S&P DOW JONES INDICES

METHODOLOGY
DOW JONES RELATIVE RISK INDICES

Introduction

Dow Jones Relative Risk Indices intend to measure total portfolios of stocks, bonds and cash. They represent five investor risk profiles: aggressive, moderately aggressive, moderate, moderately conservative and conservative.

Composition

Each Dow Jones Relative Risk Index tracks three Composite Major Asset Classes (CMACs)—stocks, bonds and cash. The CMACs are represented by the subindices listed in Table 1. The stock subindices are products of S&P Dow Jones Indices; the bond and cash (T-Bill) subindices are products of Barclays.

Table 1: Subindices of the Dow Jones Relative Risk Indices.

Global Series	U.S. Series
Dow Jones Global Stock CMAC[1] Index	**Dow Jones U.S. Stock CMAC[1] Index**
Dow Jones U.S. Large-Cap Growth Index	Dow Jones U.S. Large-Cap Growth Index
Dow Jones U.S. Large-Cap Value Index	Dow Jones U.S. Large-Cap Value Index
Dow Jones U.S. Mid-Cap Growth Index	Dow Jones U.S. Mid-Cap Growth Index
Dow Jones U.S. Mid-Cap Value Index	Dow Jones U.S. Mid-Cap Value Index
Dow Jones U.S. Small-Cap Growth Index	Dow Jones U.S. Small-Cap Growth Index
Dow Jones U.S. Small-Cap Value Index	Dow Jones U.S. Small-Cap Value Index
Dow Jones Europe/Canada/Middle East Developed Markets Index	
Dow Jones Asia/Pacific Developed Markets Index	
Dow Jones Emerging Markets Large-Cap Total Stock Market Specialty Index	
Barclays Bond Composite – Global Index	**Barclays Bond Composite – U.S. Index**
Barclays Government Bond Index	Barclays Government Bond Index
Barclays Corporate Bond Index	Barclays Corporate Bond Index
Barclays Mortgage Bond Index	Barclays Mortgage Bond Index
Barclays Majors (ex U.S.) Index	
Barclays Cash Composite – Global Index	**Barclays Cash Composite – U.S. Index**
Barclays 1-3 month T-bill index	Barclays 1-3 month T-bill index

Note: The methodologies of the subindices can be obtained from S&P Dow Jones Indices and Barclays.
[1] Composite Major Asset Class

Rebalancing

Within each index, the three CMACs are reweighted each month to reflect a risk profile that is set at the start of the month based on the current risk level of the stock CMAC.

- The risk level of the Dow Jones Aggressive Portfolio Index is set monthly to 100% of the current risk of the stock CMAC. (Risk is calculated as 36-month semivariance.) The three CMACs are reweighted within the index to maximize the allocation to the CMAC with the greatest expected return at the 100% risk level.
- The risk levels of the Dow Jones Moderately Aggressive, Moderate, Moderately Conservative and Conservative Portfolio Indices are assigned based on the efficient frontier, as shown in Table 2. For example, the Dow Jones Moderately Aggressive Portfolio Index is designed to reflect 80% of the risk of the stock CMAC.

Table 2: Percentage of Stock CMAC Reflected in Index

Dow Jones Aggressive Portfolio Index	100%
Dow Jones Moderately Aggressive Portfolio Index	80%
Dow Jones Moderate Portfolio Index	60%
Dow Jones Moderately Conservative Portfolio Index	40%
Dow Jones Conservative Portfolio Index	20%

Once the risk level of the index has been determined each month, the three CMACs are reweighted within the index to maximize the allocation to the CMAC with the greatest expected return at that risk level. To prevent the complete exclusion of any asset class, the weighting of each CMAC is not allowed to drop below 5% in any index.

Calculation

The return of each index is calculated monthly by multiplying the returns of subindices by the weighting assigned to the corresponding CMAC and then summing the weighted returns.

PERFORMANCE DISCLOSURE

The Dow Jones Relative Risk Indices(the "Index") was first calculated on July 1, 2003, at the market close. All information presented prior to this date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. Complete index methodology details are available at www.spindices.com.

Past performance of the Index is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the methodology paper for the Index, available at www.spdji.com or www.spindices.com for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. It is not possible to invest directly in an Index.

Another limitation of back-tested hypothetical information is that generally the back-tested calculation is prepared with the benefit of hindsight. Back-tested data reflect the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities (or fixed income, or commodities) markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

The Index returns shown do not represent the results of actual trading of investible assets/securities. S&P Dow Jones Indices LLC maintains the Index and calculates the Index levels and performance shown or discussed, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US $100,000 investment for a 12-month period (or US$ 10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US$ 1,650), the net return would be 8.35% (or US$ 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 33.10%, a total fee of US$ 5,375, and a cumulative net return of 27.2% (or US$ 27,200).

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