

INDEX BULLETIN

Follow up to Ford and GM downgrades

Recent Changes in Lehman Brothers Index

- On May 31st Ford and GM exited the Lehman Aggregate Bond Index and joined the Lehman High Yield Bond Index.
- On June 30th Ford came back in the Lemman Aggregate when Fitch was added to Lehman's index methodology and two of the three rating agencies rated this firm as investment grade.
- On August 24th Moody' downgraded Ford Motor Company to Ba1 resulting in its exiting the Lehman Aggregate index on August 31st. However, Ford Motor Credit, the finance subsidiary, remains in the index with split ratings among the three ratings agencies.

Current credit agency ratings as September 16, 2005

	S&P	Moody's	Fitch	Lehman Index Rating
GM	BB	Ba1	BB+	Speculative Grade
GMAC	BB	Ba1	BB+	Speculative Grade
Ford Motor Co.	BB+	Ba1	BBB-	Speculative Grade
Ford Motor Credit	BB+	Baa3	BBB-	Investment Grade

Impact to the benchmarks

- As a result of the downgrade, 14 Ford Motor Co. bonds with over \$9 billion in market value left the Lehman Aggregate Index, while 18 bonds entered the US High Yield Index. The additional 4 Ford Motor Co. bonds are issues that initially did not meet the minimum \$250 million liquidity requirement for inclusion in the US Credit Index.
- As of September 16, GM remains the largest issuer within the US High Yield Index with a weight of 6.12%, while Ford Motor Co. is in fifth position at 1.47%.

Impact to our funds

- *Ford Motor Company:* We eliminated our position in Ford Motor Company over the course of several days, during early September, to minimize transaction costs. We earned a small positive impact from our underweighted position for the month of August, and we expect another small contribution to our portfolio's performance for the month of September.

Outlook

- *Ford Motor Credit:* We continue to monitor this credit closely for any further developments with the rating agencies.