



Dow Jones-UBS Commodity IndexSM Methodology

The DJ-UBSCISM is composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold, and contracts that have not yet reached the delivery period must be purchased. This process is known as “rolling” a futures position. The DJ-UBSCISM is a “rolling index.”

Indexes in the DJ-UBSCISM family are calculated on both an excess return and total return basis. The excess return indexes reflect the return of underlying commodity futures price movements only, whereas the total return indexes reflect the return on fully collateralized futures positions. Twenty commodities are included in the DJ-UBSCISM, representing the following commodity sectors: energy, precious metals, industrial metals, livestock and agriculture.

Four main themes underlie the construction of the DJ-UBSCISM:

- Economic significance
- Diversification
- Continuity
- Liquidity

Economic Significance

A commodity index should fairly represent the importance of a diversified group of commodities to the world economy. To that end, the DJ-UBSCISM relies primarily on liquidity data of futures contracts, along with U.S. dollar-adjusted production data, in determining the relative quantities of included commodities.

Liquidity, or the relative amount of trading activity centered on a particular commodity, is an important indicator of the value placed on that commodity by financial and physical market participants. Liquidity provides a window on the commercial significance of a commodity. The DJ-UBSCISM relies on data that are both exogenous to the futures markets (production) and endogenous to those markets (liquidity) in determining relative weightings.

Production data, although a useful measure of economic importance, may underestimate the economic significance of storable commodities (e.g., gold) at the expense of relatively nonstorable commodities (e.g., live cattle). Production data alone also may underestimate the investment value that financial market participants place on certain commodities. The addition of liquidity data as a weighting measure reduces this type of potential distortion.



Diversification

The DJ-UBSCISM is designed to be a highly liquid and diversified benchmark for commodities investments. Disproportionate weighting of any particular commodity or sector may increase volatility and negate the concept of a broad-based commodity index.

To ensure that no single commodity or commodity sector dominates the index, the DJ-UBSCISM relies on several diversification rules. Among these rules are the following:

- No related group of commodities (e.g., energy, precious metals, livestock or grains) may constitute more than 33% of the index
- No single commodity may constitute less than 2% of the index

The diversification rules are applied annually when the DJ-UBSCISM is reweighted and rebalanced on a price-percentage basis.

Rebalancing

Rebalancing is an important feature for a commodity futures index because it helps avoid over-concentration in any one commodity or group of commodities over time. Rebalancing can take advantage of market phenomenon that appear to be persistent.

The DJ-UBSCISM is reweighted and rebalanced annually on a price-percentage basis.

Continuity

Unlike broad-based equity indexes, which often include hundreds or thousands of component stocks, the available universe of commodity futures is more limited. The predictability of future index behavior decreases if the composition of an index changes materially from year to year.

The DJ-UBSCISM attempts to resolve these differences through annual reweighting and rebalancing, and five-year averaging of both liquidity and production data. Along with the diversification rules described previously, the reweighting, rebalancing and averaging are designed to help the DJ-UBSCISM respond smoothly to future market developments.

Index Construction Percentages

Commodity Liquidity Percentage

The first step in constructing the DJ-UBSCISM is to determine the relative liquidity and production percentages. Each June, the Commodity Liquidity Percentage (“CLP”) for each commodity designated for potential inclusion in the Index (collectively, “Commodities”) is determined by taking a five-year average of the product of trading volume and the historic U.S. dollar value of the futures contract selected as the reference contract for that Commodity (the “Designated Contract”), and dividing the result by the sum of such products for all Commodities. The Futures Industry Association is the source for volume data used in the calculation of the Commodity Liquidity Percentages.

Commodity Production Percentage

The Commodity Production Percentage (“CPP”) is also determined for each Commodity by taking a five-year average of production figures, adjusted by the historical U.S. dollar value of the Designated Contract, and dividing the result by the sum of such products for all Commodities.

As with the calculation of the Commodity Liquidity Percentages, the Commodity Production Percentages are calculated over a five-year period (the “Production Averaging Period”).

Commodity Index Multiplier

The Commodity Liquidity Percentage and the Commodity Production Percentage are then combined (using a ratio of 2:1) to establish the Commodity Index Percentage (“CIP”) for each Commodity. This Commodity Index Percentage is then adjusted in accordance with the diversification rules in order to determine the Commodities that will be included in the Index (“Index Commodities”) and their respective percentage weights.

On the fourth business day of the month of January following the calculation of the CIPs, the CIPs are combined with the settlement prices of all Index Commodities for such day to create the Commodity Index Multiplier (“CIM”) for each Index Commodity. The Commodity Index Multipliers remain in effect throughout the ensuing year.

Once the Commodity Index Multipliers are determined, the calculation of the DJ-UBSCISM is an arithmetic process whereby the CIMs for the Index Commodities are multiplied by the respective prices in U.S. dollars for the applicable Designated Contracts. The products are then summed. The daily percentage change in this sum is then applied to the prior day's DJ-UBSCISM value to calculate the current DJ-UBSCISM value.

Commodities Included in the Index

Commodities have been selected that are believed to be both sufficiently significant to the world economy to merit consideration and tradable through a qualifying related futures contract.

With the exception of several metals contracts (aluminum, nickel and zinc) that trade on the London Metals Exchange (“LME”), and Brent crude, which trades on ICE Europe, each of the Commodities is currently the subject of a futures contract that trades on a U.S. exchange.

Designated Contracts

Historically, through and including the composition of the Index for 2011, UBS has chosen as the Designated Contract for each Commodity one contract that is traded in North America and denominated in U.S. dollars (with the exception of several LME contracts).

During the determination of the 2012 composition of the Index, the Supervisory Committee has determined the storage and delivery characteristics of crude oil make an allocation to Brent Crude Oil in the Index appropriate in light of the principles of Index design. Additionally, in the event that changes in regulations concerning position limits materially affect the ability of market participants to replicate the Index in the underlying futures markets, it may become appropriate to include multiple Designated Contracts for more Commodities in order to enhance liquidity.

The termination or replacement of a futures contract on an established exchange occurs infrequently; if a Designated Contract were to be terminated or replaced, a comparable futures contract would be selected, if available, to replace that Designated Contract.

Commodities Currently Included in the Dow Jones-UBS Commodity IndexSM:

Aluminum	Heating Oil	Soybean Oil
Brent Crude	Lean Hogs	Sugar
Coffee	Live Cattle	Unleaded Gasoline
Copper	Natural Gas	Wheat
Corn	Nickel	WTI Crude Oil
Cotton	Silver	Zinc
Gold	Soybeans	



For more information on the Dow Jones-UBS Commodity IndexSM, please visit:

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