

Index Investment Strategy

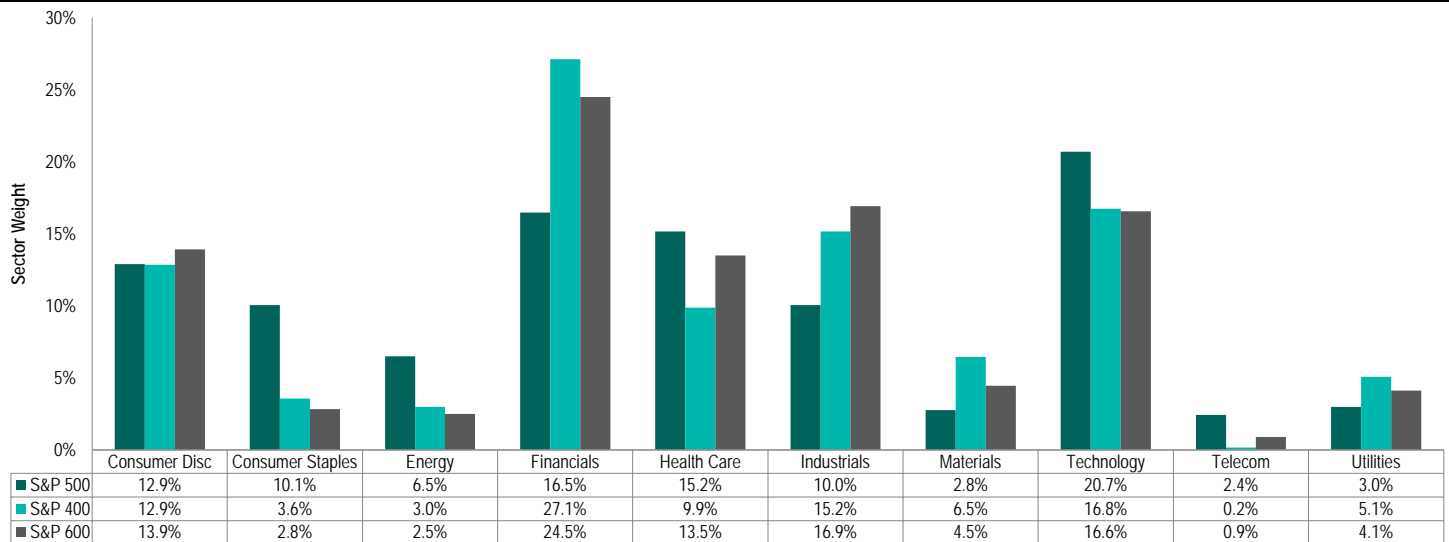
Commentary

- 2015 was a turbulent year for U.S. equities. Following a third quarter during which uncertainty in China spilled over into global markets, the U.S. equity market recovered in the fourth quarter.
- Sectoral performance was mixed on the year. The Health Care and Technology sectors performed well across all capitalization ranges, while the Energy sector struggled in the face of falling oil prices.
- Energy and Technology sector ETFs saw inflows in December, while Industrial sector ETFs experienced outflows.

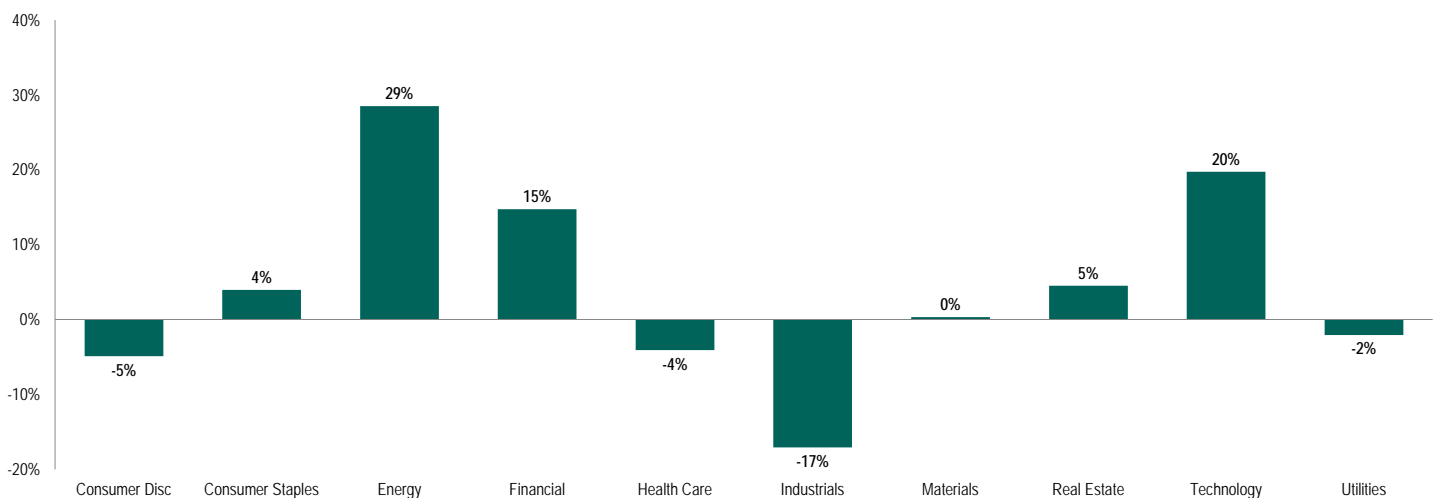
Sector Performance

Sector	S&P 500®			S&P 500 Equal Weight			S&P MidCap 400®			S&P SmallCap 600®		
	MTD	QTD	YTD	MTD	QTD	YTD	MTD	QTD	YTD	MTD	QTD	YTD
Consumer Discretionary	-2.78%	5.79%	10.11%	-3.65%	0.87%	-2.52%	-2.86%	-5.79%	-8.17%	-4.58%	-4.05%	-8.74%
Consumer Staples	2.86%	7.64%	6.60%	4.06%	9.77%	13.61%	-3.30%	-0.89%	-3.57%	-4.88%	0.85%	0.72%
Energy	-9.87%	0.20%	-21.12%	-12.13%	-4.26%	-28.71%	-18.75%	-9.14%	-33.01%	-17.47%	-3.35%	-47.27%
Financials	-2.12%	5.96%	-1.53%	-2.20%	5.56%	-0.80%	-3.23%	4.66%	5.13%	-5.34%	2.28%	0.36%
Health Care	1.78%	9.22%	6.89%	2.01%	9.48%	8.68%	-0.90%	5.00%	9.22%	-0.33%	10.56%	20.73%
Industrials	-2.00%	8.00%	-2.53%	-3.71%	5.16%	-6.50%	-5.93%	4.33%	-3.13%	-7.34%	4.25%	-5.28%
Materials	-4.16%	9.69%	-8.38%	-4.85%	6.67%	-7.42%	-5.79%	5.46%	-12.74%	-7.42%	0.53%	-25.64%
Technology	-2.29%	9.17%	5.92%	-1.96%	8.95%	3.38%	-4.91%	5.17%	0.61%	-3.49%	8.13%	4.65%
Telecom	1.75%	7.61%	3.40%	0.01%	8.32%	-7.10%	-7.99%	4.28%	-11.09%	-2.42%	17.06%	2.45%
Utilities	2.17%	1.07%	-4.85%	1.98%	1.50%	-3.36%	1.32%	3.98%	-5.94%	0.27%	6.92%	7.50%

Index Composition



Distribution of Total Monthly ETF Flows



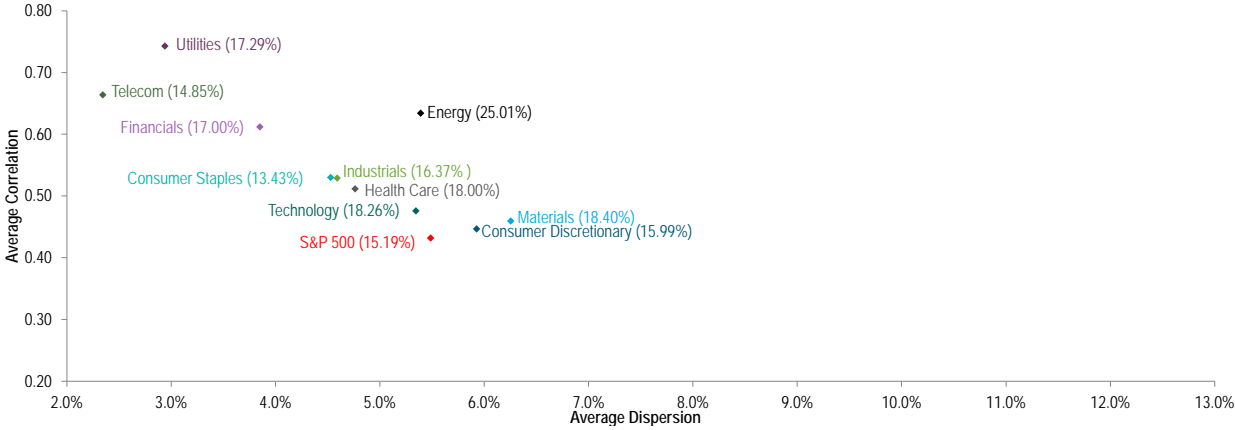
Source: S&P Dow Jones Indices LLC and/or its affiliates and Thomson Reuters. Data as of December 31, 2015. Index performance based on total return (USD). Sector flows are based on signed percentage of total monthly ETF flows. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results.

Commentary

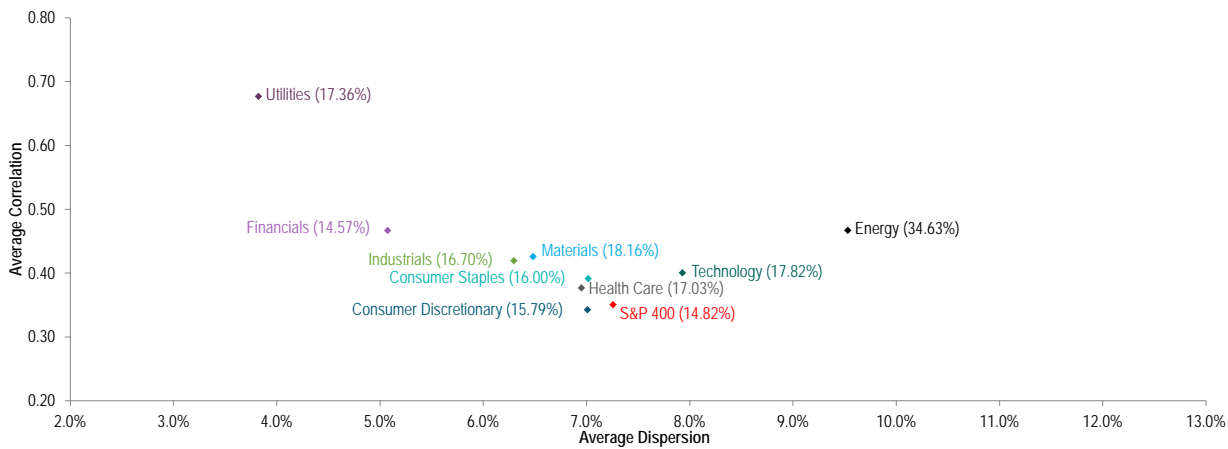
- Energy has experienced high dispersion and high correlation relative to other sectors. Unsurprisingly, Energy has been the most volatile sector (and the worst performer) in all three cap ranges.
- Utilities, Energy, and Financials have been among the most highly correlated sectors across all three cap ranges, indicating the above-average importance of macro influences in those sectors.

Sector Dispersion and Correlation

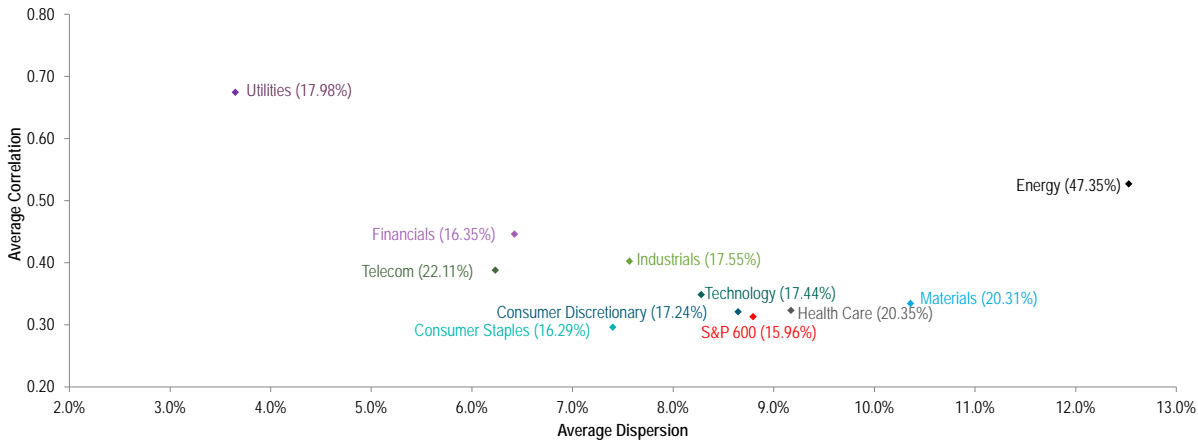
S&P 500 Sector Average Correlation and Dispersion (Trailing 12-Month Volatility)



S&P MidCap 400 Sector Average Correlation and Dispersion (Trailing 12-Month Volatility)



S&P SmallCap 600 Sector Average Correlation and Dispersion (Trailing 12-Month Volatility)



NOTES

- The charts above decomposed volatility into its two main components: dispersion and correlation. The dispersion and correlation data points are each sector's average monthly value over the trailing 12 months. Trailing annualized volatility is included in parentheses. See "Some Implications of Sector Dispersion" for more information.
- Index dispersions shown based on calendar month stock-level index-weighted 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.

## Index Investment Strategy

## Industry Returns (Grouped by Sector)

	S&P 500®			S&P MidCap 400®			S&P SmallCap 600®		
	MTD	QTD	YTD	MTD	QTD	YTD	MTD	3M	YTD
<b>Consumer Discretionary</b>									
Auto Components	-7.0%	4.7%	-3.4%	-8.4%	-2.2%	-20.4%	-4.9%	3.5%	5.5%
Automobiles	-3.6%	6.5%	-5.2%	-2.5%	9.6%	2.5%	-11.6%	4.4%	-6.9%
Distributors	-4.6%	4.3%	-17.1%	0.5%	4.5%	5.4%	-2.5%	15.0%	29.9%
Diversified Consumer Services	-8.7%	-7.5%	1.3%	-5.9%	-12.0%	-25.9%	-9.2%	0.6%	-32.9%
Hotels Restaurants & Leisure	0.6%	6.5%	16.5%	2.5%	-4.5%	1.0%	-1.2%	-3.5%	-2.6%
Household Durables	-4.6%	3.7%	0.1%	0.0%	5.1%	9.7%	-4.8%	3.7%	7.8%
Internet & Catalog Retail	0.5%	22.6%	83.5%	1.5%	-10.9%	-21.7%	-1.5%	-6.8%	0.0%
Leisure Products	0.8%	11.2%	5.2%	-9.7%	-12.3%	-21.3%	0.2%	1.3%	22.4%
Media	-6.3%	2.4%	-4.3%	-5.3%	2.9%	-4.7%	-8.5%	5.2%	5.4%
Multiline Retail	0.5%	-6.8%	-11.2%	-15.2%	-24.1%	0.0%	-1.1%	31.9%	-44.7%
Specialty Retail	-2.2%	4.7%	9.4%	-3.9%	-13.0%	-14.8%	-6.4%	-8.5%	-23.9%
Textiles, Apparel & Luxury Goods	-5.5%	-3.4%	-1.9%	-1.6%	-16.6%	-17.7%	-5.8%	-21.6%	-19.6%
<b>Consumer Staples</b>									
Beverages	0.5%	8.3%	11.9%	-5.5%	-4.1%	N/A	N/A	N/A	N/A
Food & Staples Retailing	3.7%	3.5%	-1.6%	-0.6%	1.5%	-22.6%	-3.8%	-11.4%	-25.8%
Food Products	3.3%	7.4%	12.3%	-5.5%	-1.7%	4.5%	-5.5%	1.2%	-0.4%
Household Products	5.2%	11.1%	-4.6%	-2.7%	-2.7%	6.3%	-4.3%	1.7%	23.6%
Personal Products	4.7%	9.5%	11.2%	2.0%	2.7%	N/A	-5.8%	3.1%	-10.7%
Tobacco	1.7%	9.5%	21.9%	N/A	N/A	N/A	-0.8%	14.3%	27.4%
<b>Energy</b>									
Energy Equipment & Services	-10.9%	-1.2%	-20.1%	-14.7%	-0.4%	-35.1%	-16.1%	-4.7%	-49.7%
Oil, Gas & Consumable Fuels	-9.7%	0.5%	-21.3%	-21.7%	-14.9%	-30.5%	-19.2%	-1.7%	-43.5%
<b>Financials</b>									
Banks	-2.2%	6.9%	0.8%	-7.7%	3.6%	6.6%	-8.9%	0.7%	6.4%
Capital Markets	-5.7%	5.3%	-7.7%	-8.6%	4.2%	-7.0%	-4.2%	9.1%	-9.9%
Consumer Finance	-4.9%	-1.6%	-19.8%	-3.5%	-11.9%	-36.0%	-10.8%	-17.5%	-35.0%
Diversified Financial Services	-1.5%	2.6%	-6.0%	-2.2%	7.5%	25.6%	N/A	N/A	N/A
Insurance	-2.7%	6.7%	2.3%	-4.2%	2.1%	10.7%	-3.6%	5.0%	8.7%
Real Estate Investment Trusts (REITs)	2.4%	8.6%	4.8%	0.8%	7.2%	3.5%	-1.4%	5.5%	-3.8%
Real Estate Management & Development	-7.7%	8.1%	1.0%	-4.4%	9.7%	3.5%	-19.5%	-16.8%	-29.0%
Thriffs & Mortgage Finance	N/A	N/A	N/A	-2.2%	-5.3%	8.5%	-2.5%	-2.5%	15.6%
<b>Health Care</b>									
Biotechnology	2.0%	11.3%	5.9%	2.6%	19.3%	13.5%	1.9%	18.0%	28.2%
Health Care Equipment & Supplies	1.0%	11.7%	6.2%	-3.1%	4.0%	11.0%	0.8%	7.2%	23.7%
Health Care Providers & Services	3.9%	3.9%	12.0%	1.0%	-1.4%	1.8%	-2.3%	5.7%	15.5%
Health Care Technology	1.0%	0.4%	-6.9%	1.0%	24.0%	0.8%	3.1%	23.4%	4.1%
Life Sciences Tools & Services	2.5%	18.2%	14.6%	0.1%	12.9%	12.1%	-4.3%	19.5%	31.5%
Pharmaceuticals	0.9%	9.0%	5.8%	0.8%	16.6%	8.7%	-2.2%	12.2%	29.4%
<b>Industrials</b>									
Aerospace & Defense	-0.8%	8.7%	5.4%	-4.0%	7.4%	-2.3%	-3.8%	9.3%	-10.5%
Air Freight & Logistics	-6.5%	-0.7%	-11.4%	N/A	N/A	N/A	-8.5%	7.8%	-21.4%
Airlines	2.5%	11.4%	-7.2%	-3.1%	-4.5%	37.1%	-4.0%	-1.3%	18.5%
Building Products	-4.0%	13.5%	25.4%	-2.9%	15.6%	30.2%	-5.8%	11.7%	21.1%
Commercial Services and Supplies	-2.6%	2.1%	-3.3%	-4.7%	4.8%	1.4%	-7.5%	1.3%	-2.4%
Construction & Engineering	-4.7%	3.2%	-19.0%	-5.8%	12.4%	2.5%	-11.2%	2.0%	25.9%
Electrical Equipment	-6.2%	4.9%	-15.2%	-0.2%	24.2%	21.2%	-9.9%	6.4%	-9.1%
Industrial Conglomerates	1.6%	18.5%	16.8%	0.3%	1.9%	-0.6%	N/A	N/A	N/A
Machinery	-5.3%	3.7%	-14.8%	-9.1%	0.7%	-18.2%	-8.0%	4.2%	-12.2%
Marine	N/A	N/A	N/A	-18.5%	-15.1%	-34.8%	-17.6%	11.2%	25.6%
Professional Services	-0.8%	3.9%	6.4%	-4.0%	6.5%	15.6%	-3.8%	9.8%	7.9%
Road & Rail	-8.8%	-6.2%	-29.9%	-12.4%	-7.1%	-22.3%	-10.8%	-16.1%	-44.2%
Trading Companies & Distributors	-1.2%	6.2%	-19.1%	-9.2%	-1.8%	-20.4%	-6.1%	5.7%	-15.1%
<b>Materials</b>									
Chemicals	-3.7%	13.4%	-4.2%	-6.5%	8.5%	-6.9%	-9.0%	-0.9%	-22.3%
Construction Materials	-10.0%	-1.0%	35.9%	-12.4%	-11.4%	-20.1%	-12.0%	-10.3%	12.5%
Containers & Packaging	-4.1%	-1.1%	-4.4%	-5.2%	8.3%	-3.5%	-14.1%	0.3%	-21.7%
Metals & Mining	-3.1%	-2.1%	-38.9%	-3.6%	-3.2%	-30.9%	-3.8%	-10.5%	-43.6%
Paper & Forest Products	N/A	N/A	N/A	-5.6%	14.9%	2.2%	-6.2%	14.9%	-18.1%
<b>Technology</b>									
Communications Equipment	0.0%	0.7%	-11.3%	-7.7%	1.8%	-10.0%	-2.9%	3.9%	-10.7%
Electronic Equipment, Instruments & Components	-3.8%	6.3%	-6.8%	-6.9%	3.6%	-9.2%	-5.6%	4.3%	-8.6%
Internet Software & Services	0.8%	19.4%	33.3%	-8.2%	6.5%	-35.5%	-3.3%	6.7%	20.4%
IT Services	-2.0%	5.2%	6.8%	-3.9%	6.8%	13.4%	-1.6%	18.1%	26.9%
Semiconductor & Semiconductor Equipment	-1.1%	13.5%	-0.7%	-1.4%	13.5%	-8.9%	-4.7%	6.8%	2.2%
Software	0.3%	18.0%	13.3%	-4.5%	2.7%	13.2%	0.2%	13.8%	15.3%
Technology Hardware, Storage & Peripherals	-9.1%	-3.0%	-9.2%	-9.1%	2.8%	-30.6%	-4.0%	6.0%	-6.5%
<b>Telecom</b>									
Diversified Telecommunication Services	1.7%	7.6%	3.4%	N/A	N/A	N/A	-2.5%	17.4%	1.8%
Wireless Telecommunication Services	N/A	N/A	N/A	-8.0%	4.3%	4.7%	-0.8%	12.9%	6.9%
<b>Utilities</b>									
Electric Utilities	3.2%	2.6%	-5.4%	1.4%	3.6%	-4.5%	-4.9%	-2.7%	1.0%
Gas Utilities	2.0%	5.4%	21.7%	-0.1%	1.7%	-6.0%	2.2%	12.9%	11.8%
Independent Power and Renewable Electricity Producers	-4.5%	-9.2%	-41.4%	-20.0%	-38.3%	N/A	N/A	N/A	N/A
Multi Utilities	1.1%	-0.7%	-1.7%	4.0%	7.2%	-7.9%	1.2%	4.3%	1.7%
Water Utilities	N/A	N/A	N/A	N/A	N/A	N/A	0.3%	1.9%	13.9%

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