



# **S&P/TSX Canadian Indices Methodology**

September 2011

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# Introduction

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The S&P/TSX 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 indices are calculated and managed by S&P Indices. 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 stocks 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 and the S&P/TSX Capped REIT), or both. The S&P/TSX SmallCap Index is a completely separate index from the S&P/TSX Composite family of indices.

**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 SmallCap Index** provides an investable index for the Canadian small cap market. It includes common stock and income trusts and is calculated in real-time.

**S&P/TSX Income Trust Indices.** The S&P/TSX Income Trust Index 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 of the S&P/TSX Capped REIT Index. The relative weight of any single index constituent is capped at 25% for this index.

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

**S&P/TSX Capped Sector Indices.** Twelve 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
Health Care	35
Industrials	20
Information Technology	45
Materials	15
Real Estate	4040
Telecommunication Services	50
Utilities	55

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

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

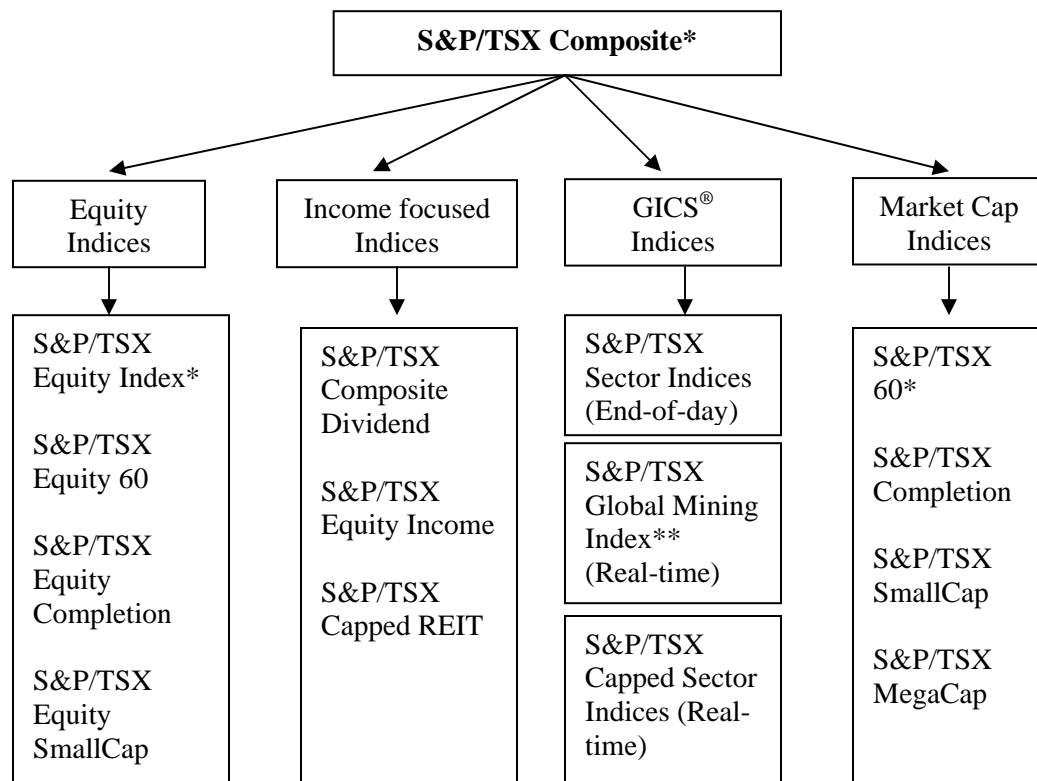
*For more information on GICS, please refer to the section on sector classification under Eligibility Criteria.*

**S&P/TSX Capped Indices.** S&P Indices 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 Mining, S&P/TSX Global Gold and S&P/TSX Global Base Metals Indices please refer to the S&P/TSX Global Mining Index methodology document.*

*A complete list of the S&P/TSX indices can be found at [www.standardandpoors.com](http://www.standardandpoors.com)*

# 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 S&P Float Adjustment Methodology on [www.standardandpoors.com](http://www.standardandpoors.com)*

**Liquidity.** Liquidity will be measured by float turnover (total number of shares traded at Canadian trading venues in the previous 12 months divided by float adjusted shares outstanding at the end of the period). Liquidity must be 0.50 for eligibility.

*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.

**Ineligible 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 six full calendar months as of the month-end prior to the applicable Quarterly Review. In evaluating companies graduating from the TSX Venture Exchange to the TSX, only trading that occurred after listing on the TSX will be included in the liquidity calculation.

**Sufficient Liquidity** Stocks must have sufficient liquidity on the TSX to assure reliable price discovery through trading on the TSX. The S&P/TSX Canada Index Committee may exclude securities if, in the opinion of the Committee, liquidity is not sufficient.

**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.

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

1. 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.
2. Liquidity will be measured by float turnover (total number of shares traded at Canadian trading venues in the previous 12 months divided by float adjusted shares outstanding at the end of the period). Liquidity must be 0.25 for eligibility.

**Sector Classification.** Stocks are classified by the Global Industry Classification Standard (GICS<sup>®</sup>). S&P's global indices provide geographic and economic balance across the 10 GICS<sup>®</sup> Sectors. These Sectors, consistent across all S&P 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.

### **Data Sources**

Stock prices, VWAPs, and prices used to calculate QMV shall be prices determined by trading on the TSX.

Trading volume includes trading volume at the TSX and any Canadian alternative trading systems (ATS) which provide the data in a timely manner.

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

# Index Construction

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## **Approaches**

S&P/TSX 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.

## **Sufficient Liquidity**

Stocks must have sufficient liquidity on the TSX to assure reliable price discovery through trading on the TSX. The S&P/TSX Canada Index Committee may exclude securities if, in the opinion of the Committee, liquidity is not sufficient.

## **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, S&P Indices 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 six-month data ending the month prior to the Quarterly Review. 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) and Float Adjustment please refer to S&P's Float Adjustment Methodology available at [www.standardandpoors.com](http://www.standardandpoors.com).*

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.

2. 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.
3. 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.
4. 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.** Rebalancings occur quarterly. 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 S&P/TSX Composite index will be implemented at the first practical date. 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 S&P/TSX Composite index weight less than 0.05% will only be made annually at the September Quarterly Review.

S&P/TSX Indices implement a share freeze the week of the rebalancing effective date, the third Friday of the last month of each quarter. During this frozen period, shares are not changed except for certain corporate actions events (merger activity, stock splits, rights offerings and certain share dividend payable events). All S&P/TSX Composite constituents that announce traditional secondary public offerings, tender offers and Dutch auctions that are scheduled to be effective during the frozen period are announced immediately and implemented on the first Wednesday immediately after the rebalance effective date.

## Corporate Actions

*For a general discussion of corporate action treatment, please refer to the S&P Indices Corporate Actions Policies and Practices Methodology available in the S&P Indices Index Library at [www.standardandpoors.com](http://www.standardandpoors.com)*

## Currency of Calculation

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

### **Other Adjustments**

1. If the purchase or sale of shares of a specific stock by any holder would change the stock's Investable Weight Factor (IWF) such that the float adjusted market capitalization of the S&P/TSX Composite would change by 0.05% (5bp), the change in the IWF will be announced at least one day (preferably two to five days) in advance and implemented once the information is confirmed.
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 S&P Indices and three members representing the Toronto Stock Exchange (“TSX”). The Index Committee is chaired by a member designated by S&P Indices. 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 shall 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.

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.

Stock prices, VWAPs, and prices used to calculate QMV shall be prices determined by trading on the TSX. Trading volume shall be determined by trading on the TSX and on such other Canadian trading venues which make the data available in a timely fashion.

S&P Indices 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**

S&P Indices maintains an Index Advisory Panel to provide advice to the Index Committee, to S&P Indices 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**

Whenever possible, announcements of additions or deletions of stocks or other index adjustments are made five trading days before the adjustments are implemented. In those cases when it is not possible to trade a stock five days after an announcement, the announcement period may be shortened. However, the implementation of an index adjustment will never be earlier than the market close of the day following the announcement.

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, TMX 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 TMX Datalinx. In order to subscribe, contact TMX Datalinx by phone at +1.416.947.4778 or by email at [indexservices@tmx.com](mailto:indexservices@tmx.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 TMX Web site at [www.tmx.com](http://www.tmx.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, S&P Indices 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 S&P Indices may determine not to publish the index for that day.

In the event of an unscheduled market closing, S&P issue a statement concerning index calculation and the implementation of any pending index adjustments as soon as reasonably possible in an effort to keep the market fully informed.

## **Treatment of Corporate Actions in the Event of Unscheduled Market Closures**

Full-day closure occurs on the corporate action effective date: All market driven actions (splits, bonuses, rights, cash dividends, spinoffs, etc.) are moved to the next trading date. This involves the reposting of all affected files of each index to which each stock belongs. However, we follow the exchange's lead in such situations. If the exchange moves the corporate action ex-date, S&P Indices does the same. Adds and drops to the index and share/IWF updates remain unchanged, as trading was completed at the close before the effective date.

Partial closure occurs on the corporate action effective date: All market driven actions (splits, bonuses, rights, cash dividends, spin-offs, etc.) take place at the opening of the ex-date. Adds and drops to the index and share/IWF updates remain unchanged, as trading was completed at the close of the day before the effective date.

Full-day or partial closure occurs on the day before the corporate action effective date: Adds and drops to the index, share/IWF updates and quarterly rebalancing would be moved to the close of the next trading date and use the closing prices of that day. All market driven actions scheduled for the opening of the next day are unaffected by an exchange closure on the day before the ex-date.

## Index Dissemination – to be updated

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 Indices 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 60 Shariah		.GSPTXSI	
S&P/TSX 60 130/30 Strategy		.GSPTXLS	
S&P/TSX 60 VIX		.GSPVIXC	
S&P/TSX 60 Equal Weight		.GSPTXEW	
S&P/TSX Equal Weight Oil & Gas		.GSPTXOE	
S&P/TSX Equal Weight Diversified Banks		.GSPTXDE	
S&P/TSX MegaCap (PR)	TXMC	.GSPTXMC	
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 Venture 30		.SPVXTC	
S&P/TSX Venture 30 \$US		.SPVXTU	
S&P/TSX Venture Select		.SPVXSC	
S&P/TSX Capped Information Technology	SPTSIT	.SPTTTK	.TTTK-T
S&P/TSX Capped Energy	SPTSEN	.SPTTEN	.TTEN-T
S&P/TSX Capped Financials	SPTSFN	.SPTTFS	.TTFS-T
S&P/TSX Global Mining		.GSPTXGM	
S&P/TSX Global Base Metals		.GSPTXBM	
S&P/TSX Equal Weight Global Base Metals		.GSPTXBE	
S&P/TSX Global 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	SPTSHC	.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

<b>Index</b>	<b>Bloomberg</b>	<b>Reuters</b>	<b>Thomson</b>
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 Preferred Share		.GSPTXPR	
S&P/TSX North American Preferred Stock		.GSPSTNC	
S&P/TSX North American Preferred Stock \$US		.GSPSTNU	
S&P/TSX Canadian Dividend Aristocrats		.GSPTXDV	
S&P/TSX Composite Dividend		.GSPTXDC	
S&P/TSX Equity Income		.GSPTXEI	
S&P/TSX Clean Technology		.GSPTXCT	
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.

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

The S&P/TSX MegaCap is a subset of the S&P/TSX Composite. The index selects 25 of the largest, most liquid stocks listed on the Toronto Stock Exchange that are also members of the Composite.

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

Additions to and deletions from the S&P/TSX MegaCap are generally only made as part of the Quarterly Review

1. To be eligible for inclusion, the securities must be amongst the 25 largest constituents of the S&P/TSX Composite in terms of float QMV.
2. To be added, the company must also have listed options on the Montreal Exchange.
3. One goal of the index is to minimize turnover. The most common cause of deletion is a merger or acquisition of a company. Other reasons for deletion may 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.

**Buffer Rule.** During the Quarterly Review, the following buffer rule applies:

To be eligible for continued inclusion in the S&P/TSX MegaCap, a security must be among the 35 largest constituents of the S&P/TSX Composite Index and must continue to have listed options on the Montreal Exchange.

### **Sector and Constituent Capping**

On the quarterly valuation date:

- If required, any GICS sector is capped at 30% of the index market capitalization. The excess weight is distributed proportionately to stocks in the remaining uncapped sectors.
- If required, any constituent is capped at 10% of the index market capitalization. The excess weight is distributed proportionately the remaining, uncapped stocks.

Full sector inclusion (i.e. all 10 GICS sectors) is not a criterion for the S&P/TSX MegaCap. However, sector representation will be monitored to ensure multiple sectors are included in order to meet the capping criteria above.

## Appendix II

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### **S&P/TSX Equity Income Index**

The S&P/TSX Equity Income Index is a strategy index consisting of 50 to 75 stocks selected from the S&P/TSX Composite focusing on dividend income. The index is market-capitalization weighted, with stocks capped at 5% and each sector capped at 30%. The index rebalances quarterly on the same schedule as the S&P/TSX Composite.

### **Eligibility**

To be included in the S&P/TSX Equity Income Index, a stock must be a member of the S&P/TSX Composite and have a non-zero indicated annual dividend yield. Selection is done step by step, as follows:

1. As of the reference date for the Composite rebalancing, S&P determines the median indicated annual dividend yield of all stocks in the S&P/TSX Composite with non-zero indicated annual dividend yields.
2. The 75 stocks with the largest indicated annual dividend yield, from those stocks which have indicated annual dividend yields above the median calculated in step 1, are selected to form the index.
3. If step 2 yields fewer than 75, but more than 50, stocks those with indicated annual dividend yields greater than or equal to the median form the index.
4. If there are fewer than 50 stocks with indicated annual dividend yields above the median, stocks are added in descending order of indicated annual dividend yield below the median until a total of 50 stocks are included.

### **Index Construction**

The index is market-capitalization weighted subject to a maximum weight of 5% for each stock and 30% for each GICS Sector. The caps are established at the quarterly rebalancing and will not be revised until the next quarterly rebalancing.

*For more information please refer to the Capped Market Capitalization Indices chapter of the S&P Index Mathematics Methodology.*

Additions are done at the quarterly rebalancing, based on the rebalancing of the S&P/TSX Composite. Stocks are deleted either at the quarterly rebalancing or if a stock is removed from the Composite between rebalancings, it will be removed from the S&P/TSX Equity Income index at the same time.

## **Index Maintenance**

All index adjustments and corporate action treatments will follow the S&P/TSX Composite.

## **S&P/TSX Composite Dividend Index**

The S&P/TSX Composite Dividend Index includes all stocks in the S&P/TSX Composite with positive indicated annual dividend yields as of the latest rebalancing of the S&P/TSX Composite. The Composite Dividend Index is rebalanced on the same schedule as the Composite and follows the Composite for all index adjustments and corporate actions. Additions to and deletions from the Index are made coincident with additions to and deletions from the Composite. If a company in the Composite announces that it will cease to pay dividends, the company is removed from the Composite Dividend Index at the next regular rebalancing.

## Appendix III

### **S&P/TSX SmallCap Index**

**S&P/TSX SmallCap Index** provides an investable index for the Canadian small cap market. It includes common stock and is calculated in real-time. Except as noted in this appendix, the S&P/TSX SmallCap Index follows the same methodology as the S&P/TSX Composite Index.

**Annual Review.** There is an annual review for this index; the results are implemented after the market close of the third Friday of September.

### **Eligibility Factors**

**Market Capitalization.** To be eligible for inclusion in the S&P/TSX SmallCap, a security must meet the following criterion:

The security must be greater than or equal to C\$ 100 million and less than or equal to C\$1.5 billion in both quoted (float-adjusted) market value (QMV), and total market value based on the volume weighted average price (VWAP) over the last three trading days of the month-end prior to the Annual Review.

Other eligibility factors are the same as the S&P/TSX Composite Index.

# Appendix IV

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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 V

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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 S&P Indices and MSCI.
4. “Index Securities” means those securities comprising the index.
5. “Indicated Annual Dividend Yield” is defined as the amount, in C\$, of the last regular or ordinary dividend payment multiplied by the frequency with which such dividends are paid, and divided by the closing price of the stock on the TSX on the rebalancing reference date.
6. “Relative Weight” of an index constituent is that constituent’s percentage of the total index QMV;  $\text{Relative Weight} = 100 \times (\text{Constituent QMV} / \text{Index QMV})$ .
7. “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.
8. “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.
9. “Quarterly Valuation Date” is the trading day immediately preceding the day of the announcement of quarterly additions, deletions and updates for the indices.
10. “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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