

Dow Jones Canada Select Growth IndexSM

Dow Jones Canada Select Value IndexSM

Methodology

Introduction

The Dow Jones Canada Select Growth and Value Indexes measure the performance of large-cap and midcap stocks traded on the Toronto Stock Exchange that demonstrate “growth” or “value” characteristics as indicated by a six-factor style model. Stocks determined to be “neutral” are excluded from the indexes.

Index Universe

The Dow Jones Canada Select Growth and Value Indexes are derived from the Dow Jones Canada IndexSM, which aims to consistently represent 95% of the market capitalization of stocks traded in Canada. Only stocks that are categorized as large-caps and mid-caps (those within the top 90% of market capitalization) are included in the universe for the Select Growth and Value Indexes.

Style Evaluation Criteria

A stock's style classification is determined by the company's performance in terms of six measures — two projected, two current and two historical:

- Projected Price-to-Earnings Ratio (P/E)
- Projected Earnings Growth
- Price-to-Book Ratio (P/B)
- Dividend Yield
- Trailing P/E
- Trailing Earnings Growth

Stock Selection

- 1 Stocks in the index universe are ranked by each of the six measures.
- 2 Stocks ranking beyond the 5th and 95th percentile for each measure are assigned the same values as the stocks at the 5th and 95th percentile. For each stock, the values of the six factors are z-scored for normalization.
- 3 Cluster analysis, a multivariate statistical procedure, is conducted based on the six factors to generate five clusters: strong growth, weak growth, strong value, weak value and neutral.
- 4 If a stock is classified as neutral but has a market capitalization that exceeds or equals 2% of its size segment's total capitalization, it is reclassified as weak growth or weak value based on the nearest cluster mean.
- 5 The strong growth and weak growth clusters are combined to create the growth index, and the strong value and weak value clusters are combined to create the value index. Neutral stocks are excluded from the growth and value indexes.

Buffer Rules

Upon index reconstitution, a current component's style classification is determined by the rules below. (If A and B, then C).

Current Style Classification	Suggested Classification Based on Review	Resulting Classification Following Review
Growth	Strong Growth / Weak Growth / Neutral	Growth
Value	Strong Value / Weak Value / Neutral	Value
Neutral	Weak Growth / Weak Value / Neutral	Neutral
Growth	Strong Value	Value
Growth	Weak Value	Neutral
Value	Strong Growth	Growth
Value	Weak Growth	Neutral
Neutral	Strong Growth	Growth
Neutral	Strong Value	Value

Review Frequency

The composition of the indexes is reviewed semiannually, in March and September.

Weighting

The indexes are weighted by float-adjusted market capitalization, subject to a 10% cap on the weight of individual securities.

For more information on the Dow Jones Canada Select Growth IndexSM & Dow Jones Canada Select Value IndexSM, email djindexsupport@dowjones.com or call 609-520-7249. Learn more at www.djindexes.com.