

Dow Jones U.S. Contrarian Opportunities Index *Methodology*

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Introduction

Highlights

The Dow Jones U.S. Contrarian Opportunities Index is a transparent, rules-based tool for benchmarking contrarian investment strategies and is designed to systematically measure the performance of stocks that lag behind the broader market in terms of recent performance, but that outrank their peers based on fundamentals-based and other qualitative criteria.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Eligibility Criteria

Index Eligibility

The index universe is defined as the constituents of the Dow Jones U.S. Broad Stock Market Index, which comprises the largest 2,500 U.S. companies by float-adjusted market capitalization.

Constituent Selection

Constituent selection is as follows:

1. Stocks in the index universe are screened to identify the top 50% of stocks with the lowest relative three-year trailing total returns.
2. The stocks identified in step 1 are then ranked by float-adjusted market capitalization and the bottom 5% by constituent count are excluded from the selection pool.
3. Any existing index constituents that fall outside of the screens in steps 1 and 2 are then added to the selection pool.
4. The selection pool is ranked by each of the 10 qualitative factors defined below, where the best-ranked stocks receive the highest scores. The scores for all 10 variables are summed to a composite rank.

Qualitative Factor	Rank Order	Description
Long-Term Expected Profit Growth	Descending	The simple average of analysts' estimates for five-year growth in earnings per share
Enterprise Value to EBITDA	Ascending	Enterprise value divided by earnings before interest, taxes, depreciation and amortization. Enterprise value equals stock market capitalization plus the sum of debt and preferred stock minus cash and cash equivalents.
EPS Revisions Current Quarter	Descending	The net percentage of positive profit estimate revisions. First, the number of earnings estimates for the current fiscal quarter that have been decreased from the prior month are subtracted from the number that have been increased. Next, that result is divided by the total number of earnings estimates for the quarter
EPS Revisions Next Quarter	Descending	The net percentage of positive profit estimate revisions. First, the number of earnings estimates for the next fiscal quarter that have been decreased from the prior month are subtracted from the number that have been increased. Next, that result is divided by the total number of earnings estimates for the quarter.
Price/Cash Flow Ratio to Five-Year Median	Ascending	The current price/cash flow ratio divided by the median price/cash flow ratio over the past 60 months.

Qualitative Factor	Rank Order	Description
Cash-Flow Change Last Quarter	Descending	Year-to-year percentage change in cash flow per share. For this metric, cash flow is defined as income before extraordinary items plus depreciation and amortization.
Price/Earnings Ratio	Ascending	Stock price divided by earnings per share from operations over the past four quarters.
Price/Free Cash Flow Ratio	Ascending	Stock price divided by per share free cash flow over the past four quarters. Free cash flow represents the net change in cash from all items classified in the operating activities section on a statement of cash flows, minus capital spending and cash dividends
Total Return for the Past Six Months	Descending	The percentage return on a stock over the most recent six months, reflecting dividends and change in stock price
Five-Year Sales Growth	Descending	The percentage change in sales over the past five years.

5. For the factors that utilize a descending rank order, any missing data point is assigned a rank of "0" which is then added to the cumulative rank.
6. For the factors that utilize an ascending rank order, ranking is only done for data points greater than 0 and less than 250. All other data points outside of 0 and 250 are given rank of "0".
7. If there is a cumulative rank tie, Total Return for the Past Six Months is used as the tiebreaker.
8. Existing index constituents in the selection pool ranked 1-175 by composite rank are retained in the index.
9. Stocks are added from the remaining selection pool top down by composite rank until the constituent number reaches 125, subject to a maximum sector count of 37 stocks. If the maximum sector count is reached, the next highest ranking stock in the remaining selection pool is selected.

Index Construction

Approaches

The index is equal-weighted and calculated by the divisor methodology used in all S&P Dow Jones Indices' equity indices.

Index Calculations

The initial divisor is set to have a base index value as per below:

Index	Base Date	Base Value
Dow Jones U.S. Contrarian Opportunities Index	12/31/1991	100

The index value is simply the index market value divided by the index divisor:

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

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

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

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (2)$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = (\text{Index Market Value})_{\text{after rebalancing}} / (\text{Index Value})_{\text{before rebalancing}} \quad (3)$$

Multiple Classes of Stock

Some companies may have more than one share class line in the respective benchmark index. In the Dow Jones U.S. Contrarian Opportunities Index, each company is represented once by the primary listing, which is generally the most liquid share line.

Index Maintenance

Rebalancing

The composition of the index is reviewed semi-annually, using data as of the close of the last trading day of January and July. On the first trading day following the third Friday of February and August, the constituent changes are implemented and the index is rebalanced to an equal weighting.

Additions

With the exception of qualifying spin-offs, generally no companies are added to the index between semi-annual rebalancings.

Spin-offs. A spun-off company is added to the index at a zero price on the ex-date of the event with no divisor adjustment. The spun-off company is then removed from the index after the first day of regular way trading and its weight is redistributed to the parent company.

Deletions

Between semi-annual rebalancings, a company can be deleted from the index due to corporate events such as mergers, acquisitions, takeovers or delistings. Deleted constituents are not replaced until the subsequent semi-annual rebalancing.

Corporate Actions

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

Currency of Calculation

The index is calculated in U.S. dollars.

Base Dates and History Availability

Index history availability, base dates and base values are shown in the table below.

Strategy Indices	Launch Date	First Value Date	Base Date	Base Value
Dow Jones U.S. Contrarian Opportunities Index	11/10/2008	12/31/1991*	12/31/1991	100

* Available daily back to 12/31/1998 and monthly back to 12/31/1991.

Other Adjustments

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

Index Data

Total Return Index

Both a price return and a total return version of the Dow Jones U.S. Contrarian Opportunities Index are calculated. Ordinary cash dividends are applied on the ex-date in calculating the total return version. “Special dividends” are those dividends that are outside of the normal payment pattern established historically by the issuing corporation. These may be described by the corporation as “special,” “extra,” “year-end,” or “return of capital.” Whether a dividend is funded from operating earnings or from other sources of cash does not affect the determination of whether it is ordinary or special. “Special dividends” are treated as corporate actions with offsetting price and divisor adjustments; the total return index version reflects both ordinary and special dividends.

The total return version of the index reflects the return to an investor where gross dividends are reinvested.

Please refer to the S&P Dow Jones Indices’ Index Mathematics Methodology for more detail on total and net return index calculations.

For more information on the tax rates used in the calculation of net return indices, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Governance

Index Committee

The Dow Jones U.S. Contrarian Opportunities Index is maintained by the Americas Thematic and Strategy Indices Index Committee. All committee members are full-time professional members of S&P Dow Jones Indices' staff. The committee meets monthly. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Policy

Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced up to 30 days in advance via the Index Corporate Events report (.SDE), delivered daily via ftp to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

Press releases are posted on our Web site, www.spdji.com, and are released to major news services.

Index methodology is constantly under review for best practices, and any changes are announced well ahead of time via the Web site and email to all clients.

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

Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided daily five business days in advance of the rebalancing date and contains all constituents and their corresponding weights and index shares effective for the upcoming rebalancing. Since index shares are assigned based on prices one week prior to the rebalancing, the actual weight of each stock at the rebalancing differs from these weights due to market movements.

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

Holiday Schedule

The Dow Jones U.S. Contrarian Opportunities Index is calculated when the U.S. equity markets are open.

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

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, S&P Dow Jones Indices will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each security before the exchange closed. If an exchange fails to open due to unforeseen circumstances, S&P Dow Jones Indices treats this closure as a standard market holiday. The index will use the prior day's closing prices and shifts any corporate actions to the following business day. If all exchanges fail to open or in other extreme circumstances, S&P Dow Jones Indices may determine not to publish the index for that day.

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

Recalculation Policy

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

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

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

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

Real-Time Calculation

Real-time, intra-day, index calculations are executed every 15 seconds during U.S. trading hours for the price return version of the index. Real-time indices are not restated.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spdji.com, major quote vendors, numerous investment-oriented Web sites, and various print and electronic media.

Tickers

Index (USD)	Return Type	Bloomberg	Reuters
Dow Jones U.S. Contrarian Opportunities Index	Price Return	DJCNTRA	.DJCNTRA
	Total Return	DJCNTRAT	.DJCNTRAT

FTP

Daily stock level and index data is available via FTP on subscription.

For product information, please contact S&P Dow Jones Indices, www.spdji.com/contact-us.

Web site

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

Appendix – Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Previous	Methodology Updated
Treatment of Spin-offs	09/30/2015	A spun-off company is not added to the index. The price of the parent company is adjusted and index has a divisor change.	A spun-off company is added to the index at a zero price on the ex-date of the event with no divisor adjustment. The spun-off company is then removed from the index after the first day of regular way trading and its weight is redistributed to the parent company.

S&P Dow Jones Indices' Contact Information

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