S&P/TSX North American Preferred Stock Index

Methodology

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Introduction

Index Objective

The S&P/TSX North American Preferred Stock Index® measures the performance of the preferred share market across Canada and the United States.

Highlights

The index is comprised of a 50% weighting in the S&P/TSX Preferred Share Index and a 50% weighting in the S&P U.S. Preferred Stock Index at each index rebalancing.

Several currency versions of the index are available, including one in which the U.S. exposure is hedged back to the Canadian dollar.

The index is rebalanced on a quarterly basis; changes are effective after the close of trading on the third Friday of January, April, July and October. Corporate actions such as maturity, conversion, calls, and delistings are treated according to a set of rules further defined in the respective underlying index methodologies.

The reference date for additions and deletions is five business days prior to the first Friday of the rebalancing month.

Partnership

The S&P/TSX indices are calculated and managed by S&P Dow Jones Indices. The TMX Group Inc. (TMX) is the owner and distributor of all S&P/TSX equity index data.

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:

<table>
<thead>
<tr>
<th>Supporting Document</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P Dow Jones Indices’ Index Mathematics Methodology</td>
<td><a href="#">Index Mathematics Methodology</a></td>
</tr>
</tbody>
</table>

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

At each quarterly rebalancing, the index is comprised of equal weightings in the S&P/TSX Preferred Share Index and the S&P U.S. Preferred Stock Index. For eligibility details of each sub-index consult the relevant index methodology.

Eligibility Factors

Each sub-index methodology covers details of constituent eligibility factors including requirements with respect to listing, types of issuance, maturity or conversion schedules, market capitalization, volume, yield, and maximum number of lines per issuer.
Index Construction

Approaches

The index is comprised of a 50% weighting in the S&P/TSX Preferred Share Index and a 50% weighting in the S&P U.S. Preferred Stock Index at each index rebalancing.

Sub-Index Calculations

For details of the sub-index calculations, refer to the respective index methodology.

For more information on the Index calculation methodology, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.
Index Maintenance

Rebalancing

Index membership is reviewed quarterly. Rebalancing occurs after the close of trading on the third Friday of January, April, July, and October. The reference date for additions and deletions is five business days prior to the first Friday of the rebalancing month.

At each rebalancing, the index is set to a 50% weighting in the S&P/TSX Preferred Share Index and a 50% weighting in the S&P U.S. Preferred Stock Index using closing prices and exchange rates on the Wednesday prior to the first Friday of the rebalancing month and membership, shares outstanding and IWFs as of the rebalancing effective date.

Additions. Additions occur only at the quarterly rebalancings. There are no intra-period additions.

Deletions. A constituent is deleted intra-period if it is called or undergoes mandatory conversion. The quarterly rebalancing also results in deletions, if constituents no longer meet the eligibility requirements of the underlying indices.

Corporate Actions

<table>
<thead>
<tr>
<th>Corporate Action</th>
<th>Adjustment Made to the Index</th>
<th>Divisor Adjustment?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares called for cash or par value</td>
<td>If the issuer calls a constituent, it is removed from the index with five-day notice at the closing price of the date at which it is dropped. Note that the issuer may choose not to call, in which case no change is necessary.</td>
<td>Yes</td>
</tr>
<tr>
<td>Shares called for conversion or automatically converted</td>
<td>The constituent is removed from the index with five days’ notice at the closing price of the date at which it is dropped. If the issuer chooses not to invoke the right to convert and conversion is not automatic, no change is necessary.</td>
<td>Yes</td>
</tr>
<tr>
<td>Partial call for cash or par value</td>
<td>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.</td>
<td>Yes</td>
</tr>
<tr>
<td>Delisting from primary exchange</td>
<td>The constituent is removed at the closing price of the delisting date (occasionally, a constituent may be removed at zero price).</td>
<td>Yes</td>
</tr>
<tr>
<td>Special cash distribution</td>
<td>The price of the stock making the special payment is reduced by the per share special payment amount after the close of trading on the day before the ex-date.</td>
<td>Yes</td>
</tr>
<tr>
<td>Rights offering on preferred share class</td>
<td>The price is adjusted to the Price of Parent shares minus the Price of Rights shares/Rights Ratio.</td>
<td>Yes</td>
</tr>
<tr>
<td>Preferred stock split</td>
<td>Index shares are multiplied by and the price is divided by the split factor.</td>
<td>No</td>
</tr>
<tr>
<td>Issuance of additional shares for the preferred share class in the index</td>
<td>None. Shares are revised semiannually</td>
<td>No</td>
</tr>
</tbody>
</table>

For more information, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Index Methodology.
Currency of Calculation and Additional Index Return Series

The S&P/TSX North American Preferred Stock Index is calculated in Canadian and U.S. dollars.

For the S&P/TSX North American Preferred Stock Index (CAD Hedged), the S&P U.S. Preferred Stock Index exposure is hedged back to Canadian dollars using beginning-of-the-period balances and rolling one-month forward contracts.

WM/Reuters foreign exchange rates are taken daily at 04:00 PM London time and used in the calculation of the index. These mid-market fixings are calculated by the WM Company based on Reuters' data and appear on Reuters pages WMRA.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to S&P DJI’s All Indices by Methodology Report.

For information on the index calculation, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.

Base Date and History Availability

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

<table>
<thead>
<tr>
<th>Index</th>
<th>Launch Date</th>
<th>First Value Date</th>
<th>Base Date</th>
<th>Base Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/TSX North America Preferred Stock Index</td>
<td>08/16/2010</td>
<td>09/19/2003</td>
<td>09/19/2003</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Historic index levels were calculated using a weighted average of the underlying S&P U.S. Preferred Stock and S&P/TSX Preferred Share index returns. For calculation purposes, all corporate actions impacting the underlying indices during the historic period were reinvested directly into the underlying index and were not reinvested across the composite index.
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 Methodology.

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 S&P/TSX Canadian indices are maintained by the S&P/TSX Canadian Index Committee. The Index Committee is comprised of four members representing S&P Dow Jones Indices and three members representing the Toronto Stock Exchange (“TSX”). The Index Committee is chaired by a member designated by S&P Dow Jones Indices. Meetings are held regularly.

The Index Committee is responsible for setting rules and policies for the S&P/TSX Canadian Indices, determining the composition of the indices and administering the methodology. In fulfilling its responsibilities, the Index Committee has full and complete discretion to amend, apply or exempt the application of the methodology and other index policies as circumstances may require, and add, remove or by-pass any security in determining the composition of any of the indices.

The Index Committee may rely on any information or documentation submitted to or gathered by it that the Index Committee believes to be accurate. Where a public document used by the Index Committee is available in both official languages, the Index Committee shall assume that the contents of both versions are identical. The Index Committee reserves the right to reinterpret publicly available information and to make changes to the index based on a new interpretation of that information at its sole and absolute discretion.

Index corrections and changes to index composition are implemented at such time and in such manner, as the Index Committee deems appropriate. The timing of any index change made in response to a correction shall be at the sole and absolute discretion of the Index Committee.

Stock prices, VWAPs, and prices used to calculate QMV shall be prices determined by trading on the TSX. Trading volume shall be determined by trading on the TSX and on such other Canadian trading venues which make the data available in a timely fashion.

S&P Dow Jones Indices considers information about changes to its Canadian 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 Methodology.
Index Policy

Announcements

Announcements of additions and deletions for the S&P/TSX Canadian indices are generally made after market close. Press releases are released to major news services. Whenever possible, announcements of additions or deletions of stocks or other index adjustments are made five trading days before the adjustments are implemented.

Index rebalancing announcements are made to clients after the close of trading on the first Friday of the rebalancing month, approximately ten business days before the effective date.

In addition, TMX Datalinx offers a fee-based subscription to Index Notices. The Index Notices provide the most detailed and comprehensive coverage of index changes. Complete data for index replication (including share counts, tickers and data on index levels and returns) are also available through TMX Datalinx. In order to subscribe, contact TMX Datalinx by phone at +1.416.947.4778 or by email at marketdata@tmx.com.

Holiday Schedule

The S&P/TSX Canadian indices are calculated when the Canadian equity market is open.

A complete holiday schedule for the year is available on the TMX Web site at www.tmx.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 Methodology.

Recalculation Policy

For more information on the recalculation policy please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.

Contact Information

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

The TMX Group (TMX) serves as the distributor of both real-time and historical index data. In addition, index levels are available on S&P Dow Jones Indices’ Web site at www.spdji.com, through major quote vendors (see codes below), through numerous investment oriented Web sites and various print and electronic media.

Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to S&P DJI’s All Indices by Methodology Report for a complete list of indices covered by this document.

<table>
<thead>
<tr>
<th>Index</th>
<th>Return Type</th>
<th>Bloomberg</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P/TSX North American Preferred Stock Index (CAD)</td>
<td>Price Return</td>
<td>STNC</td>
</tr>
<tr>
<td></td>
<td>Net Total Return</td>
<td>STNCN</td>
</tr>
<tr>
<td>S&amp;P/TSX North American Preferred Stock Index (USD)</td>
<td>Price Return</td>
<td>STNU</td>
</tr>
<tr>
<td></td>
<td>Net Total Return</td>
<td>STNUN</td>
</tr>
<tr>
<td>S&amp;P/TSX North American Preferred Stock Index (CAD Hedged)</td>
<td>Price Return</td>
<td>STNCH</td>
</tr>
<tr>
<td></td>
<td>Total Return</td>
<td>STNCHT</td>
</tr>
<tr>
<td></td>
<td>Net Total Return</td>
<td>STNCHN</td>
</tr>
</tbody>
</table>

Index Data

Daily constituent and index level data is available from the Toronto Stock Exchange on subscription. Please contact Market Data at 416-947-4778 or, by email, at marketdata@tmx.com.

For further information, please refer to the TMX Web site at www.tmx.com.

Web site

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