

Presentation to OIC Member States' Stock Exchanges Forum – “Creation of an OIC Index”

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

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Topics

- **S&P Indices: A Global Footprint**
- **S&P Indices: A Leading Global Index Provider**
- **Market Traction for S&P's Shariah Indices**
- **Proposal for Two Shariah Indices**
- **OIC Exchanges Currently Covered by S&P Indices**
- **S&P/OIC Exchanges BMI Shariah index**
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- **OIC Exchanges Currently Not Covered by S&P**
- **Branding, Costs and Revenues**
- **Marketing and Data Dissemination**
- **Questions for OIC**
- **Appendices**
 - S&P's Shariah Methodology
 - Why S&P Indices?
 - Marketing: Thought Leadership & Investor Outreach

S&P Indices: A Global Footprint

- Headquartered in New York, USA
- Approximately 200 staff members, based in fifteen financial centers that are directly involved in the index business development and management :
 - **North America:**
 - New York
 - Toronto
 - **EMEA:**
 - London (**Europe/Middle East operations hub**)
 - Paris
 - Frankfurt
 - Madrid
 - Moscow
 - Dubai
 - **Asia Pacific:**
 - Mumbai
 - Singapore
 - Hong Kong
 - Beijing (**Asia/Pacific operations hub**)
 - Seoul
 - Tokyo
 - Sydney
- Three main calculation hubs (New York, London & Beijing) to provide 24 hour real time coverage and support across all markets and in the local time zone.

S&P Indices: A Leading Global Index Provider

- US\$ 1.1 trillion* directly linked to S&P Indices in passive portfolios
- A history of successful, long-term partnerships with Exchanges around the world
- Leading derivative contracts based on S&P indices in developed and emerging markets
- Most actively traded index futures contract in the world based on S&P index
- A market leader in global ETF assets

* Source: S&P Annual Survey of S&P Indexed Assets: Data as of 31 December 2009

Market Traction for S&P's Shariah Indices

- **Since launch in December 2006, S&P has quickly garnered a large portion of the Shariah index business**
- **Over 20 of the largest asset managers and investment banks from the US and Europe are subscribers to our Shariah indices**
- **Over 30 subscribers to our Shariah indices are drawn from the leading banks and asset managers within the MENA region with over \$20 billion in AUM**
- **Over 60 funds benchmarked to S&P Shariah indices**
- **Three ETFs trading currently in Europe based on S&P Shariah indices**

Proposal for Two Shariah Indices

- **Proposed Benchmark Index - S&P/OIC Exchanges BMI Shariah index:**
 - a broad market index covering 19 member countries of the OIC
 - market capitalization weighted and free float adjusted
 - screened for Shariah compliance monthly
 - ideal as a benchmark for Pan Islamic funds
 - regional splits: eg. S&P/OIC Asia, S&P/OIC Africa, S&P/OIC Pan Arab etc.
 - sector splits: as per S&P's Global Industry Classification System (GICS®)

Proposal for Two Shariah Indices

- **Proposed Tradable Index - S&P/OIC Exchanges Shariah 50 index:**
 - a liquid, 50 stock index as a subset of the broader benchmark index
 - constituent stocks are blue chip liquid stocks from the S&P/OIC Exchanges BMI Shariah index universe
 - modified to ensure representation for maximum number of countries
 - country capping and stock level capping to ensure maximum diversification as a possible option
 - screened for Shariah compliance monthly
 - ideal for Exchange Traded Funds (ETFs)
 - Index managed by an index committee (S&P and OIC members or S&P only according to OIC wishes)

n.b. All these rules (including number of stocks) are guidelines. Final index will be designed by our Research team with input from OIC members once we have the official confirmation to proceed.

OIC Exchanges Currently Covered by S&P Indices

	COUNTRY	STOCK EXCHANGE	Exchanges Covered by S&P
1	BAHRAIN	Bahrain Stock Exchange, Bahrain	√
2	BANGLADESH	Dhaka Stock Exchange, Bangladesh	√
3	COTE D'IVOIRE	Bourse Regionale Des Valuers Mobilieres, Côte d'Ivoire	√
4	EGYPT	Egyptian Exchange, Egypt	√
5	INDONESIA	Indonesia Stock Exchange, Indonesia	√
6	JORDAN	Amman Stock Exchange, Jordan	√
7	KAZAKHSTAN	Kazakhstan Stock Exchange, Kazakhstan	√
8	KUWAIT	Kuwait Stock Exchange, Kuwait	√
9	LEBANON	Beirut Stock Exchange, Beirut	√
10	MALAYSIA	Bursa Malaysia Berhad, Malaysia	√
11	MOROCCO	Casablanca Stock Exchange, Morocco	√
12	NIGERIA	Nigerian Stock Exchange, Nigeria	√
13	OMAN	Muscat Securities Market, Oman	√
14	PAKISTAN	Karachi Stock Exchange, Pakistan	√
15	QATAR	Qatar Exchange, Qatar	√
16	SAUDI ARABIA	Saudi Arabian Stock Exchange (Tadawul), Kingdom of Saudi Arabia	√
17	TUNISIA	Tunisia Stock Exchange, Tunisia	√
18	TURKEY	Istanbul Stock Exchange, Turkey	√
19	UNITED ARAB EMIRATES	Dubai Financial Market, United Arab Emirates	√
20	UNITED ARAB EMIRATES	Abu Dhabi Securities Exchange	√

S&P/OIC Exchanges BMI Shariah index

- **S&P will design and launch a Pan Islamic Shariah index which covers 19 member countries (and 20 exchanges) of the OIC**
- **The starting point is the conventional S&P Global BMI which covers more than 97% of the local market capitalization**
- **Of the 19 OIC member countries covered by S&P:**
 - 5 are included in the S&P Emerging Market BMI index (inclusion criteria for constituents is that all companies with a float-adjusted market capitalization over US \$100 million and a minimum value traded over past 12 months must be US \$50 million).
 - 13 are included in the S&P BMI Frontier (designed to capture 80% or more of the local market capitalization. The first level of selection is for all those constituents which are more than \$100 million in size. If target market coverage is not reached by this screening then stocks with smaller market capitalization are also selected).
 - Saudi Arabia is a stand alone emerging market index
- **The S&P BMI Shariah is drawn from this broad pool of conventional indices**
- **All stocks in the conventional BMI indices that are Shariah compliant are included in the S&P BMI Shariah index**
- **If any of the remaining countries in the OIC are added to S&P's global coverage in future, these will be added to the index**
- **Index to be designed, maintained and disseminated by S&P**

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For more information on the methodology and other criteria for the S&P Emerging Market BMI index and the S&P Frontier BMI index, please see www.standardandpoors.com/indices.

S&P/OIC Exchanges BMI Shariah index - Market Cap Coverage & Number of Stocks by Country

Market Capitalization Coverage by Country										
Country	S&P Global/Frontier BMI					S&P Global/Frontier BMI Shariah				
	Total Market Cap (USD in Millions)	% of Total	Float Adjusted Market Cap (USD in Millions)	% of Total	Number of Companies	Total Market Cap (USD in Millions)	% of Total	Float Adjusted Market Cap (USD in Millions)	% of Total	Number of Companies
Bahrain	9,306	0.6%	3,117	0.5%	8	3,854	0.6%	955	0.4%	4
Bangladesh	8,497	0.6%	2,538	0.4%	16	599	0.1%	60	0.0%	1
Cote D'Ivoire	4,131	0.3%	1,220	0.2%	11	3,087	0.4%	893	0.4%	4
Egypt	53,511	3.5%	23,111	4.0%	40	26,126	3.7%	9,663	3.9%	19
Indonesia	220,589	14.4%	82,650	14.3%	60	95,713	13.7%	31,722	12.7%	24
Jordan	20,353	1.3%	8,502	1.5%	16	8,113	1.2%	1,811	0.7%	7
Kazakhstan	40,557	2.7%	11,521	2.0%	8	33,872	4.8%	9,421	3.8%	3
Kuwait	91,955	6.0%	45,940	7.9%	74	46,997	6.7%	23,953	9.6%	33
Lebanon	8,168	0.5%	6,437	1.1%	5	3,068	0.4%	3,068	1.2%	2
Malaysia	291,281	19.1%	108,882	18.8%	114	92,397	13.2%	31,855	12.7%	33
Morocco	52,936	3.5%	17,623	3.0%	21	33,290	4.8%	8,237	3.3%	11
Nigeria	32,033	2.1%	22,820	3.9%	36	8,529	1.2%	3,538	1.4%	12
Oman	11,892	0.8%	4,547	0.8%	14	3,883	0.6%	1,211	0.5%	5
Pakistan	22,656	1.5%	6,616	1.1%	37	12,790	1.8%	2,736	1.1%	9
Qatar	73,810	4.8%	19,313	3.3%	20	31,427	4.5%	9,259	3.7%	9
Saudi Arabia	312,441	20.4%	127,924	22.1%	107	225,735	32.3%	90,439	36.1%	90
Tunisia	6,444	0.4%	1,760	0.3%	14	151	0.0%	28	0.0%	1
Turkey	216,073	14.1%	70,747	12.2%	70	56,388	8.1%	16,617	6.6%	23
United Arab Emirates*	51,998	3.4%	14,067	2.4%	31	13,110	1.9%	5,119	2.0%	13
Total	1,528,631	100.0%	579,336	100.0%	702	699,129	100.0%	250,584	100.0%	303

*Two exchanges covered in the UAE

Source: Standard and Poor's: Data as of 31st August 2010

S&P/OIC Exchanges BMI Shariah index - Market Cap Coverage & Number of Stocks by Sector

Market Capitalization Coverage by Sector										
Country	S&P Global/Frontier BMI					S&P Global/Frontier BMI Shariah				
	Total Market Cap (USD in Millions)	% of Total	Float Adjusted Market Cap (USD in Millions)	% of Total	Number of Companies	Total Market Cap (USD in Millions)	% of Total	Float Adjusted Market Cap (USD in Millions)	% of Total	Number of Companies
Consumer Discretionary	78,189	5.1%	35,296	6.1%	55	14,405	2.1%	4,928	2.0%	21
Consumer Staples	115,272	7.5%	44,894	7.7%	64	74,349	10.6%	27,921	11.1%	39
Energy	81,907	5.4%	29,597	5.1%	50	42,734	6.1%	13,909	5.6%	24
Financials	613,977	40.2%	247,837	42.8%	278	117,910	16.9%	55,269	22.1%	75
Health Care	8,754	0.6%	3,866	0.7%	9	4,874	0.7%	2,369	0.9%	4
Industrials	155,043	10.1%	59,828	10.3%	90	70,507	10.1%	26,384	10.5%	37
Information Technology	723	0.0%	494	0.1%	3	297	0.0%	187	0.1%	2
Materials	220,065	14.4%	73,577	12.7%	103	183,361	26.2%	57,334	22.9%	73
Telecom Services	187,704	12.3%	62,360	10.8%	28	155,646	22.3%	52,769	21.1%	21
Utilities	66,997	4.4%	21,587	3.7%	22	35,047	5.0%	9,515	3.8%	7
Total	1,528,631	100.0%	579,336	100.0%	702	699,129	100.0%	250,584	100.0%	303

Source: Standard and Poor's: Data as of 31st August 2010

OIC Exchanges Currently Not Covered by S&P

	COUNTRY	STOCK EXCHANGE	Exchanges Not Covered by S&P
1	ALBANIA	Tirana Stock Exchange, Albania	x
2	ALGERIA	Bourse d'Alger, Algérie	x
3	AZERBAIJAN	Baku Interbank Currency Exchange, Azerbaijan	x
4	AZERBAIJAN	Baku Stock Exchange, Azerbaijan	x
5	BANGLADESH	Chittagong Stock Exchange, Bangladesh	x
6	IRAN	Tehran Stock Exchange, Iran	x
7	IRAQ	Iraq Stock Exchange, Iraq	x
8	KYRGYZ	Kyrgyz Stock Exchange, Kyrgyz Republic	x
9	MOZAMBIQUE	Mozambique Stock Exchange	x
10	PAKISTAN	Lahore Stock Exchange, Pakistan	x
11	PAKISTAN	Islamabad Stock Exchange, Pakistan	x
12	PALESTINE	Palestine Securities Exchange, Palestine	x
13	SUDAN	Khartoum Stock Exchange, Sudan	x
14	UGANDA	Uganda Stock Exchange, Uganda	x
15	UZBEKISTAN	Toshkent Republican Stock Exchange, Uzbekistan	x

S&P's Policy for Adding Country/Exchange Coverage

- **S&P adds a country to its Frontier or Emerging market indices if it meets the following criteria:**
 - It is at a minimum of 40 bps of either the Emerging BMI or the Frontier BMI
 - It has no onerous legal restrictions on investments or transactions by foreigners
 - It has daily trading
 - Custodians and brokers offer services for transacting
 - Pricing can be obtained for all listed stocks via Reuters daily
 - Information around corporate actions and ownership structures of companies is available in a timely and accurate manner
 - Transaction costs are not considered to be punitive
 - Foreign exchange transactions are easily possible and forex rates are continuously reported through standard sources like WM Reuters
 - There is an established regulatory structure to monitor fair trading and shareholder rights
 - There is significant client demand for an index on the market
 - S&P is able to monitor all these in points for a period of 12 months to its satisfaction
 - A second exchange is added to a country already under coverage only if the exchange has listings independent and significant in size to the main exchange

Branding, Costs and Revenues

- Index should be co branded - we would suggest S&P/OIC Exchanges BMI Shariah index and S&P/OIC Exchanges Shariah 50 but are happy to consider alternatives
- A co branding with OIC will ensure acceptability across member countries rather than with one specific exchange
- All costs of calculation and dissemination to be borne by S&P
- Initially the indices will be end of day only; real time version will be available based on commercial demand and subject to all constituent exchanges providing approval (*OIC secretariat to provide assistance in getting exchange approvals*)
- Index IP will rest solely with S&P
- Both indices to be launched simultaneously by January 2011 (*subject to receiving approval from the OIC for S& P Indices to proceed with the index design and construction in October 2010*)
- S&P to handle all commercial licensing and data sales, revenues to be shared with OIC secretariat net of all exchange fees, levies and existing partnership agreements- proposed revenue split 50:50 net of all revenue sharing costs in existence with S&P

Marketing and Data Dissemination

- **S&P will market the indices as part of its global family of Shariah compliant indices**
- **S&P will create and maintain all standard marketing materials, e.g. factsheets, methodology documents, brochures, presentations etc.**
- **S&P will be happy to conduct educational seminars both internally for OIC members as well as externally**
- **The indices will be promoted via the frequent conferences where S&P exhibits its Shariah indices and also where it presents its Shariah indices**
- **Indices will be featured on S&P website promoting its Shariah indices**
- **All information relating to methodology, maintenance and design will be publicly and freely available**
- **Actual index data will be disseminated via established data vendors with whom S&P already has a contract in place or where a contract will be established in the future**
- **Currently we have over 60 data vendors globally with whom we have a contract in place**
- **Established external data vendors include Bloomberg, Thomson Reuters, Factset, amongst others as well as S&P's proprietary platform – IDP**
- **Please see appendix for examples of our marketing capabilities and outreach**

Questions for OIC

- **We would propose a launch in January 2011 (subject to authorization from OIC to proceed now) – will there be an event for the launch?**
- **Who will provide the coordinating function from OIC?**
- **Coordinator will**
 - Sign all agreements
 - Receive data files
 - Provide focal point for all communications
 - Approve marketing collateral
 - Assist in promoting the index
 - Need to provide input on index design if required
 - Provide data access from OIC member exchanges if required

Appendices

- **S&P's Shariah Methodology**
- **Why S&P Indices?**
- **Marketing: Thought Leadership & Investor Outreach**

S&P's Shariah Methodology

S&P's Shariah Board

•A board of Islamic scholars serves to interpret business issues and recommend actions related to the indices

The members are:

•**Dr. Muhammad Ali Elgari of Saudi Arabia**- PhD in Economics from the University of California, U.S.A.

•**Dr. Abdul Sattar Abu Ghuddah of Syria** - PhD in Islamic Law from Al Azhar University, Cairo, Egypt.

•**Dr. Nazih Hammad of Canada**- PhD in Islamic Law from the University of Cairo, Egypt.

•**Dr. Mohammad Amin Ali-Qattan of Syria**- PhD in Islamic Banking, Birmingham University, United Kingdom.

S&P's Shariah Methodology – Business Activity Screens

- **Business activity screens exclude the following:**
 - Pork
 - Alcohol
 - Gambling
 - *Financials, except:*
 - » *Islamic Banks*
 - » *Islamic Financial Institutions*
 - » *Islamic Insurance companies*
 - *Advertising and Media, with the following exceptions:*
 - » *Newspapers*
 - » *News channels*
 - » *Sports Channels*
 - » *Media and advertising companies generating revenues in excess of 65% of total income from the GCC countries.*
 - Pornography
 - Tobacco
 - Trading of gold and silver as cash on deferred basis
 - Cloning

S&P's Shariah Methodology - Financial Compliance

- **Leverage Compliance:**

- Debt / Market Value of Equity (36 Month average) < 33 %;

- **Cash Compliance:**

- Accounts Receivables / Market value of Equity (36 Month average) < 49 %;
- (Cash + Interest Bearing Securities) / Market value of Equity (36 Month average) < 33%;

- **Revenue Share from Non-Compliant Activities:**

- Revenue from non-compliant activities can be tolerated, if they comply with the following threshold:
 - » (Non Permissible Income other than Interest Income) / Revenue < 5%

- **Dividend Purification Ratio*:**

- This ratio is provided to investors for purification purposes, it is calculated as:
 - » Dividend * (Non Permissible Revenue / Total Revenue)

* The dividend purification ratio is by stock and currently informational only – S&P Indices have the capability to calculate dividend purified index levels subject to demand and will be guided by OIC Exchanges in this regard.

Why S&P Indices?

S&P Indices: A Reputation for Successful Indices

- **Information & Data Integrity**

Indices that are replicable & tradable, and supported by ample, verifiable & timely information on how they are calculated, how corporate actions are handled, and how index adds and deletes are made

- **Index Governance**

Indices whose governance is well understood and accepted by both investors and regulators worldwide, and whose management is generally independent of other interests in the area of investment management and trading

- **Index Licensing**

Indices supported by trading in the underlying stocks and trading of one or more standard derivatives products (index futures & options)

- **Commercial Reach**

Indices supported by a global commercial team, who know investment managers and trading desks. With teams located in major financial centers, and with front-line licensing representatives, marketing experts, and legal personnel

S&P Indices: S&P Indices: Many Linked Products

Index Funds and OTC Products

- First US index fund linked to the S&P 500, launched by Vanguard in 1976
- US\$ 1.1 trillion* directly linked to S&P Indices in passive portfolios
- Approximately 400 financial sector licensees who use S&P Indices to build and/or price financial products such as index swaps, equity linked notes, OTC options...

* Source: S&P Annual Survey of S&P Indexed Assets: Data as of 31 December 2009

Listed Derivatives and ETFs

- Leading derivatives contracts in three major markets:

US:	S&P 500
Canada:	S&P/TSX 60
Australia:	S&P/ASX 200
- Leading derivatives contracts in two major emerging markets:

Russia:	RTS
India:	S&P/CNX Nifty
- Most actively traded index futures contract in the world at the CME (S&P500 - ADV 2009, \$112 billion average daily value traded)
- Market leader in global ETF assets – approximately 25% of all ETF assets track S&P indices
- 245 ETFs listed in 8 markets (primary listings only)
- First ETF in the US Market: “SPDR”

S&P Indices: Successful Partnerships with Exchanges

Long-term index partnerships with:

- TSX (Canada), partnership since 1999
- ASX (Australia), partnership since 2000
- TSE (Japan), partnership since 2000
- HKEX (Hong Kong), partnership since 2001
- RTS (Russia), partnership since 2006
- NSE (India), agreement with local joint venture index company India Index Services & Products Ltd. (IISL), partnership since 1998

S&P Functions

- Contribution to index management and governance
- Building an index business in local and global markets

Exchange Functions

- Comparative advantage lies in trading and dissemination of market data
- Participates with S&P in index design and management

S&P Indices: Providing Value to Exchanges

- **Technical competence in indices.**
- **Visibility and exposure to Standard & Poor's global index client set.**
- **Provides a measure to the market and confidence to investors.**

S&P Indices: S&P as an Index Technical Partner

- **Assisting in index management**
 - Index design
 - Treatment of corporate actions
 - Issues in constituent weighting (free float, foreign investment limits)
- **Adding global standards**
 - Widely followed industry classification system (GICS®) to complement new local classification standard
- **Preparing custom indices for local and global clients**
 - Non-core activity that can be time-consuming for the exchange

S&P Indices: S&P as an Index Commercial Partner

- **Building a local index “culture”**
- **Establishing local and global index licensing programs**
 - Draw on Standard & Poor’s global experience in this area (approximately 400 global licensing clients)
 - Share revenues with OIC Exchanges Secretariat
- **Adding OIC Exchanges indices to Standard & Poor’s data distribution system**
 - Distribute end-of-day index data on a subscription basis (600+ data clients)
 - Share revenues with OIC Exchanges Secretariat

S&P Indices: Benefits of an Independent Provider

- **Removal of perceived conflict of interest for both international investors and exchange listed companies**
 - Choices of index constituents is external to exchange listing services
 - Decisions on corporate actions are separated from listed company relationships
 - Credibility with the institutional and retail investors
- **Credibility with international regulators on transparency and best practices**
 - S&P is synonymous with highest standards

Marketing: Thought Leadership & Investor Outreach

Thought Leadership Mission

S&P Indices reaches financial professionals through a comprehensive educational and digital information programme that leverages a variety of today's most commonly used mediums. This ensures that understanding of S&P Indices is at the forefront of key industry events and information portals in each region and for every asset class.

Our thought leadership initiatives are unique in that they actively engage market participants and investors in exchanges on cutting edge investment innovation and indexing applications. The purpose is to contribute to the sound development of the global and local capital markets.

S&P Indices provides complementary and customized access to on-going market analysis and index investment concepts which form essential tools for financial professionals. Highlights include:

- *Practice EssentialsTM*: educational papers
- *Market AttributesTM*: monthly asset class wrap-ups
- *Research InsightsTM*: investment concept publications
- Educational Webinars and In-person Seminars
- Digital Campaigning & Industry Portals
- Media Teach In's
- Social Media Connections
- Trade Advertising

Market Commentary & Asset Class Wraps

INDICES

Spotlight

September 2009

Follow us on

Welcome to the new look Indices Spotlight

This new monthly email combines our Research Monthly and Index highlights emails into one. It's easier to read, has more useful links and will continue to keep you up to date with global indices.

Global Indices Headlines

Industrial Metals Lead S&P GSCI Higher In July
Standard & Poor's announced that the S&P GSCI increased 0.44% in July on the back of a strong monthly performance by the industrial metals sub-index.

S&P Property Indices Rebound, Rise
Industrial Metals Lead S&P GSCI Higher in July

More

Research Property Indices Rebound In Q3
Commercial property indices are showing signs of a recovery following a sharp decline in the S&P Property and Indices in Q2, according to the REIT Council on Standard & Poor's Index Services.

Industrial Metals Lead S&P GSCI Higher in July

What does your think of the new Spotlight email:

☐ I like it
☐ It's ok
☐ I don't like it

Latest Research

COMBINED CABLE INDICES IN CRISIS ON MANICURE
Standard & Poor's announced the launch of a new S&P GSCI Crude Oil Covered Call Index and expects the impact of the oil price on the performance of the combined cable market economies. Our findings suggest that covered calls can reduce volatility and improve returns in a S&P GSCI Crude Oil covered call in a variety of market environments. Read more

[A Look at new bond investments](#)
[Trading Index Dividends](#)

Indices research areas

- Equity
- Commodities
- Fixed Income
- Real Estate
- Alternative
- Strategy

Latest Portfolio Literature

NEW S&P GSCI Crude Oil Covered Call Index
Standard & Poor's announced the launch of a new S&P GSCI Crude Oil Covered Call Index, an innovative new index that offers investors an alternative approach to trade in petroleum price returns at lower levels.

NEW S&P /VIX Global Bond Index

More

Enhancements to S&P Middle East Indices
Consistent to previous in the launch program of investment benchmarks for the Middle East, Standard & Poor's announced the launch of a new S&P Middle East Index, the S&P Middle East Government Constant (GCC) indices.

S&P Launches Aggressiveness Index for North America

Event calendar

Investment Strategies for Investment Funds

Annual Euro ETF Conference

S&P Annual (GSCI) Seminar 2009

Monthly Spotlight

Primary method of alert for S&P Indices new product announcements, research, news and events

December 2009

S&P INDICES Market Attributes

S&P INDICES | Market Attributes

U.S. Equities

S&P 500® Year-to-Date Return: -1.71%

S&P SmallCap® December Price Return: -8.49%

The Market

S&P 500

With the decade recovery from March 9, 2000 to late 2007 and then Bear, with the speed of the current recovery from March 2009, 2009 not seen since 1933. Volatility, with volume, has significantly increased since 2007. The S&P 500 has had 2009 rank as the worst month since the year in the S&P 500's history. The 1st 2nd move for the index was on March 23rd at +7.50%, and the 3rd 3rd move was on June 25th at -3.50%. The 10 decline to a 2009 low of 11.47 from the 24.31 November since, 60% returned to the 2009 close of 40.02 after a high of 41.42 in November 2009. From March 9th, the 200 trading days produced a 54.5% gain, the best gain since the 67.0% increase in December 1933 (with the exception of 122.60%). While the market remains 20.75% off its 2007 high, the gains have been lost mostly steady with little profit taking, and for the major stock segment.

The S&P 500 ended 2009 with a 1.71% gain. For the year, the index posted a 23 gain, putting it a mere 16th year since 1949, though the index is still off 24.96% from 2007's close. For 2009, Information Technology continued its 2009 momentum with a 15.8% gain, followed by Health Care at 11.64%, and Energy and 9.84%. All sectors were ahead for 2009, with only Consumer Discretionary trailed since the October 2007 high (on a bold return basis). For the year, all 10 sectors were up, with Information Technology posting a 19.5% gain, and Telecommunications lagging with a 2.67% gain.

S&P SmallCap 600

The S&P SmallCap 600 ended 2009 with a disappointing -8.49% gain and strong breadth returns not seen in years. The S&P SmallCap 600's price return for the year is off its March 9th peak of 24.31% and ending its 32.4% decline since the year 2000 when it was the S&P's low point. For 2009, the index was down 23.73% (-23.87% for the second half), with 429 issues down and 418 up. The index's 10 decline since the beginning is 15.35%, with 10% the year return remains negative at -21.31%, the 10-year return is an impressive -46.15% — especially when compared the S&P 500, which has a 15-year loss of 24.19%.

Returns within the S&P SmallCap 600's year were all solid, with Consumer Staples up 12.42%, Consumer Goods up 12.07%, and 10.97%. Consumer Discretionary posted a 6.42% monthly gain, and was the best sector performer for February with a 5.0% gain. The year's relative returns were: Information Technology (+10.35%), Telecommunications (+6.06%) for December and -43.86% for the year) and Financials (-41.26%) for December and -30% for the year).

Market Attributes

Monthly reports with correlation & risk metrics and market trend analysis for each asset class

[illegible]

Practice Essentials

Financial literacy and education for financial intermediaries & wealth management professionals

S&P INDICES Quantitative Analysis	Shariah
4 th Quarter 2009	

Quantitative Analysis

A comprehensive source of index characteristics, risk & performance analysis across investment strategies

Shariah Focused Quantitative Analysis

S&P INDICES | Quantitative Analysis

Shariah

4th Quarter 2009

S&P Global BMI Shariah December 31, 2009

The S&P Global BMI Shariah Index is designed to measure the performance of the S&P Global BMI Index constituents that are compliant with Islamic canonical law.

Portfolio Statistics

Index Performance	Quarter	YTD	12M	3 Year	5 Year
S&P Global BMI Shariah	1.1%	26.79%	26.79%	0.06%	3.91%
S&P Global BMI	4.1%	26.46%	26.46%	-5.63%	0.42%

Sector Differences

Utilities 4.4%

Telecom Services 4.4%

S&P 500* Shariah December 31, 2009

The S&P 500 Shariah Index is designed to measure the performance of the S&P 500 Index constituents that are compliant with the Islamic canonical law.

Portfolio Statistics

Index Performance	Quarter	YTD	12M	3 Year	5 Year
S&P Shariah 500	7.51%	26.79%	26.79%	0.06%	3.91%
S&P 500	6.04%	26.46%	26.46%	-5.63%	0.42%

Standard Deviation

3 Year	5 Year
S&P Shariah 500	17.75%
S&P 500	19.91%

Sharpe Ratio

3 Year	5 Year
S&P Shariah 500	0.00
S&P 500	-0.02

Average Portfolio Characteristics

	S&P 500	S&P 500
	Shariah	500
Market Cap (in Mil \$)	93,171.1	80,967.7
P/E	20.1	18.7
P/CF	11.3	9.1
P/Sales	1.9	1.3
P/BV	3.0	2.3
3 Yr EPS Growth	13.7	9.5
3 Yr Sales Growth	12.1	11.4
ROE	22.9	18.3
ROA	11.0	8.2
LTD/Capital	25.1	34.6
Operating Margin	20.8	18.0
Net Margin	12.5	9.9
Dividend Yield	1.9	2.0

For the Average Portfolio Characteristics table, all figures relative underperformance or outperformance may not sum to the exact index performance due to the

For the Average Portfolio Characteristics table, all figures are calculated using the weighted average method relative underperformance or outperformance may not sum up to the exact index performance due to the

Sector Differences

Utilities 4.4%

Telecom Services 4.4%

S&P GCC Composite Shariah December 31, 2009

The S&P GCC Composite Shariah Index is designed to measure the performance of the S&P GCC Composite constituents that are compliant with Islamic canonical law.

Portfolio Statistics

Index Performance	Quarter	YTD	12M	2 Year
S&P GCC Composite Shariah	-6.69%	23.64%	23.64%	-26.96%
S&P GCC Composite	-8.15%	18.92%	18.92%	-25.10%

Average Portfolio Characteristics

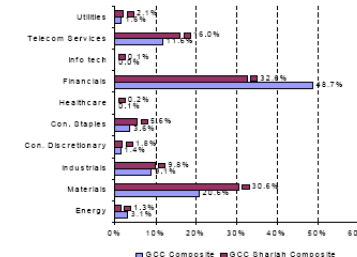
	GCC Composite Shariah	GCC Composite
Market Cap (in Mil \$)	15,268.8	11,505.8
P/E	15.0	13.8
P/CF	9.5	8.7
P/Sales	3.1	2.7
P/BV	1.6	1.4
3 Yr EPS Growth	2.3	2.0
3 Yr Sales Growth	29.5	27.9
ROE	19.8	17.6
ROA	10.0	7.2
LTD/Capital	21.1	23.1
Operating Margin	33.2	31.9
Net Margin	31.0	30.5
Dividend Yield	3.8	3.7

Tickers

Bloomberg PR (USD) SPSHG TR (USD) SPSHGT NTR (USD) SPSHGN PR (EUR) SPSHGE TR (EUR) SPSHGET NTR (EUR) SPSHGEN

This sample quarterly report provides investors with a comprehensive source of index characteristics, risk, and performance analysis for the following indices: [S&P Global BMI Shariah](#), [S&P 500 Shariah](#), [S&P Europe 350 Shariah](#), [S&P Japan 500 Shariah](#), and [S&P GCC Composite Shariah](#).

Sector Differences



Performance Attribution versus the S&P GCC Composite

	Allocation Effect	Selection Effect	Total Effect
Con. Discretionary	0.01	-0.00	0.01
Consumer Staples	0.15	0.05	0.22
Energy	-0.24	-0.24	-0.34
Financials	0.28	0.88	0.85
Health Care	0.02	0.00	0.02
Industrials	0.12	-0.38	-0.22
Materials	1.06	0.05	1.14
Telecom Services	-0.19	-0.12	-0.37
Utilities	-0.00	0.10	0.09
Unassigned	0.08	0.07	0.09
Total	1.28	0.39	1.48

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S&P-sponsored Seminars and Outreach

Educational Seminars

S&P Indices hosts complimentary educational seminars for investment professionals. S&P and third parties share experience with leading institutional investors, product issuers and financial intermediaries on the latest investment trends and innovative product concepts, *e.g.*

- **Bi-monthly S&P Research Insights webinar**
- **Annual S&P GSCI Seminar**
- **Annual S&P Tokyo ETF Summit**

Investor Road Showing

S&P Indices endeavours to work closely with licensees and partners on an ongoing basis to discuss growing investment segments, *e.g.*

- **S&P/IFCI Carbon Road show November 2009**

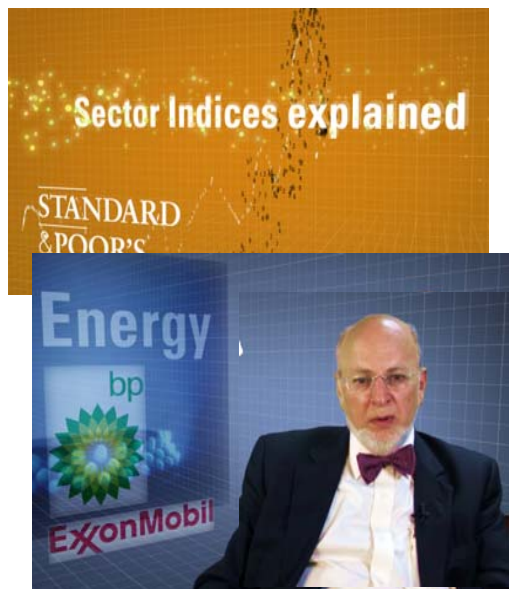
Media Teach-in's

S&P Indices hosts regular media teach-ins that reach tier-1 and tier-2 journalists to share information on key trends and strategies playing a structural role in today's capital markets development, *e.g.*

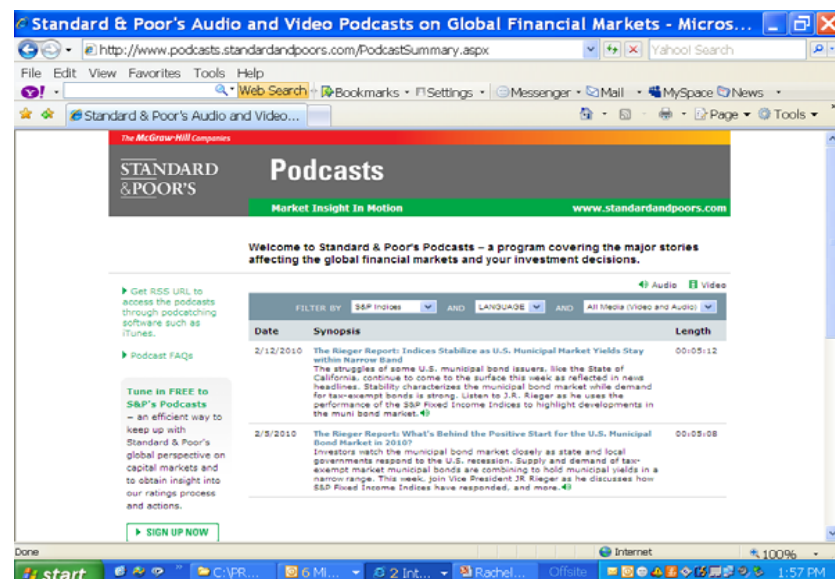
- **ETF Teach-in – Frankfurt**
- **Commodities Teach-in – London**
- **Commodities Teach-in – Singapore**

Digital Marketing – Video and Podcast Channels

S&P Indices produces a continuous stream of video that promotes all asset classes as well as new product innovations. These videos are distributed through a wide variety of channels including the most popular iTunes and Youtube.




S&P Indices initiated its podcast broadcasting in late 2009 starting with *The Rieger Report*. This received over 1,000 hits in its first week and all podcasts are available on iTunes or www.podcasts.standardandpoors.com



Strong Integration Capabilities for Industry Portals

Example: Thomson Reuters Islamic Finance Gateway



IF Main

Islamic Finance Gateways

Islamic Investing

IF Stakeholders

Asset Class News

Indices

Funds Supermarket

Based/Compliant

Ideal Ratings

Commodities

Real Estate

Messaging

Islamic Indices

dmIW000000	.MIW00000IP	.DWEU	.DJEU25T	.FTWPA CXJA	.FTSWPACS	.SPSHX	.SPX	.DJIGCC	.DJGCC	.RUT
CI-WORLD	WORLD ISLAMIC	DJTSM Europe	DJIM EU Ttns25T	ASIA PAC EX JPN	FT SHA ASI PACIF	SP 500 SHARIAH	S&P 500 INDEX	DJIGCCwSaudi	DJGCCwSaudi	RUSSELL 2000
878.081	856.75	2633.19	3013.21	442.53	1061.02	1049.35	1182.45	699.46	699.46	2.02
-3.232	-4.75	-37.80	-21.09	-3.34	+3.36	-5.21	-6.99			

S & P

Dow Jones

MSCI Barra

FTSE

CDS Index

Reuters CRB

Lipper

S&P Methodology	Announcements		Leadership & Research			Research			
Name	Last/Close	Net Chng	% Chng	% 5d	% MTD	% 1m	% 3m	% 6m	% YTD
SP 500 SHARIAH	1049.35	-5.21	-0.49 %	1.79%	1.33%	3.25%	2.71%	13.61%	4.37%
SP BUnitSt ShaUS	87.84			1.97%	1.53%	3.42%	3.41%	14.36%	5.21%
SP EUR 350 SHARI	863.64	-2.76	-0.32 %	0.77%	1.41%	6.55%	7.39%	19.68%	7.39%
E350SH	1226.30			2.23%	1.46%	7.02%	1.32%	11.26%	1.32%
S&P TPX 150 SHR	592.06	-8.510	-1.42 %	2.65%	2.67%	11.41%	8.48%	19.44%	9.72%
SP BMalay ShaUS	92.16			2.85%	2.54%	7.45%	6.31%	14.53%	9.10%
Shariah GI HC	88.06			-0.16%	-0.03%	-0.02%	0.07%	8.29%	0.33%
Shariah GI Infra	86.7434 (C)			1.10%	0.00%	3.52%	-13.32%	-11.23%	-13.32%
SP BEgypt ShaUS	86.50			3.15%	0.69%	5.57%	8.04%	6.85%	8.04%
S&P GCC SH INV	653.58			0.23%	2.22%	5.77%	13.40%	-2.16%	13.48%
SP BIndia ShaUS	79.59			3.00%	3.23%	7.11%	4.97%	15.55%	6.79%
S&P Jord Sha USD	1065.9319 (C)			-3.90%	-1.00%	0.24%			0.87%
S&P SH Kuwait	915.06			-0.32%	2.99%	2.66%	23.22%	-1.94%	21.89%
S&P Lebn Sha USD	1421.9535 (C)			-2.54%	-1.47%	-6.84%			-7.65%
SP BMoroc ShaUS	83.81			-1.66%	-0.97%	4.87%	6.69%	-0.83%	6.29%
S&P SH Oman	1040.58			-3.32%	1.95%	-0.86%	-2.54%	-8.56%	-0.22%
S&P PanArb USD	128.0398 (C)			0.82%	0.38%	0.82%	-2.30%	0.27%	24.98%
S&P SH Qatar	1149.22			3.11%	2.21%	11.24%	4.18%	6.12%	4.71%
SP BRussia ShaUS	59.95			6.29%	3.74%	6.83%	8.96%	21.24%	10.74%
S&P SH SaudiArab	898.59			0.29%	-0.17%	5.74%	9.85%	21.16%	11.99%
SP BSinga ShaUS	76.32			3.14%	3.12%	5.64%	4.82%	16.15%	7.11%

Name	Last/Close	% YTD	Open	High	Low
DJIM TECHNOLOGY	2421.07	3.95%	2427.88	2428.56	2420.72
NAS 100 TECH SEC	1190.59 (C)	5.07%			
DJIM HEALTHCARE	2509.42	1.49%	2515.47	2516.54	2507.81
STXE 600 HECR PR	378.41	3.25%	379.78	379.78	377.71
DJIM Oil&Gas	3473.36	1.06%	3492.20	3494.07	3473.36
FTSE GLOB ENERGY	10360.06	0.99%	10405.28	10405.36	10350.33
WORLD ISLAMIC	856.81	3.24%	860.73	860.99	856.39
CI-WORLD	878.08	5.64%	878.081	878.081	878.081
SP 500 SHARIAH	1049.35	4.37%	1054.55	1054.95	1045.12
S&P 500 INDEX	1182.45	6.49%	1188.23	1189.60	1177.25
DJ ISLAMIC SMCP	5046.61 (C)	13.02%			
RUSSELL 2000 IND	699.46	11.55%	700.21	702.84	695.36
DJIM EUROPE	2514.84	1.37%	2545.88	2548.41	2512.00
STXE 600 PR	265.73	6.40%	268.03	268.03	265.44
FT SH DEV APAC	1563.72	5.98%	1575.49	1576.22	1560.15
ALL-CAP ASIA PAC	429.08	5.87%	432.38	432.52	428.89
BMI World Prop	218.90	4.91%			
J500SH USD	1043.65	6.29%			
FTSE BURSA KLCI	1333.74	5.62%	1342.31	1342.31	1331.46
SP BMalay ShaUS	92.16	9.10%			
DJIM BRIC	2091.75	4.77%	2112.01	2117.29	2089.83
CI-BRIC	345.47	3.54%	345.470	345.470	345.470

Equity/ETF News
12:07 08Apr10 RTRS-Chiyoda <8185.T>-2009/10 group forecast
12:07 08Apr10 BER-BURSA MALAYSIA UPDATE: 4.00 P.M.
12:06 08Apr10 BER-BURSA MALAYSIA INDICES AT 4.00 P.M.: APRIL 8
12:06 08Apr10 BER-AMBAK'S ATMs GO WIRELESS
12:06 08Apr10 RTRS-*TOP NEWS* Front Page
12:06 08Apr10 RTRS-HK stocks slip, led by property shares
12:06 08Apr10 RTRS-GREEK BANK STOCKS <FTATBNK> DOWN 5 PCT ON WIDENING BORROWING COSTS
12:06 08Apr10 RTRS-SERVICE ALERT - Some European Exchanges Data - PLANNED MAINTENANCE see page <ALERT58>



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S&P Indices is present daily on key global media channels. A London PR firm is under monthly retainer with a mandate for Islamic finance.

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CNBC VIDEO

Stock Markets are in 'Sweet Spot': Investor



Investors need to do their homework on dividends

Talking Point



Howard Silverblatt

Senior Index Analyst,
Standard & Poor's

Until recently, investors seduced by strong income returns sought dividends in traditional income-generating industries such as mining and financials. Investors who wanted to generate income could rest assured that unless circumstances were extreme, dividends could be counted on to be resilient. However, dividends this year have come under pressure.

Research by Standard & Poor's shows that dividend reductions within S&P 500 companies in the last quarter reached a record \$15.9bn. In addition, dividend payouts are likely to slide by at least 22.6%, making this year the worst year for dividend cuts in the US since 1938. And these figures are not likely to be restricted to the US – international and European stocks have also been damaged.

Over the next few months, we expect more cuts to be announced as companies take steps to conserve cash in order to ride out the global recession. In essence, for many companies, dividends are no longer sacred and cutting dividend payouts is now an acceptable form of cash preservation. As such, investors seeking dividends need to do a lot more homework than before, particularly since the prospect for future dividends is so uncertain.

However, dividend investing could play an important role in an investment strategy. Looking as far back as 1979, our research has shown that during market downturns,

dividend-paying stocks have outperformed non-paying growth stocks by an average of 1.9%, which is about the value of the yield. The payment of a dividend serves to reduce the performance of a stock versus its benchmark, so although the stock price is not as likely to go up as much as growth stocks in the good times, equally it does not go down as much in the bad.

The skill lies in the ability to identify these stocks, but for the determined, well-informed investor they do exist.

When the S&P 500, for example, we found 39 stocks that had increased dividends for at least 10 consecutive years and have a current and projected dividend coverage ratio of at least two times. This is a starting point. Dividend investors hold stock for years, often participating in dividend reinvestment programmes to grow by more stock.

Investors are therefore beginning to think about picking stocks that have a proven record on dividends and that are currently producing sufficient cashflow to cover their business needs and their dividends and grow both over a long-term period.

But this approach comes with a warning. Investors should be cautious not to restrict themselves to buying stocks with high yields since this can be an indicator that they are under the most stress and are unlikely to

maintain their historic dividend payment. On a risk basis, this is as far from dividend investing as you can get.

In terms of sectors, global dividend indices are showing, unsurprisingly, that financials have taken the biggest battering over the past year, followed by industrials. However, our indices show that there is hope across sectors that may not have traditionally offered good dividends, such as telecommunications, utilities, defense and companies that cater for our vices, such as tobacco and alcohol.

Index providers are therefore reweighting their dividend index series so that the companies that are listed within them reflect the change in investment pattern when looking for dividends.

In the latest annual rebalancing of our S&P European 350 Dividend Aristocrats index, companies from defensive sectors, such as telecommunications and utilities, were added – including British American Tobacco, Centrica, Tesco and Vodafone Group. This strategy has been successful and over the past few weeks we have seen a slight recovery across our dividend indices.

In addition, we believe that among investors who do not wish to pay for active management we will see a shift towards exchange-traded funds based around a dividend index.

Commodities investing in the noughties

The development of the S&P GSCI has opened up the area of commodity investing, enabling the asset class to become an increasingly popular part of investment strategies



By Mike Looking at the time of oil and other commodities, some of the most volatile assets in the world, it is not surprising that the oil price has risen from around \$20 a barrel in 2000 to over \$100 a barrel today. The volatility of oil prices has led to a surge in commodity trading, with the S&P GSCI (Commodity Index) becoming a popular choice for investors looking to diversify their portfolios. The index tracks the performance of a basket of 24 commodities, including oil, gold, wheat, and copper. It has become a key benchmark for commodity investors, and its inclusion in the S&P 500 index has further boosted its popularity. The index has also been used as a hedge against inflation, as commodity prices tend to rise when inflation is high. This has led to a surge in demand for the index, and it is now one of the most widely traded commodity indices in the world.

The S&P GSCI is a market-weighted index of 24 commodities, including oil, gold, wheat, and copper. It is the most widely traded commodity index in the world, and its inclusion in the S&P 500 index has further boosted its popularity. The index has also been used as a hedge against inflation, as commodity prices tend to rise when inflation is high. This has led to a surge in demand for the index, and it is now one of the most widely traded commodity indices in the world.

FEATURE COMMODITIES

Despite the negative trends higher energy prices have seen, investors are still looking for ways to diversify their portfolios. The S&P GSCI is a market-weighted index of 24 commodities, including oil, gold, wheat, and copper. It is the most widely traded commodity index in the world, and its inclusion in the S&P 500 index has further boosted its popularity. The index has also been used as a hedge against inflation, as commodity prices tend to rise when inflation is high. This has led to a surge in demand for the index, and it is now one of the most widely traded commodity indices in the world.

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Standard & Poor's
Reid Steadman
about the latest index innovations, the reasons why to invest in S&P indices and the process of setting up a customized ETF index.

BY SEBASTIAN SIMON RICH MARTIN RAB / CTF RICH MAGAZINE / NIPLES FLORENCE

Passive investment products – especially ETFs – have gained a significant market share. How do S&P's indices business perform within this environment in the last 24 months?

The past two years have been transformative for S&P Indices. The volatility of global markets has highlighted the value of transparency. Investors want to understand how their investments are performing relative to the market. Our benchmarking provides this important information. Investors also want to know the risks and opportunities associated with their holdings. Index-based products provide the clarity investors require. These trends have increased demand for our services.

More specifically, market turbulence has increased demand for ETFs, which offer the diversification of mutual funds coupled with the tradability of stocks. For many individual and institutional investors, ETFs have become the products of choice. Approximately a quarter of all ETF assets track S&P indices, so the growing popularity of these products has obviously been a positive for S&P Indices.

How many indices does S&P currently offer and on which index are the most Products (ETFs) based?

S&P publishes several hundred benchmarks that we consider

"headline" indices. These are well-known by investors and used regularly as underlying indices for financial products. All of these headline index can be divided in many ways, including by size class (large, mid, small, microcap), and sector. Adding all these up we calculate more than 400,000 index funds.

In the ETF space, our most popular indices continue to be those in our core US index family. At the end of 2009, approximately \$100 billion in ETF assets tracked the S&P 500, S&P MidCap 400, and S&P SmallCap 600, as well as sector and growth and other variations of these.

What are your latest product/index innovations?

Innovation is an important focus point for our business and several of our new indices are attracting attention. For example, we have been expanding our series of S&P Risk-Adjusted Indices. These indices target a level of volatility and manage risk relative to their target by varying exposure to an index, like the S&P 500. We hope to see ETFs tracking these indices in the future.

Innovation in the ETF space takes time to make an impact. This said, new indices and ETFs tracking them can make a meaningful difference to investors. In 2007 S&P licensed the S&P China BMI Index to State

Proud father of a famous index enjoys the attention

Face to Face

There has been no slowdown in the creation of new indices, David Blitzer of Standard & Poor's tells Pauline Skypala



The S&P Case-Shiller Home Price Indices excite great interest when they are published on the last Tuesday of each month, indicating as they do the state of the US housing market. Alone among S&P's indices, the data are provided to major news agencies under embargo 30 minutes before being released.

"It's the only index I know of where there's that kind of demand so that at 09.00 on the last Tuesday of the month, when it's released, by 09.01 there's stories on the web from all these major services, and at 09.32, if they haven't got the email, the phone starts ringing," says David Blitzer, chairman of Standard & Poor's index committees.

S&P
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Social Media Dialogue

S&P Indices exchanges ideas about the marketplace and investment concepts through direct, individualised desktop streams of index news & data.

The collage illustrates the S&P Indices social media presence and user engagement. It features:

- Facebook S&P Indices Page:** A screenshot of the Facebook page for S&P Indices, showing a post about the launch of risk control indices based on the S&P Asia Infrastructure & S&P Global Natural Resources Indices. The page also displays a list of fans and insights.
- LinkedIn S&P Indices Spotlight Group:** A screenshot of the LinkedIn group page for S&P Indices Spotlight, showing discussions and news related to the indices.
- Twitter Feed for hsilverb:** A screenshot of a Twitter feed for the user hsilverb, showing tweets about jobs in Washington and layoffs in the S&P indices.
- STANDARD & POOR'S Banner:** A repeating banner for STANDARD & POOR'S, featuring the company logo and the text "STANDARD & POOR'S".
- Social Media Logos:** The Facebook, LinkedIn, and Twitter logos are displayed at the bottom of the collage.

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S&P Indices maintains sustained advertising placement in key financial dailies and trade publications.



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