

Dow Jones Canada Select Dividend IndexSM

Methodology

Introduction

The Dow Jones Canada Select Dividend IndexSM 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 IndexSM. The Dow Jones Canada IndexSM 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.

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%. 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 IndexSM,
email djindexsupport@dowjones.com or call 609-520-7249. Learn more at www.djindexes.com.

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