

S&P
INDICES

S&P/TSX 60 130/30 STRATEGY INDEX

INDEX METHODOLOGY



March 2010

Table of Contents

Introduction	3
Highlights	3
Eligibility Criteria	4
Index Eligibility	4
Timing of Changes	4
Index Construction	5
Framework	5
Long and Short Universe Establishment	5
Long and Short Universe Establishment	6
Basket Construction	6
Index Weights	6
Index Calculations	7
Index Maintenance	8
Rebalancing	8
Base Date	8
Benchmark Index Adjustments	8
Corporate Action Adjustments	9
Index Data	10
Total Return Index	10
Index Governance	11
Index Committee	11
Index Policy	12
Announcements	12
Holiday Schedule	12
Unscheduled Market Closures	12

Index Dissemination	13
Tickers	13
S&P Contact Information	14
Index Management	14
Product Management	14
Media Relations	14
Index Operations & Business Development	14
Disclaimer	15

Introduction

Active extension strategies relax the long-only constraint for investment positions, allowing the fuller expression of active weights. The S&P/TSX 60 130/30 Strategy Index is designed to measure the performance of an investment strategy that establishes over- and under-weight positions relative to the S&P/TSX 60, its parent index.

Constituents of the over-weight basket each have their weight increased by 3 percentage points relative to the S&P/TSX 60, while stocks in the under-weight basket each have their weights decreased by 3 percentage points relative to the S&P/TSX 60. Under-weight positions for stocks with less than 3% weight in the parent index, therefore, result in short positions. The Index provides exposure to a set of qualitative and quantitative fundamental factors. Over- and under-weight positions are referred to as the Long and Short Baskets, respectively. As of each rebalancing reference date, there are 10 constituents in each Basket.

Highlights

The Baskets are created by segregating the parent index universe into two groups based on analysts' recommendations and, then, by ranking each group through a combination of two quantitative fundamental variables. These variables are *Capitalization Rate* and *Earnings Quality*.

Using the S&P/TSX 60 weights as the benchmark as of each reference date, each member of the Long Basket has its weight increased by 3 percentage points, while each member of the Short Basket has its weight decreased by 3 percentage points. Because the initial benchmark weights of all 10 constituents are positive, the maximum absolute aggregate short position for the Index at each reconstitution is always less than 30%.

Index weights are reconstituted once every quarter, with the second Wednesday of February, May, August, and November being the data reference dates. The rebalancing date is after the close of the third Friday of the month.

Eligibility Criteria

Index Eligibility

As of the reference date, all S&P/TSX 60 constituents are eligible to be included in the long basket. Income trusts are not eligible for inclusion in the short basket.

Timing of Changes

Index membership and weighting are reviewed quarterly. The data reference date is after the close of trading on the second Wednesday of February, May, August, and November. The rebalancing date is after the close of the third Friday of the month.

Additions and deletions. Stocks added to or removed from the S&P/TSX 60 are added to or removed from the Index simultaneously. If a constituent of the Long or Short Basket is removed from the index, the number one ranked replacement will be added to the Long or Short Basket to maintain 10 constituents in each Basket.

Index Construction

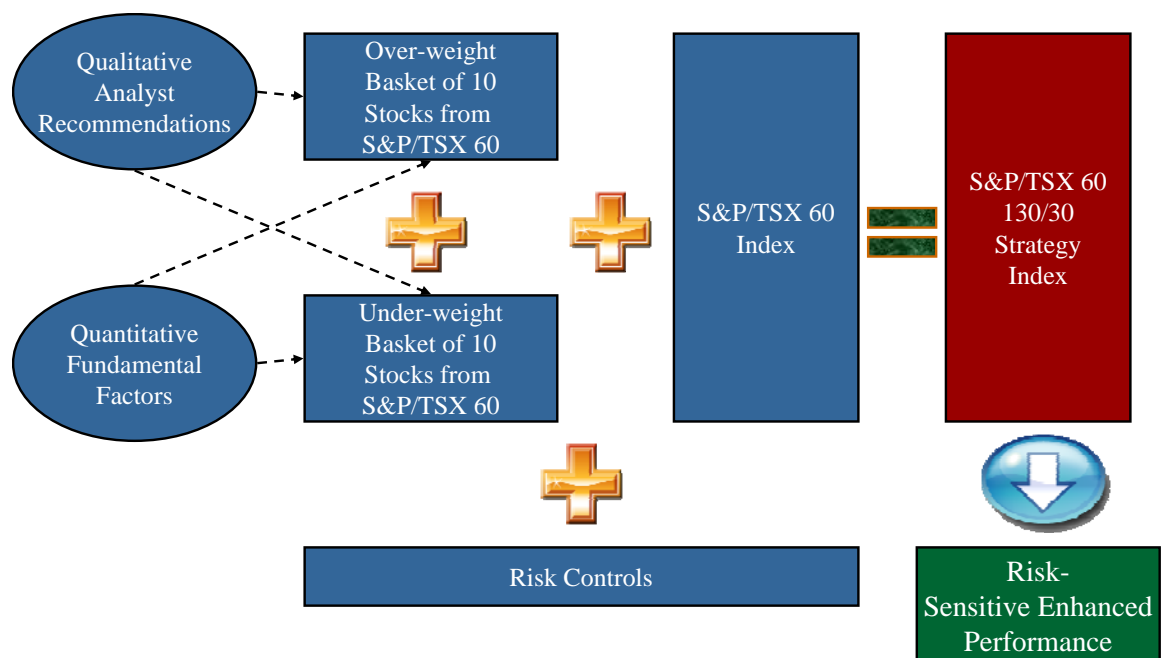
Framework

The S&P/TSX 60 130/30 Strategy Index is rebalanced quarterly and, at each rebalancing, is comprised of:

- A core 100% long position in the S&P/TSX 60 (the parent index),
- 3 percentage points under-weight positions in 10 S&P/TSX 60 constituents stocks (the Short Basket),
- 3 percentage points over-weight positions in 10 S&P/TSX 60 constituents stocks (the Long Basket).

For stocks with less than a 3% weight in the parent index, an under-weight position results in a short index weight. The aggregate short position and corresponding leveraged long position are always less than 30% in absolute terms because all stocks begin with a positive weight in the S&P/TSX 60. In back-testing, the absolute level of leveraged longs/shorts has generally been in the 20 – 25% range. Exhibit 1 displays an overview of the Index construction process.

Exhibit 1 – S&P/TSX 60 130/30 Strategy Index Construction



Long and Short Universe Establishment

Consensus equity analyst recommendations are utilized to establish groups from which Long and Short Baskets are subsequently derived. Stocks with better-than-average consensus recommendations are eligible for inclusion in the Long basket, while stocks with lower-than-average consensus recommendations are eligible for inclusion in the Short Basket.

Basket Construction

To finalize over- and under-weight exposure, S&P applies two quantitative fundamental variables to the Long Universe and Short Universe, respectively. The first is Capitalization Rate (*CR*) and the second is Earnings Quality (*EQ*).

CR is an equally weighted sum of two factors, dividend yield and earnings yield, standardized across all parent index members. *EQ* is an equally weighted sum of two factors, Quality Rank change and accruals growth, standardized across all parent index members. Quality Ranks, also known as Earnings and Dividend Ranks, are derived using a proprietary algorithm that S&P has calculated since 1956. Accruals growth is measured as the one-year change in:

$$\frac{(\text{Earnings per Share} - \text{Cash Flow per Share})}{\text{Total Assets per Share}}$$

S&P combines *CR* and *EQ* into one score that serves as the basis for a ranking of all of the stocks in the parent index. The top 10 stocks by rank, which also have a better-than-average consensus recommendation, form the Long Basket. The bottom 10, which also have a lower-than-average consensus recommendation, form the Short Basket.

Index Weights

The benchmark weights for the index are the weights of the S&P/TSX 60. If we denote W_i and B_i as the following:

W_i = Index weight in the S&P/TSX 60

B_i = Benchmark weight as of the rebalancing reference date

Then, the weight of each stock in the S&P/TSX 60 130/30 Strategy Index is arrived at in the following manner:

For stocks in the Long Basket:

$$W_i = B_i + 3\% \tag{1}$$

For stocks in the Short Basket:

$$W_i = B_i - 3\% \tag{2}$$

For stocks in neither basket:

$$W_i = B_i \quad (3)$$

Because the initial benchmark weights of all constituents are positive, the maximum short position for the index basket at each reconstitution is always less than 30%.

Index Calculations

The index is calculated by means of the divisor method used in Standard & Poor's equity indices. The initial divisor is set to have a base index value of 100 on August 22, 2003.

The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \text{Index Market Value} / \text{Index Divisor} \quad (4)$$

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

In order to maintain index series continuity, it is also necessary to adjust the divisor.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (5)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (6)$$

Index Maintenance

Rebalancing

The index undergoes rebalancing once a quarter. Index constituents and weights are reconstituted, with the second Wednesday of February, May, August, and November being the data reference dates. The rebalancing date is after the close of the third Friday of the month. At each rebalancing:

1. The benchmark weights are derived from S&P/TSX 60 constituents as of the reference date.
2. The Long and Short Baskets are established.
3. Index members are allocated weights based on Equations 1, 2 and 3.

Base Date

Daily returns are available from August 22, 2003. The base value for both the price return and total return series starting on that date is 100. The index is calculated on a real time basis.

Benchmark Index Adjustments

S&P/TSX 60 Adjustments	Adjustment made to strategy index	Divisor adjustment for strategy index
Constituent change	The constituent being deleted from the S&P/TSX 60 is dropped. No additions are made intra-quarter.	A divisor adjustment is made to ensure the index level after the deletion is equal to the index level before the deletion.
Share changes between quarterly share adjustments	None	None
Quarterly share changes	None	None

Corporate Action Adjustments

Corporate Action	Adjustment made to strategy index	Divisor adjustment for strategy index
Spin-Off	The price is adjusted to the Price of the Parent Company minus (the Price of the Spin-off Company/Share Exchange Ratio).	None
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Subscription/Rights Ratio).	None
Stock Split	Index Shares are multiplied by and the price is divided by the split factor.	None
Share Issuance or Share Repurchase	None	None
Special Dividends	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.	A divisor adjustment is made to ensure the index level after the price adjustment is equal to the index level before the price adjustment.

Index Data

Total Return Index

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 :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (7)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (8)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex - dividends})_{i,t} / \text{Divisor}_t \quad (9)$$

Index Governance

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.

Index Policy

Announcements

Rebalancing announcements for the S&P/TSX 60 130/30 Strategy Index are made at 05:15 PM Eastern Time. For regular corporate action activity on the S&P/TSX 60 constituents, please refer to S&P/TSX 60 announcements.

Holiday Schedule

The S&P/TSX 60 130/30 Strategy Index is calculated when Canadian equity markets are open.

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 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 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

Market-sensitive announcements, including the additions or deletions of stocks in indices, are normally made when markets are closed. In general, announcements for markets in Canada are made at 05:15 PM Eastern Time.

Tickers

Daily index values can be viewed on Bloomberg and Reuters. The tickers are as below:

	Bloomberg	Reuters
S&P/TSX 60 130/30 Strategy Index – Price Return	TXLS	.GSPTXLS
S&P/TSX 60 130/30 Strategy Index – Total Return	TXLSAR	.TRGSPTXLS

S&P Contact Information

Index Management

David M. Blitzer, Ph.D. – Managing Director & Chairman of the Index Committee
david_blitzer@standardandpoors.com +1.212.438.3907
Tony North – Director, Index Operations, Canadian Index Services
tony_north@standardandpoors.com +1.416.507.3204

Product Management

Steven Goldin – Vice President, Strategy Indices
steven_goldin@standardandpoors.com +44.20.7176.8309

Media Relations

David Guarino – Communications
dave_guarino@standardandpoors.com +1.212.438.1471

Index Operations & Business Development

North America

New York – Client Services
index_services@standardandpoors.com +1.212.438.2046
Toronto
Jasmit Bhandal +1.416.507.3203

Europe

London
Susan Fagg +44.20.7176.8888

Asia

Tokyo
Seiichiro Uchi +813.4550.8568

Beijing

Andrew Webb +86.10.6569.2919

Sydney

Guy Maguire +61.2.9255.9822

Middle East & North Africa

Dubai

Charbel Azzi +971.4.3727100

Disclaimer

Copyright © 2010 by The McGraw-Hill Companies, Inc. Redistribution, reproduction and/or photocopying in whole or in part is prohibited without written permission. All rights reserved. “S&P” and “Standard & Poor’s” are registered trademarks of Standard & Poor’s Financial Services LLC. This document does not constitute an offer of services in jurisdictions where Standard & Poor’s or its affiliates do not have the necessary licenses. Standard & Poor’s receives compensation in connection with licensing its indices to third parties. All information provided by Standard & Poor’s is impersonal and not tailored to the needs of any person, entity or group of persons. Standard & Poor’s and its affiliates do not sponsor, endorse, sell, promote or manage any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of any Standard & Poor’s index. Standard & Poor’s is not an investment advisor, and Standard & Poor’s and its affiliates make no representation regarding the advisability of investing in any such investment fund or other vehicle. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this presentation. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by Standard & Poor’s to buy, sell, or hold such security, nor is it considered to be investment advice. Standard & Poor’s does not guarantee the accuracy and/or completeness of any Standard & Poor’s index, any data included therein, or any data from which it is based, and Standard & Poor’s shall have no liability for any errors, omissions, or interruptions therein. Standard & Poor’s makes no warranties, express or implied, as to results to be obtained from use of information provided by Standard & Poor’s and used in this service, and Standard & Poor’s expressly disclaims all warranties of suitability with respect thereto. While Standard & Poor’s has obtained information believed to be reliable, Standard & Poor’s shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages, even if it is advised of the possibility of same. These materials have been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. Standard & Poor’s makes no representation with respect to the accuracy or completeness of these materials, the content of which may change without notice. The methodology involves rebalancings and maintenance of the indices that are made periodically during each year and may not, therefore, reflect real time information. Analytic services and products provided by Standard & Poor’s are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor’s has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process. Standard & Poor’s and its affiliates

provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process.