

**INDEX METHODOLOGY**

**MACQUARIE EMERGING MARKETS  
INFRASTRUCTURE AND DEVELOPMENT  
INDEX**

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## SECTION 1

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### 1.0 INTRODUCTION

- 1.1 This paper sets out the Index Methodology of the Macquarie Emerging Markets Infrastructure and Development Index ("MEMIDI"). The index is designed to reflect the performance of companies that generate the majority of their revenue from infrastructure or infrastructure construction in emerging markets.
- 1.2 MEMIDI is comprised of the existing constituents of the FTSE Global Equity Index Series ("GEIS") All Cap Index and the FTSE Vietnam Index Series. From this universe, ICB sub-sector and geographical rules are used to screen for eligible stocks.
- 1.3 Macquarie Group will apply an annual assessment of the stock universe to ensure that infrastructure and development of infrastructure related stocks are appropriately included, and that these stocks generate the majority of their revenue from emerging market countries.
- 1.4 Infrastructure is defined as those companies which derive the majority of the income and are involved in providing the foundation of basic services, facilities and institutions upon which the growth and development of a community depends.
- 1.5 Development of infrastructure is defined as those companies which are involved in the planning and construction of infrastructure assets; and those companies which supply the basic materials used in the formation of these infrastructure assets.
- 1.6 The stocks which fulfil the emerging markets and infrastructure criteria are ranked by investable market capitalisation, and the top 50 stocks are included in the MEMIDI.
- 1.7 The constituent list of stocks is reviewed annually before the end of the second week in June by Macquarie. Changes arising from the reviews are implemented after the close of business on the third Friday in June.
- 1.8 Each constituent of the MEMIDI will be capped at 10% on a quarterly basis, effective on the Monday after the third Friday of March, June, September & December. No constituent can be greater than the pre-determined 10%. The weights of the constituents will be allowed to float intra-review and hence may be higher than the 10% cap.
- 1.9 As of 31 January 2008, the MEMIDI has 50 constituents with a combined investable market capitalisation of US\$570bn.

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## SECTION 2

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### 2.0 ELIGIBLE SECURITIES

2.1 The principal universe from which the Macquarie Emerging Markets Infrastructure and Development Index is drawn is the FTSE GEIS All Cap Index or FTSE Vietnam Index.

2.2 If the security belongs to the following list of countries, it is eligible for inclusion in the MEMIDI:

Emerging Markets
Brazil
Czech Republic
Hungary
Indonesia
Israel
Korea
Malaysia
Philippines
Poland
South Africa
Taiwan
Thailand
Turkey
Vietnam

Emerging Markets with Depositary Receipts
Argentina
Chile
Colombia
Egypt
Hungary
India
Mexico
Morocco
Pakistan
Peru
Russia
China (H-shares)

Emerging Market with Developed Market Listings
Hong Kong
Singapore

2.3 Where the country is listed in "Emerging Markets with Depositary Receipts", the eligible security as defined below will be included in the MEMIDI:

Country Name	Eligible Security
Argentina	Any Global Depositary Receipt ("GDR") with average 3 month daily trading volume above USD 1 million.
Chile	
Colombia	
Egypt	
Hungary	
Mexico	
Morocco	
Pakistan	
Peru	
Russia	
India	In addition to the above, any GDR where average 3 month daily trading volume is below USD 1 million but the GDR is 2-way fungible with Indian-listed securities.
China	H-shares: Any share of a company

	incorporated in mainland China that is traded on the Hong Kong Stock Exchange.
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2.4 The following ICB subsectors are eligible for inclusion in the index: -

- 0577 Pipelines
- 7535 Electricity
- 7573 Gas Distribution
- 7575 Multiutilities
- 7577 Water
- 0573 Oil Equipment & Services
  
- 6575 Mobile Telecommunications
- 9578 Telecommunications Equipment
- 6535 Fixed Line Telecommunications
  
- 2773 Marine Transportation
- 2757 Industrial Machinery
- 2357 Heavy Construction
- 2353 Building Materials & Fixtures
- 2727 Diversified Industrials
- 1757 Steel
- 2775 Railroads
- 2799 Waste & Disposal Services
- 2777 Transportation Services

2.5 The free float weighting of an individual constituent is the same as in the FTSE GEIS All Cap Index, based on the appropriate free float weighting of that Index.

2.6 Ground Rules for the FTSE Global Equity Index Series are available from FTSE.

2.7 FTSE examines the stocks in the FTSE GEIS All Cap Index and composes a list of available stocks that meet the predetermined limitations on region and sector. FTSE sends the list to the committee of Macquarie analysts for review (the "Macquarie Index Committee").

2.8 Each stock on the list is then reviewed by Macquarie Group to determine whether the underlying company derives the majority of its revenue from infrastructure and/or development of infrastructure.

2.9 Macquarie Group will source revenue information based on annual and quarterly company reports, statutory financial filings, industry reports, government reports, local broker reports and vendors such as Bloomberg and Reuters and other information sources where available.

2.10 A company will be eligible for inclusion in the MEMIDI if the proportion of its revenue derived from infrastructure and/or infrastructure development activities is greater than 50%.

2.11 Infrastructure is defined as assets that provide the foundation of basic services, facilities and institutions upon which the growth and development of a community depends. Also included are emerging market companies that develop or construct infrastructure assets under the definition of infrastructure development.

- 2.12 Macquarie Group assesses two criteria to determine whether the emerging market company is included in the MEMIDI. Companies that earn the bulk of their revenue from: (1) managing infrastructure assets in the emerging markets, and/or, (2) the provision of building materials; and engineering and technical expertise used in the construction and development of infrastructure assets in emerging markets.
- 2.13 The stock review is performed by the Macquarie Index Committee comprising representatives from Macquarie including analyst and industry specialists. The Committee reviews the list and determines which companies from the list are eligible for inclusion and which are not. This decision is based on whether a company derives the majority of its revenue from (i) infrastructure and/or infrastructure development activities, and (ii) from the eligible countries list. The final constituent list is sent back to FTSE 5 working days before the changes are to be implemented.

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## SECTION 3

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### 3.0 PERIODIC REVIEW OF CONSTITUENTS

- 3.1 The MEMIDI is reviewed on an annual basis in June in line with the annual review of the FTSE Global Equity Index Series. FTSE updates the MEMIDI constituents using data available on the last working day of May, and send to Macquarie for sign off 3 weeks before the review implementation date.
- 3.2 The Macquarie Index Committee examines the companies on the eligibility list and determines which should be included in the MEMID Index as outlined in Section 2.
- 3.3 Changes arising from the reviews are implemented by FTSE after the close of business on the third Friday in June. On the following Monday, the index has been rebalanced upon opening.
- 3.4 For the MEMIDI, at review, eligible securities will be ranked by investable market capitalisation, and the first 50 securities will be included in the MEMID Index.
- 3.6 If a company with multiple lines is eligible, only the largest of those lines, by investable market cap, will be included in the index.
- 3.7 There will be no intra-review additions to the MEMIDI.
- 3.8 Constituents that are deleted intra-review will not be replaced by another. If a constituent is removed from the FTSE GEIS or FTSE Vietnam Index series, the constituent or associated GDR would be deleted from the MEMID Index and the Index will comprise fewer than 50 constituents until the next periodic review.
- 3.9 Where two index constituents merge or one index constituent is acquired by another constituent, a vacancy will be created. The vacancy will not be filled and the MEMIDI will comprise fewer than 50 constituents until the next periodic review.
- 3.10 If an existing MEMIDI constituent is acquired by a non-constituent, the company will be removed from the MEMIDI. The vacancy will not be filled and the MEMIDI will comprise fewer than 50 constituents until the next periodic review.
- 3.11 If an existing MEMIDI constituent acquires a non-constituent, it will remain in the MEMIDI if the newly merged company remains eligible for inclusion in the FTSE GEIS and Vietnam Index.

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## SECTION 4

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### 4.0 CHANGES TO CONSTITUENT COMPANIES

#### 4.1 Removal

- 4.1.1 If a constituent ceases to be a constituent of the FTSE Global Equity Index Series or the FTSE Vietnam Index Series it will be removed from the MEMID Index. The removal will be concurrent with its removal from the FTSE Index.
- 4.1.2 If FTSE determines that a constituent changes classification, and is no longer eligible according to the predetermined limitations on region and sector, the constituent will drop out of the index on the date of the change.
- 4.1.3 During the annual review of the constituent list for the MEMIDI, if the Macquarie Index Committee determines that a constituent has gone through significant changes in its business such that its revenues are (i) no longer generated from infrastructure and/or infrastructure related activities, and/or is (ii) no longer deriving the majority of its revenues from the countries listed in Table 3, the constituent will be removed from the list on the implementation date.

#### 4.2 Additions

- 4.2.1 If a constituent is added to the FTSE Global Equity Index Series or FTSE Vietnam Index Series it will not be automatically included in the MEMID Index.
- 4.2.2 FTSE supplies a list of eligible stocks that meet the predetermined criteria to Macquarie during the annual review of the Index Series. The Macquarie Index Committee then selects the stocks that fulfil the two revenue criteria and includes them in the final constituent list as per section 2. If there is an addition to the constituent list, it will be effective on the implementation date.