

Methodology

Introduction

The Dow Jones China Offshore 50 IndexSM intends to represent the largest stocks of companies whose primary operations are in mainland China but that trade on the exchanges of Hong Kong and the U.S.

Index Universe

- A security is included in the index universe if the company primarily operates in mainland China but lists overseas. Eligible stocks include H shares, red chips, ADRs/ADSEs and U.S.-listed only stocks.
- If a security is listed on two or more overseas exchanges (e.g. an H share also trades as an ADR), only the security with the higher trading volume is included in the selection universe.
- Securities that have had more than 10 nontrading days during the past three months are excluded from the index universe. Securities also are subject to an additional liquidity screen.

Selection List

A selection list is created each month and to coincide with any large IPO. The list indicates possible changes in the composition of the index at the next semiannual review and is used to determine replacements for stocks that are removed from the index due to mergers or financial distress. If a noncomponent stock ranks among the top 25 on the list by float-adjusted market capitalization, it is added to the index immediately. A qualified IPO (among the top 25) is normally added to the index after two trading days.

Stock Selection

- 1 Within each of the 19 Supersectors defined by the Industry Classification Benchmark (ICB), stocks in the index universe are ranked by float-adjusted market capitalization.
- 2 The largest stocks are added to a selection list until the market-cap coverage of each Supersector is as close to 60% as possible.
- 3 Any current index component not already on the selection list is added to it.
- 4 Stocks on the selection list are ranked by float-adjusted market capitalization.
- 5 The largest 50 stocks are included in the index, selecting current components first and then moving to noncomponents, subject to the following buffer rules:
 - Any current index component ranked 61 or lower is replaced by the highest-ranked noncomponent stock.
 - Any noncomponent stock ranked 40 or higher replaces the lowest-ranked current index component.

Review Frequency

The index composition is reviewed semiannually, in March and September. The index is also reviewed on an ongoing basis to account for corporate actions such as mergers, delistings or bankruptcies.

Weighting

The index is weighted based on float-adjusted market capitalization. The weights of individual components are capped at 10% of the float-adjusted market capitalization of the index. Necessary adjustments are made by applying weighting cap factors during the semiannual composition reviews.

Historical Data Availability

Calculation of the Dow Jones China Offshore 50 IndexSM began on October 19, 2005. Real index history is available daily from this date forward. Back-tested historical data have been calculated daily back to December 31, 2000, the date at which the index base value is set at 1000.

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 **China Offshore 50 IndexSM**,
email djindexsupport@dowjones.com or call 609-520-7249. Learn more at www.djindexes.com.

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