

S&P/OIC COMCEC 50 Shariah Methodology

June 2012

Table of Contents

Introduction	3
Highlights	3
Eligibility Criteria	4
Index Eligibility	4
Eligibility Factors	4
Country Eligibility	4
Liquidity Eligibility	5
Timing of Changes	5
Index Construction	6
Approaches	6
Constituent Selection:	6
Constituent Weightings	7
Index Calculations	7
Index Maintenance	8
Rebalancing	8
Base Date	8
Index Actions	8
Index Data	9
Total Return and Net Return Indices	9
Index Governance	10
Index Committee	10
Index Policy	11
Announcements	11
Pro-forma files	11
Holiday Schedule	11
Unscheduled Market Closures	11

Index Dissemination	13
Index Data	13
Tickers	13
S&P Contact Information	14
Index Management	14
Media Relations	14
Index Operations & Business Development	14
Disclaimer	15

Introduction

To meet the increasing demand for benchmarks and investment solutions in Islamic countries, S&P Indices has created the S&P/OIC COMCEC 50 Shariah index, which is designed to measure the performance of 50 leading companies from the Organization of Islamic Cooperation (OIC) member states. The index has been designed in partnership with the Organization of Islamic Cooperation (OIC).

Highlights

To be eligible for inclusion in the S&P/OIC COMCEC 50 Shariah, companies must be listed on OIC member states' stock exchanges*. All eligible stocks must pass the Shariah compliance screenings per S&P Shariah Indices Methodology. In addition, all eligible stocks must have a minimum 3-month average daily value traded (ADVT) of US\$ 1 million.

The index is comprised of the largest 50 eligible stocks, measured by float-adjusted market capitalization, subject to the restriction that no more than eight stocks can be included per country, and that each eligible country must be represented in the index with at least one stock.

** See further clarifications under Country Eligibility*

Eligibility Criteria

Index Eligibility

To be eligible for inclusion in the S&P/OIC COMCEC 50 Shariah, companies must be listed on the OIC member states' stock exchanges.

Eligibility Factors

Country Eligibility

All countries/territories whose exchanges are members of the OIC Exchanges and are covered by S&P Indices are eligible for the index. As of December 2011, this included Bahrain, Bangladesh, Cote d'Ivoire, Egypt, Indonesia, Jordan, Kazakhstan, Kuwait, Lebanon, Malaysia, Morocco, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, Turkey, and the United Arab Emirates.

Stock Universe

The stock universe is drawn from the constituents of the S&P Global BMI Shariah, the S&P Frontier BMI Shariah and the S&P Saudi Arabia Shariah, according to the Country Eligibility. The S&P Shariah Indices Methodology requires constituents to pass two main categories of Shariah compliance screenings.

- **Sector-Based Screens:** Business activities related to the following are excluded: Advertising and Media, Alcohol, Cloning, Gambling, Pork, Pornography, Tobacco, and Trading of gold and silver as cash on deferred basis.
- **Accounting-Based Screens:** After removing companies with non-compliant business activities, the rest of the companies are examined for compliance in financial ratios, as certain ratios may violate compliance measurements. Three areas of focus are leverage, cash, and the share of revenues derived from non-compliant activities. All of these are subject to evaluation on an ongoing basis.
 - **Leverage Compliance.** Debt / Market Value of Equity (36 month average) < 33 %
 - **Cash Compliance.** Accounts Receivables / Market Value of Equity (36 month average) < 49 %; (Cash + Interest Bearing Securities) / Market Value of Equity (36 month average) <33%

- **Revenue Share from Non-Compliant Activities.** In certain cases, revenues from non-compliant activities can be tolerated, if they comply with the following threshold: $(\text{Non-Permissible Income other than Interest Income}) / \text{Revenue} < 5\%$

Please refer to S&P Shariah Indices Methodology for full details.

Liquidity Eligibility

Stocks must have three-month average daily value traded (ADVT) above US\$ 1 million.

Timing of Changes

The index is rebalanced for additions, deletions and share changes quarterly at the open of the Monday following the 3rd Friday of January, April, July and October, using data as of the close of the Rebalancing Reference Date (the last business day in December, March, June and September, respectively).

In addition, the index is reweighted quarterly for weight capping, effective at the open of the Monday following the 3rd Friday in January, April, July and October.

Additions. No companies are added between rebalancings. Eligible additions are only made at the quarterly rebalancings.

Deletions. A company can be deleted from the S&P/OIC COMCEC 50 Shariah any time during the year due to corporate events such as mergers, acquisitions, takeovers or delistings.

Stocks may be removed between quarterly rebalancings due to non-compliance with Shariah screening.

Index Construction

Approaches

The S&P/OIC COMCEC 50 Shariah methodology employs a capped market cap weighted index scheme. At each quarterly rebalancing, modifications are made to float-adjusted market capitalization weights to meet the following criteria:

- No stock can have a weight of more than 5% in the Index
- No country, based on domicile, can have a weight of more than 20% in the Index

There are two steps in the creation of the S&P/OIC COMCEC 50 Shariah. The first is the selection of the companies; the second is the weighting of the index constituents as follows:

Constituent Selection:

- The S&P/OIC COMCEC 50 Shariah is composed of the 50 largest stocks in the stock universe as measured by the float-adjusted market capitalization effective as of the quarterly rebalancing date, subject to the following additional rules:
 - **Liquidity Eligibility:** Each selected stock must have at least US\$ 1 million average daily value traded (ADVT) in the 3 months immediately preceding the Rebalancing Reference Date.
 - **Minimum Representation:** Each country or territory is entitled to have at least one domiciled stock in the index, as long as it has at least one stock that meets the Index Eligibility. If there is no stock that meets the US\$ 1 million average daily value traded threshold, then the most actively traded stock for the past three months (based on total value traded) is selected for the index.
 - **Maximum Representation:** No country or territory has more than eight domiciled stocks in the index.

S&P Indices believes turnover in index membership should be avoided when possible. At times a company may appear to temporarily violate one or more of the addition criteria. However, the addition criteria are for addition to an index, not for continued membership. As a result, an index constituent that appears to violate criteria for addition to that index will not be deleted unless ongoing conditions warrant an index change.

Constituent Weightings

Constituent weights are based on float-adjusted market capitalization with modifications made to reduce single stock and country concentration. At each quarterly rebalancing, no stock can have a weight of more than 5% in the index and no country can have a weight of more than 20%.

Index Calculations

The index is calculated by means of the divisor methodology used in all S&P equity indices. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \quad (1)$$

$$\text{Index Market Value} = \sum_{i=1}^N (\text{Index Shares})_i * (\text{Price})_i \quad (2)$$

For more information on the Index calculation methodology, please refer to the Capped Market Capitalization Weighted Indices section of S&P Indices' Index Mathematics Methodology

In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (3)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (4)$$

Index Maintenance

Rebalancing

The index is rebalanced for additions, deletions and share changes quarterly at the open of the Monday following the 3rd Friday of January, April, July and October, using data as of the close of the Rebalancing Reference Date (the last business day in December, March, June and September, respectively).

Base Date

The base value of the S&P/OIC COMCEC 50 Shariah is 100 on January 16, 2009. Data history begins on this date.

Index Actions

Corporate actions such as splits, stock dividends, spin-offs, and rights offerings, are applied on the respective ex-date. Share adjustments also include scrip and bonus issues, and preemptive rights. For actions resulting in no net change to the capitalization of the issue, the index divisor remains unchanged.

For information on Corporate Actions, please refer to the S&P Indices Corporate Actions Policies & Practices Methodology located at the Index Library and Policy Statements sections on the S&P Indices' Web Site.

Index Data

Total Return and Net Return Indices

The index has a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date t :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (5)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (6)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^N (\text{Index Shares})_{i,t} * (\text{Ex-dividends})_{i,t} / \text{Divisor}_t \quad (7)$$

There is also a net return index series, which adds dividends after adjustments for withholding taxes. Effectively, the net return index adds index dividend points, as in Equation 7, except that the Ex-dividends term is multiplied by (100% - withholding tax rate).

For more information on the tax rates used in the calculation of net return indices, please refer to S&P Indices' Corporate Actions Policies & Practices Index Methodology document located under Policy Statements on our Web site, www.indices.standardandpoors.com.

Index Governance

Index Committee

The S&P/OIC COMCEC 50 Shariah is governed by a transparent and objective rules-based methodology. However, the index rules are maintained by an Index Committee, and the Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters, if necessary, based on market conditions, after performing a consultation with the OIC Exchanges and other market participants. Additionally, any changes to the index rules are communicated to market participants at least four weeks prior to implementation if possible.

The Index Committee meets regularly. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents and any significant market events.

S&P Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically pre-announced five days in advance via the Index Corporate Action report (SPA), delivered daily via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

All methodology changes are posted to the S&P Indices' Web site and announced via email to all clients. The latest available version is always posted on the Web site at www.indices.standardandpoors.com.

Please refer to the Announcement Policy for more information on S&P Indices' announcements.

Pro-forma files

In addition to the corporate actions file (SPA), S&P Indices provides constituent proforma files for each index each time the indices rebalance. The proforma file is typically provided daily five business days in advance of the rebalancing date and it contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices one week prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from these weights due to market movements.

Please visit the *S&P Indices' Index Library* for a complete schedule of rebalancing timelines and proforma delivery times at www.indices.standardandpoors.com.

Holiday Schedule

The indices are calculated daily, seven-days a week, provided at least one component exchange is open and trading.

A complete holiday schedule for the year is available on S&P Indices' Web site at www.indices.standardandpoors.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such computer or electric power failures, weather conditions or other events,

S&P Indices will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the exchange listing included in the index. If an exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices. If all exchanges fail to open, S&P Indices may determine not to publish the index for that day.

Index Dissemination

Index Data

Complete data for index replication (including share counts, tickers and data on index levels and returns) are available through S&P Indices' index data group for subscription via FTP.

Tickers

Index returns are available on many vendor platforms. Reuters and Bloomberg tickers are as follows for the S&P/OIC COMCEC 50 Shariah:

U.S. Dollar Version	Bloomberg	Reuters
S&P/OIC COMCEC 50 Shariah		
S&P/OIC COMCEC 50 Shariah NTR		
S&P/OIC COMCEC 50 Shariah TR		

S&P Contact Information

Index Management

David M. Blitzler, Ph.D. – Managing Director & Chairman of the Index Committee
david_blitzler@standardandpoors.com +1.212.438.3907
Stephen Banks – Index Manager
stephen_banks@standardandpoors.com +44.20.7176.3353

Media Relations

David Guarino – Communications
dave_guarino@standardandpoors.com +1.212.438.1471

Index Operations & Business Development

index_services@standardandpoors.com

U.S.	+1.212.438.2046
EMEA	+44.20.7176.8888
China	+86.10.6569.2905
Japan	+813.4550.8564
Australia	+61.2.9255.9802
Canada	+1.416.507.3200
Dubai	+971.4.3727131

Disclaimer

This document does not constitute an offer of services in jurisdictions where Standard & Poor's or its affiliates do not have the necessary licenses. All information provided by Standard & Poor's is impersonal and not tailored to the needs of any person, entity or group of persons. Standard & Poor's receives compensation in connection with licensing its indices to third parties. Any returns or performance provided within are for illustrative purposes only and do not demonstrate actual performance. Past performance is not a guarantee of future investment results.

It is not possible to invest directly in an index. Exposure to an asset class is available through investable instruments based on an index. Standard & Poor's and its affiliates do not sponsor, endorse, sell, promote or manage any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of any Standard & Poor's index. There is no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. Standard & Poor's is not an investment advisor, and Standard & Poor's and its affiliates make no representation regarding the advisability of investing in any such investment fund or other vehicle. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by Standard & Poor's or its affiliates to buy, sell, or hold such security, nor is it considered to be investment advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's. The Content shall not be used for any unlawful or unauthorized purposes. Standard & Poor's, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use

of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an “as is” basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

Copyright © 2012 by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies. All rights reserved. Redistribution, reproduction and/or photocopying in whole or in part is prohibited without written permission.

STANDARD & POOR’S, S&P and S&P Indices are registered trademarks of Standard & Poor’s Financial Services LLC.