

PRESS RELEASE

S&P Dow Jones Indices Announces Winners of Third Annual SPIVA Awards Program

Winning research examines the performance of index fund portfolios across multiple asset classes against portfolios of actively managed funds

New York, May 22, 2014 – Two researchers from the United States have claimed first prize (USD \$30,000) for their study on the outperformance of diversified portfolios of index fund portfolios to portfolios of actively managed funds in S&P Dow Jones Indices' third annual SPIVA Awards program. Second prize (USD \$15,000) in the SPIVA Awards program went to a team of researchers from universities across the U.S. for their study of explicit indexing.

In its third year, the S&P Dow Jones Indices' SPIVA Awards recognizes excellence in research on the topic of index-related applications, acknowledging researchers from around the world for exploring innovative techniques that enhance the use of indices in the financial markets. Winners are selected by a jury of academics and industry experts.

The winning paper, "A Case of Index Fund Portfolios," published by Richard Ferri of Portfolio Solutions®, LLC and Alex Benke of Betterment, shows that an all index fund strategy in portfolios is favorable over portfolios of actively managed funds. Two distinct strategies were compared in the report: one that selects low-cost market-tracking index funds exclusively and a second that selects from actively managed funds that attempt to outperform the markets. The study revealed that the probability of outperformance using the simplest index fund portfolio started in the 80th percentile and increased over time. A broader portfolio holding multiple low-cost index funds began at close to the 90th percentile.

Honorable mention (second prize) was awarded to Martijn Cremers of the University of Notre Dame, Miguel Ferreira of Nova School of Business and Economics, Pedro Matos of the University of Virginia – Darden School of Business, and Laura Starks of the University of Texas at Austin for their research paper entitled, "The Mutual Fund Industry Worldwide: Explicitly and Closet Indexing, Fee, and Performance". The paper examines the relationship between indexing and active management in the mutual fund industry worldwide. The findings suggest that the growth of explicitly indexed funds worldwide improves the efficiency of the asset management industry.

"As the interest in index investing continues to grow, researchers are delving deeper into the active versus passive management debate," says David M. Blitzler, Managing Director & Chairman of the Index Committee at S&P Dow Jones Indices. "The winning paper adds a new dimension to this debate by comparing the performance of portfolios of index funds to portfolios of actively managed funds. The second paper studies how the growth in index investing has changed the competitive structure of mutual fund markets in 32 countries."

To view the complete papers, as well as the biographies of each SPIVA Awards winner, please visit: www.spdji.com/spiva-awards

About SPIVA

The SPIVA scorecard reveals quarterly performance data for U.S. equity, international and fixed income mutual funds benchmarked against appropriate asset class indices. More than 3500 actively managed funds are covered in the scorecard. Mutual fund data is derived from CRSP® Survivor-Bias-Free U.S. Mutual Fund Database.

The SPIVA methodology is designed to provide an accurate and objective apples-to-apples comparison of funds' performance versus their appropriate style indices, correcting for factors that have skewed results in previous index-versus-active analyses in the industry. SPIVA scorecards show both asset-weighted and equal-weighted averages, include survivorship bias correction to account for funds that may have merged or been liquidated during the period under study, and show style consistency for each style group across different time horizons.

About S&P Dow Jones Indices

S&P Dow Jones Indices LLC, a part of McGraw Hill Financial, is the world's largest, global resource for index-based concepts, data and research. Home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average™, S&P Dow Jones Indices LLC has over 115 years of experience constructing innovative and transparent solutions that fulfill the needs of investors. More assets are invested in products based upon our indices than any other provider in the world. With over 1,000,000 indices covering a wide range of asset classes across the globe, S&P Dow Jones Indices LLC defines the way investors measure and trade the markets. To learn more about our company, please visit www.spdji.com.

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For more information:

David R. Guarino
Communications
S&P Dow Jones Indices
(+1) 212 438 1471
dave.guarino@spdji.com

Soogyung Cho
Communications
S&P Dow Jones Indices
(+1) 212 438 2297
soogyung.cho@spdji.com