

# INDEX BULLETIN

## Changes to the S&P Style Indices

On December 16, 2005, Standard & Poor’s will be implementing a revision to the methodology used to calculate its U.S. Style Index series. The transition to the new methodology will coincide with the quarterly rebalance.

### Comparing the Old and the New Methodology

S&P will be modifying their style methodology by migrating from a single factor (Price-to-Book) model to a multivariate model using 7 factors. As of December 16, 2005, the S&P/Barra Growth/Value Indices will be recalculated using the new methodology and renamed the S&P/Citigroup Growth/Value Indices. The new methodology will include the Style Index series along with the introduction of a new Pure Style Index series.

**Table 1: Comparison of Style Methodologies**

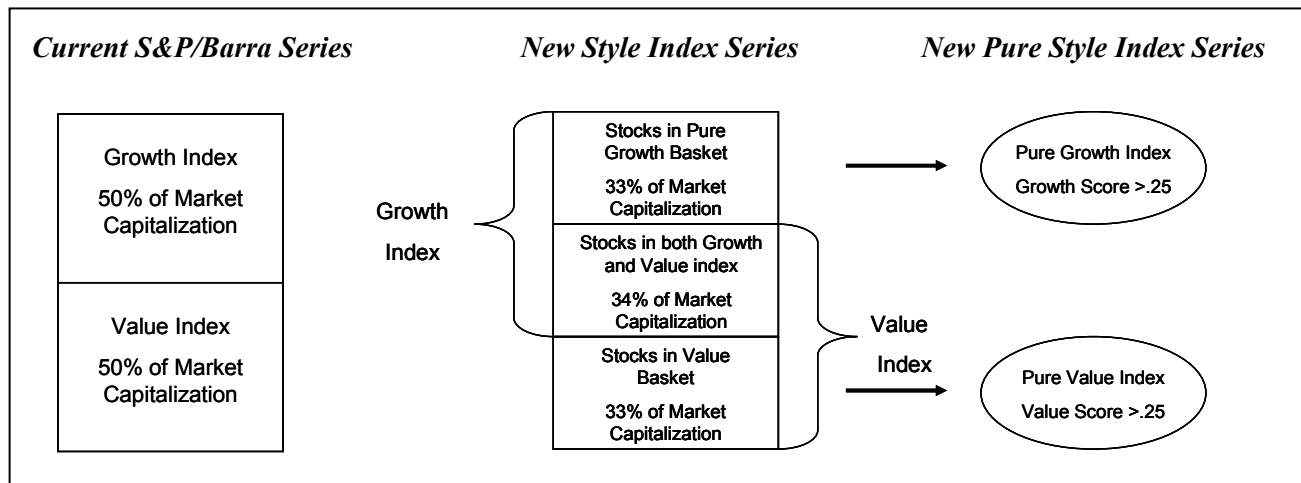
Characteristic	Current S&P/Barra Methodology	New Style Index Series	New Pure Style Index Series
<b>Factor details</b>	Price/ Book	<b>Value</b> Price/Book Cash Flow/Price Sales/Price Dividend Yield <b>Growth</b> 5yr hist. earnings growth 5yr hist. sales growth 5yr hist. avg. internal growth	<b>Value</b> Price/Book Cash Flow/Price Sales/Price Dividend Yield <b>Growth</b> 5yr hist. earnings growth 5yr hist. sales growth 5yr hist. avg. internal growth
<b>Universe</b>	Exhaustive	Exhaustive	Selective
<b>Overlapping stocks</b>	No	Yes	No
<b>Rebalance Frequency</b>	Semi-Annual	Annual	Annual
<b>Weighting Scheme</b>	Market capitalization	Market Capitalization	Style Scores

Sources: Standard & Poor’s, Northern Trust

The revised Style Index series will assign each stock standardized growth and value scores, which are determined based on four value factors and three growth factors. After the assignment of a growth and value score, each stock within the parent universe will be assigned a growth and value rank. Stocks will then be sorted and the top third of the market capitalization of each index will be assigned as the “pure growth basket” and the bottom third will be assigned as the “pure value basket”. The parent index will be divided into approximately equal halves, with one half being the growth index and the other being the value index. Stocks that fall outside of the “pure basket” will have their capitalization divided between the growth and value indices. The new Style Index series allows a company to be represented in both indices, as opposed to the current S&P/Barra methodology in which a stock can only be a member of either the growth or value index. As is the case with the existing methodology, stocks within the style series are weighted by their float adjusted market capitalization.

The Pure Style Index series is derived from the pure growth and pure value baskets created after the ranking. For stocks to be included in the Pure Style Indices they must have a growth or value score of 0.25 or greater. As indicated in Figure 1. below, the Pure Style Indices are not exhaustive and do not include any overlapping stocks. What is unique to the Pure Style Index series is the weighting methodology. Unlike the Style Index series, stocks in the Pure Style Index are weighted by their corresponding style score rather than market capitalization. This represents a significant departure from all other major style index providers.

Figure 1: Old vs. New Methodology



Source: Standard & Poor's, Northern Trust

**Implementation & Analysis**

The methodology change becomes effective December 16, 2005, corresponding with the December quarterly review.

Table 2: Estimated Turnover (2 way) for Transition to New Indices

	S&P/Barra Growth to S&P/Citigroup Growth	S&P/Barra Value to S&P/Citigroup Value
S&P 500	54%	52%
S&P MidCap 400	56%	58%
S&P SmallCap 600	56%	56%

Source: Standard & Poor's

Table 3: Annualized Total Return, as of September 30, 2005

Annualized Total Return Performance - S&P 500			
Returns (%)	S&P/Barra Growth	S&P/Citigroup Growth	S&P Pure Growth
1 Year	10.66	8.16	16.68
3 Years	13.35	13.90	26.93
5 Years	-5.45	-7.22	-4.43
10 Years	8.69	8.37	12.16
Returns (%)	S&P/Barra Value	S&P/Citigroup Value	S&P Pure Value
1 Year	13.82	16.35	29.59
3 Years	20.14	19.56	30.22
5 Years	2.31	3.89	16.06
10 Years	9.82	9.82	14.09

Annualized Total Return Performance - S&P MidCap 400			
Returns (%)	S&P/Barra Growth	S&P/Citigroup Growth	S&P Pure Growth
1 Year	21.13	22.47	20.07
3 Years	19.25	22.56	25.33
5 Years	0.47	4.30	5.14
10 Years	-	16.33	15.57
Returns (%)	S&P/Barra Value	S&P/Citigroup Value	S&P Pure Value
1 Year	23.20	21.90	23.73
3 Years	24.91	21.58	25.66
5 Years	14.00	9.78	17.74
10 Years	-	12.05	14.15

Sources: Standard & Poor's, Factset

All of us at Northern Trust Global Investments look forward to working with you to effectively manage this transition. If you have any questions or an interest in discussing this situation, please contact the Global Quantitative Strategy Group or your Investment Relationship Manager.

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