

S&P Custom Indices



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1 – What is a Custom Index?

1. What is a Custom Index?

- An index that is based on a unique investment idea
- Index methodology is tailored to suit your needs
- In majority of cases it is YOUR idea
- A dedicated solution
- Client formulates methodology with varying degrees of help from index provider
- Depending on the origin of methodology client may own licensing rights to the index

2. Two Types of Custom Indices

**CUSTOM INDEX =
Slice and Dice of
S&P Benchmark Indices**

OR

**CUSTOM INDEX =
Client's Proprietary Indices**

- **Choose Region(s) and/or Sector(s)**
- **Algorithm / Quantitative Models generate Alpha**
- **Combine Asset Class / Weighting**

- **"Index-ize" investment strategy**
- **Client idea**
- **Full ownership of license rights**

2 – Key Benefits to Client

1. Why Should You Use A Custom Index Provider?

COST

- Outsourcing = \$ Saved
- Full ownership of index = \$0 index license fee

QUALITY

- Core business
- Experience
- Flexible systems
- Dedicated Custom Team

DIFFERENTIATION

- Alpha generation
- Competitive index that does not yet exist

INDEPENDENCE

- Credibility of third-party calculation agent
- Reduced regulatory issues

2. Who Uses Custom Index?

The core Custom Index client base includes:

- Derivative & Structured Product teams
- Exchange Traded Fund Providers
- Asset Managers
- Pension Plans
- Exchanges

S&P currently provides Custom Index services to clients including:

STATE STREET GLOBAL ADVISORS | SSGA.

CREDIT SUISSE 

 ABN-AMRO

 UBS


WISDOMTREE

 SOCIETE GENERALE
Corporate & Investment Banking


INTERNATIONAL SECURITIES EXCHANGE.

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3 – S&P Custom Index Advantages

1. What Makes S&P Custom Index Unique?

1. Quality

- Extensive equity coverage of 22,000 companies in 81 countries offers an endless universe of choice
- Proprietary platform = robust and flexible systems to develop complex and technically superior indices

2. Speed

- Quick and efficient turnaround to meet every deadline
- Priority given to Partner Program members

3. Service

- Dedicated team of 20 custom index analysts and developers
- Access to local, regional, and global client support

4. Brand

- S&P is the global market leader in providing custom indices
- Partnership with S&P delivers independence and legitimacy

2. Providing the Most Options In the Market

| | | | | |
|---|--|--|--|---|
| Asset Class <ul style="list-style-type: none"><input type="checkbox"/> Equities<input type="checkbox"/> Commodities<input type="checkbox"/> Fixed Income<input type="checkbox"/> Currencies | Sector <ul style="list-style-type: none"><input type="checkbox"/> GICS Sector<input type="checkbox"/> GICS Industry<input type="checkbox"/> GICS Sub Industry<input type="checkbox"/> GICS<input type="checkbox"/> Non GICS Sectors | Region <ul style="list-style-type: none"><input type="checkbox"/> All World<input type="checkbox"/> North America<input type="checkbox"/> Europe<input type="checkbox"/> Asia<input type="checkbox"/> Emerging Markets<input type="checkbox"/> Your Choice | Size <ul style="list-style-type: none"><input type="checkbox"/> Large Cap<input type="checkbox"/> Mid Cap<input type="checkbox"/> Small Cap | Weighting <ul style="list-style-type: none"><input type="checkbox"/> Market Cap<input type="checkbox"/> Equal Weighted<input type="checkbox"/> Price Weighted<input type="checkbox"/> Fundamental |
| Capping <ul style="list-style-type: none"><input type="checkbox"/> Constituent Capping<input type="checkbox"/> Regional Capping<input type="checkbox"/> Sector Capping | Rebalancing <ul style="list-style-type: none"><input type="checkbox"/> Daily<input type="checkbox"/> Weekly<input type="checkbox"/> Quarterly<input type="checkbox"/> Annually<input type="checkbox"/> Ad Hoc | Style <ul style="list-style-type: none"><input type="checkbox"/> Growth<input type="checkbox"/> Value | Currency <ul style="list-style-type: none"><input type="checkbox"/> Multi Currency Hedging Calculator<input type="checkbox"/> Multi Currency Spot Calculator | Total Return <ul style="list-style-type: none"><input type="checkbox"/> Gross<input type="checkbox"/> Customized Tax Rates |

3. Leveraging the S&P Brand

- S&P offers the opportunity to leverage a well-known, respected, objective brand that lends immediate legitimacy to the underlying index, and to any potential structured product
- Use of the “Calculated by Standard & Poor’s” mark and the logo in your marketing and literature promotes the independent calculation of the index



4 – Process & Next Steps

1. Custom Index Execution Process

| | Stage | Process Description | Other S&P Interaction |
|----------------|--|--|--|
| Stage 1 | <i>Information Gathering</i> | <ul style="list-style-type: none"> > Client makes Custom Index request > S&P Sales ask client for completed Questionnaire & Index Methodology document > Sales notifies Custom PM about each new request | Custom Product Management |
| Stage 2 | <i>Index Assessment</i> | Custom Index submitted into Daptiv for PMO feedback on: <ul style="list-style-type: none"> (i) Cost of production & (ii) Estimated delivery date | PMO Department Index Development Custom Product Management |
| Stage 3 | <i>Pricing</i> | Pricing proposal for client constructed by Sales & PM | |
| Stage 4 | <i>Contractual Agreement</i> | Agreement on Financial & Legal Terms | S&P Legal |
| Stage 5 | <i>Index Development & Delivery</i> | Development of the Custom Index, and final delivery to the Client | Index Development Index Maintenance |

2. Pricing

1. Calculation Fee

- Fees are based upon numerous variables: number of constituents; re-balancing frequency; methodology weighting schemes

2. License Fee

- License fees are applied when:
 - Index is based on the intellectual property of an existing S&P index
 - Index leverages the S&P brand by using the “S&P Custom” name

3. Back Test Fee

- Fees are based upon size and scope of back history required

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