

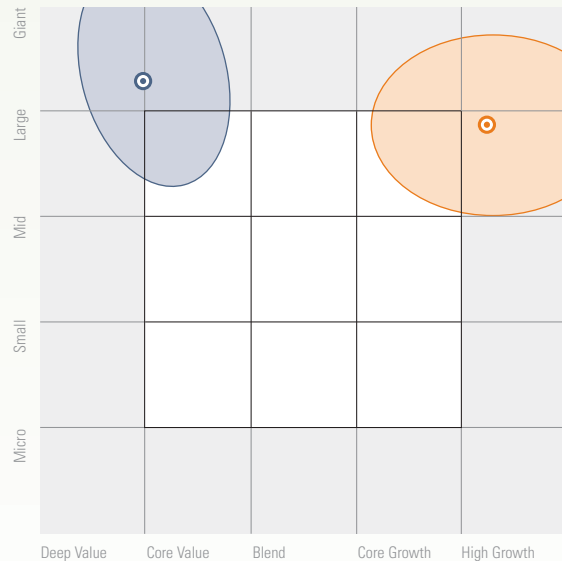
Morningstar Style Indexes: Why Style Purity Matters

Style indexes are useful tools for making asset allocation decisions, developing indexing strategies, conducting style analysis, and evaluating performance. And style indexes that are pure distillations of style offer greater precision and therefore more value to investors. Morningstar uses a unique 10-factor style methodology that includes assigning stocks without dominant growth or value characteristics to a “core” category. This results in value and growth style indexes that remain discrete in their fundamental characteristics and exhibit more distinctive return patterns than other value and growth indexes.

An Illustration of the Style Purity of Morningstar Indexes

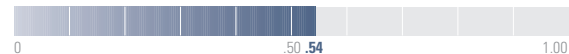
Morningstar Indexes

- Morningstar Large Value Index
- Morningstar Large Growth Index



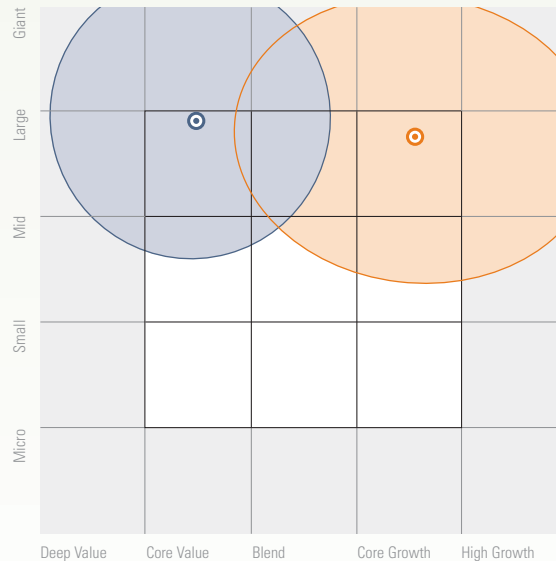
Value ¹		Growth ¹	
Price/Earnings	11.68	Earnings Growth	16.11
Price/Book	2.23	Book Value Growth	10.44
Price/Sales	1.28	Sales Growth	13.29
Dividend Yield %	3.03	Cash Flow Growth	19.28

Value/Growth Correlation²



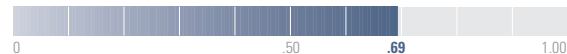
Russell Indexes

- Russell 1000 Value Index
- Russell 1000 Growth Index



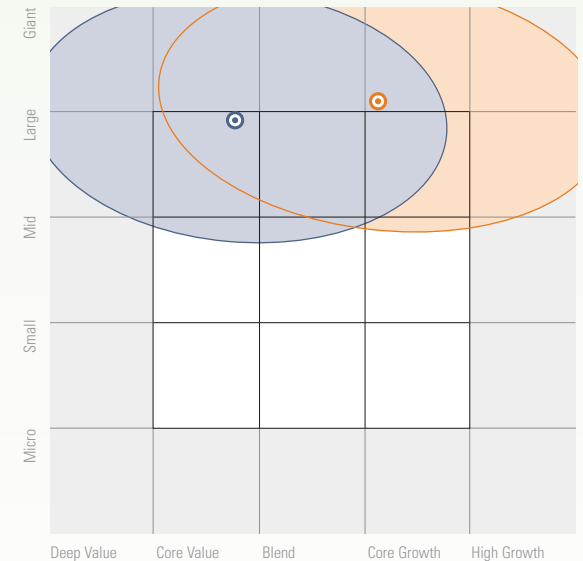
Value		Growth	
Price/Earnings	12.97	Earnings Growth	13.70
Price/Book	2.13	Book Value Growth	9.31
Price/Sales	1.27	Sales Growth	11.39
Dividend Yield %	2.49	Cash Flow Growth	11.83

Value/Growth Correlation



S&P/Citigroup Indexes

- S&P/Citigroup Value Index
- S&P/Citigroup Growth Index



Value		Growth	
Price/Earnings	13.67	Earnings Growth	11.98
Price/Book	2.29	Book Value Growth	12.08
Price/Sales	1.31	Sales Growth	12.85
Dividend Yield %	2.35	Cash Flow Growth	11.30

Value/Growth Correlation



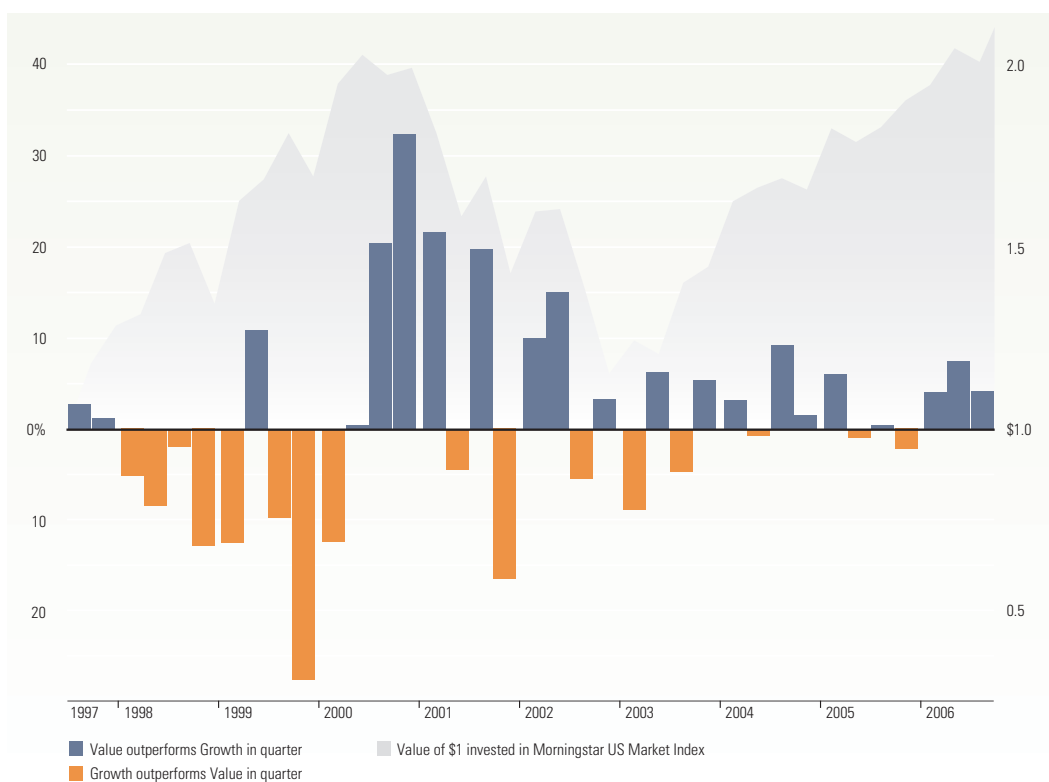
○ Index centroid represents the weighted average of domestic stock holdings. ○ The Morningstar® Ownership Zone™ represents 75% of the index's domestic stock holdings.

¹Source: Morningstar Direct™. Data as of September 30, 2006. Price/Earnings ratio is based on one year projected earnings estimates provided by I/B/E/S. Earnings Growth represents projected long term earnings growth rate. Book value, sales and cash flow growth rates are based on average one-year historical growth. ²Source: Morgan Stanley. *Exchange-Traded Funds: Choosing Among Growth, Value, and Market-Cap ETFs*. September 7, 2006.

A More Precise Style Measure

Morningstar uses a comprehensive 10-factor methodology that separately measures the value and growth characteristics of each security, using both historical and forward-looking factors. Another defining feature of Morningstar Style Indexes is that stocks without dominant value or growth characteristics are assigned to a “core” category. This treatment results in value and growth indexes that are more precise and stylistically pure than other comparable indexes. Additionally, in comparison to other value and growth indexes, Morningstar’s indexes have the least correlation and maximum return differences—making them valuable tools for modeling performance.

Percentage Difference in Returns Between Morningstar Large Value and Large Growth Indexes



Better Tools for Implementing Investment Strategies

The style purity of Morningstar Style Indexes facilitates efficient repositioning of a portfolio without creating undesirable redundancy. Investment vehicles based on these indexes are ideal tools for implementing a range of portfolio strategies.

Portfolio Construction

Morningstar Style Indexes form a complete, non-overlapping system with each index representing a unique opportunity set with a discrete style or capitalization orientation. Investment products based on these indexes serve as “building blocks” that investors can use to easily construct portfolios without any unintended overlaps or gaps in capitalization or style.

Tactical Asset Allocation

Using macro-economic trends or technical analysis as a basis for over- or under-weighting particular styles can enhance portfolio performance. The greater distinctiveness of Morningstar Style Indexes allows investors to maximize the benefits of making the right style bets.

Passive Investment Management

Evidence suggests that on a net-return basis, passive investing is hard to beat. Using low-cost, low-turnover passive investment products based on Morningstar Indexes is an efficient way to capture style and market-cap exposure.

Risk Management

Investment advisors consider their clients’ individual risk tolerance when making portfolio recommendations. Since each Morningstar Style Index represents a discrete investment style, advisors can calculate and measure risk with greater precision. This enables them to build asset allocation models that are aligned with the risk allocation of their client base.

Contact Us

For more information on Morningstar Indexes, call 1 312 384-3735 or visit us on the Web at <http://indexes.morningstar.com>

Barclays Global Investors offers exchange-traded funds based on Morningstar Style Indexes. For more information, please visit <http://www.ishares.com>.