

UBS Diapason Global Biofuel Index [UBS-D GBFI]

Special Announcement

2011: Effective 1st February 2011

The ninth meeting of the UBS Diapason Global Biofuel Index Steering Committee was held on 26th January, 2011.

Chairperson: Peter Hickson, Managing Director UBS,

Attendance: Katia Demekhina, Director, UBS,
Edmund Carroll, Executive Director UBS,
Guillaume Le-Fur, Diapason Commodities Management S.A.,
Cyril Camilleri, Diapason Commodities Management S.A.,
Roderick Schutt, Executive Director, UBS.
Fabian Schlederer, Executive Director UBS,
Thomas Ulrich, Executive Director UBS,
Julien Garran, Executive Director UBS
Joe Dewhurst, Director UBS,

Apologies: Mehdi Chaouky, Diapason Commodities Management UK LLP,
Stephan Wrobel, Diapason Commodities Management UK LLP,

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, we can see that not any component is reaching its Excess Weight cap. Corn which was above its 40% cap last year is currently below its level.

TABLE I. CAPPING GBFI COMPONENTS

Component Commodity	PTW %	Weight Cap % (WC)	Excess Weight %	WC Exceeded?	WC Change	New WC	Proxy	PTW2 %
Wheat	11.26405%	30%	-	NO	-	-	NO	11.26405%
Corn	36.05741%	45%	-	NO	-	-	NO	36.05741%
Soybean Oil	8.61424%	30%	-	NO	-	-	NO	8.61424%
Canola	3.35212%	30%	-	NO	-	-	NO	3.35212%
Sugar #11	23.37016%	30%	-	NO	-	-	NO	23.37016%
Sugar #5	2.09545%	30%	-	NO	-	-	NO	2.09545%
Rice	1.05112%	30%	-	NO	-	-	NO	1.05112%
Rapeseed	12.15930%	30%	-	NO	-	-	NO	12.15930%
Lumber	1.24412%	30%	-	NO	-	-	NO	1.24412%
Western Barley	0.23289%	30%	-	NO	-	-	NO	0.23289%
Feed Wheat	0.28651%	30%	-	NO	-	-	NO	0.28651%
Ethanol	0.27262%	30%	-	NO	-	-	NO	0.27262%
Total	100.00000%							100.00000%

Source: UBS Investment Bank, Diapason Commodities Management

The second step consists of excluding components with less than 1% PTW2 and reallocating their weights to other index components which satisfy the low weight criteria. 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	11.26%		11.35398%
Corn	36.06%		36.34527%
Soybean Oil	8.61%		8.68301%
Canola	3.35%		3.37888%
Sugar #11	23.37%		23.55674%
Sugar #5	2.10%		2.11218%
Rice	1.05%		1.05951%
Rapeseed	12.16%		12.25637%
Lumber	1.24%		1.25406%
Western Barley	0.23%	0.23289%	0.00000%
Feed Wheat	0.29%	0.28651%	0.00000%
Ethanol	0.27%	0.27262%	0.00000%
Total	100.00%	0.79201%	100.00%

Source & Calculations: UBS Investment Bank, Diapason Commodities

We then check if the PTWs for any of the three highest weighted components fall outside the previously defined Weight Bands. Corn, Wheat and Sugar 11 are the largest components and their PTW3 are within the pre-defined Weight Bands. Only the PTW3 for Sugar #5 is outside its Weight Bands and, as it is not one of the three largest components of the index, GBFI Target Weights and Weight Bands remain the same.

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

Component Commodity	Calculated PTW3 %	Previous Band Low %	Previous Band High %	Test Outside Band ?	Previous TW %	New TW %	Band Low %	Band High %
Wheat	11.35398%	10.28361%	17.13934%	NO	15.5541%	15.5541%	10.28361%	17.13934%
Corn	36.34527%	35.00000%	45.00000%	NO	40.0000%	40.0000%	35.00000%	45.00000%
Soybean Oil	8.68301%	6.68352%	11.13919%	NO	8.8385%	8.8385%	6.68352%	11.13919%
Canola	3.37888%	2.41778%	4.02963%	NO	3.0840%	3.0840%	2.41778%	4.02963%
Sugar #11	23.55674%	14.87239%	24.78732%	NO	18.9998%	18.9998%	14.87239%	24.78732%
Sugar #5	2.11218%	1.16573%	1.94288%	YES	1.6943%	1.6943%	1.16573%	1.94288%
Rice	1.05951%	1.03220%	1.72034%	NO	1.6028%	1.6028%	1.03220%	1.72034%
Rapeseed	12.25637%	7.35471%	12.25786%	NO	8.4357%	8.4357%	7.35471%	12.25786%
Lumber	1.25406%	1.19006%	1.98343%	NO	1.7908%	1.7908%	1.19006%	1.98343%
Western Barley	-	-	-	-	-	-	-	-
Feed Wheat	-	-	-	-	-	-	-	-
Ethanol	-	-	-	-	-	-	-	-
Total	100.000%					100.0000%		

Source & Calculations: UBS Investment Bank, Diapason Commodities

0.2. Jade Palm Oil contract

The Crude Palm Oil futures contract which is traded on the Singapore Exchange is observed since few years by the Advisory committee. From a fundamental perspective Crude palm oil can be of great fundamental interest but it is still showing a real lack of interest from both speculators and hedgers.

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

Source: Bloomberg, 24 Jan 2010

Ticker	Last	Change	Time	Bid	Ask	Open Int	FairVal	Volume
3) CPOH1 Mar11	1118.50 s	+4.25	Close					
4) CPOJ1 Apr11	1118.50 s	+4.25	Close					
5) CPOK1 May11	1118.50 s	+4.25	Close					
6) CPOM1 Jun11	1118.50 s	+4.25	Close					
7) CPON1 Jul11	1118.50 s	+4.25	Close					
8) CPOQ1 Aug11	1118.50 s	+4.25	Close					
9) CPOU1 Sep11	1118.50 s	+4.25	Close					
10) CPOV1 Oct11	1118.50 s	+4.25	Close					
11) CPOX1 Nov11	1118.50 s	+4.25	Close					
12) CPOZ1 Dec11	1118.50 s	+4.25	Close					
13) CPOF2 Jan12	1118.50 s	+4.25	Close					
14) CPOG2 Feb12	1118.50 s	+4.25	Close					

Advisory and Steering Committee

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

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 Commodity Marketing
Guillaume Le Fur	Committee Advisor	Diapason Commodities Management S.A. Chief Executive Officer
Cyril Camilleri	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 is assuming the GBFI Steering Committee as President of the Committee, on the interchanging basis with Stephan Wrobel. Cyril Camilleri will also take Alexis Katalan-Caron's place in the Steering Committee.

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
Cyril Camilleri		Diapason Commodities Management S.A. Indices & Quantitative Research
Julien Garran		Executive Director – UBS Global Commodity and Mining Research
Joe Dewhurst		Director – UBS Global Basic Materials Equity Analyst

The Advisory and Steering Committees will continue to be held once a year, in November.

Market trends and Index Constituents for the July 2009 to June 2010

The volumetric global production estimates for Biofuels for the reference period of July 2009 - June 2010

Global Ethanol	72.1bn litres
Bio-Diesel	18.7bn 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	15%
USA	51%
Brazil	34%
% of 72.1bn litres	

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

Biodiesel production

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

Europe	60%
Asia & ROW	11%
USA	10%
Other Americas	19%
% of 18.7bn litres	

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

0.3. AOB

Peter Hickson will chair the Steering Committee for UBS until the end of January 2012. Stephan Wrobel will reassume this role for Diapason in February 2012.

As of February 1st, 2011, 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)	2010 TW% (As of February 1 st , 10)	2011 TW% (As of February 1 st , 11)
Wheat	CBOT	ETH	USD	W ₋ ^(*)	W	Futures	15.5541%	15.5541%
Corn	CBOT	ETH	USD	C ₋ ^(*)	C	Futures	40.0000%	40.0000%
Soybean Oil	CBOT	BDI	USD	BO	BO	Futures	8.8385%	8.8385%
Canola	WCE	BDI	CAD	RS	RS	Futures	3.0840%	3.0840%
Sugar #11	NYBOT	ETH	USD	SB	SB	Futures	18.9998%	18.9998%
Sugar #5	LIFFE	ETH	USD	QW	LSU	Futures	1.6943%	1.6943%
Rice	CBOT	ETH	USD	RR	RR	Futures	1.6028%	1.6028%
Rapeseed	EN	BDI	EUR	IJ	COM	Futures	8.4357%	8.4357%
Lumber	CME	ETH	USD	LB	LB	Futures	1.7908%	1.7908%

Source: UBS Investment Bank, Diapason Commodities Management

The next meeting of the UBS Diapason Global Biofuels Index Steering Committee will be held in November 2011.

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