



EXCHANGE TRADED FUNDS PRODUCT INFORMATION.

FUND MANAGEMENT BY THE MARKET.

INDEXCHANGE

Exchange Traded Funds.

IF THIS FORM OF INVESTMENT DID NOT EXIST, IT WOULD HAVE TO BE INVENTED.

INDEXCHANGE funds belong to the category of Exchange Traded Funds (ETFs). ETFs are passively managed exchange traded mutual funds under German law that – put simply – offer all the advantages of index funds and stocks while avoiding their disadvantages.

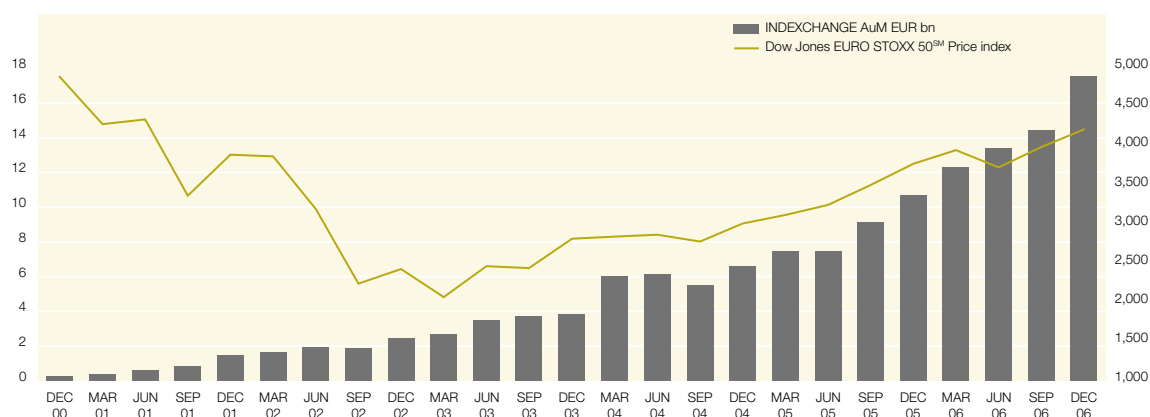
Through a single transaction on the stock market, the investor acquires a mutual fund that can very accurately replicate an index. This makes it possible to easily and efficiently implement market- and sector-oriented investment strategies.

INDEXCHANGE ETFs are continuously traded on several stock exchanges in the same way as shares. Designated Sponsors of good reputation guarantee consistently fair prices for ETF buy and sell orders.

It is hardly surprising, then, that ETFs have already established themselves in Europe only a short time after their introduction, and that even in times when stock markets have experienced negative developments this market has continued to show very strong growth.

On 31 December 2006, the volume of all European ETFs was over EUR 70 billion.

On the German trading platform Xetra® alone, ETFs valued at more than EUR 65 billion were traded 2006. This makes ETFs one of the strongest growing market segments in the world of finance.



Source: Bloomberg; Date: December 2006

THE MORE COMPLICATED THE MARKET GETS, THE SIMPLER THE INVESTMENT TOOL YOU NEED.

Today's financial markets do not make things easy for investors. The pace has picked up considerably, and the number of investment opportunities has grown exponentially. It is increasingly rare for the action taken by market participants to follow substantial criteria. And even the experts find it harder to maintain the quality of their forecasts, due to the changed conditions.

TRUST THE SPECIALIST.

Numerous statistics prove that it is very difficult over the medium- and long-term to achieve higher performance gains than the benchmark index through the targeted selection of securities, particularly without taking on a disproportionately higher risk.

This situation makes Exchange Traded Funds a simpler and more efficient alternative, because they represent entire markets or market segments.

INDEXCHANGE Investment AG, as one of the first German providers of Exchange Traded Funds, has not only led the way in this segment, but is also a specialist in index tracking.

INDEXCHANGE was able to further optimise the most important aspects of passive forms of investment, and this has made it possible to replicate the index in question almost exactly. As a result, the performance of ETFs barely deviates at all from the performance of the underlying indexes.

With a consistent product policy that combines highest quality standards with a broad product range, INDEXCHANGE has established itself as one of the leading providers of ETFs in the European market. INDEXCHANGE currently manages about 24 % of the entire European ETF volume. INDEXCHANGE ETFs make up nearly 35 % of the European ETF trading volume*.

Among other things, INDEXCHANGE offers ETFs for European, American and Asian indexes. As the first ETF provider worldwide, INDEXCHANGE has also launched fully replicating bond ETFs.

*Date: 29 December 2006

ETF APPLICATIONS.

Investors increasingly appreciate the ease and flexibility of Exchange Traded Funds.

They can be used for all investment horizons (short, medium and long term) and in virtually all areas of institutional portfolio management.

| | |
|----|---|
| 01 | CASH MANAGEMENT WITH ETFS. |
| 02 | USE OF BOND ETFS IN THE TREASURY. |
| 03 | ETFS AS SUBSTITUTE FOR FUTURES AND FOR HEDGING PORTFOLIOS. |
| 04 | USE OF ETFS IN FUNDS OF FUNDS AND HEDGE FUNDS. |
| 05 | ETFS AS ALTERNATIVE TO CERTIFICATES. |
| 06 | ETFS AS ALTERNATIVE TO DIRECT INVESTMENTS. |
| 07 | CORE SATELLITE STRATEGIES AND SECTOR ROTATION WITH ETFS. |
| 08 | USE OF INDEXCHANGE ETFS BY INSURANCE COMPANIES, PENSION FUNDS, AND FOUNDATIONS. |
| 09 | USE BY COMPANIES WITH IAS/IFRS ACCOUNTING. |

01 Cash Management with ETFs.

Institutional investors, especially fund managers, control the money supply with ETFs ("cash equitisation"). Inflows are "parked" in the exchange traded index funds in order to participate in the performance of the benchmark and subsequently invested in individual stocks, if appropriate.

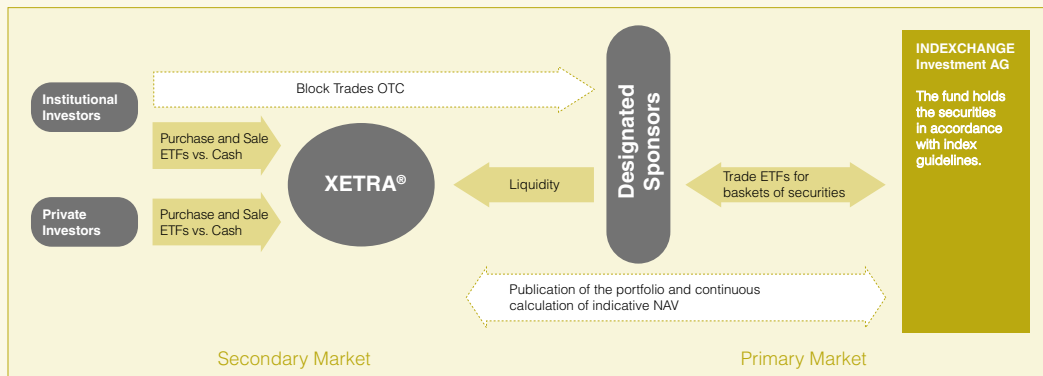
HIGH LIQUIDITY AND FLEXIBLE TRADING.

High liquidity and flexible trading make ETFs an ideal instrument for cash management.

Investors can buy or sell INDEXCHANGE ETFs on the stock market for cash. The Designated Sponsors (or market makers) guarantee highest liquidity by continually offering binding buy and sell prices. Alternatively, large order volumes can be traded directly with the Designated Sponsors as OTC block trades.

Even on days with low trading volume, INDEXCHANGE ETFs are always liquid because the liquidity is not determined by the trading volume of the ETFs but by the trading volume of the underlying stocks and the corresponding derivatives.

THE TRADING MECHANISM OF EXCHANGE TRADED FUNDS.



Liquidity sources: Trading platforms/Eurex derivatives/flow business/own holdings/inter-broker trading (bonds)

The customer buys ETFs on the stock exchange or OTC from Designated Sponsors (secondary market). Depending on demand in the market, the Designated Sponsor can create or redeem ETFs from INDEXCHANGE (primary market). To do so, the Designated Sponsor buys the underlying securities of the index on the market and hedges open positions, for instance with derivatives. Once a day there is an opportunity to trade baskets of securities for ETFs. This guarantees the high liquidity of the ETFs through continuously quoted, binding prices with tight spreads, and high market breadth and depth (continuously updated quotations with correspondingly sufficient volumes). The sale of ETFs is therefore also effected on the stock exchange or OTC.

02 Use of Bond ETFs in the Treasury.

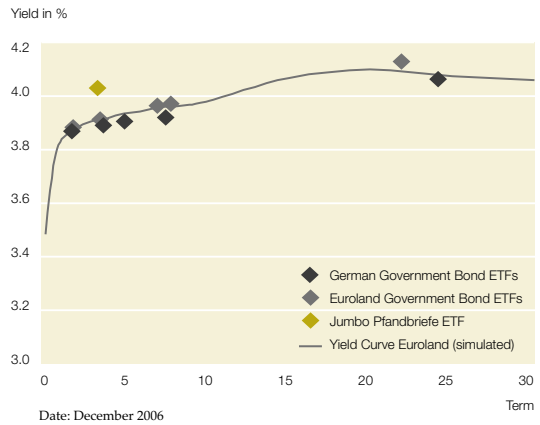
Treasurers use ETFs as an alternative to money market funds and also for interest management.

The ETF on the eb.rexx® Government Germany 1.5 – 2.5 offers institutional investors a flexible and liquid investment as an alternative to classic money market funds. The ETF holds government bonds with an AAA rating and a term to maturity from 1.5 to 2.5 years. As with other bond ETFs, this ETF does not enter into increased credit risks to boost performance. INDEXCHANGE publishes all important risk factors associated with the ETFs. This includes the value at risk, duration, average term to maturity, and solvency ratio.

INDEXCHANGE PUBLISHES ALL IMPORTANT RISK FACTORS ASSOCIATED WITH THE ETFs.

All bond ETFs are ideally suited as an instrument for interest management. The ETFs of the eb.rexx® Government Germany family are, with their respective average terms to maturity, evenly distributed on the interest curve of German government bonds. This means that investors can flexibly position themselves depending on the analysis of market prospects.

GERMAN GOVERNMENT BONDS.



In addition, INDEXCHANGE offers the bond ETF with the lowest Total Expense Ratio worldwide: the eb.rexx® Jumbo PfandbriefeEX.

With all INDEXCHANGE bond ETFs, the investor participates 100 % in the interest of the bonds in the ETF, either through distribution or reinvestment.

Effective from 1 January 2005, interim profits were reintroduced in Germany for investment funds. For all INDEXCHANGE ETFs, this means that interest accrued after 31 December 2004 qualifies as interim profits. All interest profits accruing from the beginning of the current fiscal year 2004/2005 up to and including 31 December 2004 are exempt from the interim income.

| | eb.rexx® Government Germany 1.5–2.5EX | Money Market Fund |
|----------------------------------|---|---|
| Term to maturity in years | 1.5 to 2.5 years | Usually max. 1 year For securities with variable interest rates, longer terms are possible if adapted to market interest at least once a year. |
| Type of securities | AAA Rating Government bonds Federal medium-term notes Treasury notes | Various, including corporate bonds |
| Risk | Interest rate risk | Interest rate risk Credit risk in the case of corporate bonds |

03 ETFs as a Substitute for Futures and for Portfolio Hedging.

Due to their high liquidity, ETFs can be used as an alternative to futures. The use of ETFs does not require any extensive documentation or deposits of margin or collateral. Since ETFs are open mutual funds (classic open-end products), there are no rollover costs as in the rollover of futures contracts.

In addition to blue chip ETFs, the ETFs tracking euro and pan-European sectors in particular offer considerable advantages, since for many sectors there are only illiquid futures on the market or none at all. The eb.rexx® Jumbo PfandbriefeEX also closes the gap created by the lack of covered bond futures.

OPEN-END PRODUCTS WITHOUT ROLLOVER COSTS.

Because they replicate indexes, ETFs can very easily be hedged with derivatives. The derivatives on the DAX®EX and the Dow Jones EURO STOXX 50^{SMEX} listed on the Eurex derivatives exchange since November 2002 deserve special mention. This gives investors the necessary instruments for tailored risk management of their portfolio. The involvement of market makers secures the necessary liquidity of the options and futures offered. Their features are similar to options for individual stocks. This means that where required they are settled by physical delivery of the underlying instrument, the ETF.

Why derivatives on ETFs?

Unlike conventional index derivatives, only derivatives on ETFs offer investors full protection. Only derivatives on ETFs take into account the effects of income from dividends or interest, the management fee and the annual distribution of the ETF.

The combination of ETFs with the respective derivatives makes it possible to create individual risk profiles that maximize returns with respect to expected market development. All known derivatives strategies can be implemented to this end.

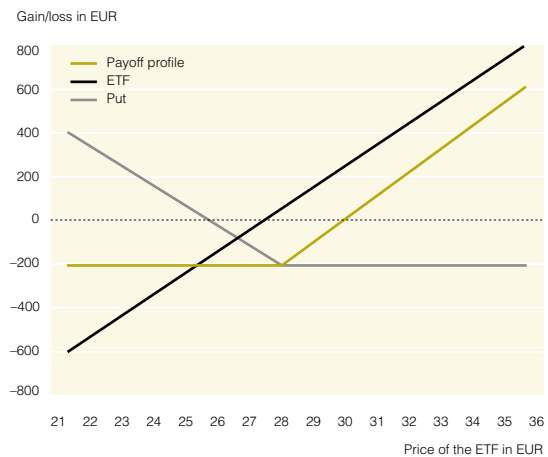
The following chart illustrates a (fictitious) example of hedging an ETF with a put purchase.

ETF:

100 shares in Dow Jones EURO STOXX 50^{SMEX}.

Option:

Long put with a 1 to 100 conversion ratio, strike 28.



04 Use of ETFs in Funds of Funds and Hedge Funds.

Fund of funds managers use ETFs as target funds and profit from their continuous listing with high liquidity. This gives the fund manager an opportunity to respond flexibly to market fluctuations. With conventional, non exchange traded funds, in contrast, a price is quoted only once a day, and this can have a detrimental effect on the implementation of trading strategies.

Hedge fund managers with long/short equity or market neutral strategies also take advantage of the highly liquid ETFs. Using ETFs, investors can profit from both rising markets (long) and falling markets (short).

ETF lending makes it possible to participate in falling prices: The ETFs can be borrowed and then sold (short selling). This creates an opportunity from falling prices because the ETFs can be bought back later at a lower price in order to return the securities to the lender. A difficult market environment in particular creates strong demand for ETF lending.

The following chart illustrates ETF lending.

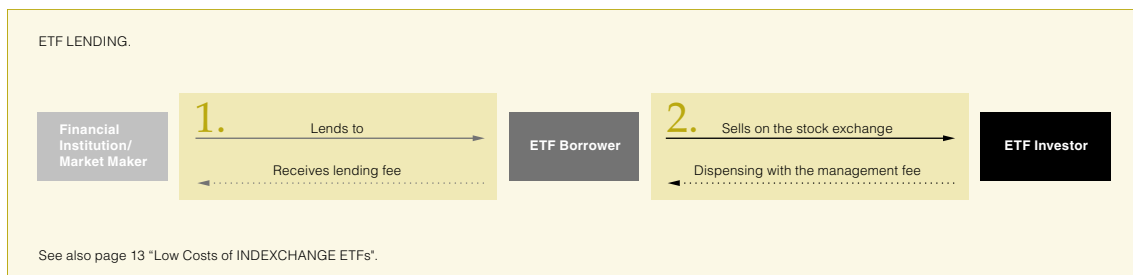
05 ETFs as an Alternative to Certificates.

Unlike a certificate, an INDEXCHANGE ETF is an investment fund. It is held separately from the other assets of INDEXCHANGE. Investors enjoy the full protection of German investment law. There is no issuer risk, therefore investors do not need a credit line.

ETF investors participate 100% in the dividends or interest accrued in the ETF, regardless of whether the underlying index is a price or total return index.

NO ISSUER RISK, HIGH TRANSPARENCY AND ETF LENDING.

The prices of the ETFs are always justifiable and fair since one of the quality characteristics of INDEXCHANGE is the high degree of transparency we offer our investors. INDEXCHANGE publishes the current composition of the ETFs on a daily basis. Deutsche Börse AG calculates the fair value of the ETFs, or the indicative net asset value (iNAV), every 15 and 60 seconds respectively. This means investors can always compare the fair value of the fund with stock market prices using information sources like Reuters and Bloomberg. If distortions should arise, arbitrage transactions immediately "correct" the prices again.



06 ETFs as an Alternative to Direct Investments.

INDEXCHANGE ETFs fully replicate the underlying index. This means that in a single transaction the investor acquires a Mutual Fund that matches the index.

FULL REPLICATION, NO DERIVATIVES, EFFICIENCY ADVANTAGES, BROAD PRODUCT RANGE.

INDEXCHANGE takes responsibility for

- all index adjustments
- capital measures
- interest and dividend management, and
- applications for withholding tax refunds for foreign dividends.

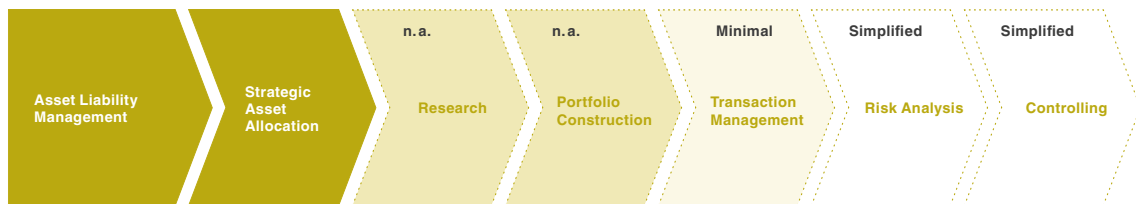
This allows investors to participate 100% in dividends and interest while at the same time reducing their administration expenses. Investments with INDEXCHANGE ETFs therefore have considerable advantages regarding efficiency along the entire value chain and, in comparison to a direct investment, save administration costs.

07 Core Satellite Strategies and Sector Rotation with ETFs.

Due to index replication, ETFs are especially suited for a well-diversified core investment. The institutional investor can concentrate on tasks relevant to performance such as asset liability management (ALM) and strategic asset allocation (SAA). The implementation of SAA is very easy with ETFs. Using satellite investments, the alpha, or the actual manager performance relative to the benchmark, can be generated. Sector ETFs, individual securities, actively managed funds, and hedge funds can be utilized as satellite investments.

INDEXCHANGE's broad product range includes sector ETFs for all 18 sectors of the Dow Jones STOXXSM 600 index and four sectors of the Dow Jones EURO STOXXSM index.

EFFICIENCY ADVANTAGES ALONG THE VALUE CHAIN.



08 Use of INDEXCHANGE ETFs by Insurance Companies, Pension Funds, and Foundations.

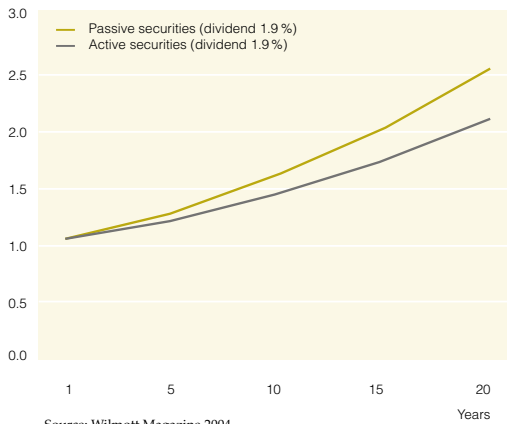
Passive portfolio management is becoming more common in the USA and in Europe, especially for long-term investments such as the restricted assets of insurance companies, pension funds, and foundations as liabilities. INDEXCHANGE ETFs are particularly well-suited for these applications. According to their contractual terms, ETFs comply with German investment regulations for the insurance business and hence are suited for investment in restricted assets: insurance funds (previously reserve assets) and other restricted assets.

ETFs are ideal for long-term investments since the cost advantages of passive management – low administrative fees and low transaction costs – generate a performance advantage over the years. If over the long term an average active investor achieves an expected return equal to the market return minus costs and the cost advantage of the passive stock investment is 1.00 % p.a., the following assumption can be made:

EFFECTS OF THE COST ADVANTAGE OF PASSIVE INVESTMENTS ON A LONG-TERM BASIS USING THE EXAMPLE OF A EUR 1 MILLION INVESTMENT.

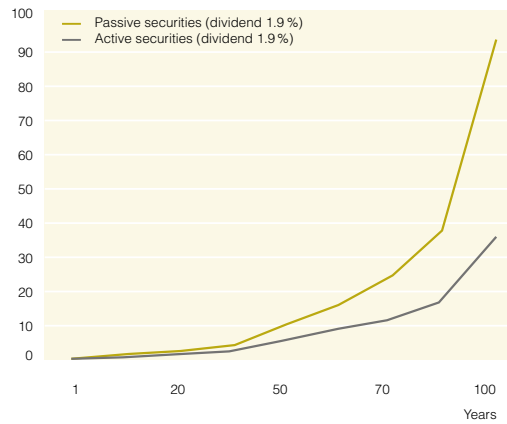
1 TO 20 YEARS

EUR million



1 TO 100 YEARS

EUR million



09 Use by Companies with IAS/IFRS Accounting.

As of 2005, capital market-oriented companies whose securities are admitted for trading in a member state of the EU must prepare their financial statements in accordance with International Accounting Standards (IAS) – now referred to as International Financial Reporting Standards (IFRS). As of 2007, this obligation will also apply to companies that have issued only debt instruments.

When investing in funds (special funds and mutual funds), these companies must examine under which conditions the fund shares are to be consolidated in their financial statements. If such funds are integrated in the financial statements, all assets and liabilities as well as expenses and income of the funds must also be reported. For evaluation purposes, the individual positions in the fund are allocated to one of the four categories of IFRS accounting: “Loans and Receivables”, “Held to Maturity Investments”, “Financial Assets through Profit and Loss”, and “Available for Sale Financial Assets”.

In IFRS accounting, funds must be consolidated when the investor exercises control over a fund. Consolidation also has to take place when the control is only temporary in nature because the fund shares were exclusively acquired for the purpose of reselling them in the future.

Whether an investor exercises control over a fund is decided among other things according to the interpretation standard SIC-12 issued in conjunction with IAS 39. SIC-12 concerns the consolidation of special purpose entities (SPEs). It defines control using the “Risk and Reward Approach”. In the case of ETFs, an investor who holds less than 50% of the issued shares of an ETF does not exercise control over the ETF.

Accordingly, INDEXCHANGE ETFs do not have to be consolidated in the case of investors holding less than 50% of the issued shares, but merely have to be reported as securities.

REPORTED AS A ONE SINGLE SECURITY.

This means that, according to IAS 39, shares in ETFs are to be reported as financial instruments at fair value. ETFs can be reported as a single item in the balance sheet. For valuation purposes, ETF shares are usually listed under the category “Available for Sale”. This category includes financial instruments that do not belong to positions in the trading portfolio, but are used for longer term capital investment and are listed in an active market.

In this category, changes to the fair value of an ETF share are recorded in a separate equity position (revaluation reserve) and have a neutral effect on profits. The changes in fair value do not affect the income statement until the fund shares are sold.

LOW COSTS OF INDEXCHANGE ETFs.

Regardless of whether INDEXCHANGE funds are traded on the stock exchange or OTC, they are characterised by very tight spreads. The involvement of several Designated Sponsors means the spreads for the largest ETFs are often only one cent on the bid and ask side. Even large volumes do not produce a market impact. In addition, they can be traded with low bid/ask spreads.

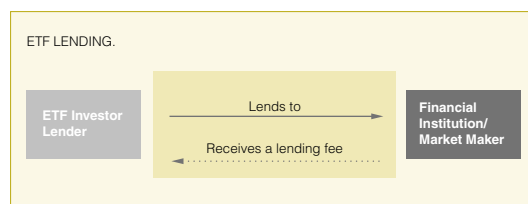
When buying an Exchange Traded Fund on the stock market or OTC there is no issue premium.

The management fee for ETFs is spread across the year and deducted from fund assets on a daily basis. Details of the management fee may be found on page 14.

The costs of the management fee can be reduced through securities lending with Exchange Traded Funds – referred to as ETF lending. This enables ETF investors to generate additional income by lending their portfolio holdings through a financial institution.

VERY TIGHT SPREADS, NO ISSUE PREMIUM, ETF LENDING

The transaction costs arising in the fund are reduced to a minimum through passive management. Transaction costs only arise in the ETF for index adjustments, capital measures, and interest and dividend management. Through the trading mechanism no transaction costs are charged to the ETF for the inflow and outflow of funds (see also page 6).



The investor lends the ETFs to a financial institution for a lending rate (lending fee) set in advance. The index investment of the lender is retained in full.

By lending ETFs, the lender can generate additional performance, as the following example clearly shows. (See also Section 04 page 9, “Use of ETFs in Funds of Funds and Hedge Funds”.)

A FICTITIOUS EXAMPLE TO DEMONSTRATE PAYMENT TRANSACTIONS BETWEEN INVOLVED PARTIES ON THE DOW JONES EURO STOXX 50^{SMEX}.

| | Lender | Borrower |
|--------------------------------|-------------------------------------|--|
| Management fee (p. a.) | Pays 0.15 % | Dispensing with the management fee (from sale of the ETFs) |
| ETF lending fee (p. a.) | Receives x % | Pays y % |
| Total (p. a.) | 0.15 – x % (additional performance) | y % – 0.15 % |

COSTS.

| Funds | Managementfee |
|---|---------------|
| DAX ^{®EX} | 0.15 % |
| DivDAX ^{®EX} | 0.30 % |
| MDAX ^{®EX} | 0.50 % |
| TecDAX ^{®EX} (until 21.03.2003 Nemax [®] 50 ^{EX}) | 0.50 % |
| SMI ^{®EX} | 0.50 % |
| FTSE 100 ^{TMEX} | 0.50 % |
| ATX ^{®EX} | 0.30 % |
| Dow Jones Industrial Average ^{SMEX} | 0.50 % |
| NASDAQ-100 ^{®EX} | 0.30 % |
| Nikkei 225 ^{®EX} | 0.50 % |
| Dow Jones China Offshore 50 ^{SMEX} | 0.60 % |
| Dow Jones EURO STOXX 50 ^{SMEX} | 0.15 % |
| Dow Jones EURO STOXX ^{SMEX} | 0.19 % |
| Dow Jones EURO STOXX SM Select Dividend 30 ^{EX} | 0.30 % |
| Dow Jones EURO STOXX SM Sustainability 40 ^{EX} | 0.40 % |
| Dow Jones EURO STOXX SM Branchen | 0.50 % |
| Dow Jones STOXX 50 ^{SMEX} | 0.50 % |
| Dow Jones STOXX SM 600 ^{EX} | 0.19 % |
| Dow Jones STOXX SM Large 200 ^{EX} | 0.19 % |
| Dow Jones STOXX SM Mid 200 ^{EX} | 0.19 % |
| Dow Jones STOXX SM Small 200 ^{EX} | 0.19 % |
| Dow Jones STOXX SM Select Dividend 30 ^{EX} | 0.30 % |
| Dow Jones STOXX EU Enlarged 15 ^{SMEX} | 0.50 % |
| Dow Jones STOXX SM 600 Branchen | 0.50 % |
| Dow Jones STOXX SM 600 Branchen Swap | 0.30 % |
| Dow Jones STOXX SM 600 Real Estate ^{EX} | 0.45 % |
| Dow Jones STOXX SM Americas 600 Real Estate ^{EX} | 0.70 % |
| Dow Jones STOXX SM Asia Pacific 600 Real Estate ^{EX} | 0.70 % |
| Dow Jones U.S. Select Dividend ^{SMEX} | 0.30 % |
| Dow Jones Asia Pacific Select Dividend 30 ^{SMEX} | 0.30 % |
| Dow Jones Global Titans 50 ^{SMEX} | 0.50 % |
| eb.rexx [®] Government Germany ^{EX} | 0.15 % |
| eb.rexx [®] Government Germany 1.5–2.5 ^{EX} | 0.15 % |
| eb.rexx [®] Government Germany 2.5–5.5 ^{EX} | 0.15 % |
| eb.rexx [®] Government Germany 5.5–10.5 ^{EX} | 0.15 % |
| eb.rexx [®] Government Germany 10.5+ ^{EX} | 0.15 % |
| eb.rexx [®] Jumbo Pfandbriefe ^{EX} | 0.09 % |
| iBoxx [®] € Liquid Sovereigns Capped 1.5-10.5 ^{EX} | 0.15 % |
| iBoxx [®] € Liquid Sovereigns Capped 1.5-2.5 ^{EX} | 0.15 % |
| iBoxx [®] € Liquid Sovereigns Capped 2.5-5.5 ^{EX} | 0.15 % |
| iBoxx [®] € Liquid Sovereigns Capped 5.5-10.5 ^{EX} | 0.15 % |
| iBoxx [®] € Liquid Sovereigns Capped 10.5+ ^{EX} | 0.15 % |

CONTACT.

Do you have any questions or suggestions?
Do you need additional information? We will be happy to answer your questions and provide further information.

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You will find extensive product information on the Internet. Visit us at www.indexchange.com.

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