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GROUND RULES FOR THE MANAGEMENT OF THE

FTSE Renaissance IPO Index Series



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SECTION 1 – Introduction

1. Introduction

1.1. This paper sets out the Ground Rules for the management of the FTSE Renaissance IPO Index Series. Copies of the Ground Rules are available from FTSE on the website www.ftse.com.

1.2. The FTSE Renaissance IPO Index Series was created jointly by FTSE Group (“FTSE”), a global index provider and calculator of indices, and Renaissance Capital International LLC (“Renaissance”), a Greenwich, CT based leading provider of independent research on newly public companies.

1.3. The FTSE Renaissance IPO Index Series contains two indices that are given below:

- **FTSE Renaissance IPO Composite Index**

The FTSE Renaissance IPO Composite Index is designed to capture the essence of IPO activity and performance. Qualified IPOs are added to the Index at the end of their first trading day and removed from the Index after approximately two years when they become seasoned equities. The Index reflects the true investability of its constituents by using a free float-adjusted weighting approach and includes all institutionally-investable U.S.-listed IPOs of operating companies, capturing over 95% of the total market value of the IPO universe.

- **FTSE Renaissance IPO Composite Capped Index**

The FTSE Renaissance IPO Composite Capped Index is a capped version of the FTSE Renaissance IPO Composite Index, in which stocks are capped at 5% in conjunction with each quarterly review and at the time a new IPO is added to the Index.

- **FTSE Renaissance IPO Investable Index**

The FTSE Renaissance IPO Investable Index is designed to mimic the FTSE Renaissance IPO Composite Index while avoiding turnover associated with constituents that have a minimal impact on Index performance. The FTSE Renaissance IPO Investable Index reflects approximately the top 80% of the FTSE Renaissance IPO Composite Index in full market capitalisation terms, and it follows the same methodology as the FTSE Renaissance IPO Composite Index, except as set forth in Section 10 below.

1.4. The Index Series is constructed to provide investors with an accurate and comprehensive IPO performance measurement. The key considerations in constructing the Index Series include:

- a) A transparent and rules-based process for security selection, constituent weightings, and corporate actions
- b) A balance between total market coverage and investability
- c) Minimization of index turnover

1.5. The FTSE Renaissance IPO Index Series is calculated in USD on a real time basis.

1.6. The FTSE Renaissance IPO Index Series is calculated in US Dollar, Euro, UK Pound Sterling and Japanese Yen and will be provided on an end of day basis.

1.7. Price Index Values are calculated on a real time basis every 15 seconds. Price and Total Return Indices are published at the end of each working day. The Total Return Indices are based on ex-dividend adjustments.

SECTION 2 – Status of Indices

2. Status of Indices

- 2.1. The FTSE Renaissance IPO Index Series is calculated in US Dollars on a real time basis and may exist in the following states.
- a) Firm
 - i. The indices are being calculated during Official Market Hours (see Appendix A). No message will be displayed against the index value.
 - ii. The Official Closing Price for the FTSE Renaissance IPO Index Series will be the Exchange Official Closing Price for the Index.
 - b) Closed

The indices have ceased all calculations for the day. The message 'CLOSE' will be displayed against the index value calculated by FTSE.
 - c) Held

During Official Market Hours, an index has exceeded pre-set operating parameters and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last index value calculated by FTSE.
 - d) Indicative

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when an index is being calculated, the index will be declared indicative (e.g. normally where a 'fast market' exists in the equity market). The message 'IND' will be displayed against the index value calculated by FTSE.
 - e) Part

If the index is being calculated during the normal Official Index Period hours, but there are less than 75% of the constituents by capitalisation available with firm prices, then the index will be displayed with the message 'PART' to indicate that only a proportion of the securities prices are included. With the exception of the message 'PART', the index will continue to be calculated and displayed as if it were firm.
- 2.2. The official opening and closing hours of the FTSE Renaissance IPO Index Series are set out in Appendix A. Variations to the official hours of the indices will be published by FTSE.
- 2.3. US Dollar, Euro, UK Pound Sterling and Japanese Yen values will be calculated on an end-of-day basis.

SECTION 3 – Index Management

3. Index Management

3.1. Management Responsibilities

- 3.1.1. FTSE is responsible for the calculation and dissemination of the FTSE Renaissance IPO Index Series.
- 3.1.2. Renaissance is responsible for assessing the eligibility of new Index constituents based on predetermined index qualification criteria.

3.2. Index Committee

The FTSE Renaissance IPO Index Series is overseen by the Index Committee. The role of the Index Committee is to ensure transparency and maintain rules-based processes for security selection, constituent weightings and corporate actions. The Index Committee is responsible for undertaking the periodic review of constituents, approving constituent changes and maintaining these Ground Rules.

SECTION 4 – Eligible Companies

4. Eligible Companies

- 4.1. The FTSE Renaissance IPO Composite Index is an index designed to include all qualified underwritten public equity offerings of operating companies whose primary trading market is in the US and whose initial free float-adjusted market capitalisation based on an initial IPO price, total shares in issue and free float as of 2 trading days prior to the first day of trading exceeds 0.03% of the total investable market capitalisation of the FTSE Renaissance IPO Composite. In addition, new issues must have an initial full market capitalisation based on an initial IPO price and total shares in issue as of 2 trading days prior to the first day of trading of at least \$50 million to qualify for inclusion. Minimum free float-adjusted market capitalisation levels are established quarterly in conjunction with the periodic review of the Index. IPOs that fail to meet the initial inclusion criteria are NOT eligible for inclusion in the Index in future periods.
- 4.2. The constituents of the FTSE Renaissance IPO Composite Index contain companies whose primary trading is on any of the following exchanges:
- NYSE
 - NYSE AMEX
 - NYSE ARCA
 - NASDAQ
- 4.3. Only equity securities are eligible for inclusion in the Index. Hybrid securities, such as equity combined with warrants or debt, or income depository shares, are not eligible for inclusion. Offerings of tracking stocks are also not eligible.
- 4.4. The constituents of the FTSE Renaissance IPO Composite Index must be operating companies. Thus, certain non-operating REITs, trusts, closed end funds, blank check companies, such as special purpose acquisition companies (SPACs), and non-operating limited/general partnerships are excluded from the FTSE Renaissance IPO Composite Index.
- 4.5. Companies that are listed in the markets given in rule 4.2, but fall into any of the following offering categories are not eligible for entry into the FTSE Renaissance IPO Composite Index:
- Rights offerings
 - Minimum/Maximum offerings
 - Subscription rights offerings
 - Self-underwritten offerings
 - Best efforts offerings
- 4.6. Non-US companies whose primary trading market is the US are eligible for Index inclusion in the form of ADRs, ADSs or ordinary shares.

SECTION 5 – Index Qualification Criteria & Periodic Review of Constituents

5. Index Qualification Criteria & Periodic Review of Constituents

- 5.1. All companies that satisfy Section 4 are eligible for inclusion in the FTSE Renaissance IPO Composite Index, providing they pass the liquidity, size and free float screens detailed below. IPOs are added to the Index at the end of their first trading day.
- 5.2. Index constituents are removed from the FTSE Renaissance IPO Composite Index after approximately two years, unless a corporate action or failure to satisfy the three screens detailed below triggers an earlier elimination. All Index constituents that exceed 500 trading days are removed after the close on the third Friday of each month.
- 5.2.1. Existing constituents that fail to meet the Index Qualification Criteria set forth herein are permanently deleted from the FTSE Renaissance IPO Composite Index.
- 5.2.2. In any event, the Index will maintain a minimum of 20 constituents. If the number of Index constituents were to decline to the minimum level of 20 constituents, the following steps would be taken:
- a) IPO deletions would be suspended until the next IPO addition. Deletions would recommence when a new eligible IPO is added to the Index. Both events would be applied in one simultaneous transaction.
 - b) If two or more stocks had the same IPO addition date and, after approximately 500 trading days, their dual deletion would result in the number of Index constituents falling below 20, then the Index would retain the constituent with the largest free-float adjusted market capitalisation.
 - c) In the event a constituent's elimination due to a merger, acquisition, delisting or bankruptcy were to cause the number of Index constituents to decline below the minimum level of 20, then the stock to be added to the Index in place of the eliminated constituent would be determined by the Index Committee. The elimination and addition of such constituents would occur in one simultaneous transaction.
- 5.3. **Periodic Review Dates**
- 5.3.1. The FTSE Renaissance IPO Composite Index will be reviewed quarterly in March, June, September and December using data as at the close of business on the last day in February, May, August and November respectively.
- 5.3.2. The quarterly review will be implemented on the next working day after the close of business on the third Friday in March, June, September and December.
- 5.3.3. Details of the outcome of each review will be announced as soon as possible in March, June, September and December.
- 5.4. **Review Process**
- 5.4.1. Index constituents are screened for liquidity, size and free float on a quarterly basis.

SECTION 5 – Index Qualification Criteria & Periodic Review of Constituents

5.5. Screening Process

5.6. Screen One - Size Rule

5.6.1. The size rule for the FTSE Renaissance IPO Composite Index is a relative measure that is expressed as a percentage of the investable market capitalisation (after the application of investability weightings). IPOs are required to meet a basis points threshold of 0.03% for Index inclusion, which is higher than the basis points threshold of 0.02% set for exclusion of existing constituents. In addition, IPOs must have an initial full market capitalisation of at least \$50 million to qualify for inclusion.

5.6.2. Size thresholds for new and existing Index constituents are determined on a quarterly basis by multiplying the total investable market capitalisation of the FTSE Renaissance IPO Composite Index at the end of the period by the size factors mentioned in 5.6.1. The resulting dollar amounts will be the minimum size thresholds for Index inclusion and exclusion until the next periodic review.

5.6.3. Size Buffers for Entry and Exit to the Index

The aim of the size threshold is to provide a degree of stability in the composition of constituents of the FTSE Renaissance IPO Composite Index while ensuring that the Index continues to be representative of the market by including or excluding those companies whose market capitalisation has grown or diminished significantly.

5.7. Screen Two – Liquidity

5.7.1. FTSE will screen for liquidity on a quarterly basis in every March, June, September and December. Each security will be tested for liquidity by calculation of its median daily trading per month. The median trade is calculated by ranking each daily trade total and selecting the middle ranking day. Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trade.

- a) Existing constituent securities which do not turnover at least 0.04% of their free-float adjusted shares in issue based on their median daily trade per month in eight of the twelve months prior to a full market review, will be permanently removed from the FTSE Renaissance IPO Composite Index.
- b) Existing constituents that have been trading for three months or less must turnover at least 0.04% for every month.
- c) Existing constituents that have been trading for more than three months and less than twelve months are tested on a pro-rata basis.

SECTION 5 – Index Qualification Criteria & Periodic Review of Constituents

5.8. Screen Three – Free Float

5.8.1. Free float reflects only those shares that are publicly available for trading. Each constituent's free float is calculated as a percentage of its total shares in issue. Bands are applied to free float percentages as outlined in Section 6.

- a) A constituent that has a free float of less than 5% will be ineligible for the index.
- b) A constituent that has a free float equal to or greater than 5% but less than or equal to 15% will be eligible for the FTSE Renaissance IPO Composite Index. The constituent's actual free float percentage will be rounded up to the next highest whole percentage number.
- c) If, at any point a constituent's free float falls below the minimum threshold required, it will be permanently removed from the FTSE Renaissance IPO Composite Index.

SECTION 6 – Free Float Determination

6. Free Float Determination

6.1. All Index constituents are evaluated and weighted based on free float-adjusted market capitalisation. Eligible companies may be subject to adjustment for free float and multiple lines.

6.2. Free Float - Investability Weightings

Constituents of the FTSE Renaissance IPO Composite Index are adjusted for free float, cross-holdings and foreign ownership limits.

6.3. Free float restrictions include:

- trade investments in an index constituent either by another constituent (i.e., cross-holdings) or non-constituent company or entity
- long term holdings by founders, their families and/or directors & officers
- significant (>10%) holdings by pre-IPO investors
- significant (>10%) holdings by new strategic, post-IPO investors
- employee share schemes (if restricted)
- government holdings
- foreign ownership limits
- Portfolio investments subject to a lock-up clause, for the duration of that clause

6.3.1. Locked-up shares held by Directors & Officers and strategic (>10%) pre-IPO investors are restricted for the entire time a stock is part of the Index. Locked-up shares held by parties other than Directors & Officers and strategic pre-IPO holders (such as pre-IPO portfolio investments of <10%) are released upon expiration of the lock-up period.

6.3.2. The following are not considered as restricted free float:

- portfolio investments
- nominee holdings (including those supporting ADRs & GDRs) unless they represent restricted free float as defined by Rule 6.3 above
- non-strategic holdings by investment companies

6.4. Bands for initial weighting

Free float restrictions will be calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands.

a) Free float less than or equal to 15%	=	see Ground Rule 5.8
b) Free float greater than 15% but less than or equal to 20%	=	20%
c) Free float greater than 20% but less than or equal to 30%	=	30%
d) Free float greater than 30% but less than or equal to 40%	=	40%
e) Free float greater than 40% but less than or equal to 50%	=	50%
f) Free float greater than 50% but less than or equal to 75%	=	75%
g) Free float greater than 75%	=	100%

6.5. Changes in free float

The FTSE Renaissance IPO Composite Index is periodically reviewed for changes in free float. Changes are implemented at the close of business on the third Friday in March, June, September and December. Significant changes are implemented more frequently, as set forth in Section 8.

SECTION 7 – Changes to Constituent Companies

7. Changes to Constituent Companies

7.1. Impact of Changes to Constituents

7.1.1. The composition of the FTSE Renaissance IPO Index Series may change as a result of decisions or events which affect one or more of the constituent securities.

7.2. Additions Outside of a Review

7.2.1. The FTSE Renaissance IPO Composite Index is a dynamic Index that includes IPOs, which qualify under Sections 4 and 5 above, after the close of business on their first trading day. Hence, additions to the Index occur outside of scheduled periodic reviews.

7.2.2. In the case of a constituent company that is split and forms two or more companies by issuing new equity to existing shareholders, then the resulting companies will be eligible to continue as constituents in the FTSE Renaissance IPO Composite Index as their predecessor company if they continue to pass the size, liquidity and free float screens set forth in Section 5. The two resultant companies will remain in the Index for the same number of days as the predecessor would have before the split occurred.

7.3. Deletions Outside of a Review

7.3.1. To capture the essence of the IPO asset class, Index constituents are removed from the FTSE Renaissance IPO Composite Index when they exceed 500 trading days. This action occurs after the close on the third Friday of each month.

7.3.2. A stock will be deleted from the list of constituents of the FTSE Renaissance IPO Composite Index in the event the constituent is delisted from its stock exchange, enters bankruptcy, becomes insolvent or is liquidated.

7.3.3. Deletion on the effective date

If an existing constituent is acquired for cash or ineligible paper or by a non-quoted company in its own or another country, then the existing constituent is deleted on the effective date of the acquisition from the FTSE Renaissance IPO Composite Index.

7.3.4. Deletion after confirmation

Constituents will be deleted from the Index when confirmation is received that acceptance levels have reached a minimum of 85% and that any new shares of the bidding company (if applicable) are listed. A company deleted following a takeover, with a remaining free float of 15% or less, will be permanently removed from the FTSE Renaissance IPO Composite Index.

7.4. Mergers and Take-overs

7.4.1. If a constituent is acquired by a non-constituent, the company will be removed from the FTSE Renaissance IPO Composite Index.

7.4.2. Where two Index constituents merge, or one Index constituent is acquired by another constituent, the resulting new company will be eligible for inclusion in the FTSE Renaissance IPO Composite Index.

SECTION 7 – Changes to Constituent Companies

7.4.3. In the case of a constituent that has been taken over by a non-constituent, the resultant entity will be permanently removed from the FTSE Renaissance IPO Composite Index.

7.5. Spin-offs

7.5.1. In the event that a company included in the FTSE Renaissance IPO Composite is spun off, the securities resulting from the spin off, including the original security where appropriate, will continue to be included in the Index as long as they both continue to meet the criteria set forth in Section 5.

7.6. Change in Primary Trading Market

In the event an existing Index constituent company changes the primary listing location of its shares to a non-U.S. Exchange or dual-lists its shares in its domestic market, the constituent will be removed from the Index. Existing constituent companies which - subsequent to the issuance of ADRs or ADSs - publicly list the ordinary shares underlying those ADRs or ADSs on any Exchange outside the U.S., will be removed from the Index.

7.7. Suspension of Dealing

7.7.1. If a constituent is the subject of a suspension, it may remain in the index at the price at which it is halted for up to 10 business days. During this time, FTSE may agree to delete the constituent immediately either at its trading halt price or at zero.

7.7.2. Where a suspension of a constituent lasts beyond noon on the tenth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the index on the eleventh trading day at zero or the trading halt price. Where the trading halt is for a reason not to the detriment of the constituent, FTSE may decide, to retain or remove the stock at its trading halt price.

SECTION 8 – Changes to Constituent Weightings

8. Changes to Constituent Weightings

Changes in free float are monitored on an ongoing basis to ensure that the FTSE Renaissance IPO Composite Index is truly investable. Changes are implemented in a manner that minimizes unnecessary turnover.

- 8.1. When shares in issue and/or free float shares of an Index constituent change by more than 1% but less than 10% on a cumulative basis, changes in shares and free float bands (if applicable) are implemented on the next working day after the close of business on the third Friday in March, June, September and December. All changes are based on data from Tuesday after the first Friday in March, June, September and December.
- 8.2. When a corporate action, such as a secondary offering or share conversion, causes a >10% change in free-float shares of an existing Index constituent, or if cumulative changes in free float shares breach 10% or USD \$2 billion of a constituent's total market capitalisation, changes are implemented weekly with at least four days advance notice.
- 8.3. Significant changes in free float shares related to the exercise of overallotment options or the expiration of the initial lock-up period following an IPO listing are implemented after the close on the third Friday of each month.
- 8.4. All adjustments are made before the start of the Index calculation on the day concerned, unless market conditions prevent adjustments from being applied.

SECTION 9 – Index Calculation

9. FTSE Renaissance IPO Composite Index Calculation

9.1. Prices

9.1.1. The FTSE Renaissance IPO Composite Index will use actual last trade prices, where available, for securities. Reuters real time exchange rates are used in the real-time index calculations.

9.2. Calculation Frequency

9.2.1. The FTSE Renaissance IPO Index Series will be calculated in real-time and published every 15 seconds.

9.3. Index Calculation

9.3.1. The index series will be displayed to two decimal points.

9.3.2. The FTSE Renaissance IPO Composite Index is calculated using the following formula:

$$\frac{\sum_{i=1}^n ((p_i \cdot e) \cdot s_i \cdot f_i)}{d}$$

while the FTSE Renaissance IPO Composite Capped Index and the FTSE Renaissance IPO Investable Index will be capped using the following formula:

$$IV = \frac{\sum_{i=1}^n ((p_i \cdot e) \cdot s_i \cdot c_i \cdot f_i)}{d}$$

for I = 1, 2, 3, ... , n

n =	the number of securities in the Index.
p = Price	the latest trade price of the component security (or the price at the close of the Index on the previous day).
e = Exchange Rate	the exchange rate required to convert the security's currency into the index's base currency (if applicable).
s = Shares in Issue	the number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
f = Free Float Factor	the factor to be applied to each security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. The free float factor for each security is published by FTSE.
c = Capping Factor	The factor applied to each security to allow its weight within the Index to be capped, expressed as a number between 0 and 1 where 1 represents 100%, i.e. no cap. The capping factor is published by FTSE.
d = Divisor	a figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the Index.

FTSE Renaissance IPO Composite Capped Index

SECTION 10 – Capping Methodology

10. Capping Methodology

10.1. The FTSE Renaissance IPO Composite Capped Index is a capped version of the FTSE Renaissance IPO Composite Index. The FTSE Renaissance IPO Composite Capped Index applies a capping process that reduces any concentration levels that may exist. The capping process is applied at the quarterly reviews, when a new company is added to the index intra-review, or when a corporate event causes the investable market capitalization of a constituent to exceed 5% of the total index investable market capitalization.

10.1.1. When the capping process is applied, any constituents whose weights are greater than 5% are capped at 5%. The weights of all lower ranking constituents are increased as a consequence of reducing the weights of the bigger constituents. The remaining lower ranking constituents are then checked and if they exceed 5% they are also capped at 5%. This process is repeated until no constituent weight exceeds 5%.

Quarterly review capping process

10.1.2. At review, companies that have a weight of more than 5% are capped. The index is capped after the close of business on the third Friday of the month using prices from close of business on the 2nd Friday of that month.

The following data is used in the capping algorithm:

- a) a security's closing price adjusted for corporate events is used after the close of business on the second Friday of the review month.
- b) a security's shares in issue and its investability weight adjusted for corporate events is used on the next working day following the third Friday of the review month.

Interim capping outside of the review process but within the review month

10.1.3. Companies added to the FTSE Renaissance IPO Composite Capped Index intra-review that would have a weighting of more than 5% are capped; concurrently, any existing constituents whose weights are greater than 5% are capped at 5%. When there is an interim addition within the review month that requires capping, it will be capped based on the price and free float as at close of business on the first day of trading. It will be added to the index after the close of its first trading day.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the first day of trading.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the first day of trading.

As it is the review month, the index will be capped again after the close of business on the third Friday of the review month.

FTSE Renaissance IPO Composite Capped Index

SECTION 10 – Capping Methodology

10.1.4. When a corporate event causes the investable market capitalization of a constituent to exceed 5% of the total index investable market capitalization intra-review, it is capped at 5%; concurrently, any existing constituents whose weights are greater than 5% are capped at 5%.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the date the corporate action takes effect in the index.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the date the corporate action takes effect in the index.

As it is the review month, the index will be capped again after the close of business on the third Friday of the review month.

Interim capping outside of the review process

10.1.5. Companies added to the FTSE Renaissance IPO Composite Capped Index intra-review that would have a weighting of more than 5% are capped; concurrently, any existing constituents whose weights are greater than 5% are capped at 5%. When there is an interim addition outside of the review process that requires capping, it will be capped based on price and free float as at close of business on the first day of trading. It will be added to the index after the close of its first trading day. If the interim addition does not require capping, the capping factor of the existing index constituents (if any) will remain the same.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the first day of trading.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the first day of trading.

10.1.6. When a corporate event causes the investable market capitalization of a constituent to exceed 5% of the total index investable market capitalization intra-review, it is capped at 5%; concurrently, any existing constituents whose weights are greater than 5% are capped at 5%. If the interim corporate action does not require capping, the capping factor of the existing index constituents (if any) will remain the same.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the date the corporate action takes effect in the index.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the date the corporate action takes effect in the index.

FTSE Renaissance IPO Composite Capped Index

SECTION 10 – Capping Methodology

10.1.7. The algorithm is applied to each constituent of the FTSE Renaissance IPO Composite Capped Index that requires capping, i.e. any constituent whose uncapped weight is greater than 5%.

$$\text{Constituent capping factor} = \frac{\left(\left(\frac{\sum (P^{n_1} \cdot S^{n_1} \cdot F^{n_1})}{I} \right) Z \right)}{cap_a}$$

P = the official closing price of the uncapped security

S = the shares in issue for each uncapped security

F = the free float factor of the uncapped security

I = percentage of the index represented by all uncapped constituents

Z = percentage capping level

cap_a = Uncapped free float market capitalisation of the constituent to be capped (P * S * F)

FTSE Renaissance IPO Investable Index

SECTION 11 – Index Qualification & Periodic Review of Constituents

11. Index Qualification Criteria & Periodic Review of Constituents

- 11.1. The FTSE Renaissance IPO Investable Index is designed to mimic the FTSE Renaissance IPO Composite Index while avoiding turnover associated with constituents that have a minimal impact on Index performance. The FTSE Renaissance IPO Investable Index reflects approximately the top 80% full market capitalisation of, and follows the same methodology as, the FTSE Renaissance IPO Composite Index, except as set forth herein.
- 11.2. The selection of constituents is completed at each quarterly review of March, June, September and December in the line with the FTSE Renaissance IPO Composite Index quarterly review.
- 11.3. The FTSE Renaissance IPO Investable Index will not contain a fixed number of constituents. However, in any event, the Index will maintain a minimum of 20 constituents. If the elimination of a constituent would cause the number of constituents to fall below the minimum level of 20 stocks, then the constituent with the largest full market capitalisation of the FTSE Renaissance Composite Index that is not included in the FTSE Renaissance IPO Investable Index at that time, would be added in place of the eliminated constituent in a simultaneous transaction.
- 11.4. Constituents that are removed from the FTSE Renaissance IPO Composite Index are simultaneously removed from the FTSE Renaissance IPO Investable Index.
- 11.5. Index Qualification Criteria & Periodic Review
 - 11.5.1. After ranking the constituents of the FTSE Renaissance IPO Composite Index by full market capitalisation, constituents that fall within the top 75% are selected for inclusion in the FTSE Renaissance IPO Investable Index at the periodic review. The weight of these constituents in the FTSE Renaissance IPO Investable Index is determined based upon their individual free float-adjusted market capitalisation.
 - 11.5.2. After ranking the constituents of the FTSE Renaissance IPO Composite Index by full market capitalisation, a constituent that falls outside the top 85% will be deleted from the FTSE Renaissance IPO Investable Index at the periodic review.
- 11.6. Changes to Constituent Companies
 - 11.6.1. Additions outside of a Review

At the time a new constituent is entered into the FTSE Renaissance IPO Composite Index, it is simultaneously entered into the FTSE Renaissance IPO Investable Index if its full market capitalisation is within the top 60% cut-off level of the composite index determined at the last periodic review. The weight of the new constituent in the FTSE Renaissance IPO Investable Index is determined based on its free float-adjusted market capitalisation.
- 11.7. Capping Methodology for the FTSE Renaissance IPO Investable Index
 - 11.7.1. Constituents of the FTSE Renaissance IPO Investable Index are capped at 20%. The capping process is applied at the quarterly reviews, when a new company is added to the index intra-review, and/or when a corporate event causes the investable market capitalization of a constituent to exceed 20% of the total index investable market capitalization, as further described in Section 12 below.

FTSE Renaissance IPO Investable Index

SECTION 12 – Capping Methodology

12. Capping Methodology

12.1.1. The FTSE Renaissance IPO Investable Index capping process aims to reduce any concentration levels that may exist. The capping process is applied after the close of business on the third Friday in March, June, September and December based on the starting constituents of the next working day and prices as of close on the second Friday of the review month. The capping process is also applied when a new company is added to the index intra-review, or when a corporate event causes the investable market capitalization of a constituent to exceed 20% of the total index investable market capitalization.

12.1.2. When the capping process is applied, any constituents whose weights are greater than 20% are capped at 20%. The weights of all lower ranking constituents are increased as a consequence of reducing the weights of the bigger constituents. The remaining lower ranking constituents are then checked and if they exceed 20% they are also capped, as further described below.

Quarterly review capping process

12.1.3. At review, companies that have a weight of more than 20% are capped. The index is capped after the close of business on the third Friday of the month using prices from close of business on the 2nd Friday of that month.

The following data is used in the capping algorithm:

- a) a security's closing price adjusted for corporate events after the close of business on the second Friday of the review month.
- b) a security's shares in issue and its investability weight adjusted for corporate events is used on the next working day following the third Friday of the review month.

Interim capping outside of the review process but within the review month

12.1.4. Companies added to the FTSE Renaissance IPO Investable Index intra-review that would have a weighting of more than 20% are capped; concurrently, any existing constituents whose weights are greater than 20% are capped at 20%. When there is an interim addition within the review month that requires capping, it will be capped based on the price and free float as at close of business on the first day of trading. It will be added to the index after the close of its first trading day.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the first day of trading.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the first day of trading.

As it is the review month, the index will be capped again after the close of business on the third Friday of the review month.

FTSE Renaissance IPO Investable Index

SECTION 12 – Capping Methodology

12.1.5. When a corporate event causes the investable market capitalization of a constituent to exceed 20% of the total index market capitalization intra-review, it is capped at 20%; concurrently, any existing constituents whose weights are greater than 20% are capped at 20%.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the date the corporate action takes effect in the index.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the date the corporate action takes effect in the index.

As it is the review month, the index will be capped again after the close of business on the third Friday of the review month.

Interim capping outside of the review process

12.1.6. Companies added to the FTSE Renaissance IPO Investable Index intra-review that would have a weighting of more than 20% are capped; concurrently, any existing constituents whose weights are greater than 20% are also capped at 20%. When there is an interim addition outside of the review process that requires capping, it will be capped based on price and free float as at close of business on the first day of trading. It will be added to the index after the close of its first trading day. If the interim addition does not require capping, the capping factor of the existing index constituents (if any) will remain the same.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the first day of trading.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the first day of trading.

12.1.7. When a corporate event causes the investable market capitalization of a constituent to exceed 20% of the total index market capitalization intra-review, it is capped at 20%; concurrently, any existing constituents whose weights are greater than 20% are capped at 20%. If the interim corporate action does not require capping, the capping factor of the existing index constituents (if any) will remain the same.

The following data is used in the capping algorithm:

- a) a security's price and free float are used as at close of business on the date the corporate action takes effect in the index.
- b) a security's shares in issue and its investability weight adjusted for corporate events are used as at close of business on the date the corporate action takes effect in the index.

FTSE Renaissance IPO Investable Index

SECTION 12 – Capping Methodology

12.1.8. The algorithm is applied to each constituent of the FTSE Renaissance IPO Investable Index that requires capping, i.e. any constituent whose uncapped weight is greater than 20%.

$$\text{Constituent capping factor} = \frac{\left(\left(\frac{\sum (P^{n_1} \cdot S^{n_1} \cdot F^{n_1})}{I} \right) Z \right)}{cap_a}$$

P = the official closing price of the uncapped security

S = the shares in issue for each uncapped security

F = the free float factor of the uncapped security

I = percentage of the index represented by all uncapped constituents

Z = percentage capping level

cap_a = Uncapped free float market capitalisation of the constituent to be capped (P * S * F)

FTSE Renaissance IPO Investable Index

SECTION 12 – Capping Methodology

STAGE ONE

- a) In Stage 1, any constituents whose weights are greater than 20% are capped at 20%. The weights of all lower ranking constituents are increased as a consequence of reducing the weights of the bigger stocks. The remaining lower ranking constituents are then checked and if they exceed 20% they are also capped at 20%. This process is repeated until no constituent weight exceeds 20%.
- b) Following the application of Stage 1, if the total index weight of those constituents whose individual weights exceed 5% is greater than 50% in aggregate, the procedure moves onto Stage 2 below. Otherwise no further action is required and the capping process is completed.

STAGE TWO

- c) If it is necessary to apply the provisions of Stage 2, only one constituent will have a 20% weight in the index. If more than one stock is capped at 20%, then weights of all subsequent constituents previously capped at 20% are changed in accordance with the rules detailed below. For example, if the second largest stock is capped at 20% its weight will be reduced to 15% as given in (e) below. The process is then continued from the relevant point in the steps below.
- d) If the weight of the largest constituent is greater than 20% the constituent's weight is capped at 20% and the weights of the lower ranking constituents are increased correspondingly.
- e) If the weight of the second largest constituent is greater than 15% the constituent's weight is capped at 15% and the weights of the lower ranking constituents are increased correspondingly.
- f) If the weight of the third largest constituent is greater than 10% the constituent's weight is capped at 10% and the weights of the lower ranking constituents are increased correspondingly.
- g) If the weight of the fourth largest constituent is greater than 5% the constituent's weight is capped at 5% and the weights of the lower ranking constituents are increased correspondingly.
- h) If the weights of the fifth largest constituent and any lower ranking constituents are greater than 4% those constituents' weights are capped at 4% and the weights of lower ranking constituents are increased correspondingly.
- i) Following the application of Stage 2, the weights of each constituent are checked and Stage 2 is repeated until no threshold is breached. The process is repeated until the total index weight of those constituents whose individual weights exceed 5% is not greater than 50% in aggregate.

Appendix A – Index Opening and Closing Times

Index Opening and Closing Hours

Index	Open	Close
FTSE Renaissance IPO Composite Index	09:30	16:10
FTSE Renaissance IPO Composite Capped Index	09:30	16:10
FTSE Renaissance IPO Investable Index	09:30	16:10

Notes:

Closing values will be disseminated at 16:30.

Timings are Eastern Standard Time (EST) Hours

Appendix B – Classification of Constituent Companies

Changes to the Classification of Constituent Companies

- a) Classification Structure
 - i) The FTSE Renaissance IPO Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).
 - ii) Details of the Industry Classification Benchmark are available from FTSE (see Appendix B) and published on the FTSE website (www.ftse.com).
- b) Classification Changes
 - i) Changes to the classification of a company within the FTSE Renaissance IPO Index Series will be advised by the ICB and the necessary adjustments will be made to the relevant industry sectors at the same time that the constituent changes are implemented.
 - ii) Where a constituent is the subject of a merger, restructure or complex takeover which results in a constituent (or part of a constituent) being absorbed by another, the industry classification of the resulting constituent(s) will be reviewed by the ICB.
 - iii) Any adjustment resulting from a change in a company's classification under Ground Rule a) i) will be implemented at the same time that any relevant constituent changes are implemented in the Index.
 - iv) Periodic changes to the industry classification of a company are agreed and announced by the ICB. Such changes will be implemented after the close of the index calculation on the next working day following the third Friday of each month.

Appendix C – Further Information

For further information and enquiries, please visit www.ftse.com or e-mail FTSE at info@ftse.com.

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