

# UBS Diapason Global Biofuel Index [UBS-D GBFI]

## Special Announcement

**2010: Effective 1<sup>st</sup> February 2010**

The eighth meeting of the UBS Diapason Global Biofuel Index Steering Committee was held on 14<sup>th</sup> December, 2009.

Chairperson: Stephan Wrobel, Diapason Commodities Management UK LLP

Attendance: Mehdi Chaouky, Diapason Commodities Management S.A.,  
Peter Hickson, Managing Director UBS,  
Katia Demekhina, Director, UBS,  
Edmund Carroll, Executive Director UBS,  
Guillaume le Fur, Diapason Commodities Management S.A.,  
Alexis Katalan-Caron, Diapason Commodities Management S.A.,  
Roderick Schutt, Executive Director, UBS.

Apologies: Joe Dewhurst, Director UBS,  
Fabian Schlederer, Executive Director UBS,  
Thomas Ulrich, Executive Director UBS,  
Julien Garran, Executive Director UBS.

## 0.1. Index re-weighting

Both the composition of the index and the weights of the components remain the same.

When looking at obtained PTWs compared to Weight Caps of each commodity, only corn breaches its weight cap of 40% (PTW obtained for corn is 41.61%). This is the second time corn breaches the EWC (Excess Wight Cap) after it has been revised in Nov 2008, hence, we need to change the Weight Cap of Corn by 5% for the next calculation period.

**TABLE I. CAPPING GBFI COMPONENTS**

Component Commodity	PTW %	Weight Cap % (WC)	Excess Weight %	Weight Cap Exceeded ?	Weight Cap Change	New Weight Cap	Proxy	PTW2 %
Wheat	13.23759%	30%	-	NO	-	30%	NO	13.4098%
Corn	41.89445%	40%	1.8945%	YES	+5%	45%	NO	40.0000%
Soybean Oil	8.54308%	30%	-	NO	-	30%	NO	8.7153%
Canola	2.98056%	30%	-	NO	-	30%	NO	3.1528%
Sugar #11	19.22137%	30%	-	NO	-	30%	NO	19.3936%
Sugar #5	1.34788%	30%	-	NO	-	30%	NO	1.5201%
Rice	1.17377%	30%	-	NO	-	30%	NO	1.3460%
Rapeseed	9.41832%	30%	-	NO	-	30%	NO	9.5905%
Lumber	1.37961%	30%	-	NO	-	30%	NO	1.5518%
Western Barley	0.29100%	30%	-	NO	-	30%	NO	0.4632%
Feed Wheat	0.38036%	30%	-	NO	-	30%	NO	0.5526%
Ethanol	0.13200%	30%	-	NO	-	30%	NO	0.3042%
<b>TOTAL</b>	<b>100.00000%</b>		<b>1.6057%</b>					<b>100.00000%</b>

Source: UBS Investment Bank, Diapason Commodities Management

After the excess weight is re-allocated, we exclude components with less than 1% PTW2. These components are the same ones as observed during the last GBFI Steering Committee meeting, namely Western Barley, Feed Wheat and Ethanol.

**TABLE II. EXCLUDING LOW WEIGHT COMPONENTS**

Component Commodity	PTW2 %	Excluded Weight %	PTW3 %
Wheat	13.4098%	-	<b>13.71148%</b>
Corn	40.0000%	-	<b>40.00000%</b>
Soybean Oil	8.7153%	-	<b>8.91135%</b>
Canola	3.1528%	-	<b>3.22371%</b>
Sugar #11	19.3936%	-	<b>19.82986%</b>
Sugar #5	1.5201%	-	<b>1.55430%</b>
Rice	1.3460%	-	<b>1.37627%</b>
Rapeseed	9.5905%	-	<b>9.80629%</b>
Lumber	1.5518%	-	<b>1.58675%</b>
Western Barley	0.4632%	0.4632%	-
Feed Wheat	0.5526%	0.5526%	-
Ethanol	0.3042%	0.3042%	-
<b>TOTAL</b>	<b>100.00%</b>	<b>1.22923%</b>	<b>100.00%</b>

Source & Calculations: UBS Investment Bank, Diapason Commodities

None of the PTW3 are outside the Weight Bands, which means that the index composition and weights remain the same for 2010 as they were for H2-2010.

**TABLE III. EFFECTING THE WEIGHT BANDS AND OBTAINING FINAL TARGET WEIGHTS**

<b>Component Commodity</b>	<b>Calculated PTW3 %</b>	<b>Previous Band Low %</b>	<b>Band High %</b>	<b>Test Outside Band?</b>	<b>Previous TW %</b>	<b>New TW %</b>	<b>Band Low %</b>	<b>Band High %</b>
Wheat	13.71148%	11.6656%	19.4426%	NO	15.5541%	<b>15.5541%</b>	11.6656%	19.4426%
Corn	40.00000%	35.0000%	45.0000%	NO	40.0000%	<b>40.0000%</b>	35.0000%	45.0000%
Soybean Oil	8.91135%	6.6288%	11.0481%	NO	8.8385%	<b>8.8385%</b>	6.6288%	11.0481%
Canola	3.22371%	2.3130%	3.8550%	NO	3.0840%	<b>3.0840%</b>	2.3130%	3.8550%
Sugar #11	19.82986%	14.2499%	23.7498%	NO	18.9998%	<b>18.9998%</b>	14.2499%	23.7498%
Sugar #5	1.55430%	1.2707%	2.1179%	NO	1.6943%	<b>1.6943%</b>	1.2707%	2.1179%
Rice	1.37627%	1.2021%	2.0035%	NO	1.6028%	<b>1.6028%</b>	1.2021%	2.0035%
Rapeseed	9.80629%	6.3268%	10.5446%	NO	8.4357%	<b>8.4357%</b>	6.3268%	10.5446%
Lumber	1.58675%	1.3431%	2.2385%	NO	1.7908%	<b>1.7908%</b>	1.3431%	2.2385%
Western Barley	-	-	-	-	-	-	-	-
Feed Wheat	-	-	-	-	-	-	-	-
Ethanol	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>100%</b>				<b>100%</b>	<b>100%</b>		

Source & Calculations: UBS Investment Bank, Diapason Commodities

## 0.2. Jade Palm Oil contract

It has been announced that the Chicago Board of Trade will halt trade in Joint Asian Derivative Exchange (JADE) products, such as Jade Palm Oil contract (launched 6 June 2007), on its electronic platform after Nov. 23. The contracts would move to Singapore Exchange on Monday, November 26<sup>th</sup>, 2009.

JADE is a venture between the Singapore Exchange (SGX) and the CBOT, which merged with the Chicago Mercantile Exchange this year to form the CME Group.

The Singapore Exchange is buying over the 50% stake held in JADE by the CME Group, for S\$1.14 million. JADE will then become a wholly-owned subsidiary of SGX. The JADE market was set up in September 2006 to trade futures contracts such as crude palm oil and rubber futures.

GBFI Advisory Committee will continue to observe the contract, which currently has no liquidity to consider it for index membership.

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1 <GO> to Configure Columns
View Futures 1) Edit Columns 2) Chart on CCRV Contract Table
Generic 1st 'CPO' Pricing Date 12/08/09 Sort By Expiration
Singapore Exchange (was SIMEX)
Contracts 18/18 Tot Volume 0 Open Int 0

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Ticker		Last	Change	Time	Bid	Ask	Open Int	Volume	Previous
3) CP01	Jan10	795.00 s	+1.25	1:00					793.75
4) CP02	Feb10	795.00 s	+1.25	1:00					793.75
5) CP03	Mar10	795.00 s	+1.25	1:00					793.75
6) CP04	Apr10	795.00 s	+1.25	1:00					793.75
7) CP05	May10	795.00 s	+1.25	1:00					793.75
8) CP06	Jun10	795.00 s	+1.25	1:00					793.75
9) CP07	Jul10	795.00 s	+1.25	1:00					793.75
10) CP08	Aug10	795.00 s	+1.25	1:00					793.75
11) CP09	Sep10	795.00 s	+1.25	1:00					793.75
12) CP010	Oct10	795.00 s	+1.25	1:00					793.75
13) CP011	Nov10	795.00 s	+1.25	1:00					793.75
14) CP012	Dec10	795.00 s	+1.25	1:00					793.75
15) CP013	N.A.		unch						
16) CP014	N.A.		unch						
17) CP015	N.A.		unch						
18) CP016	N.A.		unch						
19) CP017	N.A.		unch						
20) CP018	N.A.		unch						

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.  
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Source: Bloomberg, 8 Dec 2009

### 0.3. Advisory and Steering Committee

Edouard Mouton's place on the Advisory Committee is to be taken by Alexis Katalan-Caron.

#### GBFI Advisory Committee Members

Edmund Carroll	Committee Advisor	Executive Director – UBS Head of Commodity Index Trading
Fabian Schlederer	Committee Advisor	Executive Director – UBS Risk Management Products
Katia Demekhina	Committee Advisor	Director – UBS Risk Management Products
Guillaume Le Fur	Committee Advisor	Diapason Commodities Management S.A. Chief Executive Officer
Alexis Katalan-Caron	Committee Advisor	Diapason Commodities Management S.A. Indices & Quantitative Research
Roderick Shutt	Committee Secretary	Executive Director – UBS Business Manager - Commodity Indices
Thomas Ulrich	Legal advisor	Executive Director – UBS Traded Products – Legal department

Peter Hickson will assume Jeffery Schlesinger's place on the GBFI Steering Committee as President of the Committee, on the interchanging basis with Stephan Wrobel. Jeffery Schlesinger will no longer be on the Steering Committee as a result of having left UBS.

#### GBFI Steering Committee Members

Peter Hickson	President Diapason	Managing Director – UBS Global Head of Basic Materials Strategy
Stephan Wrobel		Diapason Commodities Management UK LLP CEO London
Mehdi Chaouky		Diapason Commodities Management S.A. Fundamental Research
Alexis Katalan-Caron		Diapason Commodities Management S.A. Quantitative Research
Julien Garran		Executive Director – UBS Global Commodity and Mining Research
Joe Dewhurst		Director – UBS Global Basic Materials Equity Analyst

Going forward, the Advisory and Steering Committees will be held once a year, in November, rather than bi-annually as they currently are held. This is due to limited changes observed in the biofuels market, and, as a result, changes effected in the Index.

#### 0.4. Market trends and Index Constituents for the July 2008 to June 2009

The volumetric global production estimates for Biofuels for the reference period of July 2008 - June 2009

Global Ethanol	70bn litres
Bio-Diesel	14.2bn litres

Actual production figures were used as the basis for the index fundamental weight calculations

##### Ethanol production

UBS estimates global ethanol production to be split on a mass basis as per the following table:

Rest of the world	10%
USA	54%
Brazil	35%
% of 70bn litres	

Sources for ethanol production data are UBS Equity Research Analysts, Diapason, F.O. Licht and the USDA

##### Biodiesel production

Europe has increased its market share of production since import restrictions were placed against US biodiesel into Europe

Europe	59%
Asia & ROW	10%
USA	15%
South America	16%
% of 14.2bn litres	

Sources for biodiesel production & capacity data are UBS Equity Research Analysts, Diapason, F.O. Licht and the USDA

#### 0.5. AOB

Stephan Wrobel will continue to chair the Steering Committee for UBS until the end of January 2010. Peter Hickson will reassume this role from Diapason in February 2010.

As of February 1<sup>st</sup>, 2010, the components to the Index are shown in Table VII.

**TABLE III. INDEX COMPONENTS**

Commodity	Exchange	Main Biofuel Group	Currency	Contract Code (BB)	Contract Code (Reuters)	Instrument(s)	H2-2009 TW% (As of August 1 <sup>st</sup> , 09)	2010 TW% (As of February 1 <sup>st</sup> , 10)
Wheat	CBOT	ETH	USD	W_ <sup>(*)</sup>	W	Futures	15.5541%	<b>15.5541%</b>
Corn	CBOT	ETH	USD	C_ <sup>(*)</sup>	C	Futures	40.0000%	<b>40.0000%</b>
Soybean Oil	CBOT	BDI	USD	BO	BO	Futures	8.8385%	<b>8.8385%</b>
Canola	WCE	BDI	CAD	RS	RS	Futures	3.0840%	<b>3.0840%</b>
Sugar #11	NYBOT	ETH	USD	SB	SB	Futures	18.9998%	<b>18.9998%</b>
Sugar #5	LIFFE	ETH	USD	QW	LSU	Futures	1.6943%	<b>1.6943%</b>
Rice	CBOT	ETH	USD	RR	RR	Futures	1.6028%	<b>1.6028%</b>
Rapeseed	EN	BDI	EUR	IJ	COM	Futures	8.4357%	<b>8.4357%</b>
Lumber	CME	ETH	USD	LB	LB	Futures	1.7908%	<b>1.7908%</b>

Source: UBS Investment Bank, Diapason Commodities Management

The next meeting of the UBS Diapason Global Biofuels Index Steering Committee will be held in November 2010.

These minutes have been approved and signed off by the UBS Diapason Global Biofuels Index Steering Committee members.