

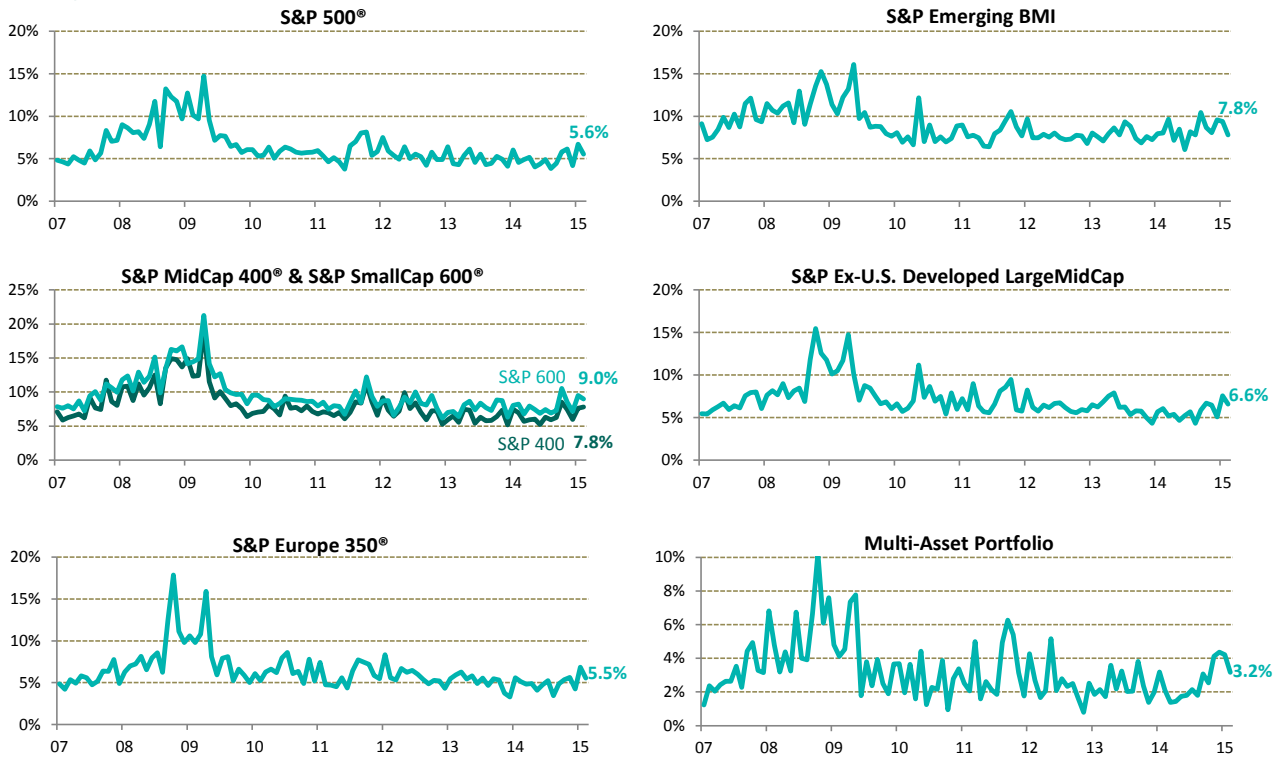
**Index Investment Strategy**

**COMMENTARY**

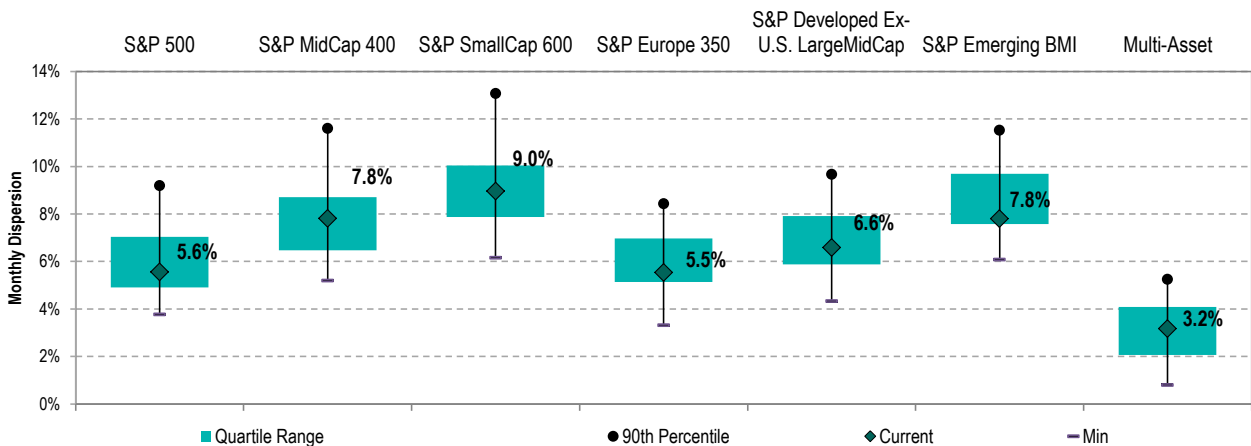
- Warning signals were flashing in European correlation levels prior to the European Central Bank's much-anticipated stimulus package at the end of last month; since the announcement, correlations have collapsed. Our dashboard this month reports remarkably low correlation levels across the equity landscape, but dispersion remains high relative to recent history.
- February's 0.11 correlation for the S&P Europe 350® was the lowest since at least 2007, similar record-low correlations were recorded in the S&P SmallCap 600®, the S&P Emerging BMI and the S&P Ex-U.S. Developed LargeMidCap. Every single correlation measure was in the lowest quartile of its historic range.
- While January was turbulent, February saw a marked decline in market volatility. However, idiosyncratic risk persists; dispersion remained close to its previous levels and is close to the longer-term average in most of the markets we measure. This is high in the context of the recent few years of attenuated dispersion.

**DISPERSION**

Monthly Dispersion Jan. 2007 - Feb. 2015



Dispersion Levels versus Historical Range

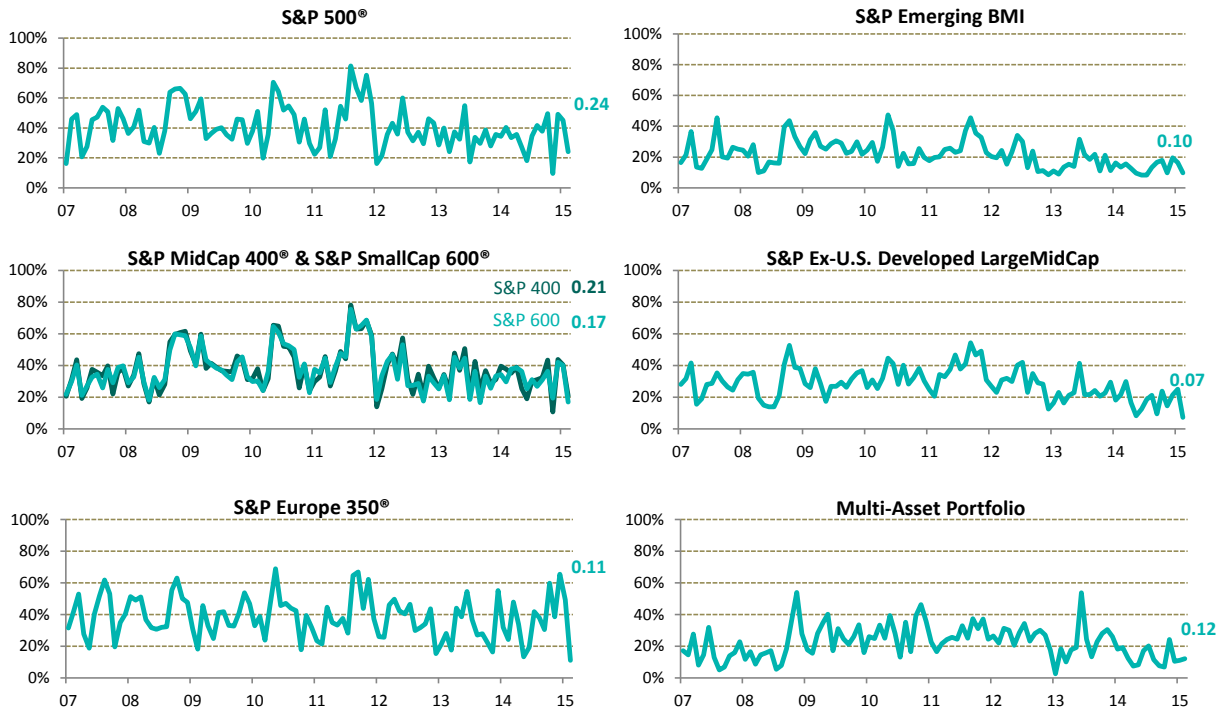


Source: S&P Dow Jones Indices LLC and/or its affiliates as of February 2, 2015. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results. For more information, please visit our website at [www.spdji.com](http://www.spdji.com)

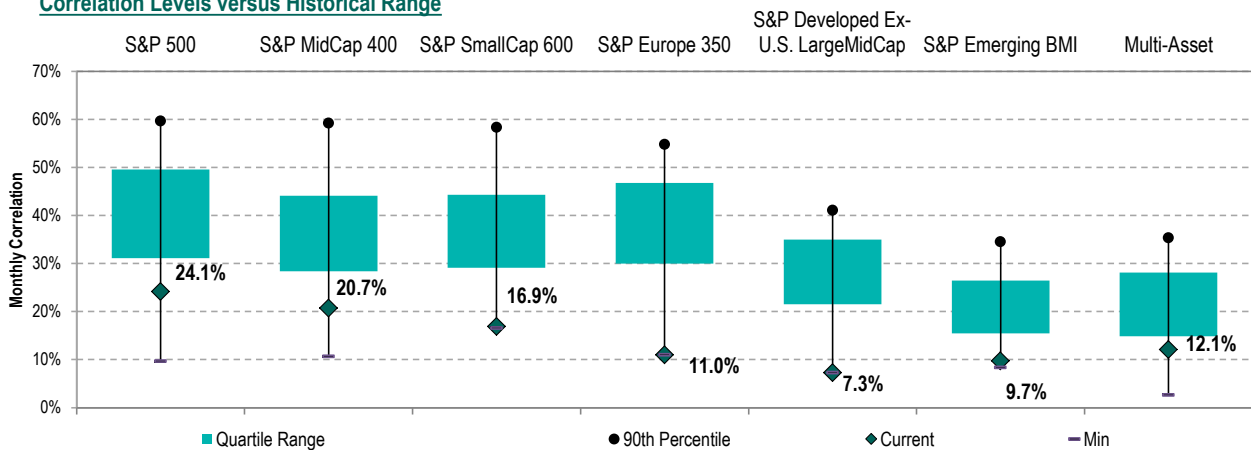
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**CORRELATION**

**Index-Weighted Average Pairwise Stock Correlation Jan. 2007 - Feb. 2015**



**Correlation Levels versus Historical Range**



**NOTES**

- Index dispersions shown based on calendar month stock-level index-weighted dispersion. See "[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 "[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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