

The Importance of Sectors in Global Equity Investing

Investors have traditionally structured global equity portfolios based on regional factors. For example, a typical investment strategy would seek increased diversification or outperformance relative to a benchmark by under- or over-weighting specific regions or countries. As global correlations have increased, however, a number of sectors have exhibited unique patterns regardless of the countries in which they are domiciled. The Energy sector¹ is a classic example, as global oil and gas prices tend to drive the performance of energy companies across the world in a tight and coordinated trend. In a similar manner, large Health Care companies are impacted by news affecting their businesses in different regions. Additionally, the Information Technology and Telecommunication Services sectors also exhibit high correlations across regions.

Over the years, global equity correlations among countries and regions have increased markedly, reducing the benefits of portfolio diversification generated through traditional geographically-based asset allocation strategies. As a result, there has been greater use of non-traditional assets and investment vehicles such as hedge funds, commodities, and inverse products as market participants have sought potential sources of diversification. However, the long standing, but often overlooked, strategy of investing based on economic sectors continues to provide significant diversification benefits within the global equity markets.

With these scenarios in mind, this paper investigates whether global sector investing might provide greater diversification benefits and opportunities for alpha generation than a traditional geographically-based asset allocation strategy. Looking at similar research, Jeremy Held's 2009 article in the *Journal of Indexes*, "Why It Is (Still) All About Sectors," argues that economic sector allocations are the primary drivers of portfolio risk and return. While Held's study focused largely on the U.S. equity market, this paper analyzes the importance of sectors in global equity investing, and describes the benefits that may be gleaned through the use of targeted global and international sector investments.

¹ Widely accepted among investment researchers, portfolio and asset managers as one of the most commonly used industry classifications in the world, the Global Industry Classification Standard (GICS[®]) and its methodology have helped pave the way for sector based investing by providing transparency and efficiency to the investment process. Developed by Standard & Poor's and MSCI Barra, GICS consists of 10 sectors, 24 industry groups, 68 industries and 154 sub-industries. All S&P Sector Indices in this paper are based on GICS.

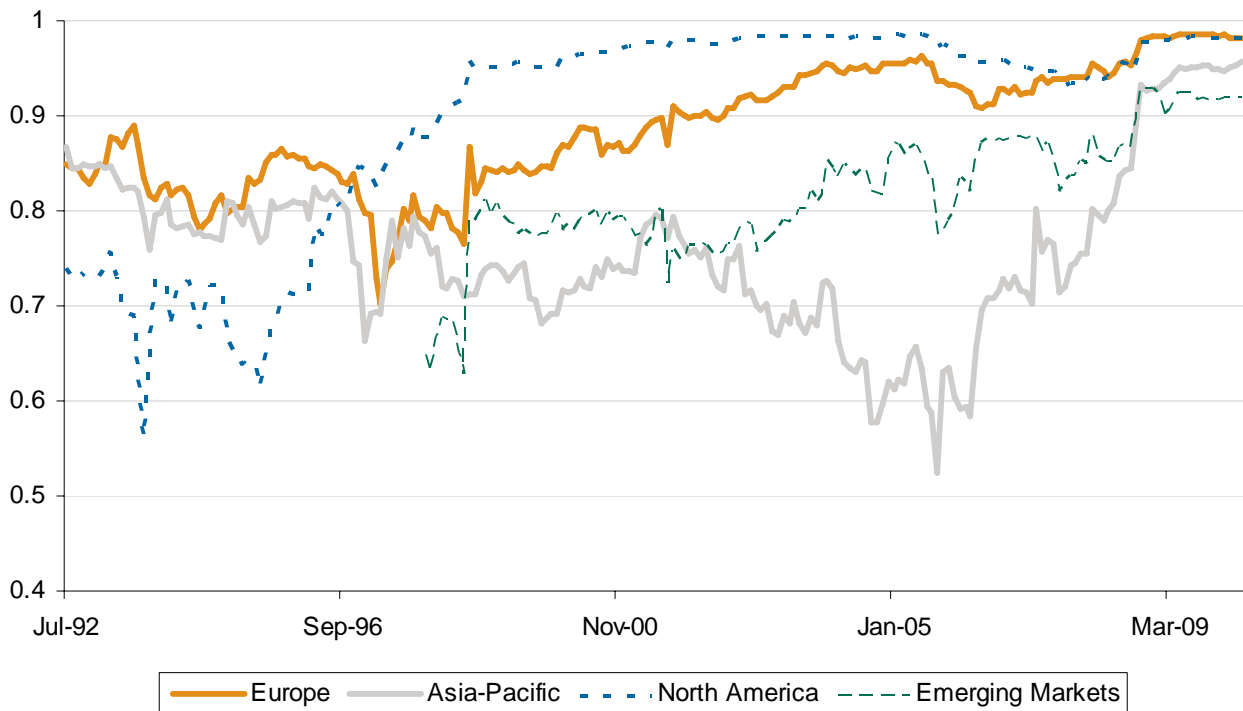
Michael Orzano
Associate Director
212.438.4732
michael_orzano@sandp.com

Alka Banerjee
Vice President
212.438.3536
alka_banerjee@sandp.com

**S&P
INDICES**

(This analysis utilizes data from the S&P Global BMI (Broad Market Index) Series – the only global equity index with a transparent, modular structure which has been fully float-adjusted since its inception in 1989. The index series has approximately 10,000 constituents and consists of the S&P Developed BMI (officially launched on December 31, 1992) and the S&P Emerging BMI (launched on December 31, 1997). The S&P Developed BMI is often broken down into regional sub-indices including the S&P Europe BMI, S&P Asia-Pacific BMI and S&P North America BMI. Regional sub-indices are further divided into style indices (i.e. S&P Developed BMI Growth and S&P Developed BMI Value), which were launched on October 12, 1999 and sector indices (the S&P Developed BMI Sector Indices), which are subdivided into the ten GICS sectors (launched on September 19, 2005).

Historical Regional Correlations to the S&P Developed BMI



Source: S&P Indices. Based on 3-year rolling correlations calculated using monthly total returns. Data current as of April 30, 2010. Charts and graphs are provided for illustrative purposes only. Indices are statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. Past correlations and performance are no indication of future results. The S&P Developed BMI Index and the S&P Emerging BMI Index were launched on 12/31/1992 and 12/31/1997, respectively. All data presented for the S&P Developed BMI Index and the S&P Emerging BMI Index prior to 12/31/1992 and 12/31/1997, respectively, is back-tested information. Please see page 13 for more information on the inherent limitations associated with back-tested performance.

Diversification Benefits of Sector Investing

As measured by correlations to the S&P Developed BMI, regional equity performance has converged substantially over the past twenty years. In fact, correlations of the S&P North America BMI, S&P Europe BMI, and S&P Asia-Pacific BMI to the S&P Developed BMI have recently risen above 0.95. Similarly, emerging markets, widely regarded as an excellent source of diversification,

have also seen correlations increase to high levels. The five-year correlation between the S&P Emerging BMI and S&P Developed BMI has been 0.91. Although this trend has likely been exacerbated by recent equity market volatility, regional correlations were rising prior to the onset of the financial crisis, suggesting that they are likely to remain relatively high over the long-term.

Sector and Regional Correlations to the S&P Developed BMI

Sector	20-Year	10-Year	5-Year	Region	20-Year	10-Year	5-Year
Industrials	0.95	0.96	0.97	North America	0.93	0.98	0.98
Cons. Disc.	0.94	0.93	0.94	Europe	0.92	0.96	0.98
Financials	0.91	0.91	0.94	Asia-Pacific	0.78	0.83	0.93
Materials	0.85	0.87	0.92	Emerging	NA	0.87	0.91
Info. Tech.	0.82	0.84	0.92				
Telecom	0.76	0.77	0.81	Average	0.87	0.91	0.95
Cons. Stap.	0.72	0.69	0.89				
Utilities	0.70	0.72	0.85				
Health Care	0.69	0.72	0.83				
Energy	0.67	0.70	0.77				
Average	0.80	0.81	0.88				

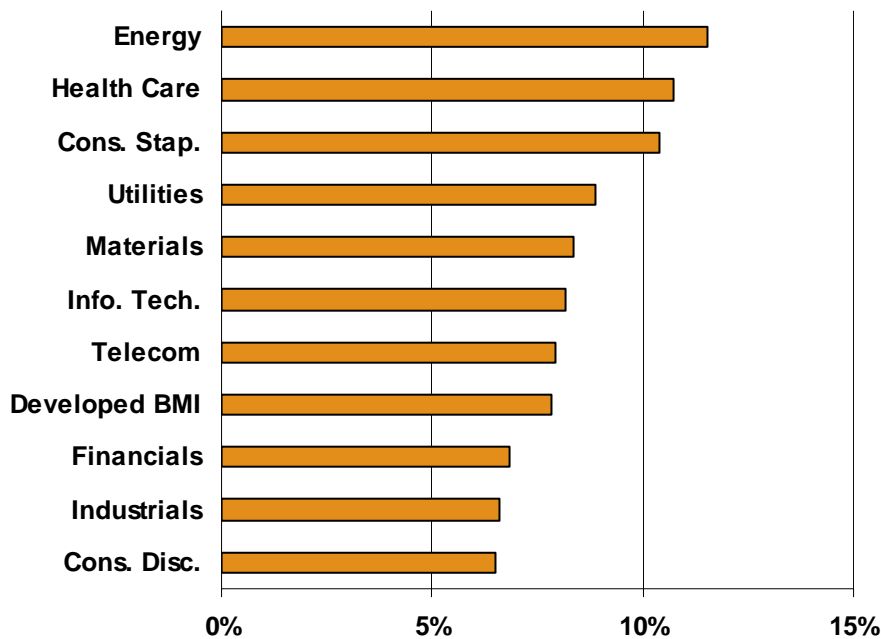
Source: S&P Indices. Data as of April 30, 2010. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

As illustrated in the table above, the individual sector indices of the S&P Developed BMI have experienced wide varying correlations to the parent index which, on an absolute basis, are significantly lower than regional correlations. While Industrials, Consumer Discretionary and Financials have 20-year correlations to the S&P Developed BMI in excess of 0.9, other sectors such as Utilities, Health Care, and Energy have correlations of 0.7 or below.

Sector correlations have increased over the past five years. This phenomenon, however, appears to be rooted largely in the equity market volatility surrounding the financial crisis when nearly all assets became highly correlated. On the other hand, regional correlations have increased gradually over the last 20 years as globalization has produced greater interconnectivity among players in the global economy and financial markets.

The Potential for Alpha Generation Through Global Sector Investing

**Total Return Differentiation
Average Annual Return (04/90-04/10)**



Source: S&P Indices. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

The chart above illustrates the variability of average annual sector returns over the past twenty years in comparison to the S&P Developed BMI. Between 1990 and 2009, the average percentage difference between the best and worst performing sector was nearly 42% per year. In 1999, however, this difference exceeded 111%. The high level of performance differentiation illustrates the potential alpha-generating opportunities of investing in sectors.

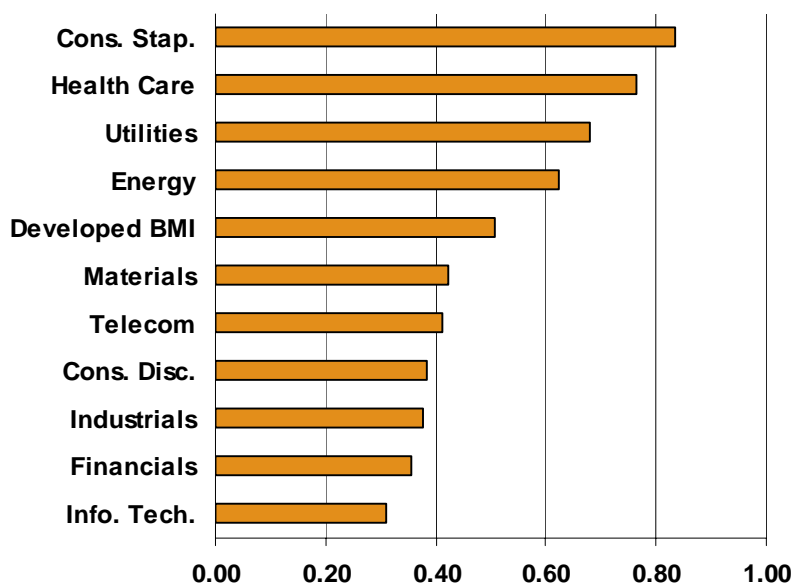
Percentage Difference Between Best & Worst Performing Sector of the S&P Developed BMI

1990	36.1%	2000	73.0%
1991	47.1%	2001	30.0%
1992	18.3%	2002	36.7%
1993	35.8%	2003	33.0%
1994	28.6%	2004	28.2%
1995	40.6%	2005	36.5%
1996	20.7%	2006	27.4%
1997	39.2%	2007	39.4%
1998	66.3%	2008	29.5%
1999	111.3%	2009	56.5%

20-Year Average: 41.7%

Source: S&P Indices. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

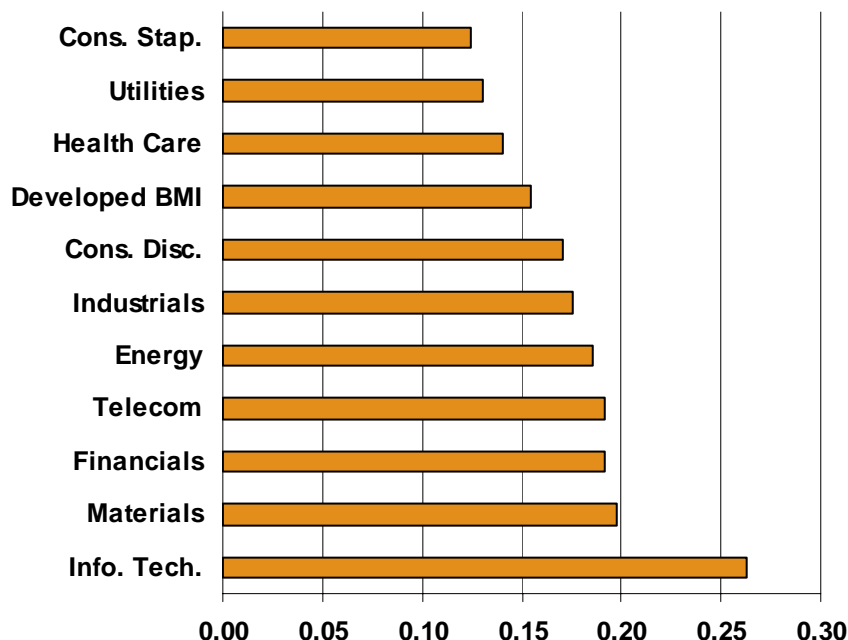
Risk-Adjusted Return Differentiation Annual Risk Adjusted Return (04/90-04/10)



Source: S&P Indices. Risk-adjusted returns are calculated as the average annual total return divided by annual standard deviation. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

On a risk-adjusted basis, sector returns have been significantly more divergent (as compared to the parent index). Interestingly, the least volatile sectors (Consumer Staples, Health Care, and Utilities) have generated the highest risk-adjusted returns, while two of the more volatile sectors (Information Technology and Financials) experienced the lowest risk-adjusted returns.

**Risk Level Differentiation
Annual Standard Deviation (04/90-04/10)**



Source: S&P Indices. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

The Potential for Alpha Generation Through Sector Rotation

The capacity to over- and under-weight individual sectors potentially offers the ability to outperform broad regional indices in both up and down markets. Cyclical sectors (Industrials, Information Technology, and Consumer Discretionary) have outperformed defensive sectors (Consumer Staples, Health Care, and Utilities) by an average of 25% during the four years between 1999 and 2009 (1999, 2003, 2006 and 2009) that the S&P Developed BMI rose by more than 20%. Likewise, cyclical sectors lagged by an average of nearly 13% during the three years (2001, 2002 and 2008) that the S&P Developed BMI fell by more than 10% during this period.

Average Sector Performance During Stock Market Expansions and Declines

Stock Market Expansions	Average Return
S&P Developed BMI	28.6%
Cyclical Sectors	38.5%
Defensive Sectors	13.7%
Cyclical / Defensive Spread	24.8%

Stock Market Declines	Average Return
S&P Developed BMI	-24.8%
Cyclical Sectors	-29.1%
Defensive Sectors	-16.6%
Cyclical / Defensive Spread	12.5%

Source: S&P Indices. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

Sector Indices Versus Style Indices

For many years, style indices have served as a popular option for market participants attempting to gain exposure to different segments of the equity market. However, data over the last twenty years illustrates that style indices, when compared to sector indices, have not provided as much performance differentiation or diversification. In fact, over the last twenty years, the correlation between the S&P Developed BMI Growth and the S&P Developed BMI Value has exceeded 0.90. Over the past five years, the correlation has increased to 0.98.

S&P Developed BMI Style Correlations

	20-Year	10-Year	5-Year
Growth to Value	0.90	0.91	0.98
Growth to Dev BMI	0.98	0.98	0.99
Value to Dev BMI	0.97	0.98	0.99

Source: S&P Indices. Data as of April 30, 2010. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

The average performance differential between growth and value over the past twenty years has been 7.4%, with value beating growth in eleven out of the twenty years. While this differential is not nearly as large as the variation within sector indices, a larger concern could be that much of the variation that does exist between growth and value is actually driven by underlying sector dynamics.

As illustrated in the table below, much of the variation is concentrated between 1998 and 2000, coinciding with the height of the technology industry's boom and bust. For instance, in 1998 and 1999, two years that saw a high level of outperformance for the S&P Developed BMI Growth Index, Information Technology, the largest sector component of the growth index during this period, returned 61% and 99% respectively. Over the same years, Financials, the largest sector in the Developed BMI Value Index, returned just 6% and 14% respectively.

In 2000, the tables turned, as Information Technology stocks plunged 37%, thus dragging down the performance of the S&P Developed BMI Growth Index. Meanwhile, Financials rose by 14% boosting the S&P Developed BMI Value Index on a relative basis.

Looking at this data, it seems clear that returns over this period were driven largely by activity in the Information Technology sector as opposed to growth versus value companies.

Annual Performance Differential Between The S&P Developed BMI Growth & Value Indices

<u>Year</u>	<u>Growth/Value Leader</u>	<u>Difference</u>
1990	Growth	2.0%
1991	Growth	10.2%
1992	Value	3.5%
1993	Value	11.3%
1994	Value	0.4%
1995	Growth	2.3%
1996	Value	0.5%
1997	Growth	0.3%
1998	Growth	13.8%
1999	Growth	26.7%
2000	Value	21.5%
2001	Value	10.0%
2002	Value	10.2%
2003	Value	5.2%
2004	Value	6.7%
2005	Value	3.2%
2006	Value	6.4%
2007	Growth	5.0%
2008	Growth	0.9%
2009	Growth	8.2%

Average Difference: 7.4%

Source: S&P Indices. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

Sector Investing in the Developed ex/U.S. Region

The advantages of sector investing in the developed markets carry over to the developed ex/U.S. region. As depicted below, correlations between sector indices of the S&P Developed ex/U.S. BMI vary widely, and are below regional equity correlations on an absolute basis. These correlations highlight the potential diversification benefits that could result from implementing a sector investing strategy in this market.

Sector and Regional Correlations to the S&P Developed ex/U.S. BMI

Sector	20-Year	10-Year	5-Year	Region	20-Year	10-Year	5-Year
Industrials	0.96	0.97	0.98	Europe	0.92	0.98	0.99
Cons. Disc.	0.94	0.94	0.94	Asia-Pacific	0.88	0.88	0.96
Financials	0.94	0.95	0.96	North America	0.76	0.90	0.92
Materials	0.89	0.91	0.94	Emerging Mkts	NA	0.88	0.94
Info. Tech.	0.83	0.84	0.93				
Cons. Stap.	0.81	0.79	0.91	Average	0.85	0.91	0.95
Utilities	0.80	0.79	0.88				
Health Care	0.73	0.71	0.84				
Telecom	0.72	0.73	0.79				
Energy	0.71	0.78	0.83				
Sector Average	0.83	0.84	0.90				

Source: S&P Indices. Data as of April 30, 2010. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed ex U.S. BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

The highly variable performance between cyclical and defensive sectors in recent Bull and Bear markets further demonstrates the potential value that can be added by making strategic allocations between sectors. In the four years between 1999 and 2009 (1999, 2003, 2006 and 2009) that the S&P Developed ex/U.S. BMI rose by more than 25%, cyclical sectors outperformed defensive sectors by an average of nearly 28%. Likewise, in the two years over this period (2001 and 2008) that the S&P Developed ex/U.S. BMI fell by more than 20%, defensive sectors bested the cyclical sectors by about 19%.

Average Sector Performance During Stock Market Expansions and Declines

Stock Market Expansions	Average Return
S&P Dev ex US BMI	33.5%
Cyclical Sectors	46.0%
Defensive Sectors	18.4%
Cyclical / Defensive Spread	27.6%
Stock Market Declines	Average Return
S&P Dev ex US BMI	-32.1%
Cyclical Sectors	-37.6%
Defensive Sectors	-18.7%
Cyclical / Defensive Spread	18.8%

Source: S&P Indices. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed ex US BMI Index (and therefore any of its sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

Extremely high correlations between style indices further highlight the potential advantages of sector investing in the Developed ex/U.S. region. In fact, correlations between the S&P Developed ex/U.S. BMI Growth and Value have exceeded 0.95 over the past 20 years, and have demonstrated an upward trend.

S&P Developed ex/U.S. BMI Style Correlations

	20-Year	10-Year	5-Year
Growth to Value	0.96	0.97	0.98
Growth to Dev ex US BMI	0.99	0.99	1.00
Value to Dev ex US BMI	0.99	0.99	1.00

Source: S&P Indices. Data as of April 30, 2010. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed ex US BMI Index (and therefore any of the sub-indices) was not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

Sectors Versus Emerging Markets

As the data shows, emerging market equity correlations have increased in recent years with the five-year correlation of the S&P Emerging BMI to the S&P Developed BMI rising above 0.9. As depicted in the chart on page 11, correlations have also increased significantly between regional emerging market equity indices and developed market equity indices. While diversification benefits do exist from emerging markets investing, regional emerging market correlations have, in recent years, been comparable to correlations between developed sectors.

Developed Sector and Emerging Region Correlations to the S&P Developed BMI

Sector	20-Year	10-Year	5-Year	Region	15-Year	10-Year	5-Year
Industrials	0.95	0.96	0.97	Asia-Pacific Emerg.	0.69	0.74	0.87
Cons. Disc.	0.94	0.93	0.94	Europe Emerg.	0.72	0.75	0.84
Financials	0.91	0.91	0.94	Latin-America	0.78	0.85	0.87
Materials	0.85	0.87	0.92	Mid-East & Africa	0.77	0.86	0.87
Info. Tech.	0.82	0.84	0.92	Emerging	0.82	0.87	0.91
Telecom	0.76	0.77	0.81				
Cons. Stap.	0.72	0.69	0.89	Average	0.76	0.82	0.87
Utilities	0.70	0.72	0.85				
Health Care	0.69	0.72	0.83				
Energy	0.67	0.70	0.77				
Average	0.80	0.81	0.88				

Source: S&P Indices. Data as of April 30, 2010. Charts and graphs are provided for illustrative purposes only. Since the S&P Developed BMI Index and the S&P Emerging BMI Index (and therefore any of their respective sub-indices) were not in existence during all times referenced in this chart, some of the data is based on back-tested information. Please see page 13 for a discussion on the calculations and the inherent limitations associated with back-tested performance.

It is also important to recognize that emerging market economies are often highly concentrated in certain sectors. As a result, country performance is often driven by the performance of certain sectors.

The figure on page 12 illustrates the sector allocations of the five largest countries (measured by float-adjusted market capitalization) in the S&P Emerging BMI. More than 50% of the S&P Taiwan BMI and Russia BMI are comprised of a single sector (Information Technology and Energy, respectively), and about one-third of the S&P China BMI is comprised of Financials. Likewise, the S&P Brazil BMI is heavily concentrated in Energy and Materials stocks.

Sector Allocations of the 5 Largest S&P Emerging BMI Countries

<u>Sector</u>	<u>China</u>	<u>Brazil</u>	<u>Taiwan</u>	<u>India</u>	<u>Russia</u>
Cons. Disc.	7.0%	5.1%	4.4%	5.7%	0.7%
Consumer Stap.	5.1%	7.6%	1.5%	5.7%	3.9%
Energy	15.3%	22.1%	1.0%	17.9%	52.8%
Financials	32.7%	23.2%	14.8%	20.7%	11.0%
Health Care	1.1%	0.5%	0.3%	4.3%	0.6%
Industrials	10.9%	4.4%	5.4%	10.7%	0.3%
Info. Tech.	9.8%	2.3%	57.1%	14.2%	0.0%
Materials	6.5%	25.7%	12.4%	10.6%	12.4%
Telecom	9.7%	2.9%	3.0%	4.0%	11.6%
Utilities	1.9%	6.1%	0.1%	6.0%	6.7%

Source: S&P Indices. Size is based on Float-Adjusted Market Capitalization. Data as of 12/31/2009; Charts and graphs are provided for illustrative purposes only.

Conclusion

In an environment marked by increasing global economic and financial market interdependence, global sector indices offer a unique source of portfolio diversification. Likewise, because of the highly divergent performance between sectors on both an absolute and risk-adjusted basis, sector investing provides significant opportunities for alpha generation in both up and down markets. While correlations between country and regional equity markets' returns may continue to increase due to further global economic and financial market integration, the performance of economic sectors is unlikely to converge significantly over time because of the fundamental distinctions between businesses in various sectors and the divergent performance of these companies under different economic conditions.

References

Held, Jeremy, "Why it is (Still) All About Sectors." *The Journal of Indexes*. September/October 2009.

Tickers

Index	ETF	Ticker
S&P Global 1200 Consumer Discretionary	iShares [®] S&P [®] Global Consumer Discretionary	RXI
S&P Global 1200 Consumer Staples	iShares [®] S&P [®] Global Consumer Staples	KXI
S&P Global 1200 Energy	iShares [®] S&P [®] Global Energy Index Fund	IXC
S&P Global 1200 Financials	iShares [®] S&P [®] Global Financials Index Fund	IXG
S&P Global 1200 Healthcare	iShares [®] S&P [®] Global Healthcare Index Fund	IXJ
S&P Global 1200 Industrials	iShares [®] S&P [®] Global Industrials	EXI
S&P Global 1200 Materials	iShares [®] S&P [®] Global Materials	MXI
S&P Global 1200 Technology	iShares [®] S&P [®] Global Technology Index Fund	IXN
S&P Global 1200 Telecommunications	iShares [®] S&P [®] Global Telecomm. Index Fund	IXP
S&P Global 1200 Utilities	iShares [®] S&P [®] Global Utilities	JXI
S&P Select Sector Consumer Discretionary	Select Sector SPDR [®] -Consumer Discretionary	XLY
S&P Select Sector Consumer Staples	Select Sector SPDR [®] -Consumer Staples	XLP
S&P Select Sector Energy	Select Sector SPDR [®] -Energy	XLE
S&P Select Sector Financial	Select Sector SPDR [®] -Financial	XLF
S&P Select Sector Health Care	Select Sector SPDR [®] -Health Care	XLV
S&P Select Sector Industrial	Select Sector SPDR [®] -Industrial	XLI
S&P Select Sector Materials	Select Sector SPDR [®] -Materials	XLB
S&P Select Sector Technology	Select Sector SPDR [®] -Technology	XLK
S&P Select Sector Utilities	Select Sector SPDR [®] -Utilities	XLU
S&P Developed ex US BMI Consumer Discretionary Sector Index	SPDR [®] S&P [®] International Consumer Discretionary Sector	IPD
S&P Developed ex US BMI Consumer Staples Sector Index	SPDR [®] S&P [®] International Consumer Staples Sector	IPS
S&P Developed ex US BMI Energy Sector Index	SPDR [®] S&P [®] International Energy Sector	IPW
S&P Developed ex US BMI Financial Sector Index	SPDR [®] S&P [®] International Financial Sector	IPF
S&P Developed ex US BMI Health Care Sector Index	SPDR [®] S&P [®] International Health Care Sector	IRY
S&P Developed ex US BMI Industrial Sector Index	SPDR [®] S&P [®] International Industrial Sector	IPN
S&P Developed ex US BMI Materials Sector Index	SPDR [®] S&P [®] International Materials Sector	IRV
S&P Developed ex US BMI Technology Sector Index	SPDR [®] S&P [®] International Technology Sector	IPK
S&P Developed ex US BMI Telecommunications Sector Index	SPDR [®] S&P [®] International Telecommunications Sector	IST
S&P Developed ex US BMI Utilities Sector Index	SPDR [®] S&P [®] International Utilities Sector	IPU

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Performance Disclosure

The S&P Global BMI is a composite index. Indexes are not collective investment funds and are unmanaged. It is not possible to invest directly in an S&P index. Past performance of an index is no indication of future results.

The inception date for the S&P Global BMI Index is 12/31/1992 at the market close. This Index had not been in existence prior to that date. The base date, the date when the index history begins, is 06/30/1989 after the market close. The backtest period used in this presentation begins 06/30/1989 at the market close and ends 12/31/1992 at the market close. The actual performance period shown begins 12/31/1992 at the market close and ends 04/30/2010 at the market close. The Index employs a two step quality driven-weighting scheme. The first step is the selection of the companies while the second is the weighting of the index constituents. Unless otherwise indicated, the methodology used to construct the back-tested data was the same methodology used when the Index was launched.

The S&P Global BMI Index, which represents the only global index with a transparent modular structure that has been fully float adjusted since its inception in 1989, consists of the S&P Developed BMI Index (launched on December 31, 1992) and the S&P Emerging BMI Index (launched on December 31, 1997). The S&P Developed BMI Index consists of the S&P Europe BMI Index, the S&P Asia-Pacific BMI Index, and the S&P North America BMI Index. The regional sub-indices were further divided into styles (i.e. S&P Developed BMI Style Index, subdivided into Growth and Value, which was launched on October 12, 1999 and the S&P Developed BMI Sector Index, subdivided into the ten (10) GICS sectors, which was officially launched on September 19, 2005). Unless otherwise indicated, the methodology used to construct the back-tested data was the same methodology used when the Index was launched.

Prospective application of the methodology used to construct the S&P Global BMI may not result in performance commensurate with the backtest returns shown. The backtest period does not necessarily correspond to the entire available history of the index. Please refer to the methodology paper for the index, available at www.standardandpoors.com for more details about the index, including the manner in which it is rebalanced, and the timing of such rebalancing, criteria for additions and deletions and index calculation. The index is rules based, although the Index Committee reserves the right to exercise discretion, when necessary.

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