

# INDEX BULLETIN

*Follow up to Ford and GM downgrades*

## Recent Changes in Lehman Brothers Index

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

### Current credit agency ratings as September 16, 2005

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

## Impact to the benchmarks

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

## Impact to our funds

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

## Outlook

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