S&P INDICES

S&P 500 Low Volatility Index

Craig J. Lazzara, CFA
S&P Indices

December 2011

For Financial Professional/Not for Public Distribution

There's nothing passive
about how you invest.

McGraw-Hill Financial

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

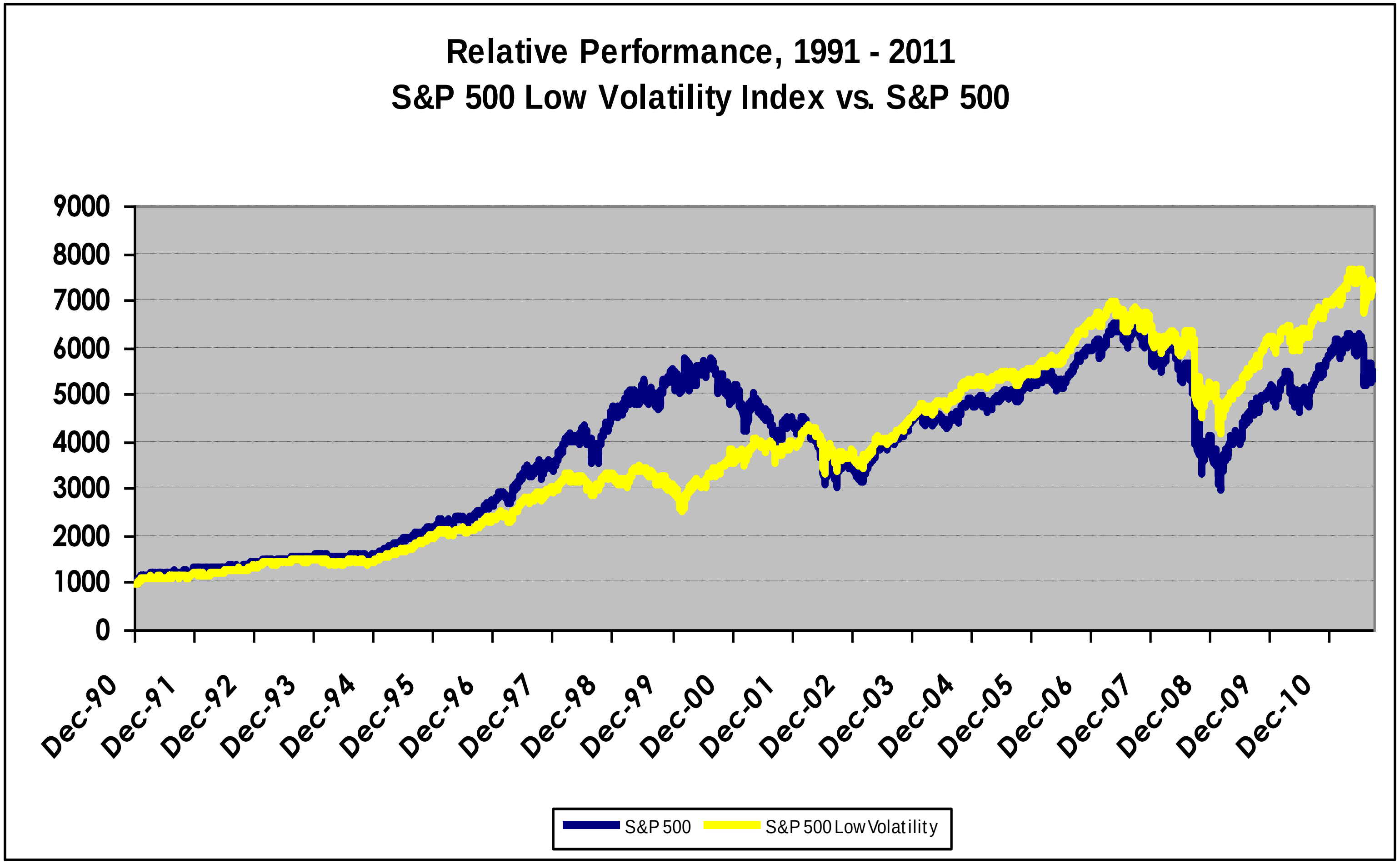
- **The underlying universe is the constituents of the S&P 500.**
  - Measure volatility by the standard deviation of each stock, computed using daily price returns over 252 trading days.
  - Rank constituents in ascending order of volatility.
  - The 100 least-volatile stocks form the index.

- **These 100 stocks are weighted by the *inverse* of their volatility, with the least volatile stocks receiving the highest weights.**

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

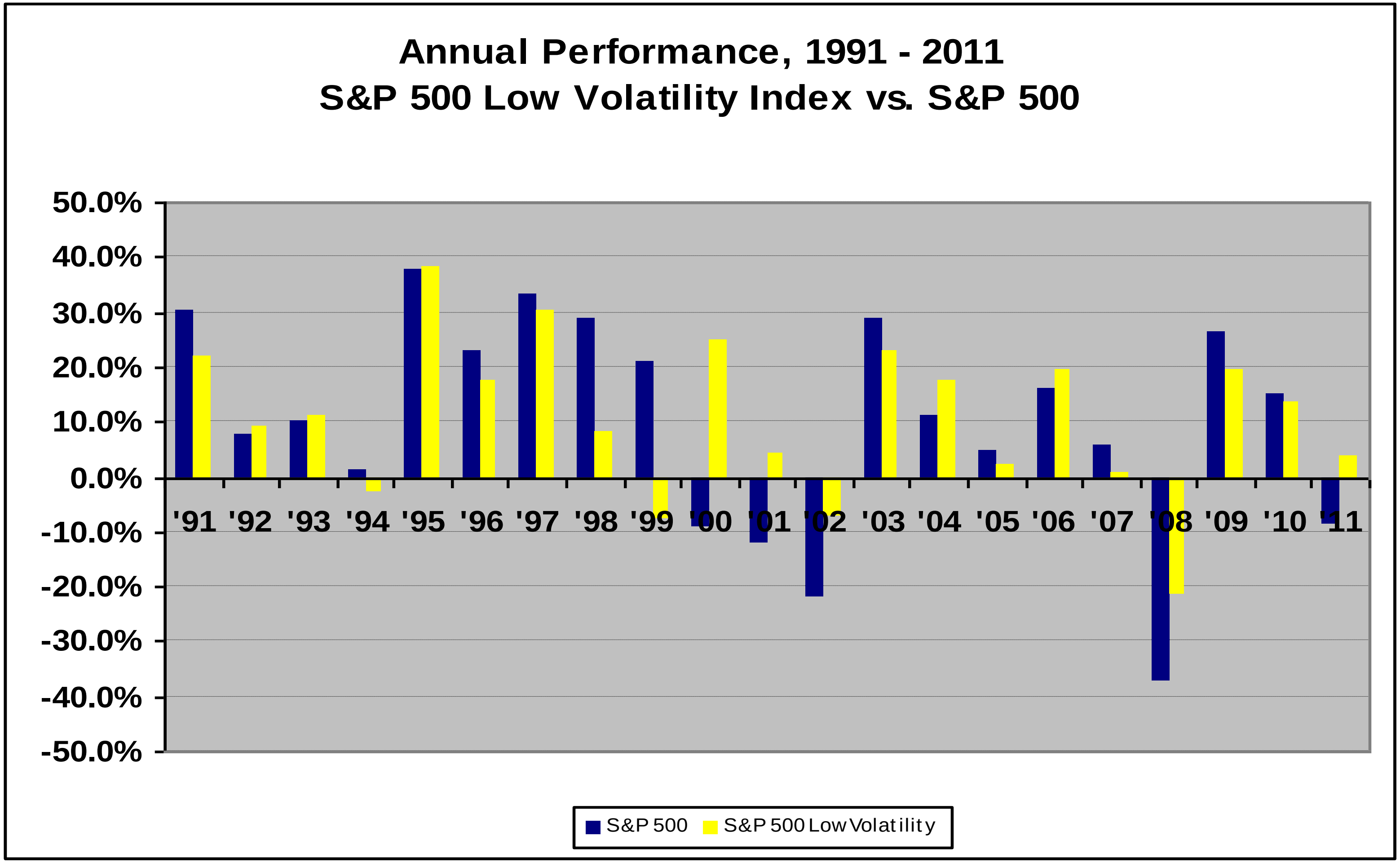
- **The index is rebalanced quarterly. The reference date of the rebalance is the last trading day of January, April, July and October of each year.**

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.**

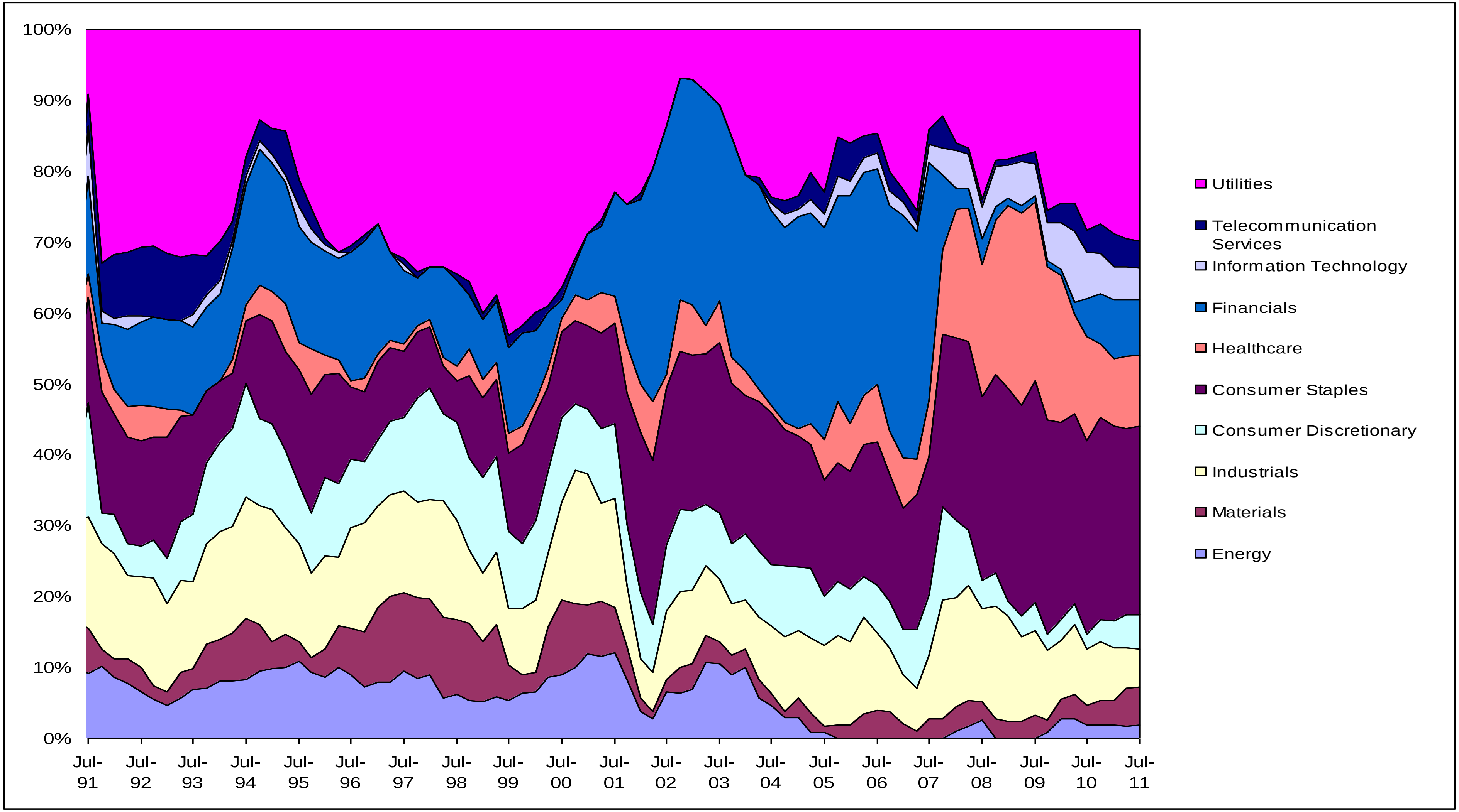
Source: S&P Indices. Data as of December 31, 2010. Past performance is not a guarantee of future results. The S&P 500 Low Volatility Index was launched on April 18, 2011 and all data prior to that time reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this 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%

Source: S&P Indices. Data as of September 30, 2011. 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 Historical Sector Composition



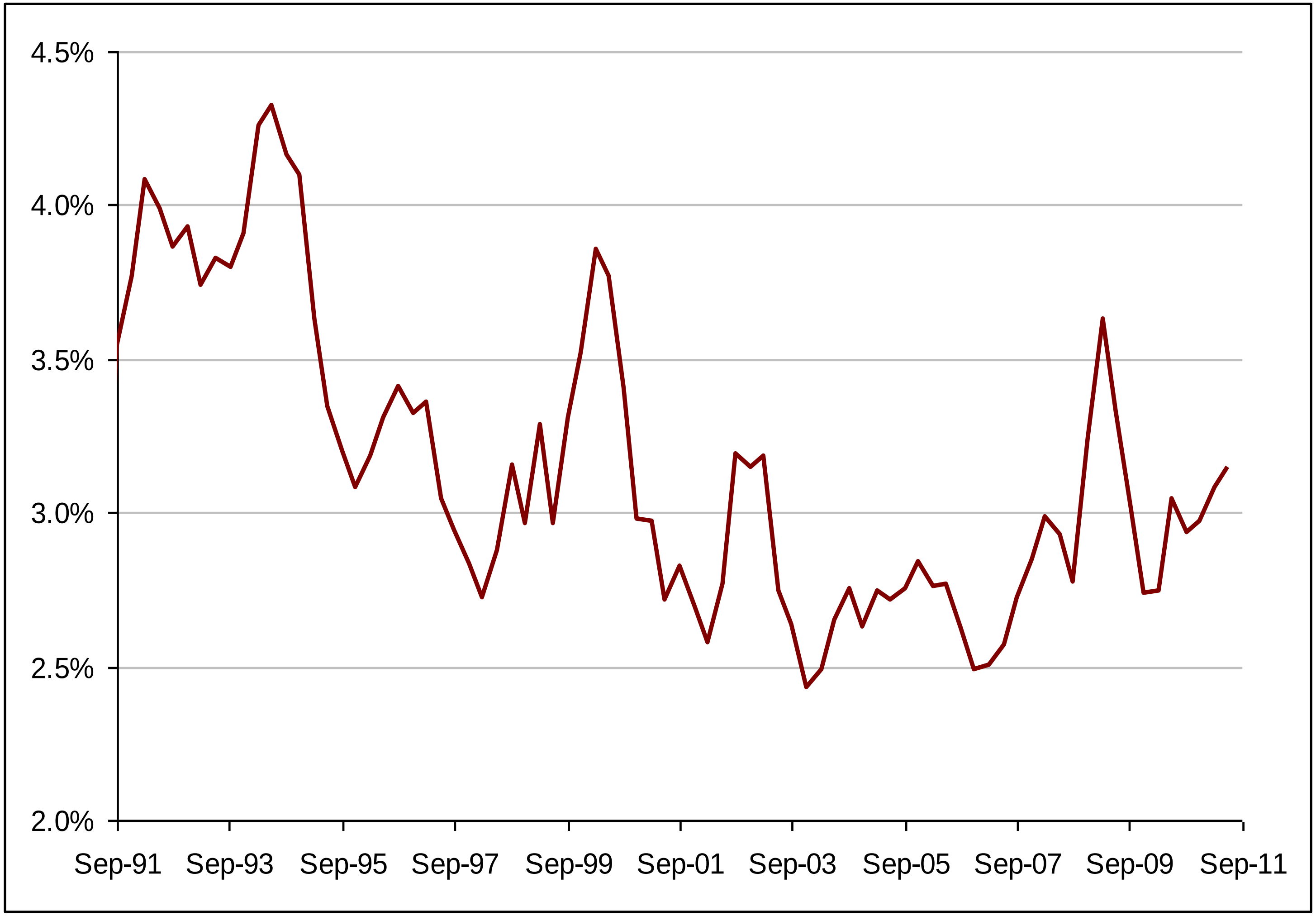
Source: S&P Indices. Data from November 30, 1990 to September 30, 2011 as of each quarterly rebalance. Graphs are provided for illustrative purposes only.

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.

Source: S&P Indices. Data as of September 30, 2011. 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 Annual Turnover

	Total Turnover
1991	145.91%
1992	46.10%
1993	39.25%
1994	55.02%
1995	58.64%
1996	57.73%
1997	74.04%
1998	58.65%
1999	58.09%
2000	65.90%

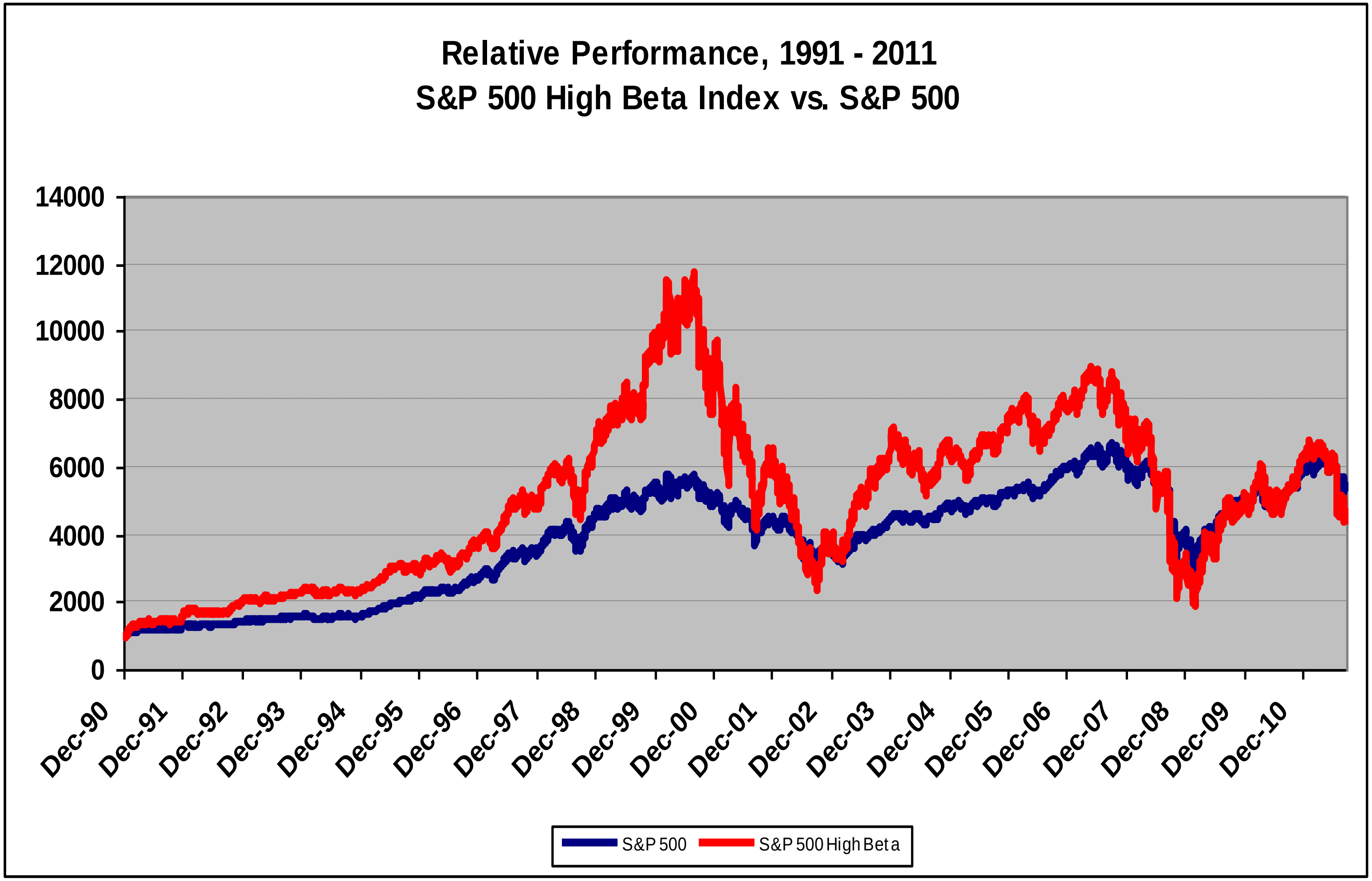
	Total Turnover
2001	69.19%
2002	69.94%
2003	34.81%
2004	47.69%
2005	46.21%
2006	54.48%
2007	74.45%
2008	69.48%
2009	139.52%
2010	46.18%

- 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**.

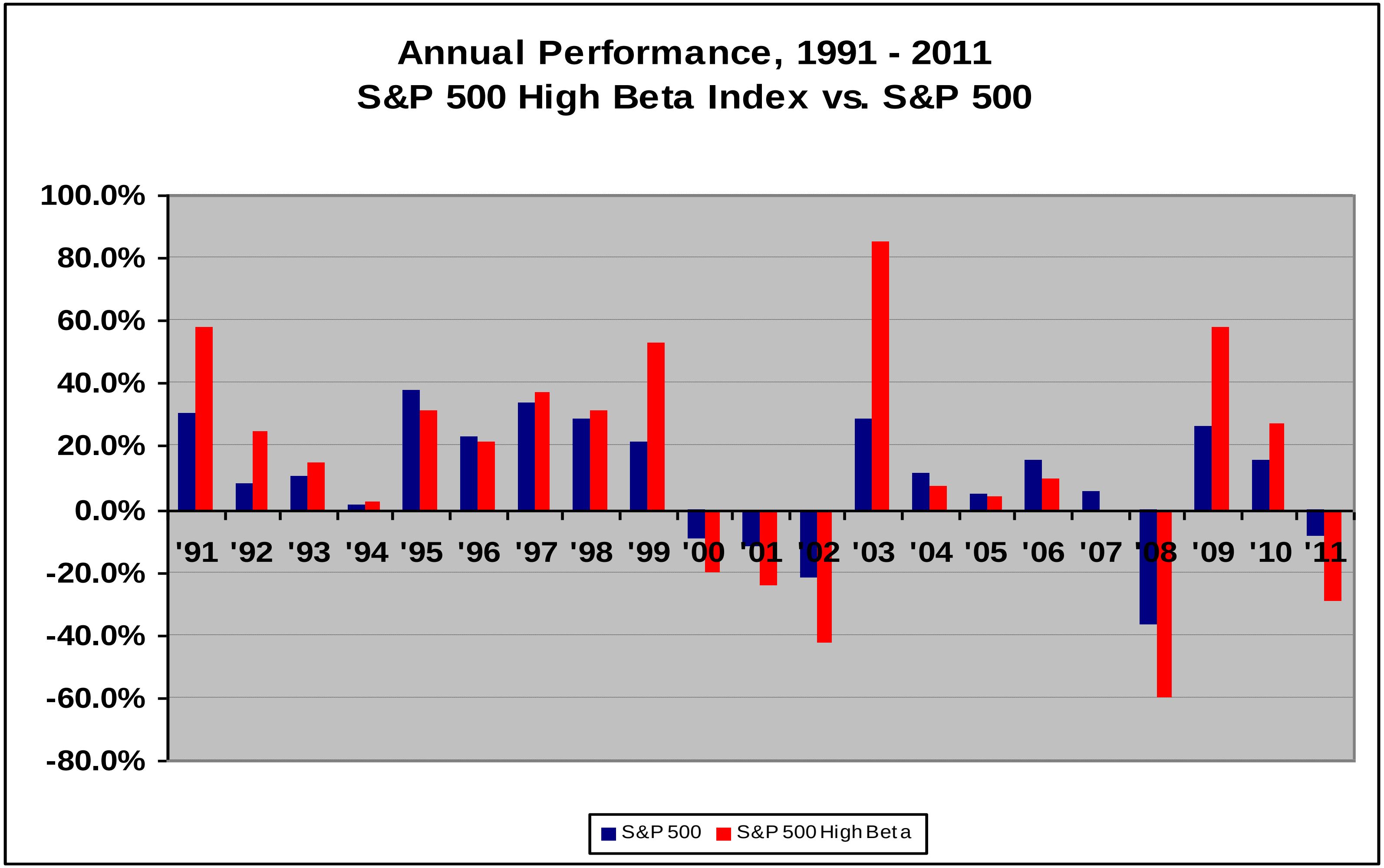
Source, S&P Indices. Data from November 30, 1990 – September 30, 2011. Turnover data for the S&P 500 Low Volatility Index prior to April 18, 2011 are backtested. Charts are provided for illustrative purposes only.

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

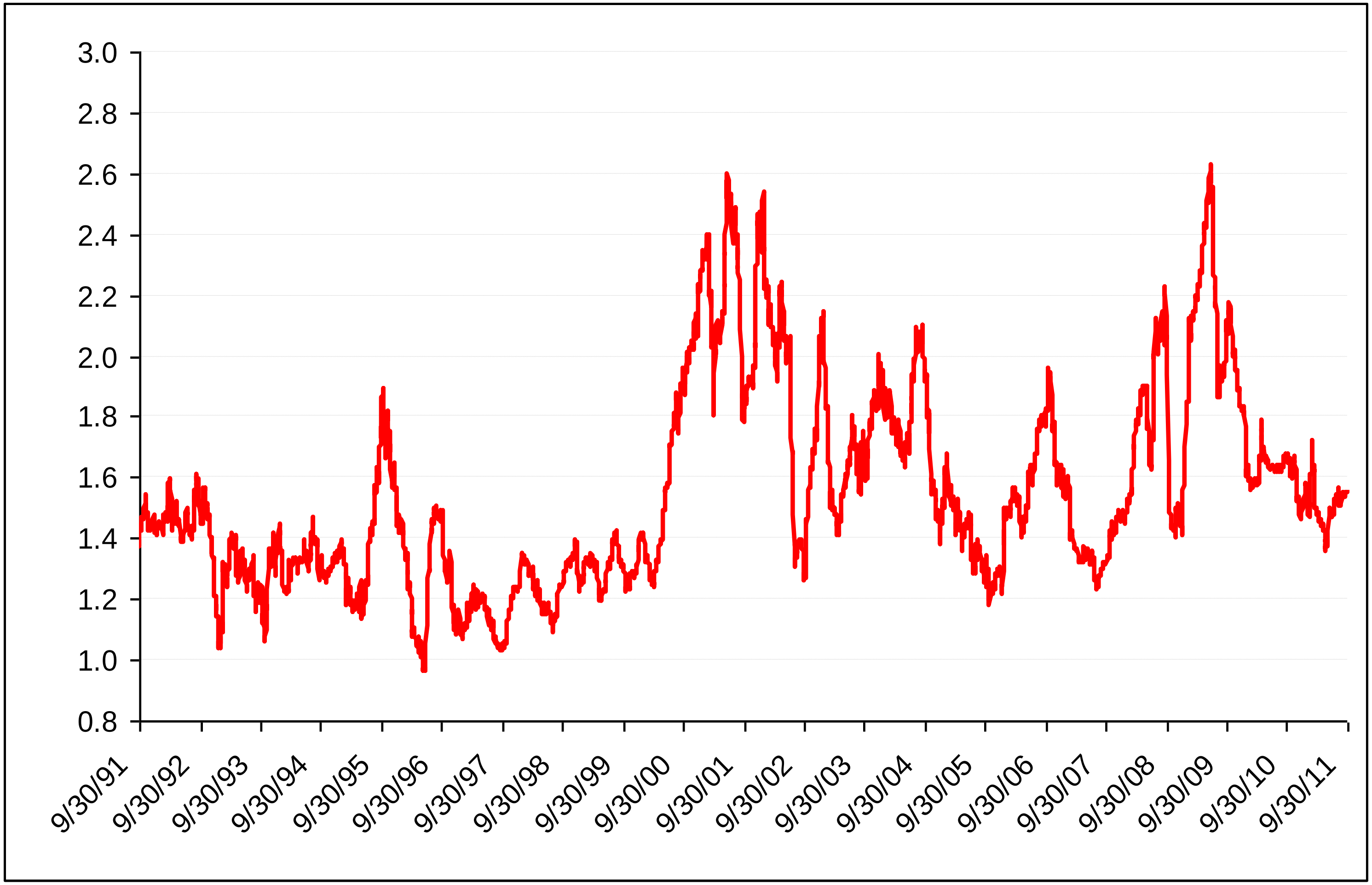
- **The underlying universe is the constituents of the S&P 500.**
  – Measure beta as the slope of the regression line of the security's price changes versus the price changes of the S&P 500 over the trailing 252 trading days.
  – Rank constituents in descending order of beta.
  – The 100 highest-beta stocks form the index.

- **These 100 stocks are weighted by their level of market sensitivity, with the highest beta stocks receiving the highest weights.**

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

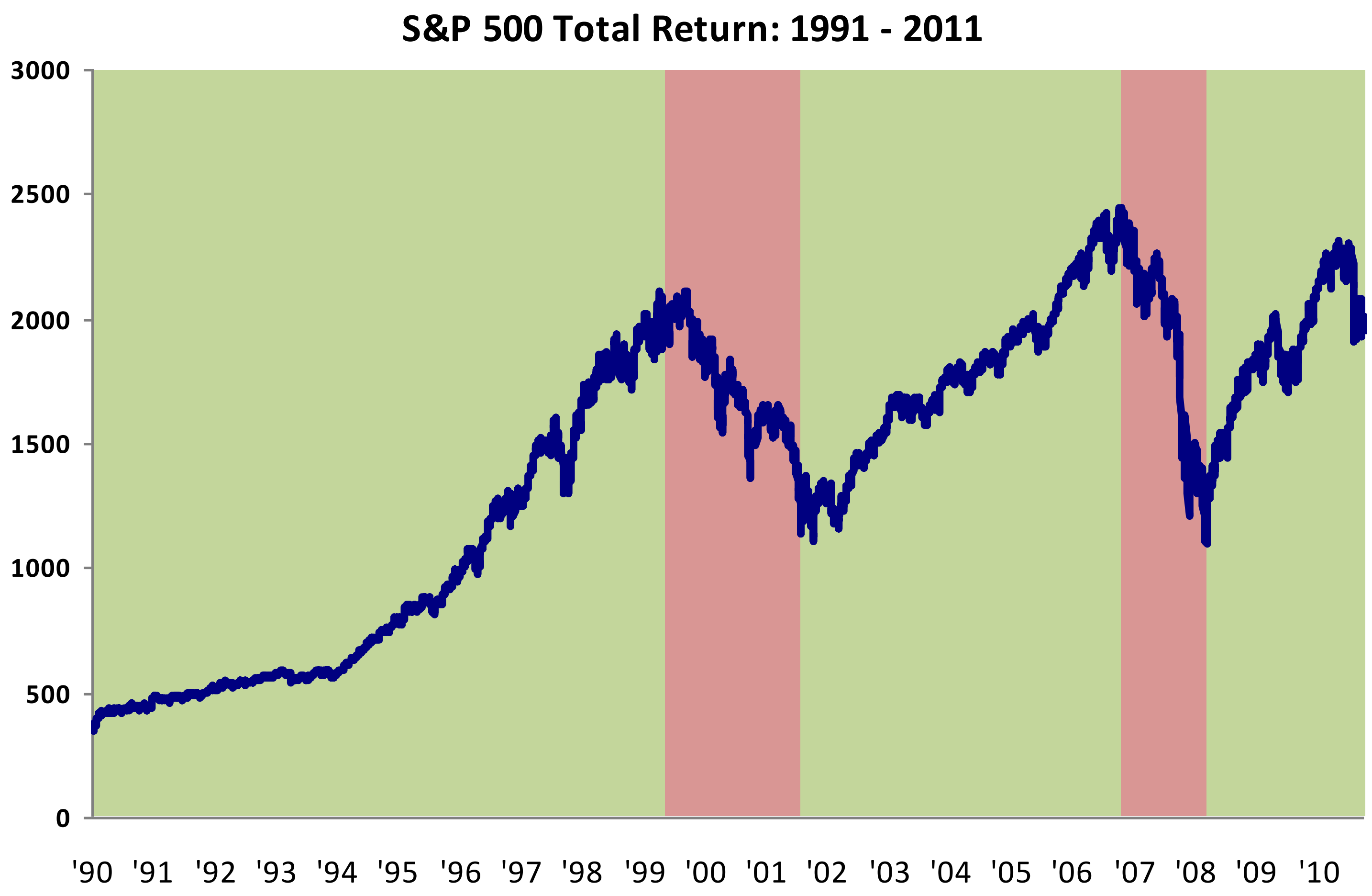
- **The index is rebalanced quarterly. The reference date of the rebalance is the last trading day of January, April, July and October of each year.**

What is the beta of the High Beta Index?



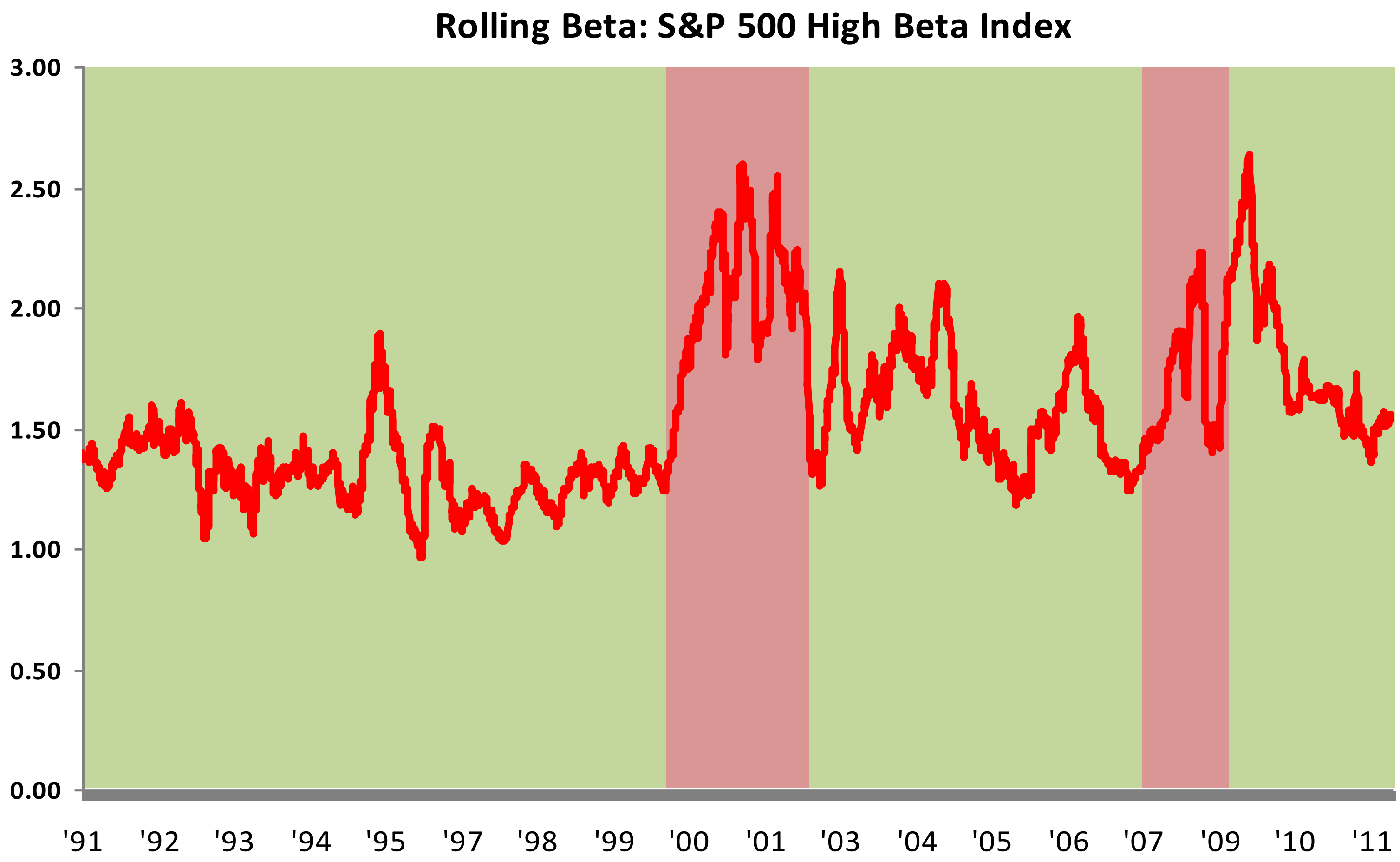
Source: S&P Indices. Data from November 30, 1990 to September 30, 2011. Graphs are provided for illustrative purposes only. Past performance is not a guarantee of future results. Results for the S&P 500 High Beta Index prior to April 18, 2011 are backtested. Please see the Performance Disclosure at the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

Some Context for Beta Analysis



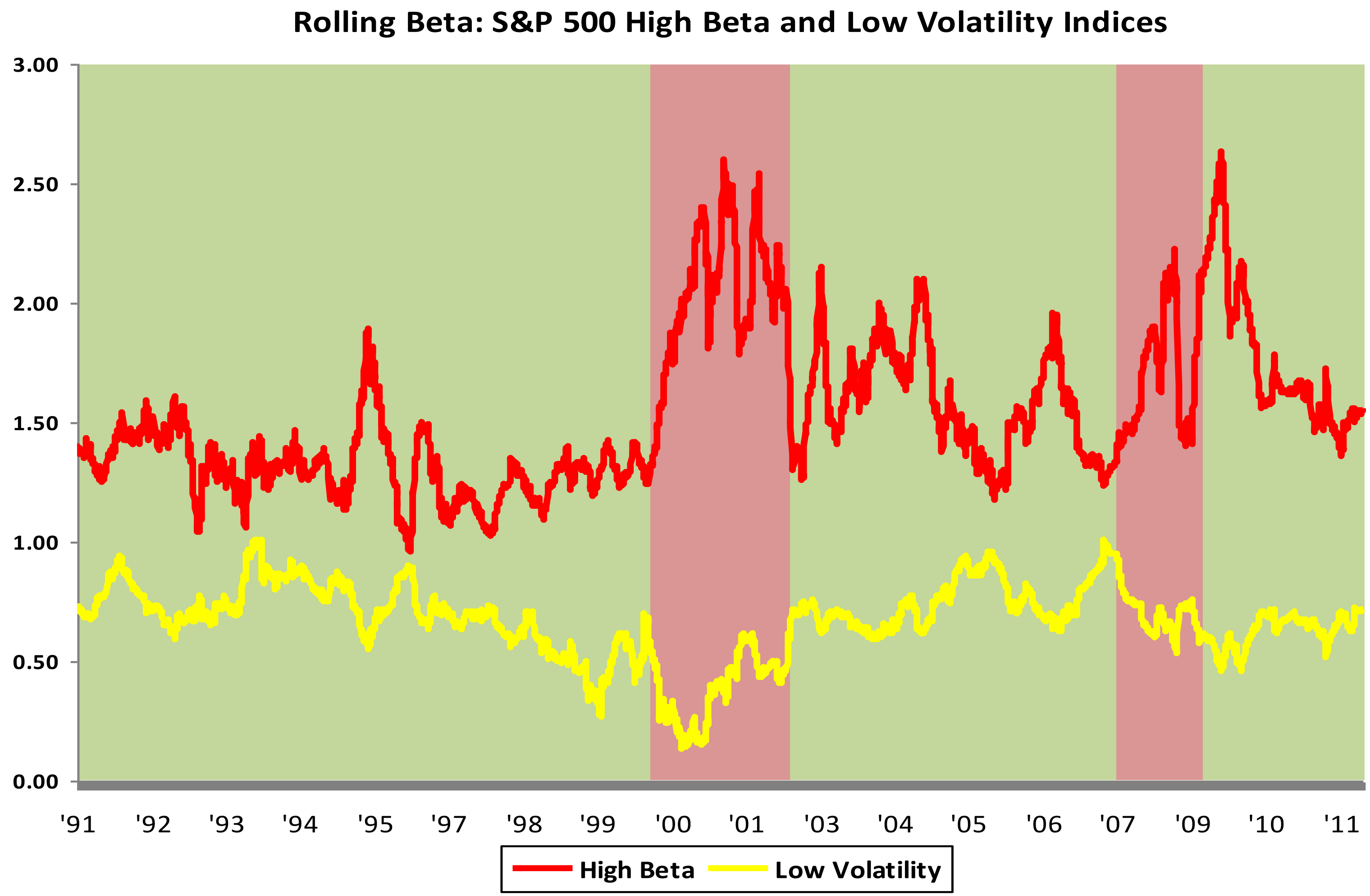
Source: S&P Indices. Data from December 31, 1990 through September 30, 2011. Graphs are provided for illustrative purposes only.

What is the beta of the High Beta Index?



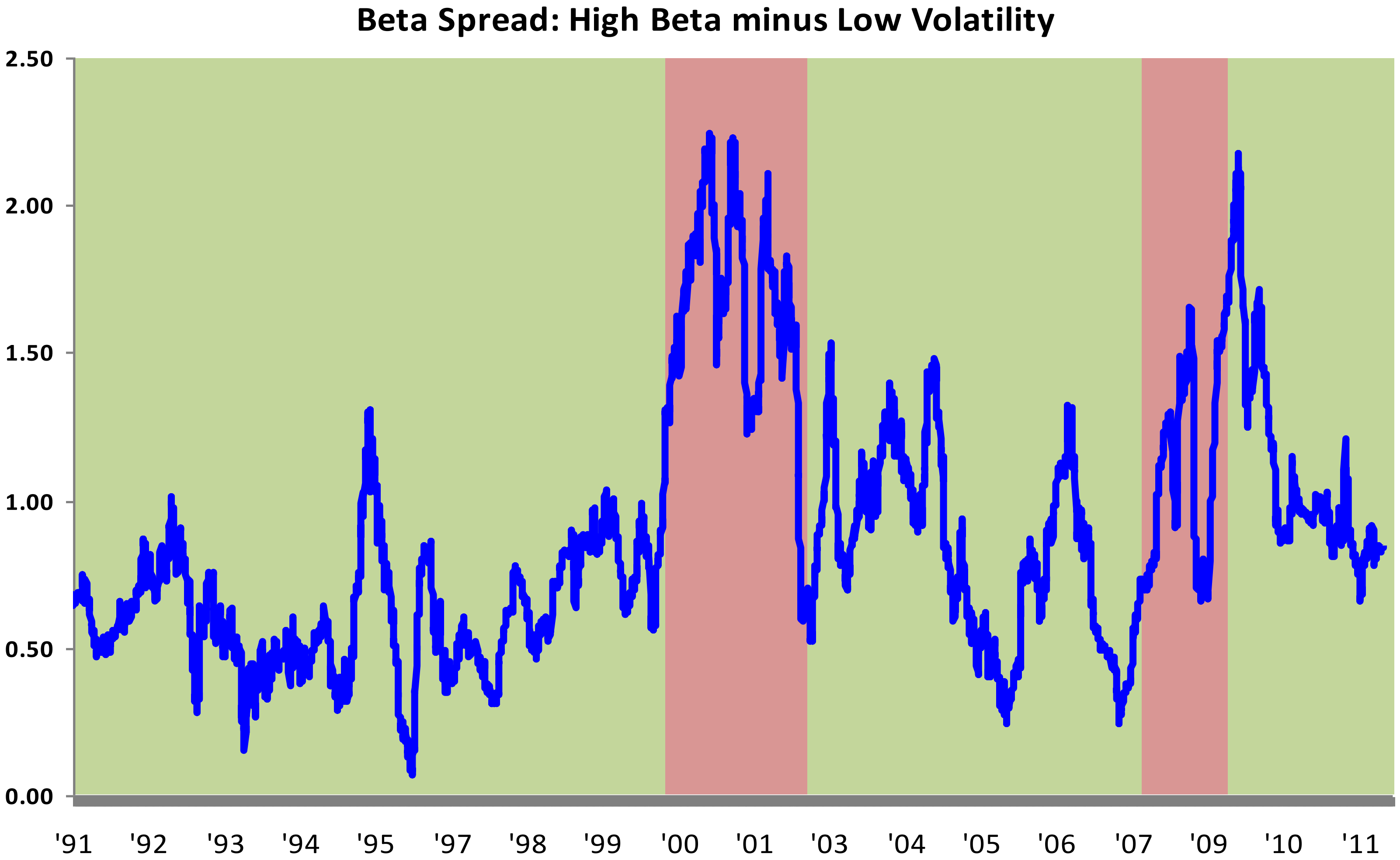
Source: S&P Indices. Data from November 30, 1990 through September 30, 2011. Graphs are provided for illustrative purposes only. Returns for the S&P 500 High Beta Index prior to April 18, 2011 are backtested. Please see the Performance Disclosure towards the end of this presentation for more information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

What is the beta of the Low Volatility Index?



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



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.

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.standarandpoors.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.

The index returns shown do not represent the results of actual trading of investor assets. Standard & Poor's maintains the indices and calculates the index levels and performance shown or discussed, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of theses fees and charges would cause actual and back-tested performance to be lower than the performance shown. In a simple example, if an index returned 10% on a US $100,000 investment for a 12-month period (or US$ 10,000) and an actual asset-based fee of 1.5% were imposed at the end of the period on the investment plus accrued interest (or US$ 1,650), the net return would be 8.35% (or US$ 8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US$ 5,375, and a cumulative net return of 27.2% (or US$ 27,200).

General Disclaimer

This document does not constitute an offer of services in jurisdictions where Standard & Poor's Financial Services LLC ("S&P") or its affiliates do not have the necessary licenses. All information provided by S&P is impersonal and not tailored to the needs of any person, entity or group of persons. S&P receives compensation in connection with licensing its indices to third parties. Any returns or performance provided within are for illustrative purposes only and do not demonstrate actual performance. Past performance is not a guarantee of future investment results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P and its affiliates do not sponsor, endorse, sell, promote or manage any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of any S&P index. There is no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P is not an investment advisor, and S&P and its affiliates make no representation regarding the advisability of investing in any such investment fund or other vehicle. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by S&P to buy, sell, or hold such security, nor is it considered to be investment advice.

S&P does not guarantee the accuracy and/or completeness of any S&P index, any data included therein, or any data from which it is based, and Standard & Poor's shall have no liability for any errors, omissions, or interruptions therein. S&P makes no warranties, express or implied, as to results to be obtained from use of information provided by S&P, and S&P expressly disclaims all warranties of suitability with respect thereto. While S&P has obtained information believed to be reliable, S&P shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages, even if it is advised of the possibility of same.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process. S&P and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

For questions, please contact:

craig_lazzara@sandp.com

aye_soe@sandp.com