

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. The company must have paid dividends in each of the previous five years. 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 are 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 after the close of trading on the third Friday of March, June, September or 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 are indicated on the selection lists posted to www.djindexes.com at the beginning of March, June, September and December.
- Component changes resulting from the quarterly review process are announced approximately two weeks prior to the implementation date. Share factor calculations for all index components are conducted only at the annual review in December. A company added to the index during the March, June, September or December review will be included in the index at the weight of the departing company.

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 monthly selection list. The new stock is added to the index at the weight of the departing company.

A component company that is removed from 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 IndexSM.

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.

Data Availability

The index is calculated in CAD and USD. Price and total return series are available.

Calculation of the Dow Jones Canada Select Dividend IndexSM began on December 5, 2005. Real index history is available daily from this date forward. Back-tested historical data have been calculated daily back to December 31, 1998, the date at which the index base value is set at 100.

Estimated back-tested historical data represents calculations of how the index might have performed in the past if it had existed. Back-tested performance information is purely hypothetical and is solely for informational purposes. Back-tested performance does not represent actual performance, and should not be interpreted as an indication of actual performance. Past performance is not indicative of future results. Index performance is not the same as fund performance as it does not reflect management and other fees.

For more information on the **Dow Jones Canada Select Dividend Index**SM,
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All information as of April 1, 2010.

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