

Standard & Poor's

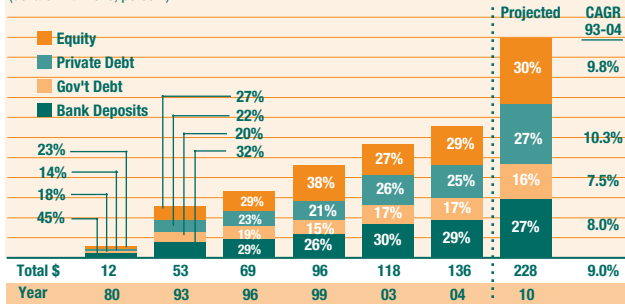
STANDARD & POOR'S

Growing capital markets around the world continue to stimulate demand for Standard & Poor's ratings, data and information, indices, and other products and services. The trends – globalization, disintermediation, securitization and privatization – are well established as key drivers in global financial markets, which continue to benefit from the creation of new investment opportunities. The

charts below illustrate the growing size and complexity of the global capital markets. Global financial stock is growing faster than global gross domestic product, according to a 2006 McKinsey Global Institute report. Private debt securities are the fastest growing part of this vibrant market.

Global Financial Stock Is Growing Rapidly

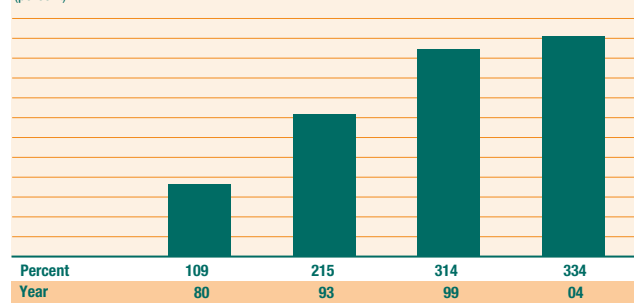
Composition and Growth of Global Financial Stock (dollars in trillions, percent)



Sources: McKinsey Global Institute Global Financial Stock Database; World Federation of Stock Exchanges; Merrill Lynch; Global Insight  
 Note: Extrapolation off of 2004 base, with components grown at 1993-2004 CAGRs; Detail may not sum due to rounding

Growth of Global Financial Stock Is Outpacing that of Global GDP

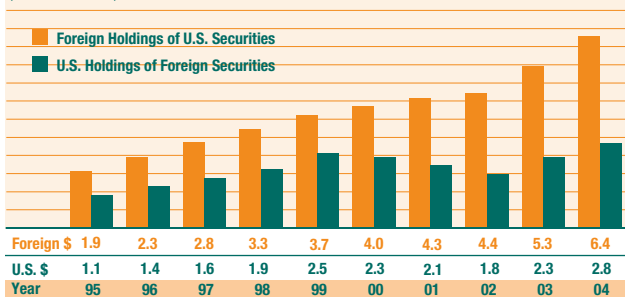
Global Financial Stock as % of Global GDP (percent)



Sources: McKinsey Global Institute Global Financial Stock Database; Global Insight

Cross-Border Holdings Are Increasing

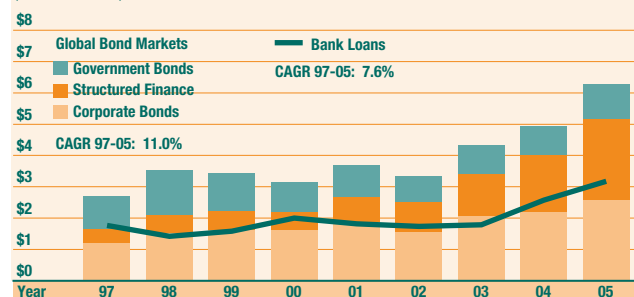
(dollars in trillions)



Source: "2005 Securities Industry Fact Book," Securities Industry Association, July 2005

Disintermediation Is Moving Borrowers Directly to the Bond Markets

(dollars in trillions)



Sources: Reuters/LPC; Thomson Financial; Harrison Scott Publications/S&P estimates

EXPANDING THE GLOBAL FOOTPRINT

Since opening its first international office in 1984, Standard & Poor's global network has grown substantially. The company operates directly and through affiliates in 24 countries and generates revenue in over 110 countries.

Standard & Poor's international operations have contributed strongly to revenue growth, with Europe's strong performance reflecting the significant growth in the region's capital markets.

The outlook for Standard & Poor's Asia Pacific operations is also favorable. It is driven by continued strong economic fundamentals, ongoing deregulation, development of regional financial markets, and increasing globalization. The region is leading world GDP growth, and the economic recovery of Japan and Korea combined with the fast growth of China and India creates sound, strong momentum for future growth.

During 2005, Standard & Poor's completed a number of acquisitions and entered into an alliance to expand its presence in the Asia

Pacific region and broaden its capabilities in data and information and equity research:

**CRISIL Limited:** Majority shareholder position in India's leading provider of credit ratings, financial news, and risk and policy advisory services

**Taiwan Ratings Corporation:** Majority ownership of Taiwan's largest rating agency

**Vista Research:** Purchase of an independent primary research firm

**ASSIRT Research:** Acquisition of a leading provider of fund data, ratings, and portfolio services to the Australian investment marketplace

**Rating Agency Malaysia:** Affiliation with Malaysia's leading ratings service

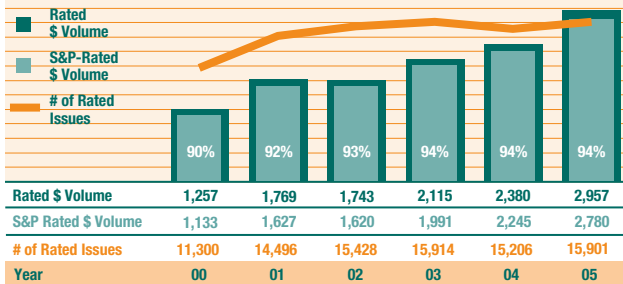
**U.S. DEBT MARKET**

In 2005, the size of the rated debt market in the U.S. totaled \$2.9 trillion, with Standard & Poor's rating 94% of this debt issuance. The rated debt market is a component of the total debt market and includes only the debt securities issued with a rating. The rated U.S. debt market chart below equals issuance for the five new-issue debt categories.

(annual figures; dollar volume in billions; data by domicile of issuance/issuer)

**Rated U.S. Debt Market** (a, b, c, d, e)

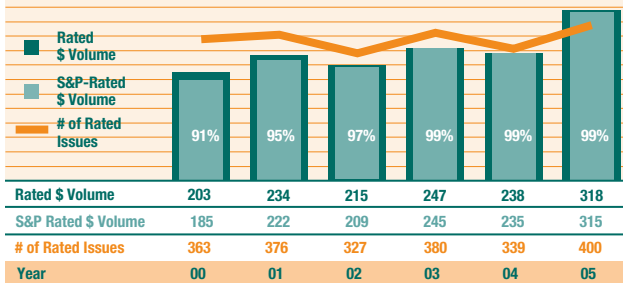
S&P penetration rate as a % of rated dollar volume



Sources: Thomson Financial; Harrison Scott Publications/S&P estimates

**Asset-Backed** (b, e)

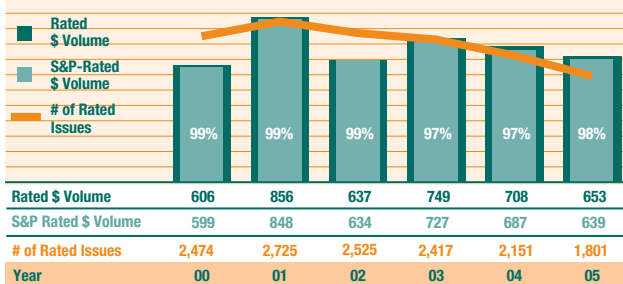
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/S&P estimates

**Corporates** (c, d)

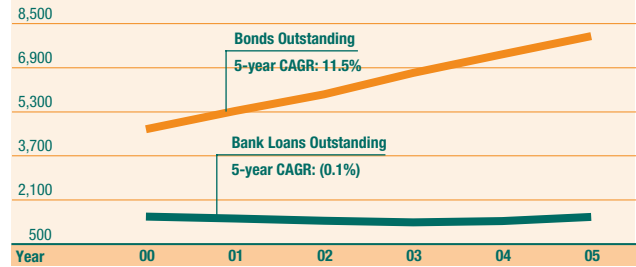
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

**Changing Dynamics of U.S. Debt Outstanding**

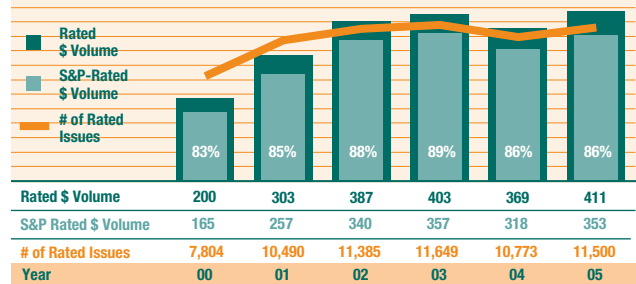
(dollars in billions)



Source: Board of Governors of the Federal Reserve System

**Municipals** (a)

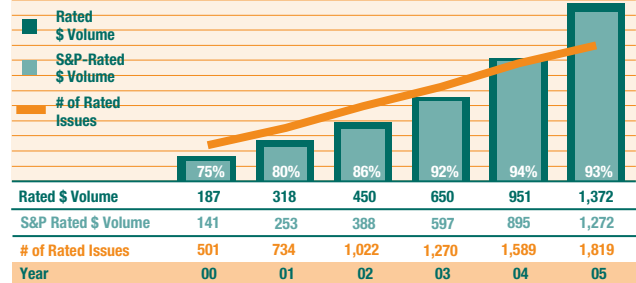
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

**Mortgage-Backed** (b, d)

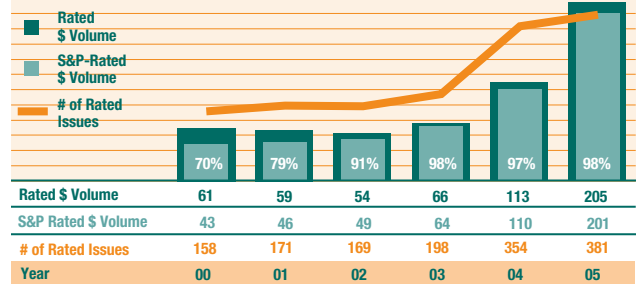
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/S&P estimates

**Collateralized Debt Obligations (CDOs)** (b)

S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/S&P estimates

Notes for debt issuance:

(a) Excludes student loans and private placements  
(b) Excludes confidential transactions

(c) Includes industrial and financial services issuers. Also includes Rule 144a (private placements), MTN takedowns, convertibles, and preferred

stocks. Excludes sovereign issuers, private placements (except Rule 144a issues), retail notes, commercial paper, and all agency issues

(d) Excludes agency deals. Includes home equity loans  
(e) Excludes asset-backed commercial paper and letters of credit

Standard & Poor's

EUROPEAN AND ASIAN DEBT MARKETS

European Debt Market

In 2005, rated debt issuance in Europe was nearly \$1.7 trillion, up 20% from 2004. Standard & Poor's utilized its strong European network to capitalize on the significant growth in the region. Standard & Poor's 2005 market penetration was 81% for all rated debt.

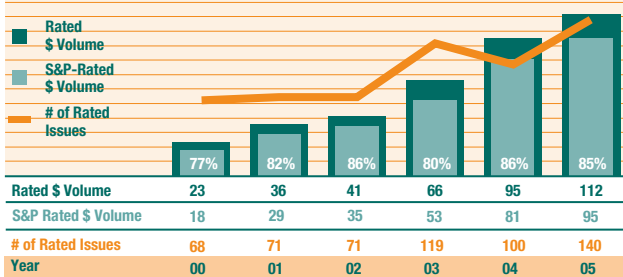
Asian Debt Market

In 2005, rated debt issue volume for corporates in Asia was \$154 billion, up 17% from 2004. Standard & Poor's 2005 market penetration was 91% for corporates. Rated issuance for structured finance was \$124 billion, with Standard & Poor's rating 71% of that volume.

(annual figures; dollar volume in billions; data by domicile of issuance/issuer)

European Asset-Backed (a, c)

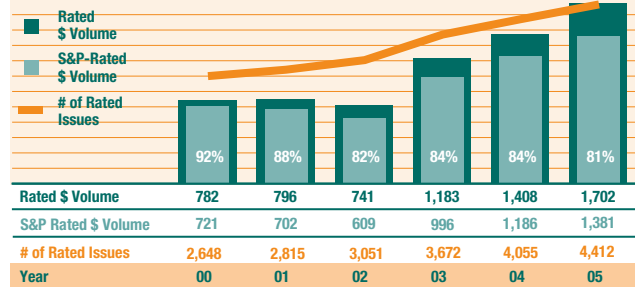
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/S&P estimates

Rated European Debt Market (a, b, c, d)

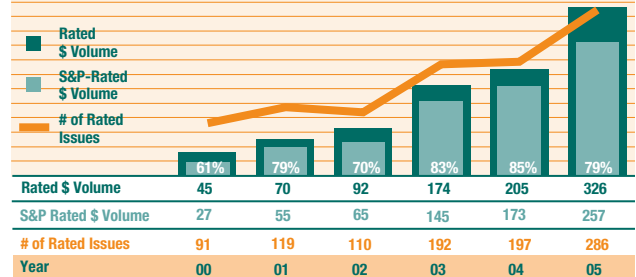
S&P penetration rate as a % of rated dollar volume



Sources: Thomson Financial; Harrison Scott Publications/S&P estimates

European Mortgage-Backed (a, d)

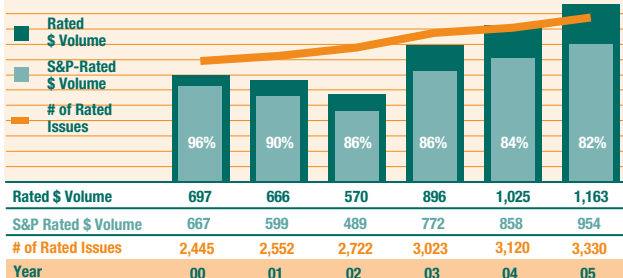
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/S&P estimates

European Corporates (b)

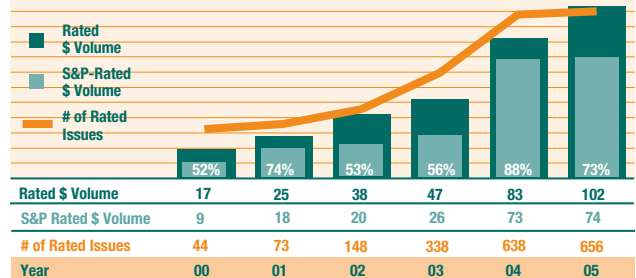
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

European Collateralized Debt Obligations (CDOs) (a)

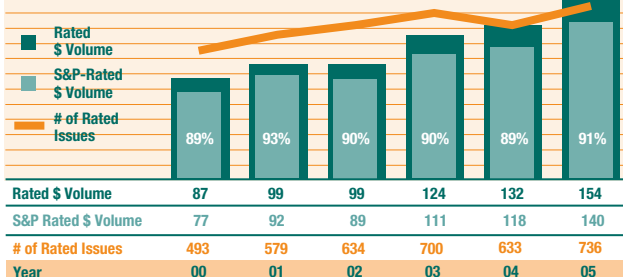
S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/S&P estimates

Asian Corporates (b)

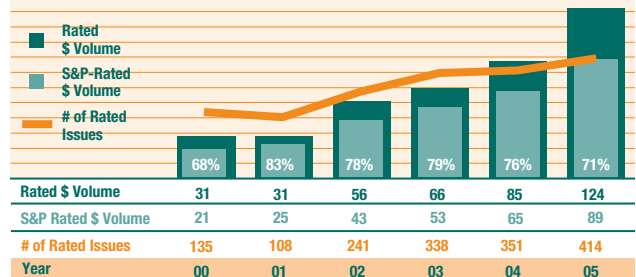
S&P penetration rate as a % of rated dollar volume



Source: Thomson Financial

Asian Structured Finance (a, c, d)

S&P penetration rate as a % of rated dollar volume



Source: Harrison Scott Publications/S&P estimates

Notes for debt issuance:

(a) Excludes confidential transactions

(b) Includes industrial and financial services issuers. Also includes Rule 144a (private placements), MTN takedowns, convertibles, and preferred

stocks. Excludes sovereign issuers, private placements (except Rule 144a issues), retail notes, commercial paper, and all agency issues

(c) Excludes asset-backed commercial paper and letters of credit

(d) Includes home equity loans

**NON-TRADITIONAL PRODUCTS AND SERVICES**

Standard & Poor's continues to successfully reduce dependency on new issue volume in the bond markets by leveraging its expertise in non-traditional products and services, such as corporate credit ratings, bank loan ratings, and rating evaluation services. These areas tap into growing sensitivity to risk and increased regulatory and public concern about the ability of financial markets to manage risk

adequately. Globally, non-traditional products account for nearly 20% of revenue in the area of ratings. Below are some of Standard & Poor's non-traditional products and services, including charts that illustrate the growing marketplace acceptance of non-bond rating activity by Standard & Poor's.

**NON-BOND RATINGS**

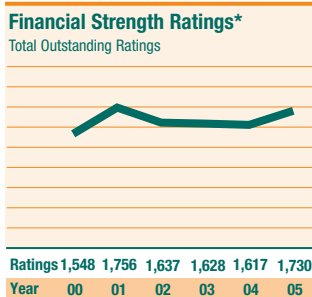
**Financial Strength, Counterparty, and Corporate Credit Ratings:**

An opinion of an entity's overall creditworthiness and capacity to pay its financial obligations. These ratings do not apply to specific financial obligations.

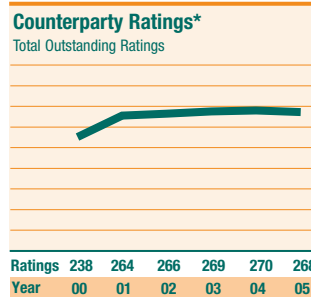
**Project Finance Ratings:** An evaluation of default probability, or the level of certainty with which lenders can expect to receive timely payment of principal and interest according to the terms of the bond or note. Project ratings do not distinguish between the debt issue rating and the issuer credit rating, as is the case with corporate credit ratings.

**Bank Loan Ratings:** An evaluation of a syndicated loan based on the likelihood of ultimate repayment of the loan and on the recovery value in the event of default.

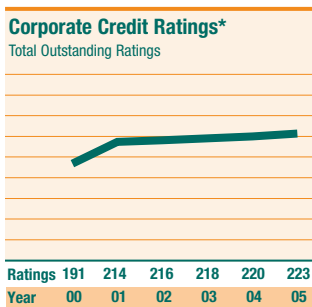
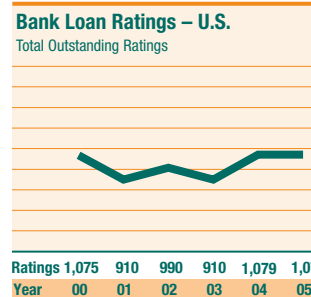
**Recovery Ratings:** A stand-alone, transparent opinion of the likely recovery of a loan in the event of default; expressed on a numerical scale, not linked to or limited by the issuer's traditional corporate credit rating.



\* Formerly Claims-Paying Ability Ratings

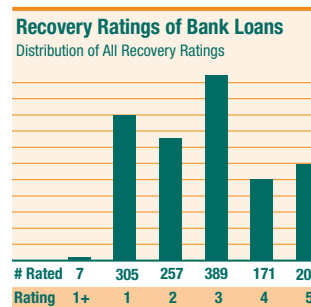
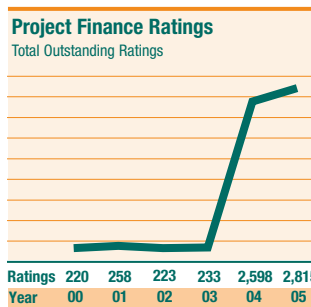


\* Total for those organizations whose only rating is a Counterparty Rating



\* Total for those organizations whose only rating is a Corporate Credit Rating

Source: Standard & Poor's



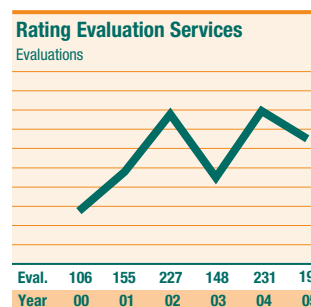
December 2003-April 2006

Standard & Poor's Recovery Rating of Principal	Indicative Recovery Expectations of Principal
1+	Highest expectation of full recovery 100%
1	High expectation of full recovery 100%
2	Substantial recovery 80-100%
3	Meaningful recovery 50-80%
4	Marginal recovery 25-50%
5	Negligible recovery 0-25%

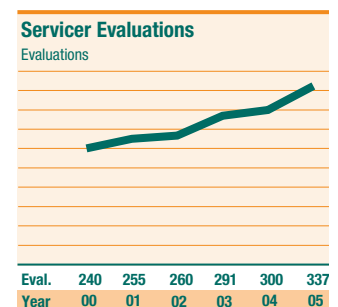
**EVALUATIONS**

**Rating Evaluation Services:** A confidential, specific, and indicative assessment of how potential acquisitions, debt issues, stock repurchases, recapitalizations, consolidations, and other actions will impact a company's creditworthiness and credit rating.

**Servicer Evaluations:** An independent, objective view of a company's ability to service loan and asset portfolios. The Servicer Evaluation rankings serve as consistent, objective benchmarks for assessing operational risk, which provide valuable transparency and enable global market participants to make informed decisions.



Source: Standard & Poor's



Standard & Poor's

ANALYTICAL TOOLS AND MODELS

Standard & Poor's CDS Accelerator

Standard & Poor's *CDS Accelerator* is a powerful analytical product that gives participants in the synthetic or credit derivative collateralized debt obligation (CDO) market the ability to quickly and accurately analyze the credit quality of new and existing CDO transactions and determine an indicative capital structure of selected transactions based on Standard & Poor's published synthetic CDO rating methodology.

*CDS Accelerator* incorporates the synthetic CDO resources used by Standard & Poor's analysts including *CreditWatch*® data, industry codes, and analytics designed to help users determine SROCs (Synthetic Rated Overcollateralization), a proprietary Standard & Poor's CDO benchmark. These tools enable users to evaluate potential investments and compare and monitor transactions.

Standard & Poor's facilitates the creation of new CDO transactions and brings transparency to the growing and complex structured finance market

Covered Bond Monitor

In February 2006, Standard & Poor's launched *Covered Bond Monitor*, a model that defines parameters that pass or do not pass Standard & Poor's criteria for covered bond ratings. This model was developed in response to the need for a way to inform the

European market of Standard & Poor's criteria for covered bond ratings. Its two-fold goal is to satisfy the needs of issuers and investors for greater transparency and continue Standard & Poor's leadership in the covered bond rating market.

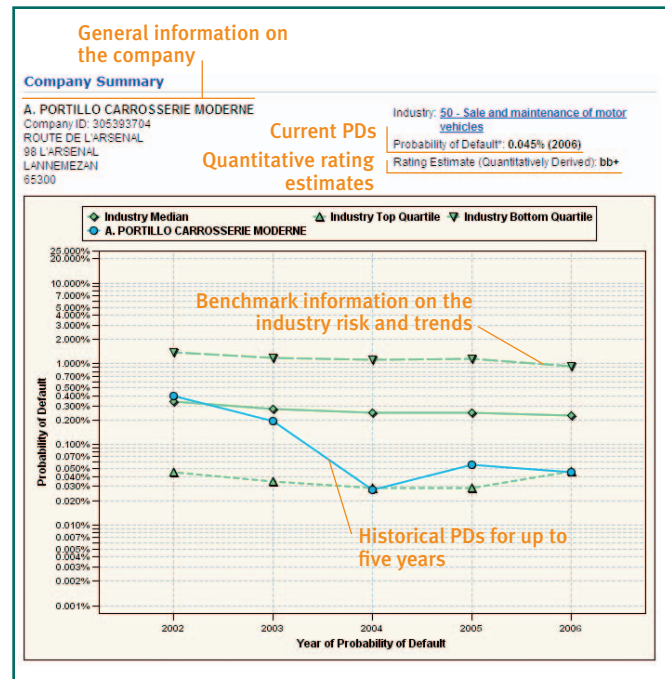
RISK SOLUTIONS

Standard & Poor's risk management solutions focus on developing and enhancing clients' internal credit rating systems and providing tools for their credit portfolio analysis. The solutions address all major components of an internal rating system, including tools and methodologies for the analysis of probability of default, loss given default, and exposure at default. Standard & Poor's integrated credit risk management solution leverages its experience in credit assessment to help clients manage enterprise risk, economic and regulatory capital, active exposures, and risk pricing with confidence.

Standard & Poor's Credit Risk Tracker

Standard & Poor's *Credit Risk Tracker* is a Web-based, comprehensive probability of default (PD) model covering private companies in Europe and North America. Users can assess, benchmark, and validate probabilities of default for middle-market exposures.

- The European version provides PDs for more than 1.1 million companies in France, Italy, Germany, Spain, and the United Kingdom. Customers can look up the pre-calculated PD, quantitatively-derived rating estimate, and industry statistics for middle market firms, as well as small- and medium-sized enterprises (SMEs). Industry- and country-specific models produce forward-looking one-year PDs based on financial, business, and economic information for each company.
- The North American version produces forward-looking, one-year PDs that are consistent with the Basel II internal ratings-based approach for calculating regulatory capital. Customers can build better default protection into new credit facilities, tighten pricing guidelines for new loans to private firms, and approach prospective clients with an enhanced awareness of their credit quality.



Standard & Poor's Credit Risk Tracker is a comprehensive probability of default model

## CONTRIBUTING TO TRANSPARENT, EFFICIENT FINANCIAL MARKETS

Standard & Poor's is committed to offering data products and services that contribute to transparent, efficient markets and giving the global financial community the independent benchmarks it needs to make informed financial decisions. As the financial markets have grown more complex, the financial community has increasingly sought out the vital company, ratings, reference, pricing, fund, and index data offered by Standard & Poor's.

Standard & Poor's embeds its data offerings – the market's most comprehensive and timely financial information – into the workflow of financial professionals globally. Timely, critical, and unique content is packaged into client-integrated workflow platforms, specific workflow applications, and data feeds to help clients provide value to their customers.

## EMBEDDING STANDARD & POOR'S DATA INTO CLIENT WORKFLOWS

### Unique Content

- Company Data
- Ratings Information
- Reference Data
- Securities Evaluations
- Fund Data
- Index Data
- 3rd Party Data\*
- Client's Proprietary Data\*\*

### Solution-Based Delivery

- Workflow Application
  - Capital IQ Platform
- Single Process Applications
  - Research Insight
  - RatingsDirect
  - CUSIP Access
- Data Feeds
  - Compustat Xpressfeed
  - RatingsXpress
  - Masterfeed

CLIENT

\* Includes entity identification and global equity pricing

\*\* Client's own proprietary data stored on Capital IQ Platform and accessible only by client

**Company Data:** Standard & Poor's delivers timely, standardized fundamental data and market information, as well as industry classifications on global companies, to investment professionals worldwide. Standard & Poor's company data meets clients' needs with wide company coverage, a large number of unique data items, and an extensive historical database.

**Ratings Information:** Standard & Poor's provides real-time ratings information on Standard & Poor's-rated global issuers including corporations, financial institutions, insurance companies, sovereigns, structured financings, and utilities, supplying users with the insight they need into the decisions made by Standard & Poor's ratings analysts on the credit status of thousands of entities worldwide.

**Reference Data:** Standard & Poor's provides global reference data solutions including industry standard CUSIP numbers, global cross-referencing, corporate actions, descriptive data, and services to link business entities with financial securities that support securities operations and risk management worldwide. Reference data capabilities assist customers with Straight Through Processing (STP), global clearance and settlement, compliance, security master file maintenance, and data management operations.

**Securities Evaluations:** Standard & Poor's provides independent fixed-income evaluations and global pricing services that support securities operations, fund pricing, and portfolio management worldwide. Standard & Poor's also provides objective fair value evaluations on municipals, corporates, mortgage-backed securities, derivatives, swaps, and other evaluated securities.

**Fund Data:** Covering nearly 100,000 global funds, including mutual funds, pension-linked funds, insurance-linked funds, and hedge funds, Standard & Poor's defines the standard for the normalization and comparison of fund information. Standard & Poor's has been tracking fund information for more than a decade, building one of the most complete and best-known sources in the industry.

**Index Data:** For investment professionals who rely on S&P index information, Standard & Poor's offers easy-to-use tools for complete access to S&P index activity and analysis. Standard & Poor's index data products are crucial for investment professionals who need timely updates on index information.

### Workflow Application

**Capital IQ Platform:** Provides high-impact information and workflow solutions to over 1,400 leading financial institutions. Its solutions are based on the Capital IQ Platform, a unique combination of global private and public capital market data and technology that enables end-users to draw deep market insights, generate better ideas, leverage relationships, and simplify workflows. Clients can either deploy the Capital IQ Platform as a standalone solution or seamlessly integrate its components into existing business applications and portals via systems integration and custom data feeds.

### Single Process Applications

**Research Insight:** Investment professionals' portal to authoritative financial data, company reports, easy-to-use performance graphs, and documents. Extensive functionality and broad selection of data items enable investment professionals to customize research and transform their analysis into insight.

**RatingsDirect:** The real-time, online source for Standard & Poor's global credit ratings, research, and risk analysis. Investors seek the objective and informed opinions of S&P credit analysts to help them evaluate the credit quality of issuers and their debt obligations.

**CUSIP-ISID Plus Access:** Online access to the entire universe of CUSIP numbers along with ISIDPlus, the global cross-reference database.

### Data Feeds

**Compustat Xpressfeed:** Timely, comparable, objective company information with deep history to support sophisticated analysis across industries, companies, and items.

**RatingsXpress:** Customizable digital feed of Standard & Poor's credit ratings information including real-time ratings coverage of global issuers, structured finance, and U.S. public finance segments.

**Masterfeed:** A single source for global pricing and securities data including dividend announcements, credit ratings, and descriptive data on more than 6 million instruments. The flexible data delivery platform gives financial professionals the freedom to prioritize pricing and reference data sources.

## Standard &amp; Poor's

## WORLD'S LEADING PROVIDER OF INDEPENDENT EQUITY RESEARCH

Standard & Poor's is the world's leading provider of independent equity research, offering a wide array of investment opinions and related services that is purchased by financial advisors, investors, and institutions worldwide. Standard & Poor's equity research serves a full range of financial advisors, from traditional broker to registered investment advisor, from wirehouse to independent advisor, and from financial planner to wealth manager. Standard & Poor's provides its research in a number of ways, including strategy-

driven stock portfolios, trend-driven thematic research tied to specific recommendations, individual reports on equities, and advanced practice management services. Standard & Poor's qualitative stock analysis (STARS, also known as Stock Appreciation Ranking System) is analyst-based and was introduced in 1987, while S&P Quality Ranking System, a powerful quantitative measure widely used in evaluating equities, was launched 50 years ago.

## INVESTMENT RESEARCH FOR FINANCIAL ADVISORS AND INDIVIDUAL INVESTORS

Key services include:

- **Standard & Poor's Stock Reports:** Covers more than 5,000 publicly-traded companies, including qualitative coverage of over 1,800 companies, and presents an in-depth picture of each company's activities, development, performance, and outlook
- **Standard & Poor's Advisor Insight:** Provides financial advisors with online access to Standard & Poor's research, analytical tools, and performance-driven investment advice
- **Standard & Poor's Interactive Stock Reports:** Provides online access to sophisticated equity opinions and analyses based on S&P's STARS analytical methodology
- **Standard & Poor's MarketScope:** Provides real-time commentary, recommendations, investment strategies, current opinions, and stock picks to over 120,000 investment professionals daily
- **Standard & Poor's Investment Playbooks and Spotlights:** Trend-based research reports and investment recommendations with themes drawn from current events, media stories, and emerging developments identified by Standard & Poor's analysts
- **Standard & Poor's Research Notes:** Reports analysts' intraday recommendation changes through a direct feed into the networks of key brokerage and banking clients
- **The Outlook:** Standard & Poor's consumer-oriented, investor web site, which includes a weekly newsletter that has been providing investors with unbiased research for eight decades

## INVESTMENT RESEARCH FOR INSTITUTIONS

Standard & Poor's institutional equity research products and capabilities support a portfolio manager's investment assumptions and research practice. Product highlights include:

- **Standard & Poor's Institutional Research Reports:** Provides expanded analysis, including extensive company analysis, investment thesis, and detailed Standard & Poor's Core Earnings calculations, for more sophisticated investors
- **Global Equity Insights:** Provides Standard & Poor's monthly outlook on the global economy and investment markets, highlights of individual stocks, and STARS portfolio reviews
- **Investment Policy Committee (IPC) Notes:** Reports Standard & Poor's "top-down" economic, fundamental, and technical outlook as well as asset allocation
- **Special Studies:** Provides thematic research. Recent studies included the small-cap energy sector and Quality Trends based on Standard & Poor's Earnings & Dividend Quality Rankings

## LEADING THE WAY IN THOUGHT LEADERSHIP AND ANALYTICAL EXCELLENCE

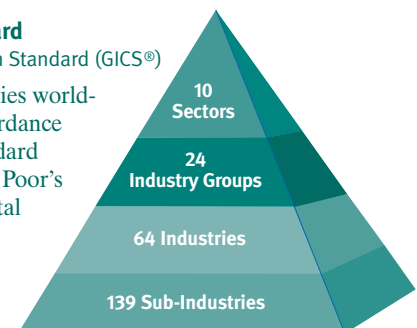
## Standard &amp; Poor's Quality Ranking System

The Standard & Poor's Quality Ranking System (also known as the Earnings & Dividend Ranking System) ranks a broad universe of U.S. common stocks based on each company's 10-year history of earnings and dividend activity. Created nearly 50 years ago, the S&P Quality Ranking System's proprietary quantitative methodology evaluates more than 4,000 common stocks, and is relied on by both individual and professional investors to identify securities that consistently outperform market indices on a risk-adjusted basis. Standard & Poor's also produces a number of in-depth S&P Quality Ranking reports and creates products which apply this popular, time-tested evaluator in innovative ways, including a growing number of S&P model portfolios and structured investment ideas.

## Creating a Global Standard

Global Industry Classification Standard (GICS®)

More than 33,500 companies worldwide are classified in accordance with GICS®, a global standard developed by Standard & Poor's and Morgan Stanley Capital International Inc. Each company is classified at the sub-industry level.



## LEVERAGING GLOBAL INTEREST IN INDEPENDENT EQUITY RESEARCH

The global equity research business is undergoing transformational change. Intense regulatory oversight in the U.S., the Global Research Settlement, requirements for analyst certification, and measures for increased transparency have been instituted to help restore investor confidence in equity markets. Due to the separation of sell-side research from investment banking, the sell-side has found it challenging to fund its institutional equity research efforts. As institutional commissions alone are unlikely to fully fund the research effort, the sell-side is reducing the amount of equity research it provides. In turn, the sell-side is facing a shrinking commission pool, which is further impacted by the price pressure

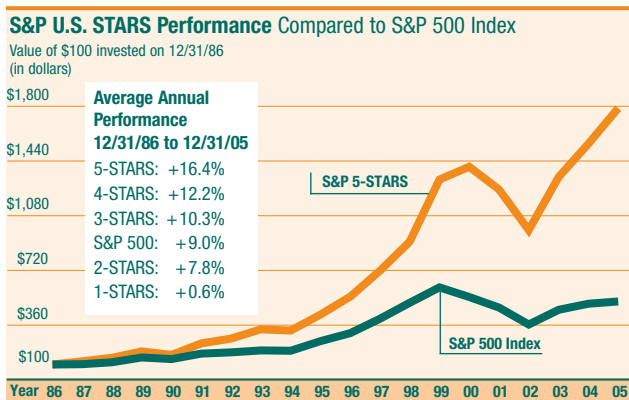
that is likely to result from increased transparency related to research and execution costs. Sell-side coverage reductions have also resulted in a large number of public companies without coverage or with inadequate coverage.

The evolution of the global equity research environment is creating opportunities for independent equity research firms to provide new and enhanced research and support services to the sell- and buy-side, as well as new customer groups including individual companies and exchanges.

## ANALYTICAL RIGOR

### Qualitative Research

Standard & Poor's equity research analysts provide investment recommendations using a proprietary measure called the Stock Appreciation Ranking System, or STARS, a ranking of the potential for future performance over the coming 12-month period. Over 1,800 companies are evaluated under this system ranging from an S&P 5-STARS Strong Buy ranking to a 1-STARS Strong Sell ranking.



Source: Standard & Poor's

### Quantitative Research

Standard & Poor's provides quantitative evaluations for more than 6,000 equities including models that use artificial intelligence and incorporate historical numbers and growth projections.

- Quality Ranking (Earnings & Dividend Ranking) System:** A ranking that reflects Standard & Poor's appraisals of growth and stability of earnings and dividends over the past ten years
- Fair Value Rank:** A quantitative model that incorporates profitability, relative value, and changes in future earnings estimates. This ranking is based on relational analyses of consensus earnings and growth forecasts
- Investability Quotient (IQ):** The IQ indicates a stock's potential for medium- to long-term returns on a scale of 0 to 250 based on three proprietary performance measures: STARS, Quality Rankings, and Credit Ratings. The IQ calculation also draws from a proprietary statistical model that looks at valuation, profitability, risk and momentum factors, relative strength, liquidity, and volatility
- Standard & Poor's Core Earnings:** Standard & Poor's equity analysts rigorously evaluate the underlying earnings power of the companies they analyze principally through the proprietary S&P Core Earnings data set and analytical methodology

## NORDEA

In 2004, Standard & Poor's announced a groundbreaking agreement to provide Nordea, the leading Nordic region bank, with all its fundamental equity research. Standard & Poor's provides in-depth institutional-level research coverage on approximately 200 companies in Western Europe and the Nordic region. In addition, Standard & Poor's provides analyst support through daily morning calls and client servicing which enables Nordea to fulfill in-house equity research needs and support its clients with differentiated, value-added research.

## VISTA RESEARCH

Vista Research adds a new capability to Standard & Poor's suite of research products and information platforms by enabling institutional money managers to access a broad set of industry practitioners and thought leaders in their respective fields. Through the Vista network of top-quality industry contacts, Standard & Poor's offers customers in-depth insights about issues and trends within different industry sectors such as technology, media, telecommunications, energy, retail, healthcare, and aerospace.

## Standard &amp; Poor's

## CREATING NEW INVESTMENT OPPORTUNITIES

Standard & Poor's is the leading, full-service provider of tradeable and investable index products and services, offering products for a wide array of investment and trading needs. Standard & Poor's flagship index series, including the S&P 500 and S&P Global 1200, are world-renowned as investable, liquid, and replicable offerings designed to serve as proxies for the different markets they measure.

The S&P/Citigroup Broad Market Index series enables Standard

& Poor's to offer comprehensive benchmarks as well as custom indices on a global basis. This offering builds on the extensive index data, calculation, and analytical tools available in both the S&P/Citigroup and investable indices Standard & Poor's has developed over the last 80 years. While no one index serves the purpose of all investors, one index provider – Standard & Poor's – can serve the needs of all investors.

## Representative S&amp;P Indices

Investable, liquid and replicable offerings designed to serve as proxies for the markets they measure:

- Committee-based methodology
- Focused coverage with fewer constituents
- Liquid and tradeable
- Efficient and investable
- Index products include futures, options, exchange-traded funds, and institutional index funds

## S&amp;P Indices

## Comprehensive S&amp;P/Citigroup Indices

Broad market indices cover more than 10,000 companies in 53 local markets and represent approximately 97% of the world's market capitalization:

- Rules-based methodology
- Comprehensive, broad market coverage
- Wide opportunity set
- Performance benchmarks
- Index products include institutional index funds

## S&amp;P FAMILY OF INDICES

- **S&P Global 1200** offers investors a large cap view of global equities. Its seven regional components are led by the widely-followed S&P 500 for the U.S. market, with over \$1 trillion indexed and more than \$4 trillion benchmarked to it at year-end 2005. The S&P Global 1200 is designed for traded products, and its component indices are world leaders for index futures, options, and exchange-traded funds (ETFs).
- **S&P/Citigroup Broad Market Indices** give a comprehensive view of world equity markets, and are especially suited for institutional benchmarking and performance analysis. Backed by nearly 20 years of index history and stock data, the indices and related data

sets are used by asset managers and pension plans around the world.

- **S&P stock exchange partner indices** measure equity market performance in line with views of local market investors. Standard & Poor's works with local stock exchanges and other organizations to provide headline indices for Australia, Canada, China, Hong Kong, India, Italy, Japan, and Russia.
- **S&P/TSX Canadian Bond Index** is a comprehensive fixed income benchmark for the Canadian market. Supported by price feeds from six dealer desks, the index is the first independently calculated bond benchmark in Canada.

## RAPIDLY GROWING INDEX SERVICES

In 2005 and early 2006, Standard & Poor's continued to demonstrate its leadership in providing new tradeable portfolio indices and products for the global investment community:

- **S&P Dividend Aristocrats:** Focuses on the S&P 500 constituents that have paid increasing dividends each year for the past 25 years
- **High Yield Dividend Aristocrats:** Focuses on the top 50 highest dividend yielding companies in the S&P Composite 1500 that have issued increasing dividends for at least 25 consecutive years
- **S&P Style:** A market capitalization-weighted index series that draws on the multi-factor methodology of the S&P/Citigroup Indices and includes all constituents of the parent index
- **S&P Pure Style:** A style score-weighted index series that draws on the multi-factor methodology of the S&P/Citigroup Indices and selectively includes constituents that exhibit strong growth or value characteristics
- **S&P Commodities:** Broad-based index series covering 17 widely-traded U.S. commodities futures contracts
- **S&P/CITIC China 30:** An index that draws on the 250 China-headquartered companies with shares publicly traded on Singapore, Hong Kong, New York, and NASDAQ exchanges
- **S&P Select Industry:** Measures the performance of narrow sub-industries – including biotechnology, homebuilders, and semiconductors – in the Global Industry Classification Standard (GICS®). Each index in the series constitutes a minimum of 21 liquid securities and represents at least 90% of the float-adjusted market capitalization of the GICS sub-industry, providing investors an investable portfolio representing a concentrated industry
- **Russian Trading System Stock Exchange Index (RTSI):** Standard & Poor's has exclusive rights for distributing, licensing, marketing, and publicizing the RTSI, the leading Russian equity benchmark for international and domestic investors

## HOW S&amp;P IS PAID ON INDEX PRODUCTS AND SERVICES

Standard & Poor's generates revenues from:

- **Investment vehicles such as ETFs**, which are based on Standard & Poor's indices and generate revenue through fees based on trading volume and assets in underlying funds
- **Index-related licensing fees**, which are either annual fees based on assets under management or flat fees for derivatives and structured products
- **Data sales**, which support index product management
- **Listed derivatives**, which generate royalties based on trading volumes of derivatives contracts listed on the Chicago Mercantile Exchange, Chicago Board Options Exchange, and other exchanges

### RECORD-LEVEL ETFs LINKED TO S&P INDICES

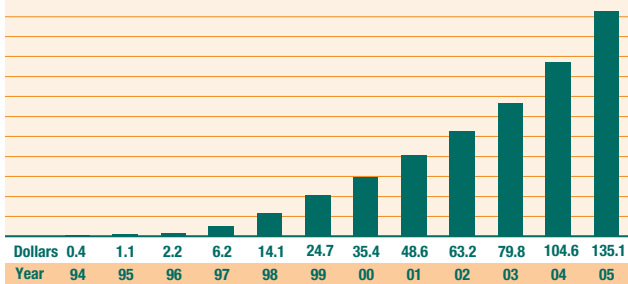
Exchange-traded funds (ETFs), which represent share ownership of an index fund but trade like shares of stock, have become the most popular securities on the American Stock Exchange. Standard & Poor's has been at the forefront of ETF development since the launch of the S&P 500 SPDR (Standard & Poor's Depository Receipts) in 1993, the S&P MidCap SPDR in 1995, and the Select Sector SPDRs in 1998. Assets in ETFs linked to S&P indices

reached record levels at year-end 2005, led by the S&P 500 SPDR, the largest ETF in the world.

Introduced in January 2005, trading volume on SPDR options (SPY) on the Chicago Board Options Exchange (CBOE) totaled more than 16 million contracts, with an average volume of 65,568 contracts per day, in 2005.

#### S&P Index-Based ETF Assets\*

(dollars in billions)

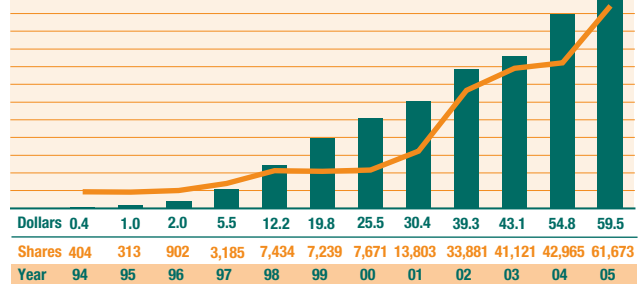


Source: Standard & Poor's

\* Reflects year-end data

#### S&P 500 SPDR Trust Value/Average Daily Trading Volume

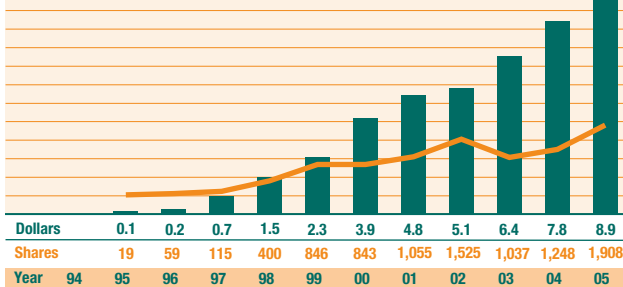
(dollars in billions) / (shares in thousands)



Source: American Stock Exchange

#### MidCap SPDR Trust Value/Average Daily Trading Volume

(dollars in billions) / (shares in thousands)

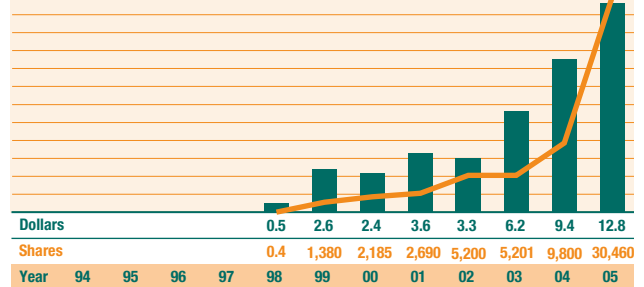


Source: American Stock Exchange

Note: MidCap SPDRs (MDY) started trading May 4, 1995

#### Select Sector SPDR Trust Value/Average Daily Trading Volume

(dollars in billions) / (shares in thousands)

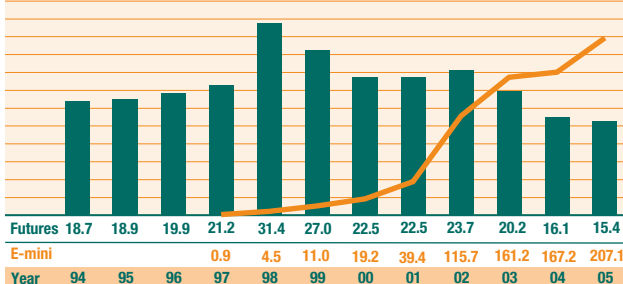


Source: American Stock Exchange

Note: Select Sector SPDRs started trading December 22, 1998

#### S&P 500 Futures and "E-mini 500" Contracts Traded on the CME\*

(contracts in millions)



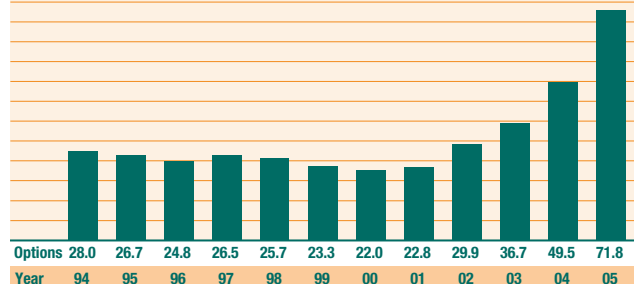
Source: Chicago Mercantile Exchange

\* Reflects year-end data

Note: E-mini 500 contracts started trading on September 9, 1997

#### S&P 500 Option Contracts Traded on the CBOE\*

(contracts in millions)



Source: Chicago Board Options Exchange

\* Reflects year-end data

## Standard &amp; Poor's

## INVESTMENT ADVISORY SERVICES

Standard & Poor's provides independent, custom-tailored analysis and recommendations to leading financial organizations, from mutual fund companies and brokerages to insurance companies

and retirement plan providers. Standard & Poor's advisory services offers three categories of investment advice – Portfolio Strategies, Fund Research and Recommendations, and Asset Allocation.

## PORTFOLIO STRATEGIES

Standard & Poor's portfolio strategies incorporate Standard & Poor's independent, analytical insights and proprietary research.

- **Stock-Based Strategies:** Standard & Poor's stock-based portfolio services range from developing recommended stock lists to acting as a non-discretionary subadvisor for equity portfolios. Standard & Poor's portfolio officers leverage proprietary data and research tools in designing stock portfolios, the composition of which can be driven by quantitative models, fundamental research, or both.
- **Multi-Manager Strategies:** Standard & Poor's combines its asset allocation and fund recommendations to create multi-manager strategies, which can be customized to accommodate the client's universe of available funds and needs for number and type of asset classes desired. Services range from preferred lists of funds to managing funds of funds on a non-discretionary subadvisory basis.

## FUND RESEARCH AND RECOMMENDATIONS

Standard & Poor's provides clients with rigorous evaluations to aid in fund portfolio analysis and manager selection. Standard & Poor's fund research covers all styles and market capitalization segments, spanning global equity and fixed-income markets.

Standard & Poor's recommends lists of funds, separately managed accounts (SMAs), exchange-traded funds (ETFs), and insurance

sub-accounts for portfolios tailored to client-supplied requirements. On an ongoing basis, these lists are monitored to ascertain that the portfolios continue to meet Standard & Poor's high standards for performance, consistency, process discipline, and management quality, while remaining focused on the portfolio's investment objectives.

## ASSET ALLOCATION

Standard & Poor's asset allocation services can be used to develop portfolios for both institutional and retail settings. Standard & Poor's investment professionals use modern portfolio theory as the foundation of their analysis, layering it with their perspectives on current market, economic, and industry forecasts – all while addressing specific client requirements and investment objectives. Standard & Poor's then recommends a forward-looking, strategic asset allocation at the asset class level designed to allow the client to create

portfolios that strive to maximize return for each unit of risk.

Standard & Poor's asset allocation recommendations span a spectrum of asset classes and risk appetites and can address targeted objectives, such as capital appreciation, industry sector, income, and regional/global classifications. This process can also incorporate risk tolerance questionnaires for individuals, institutions, and plan sponsors.

## A VARIETY OF OPTIONS FOR WORKING WITH STANDARD &amp; POOR'S

Standard & Poor's investment research and advice is available through a variety of arrangements, including:

- **Licensing:** Clients can license Standard & Poor's proprietary research and rankings to create funds, SMAs, unit investment trusts (UITs), structured notes, and other investment vehicles
- **Consulting:** Standard & Poor's provides recommendations consistent with a portfolio's investment objectives that clients use in their decision-making
- **Subadvisory:** Standard & Poor's acts as a non-discretionary subadvisor to investment managers of fund of funds and equity portfolios. Standard & Poor's provides daily evaluation and monitoring of the portfolio as well as specific buy, sell, and weighting recommendations
- **S&P Portfolio Advisor:** Fee-based advisors can receive Standard & Poor's investment advice and research via S&P Portfolio Advisor, an online asset management platform designed to seamlessly blend advice and research with intuitive workflow tools to help advisors create and manage investment plans for their clients. Standard & Poor's Portfolio Advisor features modular technology and a user-friendly interface that can be integrated with a client's existing trading and portfolio management systems
- **Support Services:** Standard & Poor's provides marketing and sales support such as conference and teleconference speakers, wholesaler meetings, road shows, and various other programs