

# Compare to Historical Return Analysis: (20Y ratios)

- Exposure
- Stochastic
- Historic
- Deflation
- Market Correlation

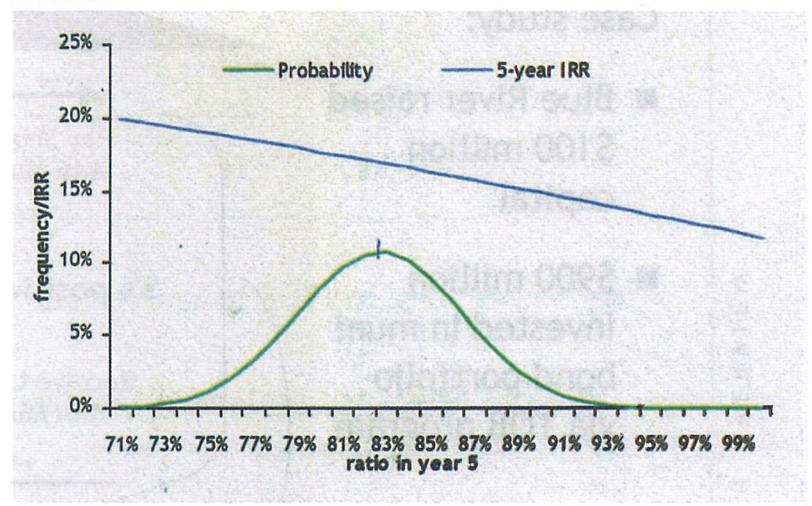
Historic analysed total return (+/- 2.58%)							
Ratio at Exit	--- Total Return at End of Year ---					5Yr IRR	Probability
	1	2	3	4	5		
71%	74.8%	93.3%	111.8%	130.4%	148.9%	20.00%	0.072%
72%	72.3%	90.8%	109.3%	127.8%	146.3%	19.75%	0.162%
73%	69.7%	88.2%	106.7%	125.2%	143.7%	19.50%	0.342%
74%	67.1%	85.7%	104.2%	122.7%	141.2%	19.25%	0.669%
75%	64.6%	83.1%	101.6%	120.1%	138.6%	19.00%	1.219%
76%	62.0%	80.5%	99.0%	117.6%	136.1%	18.74%	2.065%
77%	59.5%	78.0%	96.5%	115.0%	133.5%	18.48%	3.251%
78%	56.9%	75.4%	93.9%	112.4%	130.9%	18.22%	4.760%
79%	54.3%	72.9%	91.4%	109.9%	128.4%	17.96%	6.479%
80%	51.8%	70.3%	88.8%	107.3%	125.8%	17.69%	8.199%
81%	49.2%	67.7%	86.2%	104.8%	123.3%	17.43%	9.648%
82%	46.7%	65.2%	83.7%	102.2%	120.7%	17.15%	10.556%
83%	44.1%	62.6%	81.1%	99.6%	118.1%	16.88%	10.738%
84%	41.5%	60.1%	78.6%	97.1%	115.6%	16.61%	10.156%
85%	39.0%	57.5%	76.0%	94.5%	113.0%	16.33%	8.931%
86%	36.4%	54.9%	73.4%	92.0%	110.5%	16.05%	7.302%
87%	33.9%	52.4%	70.9%	89.4%	107.9%	15.76%	5.551%
88%	31.3%	49.8%	68.3%	86.8%	105.3%	15.48%	3.923%
89%	28.7%	47.3%	65.8%	84.3%	102.8%	15.19%	2.578%
90%	26.2%	44.7%	63.2%	81.7%	100.2%	14.90%	1.575%
91%	23.6%	42.1%	60.6%	79.2%	97.7%	14.60%	0.895%
92%	21.1%	39.6%	58.1%	76.6%	95.1%	14.30%	0.473%
93%	18.5%	37.0%	55.5%	74.0%	92.5%	14.00%	0.232%
94%	15.9%	34.5%	53.0%	71.5%	90.0%	13.70%	0.106%
95%	13.4%	31.9%	50.4%	68.9%	87.4%	13.39%	0.045%
96%	10.8%	29.3%	47.8%	66.4%	84.9%	13.08%	0.018%
97%	8.3%	26.8%	45.3%	63.8%	82.3%	12.76%	0.007%
98%	5.7%	24.2%	42.7%	61.2%	79.7%	12.44%	0.002%
99%	3.1%	21.7%	40.2%	58.7%	77.2%	12.12%	0.001%
100%	0.6%	19.1%	37.6%	56.1%	74.6%	11.79%	0.000%

Source: BHP (Jun 03)—for illustration purposes only

## Assumptions for historic analysed IRR

- Annual yield = 13%
- Ratio is 20 Yr AAA insured muni to 20 Yr LIBOR
- Current's ratio > 93% (as of 4 June 2003)
- Ratio mean = 82.7% (Nov 94 - Jun 03)
- Ratio standard deviation = 4.2%
- Valuation sensitivity to a 1% ratio change = +/- 2.58%
- Portfolio benefits 1% annually due to roll down the curve

## Historic analysed IRR in year 5 - Before Fees



Source: BHP (Jun 03)—for illustration purposes only

- If the ratio at exit remains the same as ratio at entry, the 5 year IRR is 14.0% (= Yield + Roll)
- Based on the historical return analysis, there is a 99.9% probability of attaining the 11.8% or better return

No assurance can be made to the returns. The assumptions underlying the return analysis illustrated above are unlikely to be consistent with actual experience.