

CNI Free Cash Flow Stock and Bond Index Series Methodology

CNI Free Cash Flow Stock and Bond Index Series select CNI Free Cash Flow Index and CNI Treasury Bond Index as underlying assets, and adopt a constant proportion approach for stock and bond asset allocation, providing an index investment instrument.

1. Code and Name

Index Code	Index Name
980097	CNI Free Cash Flow Stock and Bond 10/90 Index
980098	CNI Free Cash Flow Stock and Bond 15/85 Index
980099	CNI Free Cash Flow Stock and Bond 20/80 Index
980100	CNI Free Cash Flow Stock and Bond 30/70 Index

2. Base Date and Base Point

Base Date: December 31, 2012

Base Point: 1000

3. Constituents and Weights

The index series is comprised of two assets. On any rebalancing day , the weights of stock and bond assets are as shown in the table below:

Index Name	stock asset	bond asset	Weight of stock asset	Weight of bond asset
CNI Free Cash Flow Stock and Bond 10/90 Index	CNI Free Cash Flow Total Return Index	CNI Treasury Bond Index	10%	90%
CNI Free Cash Flow Stock and Bond 15/85 Index	CNI Free Cash Flow Total Return Index	CNI Treasury Bond Index	15%	85%
CNI Free Cash Flow Stock and Bond 20/80 Index	CNI Free Cash Flow Total Return Index	CNI Treasury Bond Index	20%	80%
CNI Free Cash Flow Stock and Bond 30/70 Index	CNI Free Cash Flow Total Return Index	CNI Treasury Bond Index	30%	70%

4. Index Calculation

The index is calculated according to the following formula:

$$I_t = I_{t-1} \times \sum_i w_{t-1}^i \frac{I_t^i}{I_{t-1}^i}$$

where

- I_t is the total return index on day t ,
- I_t^i is the index point of asset i on day t ,
- w_t^i is the weight of assets i on day t .

5. Adjustment for Constituents' Weights

Rebalance the weights of stocks and bonds in the index to their initial proportions on the last trading day of each month.