

S&P Dow Jones Indices

A Division of **S&P Global**

S&P AFE 40 *Methodology*

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Table of Contents

Introduction	2
Index Objective	2
Supporting Documents	2
Eligibility Criteria	3
Index Eligibility	3
Eligibility Factors	3
Index Construction	4
Approaches	4
Constituent Selection	4
Constituent Weightings	4
Multiple Share Classes	4
Index Calculations	4
Index Maintenance	6
Rebalancing	6
Index Actions	6
Base Date	6
Index Data	7
Calculation Return Types	7
Index Governance	8
Index Committee	8
Index Policy	9
Announcements	9
Pro-forma Files	9
Holiday Schedule	9
Rebalancing	9
Unexpected Exchange Closures	9
Recalculation Policy	9
Contact Information	10
Disclaimer	11

Introduction

Index Objective

The S&P AFE 40 index is designed to measure the performance of the 40 largest and most liquid companies from the Pan Arab region and has been designed in partnership with the Arab Federation of Exchanges (AFE).

The index includes companies from Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology	Equity Indices Policies & Practices
S&P Dow Jones Indices' Index Mathematics Methodology	Index Mathematics Methodology
S&P Dow Jones Indices' Float Adjustment Methodology	Float Adjustment Methodology

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each 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.

Eligibility Criteria

Index Eligibility

To be eligible for inclusion in the S&P AFE 40, companies must be listed on AFE member exchanges.

Eligibility Factors

Country Eligibility. All countries/territories whose exchanges are members of the AFE and whose securities have real-time pricing of listed equities available to S&P Dow Jones Indices. As of April 2018, this includes Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates.

Stock Universe. The universe for the index is drawn from all stocks listed on the AFE member exchanges above which are either members of the S&P Global Broad Market Index (BMI) or the S&P Frontier BMI.

In the case of cross-listed stocks, the country of domicile is assigned by S&P Dow Jones Indices.

For more information on the S&P Global BMI and S&P Frontier BMI please refer to the S&P Global BMI, S&P IFCI Index Methodology and S&P Frontier Indices Methodology documents, located on our Web Site www.spdji.com.

Index Construction

Approaches

There are two steps in the creation of the index. The first is the selection of the companies; the second is the weighting of the index constituents as follows:

Constituent Selection

The index is composed of the 40 largest stocks in the stock universe, as measured by float-adjusted market capitalization effective as of the annual reconstitution date, subject to the following additional rules:

- **Value Traded:** Each selected stock must have at least US\$ 50 million value traded in the 12 months immediately preceding March 31st.
- **Minimum Representation:** Each country or territory is entitled to have at least one domiciled stock in the index. If there is no stock that meets the US\$ 50 million value traded threshold, then the most actively traded stock for the past 12 months (based on total value traded) is selected for the index.
- **Maximum Representation:** No country or territory can have more than 10 domiciled stocks in the index.

Constituent Weightings

Constituents are weighted by float-adjusted market capitalization, subject to constraints made to reduce single stock and country concentration. At each quarterly rebalancing:

- No stock can have a weight of more than 10% in the index; and
- No country can have a weight greater than 35%.

For securities listed in GCC countries, float-adjustment is based on the levels relevant for GCC residents.

Multiple Share Classes

Each company is represented once by the Designated Listing. For more information regarding the treatment of multiple share classes, please refer to Approach B within the Multiple Share Classes section of the S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Index Calculations

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

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

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

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

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

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

Therefore,

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

Index Maintenance

Rebalancing

The index is reconstituted for additions, deletions and share changes annually at the open of the Monday following the 3rd Friday of April, using data as of the close of the last business day in March.

In addition, the index is reweighted quarterly for share changes and weight capping only effective at the open of the Monday following the 3rd Friday in June, September, and December.

Additions. No companies are added between reconstitutions. Eligible additions are only made at the annual reconstitution in April. For spin-off treatment please refer to the S&P Policies and Practices document.

Deletions. A company can be deleted from the index any time during the year due to corporate events such as mergers, acquisitions, takeovers or delistings.

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 S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Base Date

The base value of the index was 100 on December 21, 2007. Data history begins on this date.

Index Data

Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

For more information on the calculation of return types, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

Index Governance

Index Committee

The index 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 AFE and other market participants. Additionally, any changes to the index rules will be 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 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.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

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 in advance via the Index Corporate Action report (.SDE), 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 Dow Jones Indices' Web site and announced via email to all clients. The latest available version is always posted on the Web site at www.spdji.com.

For more information on S&P Dow Jones Indices' announcements, please refer to the Announcement Policy.

Pro-forma Files

In addition to the corporate actions file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided daily 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 seven business days prior to the rebalancing, the actual weight of each stock at the rebalancing will differ from these weights due to market movements.

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

Holiday Schedule

The indices are calculated daily, six days a week, Sunday through Friday, provided at least one component exchange is 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.

Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document.

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.

Contact Information

For any questions regarding an index, please contact: index_services@spglobal.com.

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