

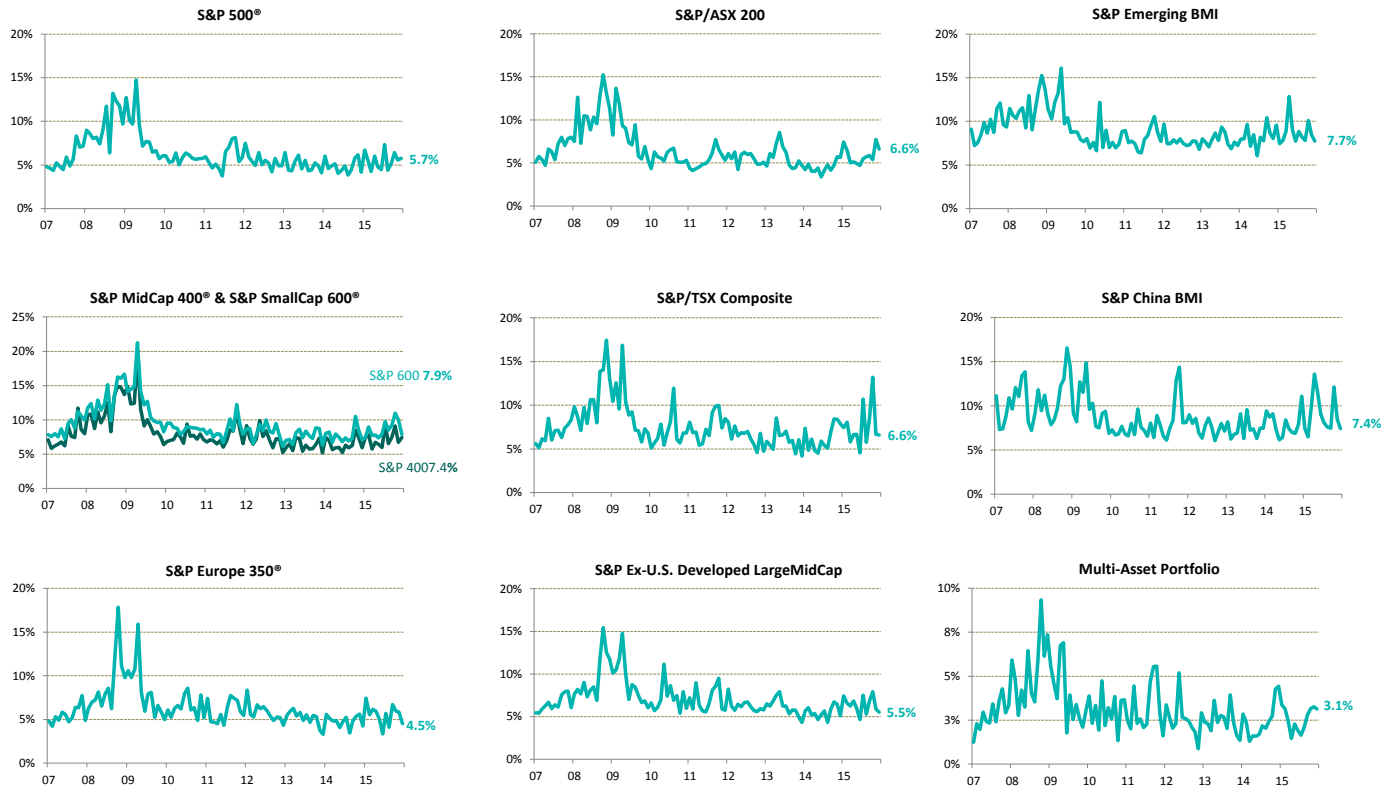
Index Investment Strategy

COMMENTARY

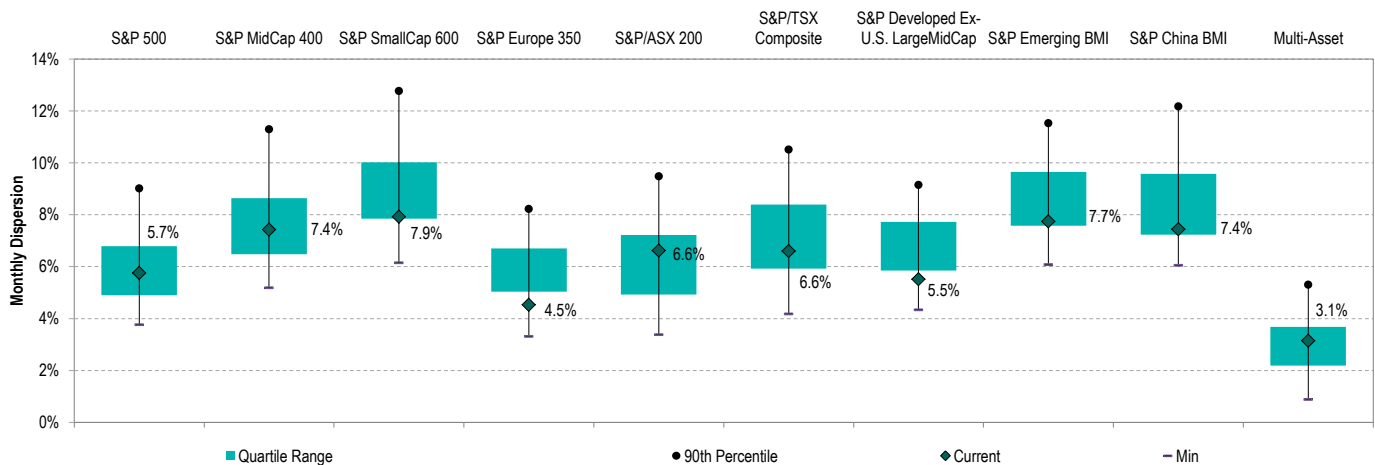
- Last year, the anticipation - and December's realization - of an end to the "zero interest rate policy" saw dispersion in U.S. stocks rise from the previous multi-decade lows. Monthly dispersion for the S&P 500 averaged 5.5% over 2015; up from the 4.8% of 2014 but still below the long-term average of 6.3%.
- As central banking actions and statements dominated the investment outlook, 2015 was a year of high and occasional record correlations among developed market stocks, particularly those within the same currency area. Cross-regional correlations, as seen in the broader indices, were not as substantially elevated.
- It was a good year for diversification, as cross-asset correlations remained relatively low and cross-asset dispersion relatively high.

DISPERSION

Monthly Dispersion Jan. 2007 - Dec. 2015



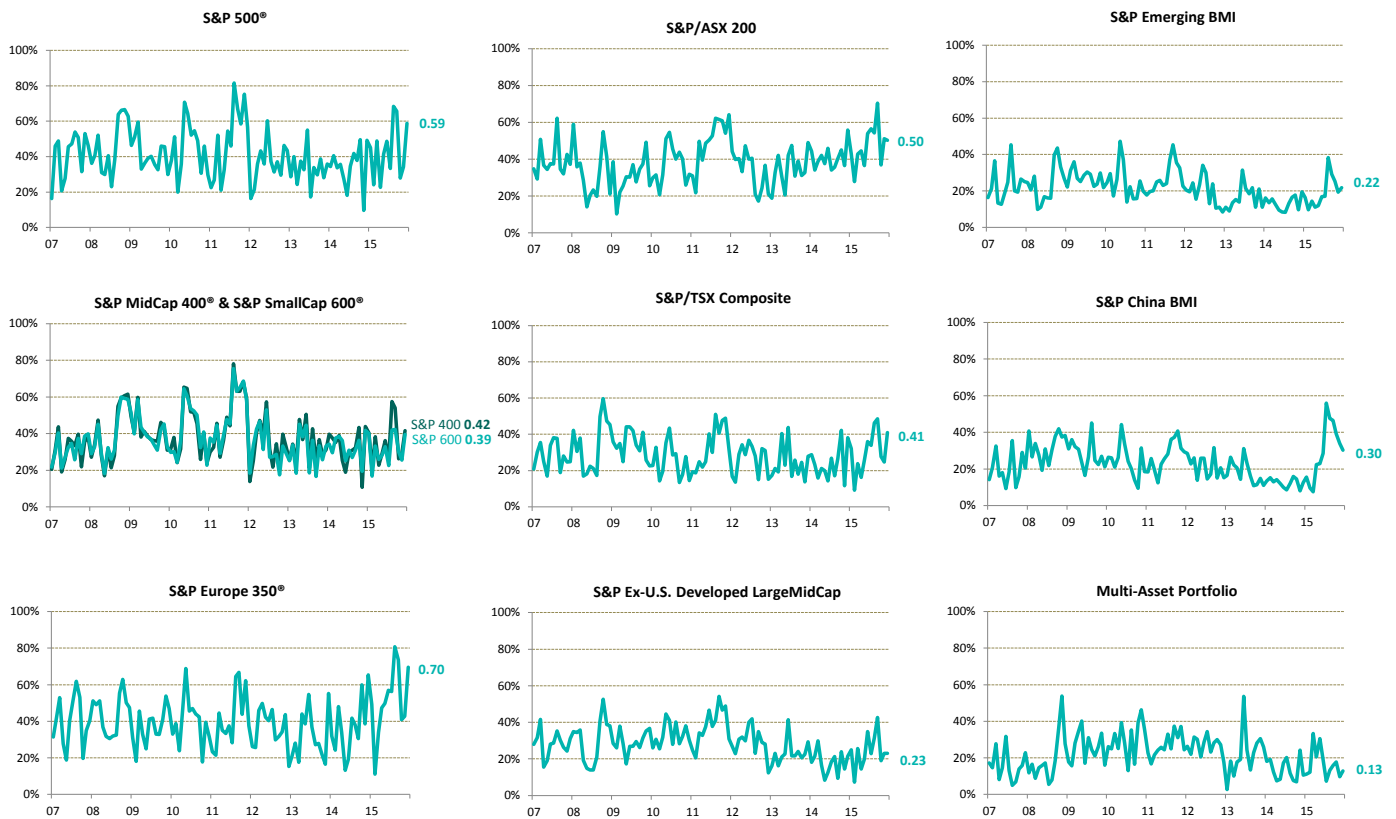
Monthly Dispersion Levels versus Historical Range



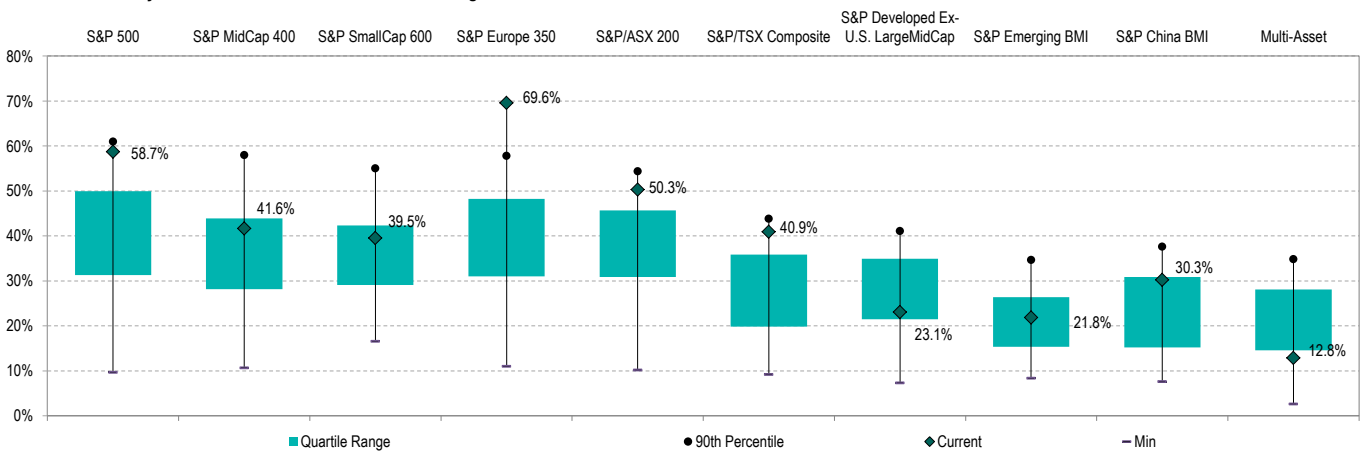
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CORRELATION

Index-Weighted Average Pairwise Stock Correlation Jan. 2007 - Dec. 2015



Current Monthly 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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