

**S&P Enhanced Yield North
American Preferred Stock Index
*Methodology***

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Introduction

The S&P Enhanced Yield North American Preferred Stock Index is designed to measure the performance of the highest-yielding members of the North American preferred stock market.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of the index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Highlights

The index is comprised of 50 of the highest-yielding preferred stocks traded in the U.S. and Canada that meet specific criteria relating to minimum size, liquidity and exchange listing.

The index is calculated using a modified capitalization weighted scheme, with modifications made to index shares to prevent single issuer concentration and improve index liquidity.

Eligibility Criteria

Eligibility Factors

Universe. The underlying universe for the index is all preferred securities in the S&P/TSX Preferred Share Index and the S&P U.S. Preferred Stock Index.

For more details on the S&P/TSX Preferred Share and the S&P U.S. Preferred Stock Indices, please refer to their respective methodologies available on our Web site, www.spdji.com.

Market Capitalization. Preferred stocks must have a total market capitalization of more than US\$ 250 million.

Liquidity. Preferred stocks must have a three-month average daily value traded (ADVT) of US\$ 1 million. Current index constituents must maintain a three-month ADVT of US\$ 750,000 to remain eligible.

Indicated Yield. Preferred stocks for which S&P Dow Jones Indices cannot determine an indicated dividend yield are not eligible.

Multiple Issuer Lines and Issuer Weight. The maximum number of lines per issuer is set to three (3) and a maximum index weight of 5% is set per issuer. In such a case, all three eligible issuer lines are included in the index and capped on a pro-rata basis to a maximum of 5% for the issuer as a whole.

Index Construction

Approaches

The 50 highest yielding preferred securities from the underlying universe that satisfy the eligibility factors defined in *Eligibility Criteria*, subject to the issuer limit and buffers, are selected and form the index.

Constituent Selection

Preferred stocks in the underlying index that meet the eligibility criteria form the selection universe. The selection universe is then ranked according to highest yield. All eligible preferred stocks ranked within the top 25 in the selection universe are chosen. Current index constituents ranked within the top 75 highest-yielding issues in the selection universe remain in the index until the constituent count reaches 50. If, after including all eligible current constituents ranked within the top 75 the constituent count has not yet reached 50, the highest ranked eligible non-constituents are added in descending order until the target constituent count is reached.

Index Calculations

The index is calculated following S&P Dow Jones Indices' modified market capitalization-weighted, divisor-based index methodology. Corporate actions and index changes are implemented in the same manner as for other market capitalization-weighted indices.

For more information on the calculation of market capitalization weighted, divisor-based indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology available on our Web site, www.spdji.com.

S&P Dow Jones 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.

Index Maintenance

Rebalancing

Index membership is reviewed semi-annually. Rebalancings occur after the close on the third Friday of April and October. The reference date for additions and deletions is five business days prior to the first Friday of the rebalancing month.

Additions. No additions are made between rebalancings.

Deletions. A constituent is removed from the index if it is removed from the underlying universe. Subject to market conditions, S&P Dow Jones Indices provides a minimum of two days advance notice of a removal.

Corporate Actions

Corporate Action	Adjustment Made to the Index	Divisor Adjustment?
Shares called for cash or par value	The constituent is removed from the index at the time of the redemption with a minimum of two days' notice.	Yes
Shares called for conversion or automatically converted	The constituent is removed from the index at the time of the conversion with a minimum of two days' notice.	Yes
Delisting from primary exchange	The constituent is removed from the index with a minimum of two days' notice. If no primary exchange price is available, it is removed at the OTC or pink sheet price. If no OTC or pink sheet price is available, the security can be removed at a zero price at the discretion of the Index Committee.	Yes
Special cash distribution	The price of the stock making the special payment is reduced by the per share special payment amount.	Yes
Rights offering on preferred share class	The price is adjusted to the Price of Parent shares minus (Price of Rights shares/Rights Ratio).	Yes
Preferred stock split	Index Shares are multiplied by and the price is divided by the split factor.	No
Issuance of additional shares for the preferred share class in the index	None. Shares are revised semiannually.	No
Partial call for cash or par value	On the redemption date, the constituent shares outstanding are reduced by the number of shares called and the constituent price is adjusted to the call price plus accrued interest.	Yes

For information on Corporate Actions, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Base Date and History Availability

Index history availability, base date and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P Enhanced Yield North American Preferred Stock Index	05/21/2012	04/20/2007	04/20/2007	1000

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 :

S&P Dow Jones Indices calculates daily return series using both gross and net cash dividends reinvested. Net return reinvested is reflective of the return to an investor where dividends are reinvested after the deduction of withholding tax. The tax rate applied is the rate to non-resident institutions that do not benefit from double taxation treaties.

For more information on the tax rates used in the calculation of net return indices, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Please refer to S&P Dow Jones Indices' Index Mathematics Methodology for more information on total return calculations.

Index Governance

Index Committee

The S&P Enhanced Yield North American Preferred Stock Index is maintained by the Americas Thematic & Strategy Index Committee. All members are full-time professional members of S&P Dow Jones Indices. The Index Committee meets monthly. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones 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.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Policy

Announcements

Index rebalancing announcements are made to clients after the close of trading on the first Friday of the rebalancing month prior to the effective date.

Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the index rebalances. The pro-forma file is typically provided daily in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing.

Please visit www.spdji.com for a complete schedule of rebalancing timelines and pro-forma delivery times.

Holiday Schedule

The index is calculated when the exchanges where the index constituents are listed are open and trading.

A complete holiday schedule for the year is available at www.spdji.com.

Rebalancing

The index committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

Unscheduled Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spdji.com, major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

Index	Return Type	Bloomberg
S&P Enhanced Yield North American Preferred Stock Index	Price Return	SPPEYP
	Total Return	SPPEYT
	Net Total Return	SPPEYN

Index Alert

Complete data for index replication (including share counts, tickers and data on index levels and returns) are available through S&P Dow Jones Indices' fee-based service, *SPICE* (www.spice-indices.com).

FTP

Daily stock level and index data are available via FTP subscription.

For product information, please contact S&P Dow Jones Indices, www.spdji.com/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

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