

FTSE NASDAQ Index Series – The Growth Market for the US

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Executive Summary

- The four new FTSE NASDAQ Indexes give investors a better guide to the direction of the NASDAQ market and its differing size segments
- The FTSE NASDAQ 500 Index performs in line with the NASDAQ-100 and NASDAQ Composite yet is more widely diversified than NASDAQ-100 and more liquid and easier to trade than the NASDAQ composite
- NASDAQ is the world's most important growth market. The FTSE NASDAQ Small Cap, Large Cap and Mid Cap Indexes have all outperformed their comparative Russell Growth Indexes over the last two years
- The FTSE NASDAQ Small Cap Index has been the best performing growth based index in the US and has significantly outperformed the rest of the NASDAQ market. Over the majority of the last five years the FTSE NASDAQ Small Cap Index has outperformed the S&P 500, Russell 2000 and Dow Jones Wilshire 5000 Indexes
- Exchange Traded Funds and other index-linked products on the FTSE NASDAQ Indexes will provide growth investors with an additional choice of investment options for the NASDAQ market.

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1. Introducing the FTSE NASDAQ Index Series

- These four new indexes provide investors with better insight into the performance of the NASDAQ market
- They are designed to be used as the basis for ETFs and index linked products and give more choice for investing in NASDAQ listed companies

FTSE Group (FTSE) in collaboration with NASDAQ has developed four new indexes to complement the existing NASDAQ-100 and NASDAQ Composite.

The FTSE NASDAQ indexes combine FTSE’s international index expertise with the highly successful and dynamic NASDAQ market.

These indexes are intended to add further opportunities to investors by offering more structure and detail to the whole NASDAQ market. The combination of the large, mid and small cap indexes and an index covering the largest 500 companies on the market offer new insights and opportunities for investors.

1.1 The Indexes

FTSE NASDAQ 500 Index

The largest 500 NASDAQ listed companies by full market capitalization providing a diversified growth index where all the underlying securities can be traded on a single market.

FTSE NASDAQ Large Cap / Mid Cap / Small Cap Indexes

These three indexes apply large, mid and small market capitalization parameters to the NASDAQ Composite Index for the first time.

Following the removal of the smallest 2% of constituents from the NASDAQ Composite by full market cap the indexes include the eligible constituents covering the following market cap areas of the market:

Large Cap	Top 70%
Mid Cap	Next 20%
Small Cap	Next 10%

More details of the FTSE NASDAQ Index Series methodology can be found in Appendix A of this report.

Table 1: Breakdown and Coverage

Index	No. Constituents	Full Mkt Cap USD Bn*	Full Coverage of Nasdaq Composite	Investable Mkt Cap USD Bn*	Investable Coverage of Nasdaq Composite
FTSE NASDAQ Large Cap	185	2,073	68.8%	1,989	71.0%
FTSE NASDAQ Mid Cap	618	584	19.4%	519	18.5%
FTSE NASDAQ Small Cap	1146	281	9.3%	243	8.7%
FTSE NASDAQ 500**	503	2,472	82.0%	2,345	83.7%
NASDAQ Composite	3217	3,013	100.0%	2,802	100.0%
NASDAQ-100	100	1,730	57.4%	1,658	59.2%

* NASDAQ Composite and NASDAQ-100: Where FTSE free float data was unavailable, the average free float was used to calculate investable market cap.

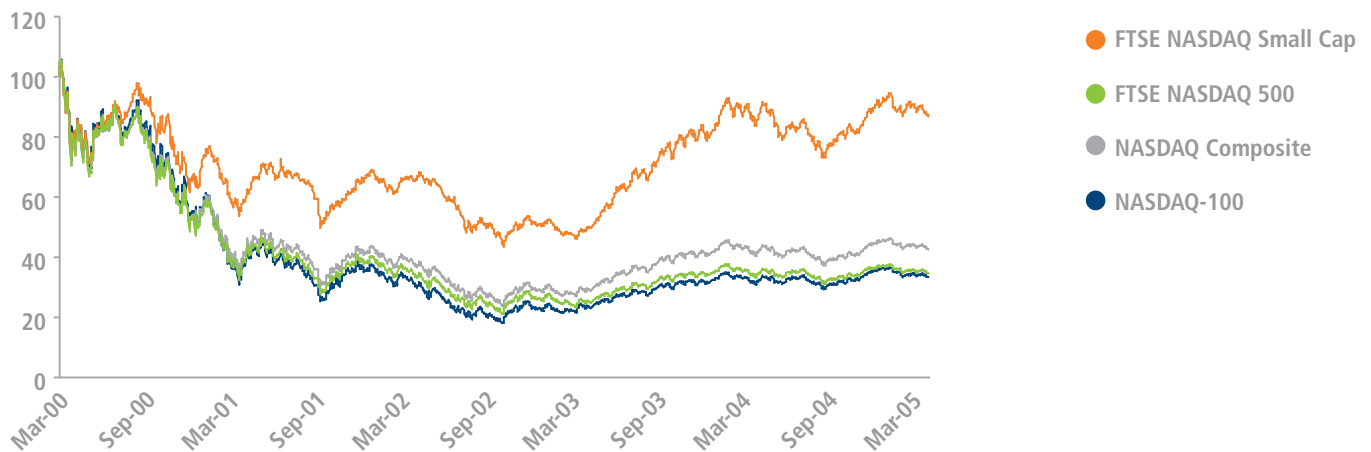
**FTSE NASDAQ 500 has 500 companies totalling 503 lines of stock, as some companies have more than one line of stock issued.

2. Performance, Correlation and Tracking Error

2.1 Performance

- FTSE NASDAQ Small Cap Index has outperformed all other segments of the NASDAQ market by a wide margin. Since 2000, it has outperformed the NASDAQ-100 and NASDAQ Composite by 68.7% and 58.9% respectively
- The FTSE NASDAQ Mid Cap Index has also outperformed the existing indexes by margins of 19.4% and 9.7% respectively
- Over a five-year period the FTSE NASDAQ 500 Index has shown performance in line with the returns of the NASDAQ-100 and NASDAQ Composite

Figure 1: Five-Year Performance



During the period starting January 2000 the NASDAQ Composite has seen better performance than the NASDAQ-100 due to its mid and small cap components. The new indexes give investors the opportunity to see the magnitude of this outperformance in the mid and small cap area of the market.

Other levels of outperformance by the FTSE NASDAQ Small and Mid Cap Indexes can be seen in the tables on page 5. This bias towards small cap has been at play with other American and global markets but now the scale for the NASDAQ market can be clearly assessed.

The FTSE NASDAQ 500 Index and FTSE NASDAQ Large Cap Indexes have performed in line with the NASDAQ-100. Over a five-year period since March 2000 the differences in performance to the NASDAQ-100 are just 1.2% and 1.5%.

FTSE NASDAQ INDEX SERIES – THE GROWTH MARKET FOR THE US

Figure 2: Performance of FTSE NASDAQ Large, Mid and Small Cap Indexes Relative to the NASDAQ Composite

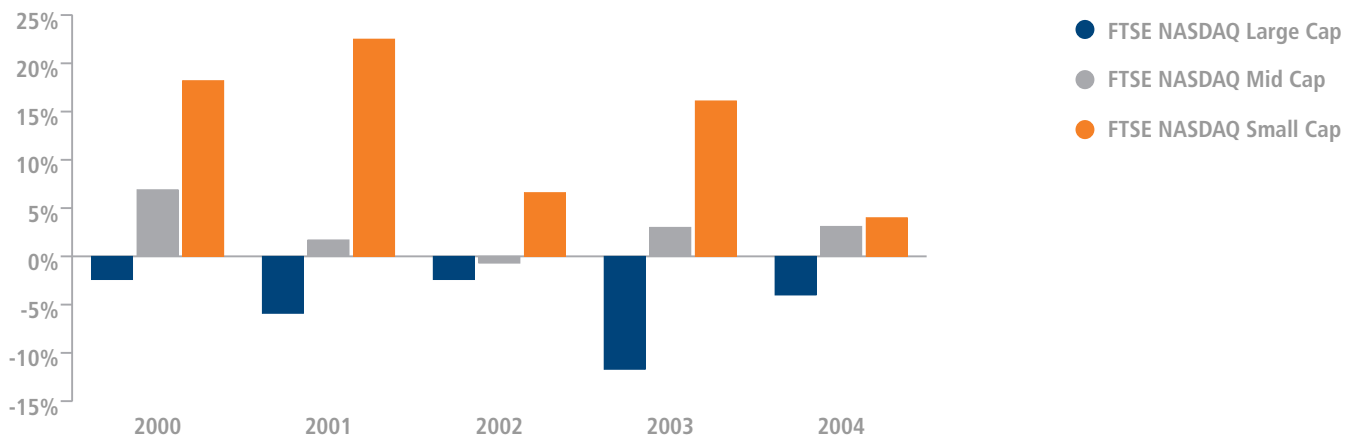


Table 2: Performance - Year-on-Year (price index returns)

Year on Year	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	NASDAQ Composite	NASDAQ-100 Index
2000	-41.7%	-32.4%	-21.1%	-40.2%	-39.3%	-36.8%
2001	-26.9%	-19.3%	1.4%	-25.6%	-21.1%	-32.7%
2002	-33.9%	-32.2%	-24.9%	-33.3%	-31.5%	-37.6%
2003	38.3%	53.0%	66.1%	39.5%	50.0%	49.1%
2004	4.5%	11.7%	12.6%	5.9%	8.6%	10.4%

Table 3: Performance - Year to Date (price index returns)

Years to Date (31st December 2004)	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	NASDAQ Composite	NASDAQ-100 Index
5	-59.2%	-36.9%	12.4%	-56.2%	-46.5%	-56.3%
4	-30.1%	-6.6%	42.5%	-26.7%	-11.9%	-30.8%
3	-4.4%	15.8%	40.5%	-1.5%	11.5%	2.8%
2	44.6%	70.9%	87.1%	47.8%	62.9%	64.7%
1	4.5%	11.7%	12.6%	5.9%	8.6%	10.4%

Table 4: Volatility

Volatility	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	NASDAQ Composite	NASDAQ-100 Index
Since 31/12/1999	34.8%	33.0%	29.9%	33.9%	32.9%	36.5%
5 Years to date	34.4%	32.1%	29.0%	33.4%	32.3%	36.1%
4 Years to date	28.5%	26.7%	23.7%	27.7%	26.3%	31.2%
3 Years to date	22.7%	21.9%	21.1%	22.1%	21.3%	24.5%

2.2 Tracking Error

- In terms of tracking error the new FTSE NASDAQ 500 Index has good tracking to the broad NASDAQ market
- The best tracking error is 2.8% between the FTSE NASDAQ Large Cap Index and FTSE NASDAQ 500 Index
- The worst tracking error is 17.8% between the NASDAQ-100 and FTSE NASDAQ Small Cap Index

Table 5: Tracking Error

Volatility	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	NASDAQ Composite	NASDAQ-100 Index
FTSE NASDAQ Large Cap	0.0%	14.2%	17.2%	2.8%	5.8%	5.1%
FTSE NASDAQ Mid Cap	-	0.0%	10.3%	11.5%	9.2%	14.0%
FTSE NASDAQ Small Cap	-	-	0.0%	14.9%	12.2%	17.8%
FTSE NASDAQ 500	-	-	-	0.0%	3.6%	5.3%
NASDAQ Composite	-	-	-	-	0.0%	6.8%
NASDAQ-100	-	-	-	-	-	0.0%

FTSE NASDAQ 500 and Large Cap Indexes have tracking of between 5% and 5.5% with NASDAQ-100 and of between 3% and 6% with NASDAQ Composite.

FTSE NASDAQ Mid Cap and Small Cap Indexes have tracking >14% with NASDAQ-100, and >9% with NASDAQ Composite.

2.3 Correlations

- There is a high correlation between the FTSE NASDAQ 500 Index and NASDAQ-100 and NASDAQ Composite
- FTSE NASDAQ Small Cap Index has the lowest correlation to both the NASDAQ-100 and Composite and in general with other indexes
- Highest correlation: 0.9970 NASDAQ Composite and FTSE NASDAQ 500
- Lowest correlation: 0.8412 FTSE NASDAQ Large Cap and Small Cap Indexes

Table 6: Correlation

Correlation	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	NASDAQ Composite	NASDAQ-100 Index
FTSE NASDAQ Large Cap	1.0000	0.8983	0.8412	0.9971	0.9900	0.9923
FTSE NASDAQ Mid Cap	-	1.0000	0.9435	0.9287	0.9473	0.9026
FTSE NASDAQ Small Cap	-	-	1.0000	0.8711	0.9005	0.8439
FTSE NASDAQ 500	-	-	-	1.0000	0.9970	0.9912
NASDAQ Composite	-	-	-	-	1.0000	0.9861
NASDAQ-100	-	-	-	-	-	1.0000

2.4 Industry Classification Benchmark (ICB) - Industry Group and Subsector Analysis

- Technology comprises over 50% of the FTSE NASDAQ 500 and Large Cap Indexes, compared to only 25% for the Mid and Small Cap
- The FTSE NASDAQ Mid Cap and Small Cap Indexes have a larger weighting of Industrials and Financials compared to the FTSE NASDAQ 500 and FTSE NASDAQ Large Cap Indexes

Figure 3: Breakdown Relative to FTSE NASDAQ Universe

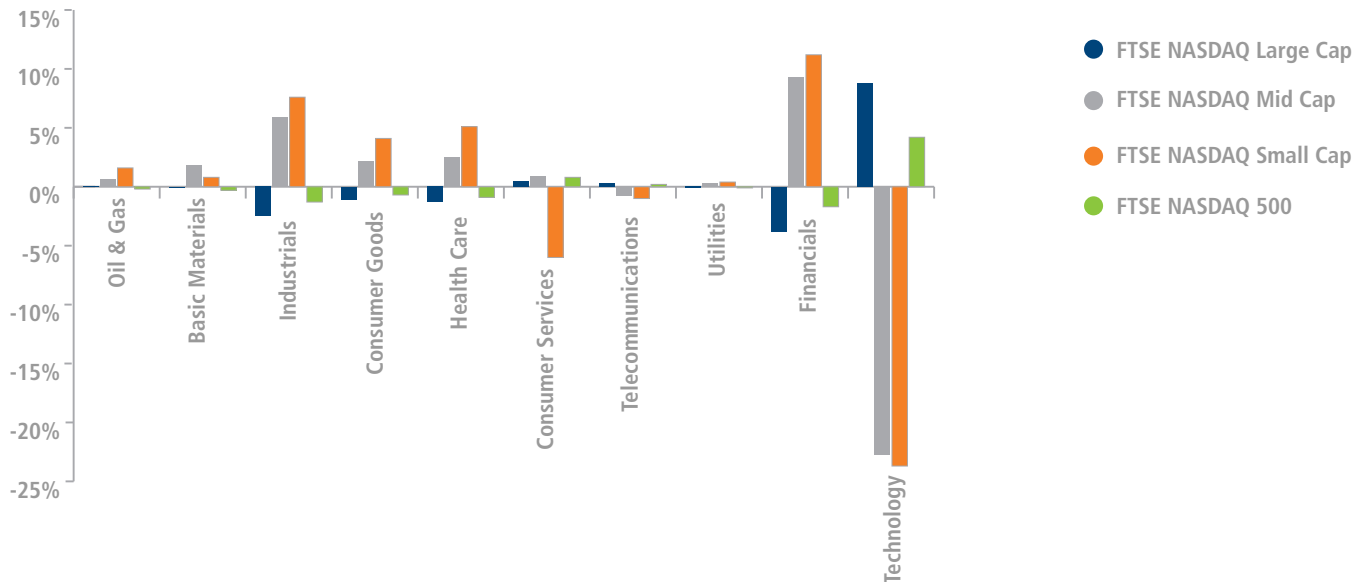


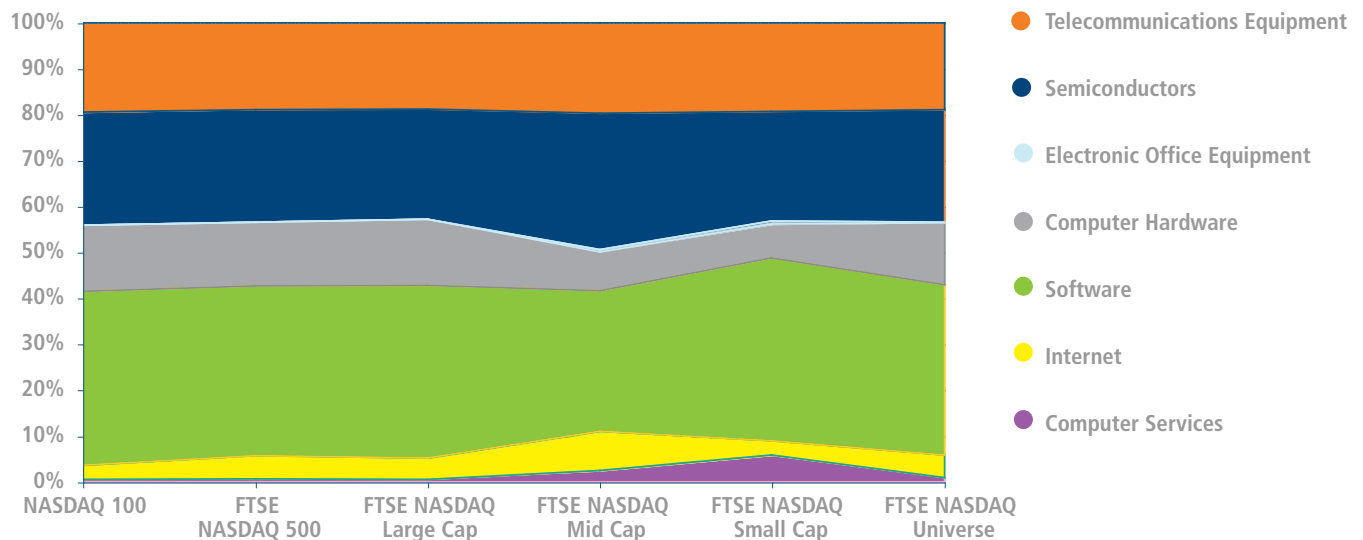
Table 7: ICB Industry Group Breakdown

FTSE ICB Industry Group	NASDAQ 100		FTSE NASDAQ 500		FTSE NASDAQ Large Cap		FTSE NASDAQ Mid Cap		FTSE NASDAQ Small Cap		FTSE NASDAQ Universe		Russell 3000	
	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.
0001 Oil & Gas	-	-	4	0.3%	1	0.2%	8	1.1%	21	2.2%	30	0.5%	123	8.0%
1000 Basic Materials	1	0.3%	8	0.7%	2	0.4%	16	2.7%	18	1.7%	36	0.9%	118	3.2%
2000 Industrials	10	3.7%	60	5.5%	21	4.4%	81	12.8%	154	14.4%	256	6.8%	467	12.5%
3000 Consumer Goods	2	1.2%	15	1.7%	5	1.3%	28	4.6%	76	6.5%	109	2.4%	259	9.3%
4000 Health Care	14	10.9%	78	11.7%	30	11.3%	99	15.0%	215	17.7%	344	12.6%	381	12.7%
5000 Consumer Services	24	15.5%	95	16.4%	38	16.1%	101	16.6%	113	9.6%	252	15.6%	442	13.5%
6000 Telecommunication	4	2.7%	14	2.7%	7	2.8%	10	1.6%	19	1.4%	36	2.4%	46	2.9%
7000 Utilities	-	-	1	0.0%	-	-	3	0.4%	7	0.6%	10	0.1%	93	3.5%
8000 Financials	-	-	88	8.2%	26	6.1%	117	19.2%	239	21.1%	382	9.9%	649	20.7%
9000 Technology	45	65.8%	140	52.8%	55	57.5%	155	26.0%	284	25.0%	494	48.7%	452	13.8%
Grand Total	100	100%	503	100%	185	100%	618	100%	1,146	100%	1,949	100%	3,030	100%

2.5 Technology Subsector Breakdown

- Three largest subsectors are Software, Semiconductors and Telecommunications Equipment
- Subsector weightings across the market cap spectrum remain remarkably stable
- The Industry Classification Benchmark (ICB) from FTSE Group and Dow Jones Indexes is used to classify the market – further information is in Appendix A.

Figure 4: Technology Subsector Breakdown



The Subsectors remain very stable across market cap divisions. A small increase in Semiconductor weight in the FTSE NASDAQ Mid Cap appears and Software has a larger weight in the FTSE NASDAQ Small Cap Index.

Table 8: ICB Technology Industry Group Breakdown

FTSE ICB Sub Sector	NASDAQ 100		FTSE NASDAQ 500		FTSE NASDAQ Large Cap		FTSE NASDAQ Mid Cap		FTSE NASDAQ Small Cap		FTSE NASDAQ Universe	
	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.	No.	Wt.
9533 Computer Services	1	0.4%	3	0.3%	1	0.3%	5	0.6%	18	1.5%	24	0.5%
9535 Internet	1	2.0%	10	2.7%	2	2.7%	11	2.2%	12	0.8%	25	2.4%
9537 Software	15	25.0%	46	19.6%	21	21.7%	49	8.0%	116	9.9%	186	18.1%
9572 Computer Hardware	5	9.5%	14	7.3%	7	8.3%	15	2.2%	23	1.8%	45	6.6%
9574 Electronic Office Equipment	-	-	-	-	-	-	1	0.1%	2	0.2%	3	0.0%
9576 Semiconductors	16	16.2%	44	12.9%	17	13.8%	46	7.7%	59	6.0%	122	12.0%
9578 Telecommunications Equipment	7	12.8%	23	10.0%	7	10.8%	28	5.1%	54	4.8%	89	9.2%
Grand Total	45	65.8%	140	52.8%	55	57.5%	155	26.0%	284	25.0%	494	48.7%

2.6 Top 10 Securities

- Top 10 securities in the FTSE NASDAQ 500 and Large Cap cover 40.2% and 47.4% of the total market cap of the indexes. This compares with 38.7% and 31.2% of the NASDAQ-100 and Composite indexes respectively
- The concentration of the top 10 securities in both the FTSE NASDAQ Mid Cap and Small Cap Indexes is very low at 4.16% and 2.24% highlighting the linear market cap coverage in this area of the NASDAQ market

Table 9: Top 10 Securities

FTSE NASDAQ Large Cap			FTSE NASDAQ Mid Cap			FTSE NASDAQ Small Cap		
Constituent	Mkt Cap USDm	Wt.	Constituent	Mkt Cap USDm	Wt.	Constituent	Mkt Cap USDm	Wt.
Microsoft Corp	261,349	13.1%	Methanex	2,361	0.45%	Retek Inc.	628	0.26%
Intel Corp Com	146,272	7.4%	Novell Com	2,188	0.42%	Mobile Mini Inc.	591	0.24%
Cisco Systems	116,545	5.9%	South Finl Group Inc Com	2,173	0.42%	Itron Inc Com	579	0.24%
Dell Inc.	95,770	4.8%	Accredo Health Inc Com	2,171	0.42%	Coinstar Inc Com	553	0.23%
Amgen Corp Com	76,477	3.8%	Petco Animal Supplies Com	2,147	0.41%	Randgold Resources Limited	532	0.22%
Oracle Corp.	65,206	3.3%	UTI Worldwide Inc	2,135	0.41%	Energy Conversion Devices In Com	531	0.22%
Qualcomm Inc	60,746	3.1%	Miller Herman Inc Com	2,121	0.41%	ICON plc	515	0.21%
Comcast A Corporation	46,479	2.3%	ASML Holding	2,119	0.41%	Symmetricom Inc	514	0.21%
Ebay Inc	38,014	1.9%	Flir Systems	2,108	0.41%	Amedisys Inc	502	0.21%
Apple Computer Com	34,975	1.8%	Respironics Inc Com	2,092	0.40%	Charles River Associates	500	0.21%

FTSE NASDAQ 500			FTSE NASDAQ-100*			FTSE NASDAQ Composite		
Constituent	Mkt Cap USDm	Wt.	Constituent	Mkt Cap USDm	Wt.	Constituent	Mkt Cap USDm	Wt.
Microsoft Corp	261,349	11.1%	Microsoft Corp	261,349	7.29%	Microsoft Corp	261,349	8.67%
Intel Corp Com	146,272	6.2%	Qualcomm Inc	60,746	5.86%	Intel Corp Com	146,272	4.85%
Cisco Systems	116,545	5.0%	Intel Corp Com	146,272	4.08%	Cisco Systems	116,545	3.87%
Dell Inc.	95,770	4.1%	Apple Computer Com	34,975	3.82%	Dell Inc.	95,770	3.18%
Amgen Corp Com	76,477	3.3%	Cisco Systems	116,545	3.33%	Amgen Corp Com	76,477	2.54%
Oracle Corp.	65,206	2.8%	Nextel Comm. A	29,852	3.20%	Oracle Corp.	65,206	2.16%
Qualcomm Inc	60,746	2.6%	Ebay Inc	38,014	3.01%	Qualcomm Inc	60,746	2.02%
Comcast A Corporation	46,479	2.0%	Dell Inc.	95,770	2.80%	Comcast A Corporation	46,479	1.54%
Ebay Inc	38,014	1.6%	Amgen Corp Com	76,477	2.75%	Ebay Inc	38,014	1.26%
Apple Computer Com	34,975	1.5%	Comcast A Corporation	46,479	2.59%	Apple Computer Com	34,975	1.16%

* Applies a modified market cap weighting system

3. NASDAQ – The World’s Largest Growth Market

- The FTSE NASDAQ Small Cap Index has outperformed all major US benchmarks on a cumulative basis since 2001
- During the rally of US equity markets from March 2003, the FTSE NASDAQ Small Cap Index has shown itself to be the best performing growth index in the US
- Since 31st December 2002 the FTSE NASDAQ Small Cap Index has outperformed the S&P 500 Barra Growth Index by 57.4% and the Russell 2000 Growth by 19.1%

Figure 5: FTSE NASDAQ Small Cap Index versus US Benchmarks

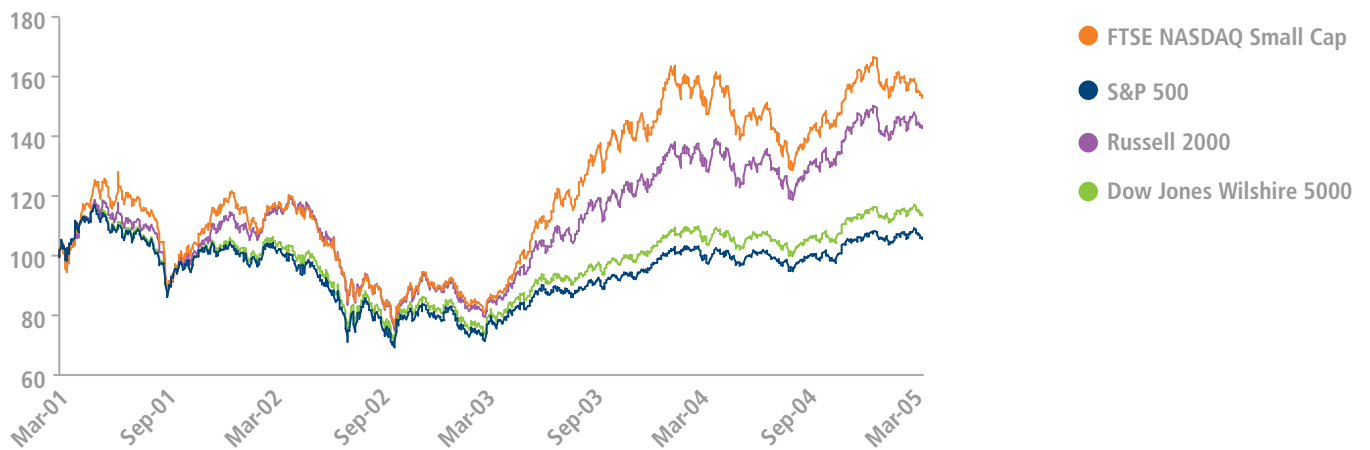
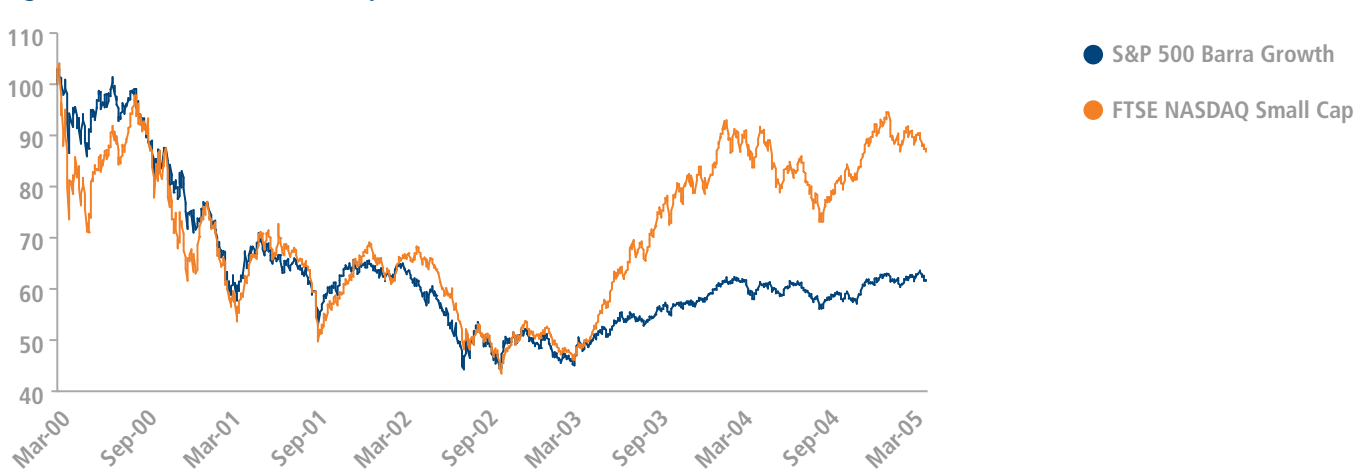


Figure 6: FTSE NASDAQ Small Cap versus the S&P 500 Barra Growth Index



The FTSE NASDAQ Small Cap Index has outperformed all major US domestic benchmarks by significant margins since March 2001.

It has outperformed the S&P 500 by 47.3%, the Wilshire 5000 by 39.5% and the Russell 2000 by 10.2%.

The FTSE NASDAQ Small Cap Index has also produced superior returns against other major US indexes over both the same and differing periods.

4. Comparison with the Russell Index Series

4.1 Performance – FTSE NASDAQ Index Series versus Russell Index Series

- The FTSE NASDAQ 500 Index has outperformed the Russell 1000 by 8.1% since 31st December 2002
- The FTSE NASDAQ Small Cap Index outperformed the Russell 2000 by 17.0% since 31st December 2002
- The FTSE NASDAQ Mid Cap Index has outperformed the Russell Mid Cap by 7.7% since 31st December 2002
- The FTSE NASDAQ Large Cap Index has outperformed the Russell 1000 by 5.0% since 31st December 2002

Table 10: Performance – Year-on-Year (price index returns)

Year on Year	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	Russell 1000	Russell 2000	Russell 3000	Russell Mid Cap
2000	-41.7%	-32.4%	-21.1%	-40.2%	-8.8%	-4.2%	-8.5%	6.7%
2001	-26.9%	-19.3%	1.4%	-25.6%	-13.6%	1.0%	-12.6%	-7.0%
2002	-33.9%	-32.2%	-24.9%	-33.3%	-22.9%	-21.6%	-22.8%	-17.4%
2003	38.3%	53.0%	66.1%	39.5%	27.5%	45.4%	28.7%	37.9%
2004	4.5%	11.7%	12.6%	5.9%	9.5%	17.0%	10.1%	18.4%

Table 11: Performance – Years to Date (price index returns)

Years to Date (31st December 2004)	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	Russell 1000	Russell 2000	Russell 3000	Russell Mid Cap
5	-59.2%	-36.9%	12.4%	-56.2%	-15.2%	29.1%	-12.6%	33.7%
4	-30.1%	-6.6%	42.5%	-26.7%	-7.0%	34.8%	-4.4%	25.3%
3	-4.4%	15.8%	40.5%	-1.5%	7.6%	33.4%	9.4%	34.7%
2	44.6%	70.9%	87.1%	47.8%	39.6%	70.1%	41.7%	63.2%
1	4.5%	11.7%	12.6%	5.9%	9.5%	17.0%	10.1%	18.4%

4.2 Performance - FTSE NASDAQ Index Series versus Russell Growth Indexes

- The FTSE NASDAQ 500 Index has outperformed the Russell 1000 Growth by 10.6% since 31st December 2002
- The FTSE NASDAQ Small Cap Index has outperformed the Russell 2000 Growth by 19.1% since 31st December 2002
- The FTSE NASDAQ Mid Cap Index has outperformed the Russell 2000 Growth by 2.9% since 31st December 2002
- The FTSE NASDAQ Large Cap Index has outperformed the Russell 1000 Growth by 9.6% since 31st December 2002

Table 12: Performance – Year-on-Year (price index returns)

Year on Year	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	Russell 1000 Growth	Russell 2000 Growth	Russell 3000 Growth
2000	-41.7%	-32.4%	-21.1%	-40.2%	-22.8%	-22.7%	-22.8%
2001	-26.9%	-19.3%	1.4%	-25.6%	-20.9%	-9.5%	-20.1%
2002	-33.9%	-32.2%	-24.9%	-33.3%	-28.6%	-30.7%	-28.7%
2003	38.3%	53.0%	66.1%	39.5%	28.3%	47.6%	29.6%
2004	4.5%	11.7%	12.6%	5.9%	5.2%	13.8%	5.9%

Figure 7: Year-on-Year Performance



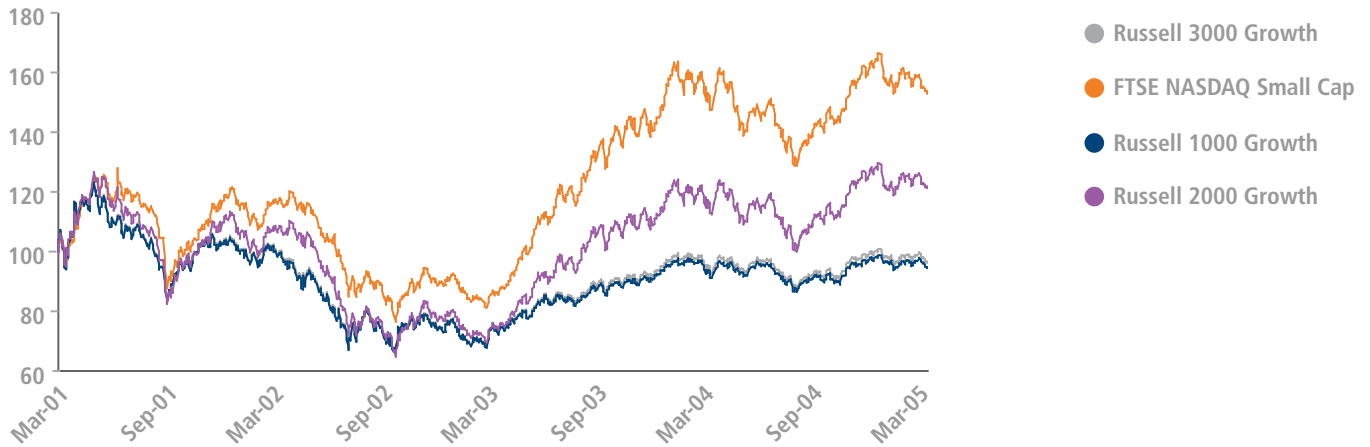
Table 13: Performance - Years to Date (price index returns)

Years to Date (31st December 2004)	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500	Russell 1000 Growth	Russell 2000 Growth	Russell 3000 Growth
5	-59.2%	-36.9%	12.4%	-56.2%	-41.1%	-18.6%	-39.6%
4	-30.1%	-6.6%	42.5%	-26.7%	-23.7%	5.3%	-21.8%
3	-4.4%	15.8%	40.5%	-1.5%	-3.5%	16.4%	-2.2%
2	44.6%	70.9%	87.1%	47.8%	35.0%	68.0%	37.2%
1	4.5%	11.7%	12.6%	5.9%	5.2%	13.8%	5.9%

4.3 Performance – FTSE NASDAQ Small Cap Index versus Russell Growth Indexes

- Over the majority of the last five years the FTSE NASDAQ Small Cap Index has outperformed the Russell Growth Indexes by significant amounts

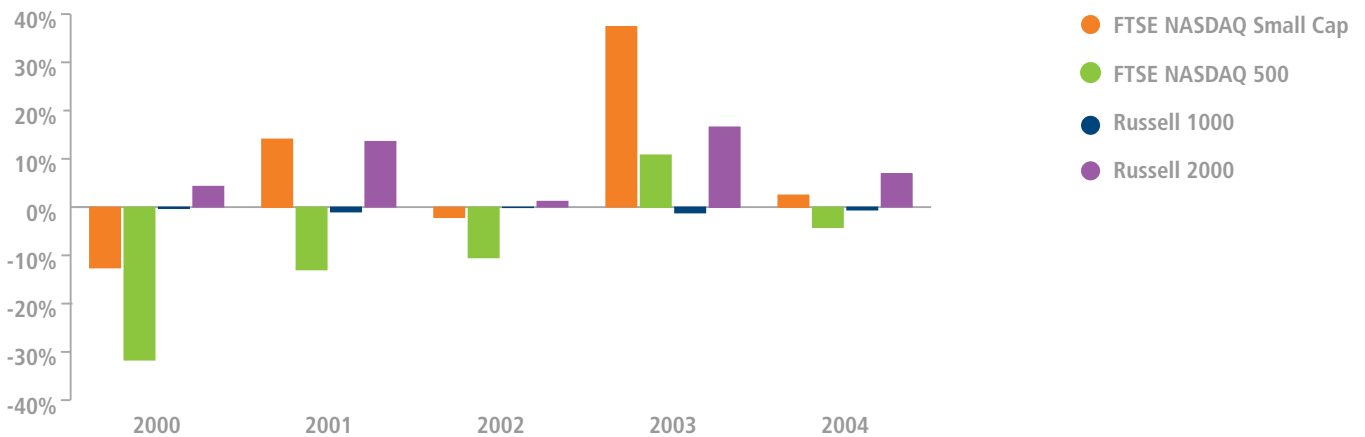
Figure 8: FTSE NASDAQ Small Cap Index versus Russell Growth Indexes



The combination of the high growth content of the NASDAQ market and the new FTSE NASDAQ Index Series encapsulates the huge growth dynamic of the market when compared to US domestic growth indexes.

In this example using the Russell Growth Indexes, the performance of the small cap segment of the NASDAQ market over varying time periods can be shown for the first time. Over the last four years, the FTSE NASDAQ Small Cap Index has outperformed the Russell 1000 Growth by 66.2%, the Russell 2000 Growth by 37.2% and the Russell 3000 Growth by 64.3%.

Figure 9: FTSE NASDAQ 500, FTSE NASDAQ Small Cap, Russell 1000 and Russell 2000 Relative to the Russell 3000



4.4 Tracking Error and Correlation

Table 14: Correlation of FTSE NASDAQ versus Russell Indexes

	FTSE NASDAQ Large Cap	FTSE NASDAQ Mid Cap	FTSE NASDAQ Small Cap	FTSE NASDAQ 500
Russell 1000	0.8620	0.8350	0.8104	0.8701
Russell 2000	0.8189	0.9343	0.9376	0.8504
Russell 3000	0.8679	0.8522	0.8297	0.8780
Russell Mid Cap	0.8229	0.8858	0.8499	0.8460

5. Using the FTSE NASDAQ Index Series

FTSE NASDAQ Index Series data and licences can support you whatever your investment requirement is. The products can be used for analysis, benchmarking, trading and product creation.

Index Values

Real-time index values are available from all major vendors:

Index	FTSE	Bloomberg	Reuters	Thomson
FTSE NASDAQ 500	Q500			
FTSE NASDAQ Large Cap	QLGC			
FTSE NASDAQ Mid Cap	QMID			
FTSE NASDAQ Small Cap	QSMC			

Exchange Traded Funds (ETF)

Exchange Traded Funds are expected to be available, subject to regulatory approval, in the near future.

Index Linked Funds and OTC Products

FTSE NASDAQ Indexes can be used to run a wide range of funds and structured products based on or linked to the indexes. These include tracker funds, warrants, certificates and futures & options. Announcements will be made as these products become available.

Data Products

For detailed analysis, end of day products are available for each of the four indexes. Structured on a file-by-file basis, you can select from the following:

- Index Valuation Service – Index level data on a daily basis
- Constituent Service – Constituent data on a daily or monthly basis
- Tracker Service – Highlights changes to the index and company constituents and weightings on a daily basis

Appendix A – Index Series Design

i. Methodology Overview

All FTSE NASDAQ Indexes use the NASDAQ Composite Index as their universe.

The index calculation uses actual NASDAQ trade prices from the NASDAQ trading system. The closing prices used in the calculation are the NASDAQ Official Closing Cross Price for each security.

The indexes are calculated in real time and disseminated every 15 seconds.

ii. Eligible Securities

All securities in the NASDAQ Composite Index are eligible for the FTSE NASDAQ Indexes with the exception of:

1. Dual listed companies (A US company with another US listing)
2. Convertible shares
3. Loan stocks
4. Partnerships
5. Shares of beneficial interest
6. Mutual funds and open or closed ended investment vehicles
7. Secondary lines whose full market cap is less than 25% of the major line

iii. Annual Review

The full annual review for all FTSE NASDAQ Indexes is carried out in December each year.

Review data is taken as at the close of business on the last business day of November.

The FTSE NASDAQ Advisory Group will confirm the review at their meeting on the Wednesday following the first Friday of December.

Implementation of any changes to constituents following the review will be applied to the indexes after the close of business on the third Friday of December.

iv. Review Process

FTSE NASDAQ 500

1. All eligible companies are ranked by full market capitalization
2. Any non-constituent that has risen to 450th position or above will automatically will be added to the index
3. Any constituent that has fallen to 551st position or lower will automatically be removed from the index
4. The number of additions or deletions (whichever is the smaller number) is then increased by including the next ranked stocks to ensure the same number of companies enter and leave the index.

FTSE NASDAQ 500 Reserve List

Following the annual review and also at each quarter, a reserve list of the 20 highest ranked non-constituents will be published by FTSE.

This reserve list will be used as the replacement universe if a constituent of the index has to be replaced for any reason, to ensure that 500 companies remain in the index.

FTSE NASDAQ Large Cap/Mid Cap/Small Cap Indexes

All eligible companies from the NASDAQ Composite Index are ranked by full market capitalization. Companies in the bottom 2% of the universe are removed and become ineligible. The companies in the remaining 98% of market cap are eligible for inclusion in the indexes.

This set of companies is known as the FTSE NASDAQ Review Universe

FTSE NASDAQ Large Cap Index

Non constituents of the large cap index are added if they rank above 68% of the full market cap of the FTSE NASDAQ Review Universe.

Constituents of the large cap index are removed from the index if they rank below 72% of the full market cap of the FTSE NASDAQ Review Universe

FTSE NASDAQ Mid Cap Index

Non constituents of the mid cap index are added if they rank between 72% and 86% of the FTSE NASDAQ Index Universe

Constituents of the mid cap index will be removed if they rank above 68% or below 92% of the FTSE NASDAQ Index Universe

FTSE NASDAQ Small Cap Index

Non constituents of the small cap index are added if they rank below 92% of the FTSE NASDAQ Index Universe and above 98% of the eligible companies in the NASDAQ Composite Index.

Constituents of the small cap index will be removed if they rank above 86% of the FTSE NASDAQ Index Universe or below 99% of the of the eligible companies in the NASDAQ Composite Index.

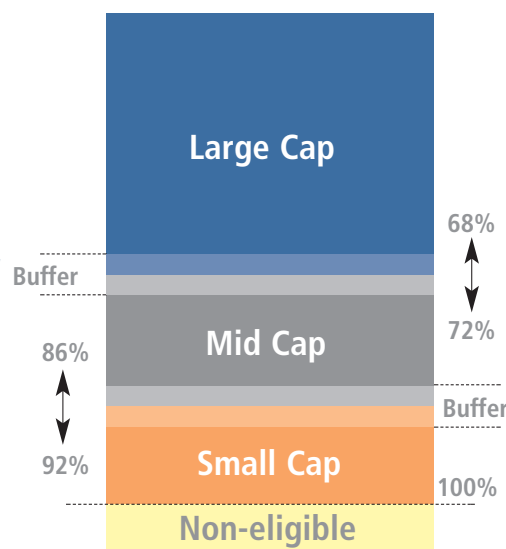
v. Additions and Deletions Outside of the Annual Review Period

A company may be removed from an index as a result of a corporate action.

In the case of the FTSE NASDAQ 500 Index, a replacement company will be added from the FTSE NASDAQ 500 Reserve List. The highest-ranking company at the close of business two days before the relevant corporate action is applied to the index will be added as a replacement company.

In the case of the FTSE NASDAQ Large/ Mid/ Small Indexes no replacements will be made outside of the review period.

FTSE NASDAQ Universe – Review Selection Process



vi. New Issues

The FTSE NASDAQ Advisory Group may decide to include a very large new issue in the index, in which case sufficient notice will be given to the market and the new issue will be added to the index using the closing price after the first day of trading.

However, in general new issues will be added to the relevant index on a quarterly basis provided they meet all eligibility criteria.

The new issues will be added to the relevant index using the same method for company inclusion as applies at the annual review (see annual review above).

vii. Changes to Constituent Weights

Shares in Issue

The shares in issue figure used in the indexes will generally be updated on a quarterly basis and at the annual review. At these times the shares in issue number will be amended provided that the figure will change by a cumulative 1%.

Additionally the shares in issue figure will also be changed between reviews if:

1. A corporate action affects the shares in issue of the company
2. The accumulated shares in issue figure changes by either 10% or the shares in issue change affects the market capitalization of the company by more than \$2 bn. In these circumstances four days notice will be given to the market before the change is applied.

Free Float

All FTSE NASDAQ Indexes are free float adjusted using FTSE's standard free float methodology. Further information is available from www.ftse.com/freefloat

Liquidity

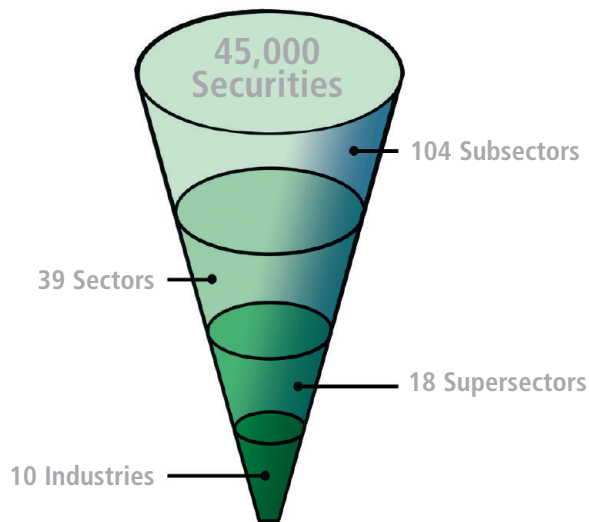
In order to be eligible, securities must trade at least 0.5% of their shares in issue (adjusted for free float) per month in ten of the previous twelve months. Any corporate actions that have taken place over this period will also be taken into account.

Appendix B – Sector Classification – Industry Classification Benchmark (ICB)

ICB is the definitive classification system for global investors created jointly by FTSE Group and Dow Jones Indexes.

The system is supported by the ICB Universe database containing over 40,000 companies and 45,000 securities worldwide based upon the combined FTSE and Dow Jones global stock coverage.

The expertise of FTSE Group and Dow Jones Indexes has made ICB a relevant and user-friendly standard for trading and investment decisions.



A detailed breakdown of the ICB structure can be found on pages 19 and 20.

ICB has been adopted as the official classification system for the NASDAQ market.

NASDAQ is a member of a growing group of stock exchanges that have adopted ICB including: New York Stock Exchange, London Stock Exchange, Euronext.Liffe and Deutsche Borse.

FTSE NASDAQ INDEX SERIES – THE GROWTH MARKET FOR THE US

Industry	Supersector	Sector	Subsector	
Oil & Gas	Oil & Gas	Oil & Gas Producers	Exploration & Production Integrated Oil & Gas	
		Oil Equipment, Services & Distribution	Oil Equipment & Services Pipelines	
Basic Materials	Chemicals	Chemicals	Commodity Chemicals Specialty Chemicals	
	Basic Resources	Forestry & Paper	Forestry Paper	
		Industrial Metals	Aluminum Nonferrous Metals Steel	
		Mining	Coal Diamonds & Gemstones General Mining Gold Mining Platinum & Precious Metals	
Industrials	Construction & Materials	Construction & Materials	Building Materials & Fixtures Heavy Construction	
	Industrial Goods & Services	Aerospace & Defence	Aerospace Defense	
		General Industrials	Containers & Packaging Diversified Industrials	
		Electronic & Electrical Equipment	Electrical Components & Equipment Electronic Equipment	
		Industrial Engineering	Commercial Vehicles & Trucks Industrial Machinery	
		Industrial Transportation	Delivery Services Marine Transportation Railroads Transportation Services Trucking	
		Support Services	Business Support Services Business Training & Employment Agencies Financial Administration Industrial Suppliers Waste & Disposal Services	
		Customer Goods	Automobiles & Parts	Automobiles Auto Parts Tires
Food & Beverage	Beverages	Beverages	Brewers Distillers & Vintners Soft Drinks	
		Food Producers	Farming & Fishing Food Products	
	Personal & Household Goods	Household Goods	Household Goods	Durable Household Products Nondurable Household Products Furnishings Home Construction
			Leisure Goods	Consumer Electronics Recreational Products Toys
		Personal Goods	Clothing & Accessories Footwear Personal Products	
		Tobacco	Tobacco	

FTSE NASDAQ INDEX SERIES – THE GROWTH MARKET FOR THE US

Industry	Supersector	Sector	Subsector	
Health Care	Health Care	Health Care Equipment & Services	Health Care Providers Medical Equipment Medical Supplies	
		Pharmaceuticals & Biotechnology	Biotechnology Pharmaceuticals	
Consumer Services	Retail	Food & Drug Retailers	Drug Retailers Food Retailers & Wholesalers	
		General Retailers	Apparel Retailers Broadline Retailers Home Improvement Retailers Specialized Consumer Services Specialty Retailers	
			Media	Broadcasting & Entertainment Media Agencies Publishing
	Travel & Leisure		Airlines Gambling Hotels Recreational Services Restaurants & Bars Travel & Tourism	
	Telecommunications	Telecommunications	Fixed Line Telecommunications Mobile Telecommunications	
	Utilities	Utilities	Electricity Gas, Water & Multiutilities Multiutilities Water	
Financials	Banks Insurance	Banks	Banks	
		Nonlife Insurance	Full Line Insurance Insurance Brokers Property & Casualty Insurance Reinsurance	
			Life Insurance	Life Insurance
	Financial Services	Real Estate	Real Estate Holding & Development Real Estate Investment Trusts	
		General Financial	Asset Managers Consumer Finance Specialty Finance Investment Services Mortgage Finance	
			Equity Investment Instruments	Equity Investment Instruments
			Nonequity Investment Instruments	Nonequity Investment Instruments
Technology	Technology	Software & Computer Services	Computer Services Internet Software	
		Technology Hardware & Equipment	Computer Hardware Electronic Office Equipment Semiconductors Telecommunications Equipment	

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