

Methodology

Introduction

The Dow Jones U.S. Select Dividend IndexSM represents the country's top stocks by dividend yield, selected annually and subject to screening and buffering criteria.

Index Universe

The index universe is defined as all dividend-paying companies in the Dow Jones U.S. IndexSM that have a nonnegative historical five-year dividend-per-share growth rate, a five-year average dividend to earnings-per-share ratio of less than or equal to 60%, paid dividends in each of the previous five years, and a three-month average daily trading volume of 200,000 shares. Current index components are included in the universe regardless of their dividend payout ratio or trading volume.

Stock Selection

The annual review component selection process:

- 1 Issues are ranked in descending order of indicated annual yield, defined as a stock's indicated annual dividend (not including any special dividends) divided by its price.
- 2 Any current component stock with a three-month average daily trading volume of less than 100,000 shares is deemed ineligible for selection.
- 3 All remaining current component stocks ranked 200 and above on the December selection list are retained in the index assuming they continue to meet all other eligibility requirements.
- 4 Stocks that are not current components are added to the index until the component count reaches 100.

Review Frequency

The index composition is reviewed annually in December. Historical selections for 1992 through 1999 were conducted based on closing prices and indicated dividends as of year end. For 2000 through 2002, selections were conducted on the Monday following the third Friday of December. Beginning with the December 2003 review, selections have been made based on indicated annual dividends as of the last trading day in November. Changes are implemented after the close of trading on the third Friday of December.

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 latest 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 a weight commensurate with its own indicated annual dividend.

A component company that is removed from the Dow Jones U.S. IndexSM (the index universe) during the course of the year because of a reduction in market capitalization will simultaneously be removed from the Dow Jones U.S. Select Dividend IndexSM. Previously, these companies were retained in the index until the December annual review.

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.

Historical Data Availability

Calculation of the Dow Jones U.S. Select Dividend IndexSM began on November 3, 2003. Real index history is available daily from this date forward. Back-tested historical data have been calculated daily back to December 31, 1991, 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 U.S. Select Dividend IndexSM**,
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