Methodology of CSI Dongfanghong Dividend Low Volatility

CSI Dongfanghong Dividend Low Volatility Index selects 100 securities which are characterized by stable profitability, high expected dividend yield and low volatility as constituents from SSE and SZSE listed securities. The index is to measure the overall performance of dividend low volatility strategy.

1. Index Name and Index Code

- Index Name: CSI Dongfanghong Dividend Low Volatility Index
- Shortened Name: DFH Dividend Low Volatility
- Index Code: 931446

2. Base Date and Base Value

The base date is December 31, 2009. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

SSE and SZSE listed securities of the Universe of CSI All Share Index

3.2 Constituents Selection

(1) Rank the securities in the universe by the average daily trading value over the past year in descending order and delete the bottom 20% securities.

(2) For the remaining securities in (1), calculate each security's ROE Mean-Standard Deviation factor over the past three years and rank them in descending order, and then delete the bottom 30% securities.

(3) Delete the securities which do not pay cash dividend continuously over the past three years.

(4) For the remaining securities in the universe, calculate each security's expected dividend yield and rank them in descending order, and then delete the bottom 60% securities; the formula of the expected dividend yield is as follows:

Expected dividend yield=average dividend payout ratio over the past three

years /PE

(5) For the remaining securities in the universe, calculate each security's standard deviation of weekly return over the past five years and rank them in ascending order, and then select the top 100 securities as the constituents.

4. Index Calculations

The index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Value

Where Current Total Adjusted Market-Cap = Σ (Security Price × Number of Free Float Adjusted Shares × Weight Factor)

Weight Factor = Expected dividend yield/(Security Price × Number of Free Float Adjusted Shares)

For the calculation of number of free float adjusted shares, please refer to CSI Index Calculation and Maintenance Methodology for further details. The value of Weight Factor is between 0 and 1, which is calculated at each rebalancing date, so that each constituent is weighted by expected dividend yield and the weight of each constituent is capped at 5%.

5. Constituents and Index Weights Adjustment

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced semi-annually and the adjustment will be effective as of the next trading day after the 2nd Friday in June and December.

Weight Factor is assigned to each constituent at each rebalancing date. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing date.

5.2 Ongoing Review

When special events occur, CSI will review the index accordingly. Delisted securities will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details.