

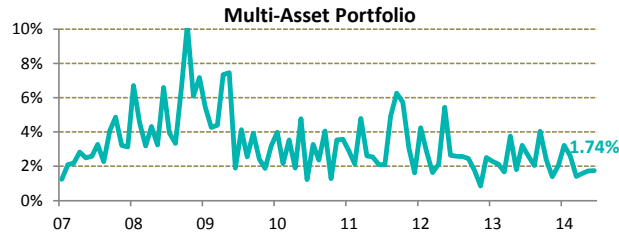
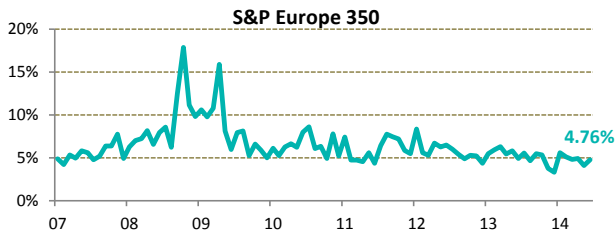
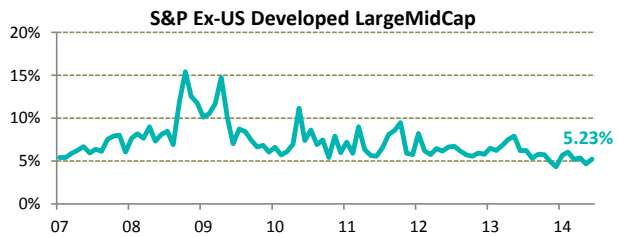
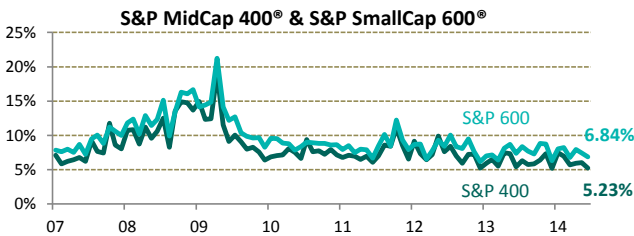
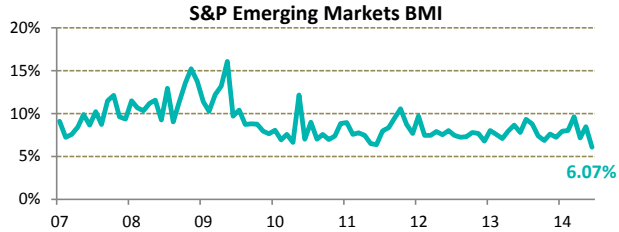
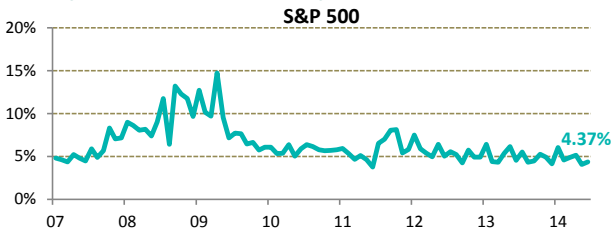
**Index Investment Strategy**

**COMMENTARY**

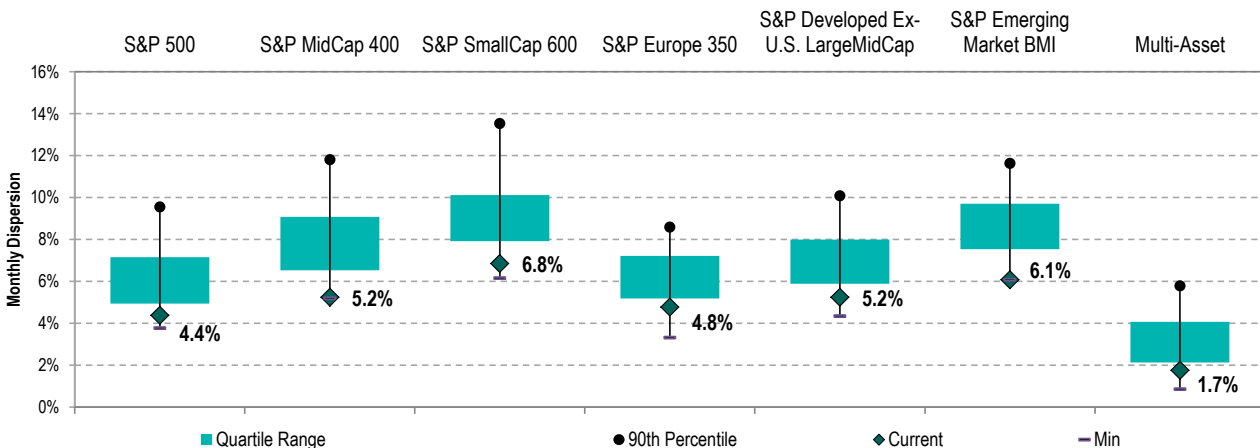
- A grinding bull market in global equities continued through June, albeit without much enthusiasm; volatility measures both real and implied hit multi-year lows in the U.S. and across Europe.
- Correlations are remarkably low within each of the major indices shown. While ex-U.S. developed equity correlations hit an all time low last month, this month it was the turn of Emerging Markets (EM). What little correlation remains is in good part accounted for by currency (all returns are compared in U.S. dollars).
- Dispersion continues to register levels near the recent, record lows. EM dispersion was the lowest since 2007.
- The Bank of International Settlements (BIS) issued a report yesterday warning markets are giddy and euphoric - that we are in the calm before the storm. Storm or no, it is certainly very, very calm.

**DISPERSION**

Monthly Dispersion Jan. 2007 - May. 2014



Dispersion Levels versus Historical Range

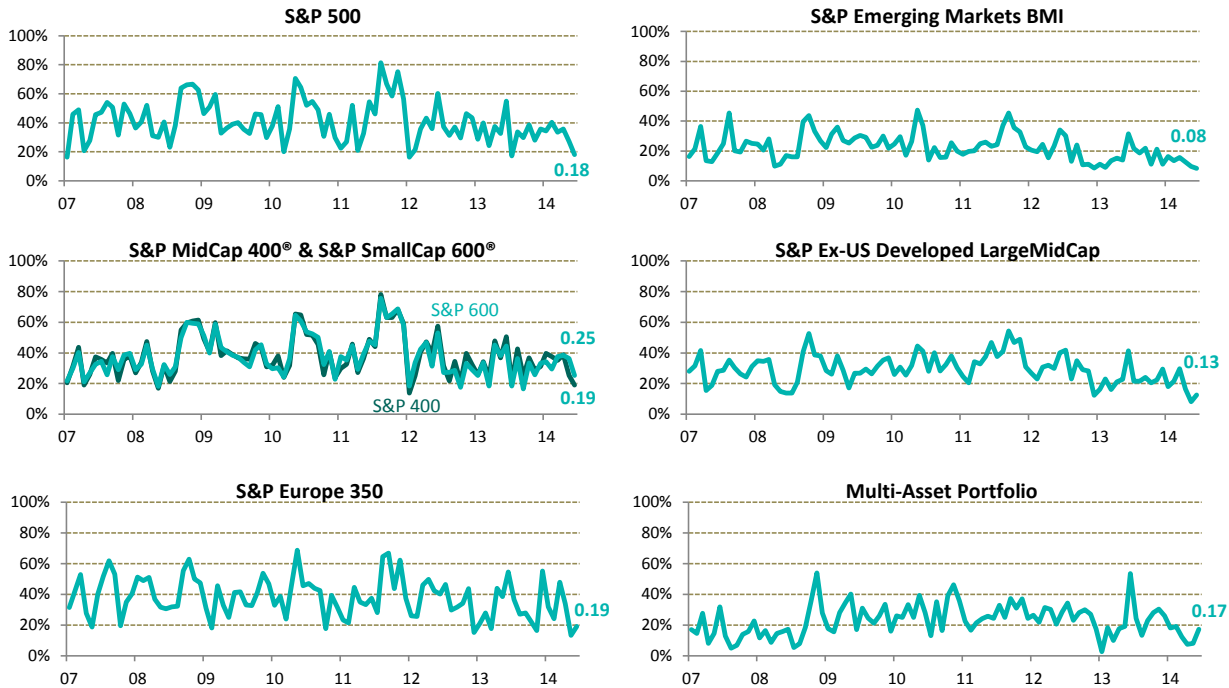


Source: S&P Dow Jones Indices LLC and/or its affiliates as of July 1, 2014. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results. For more information, please visit our website at [www.spdji.com](http://www.spdji.com)

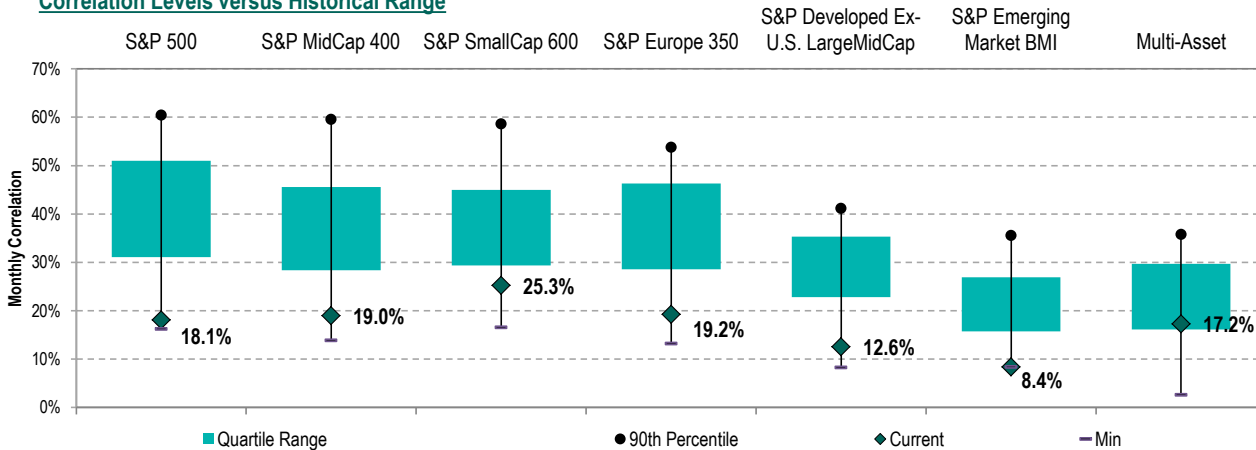
**Index Investment Strategy**

**CORRELATION**

Index-Weighted Average Pairwise Stock Correlation Jan. 2007 - May 2014



Correlation Levels versus Historical Range



**NOTES**

- Index dispersions shown based on calendar month stock-level index-weighted dispersion. See the paper "[Dispersion: Measuring Market Opportunity](#)" for the definition of index dispersion and more information on the uses of dispersion.
- Index correlation based on single stock daily total returns during each calendar month. See the paper "[At the Intersection of Diversification, Volatility and Correlation](#)" for details on the relationship between correlation and dispersion.
- All calculations based total return indices in USD unhedged except in the case of the S&P Europe 350, the latter provided in EUR total returns.
- The Multi-Asset Portfolio comprises equal weights in each of: the S&P 500, S&P Europe 350, S&P Emerging Market BMI, S&P GSCI®, S&P TOPIX 150, Barclays Aggregate U.S. Corporate High Yield, Barclays Aggregate U.S. Bond and S&P / Citigroup International Treasury Bond Ex-US Indices. All returns are total returns in USD unhedged. Multi-Asset Portfolio dispersion and correlation are based on equally-weighted total monthly returns in the case of the former and equally weighted pairwise daily returns over in calendar month for the latter.

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