

S&P 500 Low Volatility Index

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S&P Indices

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For Financial Professional/Not for Public Distribution

There's nothing passive
about how you invest.

PROPRIETARY.

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Recent Performance Summary

	November 2011	Fourth Quarter to Date	Year to Date 2011
S&P 500 Low Volatility Index	1.15%	7.14%	11.26%
S&P 500	-0.22%	10.68%	1.08%

Source: S&P Indices. Past performance is not a guarantee of future results. Data as of November 30, 2011. Year to date results show performance from January 1, 2011 to November 30, 2011. Some of these returns reflect hypothetical historical performance since the index may not have been in existence since January 1, 2011. Please see the Performance Disclosure at the end of this presentation for more information regarding the inherent limitations associated with back-tested data.

Highlights – S&P 500 Low Volatility Index

- **The S&P 500 Low Volatility Index is designed to serve as a benchmark for managed volatility equity strategies.**
- **The index provides a non-optimized, model-independent framework to provide exposure to the least-volatile constituents of the S&P 500.**
- **In backtesting, the S&P 500 Low Volatility Index was less volatile than the parent S&P 500.**
 - 24% volatility reduction over 20 years
 - 32% volatility reduction over most recent 10 years
- **Lower volatility does not necessarily mean lower returns.**
 - For the 20 year period ended 12/31/2010, the S&P 500 Low Volatility Index *outperformed* the S&P 500.
 - The low volatility index outperformed in 9 of the 20 years between 1991 and 2010.

Source: S&P Indices. Data as of December 31, 2010. Past performance is not a guarantee of future results. The S&P 500 Low Volatility Index was launched on April 18, 2011 and all data prior to that time reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this presentation for more information regarding the inherent limitations associated with back-tested data.

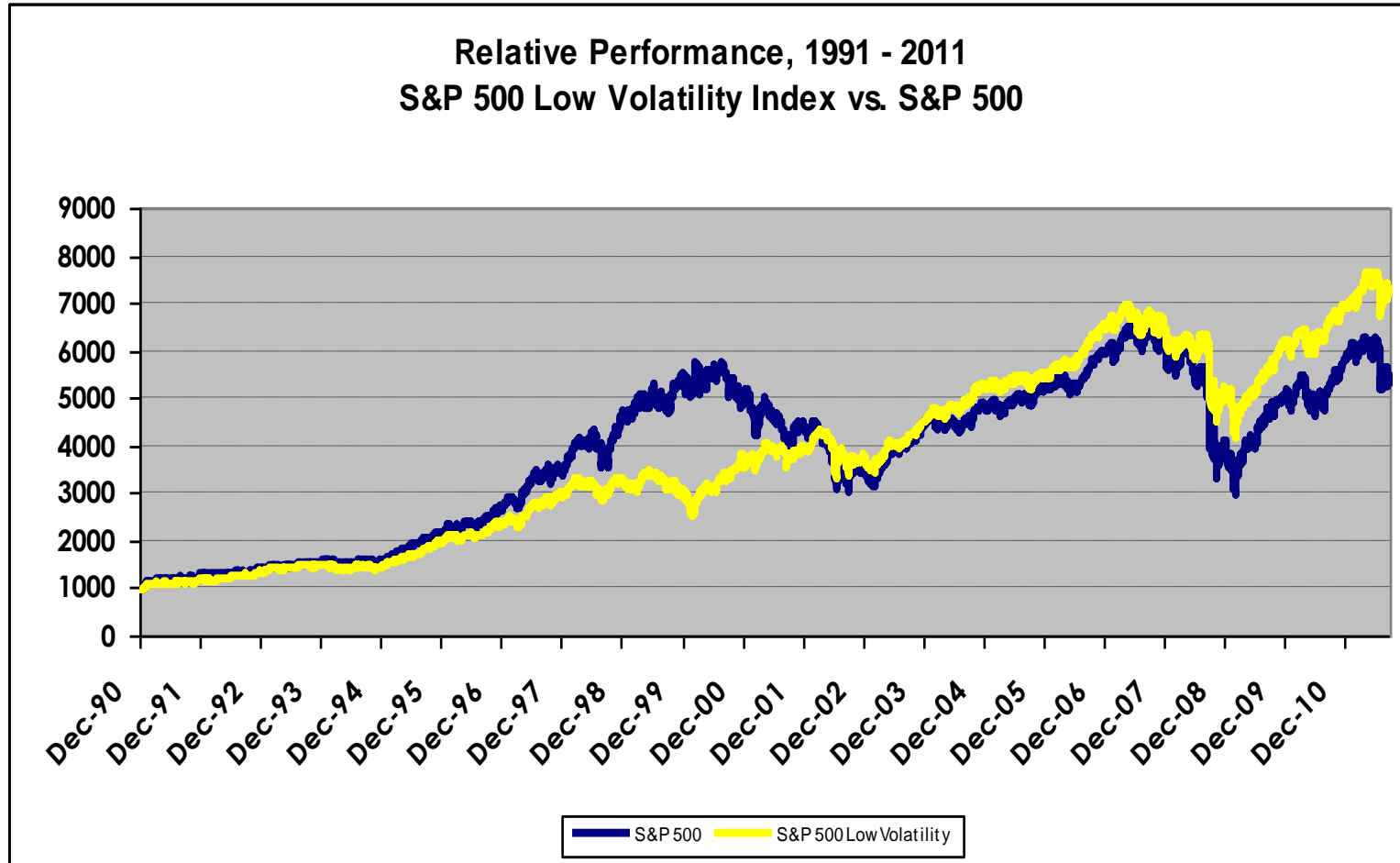
Low Volatility Index Mechanics

- **The underlying universe is the constituents of the S&P 500.**
 - Measure volatility by the standard deviation of each stock, computed using daily price returns over 252 trading days.
 - Rank constituents in ascending order of volatility.
 - The 100 least-volatile stocks form the index.
- **These 100 stocks are weighted by the *inverse* of their volatility, with the least volatile stocks receiving the highest weights.**

$$w_i = \frac{\frac{1}{Volatility_i}}{\sum_{i=1}^n \frac{1}{Volatility}}$$

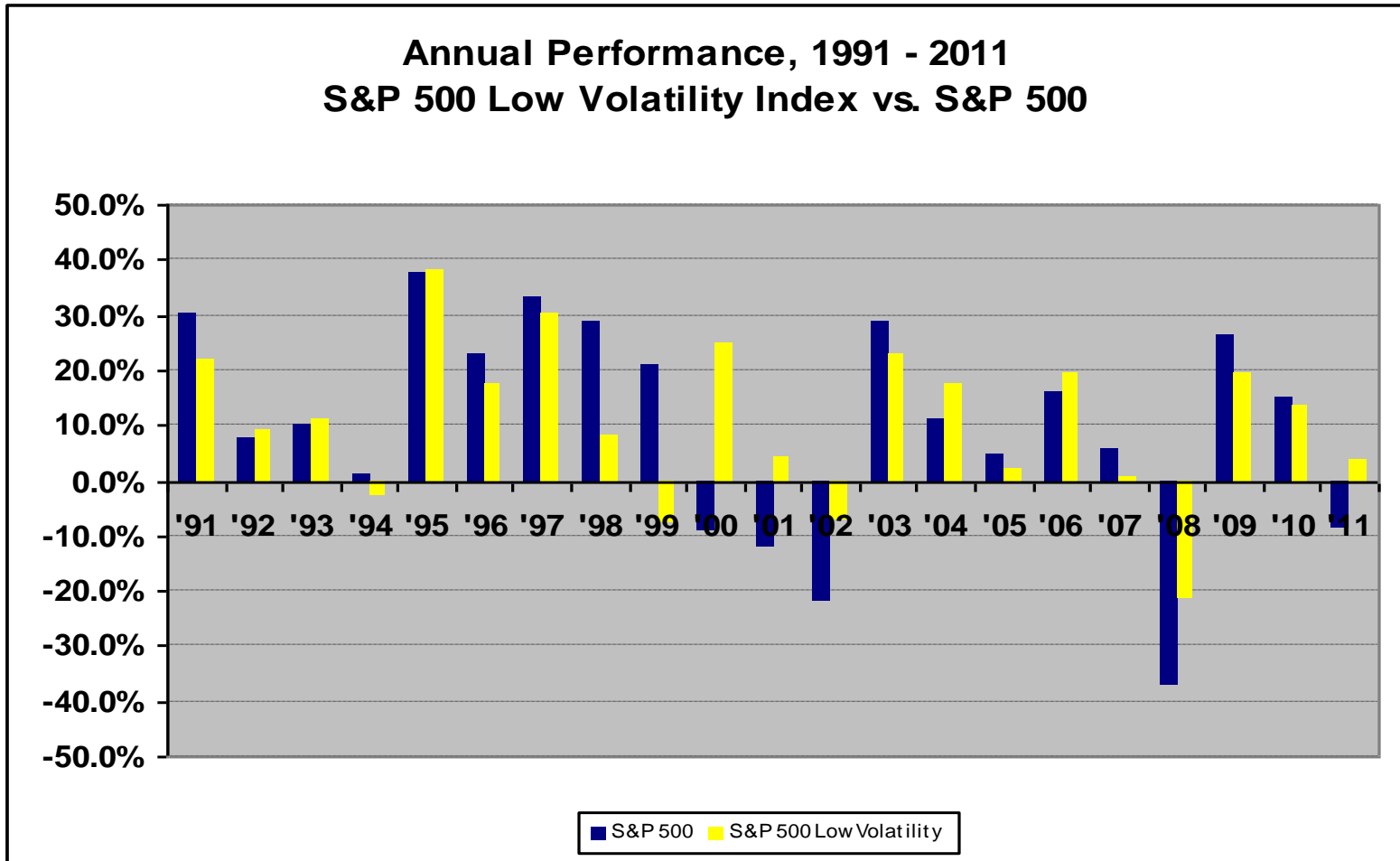
- **The index is rebalanced quarterly. The reference date of the rebalance is the last trading day of January, April, July and October of each year.**

S&P 500 Low Volatility Index



Source: S&P Indices. Data as of September 30, 2011. Returns for the S&P 500 Low Volatility Index prior to April 18, 2011 are backtested. Graphs are provided for illustrative purposes only. Past performance is not a guarantee of future results. This graph reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with backtested performance.

Annual Returns, Low Volatility Index



Source: S&P Indices. Data as of September 30, 2011. Graphs are provided for illustrative purposes only. Returns for the S&P 500 Low Volatility Index prior to April 18, 2011 are backtested. Past performance is not a guarantee of future results. This graph reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with backtested performance.

Not An Index-Hugging Strategy

- **The data show substantial gaps (both favorable and unfavorable) between the performance of S&P 500 Low Volatility and the S&P 500.**
- **Bull market examples:**
 - 1995 - 1999: S&P 500 +251%, S&P 500 Low Volatility +111%
 - 2003 - 2007: S&P 500 +83%, S&P 500 Low Volatility +78%
- **Bear market examples:**
 - 2000 - 2002: S&P 500 -38%, S&P 500 Low Volatility +21%
 - 2008: S&P 500 -37%, S&P 500 Low Volatility -21%
- **Annualized tracking error was 9.9% from 1991-2010.**

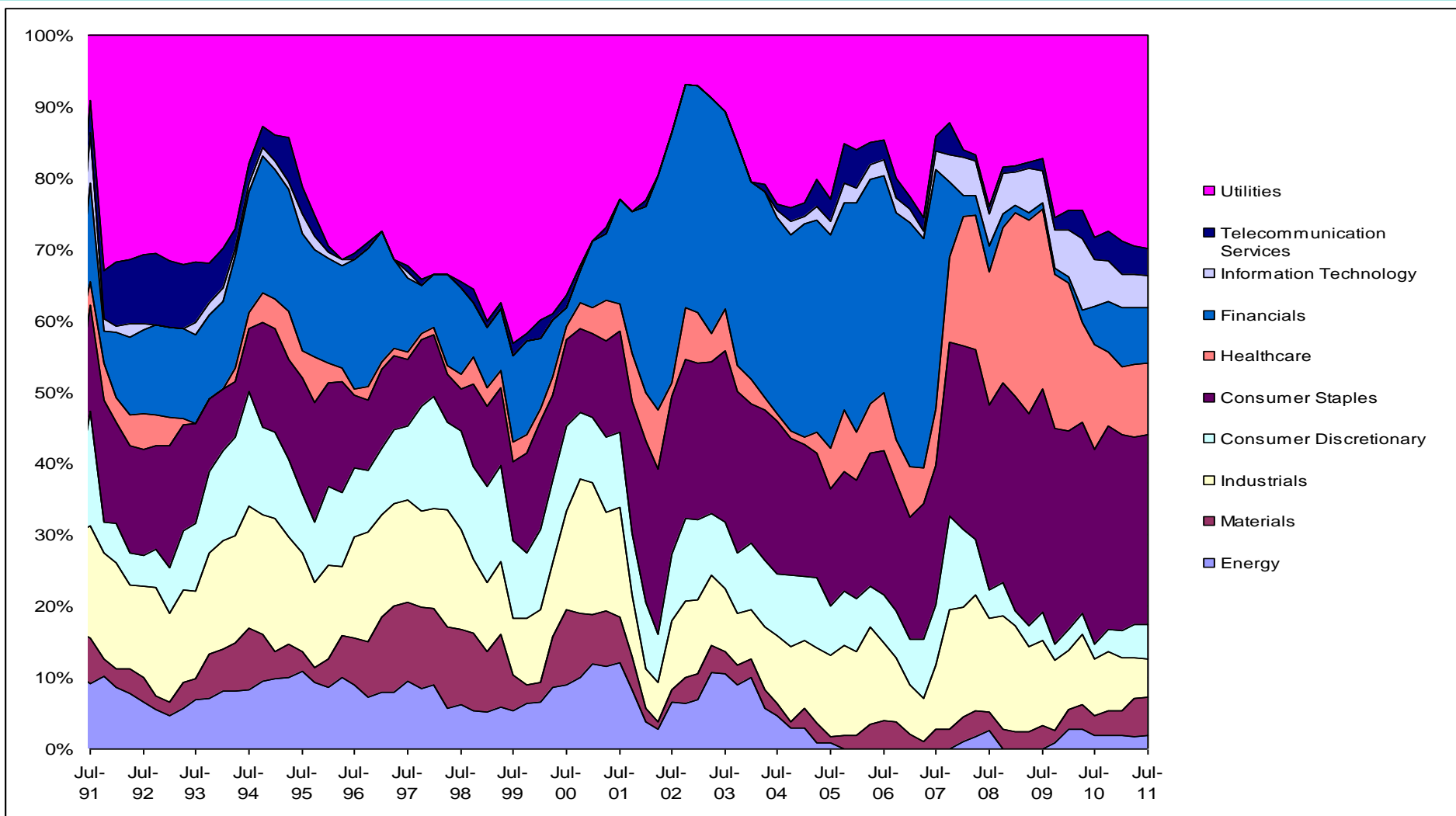
Source: S&P Indices. Data as of December 31, 2010. Past performance is not a guarantee of future results. The S&P 500 Low Volatility Index was launched on April 18, 2011 and all data prior to that time reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this presentation for more information regarding the inherent limitations associated with back-tested data.

Risk/Return Profile

	S&P 500 Low Volatility Index	S&P 500
Annualized Return		
YTD	3.85%	-8.68%
1 Year	9.89%	1.14%
3 Year	6.36%	1.23%
5 Year	3.34%	-1.18%
10 Year	6.81%	2.82%
15 Year	8.35%	5.23%
20 Year	9.64%	7.64%
Annualized Standard Deviation		
3 Year	14.25%	21.25%
5 Year	12.69%	18.32%
10 Year	10.73%	15.75%
15 Year	12.21%	16.50%
20 Year	11.47%	15.08%
Sharpe Ratio		
3 Year	0.143	-0.106
5 Year	0.060	-0.072
10 Year	0.143	-0.046
15 Year	0.139	0.015
20 Year	0.168	0.054
Maximum Drawdown	-35.36%	-50.95%

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Low Volatility Index Historical Sector Composition



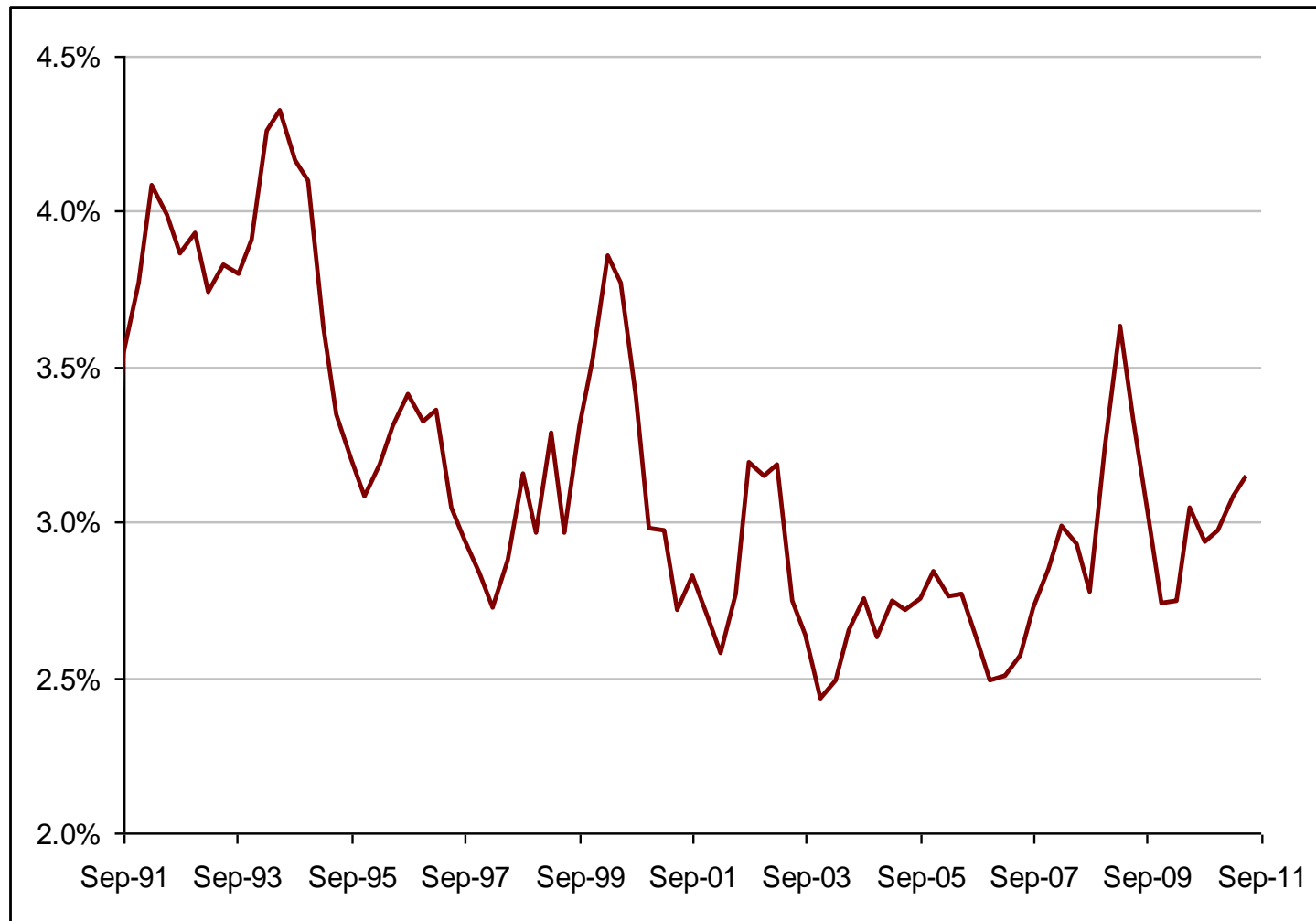
Source: S&P Indices. Data from November 30, 1990 to September 30, 2011 as of each quarterly rebalance. Graphs are provided for illustrative purposes only.

Low Volatility Index Fundamental Characteristics

	S&P 500 Low Volatility Index	S&P 500 Index
Weighted Avg Mkt Cap	\$39.1 billion	\$86.9 billion
Dividend yield (%)	3.43	2.18
P/E*	14.4	15.5
P/CF*	8.4	8.7
P/B*	2.2	1.9
P/Sales*	1.4	1.6
ROA	6.8	9.4
ROE	20.0	20.9
Historical 3 Year EPS Growth	3.1	3.6
Operating Margin	19.5	22.0

Source: S&P Indices. Data as of September 30, 2011. Underlying data from Compustat and FactSet. P/E, P/CF, P/B and P/Sales metrics are calculated using median while the remaining metrics are calculated using weighted average method. Charts are provided for illustrative purposes only.

Low Volatility Index Historical Yield



Historical yields for the S&P 500 Low Volatility Index ranges between 2.4% - 4.3%.

The current yield on the index is 3.43%, compared to 2.18% for the S&P 500.

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Low Volatility Index Annual Turnover

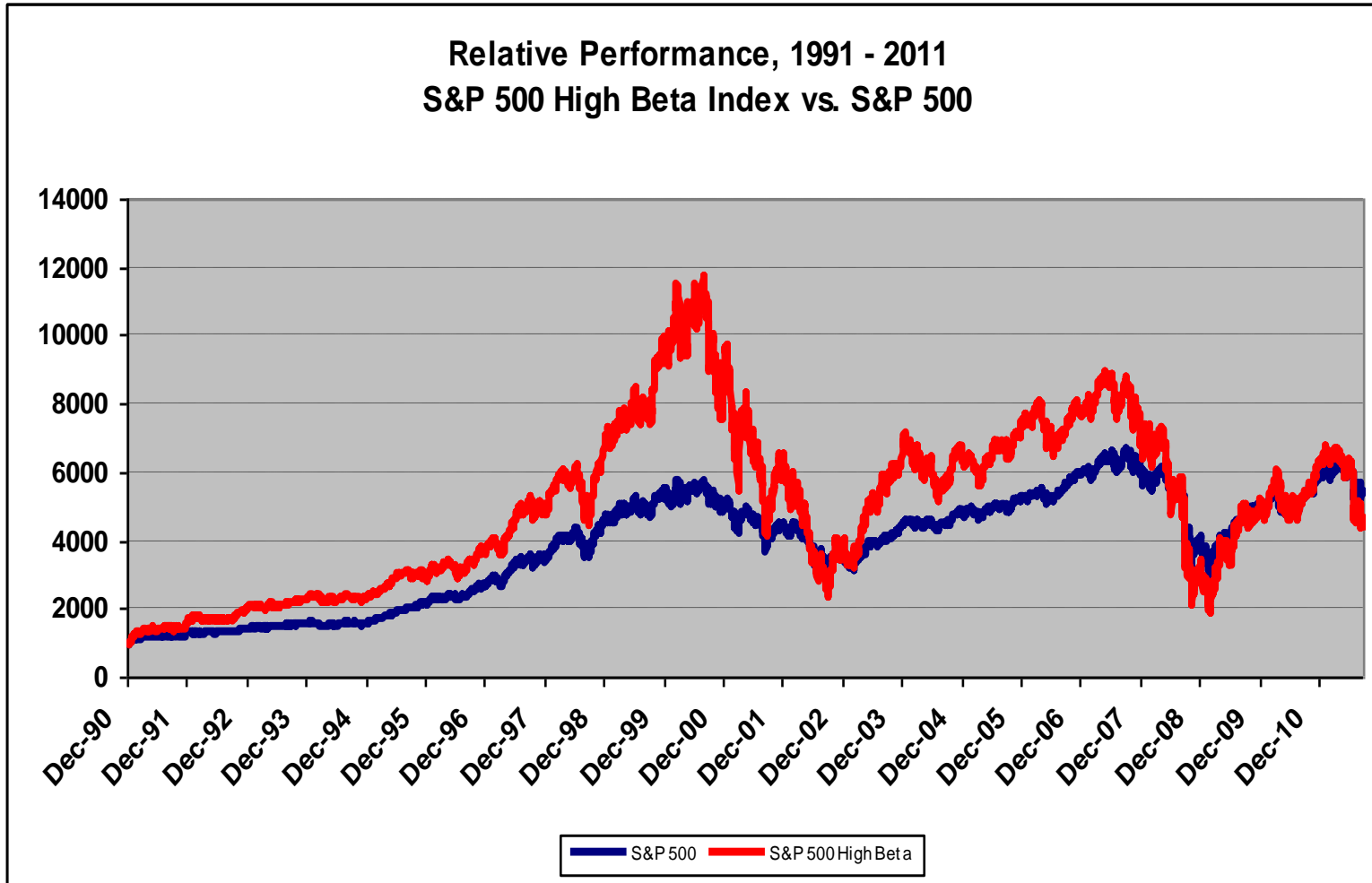
	Total Turnover		Total Turnover
1991	145.91%	2001	69.19%
1992	46.10%	2002	69.94%
1993	39.25%	2003	34.81%
1994	55.02%	2004	47.69%
1995	58.64%	2005	46.21%
1996	57.73%	2006	54.48%
1997	74.04%	2007	74.45%
1998	58.65%	2008	69.48%
1999	58.09%	2009	139.52%
2000	65.90%	2010	46.18%

- With the exception of 1991 and 2009, the turnover of the S&P 500 Low Volatility Index ranges between 9% and 18% per quarterly rebalancing.

- **Low volatility persists.**

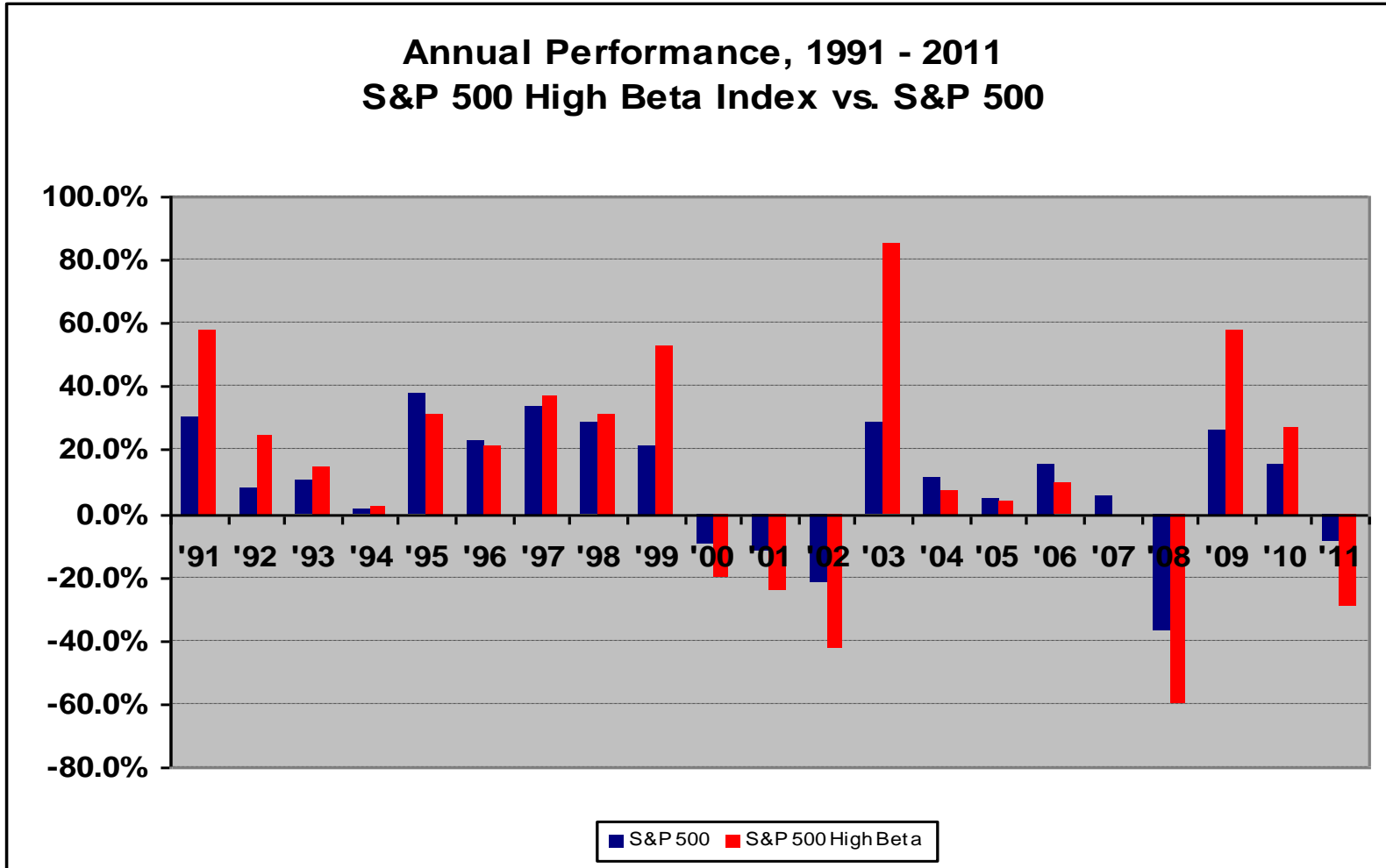
Source, S&P Indices. Data from November 30, 1990 – September 30, 2011. Turnover data for the S&P 500 Low Volatility Index prior to April 18, 2011 are backtested. Charts are provided for illustrative purposes only.

S&P 500 High Beta Index



Source: S&P Indices. Data as of September 30, 2011. Graphs are provided for illustrative purposes only. Past performance is not a guarantee of future results. Returns for the S&P 500 High Beta Index prior to April 18, 2011 are backtested. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with backtested performance.

Annual Returns, High Beta Index



Source: S&P Indices. Data as of September 30, 2011. Graphs are provided for illustrative purposes only. Past performance is not a guarantee of future results. Returns for the S&P 500 High Beta Index prior to April 18, 2011 are backtested. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with backtested performance.

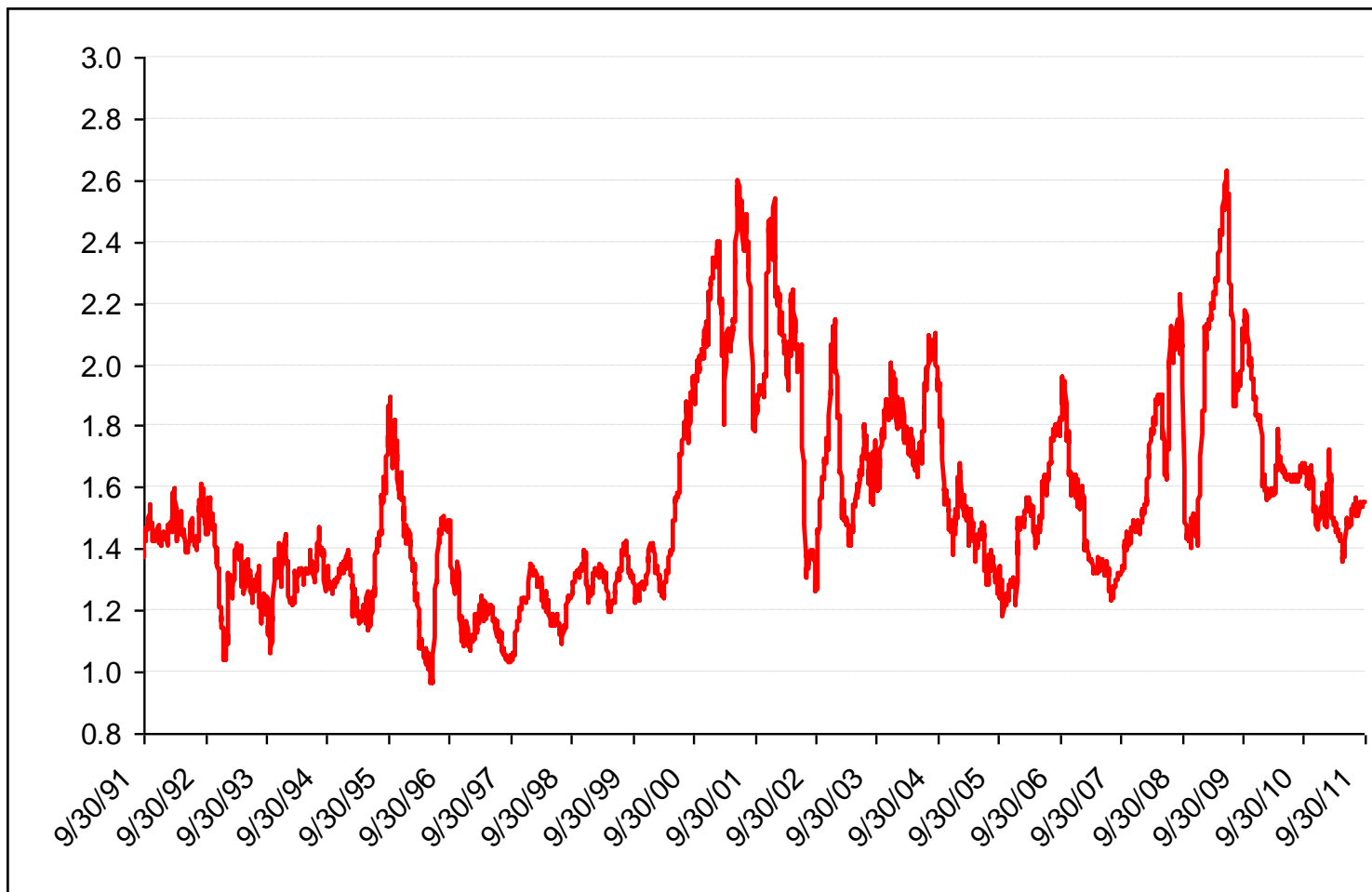
High Beta Index Mechanics

- **The underlying universe is the constituents of the S&P 500.**
 - Measure beta as the slope of the regression line of the security's price changes versus the price changes of the S&P 500 over the trailing 252 trading days.
 - Rank constituents in descending order of beta.
 - The 100 highest-beta stocks form the index.
- **These 100 stocks are weighted by their level of market sensitivity, with the highest beta stocks receiving the highest weights.**

$$w_i = \frac{Beta_i}{\sum_{i=1}^n Beta}$$

- **The index is rebalanced quarterly. The reference date of the rebalance is the last trading day of January, April, July and October of each year.**

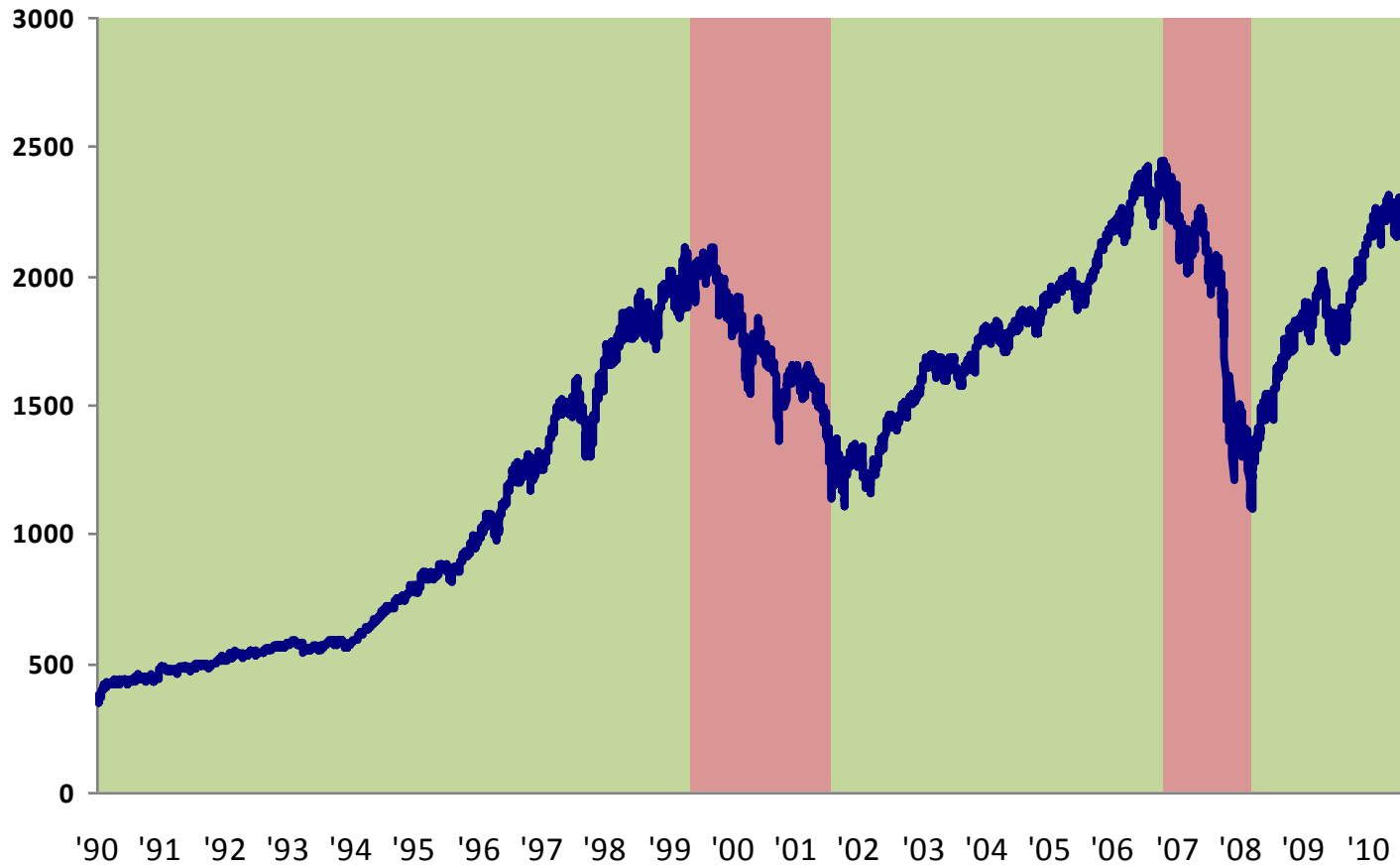
What is the beta of the High Beta Index?



Source: S&P Indices. Data from November 30, 1990 to September 30, 2011. Graphs are provided for illustrative purposes only. Past performance is not a guarantee of future results. Results for the S&P 500 High Beta Index prior to April 18, 2011 are backtested. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with backtested performance.

Some Context for Beta Analysis

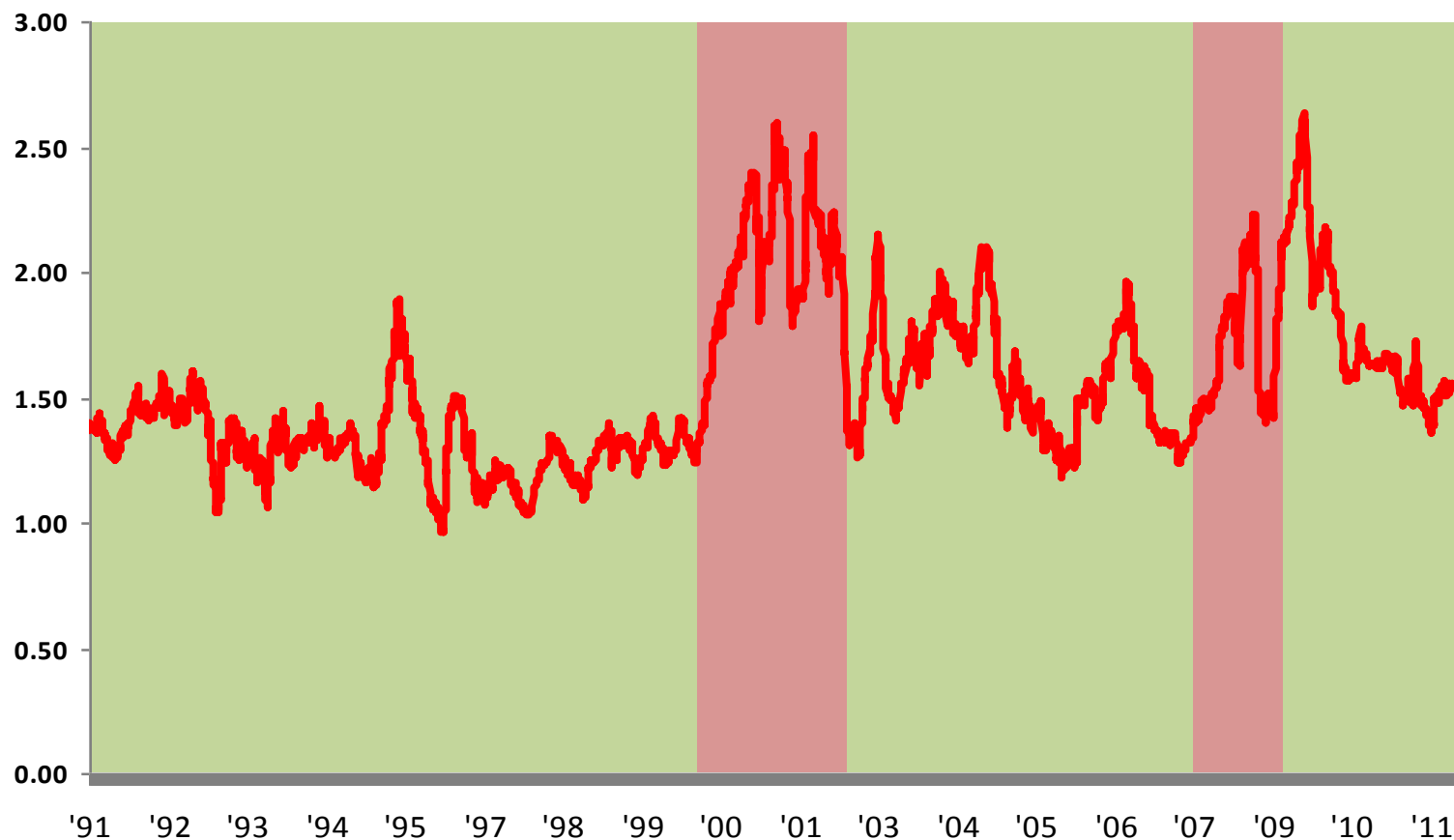
S&P 500 Total Return: 1991 - 2011



Source: S&P Indices. Data from December 31, 1990 through September 30, 2011. Graphs are provided for illustrative purposes only.

What is the beta of the High Beta Index?

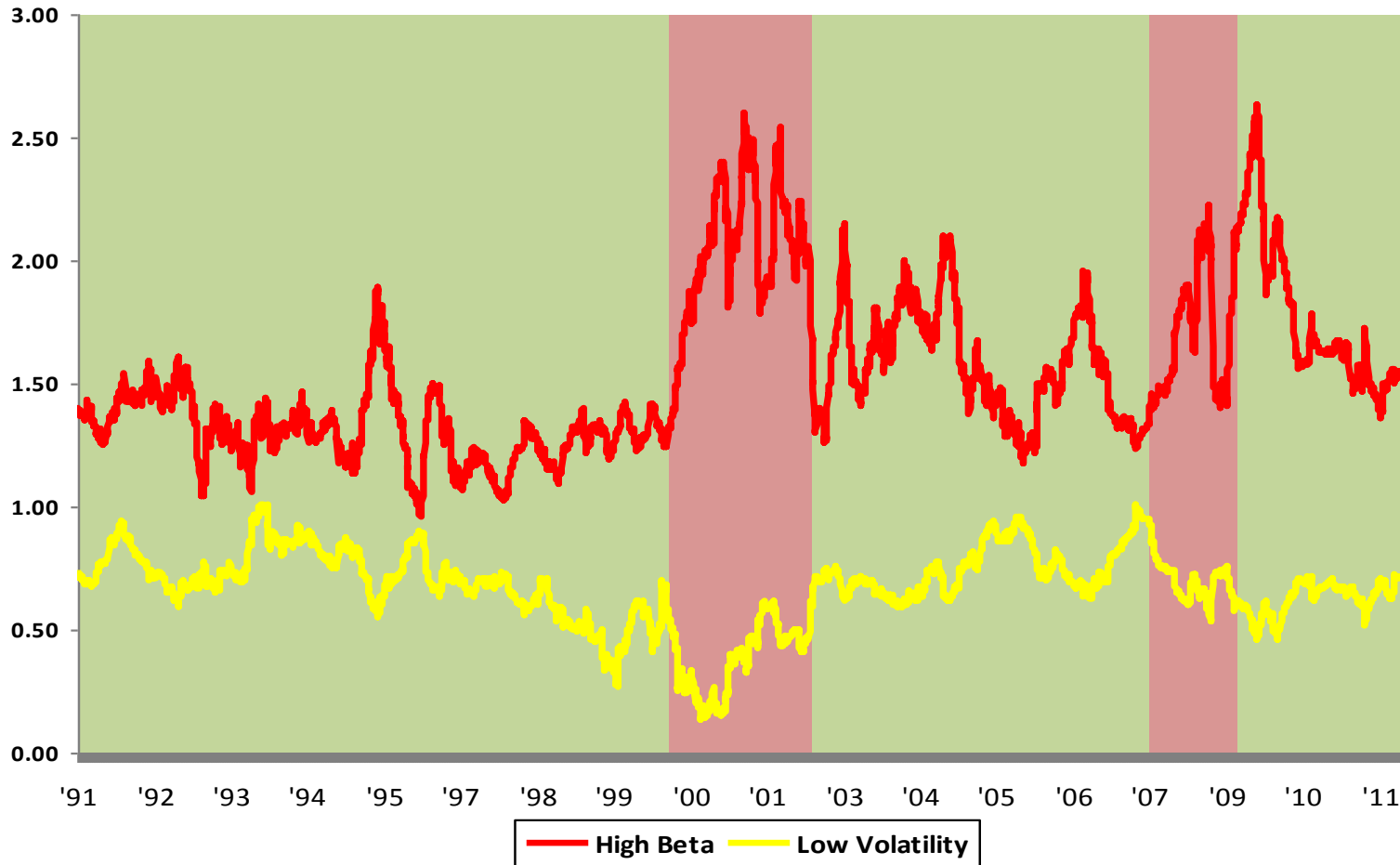
Rolling Beta: S&P 500 High Beta Index



Source: S&P Indices. Data from November 30, 1990 through September 30, 2011. Graphs are provided for illustrative purposes only. Returns for the S&P 500 High Beta Index prior to April 18, 2011 are backtested. Please see the Performance Disclosure towards the end of this presentation for more information regarding the inherent limitations associated with back-tested performance.

What is the beta of the Low Volatility Index?

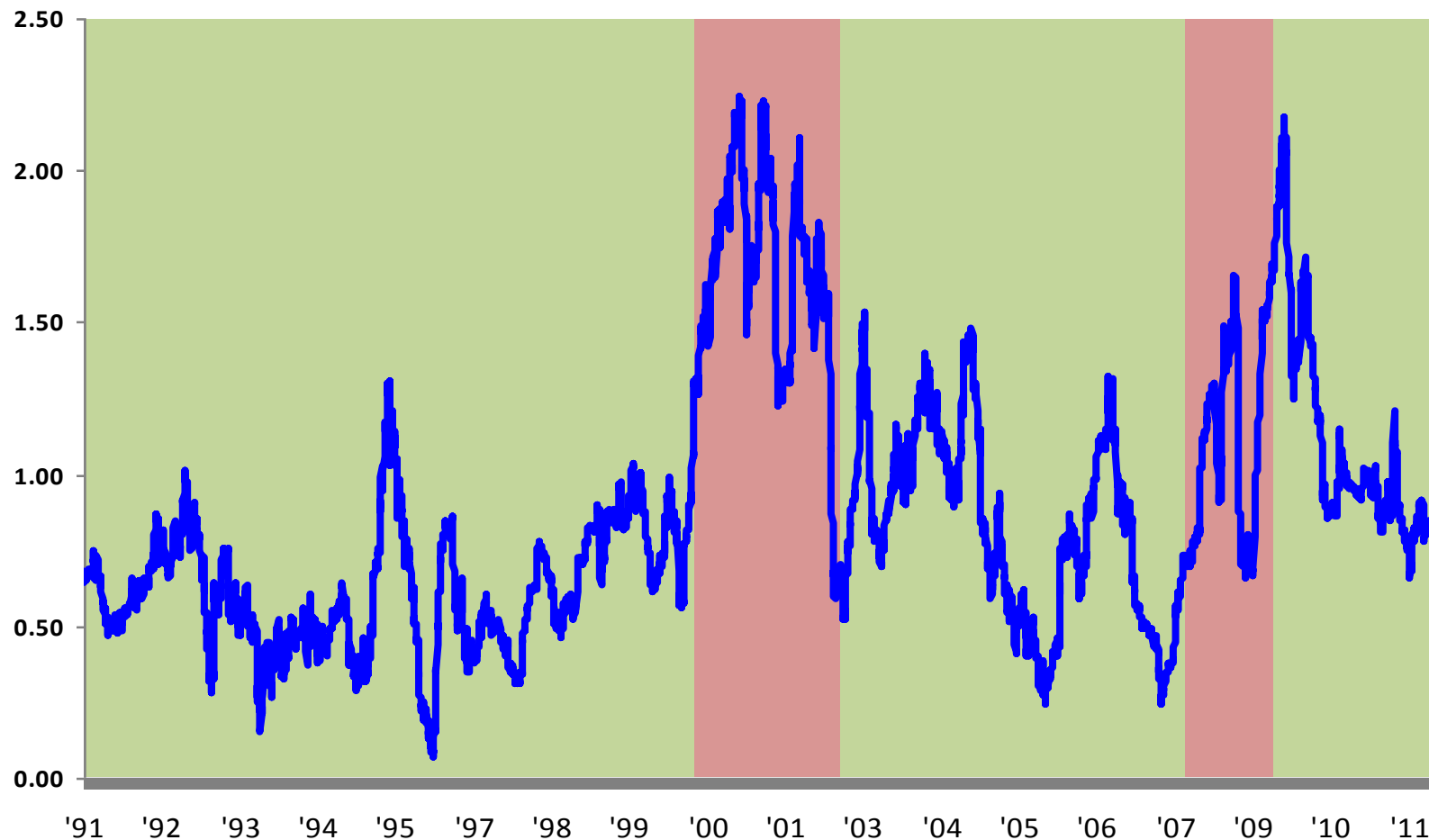
Rolling Beta: S&P 500 High Beta and Low Volatility Indices



Source: S&P Indices. Data from November 30, 1990 through September 30, 2011. Graphs are provided for illustrative purposes only. Returns for the S&P 500 High Beta and Low Volatility Indices prior to April 18, 2011 are backtested. Please see the Performance Disclosure towards the end of this presentation for more information regarding the inherent limitations associated with back-tested performance.

High Beta – Low Vol Spread

Beta Spread: High Beta minus Low Volatility



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Market Behavior and Beta Spreads

	Beta of High Beta Index	Beta of Low Vol Index	Beta Spread	Average Monthly Return (S&P 500)
Lowest spread quartile	1.24	0.81	0.43	1.13%
2nd quartile	1.38	0.71	0.67	1.08%
3rd quartile	1.53	0.63	0.90	0.68%
Highest spread quartile	2.00	0.52	1.49	0.23%

Source: S&P Indices. Data from November 30, 1990 through September 30, 2011. Charts are provided for illustrative purposes only. Returns for the S&P 500 High Beta and Low Volatility Indices prior to April 18, 2011 are backtested. Please see the Performance Disclosure towards the end of this presentation for more information regarding the inherent limitations associated with back-tested performance.

Performance Disclosure

The inception date of the S&P 500 High Beta Index and the S&P 500 Low Volatility Indices was April 18, 2011, at the market close. All information presented prior to April 18, 2011 is back-tested. The back-test calculations are based on the same methodology that was in effect when the indices were officially launched. Complete index methodology details are available at www.indices.standardandpoors.com.

Past performance is not an indication of future results. Prospective application of the methodology used to construct the S&P 500 Low Volatility Index and the S&P 500 High Beta Index may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the index. Please refer to the methodology paper for the index, available at www.standardandpoors.com for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. It is not possible to invest directly in an Index.

A limitation of hypothetical information is that generally the index is prepared with the benefit of hindsight. Back-tested data reflect the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities (or fixed income, or commodities) markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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