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S&P Indices and the Indexing Business in 2012

Alexander Matturri, Jr., executive managing director of Standard & Poor's index business (S&P Indices) looked out the bay window of the 27th floor conference room at S&P's headquarters in New York City's financial district. S&P Indices was part of the Standard & Poor's (S&P) division at The McGraw-Hill Companies (McGraw-Hill), and the index group was at the forefront of the growing international interest in using financial indices (such as the S&P 500) as the basis for investment. It was June 2012, and Matturri was getting ready for a meeting with his executive team to discuss the future of the business. As Matturri looked across the water from downtown Manhattan to neighboring Brooklyn, he thought about the recently announced joint venture with the CME Group (CME), the largest global exchange for futures and options. CME was also a majority owner of Dow Jones Indexes (Dow Jones), and Matturri would soon be in charge of the combined index businesses. As he watched the cars speed across the bridges connecting the two boroughs, the bridges reminded him of the connections he was building between the two groups.

Matturri was excited about the potential synergies, both in terms of cost-savings as well as growth opportunities. Combined, the businesses would generate \$421 million of revenue, and collectively publish more than 830,000 indices each day to measure the full spectrum of asset class investment opportunities.ⁱ S&P Indices had enjoyed double-digit growth over the last decade, fueled in part by the proliferation of exchange traded funds (ETFs) tied to its indices. Investors were drawn to ETFs, as they proved to be a liquid, tax efficient, and low cost means of investing in a pre-selected basket of stocks. S&P Indices were also used for benchmarking purposes; its flagship index, the S&P 500, represented 500 of the largest U.S. companies and was recognized as a proxy for the strength of the U.S. stock market overall. In addition, CME's futures on the S&P 500 were one of the most actively traded futures contracts in the world. The Dow Jones Industrial Average (DJIA), the 30-stock flagship index controlled by Dow Jones, was also one of the most recognized global indices.

Matturri believed the joint venture with CME would enable the combined S&P Dow Jones Indices to continue expanding their indexing capabilities which could serve as a platform to further innovate in the financial services sector with new categories of indices. In addition, the companies hoped to build new indices for use as the basis for futures and options products that could be traded on the CME exchanges. Matturri knew, however, that there would be challenges ahead related to integrating the companies and maintaining their high margins and double digit growth rates. Fund manager heavyweights such as BlackRock and Vanguard partially competed on fees, so Matturri anticipated additional pricing pressure in the coming months as these firms worked to cut costs. As he thought about the future, Matturri turned from the window to greet his colleagues who were entering the conference room. They had set aside a few hours for a comprehensive integration meeting, and it was time to get to work.

Professor Luis Viceira and Research Associate Alison Berkley Wagonfeld prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

The Indexing Business Model

Stock market indices were methods of tracking the performance of a specific group or “basket” of stocks representing a particular sector or market. The first indices were created in the late 1800s to track industrial companies and railroad statistics. Over time, the number of indices grew, and by 2012 there were over 1,500,000 indices representing nearly all of the global stock exchanges, and almost every sector of the U.S. and global economies. Some indices had as few as 30 stocks (e.g., the Dow Jones Industrial Average (DJIA)) while others included thousands of stocks (e.g., Wilshire 5000 Total Market Index). Indices could be used to track narrow slices of the stock market (e.g., the Morgan Stanley Biotech Index that contained 36 American biotech companies) or could represent broad swaths of global stock markets (e.g., MSCI Emerging Market, covering 2,700 securities and 21 markets). Also, indices were not limited to stocks. There were indices that tracked almost every asset class, from bonds to commodities to real estate.

The majority of indices were developed by long-established, well-respected providers including S&P, Dow Jones, MSCI, Russell Investment Group, Wilshire, and Morningstar. Each index provider was responsible for selecting securities, choosing a weighting methodology, calculating returns and providing ongoing maintenance of the index. Most indices used composite prices that could be tracked on a stock exchange. The index price fluctuated when the prices of the underlying stocks moved. (See **Exhibit 1** for a description of the main types of indices and several of the most popular U.S. market indices.)

Index providers primarily generated revenue from two sources: licensing and subscriptions. Under the licensing model, index providers extracted revenue from financial products that tracked their indices. They typically charged a proportional fee (e.g., a few basis points) to indexed mutual funds, exchange traded funds (ETFs), and other index-tracking investment vehicles based on assets under management (AUM), and they charged a set fee (typically a few pennies) per contract traded on index futures and options. Under the subscription model, index providers charged fees to users of their indices who received daily delivery of index portfolio data, such as fund managers who relied on indices as benchmarks for tracking performance, distributors of index information and values (i.e., Bloomberg, Thomson Reuters, etc.), and financial research companies and organizations.

Investing and Benchmarking

Investors used indices to track the performance of a particular market or asset class, and they also often wanted to invest in the basket of securities that comprised an index. To facilitate this desire to invest, financial services firms, such as Vanguard and State Street, created investment products based on the stocks in the underlying index. John Bogle, the founder of Vanguard, became one of the pioneers in index investing when he introduced the Vanguard 500 Index Fund in 1976 based on the S&P 500. Bogle believed that “[actively managed] mutual funds could make no claims to superiority over the market averages,” and he wanted to offer investors the opportunity to invest in all the stocks in the S&P 500 through a new type of Vanguard fund. At the time, the index fund was dismissed as “Bogle’s Folly,” primarily because of the passive nature of the investment. Yet index mutual funds became increasingly popular in the 1990s and 2000s as investors realized they could pay lower fees and get comparable or higher returns than those offered by most mutual funds that were actively managed. By 2012, AUM in index funds had reached \$ 6.17 trillion worldwide.ⁱⁱ (See **Exhibit 2** for data showing index fund AUM from 2002-2012.)

Introduced in 1989 in Canada, exchange traded funds (ETFs) represented another important means of investing in indices.¹ ETFs enabled individual investors to buy a single security that represented all of the stocks in the underlying index, weighted in the same proportions as the index. Unlike most mutual funds that could only be purchased or sold once a day, ETFs were traded like stocks throughout the day and could be sold “short” by investors. The liquidity appealed to investors, as did the tax efficiency and the low management fees. The first U.S. listed ETF, referred to as the SPDR® (Standard & Poor’s Depositary Receipt), was introduced by State Street in 1993 and mirrored the S&P 500. During the early 2000s, Barclay’s Global started offering its own ETF products and introduced hundreds of ETF products based on a myriad of indices, branded as “iShares.” ETFs began to attract billions of dollars of assets, reaching \$1 trillion by 2010. Between 2000 and 2010, assets in U.S. exchange-traded products (ETP) grew over 30 percent per year, while conventional U.S. mutual funds grew on average five to six percent annually. (See **Exhibit 3** for ETP AUM from 2000-2012). BlackRock (owner of the iShares products after Barclays sold the business in 2009) and State Street represented the largest players in the ETF market, with 39% and 18% market share, respectively.ⁱⁱⁱ (See **Exhibit 4** for top exchange traded products ranked by AUM.)

ETF growth was seen as “disruptive” within the U.S. investment community, and analysts anticipated global growth at an even faster rate than in the U.S. In fact, one set of estimates indicated that global ETF assets under management (AUM) could grow from approximately \$1.5 trillion in 2010 to \$4.7 trillion in 2015.^{iv} (See **Exhibit 5**) A recent McKinsey report noted, “In the U.S., Act I for ETFs was predominantly a domestic story, but in Act II the narrative will take on a global dimension.”^v

Indices were also used as the underlying basis for options and futures contracts.² Options contracts on the S&P 500 were actively traded on the Chicago Board Options Exchange (CBOE) and futures (and options on futures) were traded on the Chicago Mercantile Exchange (CME). Options and futures contracts were used to manage risk and served as a means of gauging overall market trends and could often be traded nearly 24 hours a day. The growth of S&P 500 products on the CME exchange accelerated when CME introduced S&P E-mini futures products designed for smaller investors that represented 20% of a “big” S&P 500 contract. (See **Exhibit 6**) This new contract differed not only in notional size, but also in that it traded on a new electronic platform called GLOBEX (rather than the “open outcry” trading pit). By 2012, in some months over 3.5 million E-mini S&P 500 futures were traded each day. (See **Exhibit 7** for equity index futures and options data from 2007-2012). There were also many over the counter (OTC) derivative contracts tied to indices.

In addition to providing a means to invest, financial market indices played a valuable role in serving as a benchmark for various investment strategies. For example, the performance of an actively managed mutual fund consisting of Japanese securities would likely be compared to the performance of the Japanese Nikkei 225 index. Managers of mutual funds and hedge funds routinely touted their ability to “beat the benchmark index.”

¹ See Harvard Business School case study (208-033) “Barclays Global Investors and Exchange Traded Funds” published in 2007 for a more detailed description of ETFs.

² Options were the right but not the obligation to purchase (call) or sell (put) a security on a specific date and futures were standardized, legally binding agreements to buy or sell a specific product or financial instrument in the future.

The McGraw-Hill Companies

McGraw-Hill entered the index business through its purchase of Standard & Poor's in 1966. Originally founded as the McGraw Hill Book Company in 1909, McGraw-Hill expanded by acquiring book companies, periodicals, and financial data companies such as S&P. McGraw-Hill was also a major publisher of educational textbooks. In 1988, McGraw-Hill acquired the school and college division of Random House, and in 1993, purchased Macmillan, Inc., which had a large K-12 school publishing unit. The company continued to make acquisitions during the following decade, including the 2005 purchase of J.D. Power & Associates, a global leader in customer satisfaction ratings.

McGraw-Hill managed a diverse portfolio which collectively generated \$6.2 billion of revenues and \$911 million of net income in 2011. (See **Exhibit 7a** for financials for McGraw-Hill and **Exhibit 7b** for McGraw-Hill with comparable companies.) In spite of having several leading brands in their respective markets, some analysts and investors expressed concern that each business was being discounted because of McGraw-Hill's conglomerate structure. According to analysis done by JANA Group (JANA), one of McGraw-Hill's larger shareholders, McGraw-Hill's stock underperformed relative to its peer group. In the three years from 2008-2011, McGraw-Hill had a return of 2% compared to a 31% weighted average return of its peers.

In June 2011, McGraw-Hill announced that it had commenced a "portfolio review" in 2010 to "reevaluate its strategic core."^{vi} While this was seen as a positive step, JANA wanted McGraw-Hill to speed up its restructuring efforts. In August 2011, JANA Group filed a notice with the SEC indicating it controlled more than 5% of the outstanding shares, and later in the month, JANA publicly filed a company critique that it had presented to McGraw-Hill. The presentation noted that "McGraw Hill has consistently underperformed its potential and traded at a sizable discount to its intrinsic value, primarily due to the operational challenges, capital inefficiencies and structural complexity caused by its conglomerate structure."^{vii} Specifically, the filing included suggestions that McGraw Hill should separate McGraw-Hill Education, Information & Media, and the S&P Index business. In addition, JANA wanted to see McGraw-Hill "collapse its corporate overhead and right size its segment cost structures to achieve peer margins."^{viii}

McGraw-Hill's share price rose as speculation grew that the company would announce a major restructuring designed to "unlock the value" of the company. Indeed, on September 12, 2011, Harold (Terry) McGraw, III, chairman, president & CEO of McGraw-Hill, announced plans to split McGraw-Hill into two distinct businesses: McGraw-Hill Markets and McGraw-Hill Education. (See **Exhibit 8** for excerpts from the press release.) McGraw indicated that the company had been undertaking a "comprehensive strategic portfolio review process that began in mid-year 2010." The outcome was the announcement of a new "Growth and Value Plan" that created two focused and nimble operating companies.^{ix}

S&P Indices

Investors and analysts applauded the announcement to break up McGraw-Hill. An analyst report from J.P. Morgan noted, "We view today's announcement as a watershed moment in McGraw-Hill's 123 year history, as the company will transition from a conglomerate to more focused operating companies."^x For the first time, McGraw-Hill reported revenues by segment in its 2011 Annual Report, and the S&P Index business drew attention because of its strong financial results. In his 2011 letter to shareholders, Terry McGraw wrote, "Perhaps nowhere is our leading position more evident

than in S&P Indices which performed exceptionally well last year, growing sales 18% to \$323 million.”^{xi}

The S&P Indices division had 230 employees, primarily based at S&P’s New York City headquarters. The division also had operations hubs in London and Beijing as well as client facing employees in all the global financial centers. About 80 people on the team worked on the production of the indices, which involved capturing data on 17,000 stocks worldwide and calculating all the indices. Other parts of the organization included research & development (index design); product management (commercial strategy and product enhancements); marketing (product and brand marketing); channel management (targeting specific investor segments in the market); and client coverage (customer relationship management and licensing). See **Exhibit 10** for details about anticipated operational units after the joint venture between S&P and Dow Jones.

History and Index Evolution

The origins of the S&P index business could be traced to The Standard Statistics Company, publisher of the first stock market index in 1923. At the time, the company’s only index represented an average price of 233 stocks, which was computed manually on a weekly basis. The Standard Statistics Company later merged with Poor’s, and the combined company gradually improved its calculation methods using newer technology.

S&P 500 - In 1957, S&P published the first version of the S&P 500 using Datatron computers to price the index throughout the day. Economist Robert Shiller described the S&P 500’s creation as a “symbol of the beginning of the electronic era in finance.”^{xii} At its launch, the S&P 500 tracked the performance of 500 stocks: 425 industrial, 15 rail, and 60 utility companies. The total market capitalization of the index in 1957 was \$172 billion, and American Telephone & Telegraph (AT&T) was the largest company in the index with a market capitalization of \$11.2 billion. The S&P 500 served as a reliable gauge of the U.S. stock market and soon became the “pre-eminent benchmark for large-capitalization U.S. stocks and the yardstick by which the economy as a whole [was] measured.”^{xiii}

At the time of its 50-year anniversary in 2007, the market capitalization of the S&P 500 was \$13.3 trillion, representing approximately 75% of the total U.S. stock market capitalization. The average annual return of the S&P 500 index over 50 years was 10.83%,^{xiv} and in 2007, Exxon Mobil was the largest company with a market capitalization of \$451.9 billion. Eighty-six of the original stocks remained in the index 50 years after its start; the other companies changed due to a variety of reasons, including mergers, acquisitions, bankruptcy, and becoming private.

By 2011, there were \$4.8 trillion in assets benchmarked to the S&P 500. Of that, approximately \$1.3 trillion was directly invested in the index. The largest ETF in the world (the SPDR® S&P 500) was linked to the S&P 500, and had \$96 billion AUM in May 2012.^{xv} SPX, the S&P index options contract at CBOE, traded about 200 million contracts per year in 2012, and the S&P 500 futures traded on the CME were also popular, with approximately 2 million traded each day in May 2012.^{xvi} Although other firms tried to build similar U.S. large cap indexes, the S&P 500 benefitted from years of trading history and brand recognition. Matturri noted, “Brand acceptance is important. We spend a lot of time building and protecting our brand.”

Indeed, the company has fought hard to defend its intellectual property rights. Pierre Davis, associate general counsel, McGraw-Hill Companies, noted, “Beginning in the early 1980s, S&P and Dow Jones, then as separate entities, litigated a series of lawsuits in which court decisions firmly established intellectual property rights in their indices and formed the basis for the intellectual

property-based licensing model now firmly established in the industry.”^{xvii} The S&P Indices team anticipated this intellectual property protection would be reaffirmed by the Illinois Supreme Court in a lawsuit involving the International Securities Exchange’s (ISE). The case centered on whether the ISE could offer unlicensed options based on the S&P 500 while CBOE (Chicago Board Options Exchange) had an exclusive license. Peter Roffman, managing director, S&P Indices, explained, “We believe that indices are proprietary to the organization that publishes them, a view which has repeatedly been upheld in Court.” In addition to protecting its intellectual property through licensing relationships and legal protection, the company focused on value-added services to go with its branding. David Blitzer, managing director and chairman of the index committee noted, “Someone else could publish a 500 stock basket, promote it, and charge a smaller licensing fee. To combat this threat we provide statistics and fast, reliable data, often on a daily basis. Our customers also value our brand.”

Since the early days of the S&P 500, Standard & Poor’s maintained an S&P 500 index committee that was responsible for selecting new companies based on published guidelines (e.g., stock should be a U.S. company with four consecutive quarters of positive earnings and reasonable trading liquidity). Blitzer explained, “The S&P 500 does not necessarily represent the 500 largest stocks in the U.S. The committee selects the stocks, and seasoning is important. As soon as Facebook went public we started receiving calls asking about when Facebook would be part of the S&P 500. This is a question that will be reviewed by the committee.” (Exhibit 10 shows the composition of the index on June 6, 2012.) The seven-person committee did not disclose its changes prior to making them public, as a newly selected stock in the S&P typically had a substantial bump in price (referred to as the “index effect”) as investment managers built positions in that stock to match the appropriate weighting in the S&P 500 index. Blitzer noted, “We are very careful about keeping our meetings confidential. If you knew what was going into the S&P 500 before we announced it, you would be rich tomorrow, and then defending yourself to the Securities and Exchange Commission the following day.”

Other S&P Indices - Building on the success of the S&P 500, Standard & Poor’s began introducing other financial market indices to represent other portions of the market. In 1991, S&P launched the S&P 400 focusing on mid-cap stocks, and in 1994, introduced the S&P Small Cap 600. In 2001, S&P co-developed with MSCI the Global Industry Classification Standard (GICS) that divided the stock universe into 10 sectors, 24 industry groups, 67 industries and 144 sub-industries, making it easier to create slices of the total stock market. In the wake of this change, S&P launched hundreds of new indices. In 2010 alone, S&P introduced 116 new indices.

By 2012, prior to the acquisition of Dow Jones Indexes, S&P was publishing over 500,000 indices a day, divided into six categories: equity, fixed income, commodities, real estate, thematic, and strategy. Beyond the S&P 500, other well-known S&P indices included: the S&P/Case-Shiller Home Price Indices, a leading measure of U.S. home prices, the S&P Global BMI, an index with approximately 11,000 constituents, the S&P GSCI, a closely watched commodities index, and the S&P National AMT-Free Municipal Bond Index, an investable index for U.S. municipal bonds. S&P provided information about the performance and characteristics of each index on its website.

Business Model and Financials

S&P Indices generated the majority of its \$323 million of revenues in 2011 by licensing its indices to investment managers, exchanges, banks, insurance companies and other financial sector entities. As of 2012, S&P’s IP licenses permitted licensees to use S&P indices as the blueprint for the construction or pricing of financial products (e.g. ETF’s, options futures, swaps, indexed mutual

funds). S&P negotiated contracts with each of the investment firms that used its indices. In order to calculate revenue, S&P measured ETF and fund AUMs and estimated a monthly revenue number, and then reconciled with the product issuer each quarter. For trading volumes, the data was calculated every month. S&P Indices broke down its revenue into seven categories: exchange traded derivatives, exchange traded funds, OTC derivatives, mutual funds, data, custom, and other. The company did not disclose its actual revenue by category, but it did share that revenue from ETFs had the highest growth rates from 2009 through 2011. (See **Exhibit 12** for S&P Indices revenue growth rates from 2007-2011). Total S&P Indices first quarter 2012 revenue was \$89 million, compared with \$80 million from the first quarter of 2011.

Most asset management firms with index products tied to S&P Indices paid S&P based on a percentage (typically several basis points) of assets under management (AUM).^{xviii} For example, the SPDR S&P 500 ETF disclosed that it paid S&P a license fee of 0.0310% (3.1 basis points) of net assets. (See **Exhibit 13** for a breakdown of the SPDR S&P 500 operating expenses.) Matturri explained, "We like to structure relationships in which our partner's success is aligned with our success. If assets double in a fund that is linked to one of our indices, we should both benefit." S&P's ETF licensing business enjoyed tremendous growth from 2001 to 2011; the number of S&P-linked ETFs increased from 50 in 2001 to 315 in 2011 and AUM increased from \$50 billion to over \$300 billion in the same time period. (See **Exhibit 14a** for growth in S&P's ETF Business and **Exhibit 14b** for AUM linked to S&P Indices by ETF Sponsor.) Financial analysts estimated that asset-based fees represented 36% of S&P Indices revenue.^{xix} (See **Exhibit 15** for an estimated breakdown of S&P's sources of revenue.)

When S&P indices were used for options and futures, S&P was typically paid based on the volume of contracts traded based on its indices. For exchanges such as the CBOE and CME, the number of contracts traded was the primary means of measuring activity. S&P often negotiated long-term exclusive relationships with exchanges, as it helped investors and exchanges to centralize contract liquidity based on S&P indices. In return for exclusivity, S&P was able to negotiate a higher fee per trade. Charles Teschner, executive vice president of global strategy at McGraw-Hill explained, "The S&P 500 options had the most liquidity relative to other index options, which helped keep the bid/ask pricing spread close together. The wider the spread the more expensive it was to trade the contract. The transaction fee paid to S&P is small compared to the costs of a wide spread." When S&P indices were used for OTC (over-the-counter) derivatives, the pricing was more complex and it depended on the type of OTC derivative contract.

S&P also generated revenues by sharing its data with firms that used S&P indices as benchmarks. Bo Chung, managing director, S&P Indices, explained, "If an investment manager at a firm such as Janus is running a fund, the manager needs exact, official data so they license it from us. Fund managers often market themselves relative to a benchmark like the S&P 500, so they want the data for that purpose." Blitzler expanded, "People sometimes ask why we are paid for data that is publicly available. There are several reasons: Fund managers are buying the rights to use our trademarks, which can provide credibility to a fund. In addition, if you license from us you will get fast institutional recognition about your investment goals. Also, we provide all the statistics you might need." The biggest customers for licensing data for benchmarking purposes tended to be active and passive asset managers, custodian banks and investment banking prime brokerage divisions. The data licenses also came with an electronic alert feature so customers knew when there were changes to indices. When using the indices as a benchmark, clients paid S&P a subscription fees based on number of users and amount of data being accessed.

The growth for S&P Indices came from all sectors of the business, and the division was able to maintain its revenues even in down markets. Chung explained, "There is always pricing pressure,

but we have been fortunate to have partners with high volumes of assets and trades linked to our indices. With high volumes, the pennies add up. When the market was in turmoil in 2008, we did okay because there was lots of trading of S&P 500 futures and options. People wanted to short the index, which generated high transaction volumes for us.” The S&P Indices business was also very profitable, generating margins of close to 50%. Jack Connolly, senior director of finance, noted, “There are relatively reasonable fixed costs, so we could run the business at an even higher margin, but we choose to invest in the future by creating and marketing new products.”

Competition, Marketing and Growth Opportunities

S&P competed primarily with index providers MSCI, Barclays Capital, Russell, Dow Jones, and FTSE International (a subsidiary of the London Stock Exchange). S&P, MSCI, and Barclay’s Capital were the largest providers; their indexes provided the basis for nearly 56.5% of the ETF AUM linked to indexes in May 2012.^{xx} (See **Exhibit 16** for market share data).

MSCI was a public company with a market capitalization of approximately \$4 billion in June 2012, and its business was primarily based on index products. In 2011, MSCI generated \$900.9 million of revenues with a 35.7% operating margin. (See **Exhibits 17a-17e** for MSCI financials.) According to its annual report, approximately \$405 million of the total was attributable to index and environmental, social and governance products. Of this, \$136.0 million of MSCI’s revenues came from clients who used MSCI indices as the basis for index-linked investment products such as ETFs.^{xxi} MSCI’s flagship index products were its MSCI Global Equity Indices, including MSCI EAFE (Europe, Australasia, and Far East) and MSCI Emerging Market Indices. MSCI was known for its global offerings; approximately 45% of MSCI’s 2011 revenue came from outside the U.S.^{xxii} A 2012 analyst report provided a summary of MSCI’s revenue sources:

Pricing in the asset-based fee business is typically calculated on a product-by-product basis (not on a client-wide basis) as a percentage of a product’s total expense ratio, with the percentage declining at certain AUM thresholds. Most nondomestic ETFs have a floor around 3 basis points and a ceiling near 4 basis points. Pricing across MSCI’s book of ETF business averages 3 basis points as a result of a the mix of 1) ETFs linked to non-U.S. indices (77% of ETF assets), which generate 3.5 to 4 basis points on average for MSCI, and 2) ETFs linked to domestic indices (23% of ETF assets), which earn less than 1 basis point on average. For reference, the average expense ratio of global equity ETFs, according to ETFdb.com, is 0.53%, so 3.75 basis points would represent 7%-8% of total ETF expenses. In addition, MSCI earns a small portion of its asset-based fees from index mutual funds (fraction of a basis point for legacy index funds; higher for newer funds based on strategy indices) and certain exchanges that use MSCI indices as the basis for futures and options contracts pay a license fee based on trading volume.^{xxiii}

As of December 2011, there were 524 listings of ETFs linked to MSCI equity indices on major exchanges – 150 in the Americas, 348 in Europe, Middle East and Africa, and 26 in Asia. BlackRock represented MSCI’s largest client by revenue, representing 8.1% (\$72.9 million) of total revenue in 2011, of which 83.9% (\$61.2 million) was attributable to fees based on the assets of ETFs linked to MSCI equity indices.^{xxiv}

S&P distinguished its indices from similar indices provided by other firms through a multi-pronged strategy including substantial marketing, promotional support, and intellectual property protection. S&P sought out opportunities to showcase its thought leadership through conferences, articles in industry publications, and speaking to the press on a regular basis. In addition, S&P sponsored educational seminars for investment professionals, particularly in regions outside the U.S. S&P also published white papers and advertised in print and online. S&P’s thought leadership

helped the company build its brand recognition on a global scale. As of 1999, S&P introduced a series of global indices, and the company also developed partnerships with global exchanges such as the NSE in India and the ASX in Australia. These partnerships gave the exchanges the opportunity to trade contracts based on S&P indices, and S&P was working to develop innovative products for these exchanges.

By 2011, there were also indications that mutual funds or ETF managers might choose to build their own indices. According to an October 2011 article in *The Wall Street Journal*:

Profits haven't gone unnoticed by the big money managers that license indexes, including for exchange-traded funds, products that trade like stocks. BlackRock Inc., owner of the world's biggest ETF provider by market share, iShares, in August filed documents with regulators to begin developing its own indexes for its products. The firm dominates the \$1 trillion U.S. market for ETFs, overseeing more than 40% of assets, according to research by IndexUniverse, which tracks the business...The filing followed similar approaches by firms like WisdomTree Investments Inc., Van Eck Global and IndexIQ."^{xxv}

Paul Justice, director of ETF research for North America at Morningstar commented in the article, "In my view, iShares is looking to lower their costs of these funds by taking out the middlemen, these index providers." David Guarino, a spokesman for S&P Indices, said builders of exchange-traded products favor well-known brand names that customers recognize. "They want their products associated with a third-party index provider that knows the index business inside and out, and has seen the problems that an index could face and has the decades of experience in quickly and accurately resolving those problems."^{xxvi} Nevertheless, one industry participant noted that a technically savvy investor could develop a basket of stocks from a data source such as Bloomberg or Thomson that was very similar to a branded index with a well-documented index strategy (e.g. Wilshire 1000). However, in an effort to avoid paying licensing fees, that investor might miss some of the corporate events or changes to the target index, resulting in variations (also known as tracking errors). These variations might be less 0.01% and could be overlooked by some investors. However, there were many investors who were not comfortable with any variation from a target index. For example, institutional investors often reported returns based on specific branded indices, and it would be difficult to deviate from those indices.

CME Group

S&P Indices began working with CME in the 1980s as CME was starting to build its derivatives exchange business. CME was originally founded in 1898 as a non-profit clearinghouse called the Chicago Butter and Egg Board, and it later became a commercial entity. In 1972, CME introduced its first financial futures contracts based on foreign exchange markets, and the company expanded into index futures over the following decade. Investors showed a high level of interest in trading contracts based on the S&P 500, and those contracts soon represented a majority of CME's small, but growing, financial futures business. S&P anticipated growth in CME's futures business and agreed to give CME the exclusive right to offer futures and options on futures contracts based on the S&P 500. S&P believed this would help grow the market and both parties could work together on new product development strategy. To this end, the CME approached S&P and licensed the right to use the S&P 500 for the S&P 500 E-mini futures contract in 1997. By November 2011, the S&P 500 E-mini was the most liquid futures contract in the world, with average notional daily trading volumes of about \$150 billion.^{xxvii}

During 2011, CME generated revenues of \$3.3 billion from six major classes of assets: interest rate products, equity indexes, foreign exchange, agricultural commodities, energy, and metals. Equity indices represented 21% of revenues in 2011, and the majority of the revenues came from clearing and trading fees as well as providing market data. CME's market capitalization was \$17 billion in June 2012.

CME/Dow Jones Joint Venture

CME had developed great traction in trading equity index futures during the 2000s, leading the company to look for means to deepen its product offering in that segment. When one of the largest index providers, Dow Jones, was looking to divest its index business in the wake of its 2007 acquisition by News Corp, CME expressed interest. In February 2010, CME and Dow Jones announced a deal in which CME would buy 90% of the Dow Jones index business for \$607.5 million (valuing the whole company at \$670 million). According to documents related to the merger, the Dow Jones indexes group generated \$75 million of revenue in 2009 with a 61% EBITDA (earnings before interest, tax, depreciation and amortization) margin. The deal was valued at 8.9 times revenue and 14 times EBITDA.^{xxviii} Under the terms of the deal, the Dow Jones indexes unit would be contributed to a joint venture in which Dow Jones (owner of other assets such as *The Wall Street Journal*) would keep a 10% stake while CME controlled the other 90%. The companies also entered into a licensing agreement to continue using the Dow Jones name on the stock indexes.^{xxix} CME was able to finance the majority of the acquisition by issuing debt from the joint venture, guaranteed by CME. This transaction represented the first time that the Dow Jones Industrial Average would be managed by a new entity since its creation in 1896.

Although the joint venture represented just 3% of CME's \$18 billion market capitalization in 2010, the deal was seen as strategic for CME because it ensured CME's exclusive access to the Dow Jones indexes beyond 2014, when its previous arrangement was set to expire. One analyst explained, "The threat is that you wake up one day and realize that (Dow Jones) negotiated with another exchange, and the index goes somewhere else and you lose volumes on those contracts."^{xxx} CME lost its licensing agreement with the Russell Indexes in 2007, at which point Atlanta-based Intercontinental Exchange Inc. (ICE) picked up the exclusive licensing rights to the Russell Index for futures and options.^{xxxi}

CME also expected to generate profits through the joint venture. CME Group chief executive Craig Donohue noted the growth and profit margins of the index business make it "very attractive," and that 90% of the joint venture's earnings would flow directly to CME.^{xxxii} Scot Warren, managing director, Equity Index Products and Index Services, CME Group, explained, "We looked at this deal and saw that there was an overall trend in the marketplace towards indexation. These are attractive businesses. There is significant growth in institutional assets that are benchmarked to indexes, and increased demand for indexes in general, particularly outside of the United States. We think these assets are important to participate in that growth."^{xxxiii}

CME and S&P Joint Venture

In November 2011, CME announced plans to create another index joint venture (JV) – this time with S&P's parent, McGraw-Hill. The two companies agreed to combine their respective index businesses into a new entity called the S&P/Dow Jones Indices. Under the terms of the deal, CME Group would contribute the Dow Jones joint venture it had created with News Corp, and McGraw-Hill would contribute its S&P Indices business. In addition, CME Group would transfer its Credit Market Analysis business to McGraw-Hill. McGraw-Hill would own 73.0% of the joint venture, with

the CME Group owning 24.4% and News Corporation would own the remaining 2.6%. (The News Corporation ownership was related to the 10% stake it had of the CME/Dow Jones joint venture.) The JV would be consolidated into McGraw-Hill, and the majority of the directors would be designated by McGraw-Hill Markets.

McGraw-Hill shared aspects of the deal in a November 4, 2011 investor presentation (see **Exhibit 18**). S&P touted the revenue diversification it would enjoy from a change in fee structure (from a fee per trade to a share of CME Group equity complex profits). CME noted that it would have a long term, ownership-linked, exclusive license to list futures, and options on futures, based on S&P Indices. The previous licensing relationship between CME and S&P was set to expire in 2017; the terms of the joint venture extended the licensing indefinitely provided the joint venture was in place. S&P and CME had enjoyed strong growth of E-mini S&P futures and options on futures on CME's exchange, and the two companies were eager to cultivate this win-win relationship.

According to media interviews, the companies believed the JV structure would enable them to better align their interests. "In the past, S&P was an expense for CME," Teschner explained. "Now we are a source of profit." Matturri expanded, "Historically, CME has been a licensee of S&P on a per contract basis. We've decided to align our economic interests better, and S&P will now be paid a percentage of the gross profit generated by CME's equity business. As markets evolve and there's increasing pressure for the central clearing of swaps and other instruments, this gives us more flexibility for implementing new product ideas."^{xxxiv} Both companies were interested in expanding into "under-penetrated" asset classes such as commodities, fixed income, foreign exchange and credit. In addition, they hoped to cross-sell and co-brand products and services to their global network of clients and exchange partners. (See **Exhibit 19** for a chart highlighting global expansion opportunities.)

Combined, S&P and Dow Jones would calculate over 830,000 indices that provided the basis of 575 ETFs globally with \$387 billion in assets and another \$1.5 trillion in global indexed assets were benchmarked against the indices. The new indices would all be offered under the businesses' corporate name: S&P Dow Jones Indices with individual indices being branded as either S&P or Dow Jones.. Actual 2011 revenue for the combined entities was \$421 million (approximately \$80 million from Dow Jones indices) and the JV had operating margins over 50%. During a press conference announcing the joint venture, Terry McGraw outlined the revenue sources:

The joint venture will have a robust and diversified revenue model, with four main components. One, assets under management based on fees paid by issuers of the ETF, mutual funds and structured products that are based on our indices. Next, transaction fees, paid by exchanges and clearing houses, based on trading volumes for listed and over-the-counter derivative contracts that use index intellectual property. Next, would be fees from the CME Group, based on our profit sharing agreement under the new licensing relationship as previously discussed. And finally, recurring revenue from data subscriptions and fees, that we charge investment houses for creating and maintaining custom indices.^{xxxv}

The companies believed there would be an opportunity to increase profits through cost savings related to duplicative "back office" operations and data procurement. An analyst report from J.P. Morgan projected that "greater scale should bolster global expansion efforts, product development and operating efficiencies (we think \$10-20MM of potential reductions on the Pro Forma ~\$200MM expense base via administrative, technology, data processing, etc.)."^{xxxvi} The transaction was expected to close by July 2012 and "immediately add a couple of cents to McGraw-Hill's earnings per share."^{xxxvii}

Looking Ahead

By June 2012, Maturri anticipated the final approval would come “any day,” and he was working with his team to plan the integration. Blitzer described the combination as “operationally complex,” as S&P would need to absorb Dow Jones’ indices into its systems. In addition, the two groups had to discuss the areas of overlap and determine if any indices should be blended together or eliminated. The sales and marketing teams also needed to review how they would serve their common customers.

Maturri believed, however, that the opportunities outweighed the integration challenges. The S&P philosophy had always been to “build from the core” and now the core was even bigger with the combined company. Many indices have been developed around the core S&P 500, such as S&P 500 Growth, S&P 500 Value, S&P 500 sectors, and S&P MidCap 400. Maturri explained, “We believe that having versions of an index using different distribution channels helps protect the core of the franchise. For example, OTC swaps on the S&P 500 were successful because there was a liquid futures market that allowed easy hedging.” Maturri believed the joint venture would help bolster S&P’s intellectual property position, as S&P, Dow Jones, and CME were no longer at competitive edges of the business spectrum. In addition, with the joint venture, S&P Dow Jones Indices would earn a percentage of the revenues of any equity derivative contract traded or cleared at CME, even those from competitors. They would have more opportunity to “protect their franchise” and generate barriers to entry, which they hoped would translate into more growth. Maturri wanted to expand further into non-U.S. indices, through a combination of acquisition, co-branding, and partnering with local exchanges. CME had relationships with international exchanges such as Bovespa (Brazil’s primary exchange), which could help S&P develop and market its indices in Brazil. The combined entity was also looking to expand into India, China, Latin America and solidify its positions in Australia, and Canada. –They also looked to use exchange relationships as a way to expand product offerings for both local investors and cross-border investors, the latter a segment served primarily by MSCI over the last decade.

Maturri was also eager to expand into new equity methodologies (e.g., low volatility indices) as well as to pursue further asset class expansion into fixed income (including municipal bonds) and commodities. Maturri hoped to leverage S&P current distribution channel as well as its new relationships that came from CME and Dow Jones to extend its reach into new products such as target date funds that were now being linked to underlying indices.³ S&P prioritized its relationships with its distribution partners, as they knew how sticky those relationships were. (MSCI’s retention rates averaged 92-93% for its index business, which was typical for the industry.^{xxxviii}) Robert Shakotko, managing director, explained, “There are substantial costs to dismantling a relationship with an index provider. It is a clumsy process to change so there is a premium to being the first one in.” Shakotko also noted the importance of S&P’s focus on its biggest customers such as CME, CBOE, BlackRock/iShares and State Street. “We have a relentless focus on their success with our indices,” he explained. “We have established exclusive relationships because it is important that they have a vested interest in promoting our products.”

Maturri was excited about all of the possibilities, and he believed the joint venture would prove to be a good financial decision for McGraw-Hill. As he thought about the next few years, Maturri wondered how much they could rely on continuing growth in the ETF markets, and how best to position themselves for predictions of growth in global investing. He worried about the potential that

³ Target date funds were typically established to optimize returns for a date in the future such as retirement or college.

large customers such as BlackRock might try to build their own indices, effectively competing directly with the newly formed S&P Dow Jones Indices. He also wondered how they could combat the pricing pressure they were likely to face in the coming years. Matturri took a final look out the 27th floor window as he sat down at the conference room table. He scanned the faces of his executive team, feeling ready to embrace the challenge.

Exhibit 1 Types of Indices and Selected Popular U.S. Stock Market Indexes

Types of Indices

There were three primary methods of creating indices and tracking the price changes: market capitalization weighted, price-weighted, and equal-weighted.

The **market capitalization weighted method** was the most common among the popular indices, as this method attributed more "weight" to companies with higher market capitalizations. For example, to calculate the weighting in the S&P 500 (a market capitalization weighted index), the share price of each stock was multiplied by the number of shares outstanding. This created the market capitalization for each company, and those market capitalizations were added to create a total market capitalization of all 500 stocks. Then, the market capitalization of each individual company was divided by the total market capitalization of all 500 companies, giving each company a "weight" expressed in terms of a percentage. The S&P 500 data from June 6, 2012 showed that Apple Computer was the largest company in the index, representing 4.5% of the total, while the median had a weighting of 0.09%. (By definition, the average was 0.20% because there were 500 stocks representing 100%.) In an index with market capitalization weighting, a stock price change in a smaller company would have less impact on the index than a change in a bigger company.

In an **equal-weighted index**, every company in the index had the same weight, regardless of its relative size. For example, if an index had five stocks in it, and their prices were \$2, \$4, \$6, \$8 and \$10, the total would be $2+4+6+8+10=30$. Since this was an equal-weighted index, the \$10 stock would comprise 20% of the weight of the index ($1 \text{ of } 5=20\%$), and the \$2 stock would also count for 20% (also $1 \text{ of } 5=20\%$) of the total index. In this type of index, if the smallest company in the index went up 20% and the largest company went down 5%, the index as a whole would go up even though the largest company was down.

In a **price weighted index**, the higher the stock price, the more weight that stock had. For example: if an index had five stocks in it and their prices were \$2, \$4, \$6, \$8 and \$10, the total would be 30. Since this was a price-weighted index the \$10 stock would comprise 33% of the weight of the index ($10 \text{ of } 30=33\%$), whereas the \$2 stock would only contribute 7% ($2 \text{ of } 30=6.67\%$) of the total index. In this situation, changes in companies with higher stock prices had a greater effect on the index than changes in companies with lower prices, and the number of shares (and the total market capitalization) was not a factor. The DJIA was an example of a price weighted index.

Selected Popular U.S. Indices

Dow Jones Industrial Average (DJIA) - The Dow Jones Industrial Average is an index of 30 "blue chip" stocks of U.S. "industrial" companies. The Index includes substantial industrial companies with a history of successful growth and wide investor interest. The Index includes a wide range of companies—from financial services companies, to computer companies, to retail companies—but does not include any transportation or utility companies, which are included in separate indices. The stocks included in the DJIA are not changed often. Unlike many other indices, the DJIA is not a "weighted" index (that is, the Index does not take market capitalization into account).

NYSE Composite Index - The NYSE Composite Index tracks the price movements of all common stocks listed on the New York Stock Exchange. The Index is "capitalization-weighted" (that is, each stock's weight in the Index is proportionate to the stock's market capitalization).

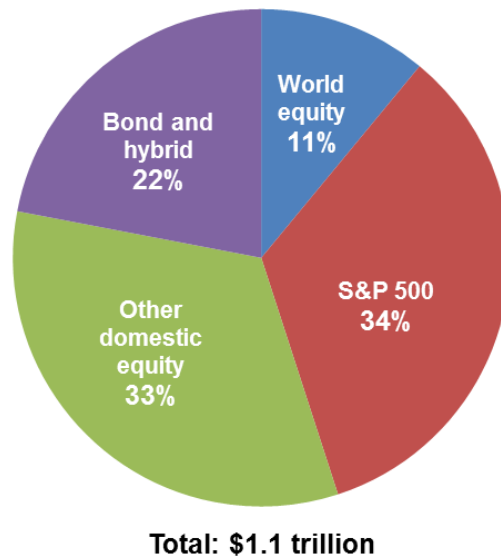
S&P 500 Composite Stock Price Index - The S&P 500 Composite Stock Price Index is a capitalization-weighted index of 500 stocks intended to be a representative sample of leading companies in leading industries within the U.S. economy. Stocks in the Index are chosen for market size (large-cap), liquidity, and industry group representation.

Wilshire 5000 Total Market Index - The Wilshire 5000 Total Market Index measures the performance of all U.S. headquartered equity securities with readily available price data. The Index is a capitalization-weighted Index. The Index includes all of the stocks contained in the S&P 500 Composite Stock Price Index. The Index is intended to measure the entire U.S. stock market.

Russell 2000® Index - The Russell 2000® Index is a capitalization-weighted index designed to measure the performance of a market consisting of 2,000 publicly traded U.S. companies (typically smaller firms in terms of market capitalization) that are included in the Russell 2000® Index.

Nasdaq-100 Index - The Nasdaq-100 Index is a "modified capitalization-weighted" index designed to track the performance of a market consisting of the 100 largest and most actively traded non-financial domestic and international securities listed on The Nasdaq Stock Market, based on market capitalization. To be included in the Index, a stock must have a minimum average daily trading volume of 100,000 shares. Generally, companies on the Index also must have traded on Nasdaq, or been listed on another major exchange, for at least two years.

<http://www.sec.gov/answers/indices.htm>

Exhibit 2 Statistics About Index Funds Assets under Management*Index Fund Assets by Type of Fund (% , year-end 2011)*

Note: Of the \$374 billion in mutual fund index fund assets linked to the S&P 500, approximately \$107 billion corresponded to the Vanguard 500 index fund.^{xxxix}

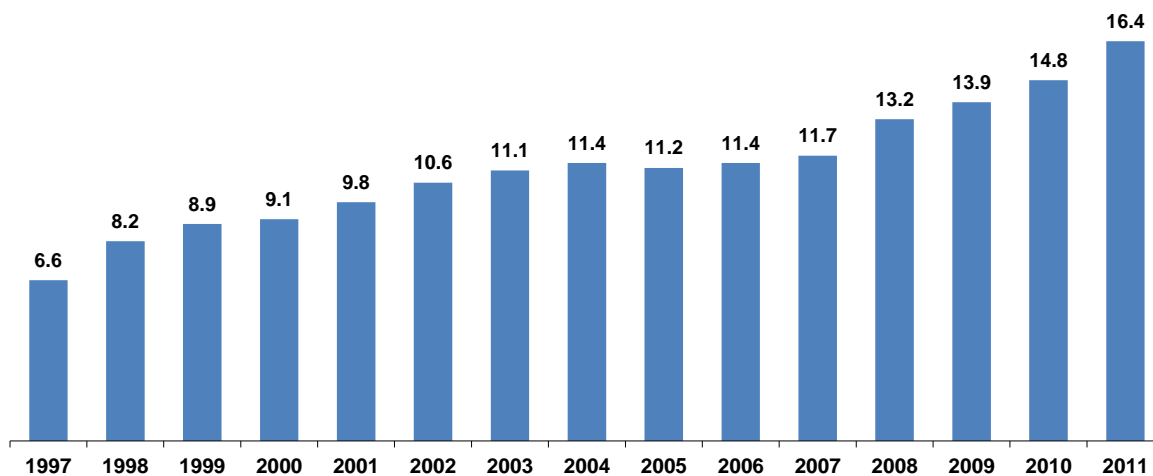
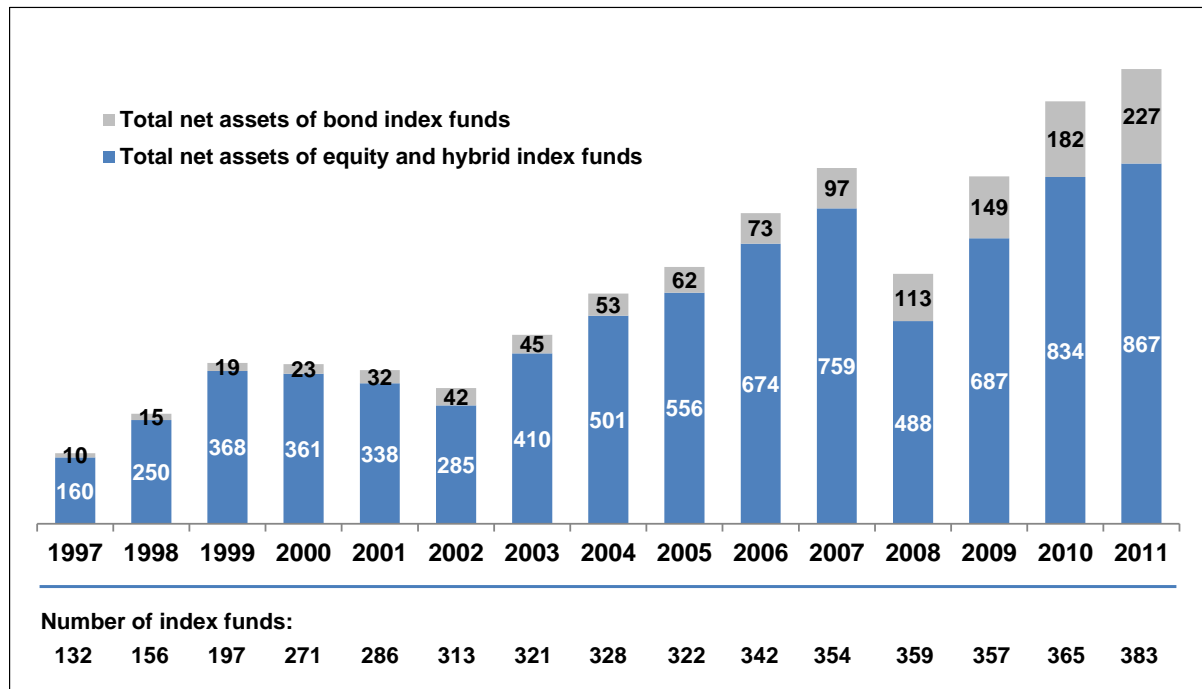
% of Equity Index Mutual Fund Assets Relative to Total Assets of Mutual Funds

Exhibit 2 (continued)

Total Net Assets and Number of Index Mutual Funds^a (billions of dollars, year-end 1997–2011)

Source: Investment Company Institute (ICI), 2012 Investment Company Fact Book, Figures 2.11, 2.12 and 5.5

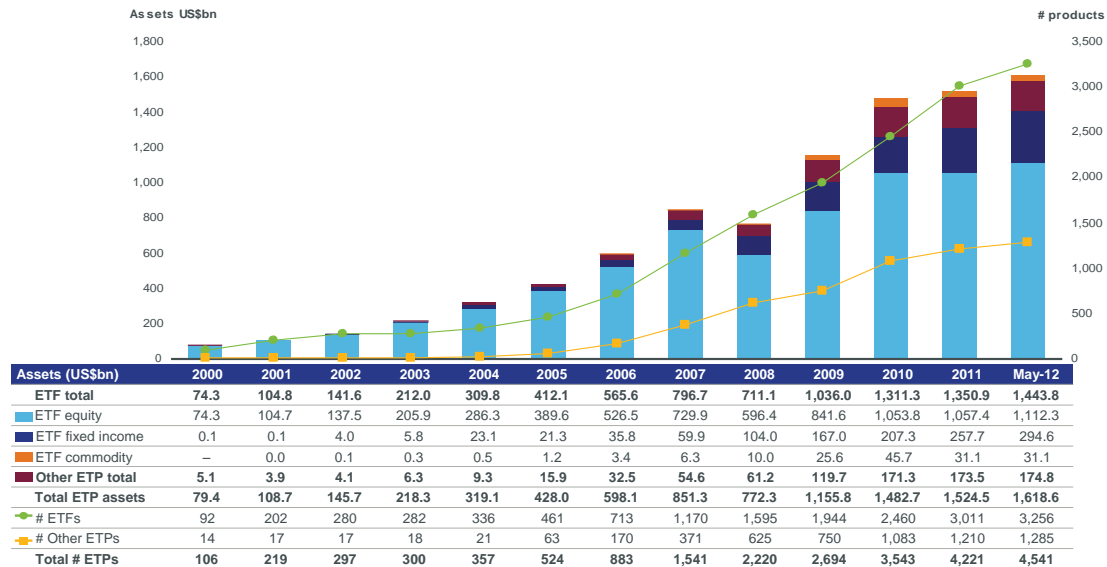
Note: Components may not add to the total because of rounding.

^aIndex funds data exclude funds that invest primarily in other funds.

Exhibit 3 - Historical Growth of Exchange Traded Products (ETP) AUM (2000-2012)

Global ETP multi-year asset growth

- The 10-year CAGR for ETP AUM is 29.6%. The 5-year CAGR is 20.2%.



Note: CAGR = Compound Annual Growth Rate. AUM = Assets Under Management. Data as at end of May 2012 or where updated data is not available, we utilise the most recent period available. Source: BlackRock Investment Institute, Bloomberg, Bank of Israel.

Source: BlackRock ETP Landscape Industry Highlights, May 2012, page 13.

Exhibit 4 - ETP Providers AUM and Top ETP Products as of May 2012

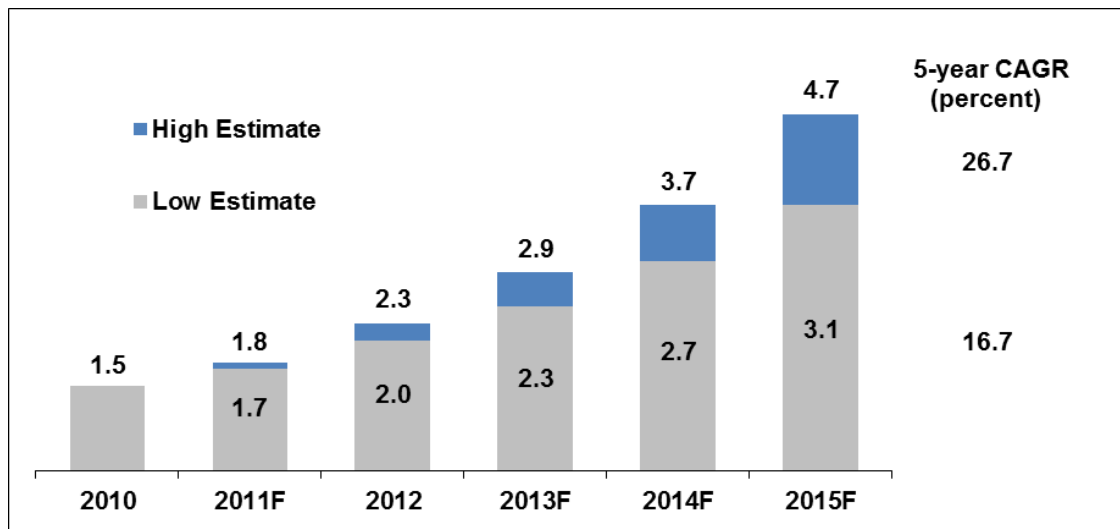
Providers at End May 2012 (US\$bn)	AUM	% market share	1-month ADV	1-month NNA	YTD-12 change	
					AUM	% market share
iShares	627.7	38.8	17.1	2.4	28.7	(0.5)
State Street Global Advisors	283.3	17.5	30.5	(1.2)	13.0	(0.2)
Vanguard	201.4	12.4	1.8	6.8	30.7	1.2
PowerShares/Deutsche Bank	65.2	4.0	3.8	(1.3)	5.9	0.1
db x-tracker/db ETC	42.4	2.6	0.4	(0.2)	(1.7)	(0.3)
Lyxor Asset Management/Soc Gen	35.5	2.2	0.5	(0.5)	(2.7)	(0.3)
ETF Securities	24.9	1.5	0.3	(0.1)	0.2	(0.1)
Van Eck Associates Corp	23.3	1.4	1.3	0.6	(0.2)	(0.1)
ProShares	22.2	1.4	3.0	0.1	(0.9)	(0.1)
Nomura Asset Management	20.1	1.2	0.1	1.8	1.7	0.0
Others (183 providers)	272.7	16.8	7.9	10.8	19.6	0.2
Total	1,618.6	100.0	66.7	19.2	94.2	-

Top 10 ETPs worldwide ranked by AUM

Commentary	ETPs as at End of May 2012 (US\$mn)	Bloomberg Ticker	AUM	YTD-12 NNA	1-month ADV
<ul style="list-style-type: none"> State Street has the top two global products ranked by AUM. iShares has the largest number of top products with five of the top ten. Vanguard and State Street each have two. Thematically, the top ten AUM ETPs span a number of asset classes with the largest concentration in United States broad equity (four products), emerging markets equity (two products), fixed income (two products) and one product each in gold and EAFE equity. All of the top ten are US-listed products. The ten largest ETPs now account for 25% of global ETP industry assets, and the top 50 compose 48% of AUM. However, the industry has become far less 	SPDR S&P 500	SPY US	96,622	(3,019)	22,251
	SPDR Gold Trust	GLD US	63,771	1,042	1,579
	Vanguard MSCI Emerging Markets ETF	VWO US	47,439	6,419	829
	iShares MSCI EAFE Index Fund	EFA US	32,954	(2,714)	964
	iShares MSCI Emerging Markets Index Fund	EEM US	32,725	484	2,152
	PowerShares QQQ Trust	QQQ US	29,479	775	3,354
	iShares S&P 500 Index Fund	IVV US	28,302	875	422
	iShares Barclays TIPS Bond Fund	TIP US	23,740	627	93
	iShares iBoxx \$ Investment Grade Corp Bond	LQD US	21,335	3,635	215
	Vanguard Total Stock Market ETF	VTI US	20,289	(124)	111

Notes: ADV=Average Daily Volume; NNA: Net New Assets

Source: BlackRock ETP Landscape, Industry Highlights, May 2012, page 9

Exhibit 5 Projected Growth of Exchange Traded Products (ETP) – ETP AUM, ^a (US\$ trillion)

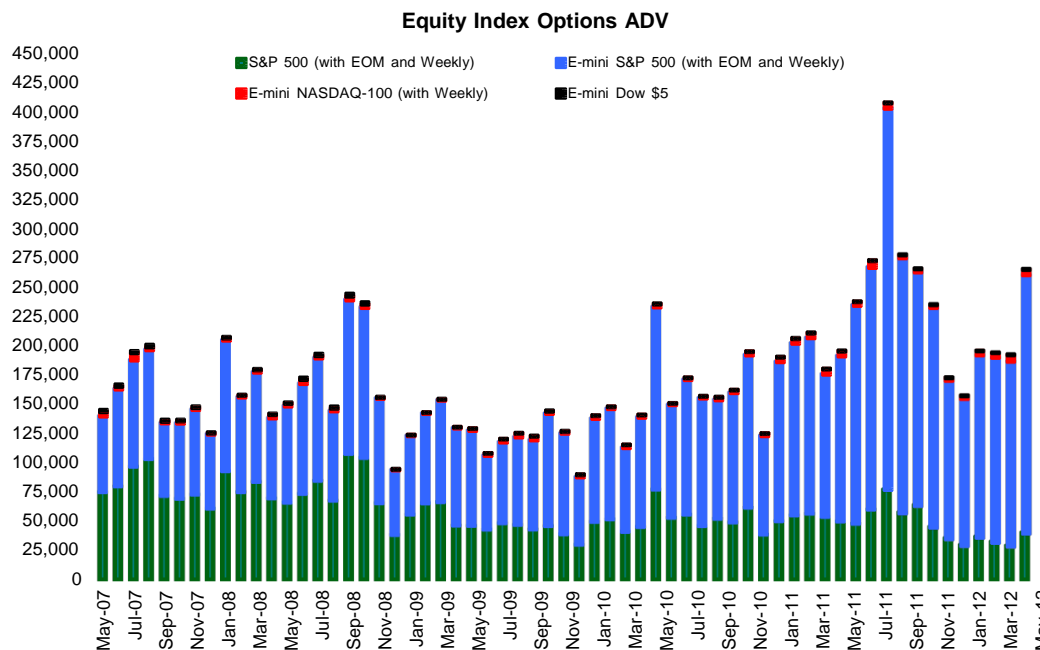
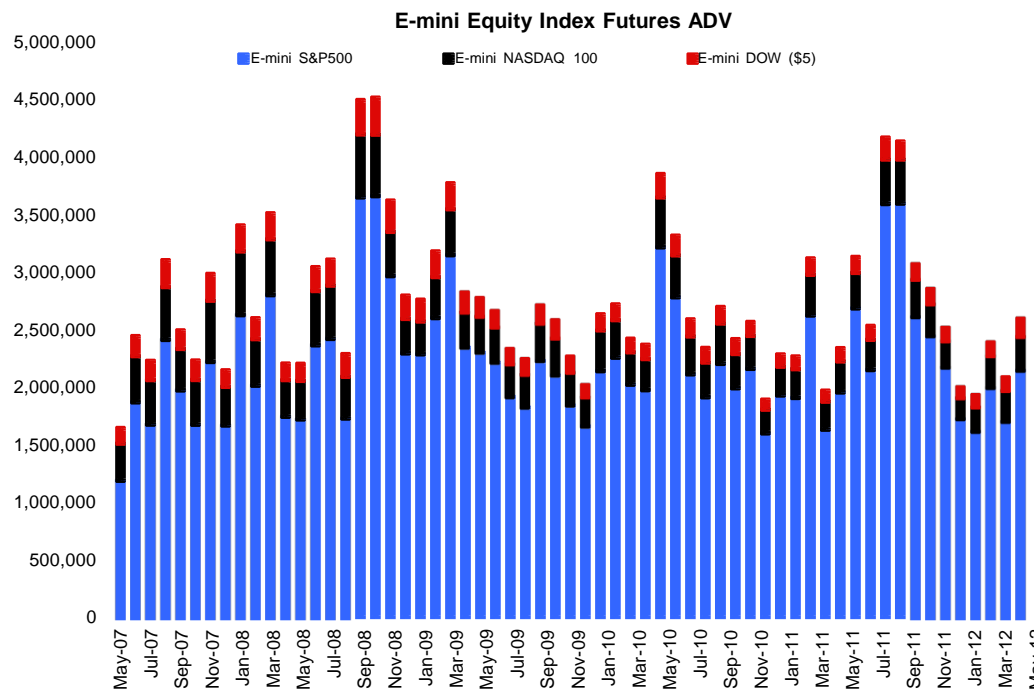
Source: *The Second Act Begins for ETFs*, McKinsey & Company, p. 5.

^aIncludes estimates for Americas, Europe, Asia (excluding Japan) and all other regions (e.g., Japan, Mideast, etc.).

Exhibit 6 S&P Yearly Contract Volume on CME (2007-2011)

	Yearly Contract Volume on CME			
	S&P 500		EMini S&P	
	Futures	Options	Futures	Options
2007	15,837,602	19,458,815	415,348,228	16,213,737
2008	16,763,071	16,378,218	633,889,466	22,167,648
2009	10,435,912	10,350,127	556,314,143	18,142,915
2010	7,689,961	10,719,451	555,328,670	22,778,255
2011	7,220,620	11,718,229	620,368,790	36,130,942

Source: CME

Exhibit 7 – Average Daily Volume (ADV) of Equity Index Futures and Options

Source: CME Group, Monthly Stock Index Review, May 2012.

Exhibit 8a McGraw-Hill Financials

(in millions, except per share data)			
	2011	2010	2009
Revenue			
Product	\$ 2,275	\$ 2,411	\$ 2,362
Service	<u>3,971</u>	<u>3,661</u>	<u>3,508</u>
Total revenue	6,246	6,072	5,870
Expenses			
Operating-related expenses			
Product	1,008	1,080	1,132
Service	<u>1,392</u>	<u>1,215</u>	<u>1,207</u>
Total operating-related expenses	2,400	2,295	2,339
Selling and general expenses	2,281	2,234	2,113
Depreciation	98	98	106
Amortization of intangibles	<u>58</u>	<u>43</u>	<u>50</u>
Total expenses	4,837	4,670	4,608
Other (income) loss	(13)	(11)	3
Operating income	1,422	1,413	1,259
Interest expense, net	75	82	77
Income from continuing operations before taxes on income	1,347	1,331	1,182
Provision for taxes on income	489	483	429
Income (loss) from discontinued operations, net of tax	76	4	(3)
Net income	934	852	750
Less: net income attributable to noncontrolling interests	(23)	(24)	(19)
Net income attributable to The McGraw-Hill Companies, Inc.	<u>\$ 911</u>	<u>\$ 828</u>	<u>\$ 731</u>

	Revenue by Segment				Operating Income by Segment		
	2011	2010	2009		2011	2010	2009
S&P Ratings	\$ 1,767	\$ 1,695	\$ 1,537		\$ 719	\$ 762	\$ 712
S&P Capital IQ / S&P Indices	1,354	1,189	1,122		403	315	302
Commodities & Commercial	896	811	873		180	153	96
McGraw-Hill Education	2,292	2,433	2,387		320	363	276
Intersegment elimination	(63)	(56)	(49)		—	—	—
Total operating segments	6,246	6,072	5,870		1,622	1,593	1,386
General corporate expense	—	—	—		(200)	(180)	(127)
Total	\$ 6,246	\$ 6,072	\$ 5,870		\$ 1,422	\$ 1,413	\$ 1,259

Source: McGraw Hill 10-K, 2011

Exhibit 8b McGraw-Hill Financial Data and Comparable Companies (US\$ millions)**COMPANY COMP SET**

Company Name	Business Description	Market Capitalization Latest	LTM Total Revenue	LTM EBITDA	LTM EBIT	LTM EBIT Margin %	LTM Net Income	LTM Total Debt	LTM Cash and Equivalents	1 Year Beta
Thomson Reuters Corporation (TSX:TRI)	Thomson Reuters Corporation provides intelligent information for businesses and professionals worldwide.	24,136.9	13,693.0	3,348.0	2,289.0	16.7%	(967.0)	7,198.0	1,801.0	0.59
Pearson plc (LSE:PSO)	Pearson plc engages in the education, business information, and consumer publishing businesses worldwide. The company offers educational materials, technologies, assessments, and related services for teachers and students in the school and higher education market.	16,043.0	9,534.3	1,632.0	1,152.8	12.1%	1,486.5	3,765.3	1,584.6	0.54
Moody's Corp. (NYSE:MCO)	Moody's Investors Service, Inc. provides credit rating, research, and risk analysis services.	8,212.8	2,386.0	1,009.1	923.8	38.7%	572.9	1,238.3	824.1	1.57
IHS Inc. (NYSE:IHS)	IHS Inc. provides critical information and insight products and services in various areas, including energy and power; design and supply chain; defense, risk, and security; environment, health, and safety (EHS), and sustainability; country and industry forecasting; and commodities.	7,087.0	1,439.3	294.3	189.9	13.2%	131.2	847.5	268.2	0.85
FactSet Research Systems Inc. (NYSE:FDS)	FactSet Research Systems Inc. provides financial and economic information to investment community worldwide.	4,174.6	790.1	295.3	261.4	33.1%	181.2	-	228.5	0.9
MSCI Inc. (NYSE:MSCI)	MSCI Inc. provides a suite of performance, risk management, and corporate governance products and services worldwide.	4,135.0	918.8	413.9	331.1	36.0%	175.8	876.3	273.3	1.07
Gannett Co., Inc. (NYSE:GCI)	Gannett Co., Inc. operates as a media and marketing solutions company in the United States and internationally and publishes 82 U.S. daily newspapers with affiliated online sites, including USA TODAY.	3,460.9	5,179.4	979.0	785.7	15.2%	404.8	1,662.8	202.1	1.43
Dun & Bradstreet Corp. (NYSE:DNB)	The company offers risk management solutions, including comprehensive monitoring and portfolio analysis; various business information reports, and portfolio analytics.	3,406.5	1,724.8	519.5	438.5	25.4%	271.8	1,013.6	118.6	0.9
The McGraw-Hill Companies, Inc. (NYSE:MHP)	The McGraw-Hill Companies, Inc. provides information services for the financial, education, commercial, and commodities markets worldwide. The company operates in four segments: Standard & Poor's (S&P) Ratings, S&P Capital IQ/S&P Indices, Commodities & Commercial (C&C), and McGraw-Hill Education (MHE).	12,586.5	6,306.0	1,771.0	1,586.0	25.2%	919.0	1,199.0	836.0	0.97

Source: Capital IQ and Interactive Data, accessed August 30, 2012.

Note: Data as of June 30, 2012.

Exhibit 9 Excerpts from McGraw-Hill Public Announcement on September 12, 2011**McGraw-Hill Announces Comprehensive Growth and Value Plan to Increase Shareholder Value**

To Separate Into Two Industry-Leading Public Companies, One Focused On Key Global Markets and the Other On Education; Enables Company to Streamline Operations and Reduce Costs; Will Accelerate Share Repurchases to \$1 Billion in 2011

NEW YORK, Sept. 12, 2011 /PRNewswire via COMTEX/ -- The McGraw-Hill Companies (NYSE: MHP) today announced that its Board of Directors has unanimously approved a comprehensive Growth and Value Plan that includes separation into two strong public companies: McGraw-Hill Markets, primarily focused on capital and commodities markets, and McGraw-Hill Education, focused on education services and digital learning. The three-part Plan is designed to accelerate growth and increase shareholder value by:

1. Creating two "pure-play" companies with the scale, and the capital and cost structures to fully leverage their world-class franchises, iconic brands, and leading market positions
2. Reducing costs significantly to ensure efficient operating structures for the two new companies
3. Accelerating the pace of share repurchases to a total of \$1 billion for the full year 2011 (approximately \$540 million repurchased year to date)

The Growth and Value Plan will create two focused operating companies with deeper customer engagement, right-sized cost structures, and increased management focus and accountability. The creation of two companies with tailored capital structures and financial policies will also enhance strategic and financial flexibility and establish two attractive equity currencies. Harold (Terry) McGraw III, Chairman, President and Chief Executive Officer, said, "Our Growth and Value Plan will transform a multifaceted corporation into two powerful companies, each with highly focused strategies, aligned customer bases and interconnected markets. After thorough analysis, the Board determined that the creation of these two independent companies is the best and most reliable way to generate superior shareholder value. Because both companies will be sharply defined, they will create two pure-play investment opportunities and present a more transparent capital markets profile, enabling investors to better assess their value, performance and potential."

McGraw-Hill Markets, which will be led by Terry McGraw as Chairman, President and CEO, will be a fast-growing, high-margin global company that enables the functioning and growth of the increasingly interconnected global capital and commodities markets by providing customers with high-value benchmarks, information, and solutions. McGraw-Hill Markets will leverage its proprietary data and analytics platforms to provide customers with a broad array of information, market insights and integrated solutions to inform decision-making on trillions of dollars of assets. McGraw-Hill Markets, the working name for this Company, will include the following iconic brands in the capital and commodities markets: Standard & Poor's, the world's foremost provider of credit ratings; S&P Indices, the world's leading index business; the newly launched S&P Capital IQ, a leading global provider of multi-asset class data, research, benchmarks and analytics; and Platts, the leading global provider of information and indices in energy, petrochemicals and metals. Combined, the capital and commodities businesses account for approximately 90% of McGraw-Hill Market's annual revenues.

McGraw-Hill Markets will also include businesses in attractive commercial sectors such as J.D. Power and Associates, a global market research and services company, and leading franchises in the construction and aerospace industries. McGraw-Hill Markets serves customers in more than 150 countries and expects 2011 revenues of approximately \$4 billion with close to 40% from international markets. The Company expects to drive double-digit growth and profitability by expanding upon and fully exploiting the many operational and strategic synergies that exist among McGraw-Hill Markets' brands, including overlapping customer bases, shared technology platforms, optimized access to global capital markets, and an international employee base active in growth markets. McGraw-Hill Markets' scale and leadership positions will also enable it to capitalize on growth trends and extend its platforms in fast-developing emerging markets.

Source: Company Press Release, September 12, 2011.

Exhibit 10 – Anticipated Operating Units Post Joint Venture

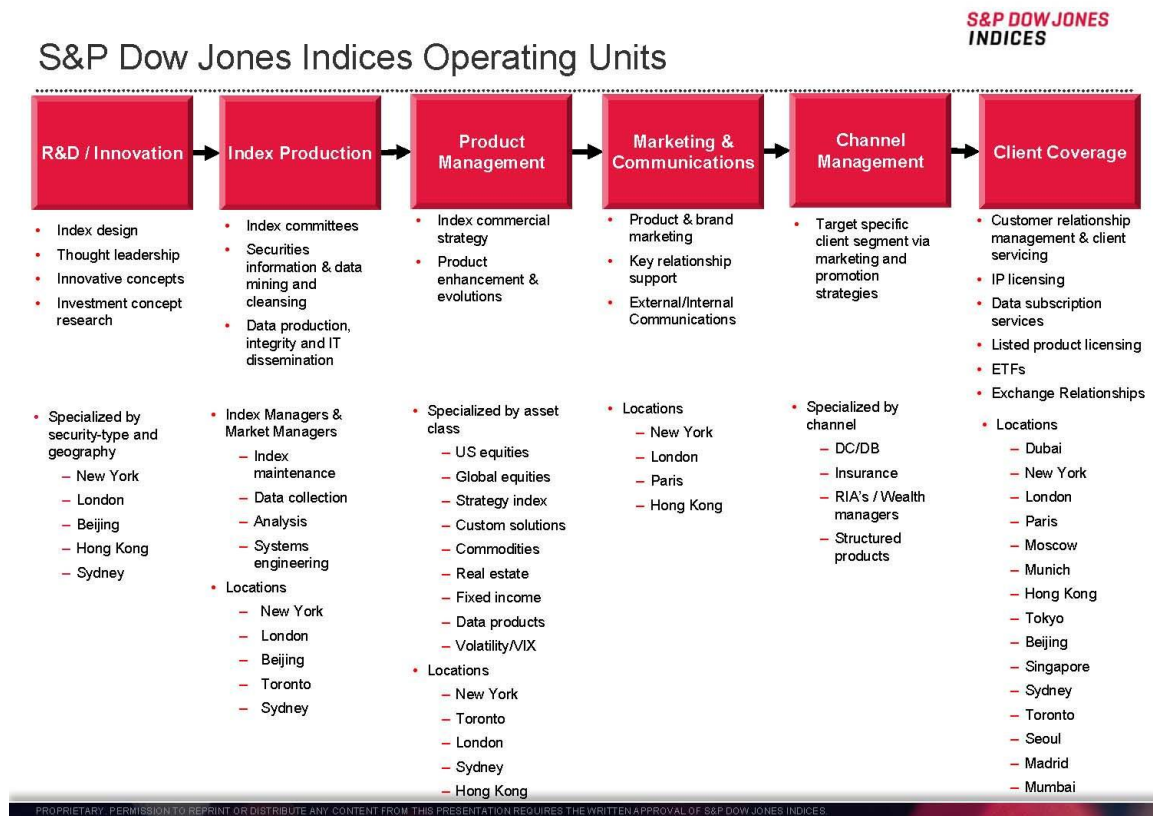
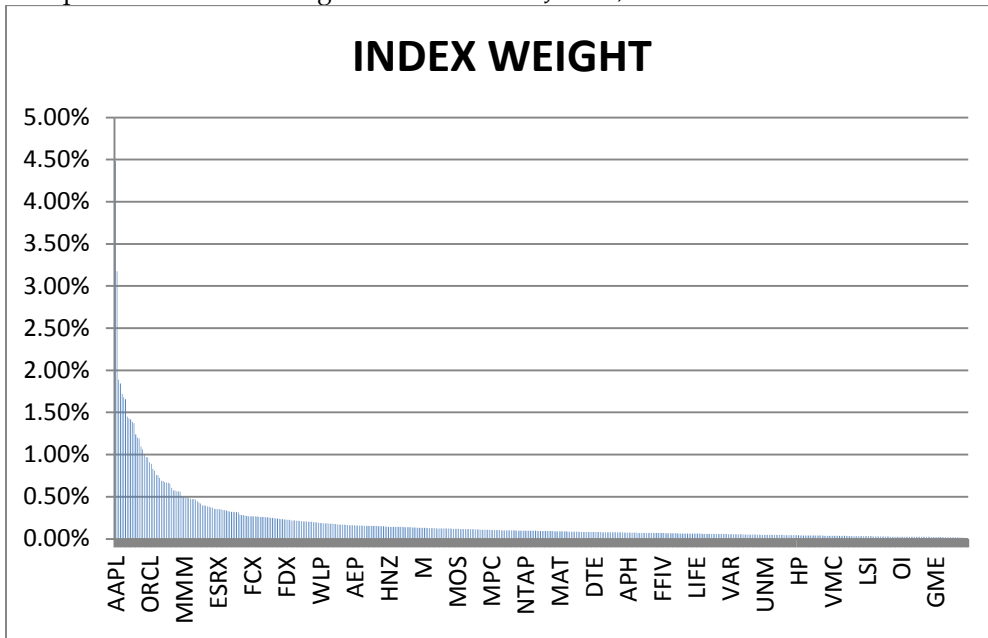


Exhibit 11 - Selected Stocks from S&P 500 on June 6, 2012

COMPANY	TICKER	LOCAL PRICE	SHARES OUTSTANDING	MARKET CAP	IWF	INDEX SHARES	INDEX MARKET CAP	INDEX WEIGHT
3M Co	MMM	84.63	694,544,000	\$ 58,779,258,720	1.00	694,544,000	\$ 58,779,258,720	0.49%
ACE Limited	ACE	72.33	337,153,000	\$ 24,386,276,490	1.00	337,153,000	\$ 24,386,276,490	0.20%
AES Corp	AES	12.45	765,906,000	\$ 9,535,529,700	0.84	643,361,040	\$ 8,009,844,948	0.07%
AFLAC Inc	AFL	40.53	467,098,000	\$ 18,931,481,940	1.00	467,098,000	\$ 18,931,481,940	0.16%
AGL Resources	GAS	37.7	117,100,000	\$ 4,414,670,000	1.00	117,100,000	\$ 4,414,670,000	0.04%
AT&T Inc	T	34.56	5,928,752,000	\$ 204,897,669,120	1.00	5,928,752,000	\$ 204,897,669,120	1.72%
Abbott Laboratories	ABT	61.07	1,572,357,000	\$ 96,023,841,990	1.00	1,572,357,000	\$ 96,023,841,990	0.81%
Abercrombie & Fitch Company A	ANF	32.64	85,638,000	\$ 2,795,224,320	1.00	85,638,000	\$ 2,795,224,320	0.02%
Accenture plc	ACN	58.42	647,209,000	\$ 37,809,949,780	1.00	647,209,000	\$ 37,809,949,780	0.32%
Adobe Systems Inc	ADBE	31.72	493,803,000	\$ 15,663,431,160	1.00	493,803,000	\$ 15,663,431,160	0.13%
Advanced Micro Devices	AMD	6.02	698,485,000	\$ 4,204,879,700	0.84	586,727,400	\$ 3,532,098,948	0.03%
Aetna Inc	AET	42.43	350,400,000	\$ 14,867,472,000	1.00	350,400,000	\$ 14,867,472,000	0.12%
Agilent Technologies Inc	A	39.77	347,625,000	\$ 13,825,046,250	1.00	347,625,000	\$ 13,825,046,250	0.12%
Air Products & Chemicals Inc	APD	78.75	210,605,000	\$ 16,585,143,750	1.00	210,605,000	\$ 16,585,143,750	0.14%
Airgas Inc	ARG	85.06	76,364,000	\$ 6,495,521,840	0.90	68,727,600	\$ 5,845,969,656	0.05%
Akamai Technologies Inc	AKAM	29.01	177,801,000	\$ 5,158,007,010	1.00	177,801,000	\$ 5,158,007,010	0.04%
Alcoa Inc	AA	8.62	1,066,108,000	\$ 9,189,850,960	1.00	1,066,108,000	\$ 9,189,850,960	0.08%
Alexion Pharmaceuticals Inc	ALXN	90.84	185,993,000	\$ 16,895,604,120	1.00	185,993,000	\$ 16,895,604,120	0.14%
Allegheny Technologies Inc	ATI	31.12	106,700,000	\$ 3,320,504,000	1.00	106,700,000	\$ 3,320,504,000	0.03%
Allergan Inc	AGN	91.06	304,443,000	\$ 27,722,579,580	1.00	304,443,000	\$ 27,722,579,580	0.23%
Allstate Corp	ALL	34.09	498,294,000	\$ 16,986,842,460	1.00	498,294,000	\$ 16,986,842,460	0.14%
Alpha Natural Resources	ANR	9.72	220,019,000	\$ 2,138,584,680	1.00	220,019,000	\$ 2,138,584,680	0.02%
Altera Corp	ALTR	33.78	322,375,000	\$ 10,889,827,500	1.00	322,375,000	\$ 10,889,827,500	0.09%
Altria Group Inc	MO	32.58	2,045,667,000	\$ 66,647,830,860	1.00	2,045,667,000	\$ 66,647,830,860	0.56%
Amazon.com Inc	AMZN	217.8	455,068,000	\$ 99,113,810,400	0.80	364,054,400	\$ 79,291,048,320	0.67%
Ameren Corp	AEE	32.81	242,635,000	\$ 7,960,854,350	1.00	242,635,000	\$ 7,960,854,350	0.07%
American Electric Power	AEP	39.48	483,423,000	\$ 19,085,540,040	1.00	483,423,000	\$ 19,085,540,040	0.16%
American Express Co	AXP	55.38	1,166,477,000	\$ 64,599,496,260	0.87	1,014,834,990	\$ 56,201,561,746	0.47%
American Intl Group Inc	AIG	29.9	1,727,844,000	\$ 51,662,535,600	0.37	639,302,280	\$ 19,115,138,172	0.16%
American Tower Corp A	AMT	65.79	393,716,000	\$ 25,902,575,640	1.00	393,716,000	\$ 25,902,575,640	0.22%
Ameriprise Financial Inc	AMP	48.37	221,899,000	\$ 10,733,254,630	1.00	221,899,000	\$ 10,733,254,630	0.09%
AmerisourceBergen Corp	ABC	37.32	257,834,000	\$ 9,622,364,880	1.00	257,834,000	\$ 9,622,364,880	0.08%
Amgen Inc	AMGN	69.98	791,432,000	\$ 55,384,411,360	1.00	791,432,000	\$ 55,384,411,360	0.47%
Amphenol Corp A	APH	54.15	163,332,000	\$ 8,844,427,800	1.00	163,332,000	\$ 8,844,427,800	0.07%
Anadarko Petroleum Corp	APC	62.16	498,428,000	\$ 30,982,284,480	1.00	498,428,000	\$ 30,982,284,480	0.26%
Analog Devices Inc	ADI	37.32	297,832,000	\$ 11,115,090,240	1.00	297,832,000	\$ 11,115,090,240	0.09%
Aon plc	AON	47.14	325,179,000	\$ 15,328,938,060	1.00	325,179,000	\$ 15,328,938,060	0.13%
Apache Corp	APA	83.59	384,322,000	\$ 32,125,475,980	1.00	384,322,000	\$ 32,125,475,980	0.27%
Apartment Investment & Mgmt	AIV	27.13	132,144,000	\$ 3,585,066,720	1.00	132,144,000	\$ 3,585,066,720	0.03%
Apollo Group Inc	APOL	34.81	126,384,000	\$ 4,399,427,040	0.89	112,481,760	\$ 3,915,490,066	0.03%
Apple Inc.	AAPL	571.79	932,370,000	\$ 533,119,842,300	1.00	932,370,000	\$ 533,119,842,300	4.48%
Applied Materials Inc	AMAT	10.65	1,291,122,000	\$ 13,750,449,300	1.00	1,291,122,000	\$ 13,750,449,300	0.12%
Archer-Daniels-Midland Co	ADM	32.19	661,633,000	\$ 21,297,966,270	1.00	661,633,000	\$ 21,297,966,270	0.18%
Assurant Inc	AIZ	34.04	87,501,000	\$ 2,978,534,040	1.00	87,501,000	\$ 2,978,534,040	0.03%
AutoNation Inc	AN	36.9	124,600,000	\$ 4,597,740,000	0.34	42,364,000	\$ 1,563,231,600	0.01%
AutoZone Inc	AZO	387.96	38,951,000	\$ 15,111,429,960	0.70	27,265,700	\$ 10,578,000,972	0.09%
Autodesk Inc	ADSK	33.13	225,900,000	\$ 7,484,067,000	1.00	225,900,000	\$ 7,484,067,000	0.06%
Automatic Data Processing	ADP	53.12	490,576,000	\$ 26,059,397,120	1.00	490,576,000	\$ 26,059,397,120	0.22%
AvalonBay Communities Inc	AVB	141.18	95,209,000	\$ 13,441,606,620	1.00	95,209,000	\$ 13,441,606,620	0.11%
Avery Dennison Corp	AVY	28.21	106,412,000	\$ 3,001,882,520	1.00	106,412,000	\$ 3,001,882,520	0.03%
Avon Products	AVP	16.31	430,954,000	\$ 7,028,859,740	1.00	430,954,000	\$ 7,028,859,740	0.06%

Composition of Index Weights of S&P 500 on June 6, 2012



Source: S&P Indices

Exhibit 12 – S&P Revenue Growth by Product Category

	2008 vs 2007	2009 vs 2008	2010 vs 2009	2011 vs 2010
	% Growth	% Growth	% Growth	% Growth
REVENUE				
Exchange Traded Derivative	35.1%	-12.9%	16.9%	17.4%
Exchange Traded Funds	23.9%	1.5%	24.9%	24.8%
OTC Derivatives	39.2%	-6.8%	10.1%	10.8%
Mutual Funds	27.2%	12.0%	-16.4%	22.9%
Data	15.8%	19.3%	19.0%	11.5%
Custom	42.8%	0.7%	0.1%	13.6%
All Other	-59.9%	-54.5%	-32.1%	9.7%
Total Revenue	26.3%	0.8%	14.1%	18.4%

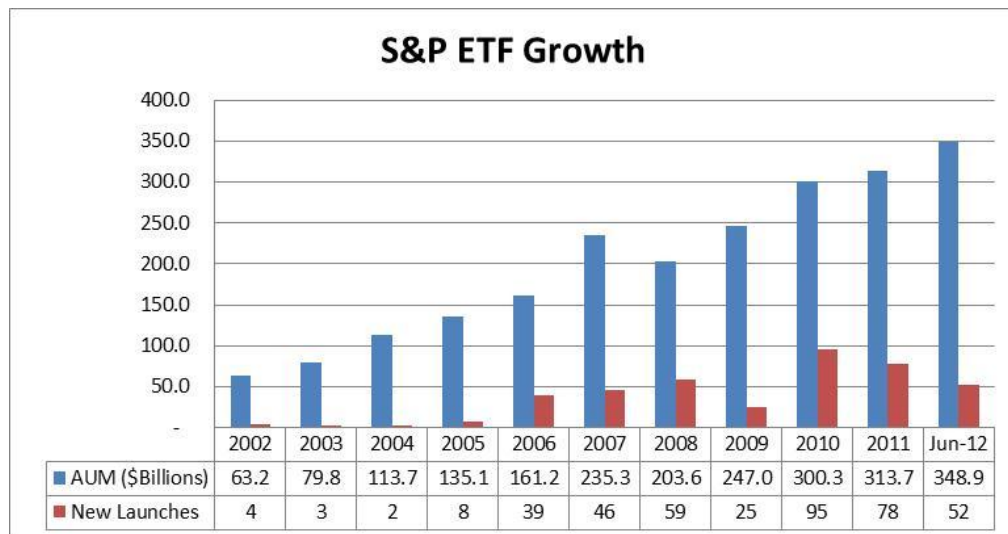
Source: S&P Indices

Exhibit 13 – Estimated Annual Ordinary Operating Expenses for SPDR S&P 500 ETF Trust**Estimated Trust Annual Ordinary Operating Expenses:**Current Trust Annual Ordinary Operating Expenses
As a % of Trust Average Net Assets

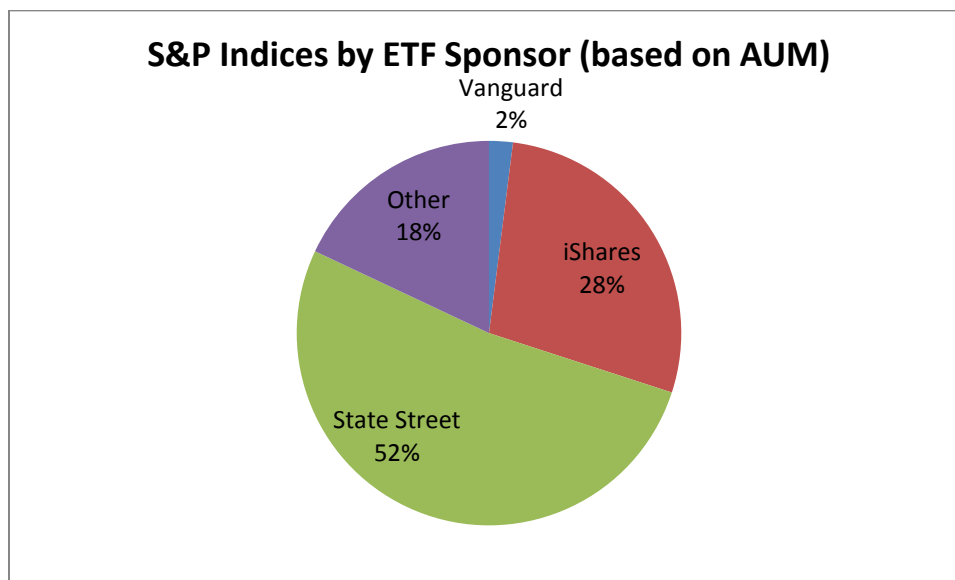
Trustee's Fee**	0.0558%
S&P License Fee	0.0310%
Marketing	0.0200%
Other Operating Expenses	<u>0.0019%</u>
Total:	0.1087%
Trustee Waiver**	<u>(0.0142)%</u>
<i>Net Expenses After Waiver</i>	0.0945%

** Until February 1, 2013, the Trustee has agreed to waive a portion of its fee to the extent operating expenses exceed 0.0945% after taking into consideration the earnings credit with respect to uninvested cash balances of the Trust. The amount of the earnings credit will be equal to the then current Federal Funds Rate, as reported in nationally distributed publications, multiplied by each day's daily cash balance, if any, in the Trust's cash account, reduced by the amount of reserves, if any, for that account required by the Federal Reserve Board of Governors. Thereafter, the Trustee may discontinue this voluntary waiver policy. Therefore, there is no guarantee that the Trust's ordinary operating expenses will not exceed 0.0945% of the Trust's daily NAV.

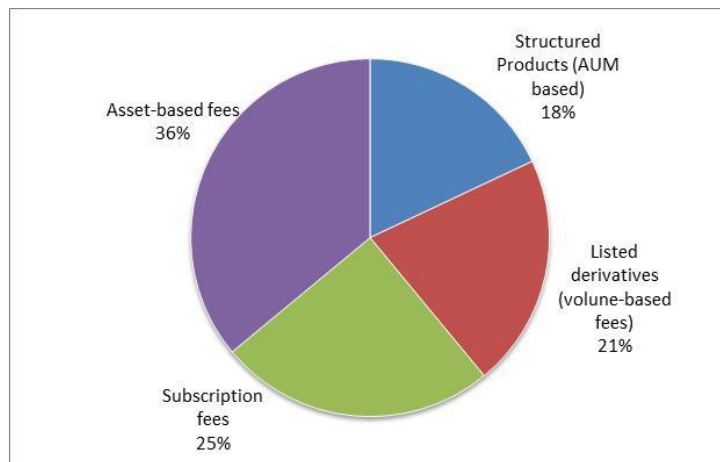
Source: SPDR S&P 500 ETF Trust Prospectus, January 25, 2012.

Exhibit 14a Growth in S&P's ETF Business

Source: S&P Indices

Exhibit 14b S&P Indices AUM by ETF Sponsor (April 2012)

Source: Simfunds, as reported by Jennifer Huang, UBS, "McGraw Hill Companies," October 3, 2012, page 34.

Exhibit 15 - Estimated S&P Indices Sources of Revenue

Source: Jennifer Huang, UBS, "McGraw Hill Companies," October 3, 2012, page 33.

Exhibit 16 - Global ETF AUM by Index Provider

Top 20 ETF index providers by assets: Global

S&P has the largest amount of ETF assets tracking its benchmarks with US\$351 Bn, reflecting 23.3% market share; MSCI is second with US\$330 Bn and 21.9% market share, followed by Barclays Capital with US\$169 Bn and 11.3% market share.

Provider	# ETFs	Q2-12 Assets (US\$ Mn)	% share	Jun-12 ADV (US\$ Mn)	Jun-12 NNA (US\$ Mn)	YTD-12 NNA (US\$ Mn)	YTD-11 NNA (US\$ Mn)	2011 NNA (US\$ Mn)
S&P	466	350,514	23.3%	32,530	7,077	15,557	11,134	23,433
MSCI	525	329,580	21.9%	7,542	(457)	15,487	21,840	20,482
Barclays Capital	142	169,277	11.3%	3,007	2,953	22,100	13,729	34,386
STOXX	288	84,787	5.6%	1,184	753	(3,304)	7,503	15,932
Russell	93	80,243	5.3%	7,592	(392)	(2,756)	(207)	2,379
Markit	157	63,174	4.2%	692	1,538	11,250	1,140	5,240
Dow Jones	179	59,278	3.9%	2,136	(144)	2,605	4,453	7,288
FTSE	184	56,626	3.8%	1,179	263	2,975	4,160	6,377
NASDAQ OMX	70	42,559	2.8%	3,715	1,369	1,908	639	3,196
Nikkei	14	23,584	1.6%	76	1,903	4,796	563	5,270
TSE	62	21,142	1.4%	48	1,485	2,945	(330)	3,096
NYSE Euronext	86	19,986	1.3%	1,036	(119)	580	1,210	3,437
Shanghai SE	67	16,076	1.1%	202	(711)	5,899	280	(21)
Hang Seng	15	13,852	0.9%	56	116	(125)	706	1,111
PC-Bond	33	12,682	0.8%	60	386	2,511	720	2,409
IndxIs	8	12,679	0.8%	71	1	1,883	1,872	4,393
WisdomTree	34	12,370	0.8%	146	109	2,750	1,333	2,640
Deutsche Bank	38	8,160	0.5%	61	333	(495)	(194)	448
Korea Exchange	64	8,107	0.5%	455	225	651	1,822	4,086
JP Morgan	7	7,495	0.5%	116	(36)	2,020	741	1,606
Others (94)	777	111,021	7.4%	1,783	1,920	10,561	10,769	14,129
Total	3,309	1,503,193	100.0%	63,687	18,571	99,800	83,883	161,318

Market share of largest ETF index providers by assets

Category	Assets (US\$ Mn)	% total
Top 3	849,371	56.5%
Top 5	1,014,402	67.5%
Top 10	1,259,623	83.8%
Top 20	1,392,171	92.6%

Source: ETFGI, Bloomberg, ETF/ETP providers

Note: This report is based on the most recent data available at the time of publication. Asset and flow data may change slightly as additional month-end data becomes available.

etfgi.com

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Source: ETFGI global ETF and ETP industry insights Q2 2012, page 10.

Exhibit 17 MSCI Financials*17a. MSCI Income Statement (\$ millions)*

For the Fiscal Period Ending	Restated 12 Months Nov-30-2009	12 Months Nov-30-2010	12 Months Dec-31-2010	12 Months Dec-31-2011
Total Revenue	\$442.9	\$662.9	\$694.9	\$900.9
Cost Of Goods Sold	118.7	198.6	209.8	277.1
Gross Profit	324.3	464.3	485.0	623.8
Selling General & Administrative Expenses	135.8	169.0	174.8	213.0
R&D Expenses	--	--	--	--
Depreciation & Amortization	12.0	17.4	18.1	19.4
Amort. of Goodwill and Intangibles	25.6	41.6	45.7	65.8
Other Operating Expenses, Total	173.3	228.1	238.6	298.2
Operating Income	151.0	236.2	246.4	325.6
Interest Expense	(19.7)	(51.3)	(55.9)	(55.8)
Interest and Investment Income	1.1	1.0	0.9	0.8
Net Interest Expense	(18.6)	(50.3)	(55.0)	(55.0)
EBT Incl. Unusual Items	131.7	153.5	159.4	263.4
Income Tax Expense	49.9	61.3	62.6	90.0
Net Income	\$81.8	\$92.2	\$96.8	\$173.5
Supplemental Items				
EBITDA	\$188.5	\$295.2	\$310.2	\$410.8
EBITDA Margin	43%	45%	45%	46%
EBIT	151.0	236.2	246.4	325.6
EBIT Margin	34%	36%	35%	36%
Interest on Long-Term Debt	15.5	45.2	37.3	53.8

Note: his company changed its fiscal year end in 2010.

Source: Capital IQ

Exhibit 17 (continued)

17b. MSCI Balance Sheet (currency: US\$ million)

Balance Sheet as of:	Nov-30-2009	Nov-30-2010	Dec-31-2010	Dec-31-2011
ASSETS				
Cash and Equivalents	\$176.0	\$226.6	\$269.4	\$252.2
Short-Term Investments	295.3	73.9	72.8	140.5
Total Cash and Short-Term Investments	471.3	300.5	342.2	392.7
Accounts Receivable	77.2	147.7	138.0	180.6
Total Receivables	77.2	147.7	138.0	180.6
Prepaid Expenses	29.4	34.4	18.3	20.6
Deferred Tax Assets, Current	24.6	47.8	57.5	41.0
Other Current Assets	--	5.9	18.9	43.1
Total Current Assets	602.5	536.3	575.0	677.9
Net Property, Plant & Equipment	29.4	34.4	35.7	37.6
Goodwill	441.6	1,706.7	1,706.7	1,708.6
Other Intangibles	120.2	716.3	710.7	644.9
Deferred Charges, Long-Term	--	25.2	--	19.7
Other Long-Term Assets	6.6	4.4	29.4	4.3
Total Assets	\$1,200.3	\$3,023.2	\$3,057.5	\$3,093.0
LIABILITIES & EQUITY				
Accounts Payable	1.9	2.2	0.2	0.2
Accrued Expenses	90.2	136.8	139.2	149.9
Current Portion of Long-Term Debt	47.5	56.7	55.6	12.7
Unearned Revenue, Current	152.9	271.3	268.8	289.2
Other Current Liabilities	--	--	2.2	0.7
Total Current Liabilities	292.5	466.9	466.1	452.8
Long-Term Debt	337.6	1,207.9	1,208.0	1,066.5
Other Non-Current Liabilities	63.1	268.2	281.3	268.2
Total Liabilities	693.2	1,943.0	1,955.3	1,787.6
Total Common Equity	507.1	1,080.1	1,102.2	1,305.4
Total Equity	507.1	1,080.1	1,102.2	1,305.4
Total Liabilities and Equity	\$1,200.3	\$3,023.2	\$3,057.5	\$3,093.0

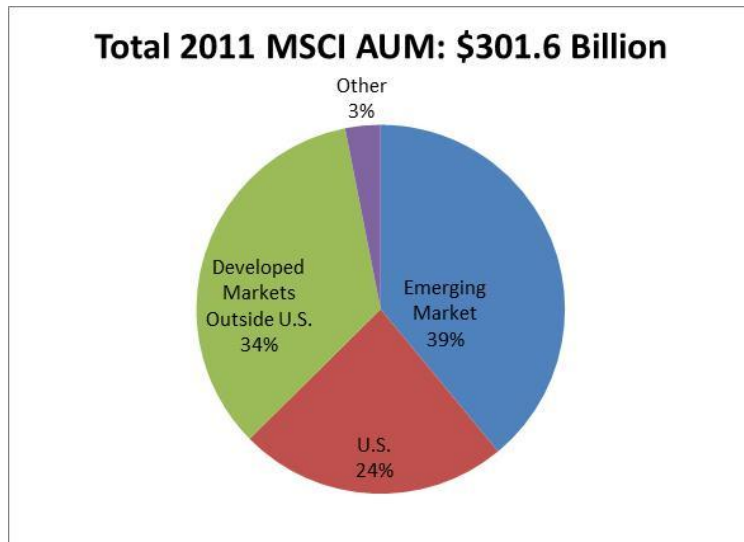
Note: This company has changed its fiscal year end in 2010.

Source: Capital IQ

Exhibit 14 (continued)**17c. MSCI Assets Under Management (\$ billion, other than Customer Account Data)**

For the Fiscal Period Ending	12 Months Nov-30-2006	12 Months Nov-30-2007	12 Months Nov-30-2008	12 Months Nov-30-2009	12 Months Nov-30-2010a	12 Months Dec-31-2010	12 Months Dec-31-2011
AUM in ETFs linked to MSCI Indices	\$112.2	\$191.7	119.0	234.2	311.0	333.3	301.6
Number of Customer Accounts	2,800	2,900	3,100	3,100	5,800	--	6,200

Source: Capital IQ and MSCI 2011 10-K, page 60

17d. MSCI 2011 ETF AUM By Geographic Focus of Index

Source: Capital IQ, MSCI 2011 10-K.

Exhibit 17 (continued)*17e. MSCI Operating Revenues by Segment (currency US\$)*

BUSINESS SEGMENTS		
For the Fiscal Period Ending	12 Months Nov-30-2010	12 Months Dec-31-2011
Index and ESG Revenues		
Subscriptions	\$224.6	\$264.4
Asset based fees	105.8	104.2
Total index and ESG	330.4	404.6
Risk Management analytics	134.5	243.6
Portfolio Management analytics	123.2	118.9
Energy & Commodity analytics	16.3	14.3
Governance	58.6	119.6
Total Operating Revenues	\$662.9	\$900.9
GEOGRAPHIC SEGMENTS		
Revenues		
United States	\$329.8	\$457.6
Other Americas	23.5	32.2
United Kingdom	86.1	106.6
Other Europe, The Middle East, and Africa	128.9	180.6
Japan	46.9	58.0
Other Asia & Australia	47.6	65.9
Total Revenues	\$662.9	\$900.9
Assets		
United States	2,435.9	2,370.0
Other Americas	2.4	5.1
United Kingdom	4.7	5.1
Other Europe, The Middle East, and Africa	7.8	5.6
Japan	0.5	0.4
Other Asia & Australia	5.9	4.9
Total Assets	2,457.3	2,391.1

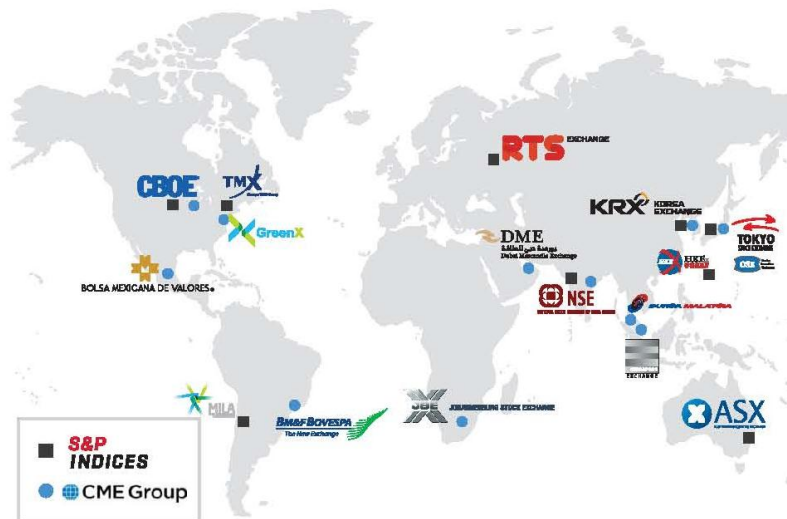
^aNote: This company changed its fiscal year end in 2010.

Source: Capital IQ, MSCI 2011 10-K, page 59

Exhibit 18 Details from CME/S&P Joint Venture

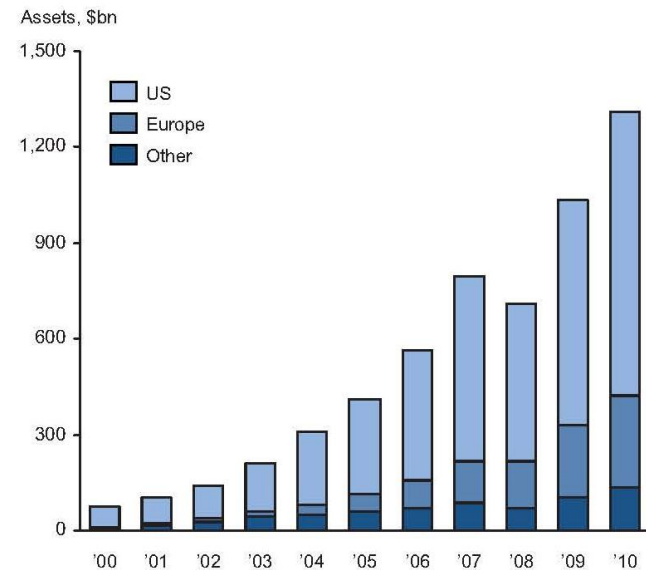
Provides a Platform for Growth and Innovation

Relationships With Leading Exchanges Worldwide



- Global distribution channels and linkage to high growth markets
- Opportunity for additional non-U.S. product development, cross-border trading and new global alliances

Growth in Global ETF AUM



- 2010 Global ETF AUM: \$1.3 Trillion
- Europe 2005-2010 CAGR: 39%
- Emerging Markets 2005-2010 CAGR: 37%

Exhibit 19 Global Expansion Opportunities

Presents an Attractive Financial Profile

Attractive Pro Forma Financials⁽¹⁾

Revenues:
> \$400M

Operating Margin:
> 50%

With Upside Potential

- **Underlying sector has strong historical growth rates**
 - ▶ Global assets under management in ETFs⁽²⁾: +26%
 - ▶ Global exchange futures and options trading volume⁽³⁾: +18%
 - **Joint Venture has a robust and diversified revenue model**
 - ▶ *AUM-based fees*: Mutual funds, ETFs, structured products
 - ▶ *Transaction-based fees*: Listed and OTC derivative contracts
 - ▶ *Profit-based fees*: CME Group equity complex
 - ▶ *Subscription-based fees*: Data services and custom indices
-
- **Combination offers increased operational efficiencies**
 - ▶ Index production platform
 - ▶ Technology and administrative infrastructure
 - ▶ Data procurement and data distribution
 - **Joint Venture will leverage broader McGraw-Hill Markets platform and CME Group's market and customer insight**

Source: Mc-Graw Hill, November 4, 2011 Investor Presentation

Endnotes

- ⁱ The number of indexes – 830,000 – represented all styles, sectors, industries, foreign exchange variations, etc.
- ⁱⁱ Melanie Zanona, “Index Assets Stay Steady for Year,” Pensions & Investments, <http://www.pionline.com/article/20120917/PRINTSUB/309179988/index-assets-stay-steady-for-year&template=print>, accessed September 27, 2012.
- ⁱⁱⁱ BlackRock ETP Landscape, Industry Highlights, May 2012, page 9.
- ^{iv} The Second Act Begins for ETFs, McKinsey & Company, 2010.
- ^v The Second Act Begins for ETFs, McKinsey & Company, 2010.
- ^{vi} McGraw-Hill Press Release, “McGraw-Hill to Divest Broadcasting Business as Part of Portfolio Review,” June 14, 2011, <http://investor.mcgraw-hill.com/phoenix.zhtml?c=96562&p=irol-newsArticle&ID=1573534&highlight=>
- ^{vii} Jana Group, “Presentation to McGraw-Hill,” August 22, 2011, <http://www.scribd.com/doc/82167516/JANA-McGraw-Hill-Presentation-MHP>
- ^{viii} Ibid.
- ^{ix} Terry McGraw, “The McGraw-Hill Companies Conference Call/Webcast to Announce Comprehensive Growth and Value Plan to Increase Shareholder Value,” Thomson Reuters, September 12, 2011. page 2.
- ^x Michael A. Meltz, “The McGraw Hill Companies Announces Plan to Split into 2 Companies,” J.P. Morgan North America Equity Research, September 13, 2011. Page 1.
- ^{xi} McGraw-Hill, 2011 Annual Report, page 2.
- ^{xii} Robert J. Shiller, “S&P 500 and Stock Market History,” *Innovation & Evolution, The S&P 500*, 2007, page 8.
- ^{xiii} “From Benchmark to Product Platform,” *Innovation & Evolution, The S&P 500*, 2007, page 10.
- ^{xiv} Jeremy Siegel, The 50th Birthday of the S&P Index: Oldies but Goodies,” ,” *Innovation & Evolution, The S&P 500*, 2007, page 28.
- ^{xv} BlackRock ETP Landscape, Industry Highlights, May 2012, page 10.
- ^{xvi} CME Monthly Stock Index Review, May 2012, page 2.
- ^{xvii} See *Chicago Bd. Options Exch., Inc. v. Int’l Sec. Exch., LLC*, 2012 WL 1956853 (Ill. App. 1 Dist. May 25, 2012); *Board of Trade of the City of Chicago v. Dow Jones & Co., Inc.*, 98 Ill. 2d 109 (1983); *Standard & Poor’s Corp. v. Commodity Exch., Inc.*, 683 F.2d 704 (2d Cir. 1982).
- ^{xviii} MSCI, a competitor of S&P Indices, noted on page 3 of its 2011 Annual Report that it received “a license fee of several basis points of the total assets managed.”
- ^{xix} Jennifer Huang, UBS, “McGraw Hill Companies,” October 3, 2012, page 33.
- ^{xxxx} ETFGI global ETF and ETP industry insights Q2 2012, page 10.
- ^{xxi} MSCI 2011 10-K, page 2.
- ^{xxii} MSCI annual report
- ^{xxiii} Christopher Shutler and Xiaowei Hargrove, “MSCI Inc.,” William Blair, August 15, 2012, page 3.
- ^{xxiv} MSCI 2011 10-K, page 13.

^{xxv} Jacob Bunge, Mary Pilon, "Index Niche Offers a Lucrative Lure," The Wall Street Journal Online, October 1, 2011. <http://online.wsj.com/article/SB10001424052970203405504576603250981306760.html>, accessed August 2, 2012.

^{xxvi} Ibid.

^{xxviii} Matt Hougan, "The Dow Jones / CME Deal Examined," Index Universe, 2010. <http://www.indexuniverse.com/publications/journalofindexes/joi-articles/7448-the-dow-jonescme-deal-examined.html>, accessed July 24, 2012.

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^{xxxv} Thomson Reuters Street Events, McGraw-Hill Companies Inc. Conference Call to Discuss Strategic Joint Venture Between McGraw-Hill and CME Group," November 4, 2011,

^{xxxvi} Michael Meltz, "The McGraw Hill Companies," J.P. Morgan Report, November 4, 2011, page 1

^{xxxvii} David Henry, "McGraw-Hill, CME Group to form index JV," Thomson Reuters, November 4, 2011.

^{xxxviii} MSCI 2011 10-K/Annual Report, page 51

^{xxxix} Based on June 30, 2102 Vanguard 500 Index Prospectus, page 17.