

Selection of the NUS-RMI's Asian 1000 Companies - July 15, 2010

Introduction

NUS-RMI's Credit Rating Initiative focuses on rating publicly listed companies within 12 economies consisting of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand. The NUS-RMI Asian 1000 companies represent a sampled showcase of the company ratings derived from this initiative.

Objectives

We adhere to 3 main criteria when selecting the NUS-RMI Asian 1000 companies:

1. To have a representative sample of companies that reflects the makeup of companies within the 12 economies of interest.
2. To display the range of NUS-RMI's credit ratings that characterizes the credit outlook for companies.
3. To capture the attention of the market audience through a sampling of noteworthy companies within each of the 12 economies.

Selection Methodology

The selection process begins by determining the number of companies in each economy. The number of companies is determined according to the size of each economy. To prevent under-representation of smaller economies, the number of companies representing an economy cannot fall under a pre-allocated amount. With the number of companies to be selected from each economy determined, the companies are further allocated proportionally according to the size of each industry sector within that economy. Finally the N largest companies in each industry sector are selected based on the market capitalization. This process is described in detail as follows:

Allocation of companies to individual economies

In order to prevent under-representation of companies from smaller economies, a minimum allocation of 30 companies to each economy was first implemented. The remaining 640 companies were then allocated proportionally to the size of each economy. The size of an economy was determined using the average market capitalization of its publicly listed companies¹. Rounding to the nearest integer, we obtained the company list containing 1004 companies.

¹ We firstly computed the daily average market capitalization in the period from 1 June 2009 to 31 May 2010. Only companies that were domiciled in this economy with at least 50 trading days in this period were included in the sample. If a company does not have a market capitalization for a particular day, then we use the previous value unless a company event (e.g. merger) has occurred that gives reason not to use the previous market capitalization. We then took the overall average across the period to obtain the average market capitalization data for each economy for the comparison purpose.

Allocation of companies within each economy

We used average market capitalization of each industry sector as the weighting to determine the allocation of companies within each economy². The Bloomberg Industry Classification Standard (BICS) was used to classify the industry sectors. This taxonomy contains 13 sectors, namely, Asset Backed Securities, Basic Materials, Communications, Consumer cyclical, Consumer non-cyclical, Diversified, Energy, Financial, Funds, Government, Industrial, Technology and Utilities. Companies in Asset Backed Securities, Funds, or Government sector were excluded in our sample because of their different nature from corporates. Our rating efforts focused on the companies in the remaining 10 industry sectors.

Selecting of companies in each industry sector

Within each industry sector in an economy, if the number of companies to be selected had been determined to be N in the previous step, then the N largest companies by average daily market capitalization were chosen to be included in the NUS-RMI Asian 1000.

Exclusion of 3 selected companies

Finally, if any of the companies selected in this way had a market capitalization of less than USD 100 million (there was one such violation after the first three steps), we delete this company from our list. Additionally, we examined the companies of which trading was suspended on 31st May, 2010 (there were four such companies). There was one company that was suspended for possible delisting. We removed this company from our list.³ Finally, we discovered that the financial information for one company was not available because this company was in accounting fraud and under investigation⁴. We removed this company from the list as well.

In summary, the above selection process is demonstrated in Figure 1. The final NUS-RMI Asian 1000 sample includes 1001 companies from 12 countries.

² The calculation of industry average market capitalization follows the same steps as in the calculation of average market capitalization for each economy. Please see footnote 1.

³ We removed Neosemitech Corporation (South Korea) because it had been suspended since 24 Mar, 2010 and faced possible delisting because of audit opinions (Source: Bloomberg).

⁴ We removed Satyam Computer Services Ltd (India) from our list because it was under investigation by the market regulator after its chairman stepped down over an accounting scandal in January 2009. The firm's accounts had been largely falsified which made its financial information not reliable.

Figure 1: Selection Process of the NUS-RMI Asian 1000 companies

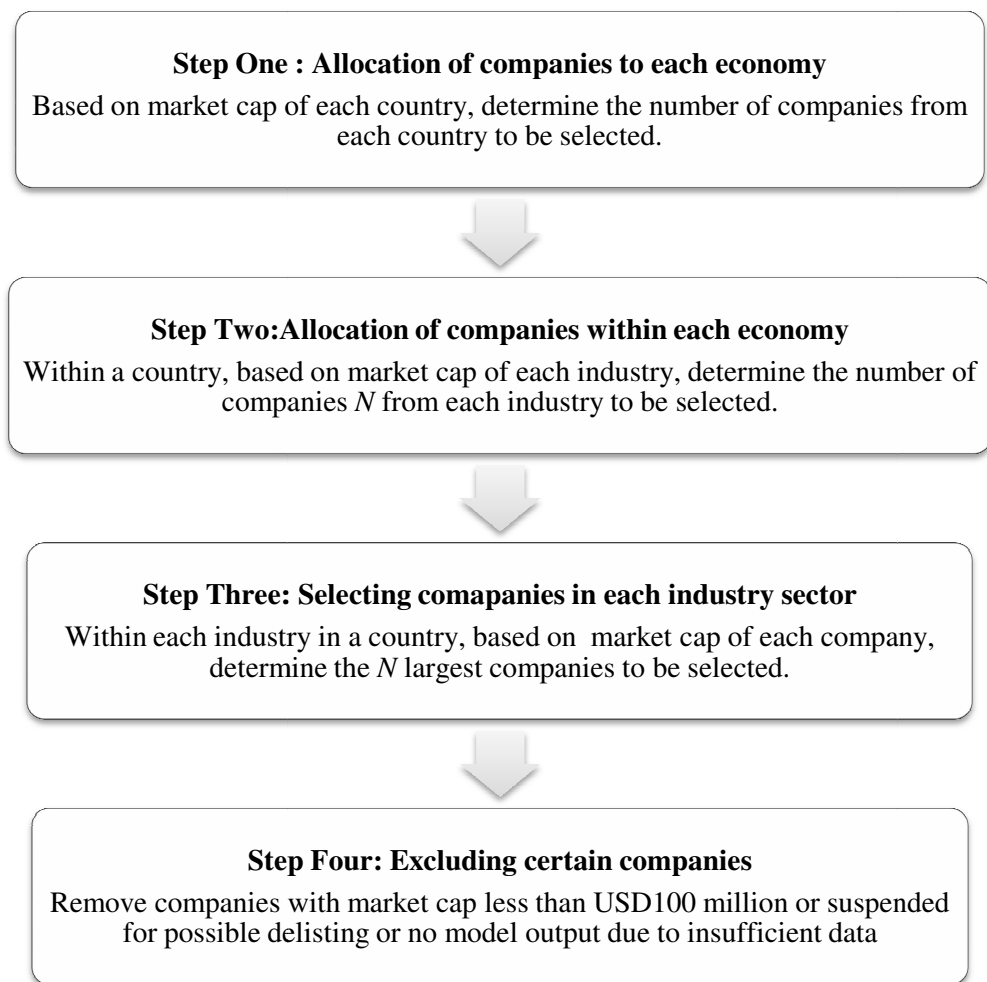


Table 1: Distribution of the NUS-RMI Asian 1000 Companies among 12 Economies

Country	Total number of listed companies	Pre-allocation of 30 companies to all economies	Further allocation based on economy's average market capitalization	Total allocation	Percentage in Asian 1000
Australia	1854	30	57	87	8.69%
China	1871	30	194	224	22.38%
Hong Kong	1340	30	56	86	8.59%
India	5203	30	56	85	8.49%
Indonesia	405	30	10	40	4.00%
Japan	3739	30	165	195	19.48%
Malaysia	975	30	13	43	4.30%
Philippines	251	30	3	33	3.30%
Singapore	744	30	17	47	4.70%
South Korea	1771	30	35	64	6.39%
Taiwan	1568	30	30	60	5.99%
Thailand	538	30	8	37	3.70%
Total	17610	360	644	1001	100.00%

Updating the List

The list of 1000 companies will be reviewed once a year, taking average market cap for the previous year to monitor any major changes in the list. Examples of major changes include material changes in the market capitalization of an industry relative to peers due to new IPOs of major companies; material changes in the market capitalization of a country relative to peers due to macro-economic changes.

Deletion and Replacement from the List

Aside from the yearly review, a company can be deleted if it is affected by a major event, such as bankruptcy, mergers, acquisitions or delisting from the stock exchange. In the event of any of the above, the company will be replaced by another one from the same industry.