

S&P/TWSE Taiwan Low Volatility High Dividend Index *Methodology*

January 2015

Table of Contents

Introduction	3
Highlights	3
Eligibility Criteria	4
Index Eligibility	4
Timing of Changes	4
Index Construction	5
Approaches	5
Constituent Selection	5
Constituent Weightings	6
Index Calculations	6
Index Maintenance	7
Rebalancing	7
Corporate Actions	7
Currency of Calculation	8
Base Date and History Availability	8
Investable Weight Factor (IWF)	8
Other Adjustments	8
Index Data	9
Total Return Index	9
Index Governance	10
Index Committee	10

Index Policy	11
Announcements	11
Pro-forma files	11
Holiday Schedule	11
Unscheduled Market Closures	12
Recalculation Policy	12
Index Dissemination	13
Tickers	13
FTP	13
Web site	13
S&P Dow Jones Indices' Contact Information	14
Index Management	14
Product Management	14
Media Relations	14
Client Services	14
Disclaimer	15

Introduction

The S&P/TWSE Taiwan Low Volatility High Dividend Index serves as benchmark for income seeking equity investors. The index is designed to measure 40 high yielding companies within the S&P Taiwan BMI, while meeting diversification, volatility and tradability requirements.

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.

Highlights

The index methodology aims to achieve a balance between dividend yield and volatility. The index is weighted by trailing 12-month dividend yield, with constituents re-weighted semi-annually.

The S&P/TWSE Taiwan Low Volatility High Dividend Index constituent universe is reviewed twice a year in April and October. At each rebalancing, modifications are made to stock weights to ensure diversification across individual stocks and sectors. The weight of each index constituent is constrained between 0.05% and 5.0%, and the weight of each GICS Sector is capped at 30%.

Eligibility Criteria

Index Eligibility

To qualify for membership in the S&P/TWSE Taiwan Low Volatility High Dividend Index, a stock must satisfy the following criteria:

1. Be a constituent of the S&P Taiwan BMI.
2. Have a 3-month average daily traded value greater than TWD 100 million.
3. Have been issued and trading for at least one calendar year leading up to the rebalancing reference date. However, there is no minimum number of days that the stock must have actually traded.
4. Be listed on the Taiwan Stock Exchange (i.e. stocks listed on the Greta Securities Market are not eligible).
5. Have paid a non-zero dividend in the prior twelve months as of rebalancing reference date.

For information on stock eligibility criteria and index management rules of the S&P Taiwan BMI, please refer to the *S&P Global BMI Index Methodology* document at www.spdji.com.

Timing of Changes

The S&P/TWSE Taiwan Low Volatility High Dividend Index is rebalanced twice a year, effective after the close of the last business day of April and October. The rebalancing reference date for the data used in the review is the last business date of March and September, respectively. Changes to index membership and constituent weights are typically made available to clients five business days prior to the rebalancing date.

Additions. Additions are made to the index only during the semi-annual rebalancings.

Deletions. Constituents removed from the S&P Taiwan BMI, are removed from the S&P/TWSE Taiwan Low Volatility High Dividend Index simultaneously. Other deletions may occur during the semi-annual rebalancing reviews.

Index Construction

Approaches

The methodology employs a yield driven-weighting scheme, using the divisor methodology used in most S&P Dow Jones Indices' equity dividend indices.

There are two steps in the creation of the index. The first is the selection of the index constituents; the second is the weighting of the constituents within the index. 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 is not deleted unless ongoing conditions warrant an index change.

Constituent Selection

The selection of index constituents is done as follows:

1. All stocks in the selection universe are ranked in descending order by their 12-month trailing dividend yield, calculated as their dividends per share for the prior 12 months divided by the stock price as of rebalancing reference date.
2. The top 60 stocks with the highest dividend yield are selected, with the number of stocks from each GICS sector capped at 15. If the number of stock from a sector reaches 15, the remaining highest yielding stocks from other sectors are selected until the number of selected stock reaches 60.
3. Using available price return data for the trailing 252 trading days leading up to each index rebalancing reference date, the realized volatilities of the 60 selected high dividend yielding stocks are calculated. Realized volatility is defined as the standard deviation of the security's daily price returns over the prior 252 trading days.
4. The 60 selected high dividend yielding stocks are, then, ranked in ascending order by realized volatility. The top 40 securities with the lowest realized volatility form the index.

During each semi-annual rebalancing, the selection of the 60 high dividend yielding stocks is subject to buffer rules favoring existing index constituents:

1. If a current index constituent's dividend yield ranks in the top 50th percentile of the total number of eligible stocks, it remains in the 60 high dividend yielding stock universe. Non-constituent stocks are then selected by dividend yield ranks

in ascending order until the stock count reaches 60, with the number of stocks from each GICS sector capped at 15.

2. The 60 selected highest dividend yielding stocks are, then, ranked in ascending order by realized volatility. The top 40 securities with the lowest realized volatility form the index.

Constituent Weightings

In order to achieve a relatively high index dividend yield, the index constituents are weighted by trailing 12-month dividend yield. At each rebalancing, modifications are made to stock weights to ensure diversification across individual stocks and sectors. The weight of each index constituent is constrained between 0.05% and 5.0%, and the weight of each GICS Sector is capped at 30%.

Index Calculations

The index is calculated by means of the divisor method used for all S&P Dow Jones equity indices.

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

Index Maintenance

Rebalancing

The index is rebalanced semi-annually. Constituent changes as a result of the rebalancings are effective after the close of the last business day of April and October. The rebalancing reference date for each semi-annual rebalancing is the last business day of March and September, respectively.

Corporate Actions

Corporate Action	Adjustment Made to Index	Divisor Adjustment?
Spin-off	The price is adjusted to the Price of the Parent Company minus (the Price of the Spun-off Company/Share Exchange Ratio). Index shares change so that the company's weight remains the same as its weight before the spin-off.	No
Rights Offering	The price is adjusted to the Price of the Parent Company minus (the Price of the Rights Offering/Rights Ratio). Index shares change so that the company's weight remains the same as its weight before the rights offering.	No
Stock Dividend, Stock Split, Reverse Stock Split	Index shares are multiplied by and price is divided by the split factor.	No
Share Issuance, Share Repurchase, Equity Offering or Warrant Conversion	None.	No
Special Dividends	The price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date.	Yes
Constituent Change	There are no intra-rebalancing additions.	-
	Deletions due to delistings, acquisition or any other corporate event resulting in the deletion of the stock from the index will cause the weights of the rest of the stocks in the index to change. Relative weights will stay the same.	Yes

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

Currency of Calculation

The index is calculated in Taiwan dollars.

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/TWSE Taiwan Low Volatility High Dividend Index	01/15/2014	10/31/2003	10/31/2003	1,000

Investable Weight Factor (IWF)

All issues in the S&P/TWSE Taiwan Low Volatility High Dividend Index are assigned a float factor, called an Investable Weight Factor (IWF). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company.

Please refer to S&P Dow Jones Indices' Float Adjustment Methodology for details.

Other Adjustments

In cases where there is no achievable market price for a stock being deleted, it may be removed at a zero or minimal price at the Index Committee's discretion, in recognition of the constraints faced by investors in trading bankrupt or suspended stocks.

Index Data

Total Return Index

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

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 detail on total and net return index calculations.

Index Governance

Index Committee

The S&P/TWSE Taiwan Low Volatility High Dividend Index is maintained by the Asia Indices Index Committee. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The committee meets twice every quarter. 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 the 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

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically 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 Dow Jones Indices' Web site and announced via email to all clients. The latest available version is posted on our Web site, www.spdji.com.

For more information on S&P Dow Jones Indices' announcements, please refer to the Announcement Policy located on our Web site, www.spdji.com.

Pro-forma files

In addition to the corporate actions file (.SPA), S&P Dow Jones Indices provides constituent pro-forma files each time the index rebalances. The pro-forma 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 www.spdji.com for a complete schedule of rebalancing timelines and pro-forma delivery times.

Holiday Schedule

The S&P/TWSE Taiwan Low Volatility High Dividend Index is calculated on all calendar days of the year whenever the Taiwan Stock Exchange is open.

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

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, S&P Dow Jones 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 security before the exchange closed. If an exchange fails to open due to unforeseen circumstances, S&P Dow Jones Indices treats this closure as a standard market holiday. The index will use the prior day's closing prices and shifts any corporate actions to the following business day. If all exchanges fail to open or in other extreme circumstances, S&P Dow Jones Indices may determine not to publish the index for that day.

For further 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

S&P Dow Jones Indices reserves the right to recalculate an index under certain limited circumstances. S&P Dow Jones Indices may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

1. Incorrect or revised closing price
2. Missed corporate event
3. Late announcement of a corporate event
4. Incorrect application of corporate action or index methodology

Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee.

For more 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/TWSE Taiwan Low Volatility High Dividend Index	Price Return	SPTLHDP
	Total Return	SPTLHDT
	Net Total Return	SPTLHDN

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.

S&P Dow Jones Indices' Contact Information

Index Management

David M. Blitzler, Ph.D. – Managing Director & Chairman of the Index Committee
david.blitzler@spdji.com +1.212.438.3907
Corrine Chi – Associate Director
corrine.chi@spdji.com +86.10.6569.2907

Product Management

Vinit Srivastava – Senior Director, Strategy Indices
vinit.srivastava@spdji.com +1.212.438.4168

Media Relations

David Guarino – Communications
dave.guarino@spdji.com +1.212.438.1471

Client Services

index_services@spdji.com

Beijing	+86.10.6569.2770
Dubai	+971.4.371.7131
Hong Kong	+852.2532.8000
London	+44.20.7176.8888
New York	+1.212.438.2046 or +1.877.325.5415
Sydney	+61.2.9255.9802
Tokyo	+81.3.4550.8564

Disclaimer

© S&P Dow Jones Indices LLC, a part of McGraw Hill Financial 2015. All rights reserved. Standard & Poor's and S&P are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a part of McGraw Hill Financial. Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Trademarks have been licensed to S&P Dow Jones Indices LLC. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. All information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties. Past performance of an index is not a guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment 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 S&P Dow Jones Indices 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 and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-

party data providers and licensors (collectively “S&P Dow Jones Indices Parties”) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN “AS IS” BASIS. S&P DOW JONES INDICES 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 Dow Jones Indices 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 Dow Jones Indices 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 Dow Jones Indices may have information that is not available to other business units. S&P Dow Jones Indices 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 Dow Jones Indices provides 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.