

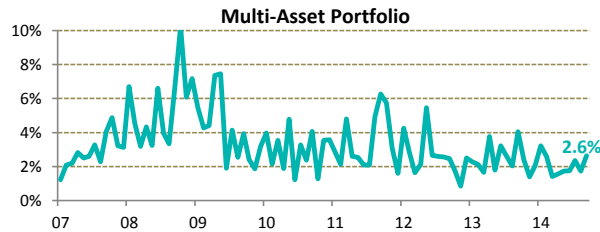
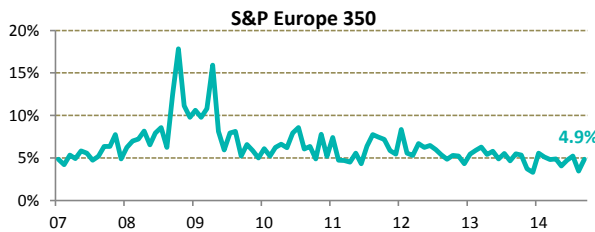
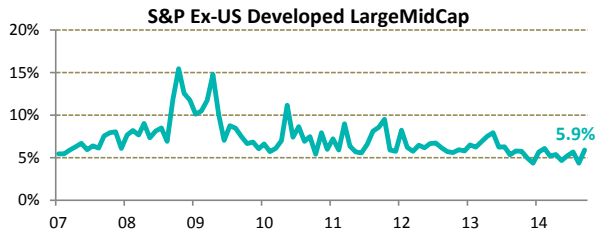
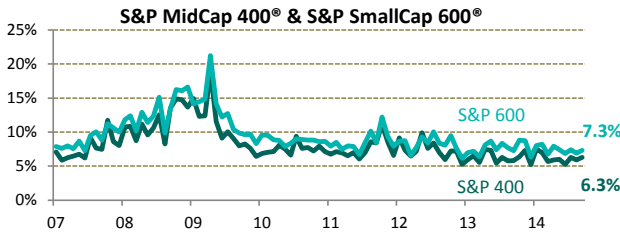
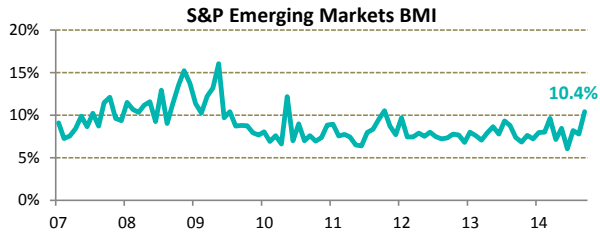
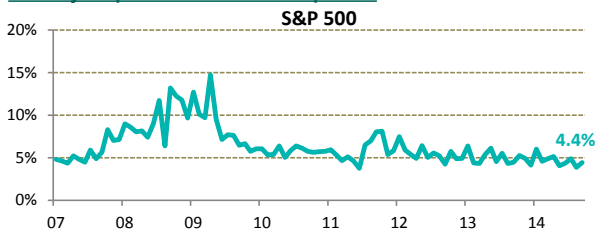
Index Investment Strategy

COMMENTARY

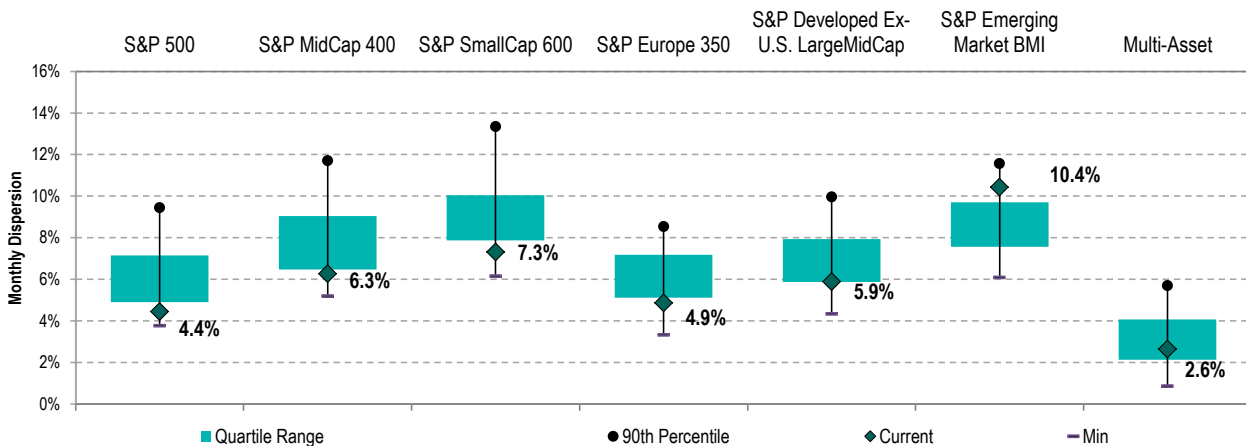
- Within major developed markets such as the U.S. or continental Europe, dispersion remains low. Across different geographies and asset classes, however, dispersion has increased; the opportunity set and relative risk of different currency areas has evolved.
- In developed markets, as the U.S. and U.K. are perceived to be in the final innings of their monetary stimulus programs, some volatility has returned. Europe and Japan's central banks look a long way from the exit, and Australia is looking weak.
- Emerging markets are even more decoupled. With Brazil's market collapsing in advance of a hard-to-call election, Russian markets roiled by sanctions (yet attracting value investors internationally), China nervous and India quite the opposite – equity dispersion has risen far above developed market levels and into the top quartile of its historical range.
- Correlations were more or less unchanged in the S&P 500 (and in our other U.S. indices), fell in the S&P Europe 350 (as the U.K had a very distinct story this month) and have fallen close to all-time lows across the S&P Ex-US Developed LargeMidCap BMI.

DISPERSION

Monthly Dispersion Jan. 2007 - Sep. 2014



Dispersion Levels versus Historical Range

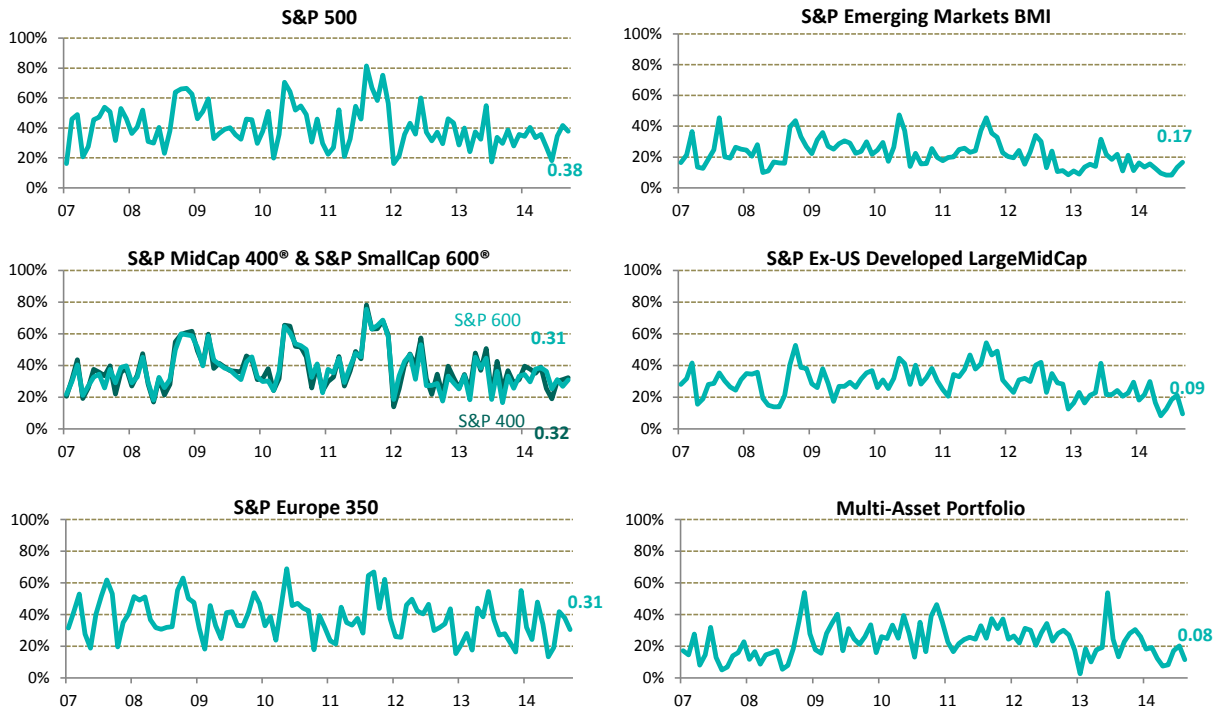


Source: S&P Dow Jones Indices LLC and/or its affiliates as of October 1, 2014. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results. For more information, please visit our website at www.spdji.com

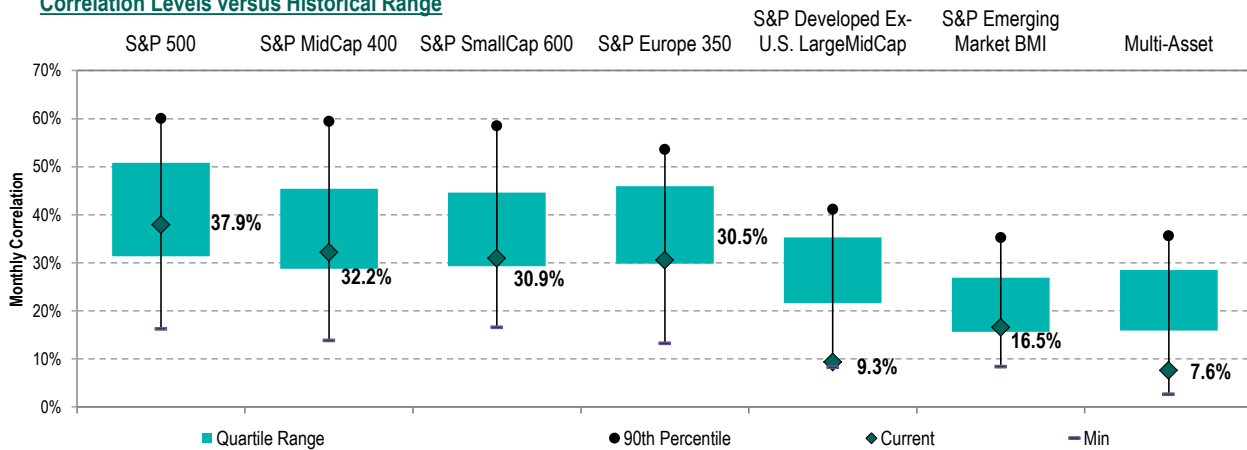
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CORRELATION

Index-Weighted Average Pairwise Stock Correlation Jan. 2007 - Sep. 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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