

# Dow Jones Canada Select Dividend Index<sup>SM</sup>

# Methodology

## Introduction

The Dow Jones Canada Select Dividend Index<sup>SM</sup> represents high dividend-paying companies whose stocks trade in Canada.

## Index Universe

The universe for the index is defined as all dividend-paying companies in the Dow Jones Canada Index<sup>SM</sup>. The Dow Jones Canada Index<sup>SM</sup> aims to represent 95% of underlying float-adjusted market capitalization.

To be eligible for selection, stocks that are not current index components must have a nonnegative historical five-year dividend-per-share growth rate. In addition, the company's payout ratio must be less than 80% for all companies. Daily average dollar volume for the three-month period prior to the review must be \$1,000,000. Current index components are included in the universe regardless of their dividend payout ratio or dollar volume.

## Stock Selection

The index composition is determined by selecting stocks from the universe based on size, trading volume and financial indicators.

- 1 Eligible stocks are ranked in descending order by indicated annual dividend yield, defined as a stock's indicated annual dividend (not including any special dividends) divided by its price.
- 2 All current component stocks among the top 40 based on indicated annual dividend yield are selected to the index.
- 3 Stocks that are not current components are added to the index beginning with the top-ranked by indicated annual dividend yield until the component count reaches 30.

## Review Frequency

The index composition is reviewed annually in December. The index does not use float or shares.

In addition, the index is subject to the following quarterly review process:

- Components with significant negative dividend growth or negative earnings from continuing operations over the past twelve month period will be reviewed to determine if the affected company can sustain an appropriate dividend program to remain in the index. If the Dow Jones Indexes Oversight Committee determines the company's dividend program is at significant risk, the company will be removed from the index prior to the open of trading following the third Friday of March, June, September and December. The component will be replaced by the highest ranking noncomponent on the most recently published selection list.
- The companies under review for possible deletion will be indicated on the selection lists posted to [www.djindexes.com](http://www.djindexes.com) the beginning of March, June, September and December.

- Component changes resulting from the quarterly review process will be announced approximately two weeks prior to the implementation date. Share factor calculations for all index components will continue to be conducted only at the annual review in December. A company added to the index during the March, June and September reviews will be included in the index at the weight of the departing company.
- A component company that is removed from the Dow Jones Canada Index (the index universe) during the course of the year because of a reduction in market capitalization will simultaneously be removed from the Dow Jones Canada Select Dividend Index.

## Data Availability

The index is calculated in CAD and USD. Price and total return series are available. Historical data are available daily back to December 31, 1998, the date at which the base value of each index is set at 100.

## Weighting

A company's weight in the index is based on its indicated annual dividend. The weight of any individual company is restricted to 10% within the index. Such restrictions, when required, are implemented on a quarterly basis. In the event of a stock split affecting a component company, weighting factors are adjusted immediately to keep the component weights constant.

## Extraordinary Deletions

Under the following circumstances, a component stock is immediately removed from the index, independent of the annual review:

- The component company is affected by a corporate action such as a delisting or bankruptcy.
- The component company eliminates its dividend.
- The component company lowers but does not eliminate its dividend, and its new yield is less than that of the lowest yielding noncomponent on the next monthly selection list.

A component stock that is removed from the index as the result of an extraordinary deletion is immediately replaced by the next-highest ranked stock by indicated annual yield as of the most recent published selection list. The new stock is added to the index at the weight of the deleted company.

For more information on the Dow Jones Canada Select Dividend Index<sup>SM</sup>, email [djindexsupport@dowjones.com](mailto:djindexsupport@dowjones.com) or call U.S. +1.609.520.7249; Asia +8610.6581.4090 x403; Europe +49.69.29.725.180. Learn more at [www.djindexes.com](http://www.djindexes.com).