

UBS Bloomberg CMCI (Constant Maturity Commodity Index)

Governance Committee

H1-2012, Effective 1st February 2012

London, December 07, 2011

Attendees: Mark Steinert, Christopher Murphy, Patrick Grob, Peter Hickson, Angus Staines, Edmund Carroll, Liting Yung, Andrew White, Dan Raab, Bruno Dupire, Kelly Ochman (in place of Rob Kalachik)

Apologies: Dr. Helyette Geman, Josh Eastright, Robert Kalachik, Morgan Downey

1. Market Overview

Angus Staines from UBS Research to give an overview of commodity markets

2. Regulatory Developments

Kelly Ochman (in place of Rob Kalachik) from UBS Compliance to give an update on regulatory developments

3. Index Update

Edmund Carroll from UBS Commodities Trading gave an update on CMCI business

4. CMCI Advisory Committee changes

Dan Raab, Managing Director of Commodity Investor Marketing and Structuring at UBS will succeed Jean Bourlot. Additionally, Liting Yung, of Commodity Investor Marketing and Structuring, will succeed Katia, Demekhina.

CMCI Advisory Committee Members

Dan Raab	Committee Advisor	Managing Director – UBS Head of Commodity Investor Marketing and Structuring
or		
Edmund Carroll		Managing Director - UBS Global Co-Head of Commodities
Liting Yung	Committee Advisor	UBS Commodity Investor Marketing and Structuring
Peter Guntlin	Committee Advisor	Executive Director – UBS European Distribution
Jeffrey Palma	Committee Advisor	Managing Director – UBS Research Analyst
or		
Jennifer Delaney		Director – UBS Research Analyst
Alan Campbell	Committee Advisor	Bloomberg Indexes Business
Junling Wang	Committee Advisor	Bloomberg Developer, Commodities Research & Development Department
Melisa MacDonagh	Legal Advisors	Executive Director – UBS Derivatives Lawyer
and		
Paul Ramundo		Bloomberg Lawyer
Eric Bothwell	Secretary	Managing Director – UBS Business Manager

Dan Raab - Mr. Raab is currently the Head of Commodity Investor Marketing and Structuring at UBS, leading a team that develops and markets commodity linked investment products. Mr. Raab and his team work closely with institutional investors, fund managers, and exchange traded product creators to provide commodity linked solutions on a global basis.

Prior to joining UBS, Mr. Raab was the Head of Commodity Strategies at Credit Suisse, where he developed commodity investment products. Prior to Credit Suisse, Mr. Raab worked at AIG, where he co-created the Dow Jones - AIG Commodity Index and other commodity linked investment structures. Before AIG, Mr. Raab developed technical trading models in the Foreign Exchange and Fixed Income areas at Citibank and Mitsui. Mr. Raab holds an MBA and a BA from Columbia University.

Liting Yung – Liting Yung currently works on the UBS Commodity Investor Marketing team covering institutional and retail investors in EMEA. Prior to joining UBS, Liting worked with the Commodity Investor Sales team at Goldman, Sachs & Co. in New York. Liting is based in London.

5. CMCI Governance Committee changes

Peter Hickson, Global Head of UBS Securities Commodity Research, will succeed John Clemmow. Tim Woodward will no longer be on the committee.

CMCI Governance Committee Members

Morgan Downey		Bloomberg
Mark Steinert	Chairman	Managing Director – UBS Global Head of Securities Research
Josh Eastright		Bloomberg Global Business Manager, Energy & Commodity Markets
Christopher Murphy		Managing Director – UBS Global Head of Rates Derivatives and Swaps Trading
Bruno Dupire		Bloomberg Head of Quantitative Financial Research
Dr. Helyette Geman		Birkbeck, University of London and ESCP Europe Graduate Business School Professor of Finance
Patrick Grob		Managing Director – UBS European Head Structured Equity Derivatives Sales
Peter Hickson		Managing Director – UBS Global Head of Commodity Research

Peter William Hickson – Peter William Hickson is currently Global Head of UBS Securities Commodity Research, responsible for the integration and development across Equities, Fixed Income, Trading, and ETD. Peter’s global understanding of commodities, their equities and their macro drivers, is the result of over 30 years of experience in both global equity analysis and international mine operating management. For more than ten years, Peter directed Global Research in mining, steel, paper and chemical and cement industries in all major regions for UBS in London. He has also worked with UBS in Sydney and spent eight years at Bankers Trust in commodity and equity research. Prior to that, he was a Mining Executive with CRA (Rio Tinto) affiliates working at Broken Hill, Woodlawn and Bougainville mines.

Peter also holds the role of Global Basic Materials Strategist at UBS, continuing analysis of materials sectors, with a particular emphasis on China and India’s impacts on global materials balances. Peter is currently based in Hong Kong.

6. Index Composition and New Target Weights

For the determination of H1-2012 Target Weights (December 2011 Governance Committee), the liquidity data has been updated. The Economic data will be updated for the next reweighting period.

Data periods for the determination are as follows:

- Period for PI5 (price indicator) determination was 31 May 2006 – 31 May 2011;
- Periods for Open Interest and volume indicators range from 1 Jun 2009 until 31 May 2011.

Commodities including Orange Juice, Tin, Gold (LIFFE), Canola, NYBOT Cocoa, Coffee Robusta, Rapeseed, Milling wheat, Platinum and Palladium do not satisfy the minimum threshold weight rule (TTW3 needs to be above 0.60%) for two (2) or more consecutive periods (see rule I.1 in Section 2.3.2 of the Technical Document), so they will continue to be excluded from the CMCI composition.

HRW Wheat will now be included in the CMCI. In order to avoid unnecessary dilution of the weights and the number of small components in the Index, the CMCI excludes components where the commodity weighting is shared by more than one instrument when i) its target weight is less than 3% and ii) its relative weight for the specific commodity is less than 33% (see rule J in Section 2.3.2 of the Technical Document). The relative weight of HRW Wheat was calculated to be 33.69% and will therefore be included in the CMCI.

As represented in Table 1 below, USD1bn investment into the CMCI (using Target Weights obtained in Section 2.3.2.K of the Technical Document) would represent less than 2% in the majority of the CMCI commodities. However, there are some outliers, namely Rice (28.28%) and Sugar #5 (12.35%) (see Table 1 below).

When we reduce the Target Weight of Rice to comply with the 10% threshold, Rice Target Weight drops below the min Admission Threshold Weight requirement of 0.60% (see section 2.3.2.I of the Technical Document) to 0.54% (see Table 2 below). As a result, the Rice contract is once again excluded from the CMCI and its weight redistributed among other agricultural components (excluding Sugar #5).

When we reduce the weight of Sugar#5 to comply with the 10% rule, the resulting weight of the commodity is 2.28%. The excess weight is allocated to Sugar #11, making its representation in the Index equal to 4.86% (following the Rice excess weight redistribution).

As can be seen from Table 3 below, beyond the addition of HRW Wheat, the H1-2012 sector weights and component weights have changed only modestly as compared to H2-2011. The largest sector change was an increased allocation to Agriculture of 0.25% and the largest component change was an increased allocation to corn of 0.57% (beyond the addition of HRW Wheat).

See Tables below for the details of weight reallocation.

TABLE 1. H1-2012 TARGET WEIGHTS BEFORE THE APPLICATION OF MARKET LIQUIDITY ANALYSIS

Commodity Component	Exchange	Group	TW	As a portion of USD1bn	ACMVV	As % of ACMVV
WTI Crude Oil 1	NYMEX	EN	8.9716%	89,715,889	57,928,250,269	0.15%
WTI Crude Oil 2	ICE	EN	3.7307%	37,306,719	17,583,497,511	0.21%
Brent Crude Oil	ICE	EN	7.0993%	70,993,155	36,447,923,796	0.19%
Heating oil #2	NYMEX	EN	3.1442%	31,441,911	10,975,956,183	0.29%
Gasoil	ICE	EN	3.9839%	39,838,769	16,029,067,459	0.25%
RBOB Gasoline	NYMEX	EN	3.8174%	38,174,254	11,082,180,878	0.34%
HHUB Natural Gas	NYMEX	EN	4.3929%	43,928,736	11,701,851,122	0.38%
Copper	LME	INDM	9.6266%	96,266,330	24,466,725,848	0.39%
High Grade Copper	COMEX	INDM	3.3593%	33,592,665	3,724,181,604	0.90%
Zinc	LME	INDM	2.3872%	23,872,100	4,071,811,974	0.59%
Aluminium	LME	INDM	7.0329%	70,328,896	10,992,259,006	0.64%
Nickel	LME	INDM	2.5944%	25,944,013	4,036,616,543	0.64%
Lead	LME	INDM	1.2946%	12,946,041	1,925,083,455	0.67%
Tin	LME	INDM	-	-	1,048,253,340	-
Gold 1	COMEX	PM	4.7780%	47,779,813	22,888,304,961	0.21%
Gold 2	EN	PM	-	-	234,070,996	-
Silver	COMEX	PM	1.1946%	11,946,493	8,686,521,917	0.14%
Platinum	NYMEX	PM	-	-	488,561,980	-
Palladium	NYMEX	PM	-	-	229,559,314	-
SRW Wheat	CBOT	AGS	2.2810%	22,810,368	3,021,845,152	0.75%
HRW Wheat	KCBOT	AGS	1.1587%	11,586,802	833,986,347	1.39%
Corn	CBOT	AGS	5.3714%	53,713,934	7,517,022,962	0.71%
Soybeans	CBOT	AGS	5.0447%	50,447,051	9,309,212,893	0.54%
Soybean Meal	CBOT	AGS	1.2780%	12,780,036	1,891,761,648	0.68%
Soybean Oil	CBOT	AGS	1.5185%	15,185,266	2,440,118,879	0.62%
Canola	WCE	AGS	-	-	156,103,239	-
Sugar #11	NYBOT	AGS	4.0442%	40,441,903	2,930,509,929	1.38%
Sugar #5	EN	AGS	2.8218%	28,218,457	228,473,288	12.35%
Cocoa	NYBOT	AGS	-	-	458,484,633	-
Cocoa	EN	AGS	0.6933%	6,932,822	482,528,314	1.44%
Coffee Arabica	NYBOT	AGS	1.2200%	12,199,670	1,391,026,904	0.88%
Coffee Robusta	EN	AGS	-	-	225,581,740	-
Cotton	NYBOT	AGS	1.7108%	17,108,133	1,317,535,078	1.30%
F.C. Orange Juice (A)	NYBOT	AGS	-	-	56,402,360	-
Rapeseed	EN	AGS	-	-	144,701,766	-
Milling Wheat	EN	AGS	-	-	256,761,499	-
Rice	CBOT	AGS	1.5318%	15,317,953	54,160,629	28.28%
Live Cattle	CME	LVTK	2.2812%	22,812,453	1,866,862,565	1.22%
Lean Hogs	CME	LVTK	1.6369%	16,369,368	1,038,701,436	1.58%

Source: UBS Investment Bank, UBS Commodity Research, CMCI Advisory Committee

TABLE 2. EXCESS WEIGHT AND WEIGHT REALLOCATION

Commodity Component	Exchange	Group	Excess Weight	Allocate to same commodity instruments	Proportional allocation within sector	TW % obtained	Below min weight threshold ?	Final TW %
WTI Crude Oil 1	NYMEX	EN	-	-	-	8.9716%	-	8.9716%
WTI Crude Oil 2	ICE	EN	-	-	-	3.7307%	-	3.7307%
Brent Crude Oil	ICE	EN	-	-	-	7.0993%	-	7.0993%
Heating oil #2	NYMEX	EN	-	-	-	3.1442%	-	3.1442%
Gasoil	ICE	EN	-	-	-	3.9839%	-	3.9839%
RBOB Gasoline	NYMEX	EN	-	-	-	3.8174%	-	3.8174%
HHUB Natural Gas	NYMEX	EN	-	-	-	4.3929%	-	4.3929%
Copper	LME	INDM	-	-	-	9.6266%	-	9.6266%
High Grade Copper	COMEX	INDM	-	-	-	3.3593%	-	3.3593%
Zinc	LME	INDM	-	-	-	2.3872%	-	2.3872%
Aluminium	LME	INDM	-	-	-	7.0329%	-	7.0329%
Nickel	LME	INDM	-	-	-	2.5944%	-	2.5944%
Lead	LME	INDM	-	-	-	1.2946%	-	1.2946%
Tin	LME	INDM	-	-	-	-	-	-
Gold	COMEX	PM	-	-	-	4.7780%	-	4.7780%
Gold	EN	PM	-	-	-	0.0000%	-	0.0000%
Silver	COMEX	PM	-	-	-	1.1946%	-	1.1946%
Platinum	NYMEX	PM	-	-	-	-	-	-
Palladium	NYMEX	PM	-	-	-	-	-	-
SRW Wheat	CBOT	AGS	-	-	0.09%	2.3719%	-	2.4216%
HRW Wheat	KCBOT	AGS	-	-	0.05%	1.2048%	-	1.2301%
Corn	CBOT	AGS	-	-	0.21%	5.5854%	-	5.7024%
Soybeans	CBOT	AGS	-	-	0.20%	5.2457%	-	5.3556%
Soybean Meal	CBOT	AGS	-	-	0.05%	1.3289%	-	1.3568%
Soybean Oil	CBOT	AGS	-	-	0.06%	1.5790%	-	1.6121%
Canola	WCE	AGS	-	-	-	-	-	-
Sugar #11	NYBOT	AGS	-	+0.54%	0.18%	4.7638%	-	4.8636%
Sugar #5	EN	AGS	0.54%	-	0.00%	2.2847%	-	2.2847%
Cocoa	NYBOT	AGS	-	-	-	-	-	-
Cocoa	EN	AGS	-	-	0.03%	0.7209%	-	0.7360%
Coffee Arabica	NYBOT	AGS	-	-	0.05%	1.2686%	-	1.2951%
Coffee Robusta	EN	AGS	-	-	-	-	-	-
Cotton	NYBOT	AGS	-	-	0.07%	1.7790%	-	1.8162%
F.C. Orange Juice (A)	NYBOT	AGS	-	-	-	-	-	-
Rapeseed	EN	AGS	-	-	-	-	-	-
Milling Wheat	EN	AGS	-	-	-	-	-	-
Rice	CBOT	AGS	0.99%	-	-	0.5416%	YES	-
Live Cattle	CME	LVTK	-	-	-	2.2812%	-	2.2812%
Lean Hogs	CME	LVTK	-	-	-	1.6369%	-	1.6369%

Source: UBS Investment Bank, UBS Commodity Research, CMCI Advisory Committee

TABLE 3. INDEX COMPOSITION AND TARGET WEIGHTS

Commodity	Exchange/ platform	Contract Code (Bloomberg)	H2-2011	H2-2011	H1-2012	H1-2012
			Composite TW%	Per Sector STW%	Composite TW%	Per Sector STW%
WTI Crude Oil	NYMEX	CL	9.0844%	25.7642%	8.9716%	25.5310%
WTI Crude Oil	ICE	EN	3.8422%	10.8968%	3.7307%	10.6166%
Brent Crude Oil	ICE	CO	6.7350%	19.1010%	7.0993%	20.2030%
Heating oil #2	NYMEX	HO	3.1222%	8.8549%	3.1442%	8.9476%
Gasoil	ICE	QS	3.8313%	10.8660%	3.9839%	11.3372%
RBOB Gasoline	NYMEX	XB	3.7554%	10.6507%	3.8174%	10.8635%
HHUB Natural Gas	NYMEX	NG	4.8893%	13.8664%	4.3929%	12.5011%
			35.2597%	100.0000%	35.1399%	100.0000%
Copper	LME	LP	9.3023%	35.1604%	9.6266%	36.6101%
High Grade Copper	COMEX	HG	3.2779%	12.3895%	3.3593%	12.7753%
Zinc	LME	LX	2.5522%	9.6466%	2.3872%	9.0786%
Aluminium	LME	LA	7.4544%	28.1756%	7.0329%	26.7461%
Nickel	LME	LN	2.6293%	9.9380%	2.5944%	9.8665%
Lead	LME	LL	1.2408%	4.6900%	1.2946%	4.9234%
Tin	LME	LT	-	-	0.0000%	0.0000%
			26.4568%	100.0000%	26.2950%	100.0000%
Gold	COMEX	GC	4.9954%	84.2183%	4.7780%	79.9979%
Gold	EN	ZP	-	-	0.0000%	0.0000%
Silver	COMEX	SI	0.9361%	15.7817%	1.1946%	20.0021%
Platinum	NYMEX	PL	-	-	0.0000%	0.0000%
Palladium	NYMEX	PA	-	-	0.0000%	0.0000%
			5.9315%	100.0000%	5.9726%	100.0000%
SRW Wheat	CBOT	W_ (*)	3.6244%	12.7512%	2.4216%	8.4452%
HRW Wheat	KCBOT	KW	-	-	1.2301%	4.2898%
Corn	CBOT	C_ (*)	5.1340%	18.0620%	5.7024%	19.8868%
Soybeans	CBOT	S_ (*)	5.4833%	19.2908%	5.3556%	18.6773%
Soybean Meal	CBOT	SM	1.5010%	5.2807%	1.3568%	4.7316%
Soybean Oil	CBOT	BO	1.5590%	5.4846%	1.6121%	5.6221%
Canola	WCE	RS	-	-	0.0000%	0.0000%
Sugar #11	NYBOT	SB	5.2069%	18.3184%	4.8636%	16.9616%
Sugar #5	EN	QW	2.2001%	7.7402%	2.2847%	7.9679%
Cocoa	NYBOT	CC	-	-	0.0000%	0.0000%
Cocoa	EN	QC	0.8338%	2.9336%	0.7360%	2.5668%
Coffee Arabica	NYBOT	KC	1.3015%	4.5787%	1.2951%	4.5168%
Coffee Robusta	EN	DF	-	-	0.0000%	0.0000%
Cotton	NYBOT	CT	1.5803%	5.5597%	1.8162%	6.3340%
F.C. Orange Juice (A)	NYBOT	JO	-	-	0.0000%	0.0000%
Rapeseed	EN	IJ	-	-	0.0000%	0.0000%
Milling Wheat	EN	CA	-	-	0.0000%	0.0000%
Rice	CBOT	RR	-	-	0.0000%	0.0000%
			28.4243%	100.0000%	28.6742%	100.0000%
Live Cattle	CME	LC	2.2913%	58.3388%	2.2812%	58.2220%
Lean Hogs	CME	LH	1.6363%	41.6612%	1.6369%	41.7780%
			3.9276%	100.0000%	3.9182%	100.0000%

Source: UBS Investment Bank, Bloomberg

(*): The underscore “_” denotes a space.

7. Adjustment to Rule J in the Technical Document

The CMCI Technical Document will be modified such that Rule J in Section 2.3.2 will be amended as follows:

“Only in the event that the relative weight of a specific commodity already included in the CMCI (which is affected by the 3% and 33% conditions) is less than 25%, will it then be excluded from the CMCI going forward”

8. CMCI Technical Document

The document will be simplified by separating technical information from marketing material. This is approved and agreed by the Committee.

9. AOB

The next meeting of the UBS Bloomberg CMCI Governance Committee will be held in approximately six months time. The CMCI Advisory Committee will have a meeting prior to the Governance Committee meeting to discuss the Index weightings and any proposed changes once they become available.

The chair for the next Governance Committee meeting will be Bloomberg.