refer to Appendix IV.*

## **Eligibility Factors**

**Market Capitalization.** To be eligible for inclusion in the S&P/TSX Composite Index, a security must meet the following two criteria:

1. Based on the volume weighted average price (VWAP) over the last three trading days of the month-end prior to the Quarterly Review, the security must represent a minimum weight of 0.05% of the index, after including the Quoted Market Value (QMV) of that security in the total float capitalization of the index. In the event that any Index Security has a weight of more than 10% at any month-end, the minimum weights for the purpose of inclusion will be based on the S&P/TSX Capped Composite.
2. The security must have a minimum VWAP of C\$ 1 over the past three months and over the last three trading days of the month-end prior to the Quarterly Review.

*For details regarding float methodology, please refer to Appendix II.*

**Liquidity.** Liquidity will be measured by the following three criteria. A security must meet all three of the criteria to be considered eligible for inclusion in the index, based on available public information.

1. Trading volume, dollar value traded and number of transactions of the security for the 12 months immediately preceding its consideration as a candidate for inclusion in the index must be at least 0.025% of the sum of all eligible securities' trading volume, dollar value traded and number of transactions, as determined by trading on the TSX. Volume is adjusted for splits and consolidations and will be represented by the class of shares eligible for inclusion in the index. To ensure that no single company dominates trading, the trading statistics are capped at a maximum of 15% for value, volume and transactions for the purpose of this test.
2. A candidate for inclusion in the index must not have more than 25 non-trading days over the past 12 calendar months. A non-trading day shall be defined as any day where a security does not trade a minimum of one board lot when the TSX is open for trading.
3. The float turnover, as measured by comparing the 12-month volume relative to the current float shares, must be at least 0.25. For the purpose of this calculation, the float shares of an issuer that has more than one class of listed common shares will be combined. The volume will be based on the volume of the eligible class.

*Please refer to the Index Construction section for additional information on the treatment of multiple classes of a security.*

**Domicile.** Issuers of Index Securities must be incorporated, established, in the case of income trusts, or formed, in the case of limited partnerships, under Canadian federal, provincial, or territorial jurisdictions and listed on the TSX.

**Eligible Securities.** Securities issued by mutual fund corporations, preferred shares, exchangeable shares, warrants, installment receipts and other securities deemed inappropriate by the Index Committee, from time to time, are not eligible for inclusion in the index. Installment receipts are not eligible for inclusion in the index, but can be used in lieu of common share trading history. Securities that are "paper-clipped" combinations of equity and debt, and which can be separated by holders, will not be eligible. "Stapled" securities, in which a combination of securities trade as one and cannot be broken apart, will be eligible for inclusion. (Income Deposit Securities [IDS], Enhanced Income Securities [EIS] and Income participating Securities [IPS] are paper-clipped and, therefore, are ineligible.)

To be included in the Eligible Securities Pool, securities must be listed on the TSX for at least 12 full calendar months as of the month-end prior to the applicable Quarterly Review.

**Shares Outstanding.** The shares counted for index calculation are issued and outstanding shares of a security (rounded to the nearest thousand). This count is float-adjusted to reflect only available shares.

*For details regarding float methodology, please refer to Appendix II.*

**Buffer Rules.** For Quarterly Review deletions the following buffer rules apply.

1. Liquidity will be measured by the following three criteria. A security must meet two of three of the criteria to remain in the index. During the Quarterly Review, securities that fail to meet two of the three criteria may be removed from the index.
  - a. Trading volume, dollar value traded and number of transactions of the security for the 12 months immediately preceding the review month must be at least 0.02% of the sum of all Eligible Securities' trading volume, dollar value traded and number of transactions, as determined by trading on the TSX. The Index Committee may review and modify this threshold from time to time. Volume is adjusted for splits and consolidations and will be represented by the class of shares eligible for inclusion in the index. To ensure that no single company dominates trading, the trading statistic will be capped at a maximum of 15% for value, volume and transactions for the purpose of this test.
  - b. An Index Security must not have had more than 50 non-trading days over the past 12 calendar months. A non-trading day shall be defined as any day where a security does not trade a minimum of one board lot on a day when the TSX is open for trading.
  - c. The float turnover, as measured by comparing the 12-month volume relative to the current float shares, must be at least 0.20. For the purpose of this calculation, the float shares of an issuer that has more than one class of listed common shares will be combined. The volume will be based on the volume of the eligible class.
2. To be eligible for continued inclusion in the index, a security must meet the following two criteria:
  - a. Based on the volume weighted average price (VWAP) over the last three trading days of the month-end prior to the Quarterly Review, the security must represent a minimum weight of 0.025% of the index, after including the QMV for that security in the total float capitalization for the index. In the event that any Index Security has a weight of more than 10% at any month-end, the minimum weights for the purpose of inclusion will be based on the S&P/TSX Capped Composite.
  - b. The security must have a minimum VWAP of C\$ 1 over the previous three calendar months.

**Sector Classification.** Stocks are classified by the Global Industry Classification Standard (GICS<sup>®</sup>). The Standard & Poor's global indices provide geographic and economic balance across the 10 GICS<sup>®</sup> Sectors. These Sectors, consistent across all Standard & Poor's indices, are Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities.

### **Timing of Changes**

**Additions.** Additions to the S&P/TSX Composite Index are generally only made as part of the Quarterly Review.

**Deletions.** A security will be removed from the index at the first practical date following the Index Committee's determination that a corporate action has been successful. The target announcement period will be 2-5 business days, but exceptions may apply due to unexpected corporate activity.

Deletions from the S&P/TSX Composite Index will also be made from the S&P/TSX Equity Index or S&P/TSX Income Trust Index, the relevant S&P/TSX market cap and GICS<sup>®</sup> Indices, and any related Capped Indices as applicable.

*For information regarding the S&P/TSX 60 methodology, refer to Appendix I.*

# Index Construction

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## **Approaches**

Standard & Poor's Canadian indices are designed to be both representative of the Canadian equity market and its sectors, and liquid, to support investment products such as index mutual funds, exchange traded funds, index portfolios, and index futures and options.

## **Index Calculations**

On any given day, the index value is the quotient of the total float-adjusted market capitalization of the index's constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the index, rights issues, share buybacks and issuances, and spin-offs. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the index. The divisor is adjusted such that the index value at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

## **Multiple Classes of Stock**

In the event that a company has more than one class of common shares listed on the TSX:

1. The float shares of each class will be combined for the purpose of determining index inclusion. For index calculation, Standard & Poor's will use the price of the largest class, as determined by float QMV, and the total number of shares of all listed classes (rounded to the nearest thousand), subject to any float adjustment.
2. If the largest class, when combined with the other classes, does not meet all the Eligibility Criteria, then the criteria will be applied to each class separately. If a class meets all the Eligibility Criteria on its own, the float shares of that class will be added to the index, reflecting a lower weight for the security.

In the case of securities that have constrained shares (foreign ownership constraints on a particular class of shares), the calculation of float shares will be based on the total issued and outstanding shares of all classes, not on each class separately.

# Index Maintenance

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## **Rebalancing**

The index will be reviewed quarterly and all Index Securities that, in the opinion of the Index Committee, do not meet the Buffer Rules will be removed. Securities to be added, if any, will be selected using the Eligibility Criteria.

1. Securities under consideration for addition to or deletion from the index will be assessed by the Index Committee on the basis of the 12-month data ending the month prior to the Quarterly Review, with respect to trading on the TSX. The Quarterly Review months are March, June, September and December. Publicly available information up to and including the month end preceding the Quarterly Review month, which pertains to shares outstanding (rounded to the nearest thousand), will be considered in the Quarterly Review. Investable Weight Factor (IWF) updates will only be made annually at the September Quarterly Review. All additions, deletions and share changes are effective after the close of trading on the third Friday of the quarterly month.

*For details regarding Investable Weight Factors (IWF), please refer to Float Adjustment in Appendix II.*

2. Securities that the Index Committee determines meet the Eligibility Criteria will be added to the index after the close on the third Friday of the Quarterly Review month.
3. Securities removed from the index as a result of the Quarterly Review will not be eligible for re-inclusion for a period of 12 full calendar months following removal. The Index Committee may, nevertheless, add a security at an earlier date if, in the opinion of the Committee, the issuer's business has been substantially restructured.
4. Index Securities that the Index Committee determines fail to meet Buffer Rules will be removed from the index after the close on the third Friday of the Quarterly Review month. A press release will be issued to the market within 10 business days after the start of the rebalancing month announcing the additions and deletions, as well as the new float shares for index calculation.

**Frequency.** Rebalancing occur on a quarterly basis. Intra-quarter changes are made on an as needed basis. Changes occur in response to corporate actions and market developments. The target announcement period will be two-to-five business days, but exceptions may apply due to unexpected corporate activity.

## Share Updates

**5 Basis Points Rule.** All share or float capitalization changes, or series of share or float capitalization changes, to individual Index Securities having a relative weight impact estimated to be 0.05% or greater on the index will be implemented at the first practical date. Examples of changes having a significant relative weight impact include a large sale from a control block or a large share issuance. These share capitalization changes will be pre-announced at least one business day in advance of their change in the index. The target announcement period will be two-to-five business days, but exceptions may apply due to unexpected corporate activity.

In the event of a share change resulting from a merger or acquisition, whereby the transaction is paid either by shares or by a combination of shares and cash, the Index Committee may review the transaction and recommend adjusting the shares immediately, even if the impact is less than 0.05%. The Index Committee will proceed with such action if it feels this will maintain low turnover in the index.

At the Quarterly Review, there will be a complete share update for the index (in March, June, September, and December). This update will include all cumulative changes to shares outstanding, during the quarter, that have affected the capitalization of Index Securities by less than a relative index weight of 0.05%.

IWF updates which impact the index weight less than 0.05% will only be made annually at the September Quarterly Review. Publicly available information up to and including the effective date of the quarterly share update will be considered. Outstanding shares will be rounded to the closest thousand. These updates will be announced at the same time as the Quarterly Review adds and deletes.

*For details regarding Investable Weight Factors (IWF), please refer to Float Adjustment in the Appendix.*

## Corporate Actions

Changes to the index caused by a change in one of the Index Securities will be implemented on that security's ex-date or the effective date of the stock adjustment.

1. When the issuer of an Index Security undergoes a reorganization as a result of an asset spin-off, plan of arrangement or the like ("Reorganization"), and where the Index Committee determines that the resulting entity is the successor of such issuer, the security will remain in the index subject to it continuing to meet the Buffer Rules. For the purpose of this exercise, liquidity will be measured according to the previous entity's trading statistics. However, the Index Committee may, nevertheless, evaluate the new entity to ensure that previous trading statistics are representative and adjust these statistics, as it deems appropriate.

2. If a security issued in a distribution resulting from a Reorganization meets the Buffer Rules, it will be added to the index at the first practical date (for the purpose of this exercise, the liquidity requirements in the Buffer Rules may be waived), otherwise, such security will be included in the Eligible Securities Pool.
3. An adjustment will be made to the index for stock dividends paid in kind, stock dividends paid with the securities of an issuer other than the issuer declaring such dividend, rights distributions and cash distributions greater than or equal to 4% of the underlying stock price based on the last traded board lot. The adjustment will be made by calculating a value for the distribution and adjusting the last traded board lot price of the affected security by that amount. This change will cause the divisor to be adjusted so that the index value will not be impacted by the price change.
4. When an Index Security splits into two new classes or issues, the Index Committee may determine that one of the new classes or issues will remain in the index, and for this purpose minimum liquidity requirements may be suspended. The float shares of such security will be combined to reflect the float shares of both issues on the date the reclassification becomes effective.
5. In the event that the issuer of an Index Security merges or amalgamates with another entity or entities, the Index Committee may determine that the security of the resulting entity will remain in the index, subject to meeting the Buffer Rules.
6. In the event that the issuer of an Index Security is declared bankrupt, the security will be removed from the index. If the security does not open for trading on the removal date, the Index Committee shall have complete and sole discretion to set the removal price.
7. A security will be removed from the index at the first practical date following the Index Committee's determination that a takeover bid for the issuer of such security has been successful.

### **Currency of Calculation**

The S&P/TSX Canadian indices are calculated in Canadian dollars. Calculation in other currencies and hedged calculations are available from Standard & Poor's on a custom basis.

## Other Adjustments

1. If Standard & Poor's determines that a control block of at least 10% exists and shares representing the control block are initially removed from the total shares then issued and outstanding for purposes of computing the float-adjusted market capitalization of the security in the index portfolio, and (1) the holder(s) of such stock subsequently sell stock from their position to reduce the amount of such stock holding(s) below 10%, then the holding(s) will be added back to the float at the first practical date subsequent to such sale; (2) if the 10% or more block(s) subsequently falls below 10% as a result of an increase or increases in the total of such share capital issued and outstanding, then such block(s) will not be added back to the share weight until such time as the holding(s) falls or is reduced to 9% or less and as soon thereafter as is practical, subject to the 5 Basis Point Rule above. These shares will be added back to the share weight if the control block is still below 10% after six months. The Index Committee reserves the right to reinterpret public information available and to make changes to the index based on a new interpretation of that information at its sole and absolute discretion.
2. If the GICS<sup>®</sup> code of an Index Security changes, the Index Committee shall move it to an appropriate sector and/or industry at the first practical date following the change in the GICS<sup>®</sup> classification.
3. An Index Security that is halted or suspended from trading for five consecutive trading days will be subject to review by the Index Committee.
4. A security will be removed from the index at the first practical date following the Committee's determination that such security has been delisted, become defunct or failed to meet the Eligibility Criteria regarding Domicile and Eligible Securities.

# Index Data

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## **Total Return**

Total return index series are calculated for the S&P/TSX Canadian indices as well as the price return series.

The total return calculation includes stock dividends paid in kind, stock dividends paid with the securities of an issuer other than the issuer declaring such dividend, rights distributions, and cash distributions less than 4% of the underlying stock price based on the last traded board lot.

A dollar value is calculated for the distribution to be used in the total return index calculation.

# Index Governance

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## **Index Committee**

The S&P/TSX Canadian indices are maintained by the S&P/TSX Canadian Index Committee. The Index Committee is comprised of four members representing Standard & Poor's and three members representing the Toronto Stock Exchange ("TSX"). The Index Committee is chaired by a member designated by Standard & Poor's. Meetings are held monthly, and from time to time, as needed.

The Index Committee is responsible for setting rules and policies for the S&P/TSX Canadian Indices, determining the composition of the Indices and administering the methodology. In fulfilling its responsibilities, the Index 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 Index Committee may rely on any information or documentation submitted to or gathered by it that the Index Committee believes to be accurate. Where a public document used by the Index Committee is available in both official languages, the Index Committee may assume that the contents of both versions are identical. The Index 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.

In using trading data to determine any matter relating to the S&P/TSX Composite Index, including index composition and calculations, the Index Committee will rely solely on data resulting from trading on the TSX.

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

Standard & Poor's considers information about changes to its Canadian indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

### **Advisory Panel**

Standard & Poor's maintains an Index Advisory Panel to provide advice to the Index Committee, to Standard & Poor's and to the TSX on index related matters. The Advisory Panel meets at the request of the Index Committee to discuss matters related to the use of equity indices in Canada; typically the Advisory Panel meets annually. The Index Committee designates members of the Advisory Panel to provide representation of major financial market entities including leading institutional investors, investment banks, brokerage firms and others with an interest in the development of the equity markets in Canada. Meetings of the Advisory Panel are not open to the public or the press; however, the proceedings are not confidential and members are free to discuss them publicly.

# Index Policy

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## **Announcements**

Announcements of additions and deletions for the S&P/TSX Canadian indices are generally made at 05:15 PM. Eastern Time. Press releases are posted on the Web site at [www.indices.standardandpoors.com](http://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 by phone at +1.416.947.4452 or by email at [marketdata@tsxdatalinx.com](mailto:marketdata@tsxdatalinx.com).

## **Holiday Schedule**

The S&P/TSX Canadian 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](http://www.tsx.com).*

## **Unscheduled Market Closures**

In situations where the TSX 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 the exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices or Standard & Poor's may determine not to publish the index for that day.

## Index Dissemination

The Toronto Stock Exchange (TSX) serves as the distributor of both real-time and historical index data. In addition, index levels are available on Standard & Poor's Web site at [www.indices.standardandpoors.com](http://www.indices.standardandpoors.com), through major quote vendors (see codes below), through numerous investment oriented Web sites and various print and electronic media.

### Tickers

Index	Bloomberg	Reuters	Thomson
S&P/TSX Composite	SPTSX	.GSPTSE	.TTT-T
S&P/TSX Capped Composite	T00C	.SPTSECP3	.TTCI-T
S&P/TSX 60	SPTSX60	.SPTSE	.TXLX-T
S&P/TSX 60 Capped	TX6C	.SPTSECP	.TXCI-T
S&P/TSX Completion	SPTSXM	.SPTSEM	.TXMC-T
S&P/TSX SmallCap	SPTSXS	.SPTSES	.TXXX-T
S&P/TSX Venture Composite	SPTSXVEN	.SPCDNX	.JX-V
S&P/TSX Capped Information Technology	SPTSIT	.SPTTTK	.TTTK-T
S&P/TSX Capped Energy	SPTSEN	.SPTTEN	.TTEN-T
S&P/TSX Capped Financial	SPTSFN	.SPTTFS	.TTFS-T
S&P/TSX Capped Gold	SPTS GD	.SPTTGD	.TTGD-T
S&P/TSX Capped Real Estate	SPTSRE	.GSPTTRE	.TTRE-T
S&P/TSX Capped Consumer Staples	SPTS CS	.GSPTTCS	.TTCS-T
S&P/TSX Capped Diversified Metals & Mining	SPTSMN	.GSPTTMN	.TTMN-T
S&P/TSX Capped Consumer Discretionary	SPTS CD	.GSPTTCD	.TTCD-T
S&P/TSX Capped Health Care	SPTS HC	.GSPTTHC	.TTHC-T
S&P/TSX Capped Industrials	SPTSIN	.GSPTTIN	.TIDU-T
S&P/TSX Capped Materials	SPTSMT	.GSPTTMT	.TTMT-T
S&P/TSX Capped Telecommunication Services	SPTSTS	.GSPTTTS	.TTTS-T
S&P/TSX Capped Utilities	SPTSUT	.GSPTTUT	.TTUI-T
S&P/TSX Capped Income Trust	SPRTCM	.GSPRTCM	.RTCM-T
S&P/TSX Capped Energy Trust	SPRTEN	.GSPRTEN	.RREN-T
S&P/TSX Capped REIT	SPRTRE	.GSPRTRE	.RRRE-T
S&P/TSX Equity	TXEQ	.GSPTXEQ	.TXEQ-T
S&P/TSX Capped Equity	TXEC	.GSPTXEC	.TXEC-T
S&P/TSX Equity Completion*	TXEM	.GSPTXEM	T.PMD-T
S&P/TSX Equity SmallCap*	TXES	.GSPTXES	T.PSM-T

\* The S&P/TSX Equity Completion and S&P/TSX Equity SmallCap are calculated at end-of-day

# Appendix I

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## **S&P/TSX 60 Methodology**

The S&P/TSX 60 is a subset of the S&P/TSX Composite. It has 60 constituents and represents Canadian large cap securities with a view to matching the sector balance of the S&P/TSX Composite Index. In using trading data to determine any matter relating to the S&P/TSX 60, including index composition and calculations, trading data on the TSX and U.S. exchanges is reviewed.

## **Additions to the S&P/TSX 60**

1. To be eligible for inclusion in the S&P/TSX 60 index, securities must be constituents of the S&P/TSX Composite Index.
2. When adding securities to the S&P/TSX 60 index, the Index Committee generally selects amongst the larger securities, in terms of float QMV, in the S&P/TSX Composite. Size may, however, be overridden for purposes of sector balance as described in item 4 below.
3. When adding securities to the S&P/TSX 60 index, the Index Committee generally selects securities with float turnover of at least 0.35. This is a guideline only and may be changed at the discretion of the Index Committee. In addition, this range may be overridden for purposes of sector balance described in item 4 below.
4. Security selection for the S&P/TSX 60 index is conducted with a view to achieving sector balance that is reflective of the GICS sector weights in the S&P/TSX Composite Index.
5. Minimum index turnover is preferable. Changes are made to the S&P/TSX 60 index on an as needed basis. The most common cause of deletion is merger or acquisition of a company. Other common reasons for deletion include bankruptcy, restructuring or other corporate actions. If a company substantially fails to meet one or more of the aforementioned guidelines for inclusion or if a company fails to meet the rules for continued inclusion in the S&P/TSX Composite Index, it will be removed. The timing of removals is at the discretion of the Index Committee.

## Appendix II

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### **Float Adjustment**

**Goals.** Under float adjustment, the share counts used in calculating the indices reflect only those shares that are available to investors, rather than all of a company's outstanding shares. Float adjustment excludes shares closely held by control groups, other publicly traded companies or government agencies.

With a float-adjusted index, the value of the index reflects the value available in the public markets. Further, reducing the relative investment index investors have in stocks with limited float – stocks that typically are less liquid – should lower the cost of index investing.

**Rules.** The goal is to distinguish strategic shareholders (whose holdings depend on concerns such as maintaining control rather than the economic fortunes of the company) from those holders whose investments depend on the stock's price and their evaluation of the company's future prospects. Shareholders concerned with control of a company include board members, founders and owners of large blocks of stock. Likewise, holdings of stock in one corporation by another corporation are normally for control, not investment, purposes. While government holdings are unusual, normally government holdings are not investments made because a stock is expected to appreciate or the government entity is managing its excess funds through equity investments.

Share owners acting as investors will consider changes in the stock's price, earnings or the company's operations as possible reasons to buy or sell the stock. They hold the stock because they expect it to appreciate in value and believe the stock offers better risk and return opportunities than other investments. Further, a sharp rise or fall in the stock's price could be a reason to adjust their positions. Mutual funds, pension plans and other institutional investors are usually in this category. The fact that an institutional investor has held a block of shares for several years is not evidence that the block is being held for control, rather than investment, reasons.

Standard & Poor's defines three groups of shareholders whose holdings are presumed to be for control and which are, therefore, subject to float adjustment. Within each group, the holdings are totaled. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group are excluded from the float-adjusted count of shares used in index calculations.

The three groups are:

1. Holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners or leveraged buy-out groups.
2. Holdings by government entities, including all levels of government in Canada or foreign countries.
3. Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders. Second, holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

It is also useful to identify some holders who are considered to be investors and not control holders. Mutual funds, investment advisory firms, pension funds or foundations not associated with the company and investment funds in insurance companies are part of the float. These holders are investors, not strategic holders. At times data will show that these investors hold positions for several years with virtually no change. This is not evidence that the holding is not for investment purposes; rather it merely suggests that the portfolio manager continues to see the stock as a good investment. Further, when the stock is held in an index fund, one would not expect to see substantial changes in the holdings.

A company's annual report or proxy may include listings of some equity-like securities that are not included in total shares outstanding and need not be considered in calculating available float. These include treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock and rights.

In a few cases, a company's ultimate shareholders may be beneficiaries of a trust that holds their stock. (Examples usually include cases in which shares were distributed as part of the initial public offering.) If the trust beneficiaries can buy and sell the stock without any difficulty or significant additional expenses beyond typical brokerage fees, the shares in a trust are part of the available float. If the shares in a trust cannot be sold, the shares would not be counted as part of the available float.

### **Investable Weight Factors (IWF)**

For each stock an IWF is calculated:

$$\text{IWF} = (\text{available float shares})/(\text{total shares outstanding}) \quad (1)$$

where available float shares is defined as total shares outstanding less shares held in one or more of the three groups listed above where the group holdings exceed 10% of the outstanding shares.

The float-adjusted index is calculated:

$$\text{Index} = (\sum_j (P_j S_j \text{IWF}_j))/(\text{Divisor}) \quad (2)$$

Where  $P_j$  is the price of stock  $j$ ,  $S_j$  is the total shares outstanding of stock  $j$  and  $\text{IWF}_j$  is the investable weight factor. The divisor is the index divisor.

# Appendix III

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## Capping Methodology

1. Criteria for capping Index Security float:

S&P/TSX indices are currently constructed under two capping scenarios – 25% or 10%. The following information applies to both.

Any constituent whose Relative Weight exceeds 25 (10) percent on the Quarterly Valuation Date will be capped at 25 (10) percent. This cap will be put in place by reducing the number of trust units or shares in the float until it results in a Relative Weight equal to 25 (10) percent of the relevant index. The decision to impose a maximum weight restriction on any capped index will be subject to the sole and absolute discretion of the Index Committee.

2. Maintenance for Capped Constituents:

- a. Any capped Index Security whose Relative Weight is below 25 (10) percent on the Quarterly Valuation Date will have its float units or shares increased until either the security is at full float or the Relative Weight reaches 25 (10) percent of the total index QMV, whichever comes first.
- b. Any capped Index Security whose Relative Weight is above 25 (10) percent of index QMV after the close of the market on the Quarterly Valuation Date will have its float trust units or shares decreased until the Relative Weight reaches 25 (10) percent of the total index QMV.
- c. Cap adjustments resulting from 2a or 2b will be effective after the close of trading on the Quarterly Update Effective Date. The Investable Weight Factor will be determined by using closing unit or share prices and outstanding trust units or shares after the close of trading on the Quarterly Valuation Date.
- d. Any capped Index Security whose Relative Weight lies below 20 (5) percent after the close of business on any TSX trading day will have its float trust units or shares increased until either the trust units or shares are at full float or the Relative Weight reaches 25 (10) percent, whichever comes first. This adjustment in float trust units or shares will be made effective at the opening of trading on the first practical date. The Index Committee reserves the right to delay an adjustment arising from a corporate action indefinitely, if in its sole and absolute discretion, the Index Committee determines that in doing so, turnover would be minimized.

- e. Any capped Index Security whose Relative Weight lies above 30 (15) percent after the close of business on any TSX trading day will have its float trust units or shares capped at 25 (10) percent Relative Weight in that index. This adjustment in float trust units or shares will be made effective at the opening of trading on the first practical date. The Index Committee reserves the right to delay such an adjustment arising from a corporate action indefinitely, if in its sole and absolute discretion, the Index Committee determines that in doing so, turnover would be minimized.
- f. Should a capped Index Security require another cap on a day other than the Quarterly Valuation Date, the number of capped float trust units or shares will be determined using closing trust unit or share prices and outstanding trust units or shares after the close of business on the day prior to the announcement date.

# Appendix IV

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## Defined Terms

1. “Eligible Securities” are securities that meet the Eligibility Criteria.
2. “Eligible Securities Pool” means those securities that are eligible for consideration by the Index Committee for inclusion in the S&P/TSX Composite Index.
3. “Global Industry Classification Standard (GICS<sup>®</sup>)” is a set of global sector and industry definitions that is jointly managed by Standard & Poor’s and MSCI Barra.
4. “Index Securities” means those securities comprising the index.
5. “Relative Weight” of an index constituent is that constituent’s percentage of the total index QMV;  $\text{Relative Weight} = 100 \times (\text{Constituent QMV} / \text{Index QMV})$ .
6. “QMV” means quoted market value, being the value determined by multiplying the number of float shares of a security by the price for one such float share.
7. “Quarterly Review” refers to a quarterly rebalancing of the index, which occurs in the months of March, June, September and December. Share updates, additions and deletions to the index are made at this time. Investable Weight Factor (IWF) updates are only made annually at the September Quarterly Review.
8. “Quarterly Valuation Date” is the trading day immediately preceding the day of the announcement of quarterly additions, deletions and updates for the indices.
9. “Quarterly Update Effective Date” is defined as the first business day following the third Friday of March, June, September and December of each year.

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