

STANDARD
& POOR'S

S&P/CITIGROUP
INTERNATIONAL TREASURY
BOND INDEX
INDEX METHODOLOGY

December 2008

Table of Contents

| | |
|---|-----------|
| Introduction | 2 |
| Highlights | 2 |
| Index Production | 2 |
| Eligibility Criteria | 3 |
| Eligibility Factors | 3 |
| Timing of Changes | 4 |
| Index Construction | 6 |
| Index Calculations | 6 |
| Index Maintenance | 8 |
| Rebalancing | 8 |
| Base Date | 8 |
| Index Governance | 9 |
| Index Committee | 9 |
| Index Dissemination | 10 |
| Tickers | 10 |
| Appendix | 11 |
| Calculation of Index Bond Market Values and Relative Weights | 11 |
| Calculation of Index Bond Returns | 12 |
| S&P Contact Information | 15 |
| Index Management | 15 |
| Product Management | 15 |
| Media Relations | 15 |
| Index Operations & Business Development | 15 |
| Disclaimer | 16 |

Introduction

The S&P/Citigroup International Treasury Bond Index Series is designed to provide exposure to international, developed market, treasury securities for U.S. investors.

Highlights

The S&P/Citigroup International Treasury Bond ex-U.S. Index measures the performance of treasury bonds, with maturities greater than or equal to one year, issued by non-U.S. developed market countries.

The S&P/Citigroup International Treasury Bond 1-3 Year Index measures the performance of non-U.S., developed market, treasury bonds with maturities of exactly one year and less than three years.

Bonds within each country are market value weighted. Country weights are modified market value weighted, with modifications being made to meet diversification requirements.

Index constituents are rebalanced monthly, while country weights are reviewed annually.

Index Production

These indices are generated and published under an agreement between Standard & Poor's and Citigroup Index LLC.

Eligibility Criteria

Eligibility Factors

Issuer. To be eligible for consideration for inclusion in the index, the issuing country must be a “Developed Country” as classified by the Bank for International Settlements (BIS) in its international debt securities statistics (www.bis.org/statistics/secstats.htm), and the issuing country must be covered by the Citigroup global index system.

Pricing. Pricing for each bond is supplied by Citigroup Index LLC. For further details on pricing sources and times used by Citigroup, refer to the *Citigroup Global Fixed Income Index Catalog*. (www.yieldbook.com).

Maturity. Each bond must have a maturity greater than or equal to one year. For the short-term index, the maturities must range between exactly one year and three years.

Size. Each bond must meet minimum country-level issuance outstanding thresholds, at the monthly fixing of the individual country indices. These size thresholds reflect what is “reasonably available” for institutional investors under normal market circumstances. The current thresholds are in the table below. These are subject to change depending upon market conditions.

| Market | Minimum Size |
|---------------|---|
| Australia | A\$ 750 mn, net of amounts held by the Loan Consolidation and Investment Reserve (LCIR) |
| Austria | €2.5 bn |
| Belgium | €2.5 bn |
| Canada | C\$ 2.5 bn |
| Denmark | DKr 20 bn |
| Finland | €2.5 bn |
| France | €2.5 bn |
| Germany | €2.5 bn |
| Greece | €2.5 bn |
| Ireland | €2.5 bn |
| Italy | €2.5 bn |
| Japan | ¥500 bn for all but 20- and 30-year bonds, which are set at a ¥450 bn minimum. Excludes Bank of Japan holdings. |
| Netherlands | €2.5 bn |
| New Zealand | NZ\$ 750 mn |
| Norway | NOK 20 bn |
| Portugal | €2.5 bn |
| Singapore | S\$ 1.5 bn |
| Spain | €2.5 bn |
| Sweden | SEK 25 bn |
| Switzerland | SFr 4 bn |
| UK | £2.0 bn |

Timing of Changes

Monthly rebalancing. The bonds in each country change every month, effective after the close of the last calendar day of the month, based on new issuance, size and maturity.

Annual review. There is an annual review of countries in the index and their weights. These weights, which are effective for the next 12 months, are set with the monthly rebalancing at the end of March of each year.

Timetable. With the growing importance of global indices to fund managers throughout the world, it is important to communicate the new index preliminary profile on a timetable that will provide sufficient time for fund managers to respond to changes in their benchmarks within their own time zone.

The profile fixing enables the dissemination of index information ahead of the month end date so that investors have time to prepare rebalancing transactions.

These dates are determined by the rule that there must be four (4) business days after the fixing date and before the calendar end of the month in all of the following business regions: Australia, EMU (specifically Germany), Japan, the United Kingdom and the United States. On the fixing dates all necessary data pertaining to the constituents are observed and frozen. Preliminary data is compiled and disseminated to clients three (3) business days before the calendar end of the month and the official data is available after the close of U.S. trading two (2) business days before the end of the month.

The schedule of fixing dates will be published with the monthly index releases on Standard & Poor's Web site at www.indices.standardandpoors.com.

Index Construction

Weightings

The weighting of each bond within its country is based on its outstanding market value, which is set at the monthly rebalancing.

Country weights are set at the annual review in the following manner:

1. Using January-end figures, the weight of each country in the eligible universe is calculated. This weight is calculated by dividing the total outstanding index market value for each country by the total outstanding index market value for the eligible universe, with all figures being converted to U.S. dollars. The eligible universe refers to those countries meeting issuer and pricing requirements as defined in the prior section.
 - a) On the base date, all countries with a weight greater than or equal to 25 basis points are included in the index.
 - b) On subsequent annual reviews,
 - Countries currently not in the index, but with market weights of greater than or equal to 50 basis points, are added to the index.
 - Countries currently in the index, but with weights of less than 10 basis points, are removed.
2. The weight of each country in the index is based on a modified market value weighting scheme. Modifications are made to account for the following constraints:
 - a. No single country can have a weight of greater than 24.95%
 - b. The sum of countries with weights greater than 4.95% is less than or equal to 50.0%.
 - c. Deviations from market value weighting are minimized.

Standard & Poor's uses an optimization algorithm to meet the above requirements.

Index Calculations

The total return of the constituent country indices is calculated by aggregating 1) the interest return, reflecting the return due to paid and accrued interest, 2) the principal return, reflecting the gains or losses due to changes in end-of-day prices and principal repayments, and 3) the reinvestment return reflecting interest gained on the reinvestment of coupon payments into interest bearing securities.

The aggregate index return simply reflects the weighted average returns of individual country indices, with the weights being readjusted at each monthly rebalancing, to reflect the annual weights set at each annual rebalancing.

Calculations are made to the last calendar day of the month to include accrued interest.

For further details regarding Index Calculations, please refer to the Appendix.

Index Maintenance

Rebalancing

Monthly rebalancing. The bonds in each country change every month, effective after the close of the last U.S. trading date of the month, based on new issuance, size and maturity rules described in the prior section. The selection of the bonds follows directly from Citigroup's monthly index rebalancings; there are no additional screens applied.

Citigroup Index LLC announces the preliminary constituents at least three business days before the last trading date of the month. Standard & Poor's publishes the adds and delete list with any revisions, if needed, after the close of U.S. trading on the following business day.

Country weights are reset at each monthly rebalancing to the weights determined at the prior annual review. In the event that a country included in the index at the annual review no longer has any bonds outstanding that are eligible for an index, that country is removed from the index. The remaining weight is redistributed proportionally to all countries with a weight below 4.95%, with the additional rule that the weights of none of these countries are allowed to increase above 4.95%.

The preliminary monthly files are prepared and distributed by Citigroup Index LLC. The files are available to clients and Standard & Poor's at the same time, to assure clients have access as soon as possible. Therefore, the preliminary monthly files are not reviewed by or approved by Standard & Poor's.

The preliminary monthly rebalancing files will be generated at least three business days before the last business day of the month as determined by the fixing calendar. The preliminary rebalancing file is generated after the close of business at 5:00 pm ET, and sent directly from Citigroup to clients. The final adds and deletes are announced after the close of U.S. trading on the second to last business day of the month by Standard & Poor's, after S&P has reviewed the index constituents and their weights.

Annual review. There is an annual review of countries in the index and their index weights. This is announced in the third week of February, and is made effective with the monthly rebalancing at the end of March of each year. Country weights are reset to these weights for the subsequent 12 monthly rebalancings.

Base Date

The index base date is March 31, 2001. The base value on that date is 100.

Index Governance

Index Committee

An index committee maintains the S&P/Citigroup International Treasury Index. The Committee is comprised of employees or agents of Standard & Poor's.

The Committee oversees the annual rebalancing, maintenance and inclusion policies, including any other matters affecting the Index.

In fulfilling its responsibilities, the Committee has full and complete discretion to (i) amend, apply, or exempt the application of Index rules and policies as circumstances may require and (ii) add, remove, or by-pass any issue in determining the composition of the Index.

The Committee may rely on any information or documentation submitted to it or gathered by it that the Committee believes to be accurate. The Committee reserves the right to reinterpret publicly available information and to make changes to the Index based on a new interpretation of that information at its sole discretion.

Index Dissemination

Tickers

| Index | Bloomberg | Reuters |
|---|------------------|----------------|
| S&P/Citigroup International Treasury Bond Ex-U.S. Index (TR) | SPBDXUTR | . SPBDXUTR |
| S&P/Citigroup International Treasury Bond Ex-U.S. 1-3 Year Index (TR) | SPBDXU3T | . SPBDXU3T |

Appendix

Calculation of Index Bond Market Values and Relative Weights

A market value is calculated for each Index Bond as of the close on each day, as follows:

$$MV_t = PAR_{RB} * \frac{(P_t + AI_t)}{100} \quad (1)$$

where:

| | | |
|------------|---|---|
| MV_t | = | Market value of Index Bond on day t |
| PAR_{RB} | = | Par Amount of Index Bond as of the last monthly rebalancing. |
| P_t | = | Price of Index Bond on day t |
| AI_t | = | Accrued interest ¹ on Index Bond up to and including day t |

If the valuation date is not a trading day, the market value will be based on the price as of the immediate prior trading day, plus interest accrued to the valuation date.

The relative weight of an Index Bond, k , is defined as the market value of that bond expressed as a percentage of the aggregate market value of all Index Bonds issued by the country, j , issuing the bond, multiplied by the applicable country weight, as follows:

$$weight_k = \frac{MV_k}{\sum_k MV_k} * CountryWeight_j \quad (2)$$

¹ AI_t in (1) is calculated on a calendar date basis and uses the conventions for calculating settlement accrued. Accordingly, accrued interest will be zero on a coupon payment date.

Calculation of Index Bond Returns

Returns are calculated for all Index Bonds, on every calendar day, on a month-to-date (MTD) basis.

Total Return

The month-to-date total return (TR) of an Index Bond on day t is the sum of the month-to-date interest return, the month-to-date market price return, and the month-to-date reinvestment return on day t :

$$TR_t = IR_t + PR_t + RR_t \quad (3)$$

where:

$$\begin{aligned} IR_t &= \text{MTD interest return on day } t. \\ PR_t &= \text{MTD market price return on day } t. \\ RR_t &= \text{MTD reinvestment return on day } t. \end{aligned}$$

Price return measures the return due to the change in the market price of the bond. Interest return (or coupon return) includes the return due to the interest earned on that bond. Reinvestment return measures the return due to the reinvestment of cash flows at the local currency one-month Eurodollar deposits, except for Australia which assumes reinvestment of cash flows into the Australia dollar bank bill swap reference rate.

Interest Return

The formula for the month-to-date interest return on an individual Index Bond on day t is as follows:

$$IR_t = \frac{\left(PAR_t * \frac{AI_t}{100} - PAR_{RB} * \frac{AI_{RB}}{100} \right) + Int_{t, RB}}{MV_{RB}} \quad (4)$$

where:

$$\begin{aligned} IR_t &= \text{MTD interest return at time } t \\ AI_t &= \text{Accrued interest, up to and including day } t \\ AI_{RB} &= \text{Accrued interest as of the last monthly rebalancing.} \\ PAR_{RB} &= \text{Par Amount of Index Bond as of the last monthly rebalancing.} \\ PAR_t &= \text{Par Amount of Index Bond as of day } t \text{ (} PAR_{RB} - Prin_{t, RB} \text{).} \\ Prin_{t, RB} &= \text{Principal payment occurring after the prior rebalancing and up to and including day } t. \\ Int_{t, RB} &= \text{Interest payment occurring after the prior rebalancing and up to and including day } t \\ MV_{RB} &= \text{Market value as of the last monthly rebalancing.} \end{aligned}$$

Price Return

The formula for the month-to-date price return for an Index Bond at time t is as follows:

$$PR_t = \frac{PAR_{RB} * \left(\frac{P_t - P_{RB}}{100} \right) + Prin_t * \frac{RP}{100}}{MV_{RB}} \quad (5)$$

where:

| | | |
|------------|---|---|
| PR_t | = | MTD Price return on day t |
| PAR_{RB} | = | Par Amount of Index Bond as of the last monthly rebalancing |
| P_t | = | Price day t |
| P_{RB} | = | Price as of the last monthly rebalancing |
| $Prin_t$ | = | Principal prepayments occurring after the prior rebalancing and up to and including day t |
| MV_{RB} | = | Market value as of the last monthly rebalancing |
| RP | = | Redemption Price |

Note that the formula for Price Return (5) itself has two components. The first term, in the numerator on the left side, represents the unrealized return due to any change in the price, while the second term (on the right) represents the realized return due to receiving a principal repayment at the Redemption Price (which could differ from par) rather than at the current end of day Price.

Reinvestment Return

All interest payments are reinvested at the local currency one-month Eurodeposit rate, except Australia, which is reinvested at the Australia dollar bank bill swap reference rate. Interest payments are considered received on the payment date, and the return on the bond is computed as if the cash was reinvested for the remainder of the month at the relevant rate. Returns are calculated using the daily average rate from the payment date through the end of the reporting period.

Daily Month-to-Date Index Returns

For each country, individual Index bond returns are aggregated to calculate returns for the Country Index. Specifically, the month-to-date total return for the Country Index, on a given day, is equal to a weighted average of the month-to-date returns of the Index Bonds that constitute the Country Index. The weight of each Index Bond return is equal to the relative weight of that Index Bond in the Country Index, as of the previous month end rebalancing. Each Country Index return is as follows:

$$CountryIndexTR_t = \frac{\sum_i MV_{i, RB} * TR_{i, t}}{\sum_i MV_{i, RB}} \quad (6)$$

where:

TR_t^i = MTD total return of the Index Bond i on day t

$MV_{i, RB}$ = Market value of the Index Bond i , as of the last monthly rebalancing.

The country index returns are aggregated as follows to arrive at the Aggregate Index return:

$$AggregateIndexTR_t = \sum CountryWeight_j * ((CountryIndexTR_j + 1) * (CurrencyReturn_j) - 1) \quad (7)$$

where:

$CurrencyReturn_j$ = $SpotRate_{j,t} / SpotRate_{j,rb}$

$SpotRate_j$ = US Dollars per currency unit j .

Exchange Rate

WM/Reuters foreign exchange rates are taken daily at 4:00 PM Greenwich Mean Time (GMT) and used in the calculation of the indices. These mid-market fixings are calculated by The WM Company based on Reuters data and appear on Reuters pages WMRA.

Daily Index Values

Index values are calculated each day by applying the current day's month-to-date index return to the index value on the previous monthly rebalancing date, as follows:

$$TRIV_t = TRIV_{RB} * (1 + AggregateIndexTR_t) \quad (8)$$

where:

$TRIV_t$ = Total Return Index Value on day t

$TRIV_{RB}$ = Total Return Index Value as of the last monthly rebalancing.

S&P Contact Information

Index Management

| | |
|--|-----------------|
| David M. Blitzler, Ph.D. – Managing Director & Chairman of the Index Committee | |
| david_blitzler@standardandpoors.com | +1.212.438.3907 |
| Mariah Alsati-Morad – Index Strategy | |
| mariah_alsati-morad@standardandpoors.com | +1.212.438.2308 |

Product Management

| | |
|--|-----------------|
| J.R. Rieger – Vice President, Fixed Income Indices | |
| james_rieger@standardandpoors.com | +1.212.438.5266 |

Media Relations

| | |
|-----------------------------------|-----------------|
| David Guarino – Communications | |
| dave_guarino@standardandpoors.com | +1.212.438.1471 |

Index Operations & Business Development

North America

New York

| | |
|-----------|-----------------|
| David Kao | +1.212.438.3354 |
|-----------|-----------------|

Toronto

| | |
|----------------|-----------------|
| Jasmit Bhandal | +1.416.507.3203 |
|----------------|-----------------|

Europe

London

| | |
|------------|------------------|
| Susan Fagg | +44.20.7176.8888 |
|------------|------------------|

Asia

Tokyo

| | |
|----------------|----------------|
| Seiichiro Uchi | +813.4550.8568 |
|----------------|----------------|

Beijing

| | |
|-------------|------------------|
| Andrew Webb | +86.10.6569.2919 |
|-------------|------------------|

Sydney

| | |
|-------------|-----------------|
| Guy Maguire | +61.2.9255.9822 |
|-------------|-----------------|

Disclaimer

Neither Standard & Poor's nor Citigroup Index LLC sponsors, endorses, sells or promotes any S&P/Citigroup Index-based investment product.

The report is published by Standard & Poor's, 55 Water Street, New York, NY 10041. Copyright © 2008. Standard & Poor's is a division of The McGraw-Hill Companies, Inc. All rights reserved. Standard & Poor's does not undertake to advise you of changes in the information contained in this report.

These materials have been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. Standard & Poor's makes no representation with respect to the accuracy or completeness of these materials, the content of which may change without notice. The methodology involves rebalancing and maintenance of the indices that are made periodically during each year and may not, therefore, reflect real time information. Standard & Poor's disclaims any and all liability relating to these materials and makes no express or implied representations or warranties concerning the accuracy or completeness of the report.

No portion of this publication may be reproduced in any format or by any means including electronically or mechanically, by photocopying, recording or by any information storage or retrieval system, or by any other form or manner whatsoever, without the prior written consent of Standard & Poor's.

Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process.

Copyright© 2008, Citigroup Index LLC. All rights reserved. CITIGROUP is a registered trademark and service mark of Citigroup Inc. or its affiliates and is used under license for certain purposes by Standard & Poor's. Reproduction of the Citigroup data and information in any form is prohibited except with the prior written permission of S&P or Citigroup Index LLC ("Citigroup"). Because of the possibility of human or mechanical error, Citigroup does not guarantee the accuracy, adequacy, completeness or availability of any data and information and is not responsible for any errors or omissions or for the results obtained from the use of such data and information. CITIGROUP GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall Citigroup be liable for any direct, indirect, special or consequential damages in connection with any use of the Citigroup data or information.