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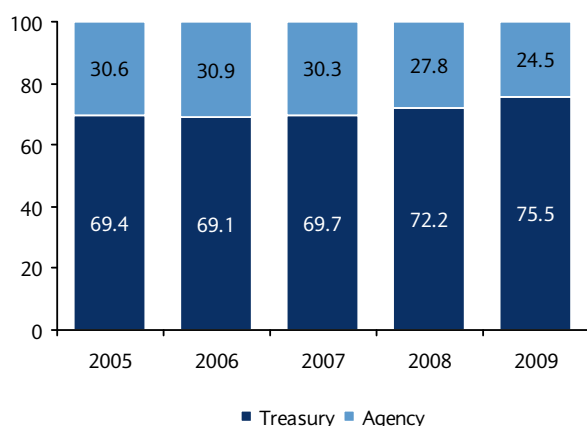
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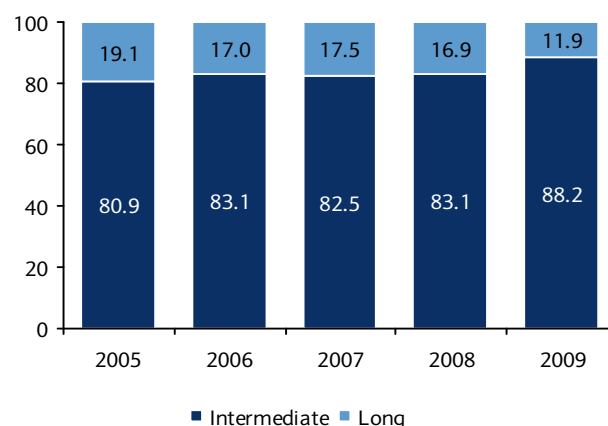
U.S. Government Index

The U.S. Government Index is comprised of the U.S. Treasury and U.S. Agency Indices. The U.S. Government Index includes Treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and U.S. agency debentures (publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The U.S. Government Index is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

Sector Composition (MV%) –Trailing Five Years (As of Dec 31 2009)



Intermediate vs Long (MV%) –Trailing Five Years (As of Dec 31, 2009)



Rules for Inclusion

Amount Outstanding	<ul style="list-style-type: none"> USD 250mn minimum amount outstanding. U.S. Treasuries held in the Federal Reserve SOMA account (both purchases at issuance and net secondary market transactions) are deducted from the total amount outstanding. New issuance bought at auction by the Federal Reserve does not enter the index. Net secondary market purchases/sales are adjusted at each month-end with a one-month lag.
Quality	<ul style="list-style-type: none"> Rated investment-grade (Baa3/BBB-/BBB-) or higher using the middle rating of Moody's, S&P, and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower ("more conservative") is used. When a rating from only one agency is available, that is used to determine index eligibility.
Maturity	<ul style="list-style-type: none"> At least one year until final maturity, regardless of optionality. For securities with a coupon that converts from fixed to floating rate, at least one year until the conversion date. Subindices based on maturity are inclusive of lower bounds. Intermediate maturity bands include bonds with maturities of 1 to 9.9999 years. Long maturity bands include maturities 10 years and greater.

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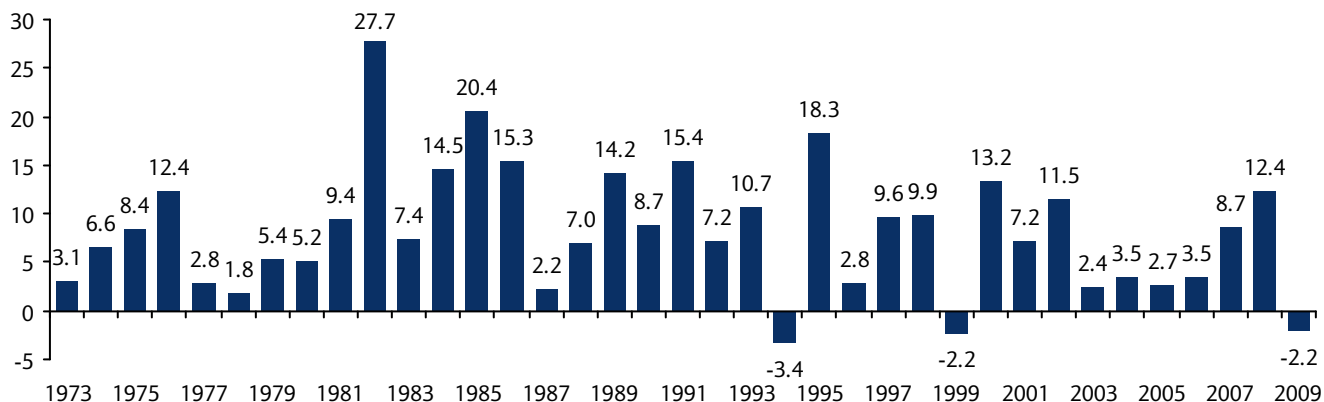
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Rules for Inclusion (continued)

Seniority of Debt	Senior and subordinated issues are included.	
Coupon	<ul style="list-style-type: none"> ■ Must be fixed rate. ■ Step-up coupons and those that change according to a predetermined schedule are also included. 	
Currency	Principal and coupons must be denominated in USD.	
Market of Issue	<ul style="list-style-type: none"> ■ SEC-registered securities, bonds exempt from registration at time of issuance, or SEC Rule 144A securities with registration rights are index eligible. A security with both SEC Regulation S (Reg-S) and SEC Rule 144A tranches is treated as one security in par value; to prevent double-counting, the 144A tranche is used to represent the issue and comprises the combined amount outstanding of the 144A and Reg-S tranches. ■ Issues with global market of issue are included. 	
Security Types	<p>Included:</p> <ul style="list-style-type: none"> ■ Fixed-rate bullet, puttable and callable bonds issued by the U.S. Treasury, U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government (e.g. Temporary Liquidity Guarantee Program-TLGP) ■ Soft bullets 	<p>Excluded:</p> <ul style="list-style-type: none"> ■ Bonds with equity-type features (e.g., warrants, convertibility to equity) ■ Floating-rate issues ■ State and local government series (SLGs) bonds ■ Resolution Trust Funding Corporation (REFCORP) ■ STRIPS ■ TIPS (as of January 1, 1998) ■ Zero coupon callable agencies

Historical Annual Returns, 1973-2009 (%)



Source: Barclays Capital Indices

Index History

July 1, 2005	Fitch ratings added to Moody's and S&P to determine index eligibility and classification.
October 1, 2003	Started using the most conservative rating of Moody's and S&P to determine index eligibility instead of Moody's only for split-rated securities.
January 1, 1998	Removed U.S. TIPS from U.S. Government Index.
August 1, 1988	Inception date of U.S. Treasury Index as subset of the U.S. Government Index.
January 1, 1976	Inception date of the U.S. Agency Index.
January 1, 1973	Inception date of U.S. Government Index and the U.S. Treasury Index.

Rebalancing Rules	
Frequency	The composition of the Returns Universe is rebalanced at each month-end and represents the fixed set of bonds on which index returns are calculated for the ensuing month. The Statistics Universe is a forward-looking version that changes daily to reflect issues dropping out and entering the index, but is not used for return calculation. On the last business day of the month (the rebalancing date), the composition of the latest Statistics Universe becomes the Returns Universe for the following month.
Index Changes	During the month, indicative changes to securities (credit rating change, sector reclassification, amount outstanding changes, corporate actions, ticker changes) are reflected in both the Statistics and the Returns Universe of the index on a daily basis. These changes may cause bonds to enter or fall out of the Statistics Universe of the index on a daily basis, but will affect the composition of the Returns Universe only at month-end, when the index is rebalanced.
Reinvestment of Cash Flows	Intra-month cash flows from interest and principal payments contribute to monthly index returns, but are not reinvested at any short-term reinvestment rate between rebalance dates to earn an incremental return. However, after the rebalancing, cash is effectively reinvested into the returns universe for the following month, so that index results over two or more months reflect monthly compounding.
New Issues	Qualifying securities issued, but not necessarily settled, on or before the month-end rebalancing date qualify for inclusion in the following month's index if required security reference information and pricing are readily available. U.S. Treasury securities will be added by the auction date in the statistics universe.

Pricing and Related Issues	
Sources & Frequency	All index-eligible bonds are priced on a daily basis, predominantly by Barclays Capital market makers. Pricing sources by sector: <ul style="list-style-type: none"> ■ Treasury: Priced by Barclays Capital market makers on a daily basis. ■ Agency debentures: A subset of approximately 200 liquid agency debentures are priced by Barclays Capital traders on a daily basis, with the remaining bonds model-priced using trader marks and updated curves. All bonds are trader priced at mid-month and month-end.
Pricing Quotes	Bonds can be quoted in a variety of ways, including nominal spreads over benchmark securities/Treasuries, spreads over swap curves, or direct price quotes as a percentage of par. In most instances, the quote type used is a spread measure that results in daily security price changes from the movement of the underlying curve (swap or Treasury) and/or changes in the quoted spread.
Timing	3pm (New York time) each day. On early market closes, prices will be taken as of 1pm unless otherwise noted. If the last business day of the month is a public holiday in the U.S., prices from the previous business day are used.
Bid or Offer Side	Bonds in the index are priced on the bid side.
Settlement Assumptions	<ul style="list-style-type: none"> ■ T+1 calendar day settlement basis for all bonds. ■ On month-end, settlement is assumed to be the first day of the following month, even if the last business day is not the last day of the month, to allow for one full month of accrued interest to be calculated.
Verification	Multi-contributor verification: The primary price for each security is analyzed and compared with other third-party pricing sources through statistical routines and scrutiny by the research staff. Significant discrepancies are researched and corrected, as necessary.
Calendar	The U.S. Government Index follows the U.S. bond market holiday schedule.

Subindices and Index Customizations		
Custom Index Type	Description	Examples
Enhanced Constraint	Applies a more or less stringent set of constraints to any existing index.	<ul style="list-style-type: none"> ■ U.S. Government 1-5 years
Composites	Investors assign their own weights to sectors or other index subcomponents within an overall index.	<ul style="list-style-type: none"> ■ 50% U.S. Government, 50% U.S. Credit
Alternative Weight	Uses other rules-based weighting schemes instead of market value weights.	<ul style="list-style-type: none"> ■ U.S. Government Float Adjusted

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Bloomberg Total Return Index Value Tickers for U.S. Government and Related Indices			
Ticker (USD Unhedged)	Index	Ticker (USD Unhedged)	Index
LUAG	U.S. Government	LGL1	U.S. Long Government
LUGI	U.S. Intermediate Government	LD24	U.S. 1-3 Year Government

Total Return Index Values are available in other currencies and on a hedged basis. Other attributes, such as yield and duration, are also tickerized on Bloomberg using the first four characters of each ticker listed in the above table. For a full list of tickerized attributes for each index, type ALLX <Ticker>. Please refer to Historical Analysis Using Bloomberg Tickers for a full list of tickers.

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