

GLOBAL

MAY 19, 2006

FIXED INCOME

INDEX

Index Guide

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Introducing the Dow Jones Citigroup® Sukuk Index

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Contents

Executive Summary	5
Introducing the Dow Jones Citigroup Sukuk Index.....	6
Composition.....	6
Sharia Compliance	7
Data Accessibility	8
Appendix	10
General Methodology.....	10

The Dow Jones Citigroup Sukuk Index is designed to measure the performance of global Islamic fixed-income securities — also known as sukuk. The index includes US dollar-denominated investment-grade sukuk issued in the global market that have been screened for Sharia compliance according to the index methodology.

Figure 1. Citigroup Global Fixed-Income Index — Regional Contacts

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Executive Summary

Introducing the Dow Jones Citigroup® Sukuk Index



The Dow Jones Citigroup Sukuk Index is designed to measure the performance of global Islamic fixed-income securities — also known as *sukuk*. The index includes US dollar-denominated investment-grade sukuk that are Sharia compliant and issued in the global market.

The Dow Jones Citigroup Sukuk Index shares design criteria and calculation assumptions with the broader Citigroup fixed-income index family, including Citigroup’s World Broad Investment-Grade (WorldBIG) Bond Index, the World Government Bond Index (WGBI), the US Broad Investment-Grade (USBIG) Bond Index, and the Global Emerging Sovereign Bond Index (ESBI). It also follows the same consistent, quantitative methodology as the Dow Jones Islamic Market (DJIM) Indexes, which are monitored to ensure their continued compliance with Sharia Law.

Composition

Figure 3 details the design criteria and calculation of the Dow Jones Citigroup Sukuk Index.

Composition	Global US dollar-denominated investment-grade bonds that are Sharia compliant (please see the Sharia Compliant section that follows).
Stated Coupon	Fixed rate, floating rate
Minimum Maturity	One year
Weighting	Market capitalization updated once a month
Minimum Size Outstanding	US\$250 million amount outstanding
Minimum Quality	An explicit or implicit rating of at least BBB-/Baa3 by S&P, Moody’s, or a leading rating agency.
Yield Curve	Citigroup Treasury Model (Off-the-Run) Curve
Reinvestment of Cash Flow	One-month US dollar Eurodeposit for the calculation period
Calculation Frequency	Daily
Pricing	All pricing generally taken as of the local market close
Volatility	10% single volatility
Base Date	October 2005

Source: Citigroup Index LLC.

Sector Classification

We publish the overall characteristics of the Dow Jones Citigroup Sukuk Index as well as maturity and index quality breakdowns.

Maturity

We define our maturity sectors by including all underlying issues with a remaining average life equal to or greater than the lower bound but less than the upper bound of the particular category. For example, the one- to five-year sector includes all securities with a remaining average life of at least one year but less than five years.

Index Quality

An index quality is assigned to each index bond. The quality is first mapped to the S&P rating. If a bond is not rated by S&P, we define the index quality as the S&P equivalent of the Moody's rating. For split-rated bonds in an investment-grade index, we assign the investment-grade rating to the index quality.

If neither S&P nor Moody's explicitly rates a bond, we assign the S&P equivalent of an implicit rating by a leading rating agency.

Pricing

For use in calculating monthly returns, bid-side prices from Citigroup are collected at the close of the local market. However, because of the illiquid nature of the bonds, the valuations placed on the bonds by traders are based more on their estimate of where the bonds might trade rather than an observation of where they actually trade.

Inception Date

The inception date for the Dow Jones Citigroup Sukuk Index is October 2005.

Sharia Compliance

Sukuk are essentially asset-backed bonds, neither equity nor debt from the perspective of conventional capital markets. As such, the content and structure of sukuk must be examined carefully to assure that they are Sharia compliant. While it is possible for an index to stipulate criteria relating to the nature of the underlying assets of sukuk to determine whether or not sukuk are Sharia-compliant, the structure of sukuk presents a far more complicated picture. First, given the complexities involved when structuring such instruments for assets held in one jurisdiction by special purpose vehicles (SPVs) or trusts domiciled in other jurisdictions, or held by investors in still others, certification of compliance by an internationally recognized Sharia supervisory board (SSB) must be established. Second, the basic structure of sukuk must fall under one of the categories specified by the Auditing and Accounting Organization of Islamic Financial Institutions (AAOIFI). After these two criteria are established, the final Sharia screening criteria will deal exclusively with the nature of the underlying assets. To summarize the Sharia screening criteria are:

- 1 Certification by a recognized Sharia supervisory board;
- 2 Compliance with AAOIFI standards for tradable sukuk; and
- 3 Compliance of the underlying assets with Sharia principles (similar to the set of guidelines established by the DJIM Indexes for primary business).

The First Screen

The first criterion for considering sukuk is to ensure that the issuance is certified by a reputable SSB. In many cases, sukuk will be certified not only by the issuer's SSB,

or the arranger, but also by the investor's SSB as well. To address the potential problem of differing SSB interpretations, the screen will be passed only if sukuk have been certified by a Sharia supervisory board with international membership or if more than one SSB from different geographic regions have certified sukuk.

The Second Screen

The second criterion is the most complex of all. Because of the standards for sukuk issued by the AAOIFI in 2004, a diverse range of instruments has been identified, and their acceptance by Islamic banks and financial institutions has been universal.

The Third Screen

In the same way that stocks are screened for compliance of the primary business, so as not to permit companies that are engaged in any of the so-called prohibited industries, the underlying assets to be securitized in sukuk must comply with Sharia principles. The industry-based screening criteria are similar to those established for the DJIM Indexes.

Data Accessibility

The Dow Jones Citigroup Sukuk Index is available on www.djindexes.com, The Yield Book® fixed-income analytical system (www.yieldbook.com), and major data vendor services.

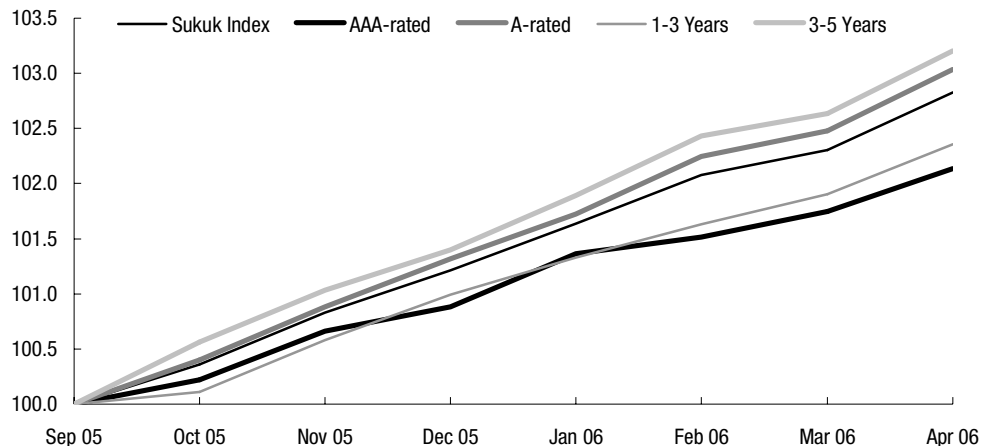
Figure 4 lists the issues in the May 2006 Dow Jones Citigroup Sukuk Index and Figure 5 shows the value of the index since inception. Figure 6 compares the performance of major indexes.

Figure 4. Dow Jones Citigroup Sukuk Index, May 06 (Dollars in Millions)

	Coupon	Maturity	Par (\$)	Quality	Average Life	Yield to Maturity	Modified Duration	Effective Duration to LIBOR	Spread to LIBOR
Malaysia Global Sukuk	5.640	7/03/07	600	A-	1.18	5.46	1.10	0.18	14
Solidarity Trust Services	3.625	8/12/08	400	AAA	2.28	5.43	2.14	2.14	11
BMA International Sukuk	5.140	6/30/09	250	A	3.17	5.70	2.81	0.18	35
Dubai Global Sukuk	4.940	11/04/09	1000	A+	3.52	5.98	3.06	0.01	61
Sarawak Corp Sukuk Inc	5.771	12/22/09	350	A-	3.65	5.83	3.16	0.19	46
IDB Trust Services Ltd.	4.791	6/22/10	500	AAA	4.15	5.50	3.61	0.15	12
Qatar Global Sukuk	4.700	10/09/10	700	A+	2.44	5.67	2.20	0.45	33

Source: Citigroup Index LLC.

Figure 5. Index Value for the Dow Jones Citigroup Sukuk Index, Oct 05–Apr 06



Base: 30 Sep 05 = 100.
Source: Citigroup Index LLC.

Figure 6. Total Rate of Return in US\$ Terms, Oct 05–Apr 06

Index	Asset Class	Past 6-Months
Dow Jones Islamic Market World Emerging Markets Index	Equity	24.13
Dow Jones World Index	Equity	13.60
Dow Jones-RHB Islamic Malaysia Index	Equity	12.40
Dow Jones Islamic Market World Index	Equity	10.24
Dow Jones Malaysia Index	Equity	9.83
Dow Jones U.S. Total Market Index	Equity	7.58
Dow Jones Global Titans 50 Index	Equity	5.68
Citigroup Malaysia Government Bond Index	Fixed-Income	3.81
Citigroup High Yield Market Index	Fixed-Income	3.78
Citigroup Emerging Market Sovereign Bond Index	Fixed-Income	3.34
Dow Jones Citigroup Sukuk Index	Fixed-Income	2.82
Citigroup Euro Broad Investment Grade Bond Index	Fixed-Income	1.62
Citigroup US Broad Investment Grade Mortgage Index	Fixed-Income	0.58
Citigroup World Broad Investment Grade Bond Index	Fixed-Income	0.33
Citigroup World Government Bond Index	Fixed-Income	0.01
Citigroup US Broad Investment Grade Bond Index	Fixed-Income	-0.23
Citigroup US Broad Investment Grade Credit Index	Fixed-Income	-0.80
Citigroup US Treasury Index	Fixed-Income	-0.90

Sources: Dow Jones Indexes and Citigroup Index LLC.

Appendix

General Methodology¹

The Dow Jones Citigroup Sukuk Index follows the general methodology of the family of Citigroup fixed income indexes and the Dow Jones Islamic Market Index methodology for screening securities for Sharia compliance. For details on Citigroup indexes, please see the Citigroup *Global Fixed-Income Index Catalog — 2005 Edition*, May 26, 2005.

Index Profile

With the growing importance of global indexes to fund managers throughout the world, it is important for us to communicate a new index's preliminary profile to provide sufficient time for fund managers to respond to changes in their benchmarks within their own time zones.

We publish a schedule of fixing dates in our publications and they can be accessed via www.yieldbook.com and on the Citigroup Fixed-Income Direct Web site. These dates are determined by the rule that there must be four business days after the fixing date and before the calendar end of the month in all of the following business regions: United States, Japan, United Kingdom, EMU (specifically Germany), and Australia.

For an issue to be eligible for inclusion in an index, all information on the issue must be publicly available on or before the fixing date, and the first settlement date of the issue must be on or before the end of the month. We impose this constraint to ensure the indexes are as representative as possible of the investment opportunities that exist in the markets for the period they cover.

After the release of the preliminary profile and prior to the end of the month, we will continue to track market activities and will remove any issues that are called, tendered, or defaulted. We also may revise the preliminary profile for corrections.

At the same time, bonds that no longer meet the maturity (that is, an average life of less than one year from the last **calendar** day of the month), amount outstanding, or rating criteria are removed. Any buyback or reverse auction occurring on or before fixing will be removed from the index. In addition, full calls and tenders occurring between fixing and month-end and rendering a bond below the minimum amount outstanding will cause the security to be removed from the profile immediately.

The index profile for the calendar month is then fixed, and all interim returns are calculated based on its composition. Reconstitution on a monthly basis, together with the large number of bonds in the indexes, provides a reasonable compromise between stability and comprehensiveness.

We have timed the profile fixing to enable us to disseminate index information ahead of the month-end date so that investors have time to prepare rebalancing transactions.

¹ The information included in this document is current as of May 16, 2006. The index methodology is subject to change at the discretion of Citigroup and Dow Jones.

Settlement

For daily calculations, we assume that indexes settle on a same-day basis, except on the last business day of the month, when settlement is the last calendar day. Monthly holding periods, therefore, are exactly one calendar month. For example, the January return period would run from the close on December 31 to the close on January 31, regardless of the last business day. However, the last business day in each local market is used for pricing.

Return Computation

Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. (Bid-side valuations are used.) An issue's total rate of return is the percentage change in its total value over the measurement period (see Figure 7).

The components of total return are price change, principal payments, coupon payments, accrued interest, and reinvestment income on intramonth cash flows. In the case of multicurrency or nonbase indexes, the total return also includes currency movement. The total returns are market-capitalization-weighted using the security's beginning-of-period market value.

Figure 7. Total Rate-of-Return Calculation Methodology

Beginning-of-Period Value	=	(Beginning Price + Beginning Accrued) x Beginning Par Amount Outstanding
End-of-Period Value	=	[(Ending Price + Ending Accrued) x (Beginning Par Amt. Outstanding - Principal Payments)] + Coupon Payments + Principal Payments + Reinvestment Income
Total Rate of Return (%)	=	[(End-of-Period Value/Beginning-of-Period Value)-1] x 100

A note on precision: Returns are computed to at least six decimal places but reported to a maximum of four. In addition, owing to rounding errors inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

Source: Citigroup Index LLC.

Disclosure Appendix A1

"Dow Jones Indexes" and "Dow Jones" are service marks of Dow Jones & Company, Inc. The Dow Jones Citigroup Sukuk Index is published jointly by Dow Jones and Citigroup by agreement. Dow Jones does not sell, sponsor, endorse or promote investment products based on the Dow Jones Citigroup Sukuk Index. Inclusion of a bond (sakk) in the Dow Jones Citigroup Sukuk Index does not in any way reflect an opinion of Dow Jones or Citigroup on the investment merits of such bond.

Other Disclosures

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