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Russell Global Indexes Construction and Methodology



Russell Global Indexes

Construction and Methodology

One Index:

Covers the investable universe. The Russell Global Index identifies companies that make up the top 98% of investable securities worldwide, without the limitations of country or region.

Reflects the global market. Instead of focusing exclusively on developed or emerging markets, Russell focuses on the types of companies global managers actually buy, regardless of country. There is no sampling. The Russell Global Index membership reflects the actual market.

Is modular. Russell ensures that its indexes reflect true broad cap, large cap and small cap market coverage throughout the world. Russell uses consistent break points to determine which companies are large cap and small cap globally. For example, Russell uses the same cut-off point in the United Kingdom as it does in Chile to establish a small cap company's status.

Is objective, transparent and rules-based. Objectively allows the market to determine the index composition according to clear, published rules. Using methodology similar to that of its industry-leading U.S. Indexes, Russell relies on the market—not on a subjective vote of a selection committee—to determine which companies are included.

Our disciplined approach to index methodology creates benchmarks that help investors make better investment decisions.

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Updated sections

This document has been updated since the last published version. Please refer to the list below for the updated sections.

Section 4: Russell Global Index Construction – countries without critical mass



Russell Global Indexes

Construction and Methodology

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SECTION 1

Introduction

The Russell Global Indexes are a complete family of global equity indexes that truly represent the institutionally investable equity market. Rules-based and comprehensive, with objective maintenance rules, the indexes are consistent and reliable indicators of global equity market performance. The Russell Global Index is divisible by region, country, developed/emerging markets, capitalization size, sector, industry and styles to provide fully modular benchmarks representing the diversified opportunity set within each segment. The Russell Global Index family includes 98% of the global equity market cap—approximately 10,000 securities in 67 countries and 34 regions—and incorporates turnover management rules to balance transition costs and market representation.

The Russell Global Index family includes the Russell 3000[®] Index as its U.S. component and incorporates the industry-leading features of the Russell U.S. indexes. The global indexes feature Russell's pioneering float-adjustment weightings and objective maintenance methodology, ensuring consistent and comprehensive market representation as markets change over time. Russell's unique company-based approach allows for faster inclusion as new stocks (while perhaps not entire stock markets) emerge as part of the institutional opportunity set.

Purpose

- To offer investors a complete global equity market performance benchmark.
- To serve as an equity market proxy for asset allocation analysis and decisions.
- To provide a replicable vehicle for passive investment portfolios.
- To provide comprehensive retirement plan or investment portfolio benchmarks with fully modular segments, resulting in no gaps or overlaps in equity allocation/analysis.
- To provide the foundation for trading and risk management tools, such as options and futures.
- To act as an objective indicator of total market and individual segment performance and characteristics, for academic research and financial media.

Available indexes

The Russell Global Index is modular and can be divided into thousands of components by capitalization size, region, sector, industry, styles, etc. Russell's core regional indexes are listed in Appendix A.

SECTION 2

Defining the total stock universe

Many indexes claim to capture a certain percentage of the equity market, and it is often difficult to evaluate and compare index families on the basis of their claimed coverage percentage. A key step in creating market indexes is defining the total stock universe on which they are to be based. Russell has always promoted transparency in index construction. Accordingly, the methodology used to generate our 98% capture of the global equity universe is described below.

The Russell Global Index is fundamentally constructed from a company-level perspective. Every publicly traded company around the world that meets minimum size and investability standards is included in the stock universe. Russell uses seven steps to refine the exchange-traded security universe and capture the total institutional universe of securities on which the Russell Global Index is based.

Steps in constructing the Investable Equity Universe and the Russell Global Index

1. Evaluate security types and distinguish equity securities from all other securities
2. Assign companies to countries
3. Evaluate securities by country to remove ineligible security types
4. Evaluate minimum capitalization size requirements
5. Evaluate country eligibility based economic and practical investment environments
6. Evaluate minimum stock liquidity by using the average daily dollar trading volume (ADDTV), and active trading ratio (ATR)
7. Capture 98% of the institutionally investable universe

Total universe security type

Russell's first step in determining index membership is to capture and evaluate all exchange-traded securities in the global marketplace and build the total stock universe. Equity and equity-like securities are included in the Russell global equity universe, with some country-specific nuances. Equity-like securities are those that represent ownership of a company without an obligation for the company to repay invested capital in the form of coupon payments or lump-sum payments throughout the life of the investment. A full list of eligible share classes by country is provided in Appendix C. Depository receipts are used in countries such as Philippines, Thailand, and Russia due to their restrictions on foreign ownership in local shares. The following security types are not eligible for inclusion in Russell global indexes and are excluded from the total stock universe.

Excluded securities

- Blank check companies
- Bulletin board and pink sheet stocks (with some global exceptions)
- Closed-end investment companies
- Depository receipts (some exceptions apply when primary issue fails liquidity threshold)
- Exchange Traded Funds (ETFs) and mutual funds
- Limited liability companies
- Limited partnerships
- Trust receipts and royalty trusts
- Warrants and rights

Universe minimum size requirement

Russell further refines the investable universe by eliminating extremely small equity securities that are inaccessible by institutional investors. The minimum total market capitalization requirement for inclusion in the Russell stock universe is \$1,000,000 USD. Note, this \$1M threshold applies to the universe of stocks, from which then 98% makes up the index. Historically, the market capitalization for the smallest security in the Russell Global index is approximately \$160 million USD. Total market capitalization is determined by multiplying outstanding shares by market price as of the last trading day in May.

Universe country eligibility

Some countries with sizable stocks do not provide a stable environment for institutional investment and thus are ineligible for inclusion in the Russell global indexes universe. Russell assesses the adequacy of investability conditions in a country on the basis of a group of factors and references. These factors include the country's political stability, capital market policies, corporate governance, competitiveness, de facto operating conditions and trends in transaction volume and liquidity. Russell's primary sources for country risk ratings are the Economist Intelligence Unit (EIU) and the Organization for Economic Co-Operation and Development (OECD).

Economist Intelligence Unit (EIU) is a leading international risk advisory service associated with *The Economist*. It rates country risk by combined economic and political risk on a 100-point scale. Securities from countries considered high-risk by EIU (a risk score greater or equal to 60) are not eligible for the total stock universe or Russell index membership.

The OECD is a premium statistical agency and is one of the world's largest and reliable sources of comparable statistics, economic and social data. The OECD provides a system for assessing country credit risk and classifying countries into eight country risk categories (0 - 7). Securities from countries with a rating of 6 or 7 are not eligible for Russell index membership.

A complete list of investable countries with corresponding eligible share types can be found in the appendices. Russell will monitor these countries and publicly pre-announce changes in their eligibility.



Universe liquidity screen

Prior to capturing 98% of the market, Russell refines the universe of stocks to ensure investability. To be eligible for membership in the Russell Global Index (excluding U.S. securities), stocks must meet minimum size and liquidity requirements. Russell removes securities with inadequate liquidity by evaluating the average daily dollar trading volume (ADDTV) and the active trading ratio (ATR). ADDTV smoothes abnormal trading volumes over short time periods and measures the actual transactions taking place in the market. ATR evaluation provides further refinement, due to the possibility that a few transactions across the year could distort the ADDTV for individual stocks. This two-step liquidity screen provides an accurate representation of the market and its liquidity.

The formulas for calculating ADDTV and ATR are:

$$\text{ADDTV} = \frac{\text{Annual accumulated trading volume in USD}}{\text{Number of available trading days (open for trading)}}$$

$$\text{ATR} = \frac{\text{Number of active trading days (minimum 1 share traded)}}{\text{Number of available trading days (open for trading)}}$$

All securities in investable countries with eligible share types are ranked by ADDTV. At reconstitution, securities with an above-median ADDTV and greater than 50% ATR are eligible for inclusion in the index. U.S. securities are not subject to the liquidity screen.

For 2009, the median ADDTV is approximately \$40,000 USD, which is equivalent to \$10 million USD annual trading volume. This threshold generally corresponds to the bottom 5% cumulative total market capitalization, in descending order of ADDTV.

Capturing 98% of the eligible universe

Following completion of the minimal universe refinements listed above, Russell assigns stocks to individual countries according to a process described in Section 3, "Assigning Securities to Countries." The Russell Global Index is composed of the Russell 3000[®] Index, which captures 98% of the U.S. equity universe; and the largest 98% of the remaining country equity universe.

Additionally, a number of investable countries are eligible for the Russell Global Index; however, securities in those markets may be too small to be included in the index. For example, the following countries are currently eligible for inclusion in the Russell Global Index, in 2009, but did not have any eligible securities during reconstitution: Botswana, Latvia and Slovakia.

Russell evaluates more than 150 countries at reconstitution each year for potential index eligibility. Index maintenance only applies to countries covered by the Russell Global Index as of the most recent reconstitution.



SECTION 3

Assigning securities to countries

Country assignment within indexes is important because many investment strategies involve under-/overweighting particular countries or passive investment within the countries. Indexes provide the market weighting for the strategic weighting decision and the performance benchmark for evaluating the results. In most cases, country assignment is straightforward. However, some differences and complexities in the global equity environment warrant specific attention and rules. The fundamental country-assignment rule is described below.

Home-country indicators

If a company incorporates, has a stated headquarters location, and also trades in the same country, (ADR's and ADS's are not eligible), the company is assigned to its country of incorporation. If any of the three do not match, Russell then defines 3 Home Country Indicators (HCI): country of Incorporation, country of Headquarters, and country of the most liquid exchange as defined by 2-year average daily dollar trading volume (ADDTV). Using the HCIs, Russell cross-compares the primary location of the company's assets with the 3 HCIs. If the primary location of assets matches ANY of the HCIs, then the company is assigned to its primary asset location. However, if there is not enough information (as illustrated in Appendix J) to conclude a company's primary country of assets, we use the primary location of the company's revenue for the same cross-comparison and assign the company to its home country in a similar fashion. (Note: Russell will use one year of assets or revenues information for determining primary country of assets for the 2010 reconstitution. Then beginning in 2011, Russell will use an average of two years of assets or revenues data for analysis to reduce potential turnover.) If conclusive country details can not be derived from assets or revenue, we assign the company to the country where its headquarters are located unless the country is a Benefit Driven Incorporation (BDI) country (See Appendix H for list of BDI countries); in which case, the company will be assigned to the country of its most liquid stock exchange.

Steps to country classification:

Step 1	Is the company incorporated, traded, and headquartered in one unique country?	YES – Classified in the unique country	NO – Move to step 2
Step 2	Are the company's reported assets primarily located in one of the HCl's? (Incorporation, headquarters, or most liquid exchange by volume)	YES – Classified in the country of primary assets	NO – Move to step 3
Step 3	Are the company's reported revenues primarily located in one of the HCl's? (Incorporation, Headquarters, or most liquid exchange by Volume)	YES – Classified in the country of primary revenue.	NO – Move to Step 4
Step 4	Is the Headquarters in a non-BDI country? (see Appendix D for list of BDI's)	YES – Classified in the country of Headquarters	NO – Assign to primary exchange country

In addition, there are some individual security exceptions to this rule due to legacy .

Chinese/Hong Kong home-country indicators: If a company is assigned to China or Hong Kong Special Administrative Region (S.A.R.) based on it's HCl's, it is further analyzed to determine where it should be assigned . For the purpose of index creation, Russell recognizes China and the Hong Kong S.A.R as two distinct investment universes. A company is assigned to mainland China if it is incorporated in China and if its primary stock exchange is either the Shanghai Stock Exchange (SHSE) or the Shenzhen Stock Exchange (SZSE). If a company is incorporated in Hong Kong and is primarily traded on the Stock Exchange of Hong Kong (SEHK), in the majority of cases Russell assigns the company to Hong Kong. However, if the following two conditions hold for such company, the company will be assigned to China.

1. Country in which majority of revenue is generated is China
2. More than 50% of the company equity, after aggregation of all share classes, is state-owned.

For example, China Mobile Ltd., a state-owned company and the largest mobile phone provider in China, is a member of Russell China index, despite its being incorporated in Hong Kong and trading in Hong Kong.

Hong Kong/Macao

For the purpose of index creation, companies assigned to Macao are re-assigned to Hong Kong.



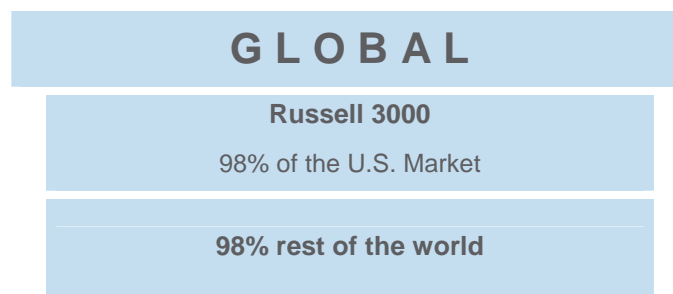
SECTION 4

Russell Global Index membership

When the total universe has been screened as described in Section 2, and after securities have been allocated to their home countries as described in Section 3, Russell determines index membership. Russell includes the top 98% of U.S. market capitalization, the Russell 3000[®]; and the top 98% of the rest of the world's market capitalization. This index design preserves global equity market integrity and effectively relieves the overrepresentation of U.S. from the global perspective. Additionally, this design assures consistency between the Russell Global Index and its U.S. sub-indexes as components.

The broad building blocks capturing 98%-plus of the investable market enable thousands of modular sub-indexes, including country, region, sector, market capitalization and style segments. Each division of the parent index provides a set of sub-indexes with no gaps and no overlaps. Additionally, each sub-index, as a stand-alone index, provides comprehensive representation of a particular subgroup of the global investment opportunity set.

Global equity index design



Global large cap and small cap index construction

Research summary

The need for cap-size indexes is based on a well-documented phenomenon known as the “cap-size effect.” Stated simply, it means that large stocks tend to behave like other large stocks, and small stocks tend to behave like other small stocks. Russell observed this effect in the U.S. more than 20 years ago, and the effect has been seen to prevail in global markets as well. Much research has been focused on determining an appropriate dividing point between large and small stocks, but Russell’s research has demonstrated that there is none. Instead, the division between large and small stocks should be established as a range or “band” around which representative large cap and small cap indexes can be created.

In addition, Russell research has demonstrated that the cap-size effect exists across regional boundaries; that is, companies of similar size tend to behave similarly regardless of geographic location. While this relationship is not equally strong across all regions (particularly in emerging markets), it does appear to be increasing as markets continue to globalize.

As a result of its research into the global cap-size effect, Russell implemented a global-relative methodology with banding when constructing the Global Large Cap, Global Mid Cap and Global Small Cap indexes, beginning with the June 2007 reconstitution. This approach differs fundamentally from the current industry practice of determining cap size on a country-by-country basis, where companies with very different market capitalizations may be classified in the same cap-size index, or, alternatively, where companies with similar market capitalizations may be classified in different cap-size indexes simply because they are in different countries or regions. Cap-size indexes constructed by use of country-relative distinctions (whether banded or not) can generate substantial overlap when combined into broader indexes, and this reduces an index’s usefulness in accurately representing what it was intended to measure.

Construction rules

At reconstitution, all companies in the Russell Global Index (ex-U.S.) are ranked by their total market capitalization in descending order, and the cumulative total market capitalization percentile for each company will be calculated.

To determine the Russell Global Large Cap and Russell Global Small Cap indexes, all companies that rank below the 90th percentile will be classified as small cap, and all companies that rank above the 85th percentile will be classified as large cap. Companies that rank within the capitalization band between the 85th and 90th percentiles and that are members of the current index will retain their existing classification (i.e., if a member of the existing Russell Global Small Cap Index is within the 85th-90th percentile band at reconstitution, it will remain classified as small cap). New companies being added to the Russell Global Index will be classified relative to the midpoint of the range (i.e., new companies ranking above 87.5 will be classified as large cap, and new companies ranking below 87.5 will be classified as small cap).

To determine the Global Mid Cap Index, which is a sub-component of Global Large Cap, all companies that rank below the 60th percentile will be classified as mid cap, and all companies that rank above the 55th percentile will be classified as mega cap. Companies that rank within the capitalization band between the 55th and 60th percentiles and that are members of the current index will retain their existing classification (i.e., if a member of the existing Global Mid Cap Index is within the 55th-60th percentile band at reconstitution, it will remain classified as mid cap). New companies being added to the Global Index will be classified relative to the midpoint of the range (i.e., new companies ranking above 57.5 will be classified as mega cap, and new companies ranking below 57.5 will be classified as mid cap).

Using a global-relative 5% band has been shown to create portfolios that are robust representations of large and small stock behavior and to provide consistently better tracking results when tested against global and non-U.S. cap-tier mandated managers. Use of the banding approach also has the associated benefit of dramatically reducing turnover at reconstitution. Russell’s research shows that a 5% band provides an optimal balance between representing asset-class return behavior and reducing turnover, which ultimately benefits investors who are using the indexes as passive vehicles or active portfolio benchmarks.

Index name	Upper range (percentiles)	Lower range (percentiles)
Russell Global Mega Cap	NA	55%–60%
Russell Global Mid Cap	55%–60%	85%–90%
Russell Global Small Cap	85%–90%	NA

Percentiles are based on descending total market capitalization. Large Cap = Mega Cap + Mid Cap.



Countries without critical mass

Russell's global relative approach focuses less on country coverage and more on the true global opportunity set. A country coverage focus can result in the inclusion of countries with few securities available to trade. From a manager's perspective, this is not an ideal situation due to the relative costs of setting up a trading account with those countries compared to the number of tradable securities.

In an effort to reduce those trading implications while remaining global relative, Russell will use the most liquid exchange OUTSIDE of the security's home country if the security's home country has fewer than three securities. However, the most liquid exchange must be in an eligible Russell Global Index country and have three or more included securities. If the most liquid exchange outside of the home country is in a country that does not meet this criteria then we will look to the next most liquid exchange. If the security does not trade on an exchange in an eligible country, or only trades locally and does not trade on any other exchange outside of its home country, the security is ineligible for index inclusion.

While this rule allows the Russell Global Indexes to use a listing on an exchange outside of the security's home country, the security will still be assigned to the security's home country within the indexes. Additionally, while depository receipts are generally ineligible for inclusion within the Russell Global Indexes, Russell will include depository receipts for securities that fall under this rule.

For further information on the construction of the AcMIs contact us for a copy of the Russell Active Manager Indexes construction and methodology.

After every security in the Global Index has been assigned a cap-size classification, all other regional and country cap-size indexes will use these classifications in their construction. As a result, any combination of regional or country indexes across cap-size portfolios will be based on a consistent methodology.

Comparison to U.S. methodology

The new Global Index cap-size methodology is an extension of the existing U.S. indexes cap-size methodology, with some key enhancements. Both U.S. and Global methods first rank companies according to their total market capitalization. In the U.S. indexes, a fixed number of securities are chosen to establish the respective cap-size indexes; for example, the largest 1,000 stocks in the Russell 3000 determine the large cap index, and the smallest 2,000 stocks determine the small cap index. In the Global Index, a fixed percentile based on total market capitalization is used. While a fixed number of securities have worked very well in the U.S., Russell's research has shown that in the construction of global cap-size indexes, the relationship between large and small stocks is better represented by use of a fixed-percentile approach. Coinciding with the reconstitution of the global indexes in June 2007, the U.S. indexes methodology incorporated a banding model similar to that of the Global Index to determine the U.S. large cap, mid cap and small cap series.

Global SMID construction

Russell believes that SMID is an asset class separate from the Large, Mid, and Small cap market segments. While other index providers define SMID as simply an aggregation of Mid cap and Small cap, Russell defines SMID as the bottom of the Mid cap and top of the Small cap markets.

To construct the SMID index, all companies in the current Russell Global Index are ranked by market-capitalization in descending order, and the cumulative total market capitalization percentile for each company is calculated. Companies that rank between the 75th percentile and 95th percentile will be classified as SMID.



At reconstitution each year, 5% bands are implemented at both the bottom and the top of the SMID index, which means that an existing SMID member will remain in the SMID index if it ranks between the 72.5th percentile and 97.5th percentile. For a security new to the SMID index, the 75th percentile and 95th percentile breakpoints are used to determine SMID membership.

Historical construction rules for the Russell Global Index

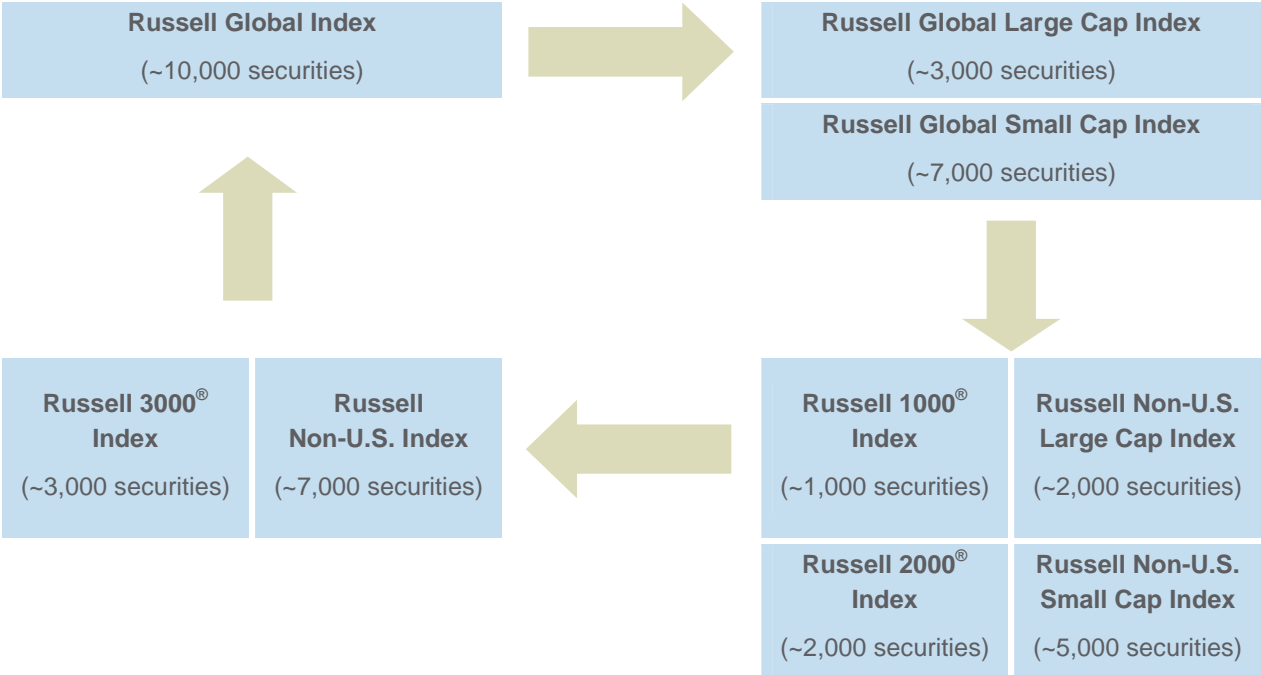
Historically, the following methodology was used to build the Russell Global cap-tier indexes.

The large/small breakpoint was made by using the corresponding breakpoints for the years 1996 to 2006 in the Russell U.S. indexes. These breakpoints generally correspond to the 90th percentile, on the basis of cumulative float-adjusted market capitalization of the global universe ranked in descending order by total market capitalization, including the U.S. Japan was calculated using the Russell/Nomura Total Market Index and their corresponding breakpoints. Russell/Nomura Total Market was used as the Japan portion from 1996-2008.

The mega cap/mid cap breakpoint was made by using the corresponding breakpoints for the years 1996 to 2006 in the Russell U.S. indexes. These breakpoints generally correspond to the 60th percentile, on the basis of cumulative float-adjusted market capitalization of the global universe ranked in descending order by total market capitalization, including the U.S.

No banding was used in the historical construction.

The following illustration shows the Russell Global Index construction and its high-level decomposition into U.S. and non-U.S. regions and large cap and small cap tiers.



Regional and country indexes

Russell global indexes include stand-alone regional and country indexes. A complete list of regions and countries is available in Appendix A.

Emerging and developed markets

In consideration of the investing environments of existing emerging and developed markets, the modular structure of the Russell Global Index does account for and provide developed and emerging markets with regional index options. Given the purpose of the Russell Global Index—to offer investors a better and more accurate global benchmark—Russell uses a combination of macroeconomic and investment market criteria to distinguish developed from emerging markets. Additionally, Russell global indexes use a transparent methodology for recognizing countries that have become developed, or that, conversely, have taken steps to be less accessible to investors.

Economic criteria

Russell uses economic criteria as a first step in categorizing countries into developed and emerging markets indexes, because doing so provides a measurement of the macro-economy and its level of development. It also provides a measurement of political, sovereign and currency risk. Countries must meet the minimum economic criteria for developed markets in order to be considered for inclusion in the Russell Developed Markets Index or any of its sub-indexes.

In order for a country to be considered a developed market, it must meet and sustain the following criteria over the course of two reconstitution periods:

Criteria	Measure	Developed	Emerging
Relative income	World Bank Income Category	High	< High
Economic status	CIA and IMF	Developed	Emerging
Country risk score	Economist Intelligence Unit	Score 1 or 2	Score 3 or below

Sources: World Bank and Economist Intelligence Unit, CIA and IMF.

Market criteria

After a country has met the required economic criteria for consideration as a developed market, a second step is taken, to evaluate its investing environment. Economic criteria are insufficient for categorizing countries into developed or emerging markets, however, because they do not reflect investment conditions. Market criteria provide an objective filter by use of practical investment considerations that reflect repatriation, FX and stock transfer risks and trading costs. All market factors are equal-weighted, and discrete. For a country to be considered a developed market, it must meet and sustain 100% of the economic criteria and 60% of the following market criteria over the course of two reconstitution periods:

Criteria	Developed	Emerging
Relative transaction costs	Below median	Above median
FX restrictions	No	Yes
Repatriation restrictions	No	Yes
Stock transfer restrictions within fund complex	Allowed, not requiring selling or repurchase in market	Not allowed
Relative liquidity	Above median	Below 1 st quartile (between 1 st quartile and median are given zero weight to this category).

Sources: Custodian data and Factset.



Moving between developed and emerging markets

At each reconstitution, Russell evaluates the economic and market criteria for each country in the Russell Global Index. Only countries with a two-year sustained change will be eligible to move between developed and emerging markets classification, as described above.

Illustrations:

	2005 Russell Index Region	2005 Economic Criteria	2005 Market Criteria	2006 Economic Criteria	2006 Market Criteria	2007 Economic Criteria	2007 Market Criteria	2007 Russell Index Region
Country A	Emerging	Developed	Emerging	Developed	Developed	Developed	Developed	Shift to Developed
Country B	Emerging	Emerging	Developed	Developed	Developed	Emerging	Developed	No change (Emerging)
Country C	Emerging	Developed	Emerging	Emerging	Emerging	Developed	Developed	No change (Emerging)

A complete listing of Russell developed and emerging markets index countries is available in Appendix A.

Defining Frontier markets

Russell defines frontier markets as a sub-set of the Russell Emerging Markets. After macroeconomic and investment market criteria are applied (as described above) to countries eligible for the Russell Global Index, those countries identified as emerging are ranked by float adjusted market cap and the bottom 1% are identified as frontier markets. At each reconstitution, Russell evaluates the economic and market criteria for each country eligible for the Russell Global Index and those countries with a two-year sustained change will be eligible to move between frontier and emerging markets classification.



SECTION 5

Float-adjusted weighting

Russell pioneered float-adjusted index weightings with its U.S. indexes launched in 1984, and then extended its industry-leading methodology globally, where float may be even more important. After index membership has been determined by total market capitalization, each security's shares are adjusted to include only those available for public investment—shares called "free float." The purpose of float adjustment is to exclude from index weights the capitalization that is not available for purchase and that is not part of the global investing opportunity set. Float-adjusted market capitalization is calculated by multiplying the primary closing price by the number of investable shares. A detailed description of Russell's free-float-calculation algorithm is available in the Appendix E, along with security level examples.

Step 1: Remove unavailable shares

Generally, shares that are owned by strategic investors or that are restricted from trading are considered unavailable. These shares are subtracted from total shares outstanding to derive available shares, or free float, which will be used to weight each security in the Russell Global Indexes.

Russell removes the following types of shares from index company weights:

Material employee stock ownership plans: Shares held in employee stock ownership plans comprising 10% or more of the shares outstanding are removed from index weights.

Large private holders: Material private holdings in excess of 10% are removed from index weights.

Government holdings:

- **Direct government holders:** Those holdings listed as "government of" are considered unavailable and will be removed entirely from available shares.
- **Indirect government holders:** Shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%.
- **Government pensions:** Any holding by a government pension plan is considered institutional holdings and will not be removed from available shares.

Corporate cross-owned shares: There are two types of adjustments for shares held by other corporations. All shares owned by another company in the Russell Global Index family are removed, because they would in effect double-count the capitalization of the owned company within the index. Material shares held by companies outside the Russell Global Index family are also removed from index weights, because they are likely being held for strategic reasons. If the index member shares are held by:

- **Russell 3000E or Russell Global Index member companies:** 100% of the cross-owned shares are considered unavailable and are removed from index weights.
- **A non-index member company owning more than 10% of total shares outstanding:** The cross-owned shares are considered unavailable and are removed from index weights.

IPO lock-ups: Shares locked up during an initial public offering (IPO) are not available for purchase to general investors and are removed from index weights.

American Depositary Receipts (ADR) and Global Depositary Receipts (GDR): Generally, ADRs and GDRs are removed from index weights to avoid potential double counting of share volume. There are exceptions (i.e., the Philippines, Thailand, Russia, Israel, Argentina) in which shares are added back to the float-adjusted capitalization following the foreign ownership limit adjustment.

Treasury shares: Treasury shares are company-owned shares, either by share re-purchase programs or by donations. These shares are considered strategic and are removed from index weights.

Minimum available shares/float requirement: Companies with only a small portion of their shares available in the marketplace are not eligible for the Russell Global Indexes. Companies with 5% or less, will be removed from eligibility.

Step 2: Apply foreign ownership limit adjustment

Foreign equity ownership limits are common, especially in emerging markets. These ownership limits are imposed either by local governments or by regulation bureaus for political and economic reasons. Foreign investment is often restricted in business sectors considered by a country to be sensitive, such as automobiles or telecommunications. However, some of these heavily regulated sectors present substantial investment opportunities. Russell adjusts securities with foreign ownership limits (FOLs) and removes them from index weights as described below.

Restricted and unrestricted share classes: In countries such as Thailand, companies issue restricted stocks (foreign shares) as well as unrestricted stocks (local shares). Unrestricted stocks can be owned by both domestic and foreign investors, while restricted stocks can be owned only by domestic investors. For index construction, Russell recognizes only unrestricted stocks as available shares. All restricted stocks are removed from index weights.

Foreign ownership limits by industry or sector: In many countries, foreign ownership limits are imposed within particular industries. Though it might vary by local foreign investment law, energy, banking and real estate are among the most heavily regulated sectors across countries. For index construction, Russell calculates foreign ownership limits according to the local industry classification, which may differ from Russell Global Index industry sector classifications.

Segregated market via share classes: In China, the stock market is segregated via share classes for domestic and foreign investors. There are four share classes, of which only three can be owned by foreign investors, who have limited or no voting rights. For index construction, Russell recognizes investable shares as B shares, H shares and N shares. All A shares are subtracted from free-float calculation. Differences among share classes in China are described in Section 3.

The foreign ownership limit adjustment is applied after the unavailable shares adjustment described above. The detailed calculations for float weighting can be found in the Appendix E.



Step 3: Reflect special depositary receipts

In countries such as Russia and Israel, sensitive sectors, such as telecommunications, oil, energy, media and real estate, are heavily regulated by the government. As a result, the majority of shares in these sectors are restricted to domestic investors. However, to raise capital for local companies while still retaining domestic control, the countries allow a large portion of the restricted shares to be deposited in custodian banks and traded overseas in the form of ADRs and GDRs. Depositary receipts are the only realistic way for global investors to invest in the underlying companies. Russell recognizes the shares represented by ADRs/GDRs from some countries as investable and adds these underlying shares back to index weights after the foreign ownership limit adjustment has been applied.



SECTION 6

Determining style

The Russell Global Index uses a “non-linear probability” method to assign stocks to the growth and value style indexes. The term “probability” is used to indicate the degree of certainty that a stock is value or growth, based on its relative book-to-price (B/P) ratio and I/B/E/S forecast long-term growth mean (IBES LT). This method allows stocks to be represented as having both growth and value characteristics, while preserving the additive nature of the indexes.

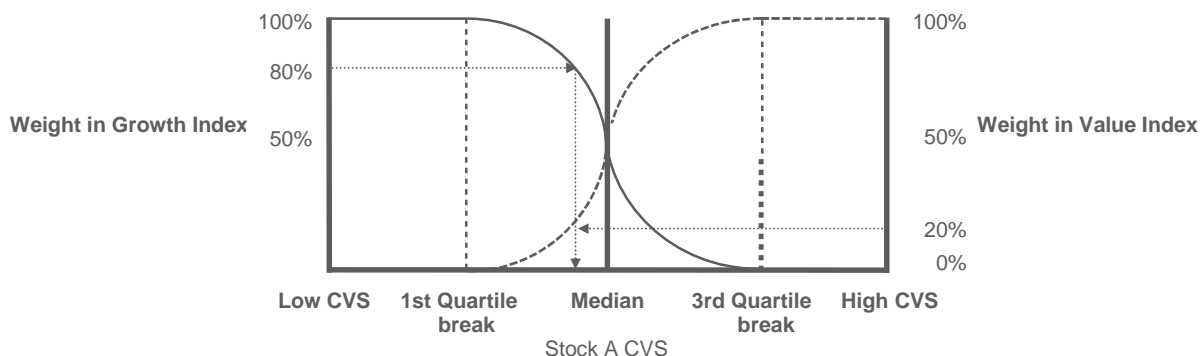
The process for assigning growth and value weights is applied separately to the stocks in the Russell Global Index ex-U.S., large cap and small cap. Research indicates that on average, valuations of small stocks differ from those of large stocks. Treating the large cap and small stocks separately prevents the possible distortion to relative valuations that may occur if the global index is used as the base index.

For each base index, stocks are ranked by their book-to-price ratio (B/P) and their I/B/E/S forecast long-term growth mean (IBES LT). These rankings are converted to standardized units and combined to produce a composite value score (CVS). Stocks are then ranked by their CVSs, and a probability algorithm is applied to the CVS distribution to assign growth and value weights to each stock. In general, a stock with a lower CVS is considered growth, a stock with a higher CVS is considered value, and a stock with a CVS in the middle range is considered to have both growth and value characteristics, and is weighted proportionately in the growth and value index. Stocks are always fully represented by the combination of their growth and value weights; e.g., a stock that is given a 20% weight in a Russell Global value index will have an 80% weight in the same Russell Global growth index.

Description of non-linear probability algorithm

Stock A, in Figure 1, is a security with 20% of its available shares assigned to the value index and the remaining 80% assigned to the growth index. The growth and value probabilities will always sum to 100%. Hence, the sum of a stock’s market capitalization in the growth and value index will always equal its market capitalization in the Russell Global Large Cap or Russell Global Small Cap.

Figure 1: Non-linear probability function for index position weights



In Figure 1, the quartile breaks are calculated such that approximately 25% of the available market capitalization lies in each quartile. Stocks at the median are divided 50% in each style index. Stocks below the

first quartile are 100% in the growth index. Stocks above the third quartile are 100% in the value index. Stocks falling between the first and third quartile breaks are in both indexes to varying degrees, depending on how far they are above or below the median and how close they are to the first or third quartile breaks.

The 5% rule

Roughly 70% of the available market capitalization is classified as all-growth or all-value. The remaining 30% of stocks have some portion of their market value in either the value or growth index, depending on their relative distance from the median value score. The astute observer may note that since the percentage of capitalization between the first quartile and the third quartile is 50%, we would expect that 50% of the capitalization would be found in both indexes. What happened to the 20% (i.e., 50% to 30%)? The source for the disappearance of the 20% is our decision to institute a small-position cutoff rule. If a stock's weight is more than 95% in one style index, we increase its weight to 100% in that index. This rule eliminates many small types of weighting and makes passive management easier.

Market capitalization of growth and value indexes

The market capitalization of the growth and value style indexes may not each equal 50% of their base index. At first this seems counterintuitive, since the methodology uses capitalization-weighted medians and quartiles, which in turn implies that 50% of the capitalization is above and below the median. However, asymmetry in the capitalization distributions within the second and third quartiles results in a skewed distribution of CVS. When CVS is normally distributed, 50% will be in each index.

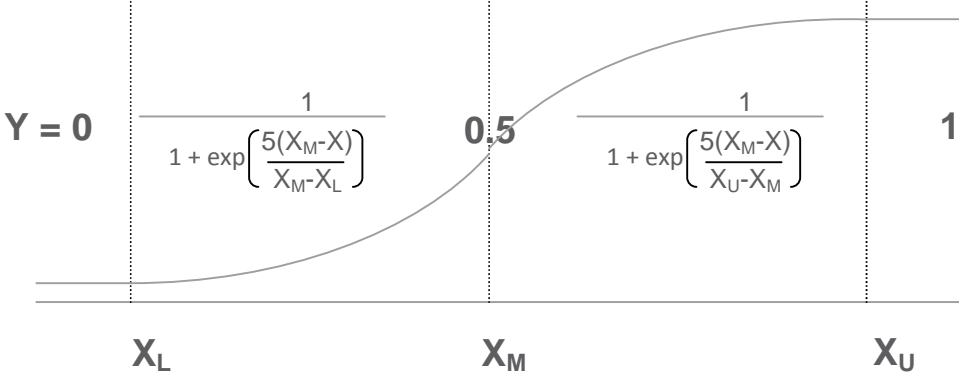
Missing, negative values, low analyst and book value adjustments

Stocks with missing or negative values for B/P or missing values for IBESLT (negative IBESLT is valid) are allocated by using the mean value score of the base index (Russell Global Large Cap, Russell Global Small Cap) industry, sub-sector or sector group into which the company falls. Each missing (or negative B/P) variable is substituted with the industry, sub-sector or sector group independently. An industry must have five members or the substitution reverts to the next level (sub-sector or sector). This method was found to produce the fewest distortions, and it has the added advantage of being very simple. In addition, a weighted value score is calculated for securities with low analyst coverage for IBESLT. For securities with a single analyst covering the security, 2/3 of the industry, subsector, or sector group value score is weighted with 1/3 the security's independent value score. For those securities with coverage by 2 analysts, 2/3 of the independent security's value score is used and only 1/3 of the industry, subsector, or sector group value score is weighted. For those securities with at least three analysts contributing to the IBESLT, 100% of the independent security's value score is used.

Book value adjustments are made to U.S. stocks only to reflect write-offs stemming from the Financial Accounting Standards Board (FASB)-issued Statement of Financial Accounting Standards numbers 106 and 109 (FAS 106 and 109). This write-off has occurred since June 30, 1993, and is currently being amortized over a 20-year period beginning with year of adoption.



Russell non-linear probability algorithm



SECTION 7

Index maintenance

The members of the Russell Global Index and its subsets are proactively maintained and reflect daily changes in the global equity market.

Daily changes

The Russell Global Index and its sub-indexes are regularly maintained to reflect the impact of corporate actions on the underlying index constituents. These adjustments include:

- Daily additions of sizable spin-offs
- Daily adjustment of stock splits
- Daily dividends and stock market delistings
- Daily reflection of mergers and acquisitions
- Monthly share capital adjustments to reflect material (more than 5%) changes in total shares outstanding, due to stock buybacks and equity offerings

More detailed information on how company corporate actions are applied is provided in the appendices.

Changes to shares outstanding

Changes to shares outstanding due to buybacks, secondary offerings, merger activity with a non-index member and other potential changes are updated at the end of the month in which the change is reflected in vendor-supplied updates and are verified by Russell. For a change in shares to occur, the cumulative change to outstanding shares must be greater than 5%. The float factor determined at reconstitution is applied to the new shares issued or bought back. If any new shares issued are unavailable that portion will not be added to the index.

Quarterly additions

Russell adds IPOs each quarter in order to quickly reflect new additions to the global investing opportunity set. Because Russell's approach to index construction is company-based and captures 98% of the investment opportunity set, IPOs are the only category of stocks that needs to be added between reconstitution periods. An IPO is defined as any security newly available—truly for the first time—to the public for general investment. If a security traded publicly previously, even on a restricted basis, it is not eligible for inclusion as an IPO. Such a stock may, however, be eligible during the next reconstitution period, along with all other eligible securities.

Annual reconstitution

Annual reconstitution is the process by which the Russell Global Indexes are rebalanced and securities are moved among size-based and emerging/developed markets categories. Reconstitution is a vital part of benchmark maintenance, particularly within the sub-indexes that reflect large cap and small cap stocks. Companies may get bigger or smaller, periodically undergo change in their style characteristics, and foreign investment opportunities may change over time. For a benchmark to accurately represent a particular market

segment and the available shares in each company, rules for objective and regular maintenance are necessary.

On the last trading day of May each year, all globally eligible securities are ranked by total market capitalization. All companies whose stocks are listed on eligible stock exchanges in eligible countries are considered for inclusion in the Russell Global Index. The largest 98% of securities in the U.S., and in the rest of the world become the Russell Global Index. All sub-indexes are determined from that set of securities. Please see Sections 2 through 5 for more detail.

Reconstitution is effective the last Friday in June, with the following exceptions: If the last Friday in June is the 28th, 29th or 30th, reconstitution will occur on the Friday prior. A full calendar for reconstitution is made available each spring.



SECTION 8

Corporate action-driven changes

Timing and treatment of corporate actions

Russell applies corporate actions to the Russell Global Index on a daily basis, both to reflect the evolution of securities and to assure that the index remains highly representative of the global equity market. A company's index membership and its index weights can both be impacted by these corporate actions. In general, changes to the Russell Global Index are made when an action is final. Russell uses a variety of reliable public sources to determine when an action is final: a company's press releases and regulatory filings; local exchange notifications; and official updates from other data providers it deems trustworthy. Given sufficient market hours after an action is determined to be final, Russell will apply the action after the close of the current market day. If it is determined that an action was not final after communication was given to clients, the changes to the index will still occur. Prior to the completion of an action, Russell estimates the effective date of the corporate action on the basis of the same above sources. As new information becomes available, Russell will revise the anticipated effective date and ultimately move it to a final, confirmed status.

Depending upon the time an action is determined to be final, Russell will either (1) apply the action after the close of the current market day (t) for mandatory corporate actions only, or (2) apply the action after the close of the following day (t+2), referred to as a "delayed action" (see specific action types for details on timing and procedure). The timing of when corporate actions are applied is critical for accurate market representation, and it impacts the tracking for passive managers. Russell believes this methodology strikes the best balance between the two. The impact of the action and the effective date will be communicated to clients on a regular schedule.

In the case of late notification, Russell will apply the action at the close the following business day (this is referred to as a "delayed action").

There are many types of global corporate actions, but the most common are described in the next few pages, along with their treatment within the Russell global indexes.

For the purpose of index calculation, Russell generally applies the most recently available market prices to the index for corporate action adjustments.

Mergers and acquisitions

A merger is the combination of two companies to form a new company. An acquisition involves an acquiring company's purchasing a target company without forming a new company. Mergers and acquisitions (M&A) activity may result in changes to index membership as well as to the shares included in the Russell Global Index. Adjustments due to mergers and acquisitions are applied to the index after the action is determined to be final. The action will either be applied after the close of the current market day or after the close of the following business day, depending on the timing of M&A activity completion. This principle applies to all securities in all countries. Implementation details may differ across the following scenarios.

M&A between index members: Russell's corporate actions following mergers or acquisitions between companies in the same country index are applied when the M&A is determined to be final in the local market. If both the acquiring company and the target company are current Russell Global Index members,

the target company is deleted from the index and the company's market capitalization simultaneously moves to the acquiring stock, according to the M&A terms. Cross-ownership and style of the surviving entity is determined by a weighted average (by market value) of the cross-ownership and style probabilities of the two previous companies prior to the merger. Given sufficient market hours after the confirmation of the M&A, Russell applies the action after the close of the same business day. In case of late notification, the action will be applied after the close of the next business day.

Any member of the Russell 3000E index is considered an index member for the purpose of applying this methodology.

M&A between an index member and a non-member: A non-member is defined as a company that is not a member of the Russell 3000E or the Russell Global Index. The M&A between an index member and a non-member can involve either of two scenarios: 1) the acquiring company is an existing member and the target company is not, or 2) the target company is an existing member and the acquiring company is not, but is publicly traded.

The target company (if it is the index member) is deleted from the index after the action is final, and the acquiring company's shares (if the acquiring company is the index member) are adjusted by adding the target company's market capitalization through a month-end share adjustment.

Cross-border M&A: In the event of a merger or acquisition, when the acquiring company and the target company are from different countries, Russell applies the action when the M&A is finalized. The timing of the action refers to the standard of the local market where the confirmation of M&A is received. Given sufficient market hours after the confirmation of the M&A, Russell applies the action after the close of the same business day. In case of late notification, the action will be applied after the close of the next business day.

M&A between index members: If both the acquiring company and the target company are current Russell Global Index members, the target company is deleted from its local country index and the company's market capitalization moves to the acquiring stock according to the M&A terms. Cumulative market capitalization in the country of the acquiring company increases, while the cumulative market capitalization in the country of the target company decreases by the same amount.

M&A between an index member and a non-member: If the M&A happens between an index member and a non-member, there are two scenarios: 1) the acquiring company is an existing member and the target company is not, or 2) the target company is an existing member and the acquiring company is not, but is publicly traded.

When the acquiring company IS an index member, but the target company is not: The acquiring company's shares are adjusted by adding the target company's market capitalization through a month-end share adjustment.

When the acquiring company is NOT an index member, but the target company is: The target company is deleted from its country index after the action is final. Cumulative market capitalization in the country of the target company decreases.

Tender offers

A tender offer is an offer to purchase shareholders' shares in a corporation. The price offered is usually higher than the market price. The target company's shareholders are asked to "tender" or surrender their stock



holdings for a stated value, subject to the agreement of a minimum and maximum number of shareholders. For instance, if a corporation's stock were trading at \$1 per share, an acquirer might offer the shareholders \$1.15 per share on the condition that 51% of the shareholders agree.

A company acquired as a result of a tender offer is removed when the tender offer has fully expired and it has been determined that the company will finalize the process of the acquisition of the remaining shares, or 95% of the company's shares have been tendered.

Reverse mergers

A reverse merger occurs when an existing index member is acquired by or merged with a private, non-publicly traded company that becomes public simultaneously with the acquisition/merger. For example, Archipelago Holdings, Inc., a public company, was acquired by NYSE, a then-private company, in 2006. NYSE's acquisition of Archipelago resulted in a new public entity, the NYSE Group.

Once an M&A is identified as a reverse merger, the newly formed entity will be placed in the appropriate market capitalization and country index after the close of the business day following the completion of the merger. Simultaneously, the target company will be removed from the current index. The delay is necessary in order to capture an opening price for the new entity. The style of the surviving entity is determined by the industry average.

Spin-offs

A spin-off is a new entity resulting from the spinning off of assets and equity from a parent company. In a pure spin-off, a parent company distributes 100% of its ownership interests in a subsidiary operation as dividends to its existing shareholders. After the spin-off, there are two separate, publicly held firms with exactly the same shareholder base. The spin-off company's style index is determined by the style index membership of the parent entity.

Domestic spin-offs: Spin-off companies are added to the Russell Global Index at the time they are spun off from their parent company, subject to the following rules:

- The spin-off meets all index eligibility requirements and its market cap is larger than the market-adjusted total market cap of the smallest company in the Russell Global Index at the latest reconstitution. (In the U.S., the smallest stock in the Russell 3000E will be used.)
- The newly formed entity will be placed in the parent's index on the completion date and the spun-off company's style index is determined by the style index membership of the parent entity.
- The parent company's market value will be reduced simultaneously on the completion day.

Cross-border spin-offs: If the parent company spins off an entity that is incorporated in a different country, the spun-off company will be assigned to the new country according to the country-assignment rules discussed in Section 3. Otherwise, the same rules apply between domestic or cross-border spin-off additions.

Launch of IPOs

Eligible initial public offerings (IPOs) are added to the Russell Global Index at the end of each calendar quarter in accordance with the schedule below. An IPO is defined as any security newly available—truly for the first time—to the public for general investment. Russell adds IPOs each quarter to make sure new additions to the investing opportunity set are reflected in representative indexes. If a security had traded publicly previously,



even on a restricted basis, it is not eligible for inclusion as an IPO. Such a stock may, however, be eligible during the next reconstitution period, along with all other eligible securities.

In order to be added during a quarter outside of reconstitution, IPOs must meet all eligibility requirements for index construction. Additionally, an IPO must meet the following criteria on the final trading day of the month prior to quarter end: 1) it is traded and priced; 2) it ranks larger in total market capitalization than the market-adjusted smallest company in the Russell Global Index as of the latest June reconstitution; and 3) it has met the most recent liquidity threshold for at least 10 business days. Eligible IPOs will be added to the Russell Global style indexes using their industry’s average style probability established at the latest reconstitution.

The review schedule for IPO reviews outside reconstitution is established below:

Quarterly additions	Third quarter additions	Fourth quarter additions	First quarter additions
Initial Offering Period*†	IPOs that initially price/trade between May 16 and August 15	IPOs that initially price/trade between August 16 and November 15	IPOs that initially price/trade between November 16 and February 15
Rank Date	Last business day in August	Last business day in November	Last business day in February
Announce Date*	September 15	Monday prior to add date	March 15
Add Date	Last business day in September	Third Friday in December	Last business day in March

* If the 15th of the month is a holiday, the date shown in this table is automatically adjusted to the previous business day.

† Ending date of the initial offering period is different from the rank date, due to the minimal 10-day liquidity requirement.

Trading suspensions

Stock exchanges or local regulatory authorities might suspend trading of a particular stock in the following events: 1) public information about a company is not current, accurate or adequate; 2) the company is engaged in potentially disruptive legal issues; 3) there is large, potentially disruptive cross-border M&A activity. The length of suspension periods may vary by country. Usually, under the first two conditions, a suspension lasts as long as 10 to 20 days. If a suspension is merely to prepare the stock transition for cross-border M&A, it is generally temporary (typically one business day).

When a stock’s trading has been suspended, Russell holds the security at its most recent closing price until trading is resumed.

Delistings

Delisting one of many issues: If a company’s stock is listed on multiple stock exchanges, Russell identifies a primary issue, as the index member. If one of the company’s listed issues is delisted from a non-primary exchange, no change is made to the Russell Global Index. However, if the previously defined primary issue is delisted, a new primary issue will be assigned, as long as the alternate issue trades on an eligible exchange and meets all of the rules for index inclusion. Otherwise, the stock will be removed from the index.

Delisting the company: A security will be removed from the Russell Global Index if: (1) it is delisted from all stock exchanges, or is only listed on the over-the-counter (OTC) market. If a delisting notice is received on a timely basis, Russell will remove the stock from the index at its last traded price from the primary exchange. If



the delisting notice is not received on a timely basis, and the security trades on the OTC market, it is removed at the last traded price from the OTC on the following day. Finally, if the security is halted prior to its delisting, and will not trade on an OTC market, it will be removed from the index at zero value if a residual value cannot be determined within thirty calendar days (30) after its delisting date.

New listings of an existing security

When a company decides to list its stock at another stock exchange in addition to its primary stock exchange, no change is made to the Russell Global Index.

ID changes

When a company's identifier—for example, CUSIP, SEDOL or ISIN—has changed, Russell updates the identifier accordingly. No other material change is made to the Russell Global Index.

Name changes

When a company's name has changed, Russell updates the company's descriptive information accordingly. No other material change is made to the Russell Global Index.

Stock splits, reverse splits and consolidations

Stock splits and stock dividends

Companies often split their stock when they believe the price exceeds the amount smaller individual investors will be willing to pay. By reducing the price, companies try to make their stock more affordable to these investors.

When a company declares a stock split, the price of the stock will decrease, but the number of shares will increase proportionately. For example, if you own 100 shares of a company that trades at \$100 a share and the company declares a two-for-one stock split, you will own 200 shares at \$50 a share after the split. A stock split has no effect on the value of what shareholders own. Russell adjusts the increased number of shares and the decreased price proportionately.

Reverse splits and stock consolidation

Contrary to a stock split, a reverse stock split or a stock consolidation reduces the number of shares and increases the share price proportionately. Russell applies adjustment to the stock accordingly.

Dividends

Cash dividends

Regular cash dividends: Regular cash dividends are those paid to shareholders out of a company's profits or reserves. Regular cash dividends affect the total return of the security and index on the ex-date.

Special cash dividends: In addition to paying regular dividends, a company may at times pay special cash dividends. These are relatively rare and can occur for a variety of reasons, such as a major litigation win, the sale of a business or liquidation of an investment.

Special cash dividends: Treated the same as regular cash dividends unless the special cash dividend exceeds 10% of the aggregate share price of the underlying security. In that case, the price of the stock is adjusted to deduct the dividend amount on the ex-date.

Other types of dividends: Dividends can also take the form of properties, bonds and other types of assets. Generally, these types of dividends have no impact on the Russell Global Index.



Return of capital: Includes price adjustment on ex-date regardless of distribution amount.

Late dividends in Japan: In Japan, dividends are officially declared after the ex-date. To reflect the most up-to-date expectation for the dividends, Russell applies reasonable estimates on the ex-date.

Late dividends in Korea and Russia: In Korea and Russia, dividends are officially declared after the ex-date. Russell applies these dividends on the pay date.

Secondary offerings

Publicly traded companies frequently offer additional shares to the public to raise additional capital; the additional shares are called equity offerings. The result of the offerings is an increase in shares outstanding and total market capitalization. Material changes to outstanding share capital due to equity offerings are reflected in the Russell global equity indexes at the end of each month.

Stock buybacks

Publicly traded companies often buy up their own shares outstanding via a tender offer or through the open market. This is called a stock buyback, or “share repurchase,” and as a result of this activity, total market capitalization and the number of outstanding shares are reduced. Material changes to outstanding share capital due to stock buybacks are reflected in the Russell global equity indexes at the end of each month. Repurchased shares are absorbed by companies, and as a result, the number of investable shares in the market is reduced.

Reclassification of share classes

When a company with multiple share classes converts an entire class of shares into another class, usually on the basis of a pre-agreed ratio, Russell changes the shares after the conversion is finalized. The old share class is deleted from the index after the close on completion day, and its market capitalization moves to the unified share class. The number of shares of the unified share class increases proportionately. The combined market capitalization of the two share classes remains unchanged for the company.

Alternatively, if one share class splits into two or more share classes, Russell evaluates the new classes for eligibility and adjusts the index member class according to the agreed-upon ratio.

Rights issues and stock warrants

Rights issues: A rights issue is essentially a company’s offering to shareholders of the right to purchase additional shares at a given price. The strike price of the rights issue is generally at a discount to the prevailing market price of the stock, to make the offer enticing to shareholders and to ensure that the rights offer is fully subscribed.

Rights issues have an impact on the index if, and only if, they are exercised for the underlying shares. Rights issues can be exercised below (at a discount to) or above (at a premium to) the market price. Russell does not adjust the index if the rights are exercised at a premium to the market. If the exercise price is at a discount to the market, rights offered to shareholders are reflected in the index on the date the offer expires (for non-transferable rights) and on the ex-date (for transferable rights). In both cases, the price is adjusted to account for the value of the rights, and shares are increased according to the terms of the offering.

Stock warrants: A stock warrant is a security that provides the right to purchase a certain number of shares at a stated price during a specified time period at a subscription price that is higher than the current market price. Similarly to its treatment of rights issues, Russell adjusts the number of shares of a stock only when the warrants are exercised at a discount to the market price.



Convertibles and contingent convertibles

Convertibles: Convertibles are securities—usually bonds, corporate debts or preferred shares—that can be converted to common stocks. Shares changed due to the exercises of convertibles will be applied to the index during the month-end share adjustment. The price used for the index will be the market price at the time of the share adjustment.

Contingent convertibles: Contingent convertibles differ from traditional convertibles in that there is a strike price when the bond or preferred stock converts. In other words, there is a fixed cost for the stock when the conversion happens. Additionally, in many cases, the underlying stock price has to be much higher than the strike price, to allow security holders to have the “right” to exercise the convertibles. This is known as “upside contingency.” Russell adjusts the shares only when the conversion is finalized. The price used for the index will be the market price at the time of the month-end share adjustment.

Other corporate events

The following corporate events are related to a company’s fundamental structure change. They potentially impact the index’s calculation, capital allocation and timing of applying corporate actions.

Bankruptcy filings

Bankruptcy is a state wherein a firm is unable to repay its debts. Bankruptcy generally takes two forms: a liquidation of the company’s assets or a reorganization of a debtor’s business affairs and assets.

Liquidations: A bankruptcy filing can be preceded by a situation in which a company stops all operations and goes totally out of business. For instance, a company can file for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. In such a case, a trustee is usually appointed to liquidate the company’s assets and use the money to pay off debts.

If the bankruptcy filing is in the form of liquidation, Russell will remove the company’s stock from the Russell Global Index as soon as the filing is confirmed by reliable sources. The price of the security at deletion will be the market price available from its primary exchange. If the exchange price is not available, Russell will remove suspended stocks that are delisted, do not trade OTC and for which a residual value cannot be determined within thirty-days (30) after the delisting date. These stocks will be removed at zero value (for system purposes the actual value used is .0001, local currency).

Reorganizations: A bankruptcy can also take the form of a reorganization of the company and a restructuring of the company’s debts. Generally, the company will continue to operate and might issue new common stocks when the reorganization is complete. If the bankruptcy filing is in the form of reorganization, Russell removes the company from the index as soon as its stock is delisted from its primary exchange.

Change of incorporation/domicile

A company might decide to move its incorporation or domicile from one country to another. All changes in country assignment are reviewed only once a year during reconstitution.

Other corporate events

Other corporate events include change of fiscal year end, change of currency quotation, change of voting rights, new debt issues and corporate meetings etc. These corporate events usually have little impact on the index. Russell will closely monitor these activities and apply corporate actions to the index if impact is significant.



Extraordinary events

Russell defines the following as being extraordinary events, for their rarity and for their potential to significantly impact the capital markets. Russell will publicly announce specific changes to the indexes if any such events occur.

Country unification or dissolution: If two countries decide to unite as one – as happened, for example, in the unification of the former German Democratic Republic and the Federal Republic of Germany – Russell will combine securities previously belonging to these two country indexes into one new country index. The new currency quotation, if any, will be implemented for index calculation.

Conversely, if one country is split into two or more new countries, Russell will continue to hold in its global indexes all securities from the previous country indexes. Russell will evaluate the newly formed countries for their stability and determine future index changes accordingly.

Change of foreign ownership limit: Given the increasing globalization trend in equities, it is possible that local governments may remove or lower their foreign ownership caps for certain sensitive industry sectors. If the change in a foreign ownership limit is substantial (usually more than 10%), Russell will adjust the foreign ownership percentage in the index at the end of the calendar quarter, along with any new IPO reviews.

Closure of exchanges: If a stock exchange is temporarily closed on a regular business day, due to a special event or an emergency, the prices for all stocks that are traded only on that particular exchange are frozen at the last available closing price until the exchange reopens.

If the closure of a stock exchange is expected to be long term, due to civil war or other rare political reasons, because of the expected difficulty of asset repatriation Russell will work with our clients invested in the affected securities to determine and publish an adequate index strategy to reflect the market condition. New currency quotations, if any, will be implemented for index calculation.

Significant currency devaluation: If the currency of a country devalues significantly over a short period of time, it could create serious liquidity problems for investors who buy or sell stocks on the local market. It can also bring complications with government currency controls and abnormal bid-ask spreads, or even potentially trigger a financial crisis. Given this situation, ADR trading prices, if available, will be used to derive the underlying FX exchange rate and will be applied for index calculations.

Financial crisis: Russell attempts to exclude countries with considerable financial risk from Russell Global Index membership by using the country risk scores published by *The Economist*, but crises can erupt at any time. During a financial crisis, investors generally lose confidence in local securities and may attempt to sell off securities from the local market. Due to the expected difficulty of asset repatriation in such conditions, Russell will work with our clients invested in the affected securities to determine and publish an adequate index strategy to reflect the market condition. However, Russell reserves the right to remove the whole country from the Russell Global Index and will also consider using ADRs or other non-primary issues as proxies during the crisis on a case-to-case basis.



APPENDIX A

Russell Global Indexes: Core indexes

Available currencies

Performance for the Russell Global Index is available in the following currencies. Currency conversions are applied using WM Reuters London Stock Exchange 4PM close.

- AUD
- CAD
- CHF
- EUR
- GBP
- JPY
- LOC (Local)*
- USD

* Local currency available at the security and country level.

Tax rates

With respect to index constituents, taxes are applied to dividend payments and vary according to companies' country assignments within the index. The tax rate applied is the rate to non-resident institutions that do not benefit from taxation treaties. Tax rates are reviewed and updated quarterly.

Global
Russell Global
Russell Global Large Cap
Russell Global Mid Cap
Russell Global Small Cap
Russell Global ex-U.S.
Russell Global ex-U.S. Large Cap
Russell Global ex-U.S. Mid Cap
Russell Global ex-U.S. Small Cap
Russell Global ex-North America
Russell Global ex-North America Large Cap
Russell Global ex-North America Mid Cap
Russell Global ex-North America Small Cap
Russell Global ex-Japan
Russell Global ex-Japan Large Cap
Russell Global ex-Japan Mid Cap
Russell Global ex-Japan Small Cap

Russell Global ex-U.S. ex-Japan

Russell Global ex-U.S. ex-Japan Large Cap

Russell Global ex-U.S. ex-Japan Mid Cap

Russell Global ex-U.S. ex-Japan Small Cap

Russell Global ex-U.K.

Russell Global ex-U.K. Large Cap

Russell Global ex-U.K. Mid Cap

Russell Global ex-U.K. Small Cap

Russell Global ex-Canada

Russell Global ex-Canada Large Cap

Russell Global ex-Canada Mid Cap

Russell Global ex-Canada Small Cap

Russell Global ex-Australia

Russell Global ex-Australia Large Cap

Russell Global ex-Australia Mid Cap

Russell Global ex-Australia Small Cap

Global ex-Frontier

Global ex-Frontier Large Cap

Global ex-Frontier Mid Cap

Global ex-Frontier Small Cap

Russell Euro Zone

Russell Euro Zone Large Cap

Russell Euro Zone Mid Cap

Russell Euro Zone Small Cap

Russell Global Mega Cap

Russell Global SMID

Regional

Russell Asia

Russell Asia Large Cap

Russell Asia Mid Cap

Russell Asia Small Cap

Russell Asia ex-Japan

Russell Asia ex-Japan Large Cap

Russell Asia ex-Japan Mid Cap

Russell Asia ex-Japan Small Cap

Russell Asia Pacific

Russell Asia Pacific Large Cap

Russell Asia Pacific Mid Cap

Russell Asia Pacific Small Cap

Russell Asia Pacific ex-Japan

Russell Asia Pacific ex-Japan Large Cap

Russell Asia Pacific ex-Japan Mid Cap

Russell Asia Pacific ex-Japan Small Cap



Regional

Russell Developed

Russell Developed Large Cap

Russell Developed Mid Cap

Russell Developed Small Cap

Russell Developed SMID

Russell Developed ex-Canada

Russell Developed ex-Canada Large Cap

Russell Developed ex-Canada Mid Cap

Russell Developed ex-Canada Small Cap

Russell Developed ex-U.K.

Russell Developed ex-U.K. Large Cap

Russell Developed ex-U.K. Mid Cap

Russell Developed ex-U.K. Small Cap

Russell Developed ex-U.S.

Russell Developed ex-U.S. Large Cap

Russell Developed ex-U.S. Mid Cap

Russell Developed ex-U.S. Small Cap

Russell Developed ex-North America

Russell Developed ex-North America Large Cap

Russell Developed ex-North America Mid Cap

Russell Developed ex-North America Small Cap

Russell Developed ex-Japan

Russell Developed ex-Japan Large Cap

Russell Developed ex-Japan Mid Cap

Russell Developed ex-Japan Small Cap

Russell Developed Pacific Basin

Russell Developed Pacific Basin Large Cap

Russell Developed Pacific Basin Mid Cap

Russell Developed Pacific Basin Small Cap

Russell Developed Pacific Basin ex-Japan

Russell Developed Pacific Basin ex-Japan Large Cap

Russell Developed Pacific Basin ex-Japan Mid Cap

Russell Developed Pacific Basin ex-Japan Small Cap

Russell Developed Europe

Russell Developed Europe Large Cap

Russell Developed Europe Mid Cap

Russell Developed Europe Small Cap

Russell Developed Europe ex-U.K.

Russell Developed Europe ex-U.K. Large Cap

Russell Developed Europe ex-U.K. Mid Cap

Russell Developed Europe ex-U.K. Small Cap

Russell Developed Euro Zone

Russell Developed Euro Zone Large Cap

Russell Developed Euro Zone Mid Cap

Russell Developed Euro Zone Small Cap



Regional

Russell Emerging Asia

Russell Emerging Asia Large Cap

Russell Emerging Asia Mid Cap

Russell Emerging Asia Small Cap

Russell Emerging EMEA

Russell Emerging EMEA Large Cap

Russell Emerging EMEA Mid Cap

Russell Emerging EMEA Small Cap

Russell Emerging Europe

Russell Emerging Europe Large Cap

Russell Emerging Europe Mid Cap

Russell Emerging Europe Small Cap

Russell Emerging Markets

Russell Emerging Markets Large Cap

Russell Emerging Markets Mid Cap

Russell Emerging Markets Small Cap

Russell Emerging Markets SMID

Emerging Markets ex-Frontier

Emerging Markets ex-Frontier Large Cap

Emerging Markets ex-Frontier Mid Cap

Emerging Markets ex-Frontier Small Cap

Emerging Markets ex-Frontier ex-GCC

Emerging Markets ex-Frontier ex-GCC Large Cap

Emerging Markets ex-Frontier ex-GCC Mid Cap

Emerging Markets ex-Frontier ex-GCC Small Cap

Emerging Markets ex-GCC

Emerging Markets ex-GCC Large Cap

Emerging Markets ex-GCC Mid Cap

Emerging Markets ex-GCC Small Cap

Russell Europe

Russell Europe Large Cap

Russell Europe Mid Cap

Russell Europe Small Cap

Russell Europe ex-U.K.

Russell Europe ex-U.K. Large Cap

Russell Europe ex-U.K. Mid Cap

Russell Europe ex-U.K. Small Cap

Russell Frontier

Russell Frontier Large Cap

Russell Frontier Mid Cap

Russell Frontier Small Cap



Regional
Frontier ex-GCC
Frontier ex-GCC Large Cap
Frontier ex-GCC Mid Cap
Frontier ex-GCC Small Cap
GCC
GCC Large Cap
GCC Mid Cap
GCC Small Cap
Russell Greater China
Russell Greater China Large Cap
Russell Greater China Mid Cap
Russell Greater China Small Cap
Russell Latin America
Russell Latin America Large Cap
Russell Latin America Mid Cap
Russell Latin America Small Cap
MENA
MENA Large Cap
MENA Mid Cap
MENA Small Cap
Russell North America
Russell North America Large Cap
Russell North America Mid Cap
Russell North America Small Cap
Russell BRIC

Country
Russell Australia
Russell Australia Large Cap
Russell Australia Mid Cap
Russell Australia Small Cap
Russell Austria
Russell Austria Large Cap
Russell Austria Mid Cap
Russell Austria Small Cap
Russell Bahrain
Russell Bahrain Large Cap
Russell Bahrain Mid Cap
Russell Bahrain Small Cap
Russell Belgium
Russell Belgium Large Cap
Russell Belgium Mid Cap
Russell Belgium Small Cap



Country
Russell Brazil
Russell Brazil Large Cap
Russell Brazil Mid Cap
Russell Brazil Small Cap
Russell Bulgaria
Russell Bulgaria Large Cap
Russell Bulgaria Mid Cap
Russell Bulgaria Small Cap
Russell Canada
Russell Canada Large Cap
Russell Canada Mid Cap
Russell Canada Small Cap
Russell Chile
Russell Chile Large Cap
Russell Chile Mid Cap
Russell Chile Small Cap
Russell China
Russell China Large Cap
Russell China Mid Cap
Russell China Small Cap
Russell Colombia
Russell Colombia Large Cap
Russell Colombia Mid Cap
Russell Colombia Small Cap
Russell Croatia
Russell Croatia Large Cap
Russell Croatia Mid Cap
Russell Croatia Small Cap
Russell Cyprus
Russell Cyprus Large Cap
Russell Cyprus Mid Cap
Russell Cyprus Small Cap
Russell Czech Republic
Russell Czech Republic Large Cap
Russell Czech Republic Mid Cap
Russell Czech Republic Small Cap
Russell Denmark
Russell Denmark Large Cap
Russell Denmark Mid Cap
Russell Denmark Small Cap
Russell Egypt
Russell Egypt Large Cap
Russell Egypt Mid Cap
Russell Egypt Small Cap



Country
Russell Estonia
Russell Estonia Large Cap
Russell Estonia Mid Cap
Russell Estonia Small Cap
Russell Finland
Russell Finland Large Cap
Russell Finland Mid Cap
Russell Finland Small Cap
Russell France
Russell France Large Cap
Russell France Mid Cap
Russell France Small Cap
Russell Germany
Russell Germany Large Cap
Russell Germany Mid Cap
Russell Germany Small Cap
Russell Greece
Russell Greece Large Cap
Russell Greece Mid Cap
Russell Greece Small Cap
Russell Hong Kong
Russell Hong Kong Large Cap
Russell Hong Kong Mid Cap
Russell Hong Kong Small Cap
Russell Hungary
Russell Hungary Large Cap
Russell Hungary Mid Cap
Russell Hungary Small Cap
Russell Iceland
Russell Iceland Large Cap
Russell Iceland Mid Cap
Russell Iceland Small Cap
Russell India
Russell India Large Cap
Russell India Mid Cap
Russell India Small Cap
Russell Indonesia
Russell Indonesia Large Cap
Russell Indonesia Mid Cap
Russell Indonesia Small Cap
Russell Ireland
Russell Ireland Large Cap
Russell Ireland Mid Cap
Russell Ireland Small Cap



Country
Russell Israel
Russell Israel Large Cap
Russell Israel Mid Cap
Russell Israel Small Cap
Russell Italy
Russell Italy Large Cap
Russell Italy Mid Cap
Russell Italy Small Cap
Russell Japan
Russell Japan Large Cap
Russell Japan Mid Cap
Russell Japan Small Cap
Russell Jordan
Russell Jordan Large Cap
Russell Jordan Mid Cap
Russell Jordan Small Cap
Russell Kazakhstan
Russell Kazakhstan Large Cap
Russell Kazakhstan Mid Cap
Russell Kazakhstan Small Cap
Russell Kuwait
Russell Kuwait Large Cap
Russell Kuwait Mid Cap
Russell Kuwait Small Cap
Russell Lithuania
Russell Lithuania Large Cap
Russell Lithuania Mid Cap
Russell Lithuania Small Cap
Russell Luxembourg
Russell Luxembourg Large Cap
Russell Luxembourg Mid Cap
Russell Luxembourg Small Cap
Russell Malaysia
Russell Malaysia Large Cap
Russell Malaysia Mid Cap
Russell Malaysia Small Cap
Russell Mauritius
Russell Mauritius Large Cap
Russell Mauritius Mid Cap
Russell Mauritius Small Cap
Russell Mexico
Russell Mexico Large Cap
Russell Mexico Mid Cap
Russell Mexico Small Cap



Country
Russell Morocco
Russell Morocco Large Cap
Russell Morocco Mid Cap
Russell Morocco Small Cap
Russell Netherlands
Russell Netherlands Large Cap
Russell Netherlands Mid Cap
Russell Netherlands Small Cap
Russell New Zealand
Russell New Zealand Large Cap
Russell New Zealand Mid Cap
Russell New Zealand Small Cap
Russell Norway
Russell Norway Large Cap
Russell Norway Mid Cap
Russell Norway Small Cap
Russell Oman
Russell Oman Large Cap
Russell Oman Mid Cap
Russell Oman Small Cap
Russell Peru
Russell Peru Large Cap
Russell Peru Mid Cap
Russell Peru Small Cap
Russell Philippines
Russell Philippines Large Cap
Russell Philippines Mid Cap
Russell Philippines Small Cap
Russell Poland
Russell Poland Large Cap
Russell Poland Mid Cap
Russell Poland Small Cap
Russell Portugal
Russell Portugal Large Cap
Russell Portugal Mid Cap
Russell Portugal Small Cap
Russell Qatar
Russell Qatar Large Cap
Russell Qatar Mid Cap
Russell Qatar Small Cap
Russell Romania
Russell Romania Large Cap
Russell Romania Mid Cap
Russell Romania Small Cap



Country
Russell Russia
Russell Russia Large Cap
Russell Russia Mid Cap
Russell Russia Small Cap
Russell Singapore
Russell Singapore Large Cap
Russell Singapore Mid Cap
Russell Singapore Small Cap
Russell Slovenia
Russell Slovenia Large Cap
Russell Slovenia Mid Cap
Russell Slovenia Small Cap
Russell South Africa
Russell South Africa Large Cap
Russell South Africa Mid Cap
Russell South Africa Small Cap
Russell South Korea
Russell South Korea Large Cap
Russell South Korea Mid Cap
Russell South Korea Small Cap
Russell Spain
Russell Spain Large Cap
Russell Spain Mid Cap
Russell Spain Small Cap
Russell Sweden
Russell Sweden Large Cap
Russell Sweden Mid Cap
Russell Sweden Small Cap
Russell Switzerland
Russell Switzerland Large Cap
Russell Switzerland Mid Cap
Russell Switzerland Small Cap
Russell Taiwan
Russell Taiwan Large Cap
Russell Taiwan Mid Cap
Russell Taiwan Small Cap
Russell Thailand
Russell Thailand Large Cap
Russell Thailand Mid Cap
Russell Thailand Small Cap
Russell Tunisia
Russell Tunisia Large Cap
Russell Tunisia Mid Cap
Russell Tunisia Small Cap



Country
Russell Turkey
Russell Turkey Large Cap
Russell Turkey Mid Cap
Russell Turkey Small Cap
Russell United Arab Emirates
Russell United Arab Emirates Large Cap
Russell United Arab Emirates Mid Cap
Russell United Arab Emirates Small Cap
Russell United Kingdom
Russell United Kingdom Large Cap
Russell United Kingdom Mid Cap
Russell United Kingdom Small Cap
Russell United States
Russell United States Large Cap
Russell United States Mid Cap
Russell United States Small Cap



APPENDIX B

Countries and regions (effective June 2010)

ISO	COUNTRY	GLOBAL										ASIA					EUROPE		DEVELOPED										EMERGING					FRONTIER						
		Global ex-U.S.	Global ex-North America	Global ex-Frontier	Global ex-Japan	Global ex-U.S. ex-Japan	Global ex-U.K.	Global ex-Canada	Global ex-Australia	Euro Zone	Asia Pacific	Asia Pacific ex-Japan	Asia	Asia ex-Japan	Greater China	Europe	Europe ex-U.K.	Developed	Developed ex-U.S.	Developed ex-Canada	Developed ex-North America	Developed ex-Japan	Developed Pacific Basin	Developed Pacific Basin ex-Japan	Developed Europe	Developed Europe ex-U.K.	Developed Euro Zone	North America	Emerging Markets	Emerging ex-Frontier	Emerging ex-GCC	Emerging Markets ex-Frontier ex-GCC	Latin America	Emerging Asia	Emerging Europe	BRIC	Emerging Europe, Mid-East, Africa (EMEA)	Frontier	Frontier ex-GCC	GCC
63		62	61	48	62	61	62	62	62	14	13	12	11	10	3	31	30	26	25	25	24	25	5	4	18	17	12	2	37	22	32	22	5	8	13	4	24	13	10	5

Countries in orange + U.S. + Canada + Israel = Global Country Total

APPENDIX C

Eligible share classes by country

Country	Eligible share classes	Remarks
Australia	Common shares Preferred shares	Preferred shares are usually non-voting.
Austria	Common shares Preferred shares Participation certificates	
Bahrain	Common shares	
Belgium	Common shares Preferred shares	
Botswana	Common shares	
Brazil	Common shares Preferred shares	Preferred shares are usually non-voting and traded heavily at the stock exchange.
Bulgaria	Common shares	
Canada	Common shares Units of Income Trusts	Units of Income Trusts are REIT-like securities.
Chile	Common shares Preferred shares	Preferred shares have restricted voting rights.
China	B shares H shares N shares	B, H, N shares are the only share classes available for foreign investors. H shares are traded in Hong Kong. N shares are traded in the U.S.
Colombia	Common shares Preferred shares	Preferred shares are usually non-voting.
Croatia	Common shares Preferred shares	Preferred shares are usually non-voting.
Cyprus	Common shares	
Czech Republic	Common shares	
Denmark	A shares B shares	B shares have lower voting rights.
Egypt	Common shares	
Estonia	Common shares	
Finland	A shares B shares K shares	A shares and B shares have lower voting rights than K shares.
France	Common shares Preferred shares Investment certificates Voting certificates	Preferred shares, investment certificates and voting certificates are non-voting.
Germany	Common shares Preferred shares	Preferred shares are usually non-voting.

Country	Eligible share classes	Remarks
Ghana	Common shares	
Greece	Common shares Preferred shares	Preferred shares are usually non-voting.
Hong Kong	A shares B shares	B shares have lower voting rights.
Hungary	Common shares	
Iceland	Common shares	
India	Common shares	
Indonesia	Common shares	
Ireland	Common shares	
Israel	Common shares Preferred shares	
Italy	Common shares Preferred shares Savings shares	Preferred shares and savings shares are non-voting.
Japan	Common shares	
Jordan	Common shares	
Kazakhstan	Common shares Preferred shares	
Kuwait	Common shares	
Latvia	Common shares	
Lithuania	Common shares	
Luxembourg	Common shares	
Malaysia	Common shares	Common shares are classified as local/foreign shares.
Mauritius	Common shares Preferred shares	Preferred shares are usually non-voting.
Mexico	Common shares Participation certificate	Participation certificates are usually non-voting.
Morocco	Common shares	
Netherlands	Common shares Preferred shares	
New Zealand	Common shares Preferred shares	Preferred shares are usually non-voting.
Norway	A shares B shares Equity Certificates	B shares are non-voting.
Oman	Common shares	
Pakistan	Common shares	
Peru	Common shares Preferred shares Investment shares	
Philippines	Common shares	Common shares are classified as A (local) and B (foreign) shares
Poland	Common shares	



Country	Eligible share classes	Remarks
Portugal	Common shares	
Qatar	Common shares	
Romania	Common shares	
Russia	Common shares Preferred shares	Preferred shares are usually non-voting and are guaranteed dividends no less than common shares.
Singapore	Common shares	Subject to Foreign Board Action.
Slovak Republic	Common shares	
Slovenia	Common shares Preferred shares	Preferred shares are usually non-voting.
South Africa	Common shares Preferred shares	Preferred shares are usually non-voting.
South Korea	Common shares Preferred shares	Preferred shares are usually non-voting.
Spain	Common shares Preferred shares	Preferred shares are usually non-voting.
Sweden	A shares B shares C shares	B shares and C shares have lower voting rights. C shares are not entitled for dividends.
Switzerland	Registered shares Bearer shares Participation certificates Dividend-right certificates	Bearer shares have lower voting rights. Participation certificates and dividend-right certificates are non-voting.
Taiwan	Common shares Preferred shares	Preferred shares have limited or no voting rights.
Thailand	Common shares Preferred shares	Common shares are classified as local/foreign shares and are subject to Foreign Board Action. Preferred shares are usually non-voting.
Tunisia	Common stock	
Turkey	Common shares	
United Arab Emirates	Common shares	
United Kingdom	Common shares	
United States	Common shares	
Zambia	Common shares	

* All share types are subject to certain liquidity-screening processes for index inclusion.

* Preferred securities are those where there is no fixed cumulative dividend.



APPENDIX D

Eligible stock exchanges and bourse codes

Country	Eligible stock exchange	Bourse code
Australia	Australia Stock Exchange	111
Austria	Vienna Stock Exchange	50
Austria	XETRA	44
Bahrain	Bahrain Stock Exchange	125
Belgium	NYSE Euronext	399
Botswana	Gaberone Stock Exchange	329
Brazil	Sao Paulo Stock Exchange	83
Bulgaria	Bulgaria Stock Exchange	308
Canada	Toronto Stock Exchange	61
Canada	TSX Venture Exchange	63
Chile	Santiago Stock Exchange	84
China	Shanghai Stock Exchange	215
China	Shenzhen Stock Exchange	214
Colombia	Bolsa de Bogota Stock Exchange	85
Croatia	Zagreb Stock Exchange	313
Croatia	Zagreb OTC	541
Cyprus	Nicosia Stock Exchange	299
Czech Republic	Prague Stock Exchange	320
Denmark	Copenhagen Stock Exchange	12
Egypt	Cairo Stock Exchange	374
Estonia	Tallinn Stock Exchange	303
Finland	OMX Helsinki Stock Exchange	40
France	NYSE Euronext	399
Germany	Deutsche Borse	13
Germany	XETRA	44
Ghana	Ghana Stock Exchange	330
Greece	Athens Stock Exchange	34
Hong Kong	Stock Exchange of Hong Kong	104
Hungary	Budapest Stock Exchange	213
Iceland	Iceland Stock Exchange	370
India	Mumbai Stock Exchange	114
India	National Stock Exchange	326

Country	Eligible stock exchange	Bourse code
Indonesia	Indonesia Stock Exchange	146
Ireland	Irish Stock Exchange	145
Israel	Tel Aviv Stock Exchange	105
Italy	Mercato Continuo Italiano	46
Japan	Tokyo Stock Exchange	106
Japan	Osaka Stock Exchange	107
Japan	JASDAQ	112
Japan	Nagoya Stock Exchange	122
Japan	Nippon New Market Hercules	373
Japan	Fukuoka Stock Exchange	118
Jordan	Amman Stock Exchange	161
Kuwait	Kuwait Stock Exchange	340
Lithuania	Vilnius Stock Exchange	307
Latvia	Riga Stock Exchange	306
Luxembourg	Luxembourg Stock Exchange	47
Malaysia	Bursa Malaysia Stock Exchange	143
Mauritius	Stock Exchange of Mauritius	368
Mexico	Bolsa Mexicana de Valores	80
Morocco	Casablanca Stock Exchange	102
Netherlands	NYSE Euronext	399
New Zealand	New Zealand Stock Exchange	116
Norway	Oslo Stock Exchange	48
Oman	Muscat Security Market	363
Pakistan	Karachi Stock Exchange	216
Peru	Lima Stock Exchange	89
Philippines	Manila Stock Exchange	108
Poland	Warsaw Stock Exchange	243
Portugal	NYSE Euronext	399
Qatar	Doha Stock Exchange	547
Romania	Bucharest Stock Exchange	304
Russia	Russia Trading System	565
Russia	Moscow Intercurrency Exchange	549
Singapore	Singapore Stock Exchange	120
Slovenia	Ljubljana Stock Exchange	294
Slovak Republic	Bratislava Stock Exchange	187
South Africa	Johannesburg Stock Exchange	100
South Korea	South Korea Stock Exchange, KOSDAQ	358
South Korea	South Korea Stock Exchange (KRX)	123



Country	Eligible stock exchange	Bourse code
Spain	Mercado Continuo Espana	54
Spain	Madrid Stock Exchange	55
Spain	Barcelona Stock Exchange	56
Sweden	OM Stockholm Stock Exchange	53
Switzerland	Swiss Stock Exchange	4
Switzerland	SWX Europe Ltd. (VIRT-X)	380
Switzerland	Switzerland Stock Exchange (USD)	349
Taiwan	Taiwan Stock Exchange	103
Taiwan	GreTai Securities Market	372
Thailand	Stock Exchange of Thailand	117
Tunisia	Bourse de Tunis (Tunisia Stock Exchange)	328
Turkey	Istanbul Stock Exchange	109
Ukraine	PFTS Stock Exchange	309
United Arab Emirates	Dubai Financial Market	824
United Arab Emirates	Abu Dhabi Securities Market	548
United Arab Emirates	Dubai Intl. Financial Exchange (DIFX)	824
United Kingdom	London Stock Exchange	36
United Kingdom	London Stock Exchange – SETS	361
United Kingdom	London Stock Exchange – Seats	272
United Kingdom	London Stock Exchange – IOB	507
United States	New York Stock Exchange	65
United States	NYSE ARCA	69
United States	NASDAQ	67
United States	American Stock Exchange	66
United States	Pacific Exchange	95
United States	NYSE Alternext U.S.	66
Zambia	Lusaka Stock Exchange	333



APPENDIX E

Calculation of free floats

Investable shares are assumed to be shares that are publicly traded and open to foreign investment. We derive investable shares by use of the following formulas:

Formula 1

Free Float-Adjusted Market Capitalization (FFAMC) = Closing Price of Shares x Number of Investable Shares

Formula 2

Number of Investable Shares = Number of Total Shares Outstanding – Number of Uninvestable Shares

Formula 3

Free Float Ratio (FFR) = (Number of Investable Shares/Number of Total Shares Outstanding) x 100%

Formula 4

Number of Uninvestable Shares = Number of Unavailable Shares + Number of Additional Shares Restricted by FOL

Combining Formulas 1 through 4, the foreign ownership limit adjustment is applied on top of the unavailable shares adjustment described above.

Formula 5

Free Float-Adjusted Market Capitalization = FFII x Share Closing Price x (Number of Total Shares Outstanding – Number of Unavailable Shares – Number of Additional Shares Restricted by FOL)

Where the Free Float Inclusion Indicator (FFII) is an indicator function based on the following condition: Free Float Percentage > 1% for large capitalization companies and free float percentage > 5% for small capitalization companies.

Example of free float calculation with depositary receipts

In this section, an example of free float calculation is provided, where restricted stocks are used to sponsor depositary receipts.

For free float calculation, Russell uses the market price of depositary receipts. Thus, Formula 5 can be further modified as the following:

Formula 6

Free Float-Adjusted Market Capitalization = FFII x Share Price x (Number of Total Shares Outstanding – Number of Unavailable Shares – Number of Additional Shares Restricted by FOL) + Depositary Receipts Market Price x Number of Investable Depositary Receipt Contracts

Where the Free Float Inclusion Indicator (FFII) is an indicator function based on the following condition: Free Float Percentage > 1% for large capitalization companies and Free Float Percentage > 5% for small capitalization companies. If the condition is true, then the FFII will have a value of 1; otherwise, FFII will have a value of 0.

XYZ company example

Company XYZ in country ABC is a typical candidate for index consideration. Its common stocks are traded on the local market and are divided into categories of restricted and unrestricted. Restricted stocks can be purchased only by domestic investors, while unrestricted stocks do not have this constraint. Additionally, some of the restricted stocks are used as collateral to sponsor American Depositary Receipts, which are traded on the NYSE. The free-float calculation is carried out, given the following company information:

Share information of company XYZ

Country	Total shares outstanding	Unavailable shares	Additional shares restricted by FOL	ADRs backed by restricted shares (5 shares per contract)
ABC	100,000,000	5,000,000	50,000,000	300,000

Pricing Information of Company XYZ

Country	Share closing price (USD)	ADR market price (USD)
ABC	\$30.00	\$155.00

Step 1:

Total Market Capitalization = \$30.00 x 100,000,000 = \$3,000,000,000 > Russell Global large cap/small cap cut-off

Thus, Free Float Inclusion Indicator (FFII) = 1 as long as the Free Float Ratio is greater than 1%

Step 2:

Formula (6) is simplified as the following:

Free Float-Adjusted Market Capitalization of Company XYZ

$$\begin{aligned}
 &= \text{Share Closing Price} \times (\text{Number of Total Shares Outstanding} - \text{Number of Unavailable Shares} - \text{Number of Additional Shares Restricted by FOL}) + \text{Depositary Receipts Market Price} \times \text{Number of Investable Depositary Receipt Contracts} \\
 &= \$30.00 \times (100,000,000 - 5,000,000 - 50,000,000) + \$155.00 \times 300,000 \\
 &= \$1,350,000,000 + \$46,500,000 \\
 &= \$1,396,500,000
 \end{aligned}$$

Step 3:

$$\text{Free Float Ratio (FFR)} = 1,396,500,000 / 3,000,000,000 \times 100\% = 46.55\%$$



APPENDIX F

Assigning a primary exchange to a security

The selection of the primary exchange is used to determine the closing price and underlying currency of a stock. The primary factor of selecting a primary exchange for a stock is the country assignment for the company following rules described in Section 3.

Russell has encountered several variations while researching the subject. In summary, these variations are:

1. The company is traded in the country to which it is assigned (the domestic exchange).
 - a. The company is listed on one domestic exchange.
 - b. The company is listed on multiple domestic exchanges.
 - I. The most liquid domestic listing passes the liquidity screen.
 - II. The most liquid domestic listing does not pass the liquidity screen.
2. The company is traded in a country other than the one to which it is assigned (a foreign exchange).
 - a. The most liquid listing passes the liquidity screen.
 - b. The most liquid listing does not pass the liquidity screen.
 - I. The company's shares are traded in depository receipt form.
 - II. The company's shares are not traded in depository receipt form.

With limited exceptions, Russell strongly prefers to consider a company's primary exchange to be the domestic exchange wherein the company's stock is most liquid.

If the company is listed on a domestic exchange and the listing is liquid (as defined by Russell), then that exchange is considered the primary exchange. For example, the primary exchange for Petrom S.A. would be the Bucharest Stock Exchange; since it passes the Russell defined liquidity measure and is the most liquid domestic exchange for the company's stock.

If the most liquid domestic listing for a company does not pass the liquidity screen, Russell then considers dual listings in foreign exchanges. Russell takes the most liquid foreign listing (provided it passes the Russell defined liquidity measure), and the stock exchange wherein the issue trades becomes the primary exchange of that stock. If none of the stock listings pass the Russell defined liquidity measure, depository receipts (DR) of the stock would be considered eligible for liquidity testing. In this case, if the company's stock in DR form passes the Russell defined liquidity measure, Russell recognizes the DR as being the primary issue of the stock, and thus the stock exchange wherein the DR trades as being the primary exchange of that stock.

APPENDIX G

Gross Domestic Product (GDP) weighted indexes

The Russell Global GDP indexes are alternatives to market capitalization weighted indexes. The Russell Global GDP indexes series includes:

- Russell Global Large Cap GDP
- Russell Developed ex-North America Large Cap
- Russell Developed ex-United States Large Cap

In the calculation of Russell's GDP weighted indexes, each country is weighted by its corresponding GDP rather than available market capitalization. Each security within the corresponding country continues to be weighted by available market capitalization. To arrive at this result, each security's weight is adjusted in the Russell GDP indexes using the following formula:

$$\text{Security_Weight_GDP}(t, \text{Cap Seg}) = \text{Security_Weight_Country}(t, \text{Cap Seg}) * \text{Country_Weight_GDP}(t, \text{CapSeg})$$

Where:

$\text{Security_Weight_GDP}(t, \text{Cap Seg})$ = Security weight in the GDP-weighted Index at time t, for a particular cap segment index.

$\text{Security_Weight_Country}(t, \text{Cap Seg})$ = Security weight in its corresponding Country Index at time t for a particular cap segment index.

$\text{Country_Weight_GDP}(t, \text{CapSeg})$ = Country weight by market-cap adjusted country GDPs at time t for a particular cap segment index (AC, LC or SC).

The Russell GDP indexes use Worldbank as the source for country GDP. Changes to GDP are updated annually and effective with the reconstitution process each year. At that time, country GDP weights are reset on the basis of the Worldbank GDP data. Throughout the year, the country weight can fluctuate with market value changes of each country.

APPENDIX H

Benefit Driven Incorporation Countries (BDIs)/ No Domestic Exchange countries (NDEs)

Russell recognizes that some investable companies may be incorporated in countries that do not have domestic stock exchanges or exchanges which Russell does not recognize as valid exchanges (formerly referred to as BDI countries.) Russell assigns these companies to the countries in which their primary equity issues are traded. No Domestic Exchange (NDE) equities are subject to all Russell index eligibility criteria. NDE and BDI countries include:

NDEs
Falkland Islands
Liechtenstein
Monaco
Suriname
BDIs
Anguilla
Antigua and Barbuda
Bahamas
Barbados
Belize
Bermuda
British Virgin Islands
Cayman Islands
Channel Islands
Cook Islands
Faroe Islands
Gibraltar
Isle of Man
Liberia
Marshall Islands
Netherlands Antilles
Turks and Caicos Islands

APPENDIX I

Russell Dividend Achievers Indexes

Russell Dividend Achievers Indexes are objectively constructed and based on transparent rules. The members of the Russell Dividend Achievers Indexes are also members of the Russell Global Index and follow all the same objective rules for membership with an additional requirement of being defined as a dividend achiever.

Eligible Dividend Achievers securities

Russell Dividend Achievers Indexes start by including those companies which are members of the Russell Global Index or one of its subsets. The index is then reduced down to those securities which meet the requirements to be a Dividend Achiever.

Companies are considered Dividend Achievers if they have raised annual regular cash dividend payments for at least each of the last ten consecutive calendar or fiscal years for U.S. companies and five years for non-U.S. companies. In addition, U.S. and Canadian companies must have a two month average trading liquidity of \$500,000 average daily cash volume (Nov & Dec). A Dividend Achiever is established in February of each year using the latest available dividend payable date for the previous calendar or fiscal year to calculate the total annual regular dividend payment.

To be included during Russell's annual reconstitution these companies are reviewed again on the last trading day in May to ensure they have not reduced their dividend payments since the last annual Dividend Achiever reconstitution date. Liquidity is not re-assessed. For non-North American companies the change in dividends will be reviewed on a trailing 12 month basis. For North American companies with a payment frequency code, the change in dividends will be based on their forward looking Indicated Annual Dividend (i.e., dividend payment amount * dividend payment frequency).

Index maintenance / Corporate Action-driven changes

The members of the Russell Dividend Achievers Index and its subsets are proactively maintained and reflect daily changes in the global equity market. Russell Dividend Achievers Indexes follow all of Russell's rules for corporate actions with the following exceptions:

Mergers and acquisitions

In the event of a merger between two companies included in the Russell Dividend Achievers Index, the common shares of the combined surviving company will continue to be represented in the Russell Dividend Achievers Indexes. In the event of a merger between a company in the Russell Dividend Achievers Index and a company not in the Russell Dividend Achievers Index, the surviving company will only be included in the Broad Dividend Achievers Index if the company in the Russell Dividend Achievers Index is the surviving company.

Spin-offs

Spin-offs from a Russell Dividend Achievers member will not be added to the index at the time of spin-off.

APPENDIX J

Country assignment methodology details

Home Country Indicators: Country of Incorporation, Country of Headquarters, Most liquid exchange by 2 year average daily dollar trading volume (ADDTV)

Headquarters: Russell defines headquarters as the address of principal executive offices. For those companies reporting in the U.S., Russell will use the SEC filings to determine the location of headquarters. For those companies outside of the U.S. reporting requirements, multiple vendor sources and independent Russell research is used. In the case where multiple headquarters are listed on the SEC filings and a HCI needs to be determined, Russell will assign the HCI for headquarters to the location with the highest average daily trading volume. If the HCI for headquarters can not be determined (IE, no trading in any headquarters location) primary exchange will be used as the HCI.

Asset/Revenue Data Sources and Requirements Defined: Assets and revenues data are retrieved from the 10-K's, or other reliable company information, as of the last trading day in May. Any filings after that date are not used. For the 2010 index reconstitution, Russell will use one year of assets and revenues data. Russell will consider the reporting of sub-asset categories such as long-lived assets or long-term assets before reviewing revenue. Then beginning in 2011, Russell will use an average of two years of assets or revenues data to reduce potential turnover. However, if only one year of data is available (either company starts or stops reporting by location), one year will be used.

Company Reports by:	Requirements to be determined "majority"
Country:	Total assets/revenues for HCI country is 20 percentage points greater than that of the next largest reported country
Region:	Total assets/revenues for region containing only one HCI country is greater than 20 percentage points of any other reported region.
Combination of Country & Region:	Total assets/revenues for HCI country is greater than 20 percentage points of any reported region.
Combination of single Country or single Region and Rest of the World:	Total assets/revenues for HCI country is at least 40% worlds' total assets/revenues..
No, or Insufficient, Data Available:	Defaults to headquarters, or most liquid exchange if BDI country

BDI Countries:

Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Faroe Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Netherlands Antilles, Panama, and Turks and Caicos Islands.

**For more information about Russell Indexes call us or visit www.russell.com/indexes.
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