

FORTUNE INDEXES

Closed-End Country Fund and Global ETF Conference
Indexing as an Alternative

April 9, 2002

Matthew Wooldridge
General Manager, INDEXES

FORTUNE

Introduction

- State of Indexing
- Index Overload, or Opportunity?
- Market Research and Development
- FORTUNE 500 Index
- Conclusion

State of Indexing: Developments

- Rapid proliferation of market indexes
 - Country, region, sectors, style, asset class
- Question: Why?
 - New investment vehicles
 - Indexing gains converts
 - Demand on part of media, investors
- Fertile ground

State of Indexing: Facts & Figures



Indexes Calculated:
20,000+

**National Markets
Covered: 60+**

Index Funds:
733

Largest Index Fund:
\$80 billion

Index Providers:
250

Source: Lipper, Inc.

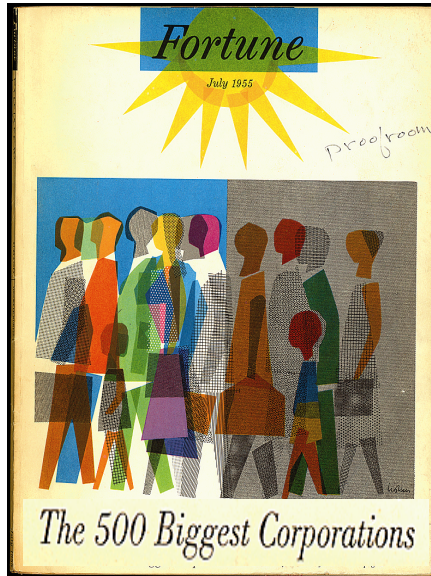
FORTUNE

Index Overload, or Opportunity?

- **Increased standardization + land-grab strategy → redundancy**
- **However...opportunity exists**
 - Demand Drivers
 - *Market Evolution*: Internet and REIT Indexes
 - *Emerging Markets/Underrepresented segments*
 - Supply Side
 - *Product Development*
 - *Innovative Indexes*
 - *Enhanced Indexing*
 - *Custom Indexes*

206 ETFs
(1/25/02)

FORTUNE Indexes – Timeline



JULY 1955

The FORTUNE 500 is first compiled as supplemental directory of the largest U.S. companies.

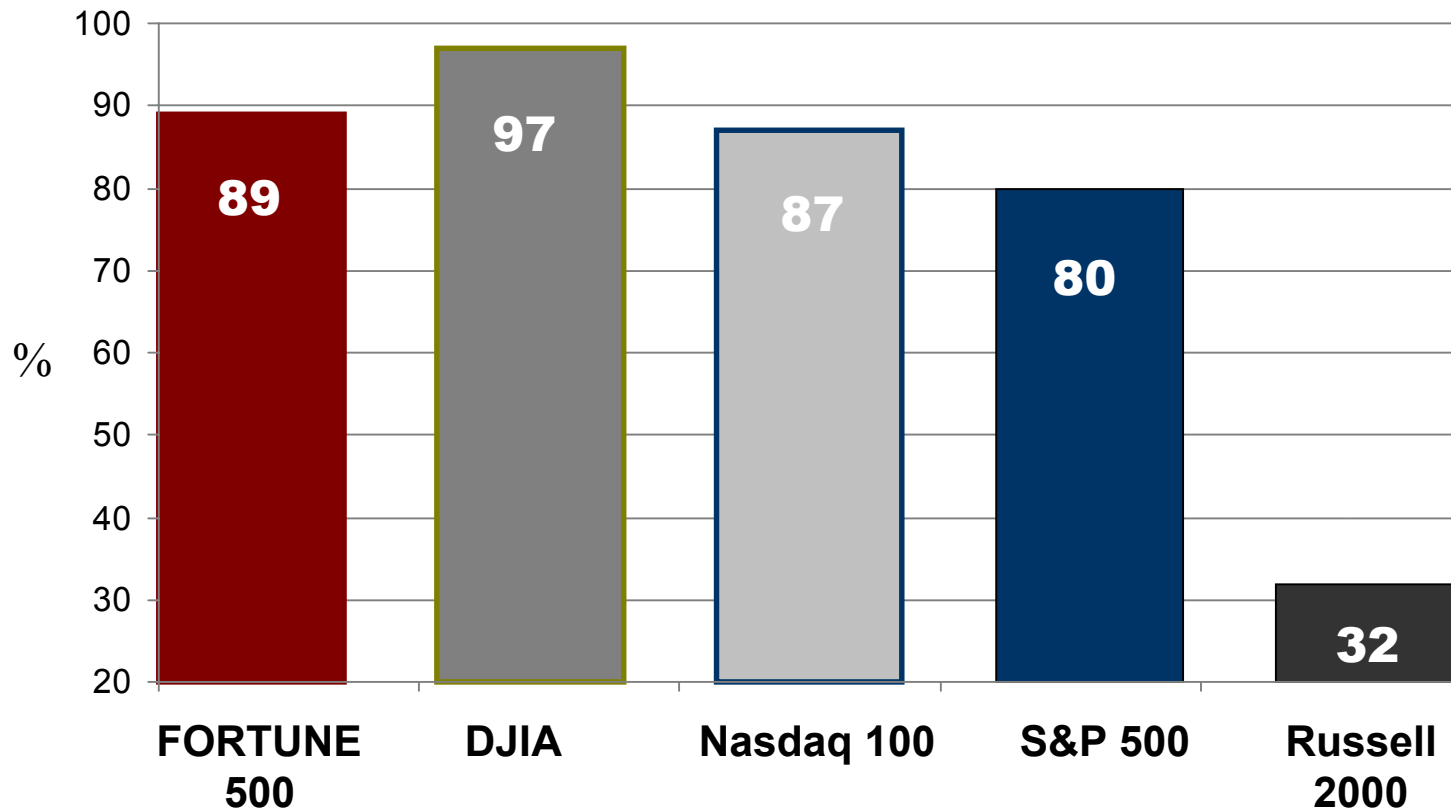


JUNE 1976

FORTUNE publishes article; “ Index Funds – an Idea Whose Time Has Come.”

FORTUNE

FORTUNE 500 Index



Awareness of Individual Indexes

Source: Time Inc., 2001.

FORTUNE

“Ideal” Index Attributes

- Transparency
- Rules-based
- Representative
- Low Turnover
- Investable – RIC compliant
- Tax Efficient
- Investment Sense



DECEMBER 1999
FORTUNE launches
real-time stock market
indexes.

FORTUNE 500 Index

The FORTUNE 500 Index measures the performance of the largest companies in the U.S. ranked by revenues.

Component Selection

1. Named to the list
2. Meet eligibility criteria
 - Publicly traded, listed
 - Price
 - Volume
 - Market Capitalization



FORTUNE 500 Index

	FORTUNE 500	S&P 500	Wilshire 5000
2001			
Return	-11.32	-13.04	-12.06
Volatility*	1.30%	1.36%	1.38%
Components	426	500	6,000+
Index Capitalization	\$9.53 T	\$10.38 T	\$12.96 T
Beta	0.86	0.93	1.0
Dividend Yield	1.41%	1.37%	1.30%

Source: Factset, Bloomberg. Volatility calculated on daily basis for 2001..

FORTUNE 500 Index – Sectors

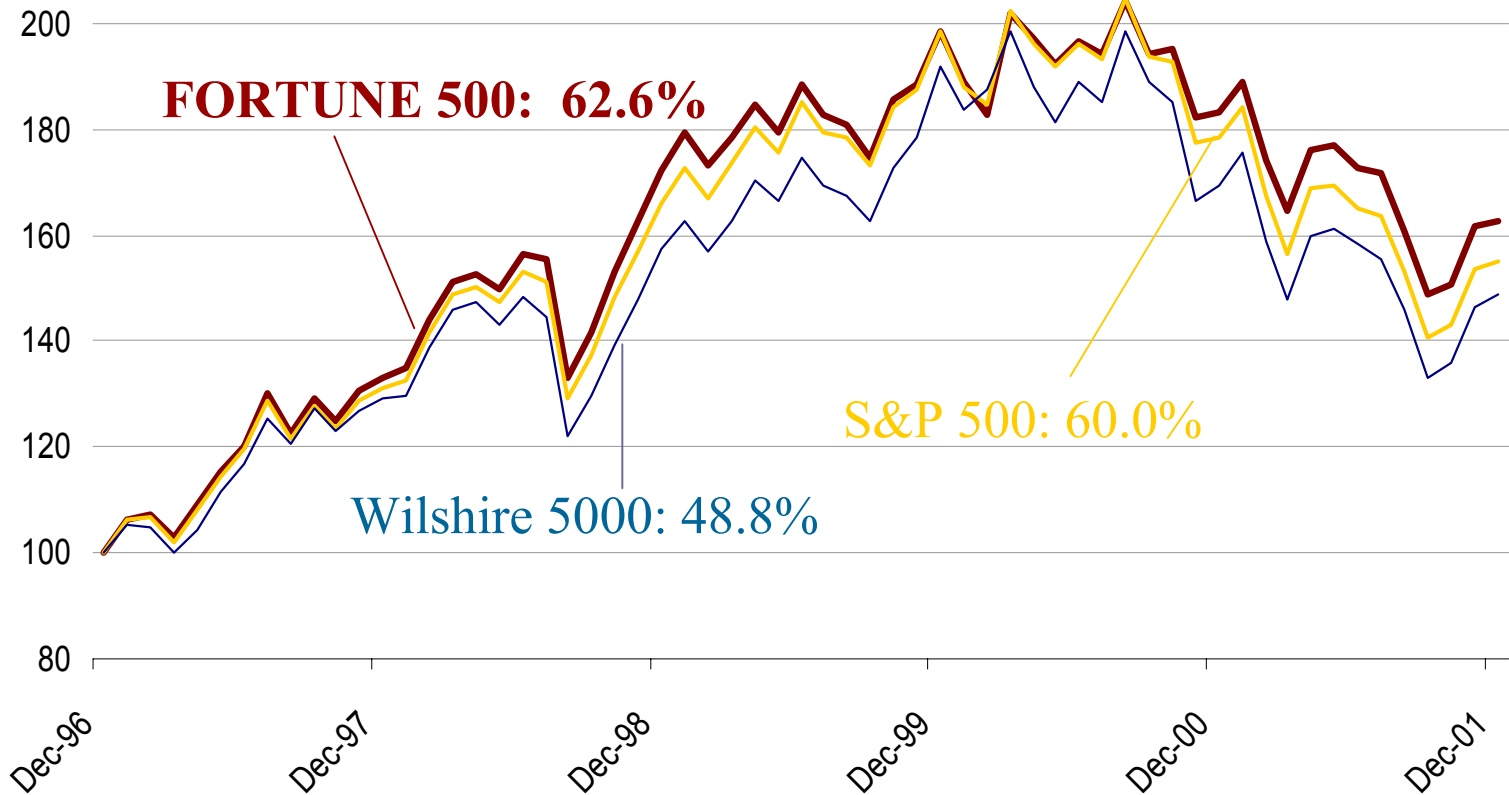
Sector weight as a percentage of capitalization.

FORTUNE

Sectors	500	S&P 500
Consumer Discretionary	21.7%	13.4%
Consumer Staples	9.3%	8.9%
Energy	4.5%	6.9%
Financials	13.8%	18.5%
Health Care	7.6%	14.2%
Industrials	15.5%	11.1%
Information Technology	9.5%	16.3%
Materials	5.2%	2.9%
Telecom Services	2.9%	4.6%
Utilities	10.0%	3.2%

Source: S&P and FORTUNE. Data as of 3/31/02.

Index Performance



Five-year period beginning 12/31/96, for price-return only.

Conclusion

- Flexibility of indexing makes it both a great core holding and a supplemental play
- Not all indexes are the same – research is critical; also true of the funds based on the indexes
- Expect innovative, not complex, indexes to play an increasing role

For additional information:

FORTUNEINDEXES

Time & Life Building
Rockefeller Center
New York, NY 10020
Phone: 212.522.1306
indexes.fortune.com

FORTUNE does not guarantee the accuracy and/or completeness of the FORTUNE 500 Index or the data included therein. FORTUNE makes no warranty, express or implied, as to the results to be obtained from the use of the FORTUNE 500 Index or any data included therein, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the FORTUNE 500 Index or any data included therein.

Copyright © 2002 Time Inc. FORTUNE and FORTUNE 500 are registered trademarks of Time Inc.