

# Structured Credit Investor Credit Default Swap Seminar

July 1<sup>st</sup>, 2010

See what others don't,  
so you can do what others can't.™

PROPRIETARY INFORMATION.

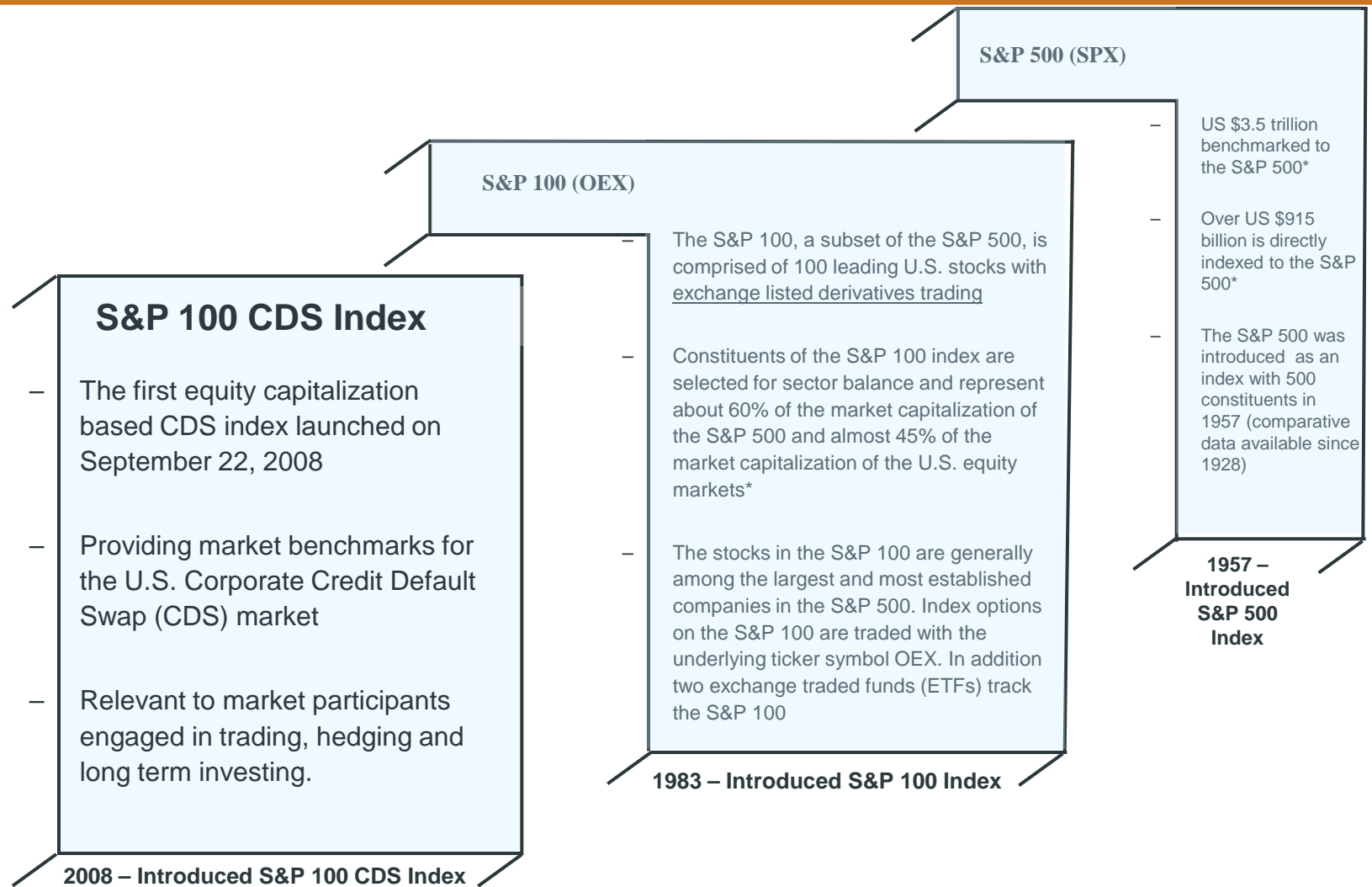
Permission to reprint or distribute any content from this presentation requires the written approval of Standard & Poor's. Copyright © 2010 Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

# Branded Indices

## Where branded indexes work

- **Big picture themes, strategies and asset classes**
- **New Regulations on the Horizon**
- **Need independent brand**
- **Collaborative Effort**
- **Clearing is an issue and standardization is necessary**

# CDS Index Capabilities Emerged From The S&P 500 Index



\* As of 3/31/10, S&P 500 covers approximately 75% of U.S. Equities. S&P 100 covers approximately 64% of the S&P 500

# S&P CDS 100 is Unique, Rules Based & Diversified

## S&P 100 Equity Index TR Level vs. S&P 100 CDS Rolling Index Level

### S&P100 CDS CONCENTRATIONS

#### Largest - 6/21/10

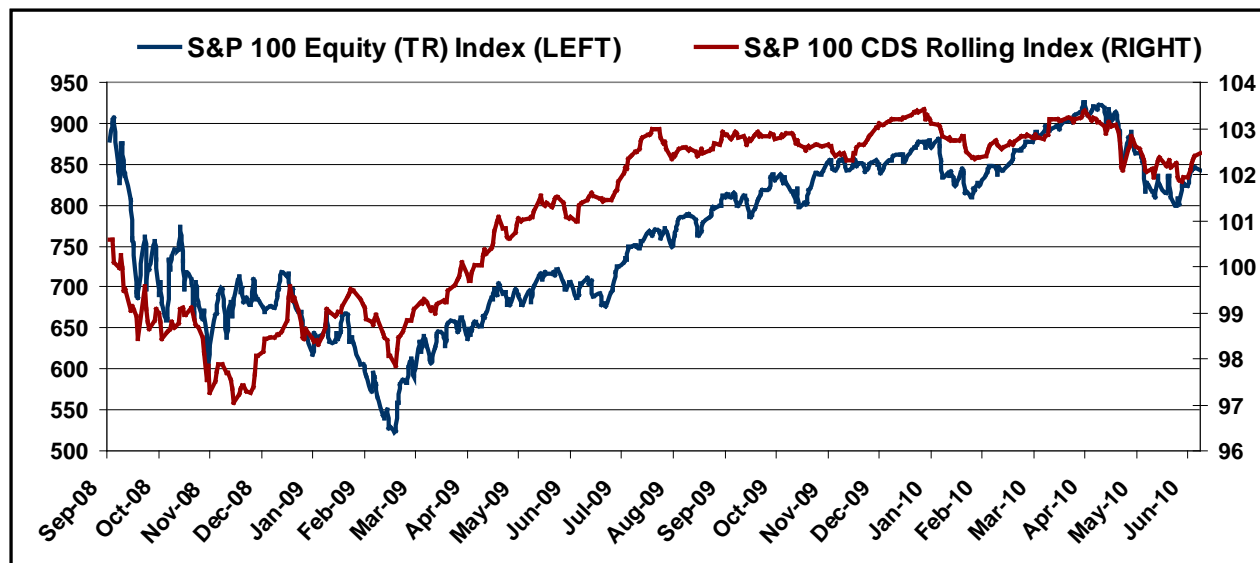
Exxon Mobil Corporation	4.90%
Microsoft Corp.	4.02%
Wal-Mart Stores Inc.	3.30%
Berkshire Hathaway Inc	3.03%
Procter & Gamble Co	2.96%
Johnson & Johnson	2.86%
International Business Machine	2.70%
JP Morgan Chase & Co.	2.57%
Bank of America Corp.	2.54%
AT&T Inc.	2.45%

#### Smallest - 6/21/10

Entergy Corp	0.42%
Heinz (HJ) Co.	0.41%
Alcoa Inc.	0.40%
Avon Products	0.39%
Williams Cos. Inc.	0.39%
Xerox Corp.	0.38%
Campbell Soup Company	0.37%
Sprint Nextel Corp.	0.34%
Sara Lee Corp.	0.34%
Weyerhaeuser Co	0.32%

### Index Comparison (Sept 22, 2008 – June 21, 2010)

As shown on the graph below, the S&P 100 and the S&P 100 CDS appear to move together



Rolling Index Calculation: This unique return calculation gives investors a continuous return perspective on the index series over a long term investment horizon. For complete details on this calculation and the S&P CDS Indices, please see the methodology document posted at [www.fixedincomeindices.standardandpoors.com](http://www.fixedincomeindices.standardandpoors.com)

Source: Standard & Poor's.

Actual total return index performance is shown from market close 9/22/2008 to 6/21/2010. The Indices are unmanaged 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 performance of the indices is no indication of future performance.



# S&P CDS Index Family Follows ISDA Protocol

All S&P CDS Indexes Meet ISDA Protocol and Are Presented on ISDA CDS Marketplace

The screenshot shows a Microsoft Internet Explorer browser window displaying the ISDA CDS Marketplace website. The page title is "ISDA: CDS Marketplace :: Daily Prices :: S&P CDS Indices - Microsoft Internet Explorer provided by Standard and Poor's". The address bar shows the URL "http://www.isdacdsmarketplace.com/daily\_prices/sp\_cds\_indices". The website features a navigation menu with "DAILY PRICES" selected. Below the menu, there is a breadcrumb trail: "Overview | Single Name Reference Entities | Markit CDX and iTraxx Indices | S&P CDS Indices". The main content area is titled "Daily Prices S&P CDS Indices" and includes a paragraph explaining that the chart lists current spread and daily changes for a select group of S&P credit indices. Below this is a table with the following data:

Index	Spread	Daily Change (bp)
S&P 100 CDS	86	(2)
S&P CDS U.S. High Yield	526	(2)
S&P CDS U.S. Homebuilders Sector	292	0
S&P CDS U.S. Homebuilders Select 10	262	(2)
S&P CDS U.S. Investment Grade	132	(2)

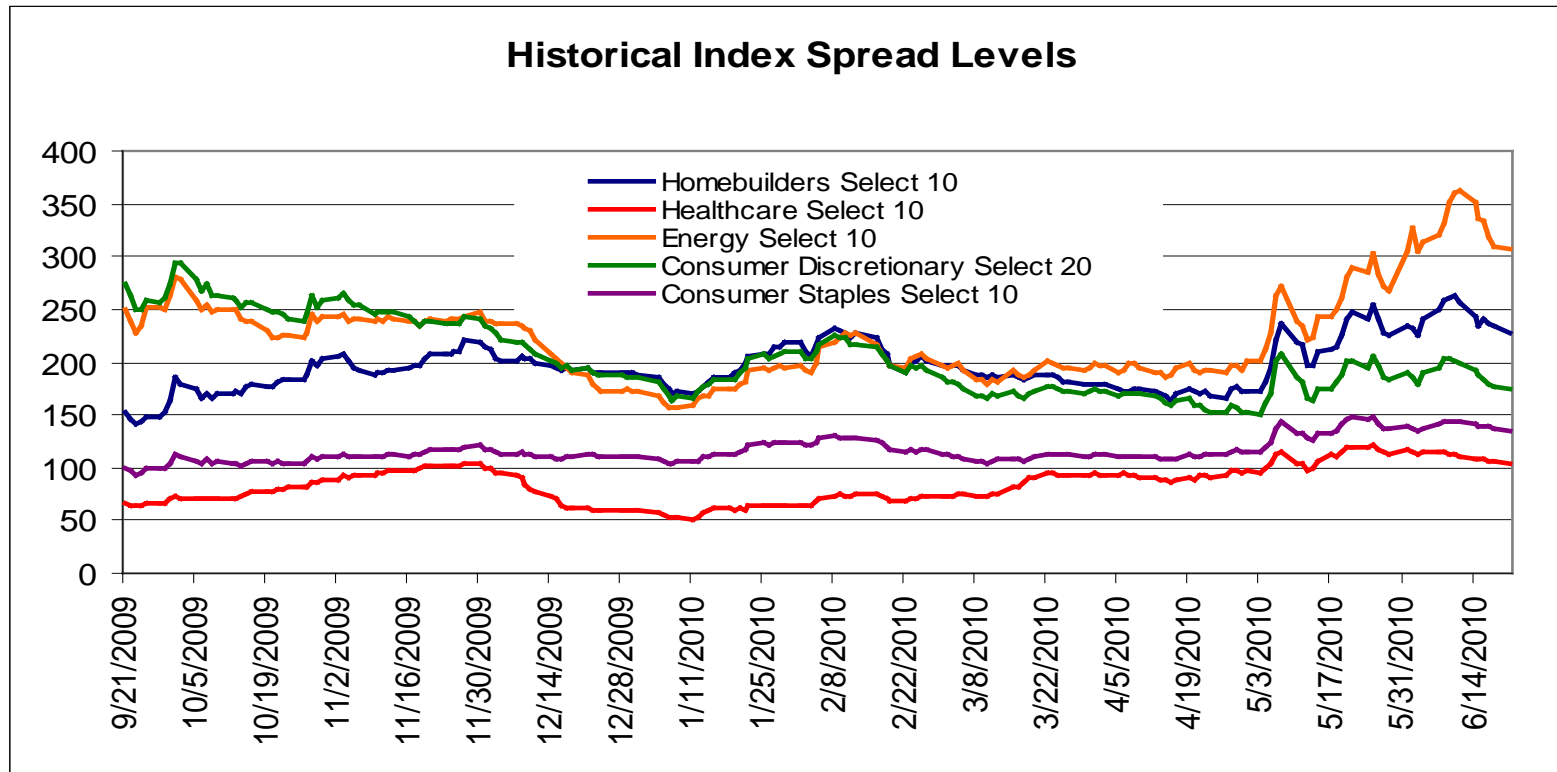
Data current as of June 28, 2010

Terms and Conditions © 2009 ISDA All Rights Reserved. [www.isda.org](http://www.isda.org) Site by Raka

Source: International Swaps and Derivatives Association, Inc. (ISDA)

# S&P CDS Index Family – GICS Sector Expansion

## S&P CDS Sector Indices - Average of 5 yr CDS Spreads



Sources: Standard & Poor's, Capital IQ and Credit Market Analysis (CMA).

The chart is provided for illustrative purposes only and presents information on historic credit default swap spreads for the different indices. With the exception of the S&P CDS U.S. Homebuilders Select 10 Index which was launched on April 16, 2010, none of the other Indices shown in the chart were in existence for the review period shown. The review period in this chart begins on September 21, 2009, coinciding with the second CDS rollover in 2009. The historical index spreads shown for all of the indices from September 21, 2009 through June 21, 2010 at the market close have been calculated using a simple mathematical average of the index constituent's mid credit default swap spread levels. Constituent credit default swap levels have been obtained from the Capital IQ database for each day in the historical backtest period. CMA provides individual credit default pricing to Capital IQ. Index spreads can change over time based upon movements of the spreads of the underlying constituents. Past performance is not indicative of future index levels.

# Continually Customizing To Meet Investment Community Requirements

## New and potential CDS Sector Concepts

- Homebuilders Sector: Constituents of Home Builders and Home Construction – launched 12/17/09
- Sectors based on Global Industry Classification Standard (GICS)
- Health Care, Energy, Consumer Discretionary and Consumer Staples – launched 6/30/10

## Meeting Your Bespoke Sector Needs

- Customized CDS index for benchmarking purposes
- White labeled CDS Indices
- Unique Client Focused CDS Strategy indices



## Leveraging the S&P Brand

- S&P offers the opportunity to leverage a well-known, respected, objective brand with years of experience in index calculation and maintenance
- Use of the “Calculated by Standard & Poor’s” mark and the logo in your marketing and literature promotes the independent calculation of the index
- Extensive S&P universe of equity, fixed income and commodity indices customizable for your needs

**Either Your Intellectual Property or S&P’s Intellectual Property  
We Can Work Together to Meet Your Needs**



# Performance Disclosure

The S&P CDS U.S. Homebuilders Select 10, the S&P CDS U.S. Healthcare Select 10, the S&P CDS U.S. Energy Select 10, the S&P CDS U.S. Consumer Discretionary Select 20, and the S&P CDS U.S. Consumer Staples Select 10 are composite indices. 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 S&P CDS U.S. Healthcare Select 10, S&P CDS U.S. Energy Select 10, S&P CDS U.S. Consumer Discretionary Select 20, and the S&P CDS U.S. Consumer Staples Select 10 Indices were not in existence throughout the time period represented in this document. All data for these Indices are backtested. The backtest period runs from September 21, 2009 at the market close through June 21, 2010 at the market close and has been constructed based on a mathematical average of the index constituent's mid credit default swap spread levels. Constituent credit default swap levels have been obtained from the Capital IQ database for each day in the historical backtest period. Credit Market Analysis provides individual credit default pricing to Capital IQ.

The S&P Homebuilders Select 10 Index was launched on April 16, 2010 and had not been in existence prior to that date. Even though the S&P CDS U.S. Homebuilders Select 10 Index was launched on April 16, 2010, the information presented in this document was based on backtested data using the same calculations described for the other indices. The actual performance from April 16, 2010 through June 21, 2010, at the market close would have been mathematical insignificant to cause any marked difference in the charts.

Prospective application of the methodologies used to construct the Indices may not result in performance commensurate with the backtest returns shown. The indexes are rules based, although the Index Committee reserves the right to exercise discretion, when necessary.

The index performances shown have inherent limitations. The index returns shown do not represent the results of actual trading of investor assets. Standard & Poor's maintains the indexes and calculates the index levels and performance shown or discussed, but does not manage actual assets. Indices are statistical composites and their returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and backtested performance to be lower than the performance shown. For example, if an index returned 10 percent on a \$100,000 investment for a 12-month period (or \$10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or \$1,650), the net return would be 8.35 percent (or \$8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of \$5,375 and a cumulative net return of 27.2% (or \$27,200).

# S&P INDICES

This document does not constitute an offer of services in jurisdictions where Standard & Poor's or its affiliates do not have the necessary licenses. Standard & Poor's receives compensation in connection with licensing its indices to third parties.

All information provided by Standard & Poor's is impersonal and not tailored to the needs of any person, entity or group of persons. Standard & Poor's and its affiliates do not sponsor, endorse, sell, promote or manage any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of any Standard & Poor's index. Standard & Poor's is not an investment advisor, and Standard & Poor's and its affiliates make no representation regarding the advisability of investing in any such investment fund or other vehicle. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this presentation. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by Standard & Poor's to buy, sell, or hold such security, nor is it considered to be investment advice. Exposure to an asset class is available through investable instruments based on an index. It is not possible to invest directly in an index.

Standard & Poor's does not guarantee the accuracy and/or completeness of any Standard & Poor's index, any data included therein, or any data from which it is based, and Standard & Poor's shall have no liability for any errors, omissions, or interruptions therein. Standard & Poor's makes no warranties, express or implied, as to results to be obtained from use of information provided by Standard & Poor's and used in this service, and Standard & Poor's expressly disclaims all warranties of suitability with respect thereto. While Standard & Poor's has obtained information believed to be reliable, Standard & Poor's shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages, even if it is advised of the possibility of same. 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.

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. Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

Copyright © 2010 by Standard & Poor's Financial Services LLC. All rights reserved.

Redistribution, reproduction and/or photocopying in whole or in part is prohibited without written permission.

S&P, S&P 500, and STANDARD & POOR'S are registered trademarks of Standard & Poor's Financial Services LLC. S&P MIDCAP 400 and S&P SMALLCAP 600 are trademarks of Standard & Poor's Financial Services LLC.

Michael Kondas  
New York  
212-438-7942



Analytic services and products 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.