

The Relevance of U.S. Equities to Latin America

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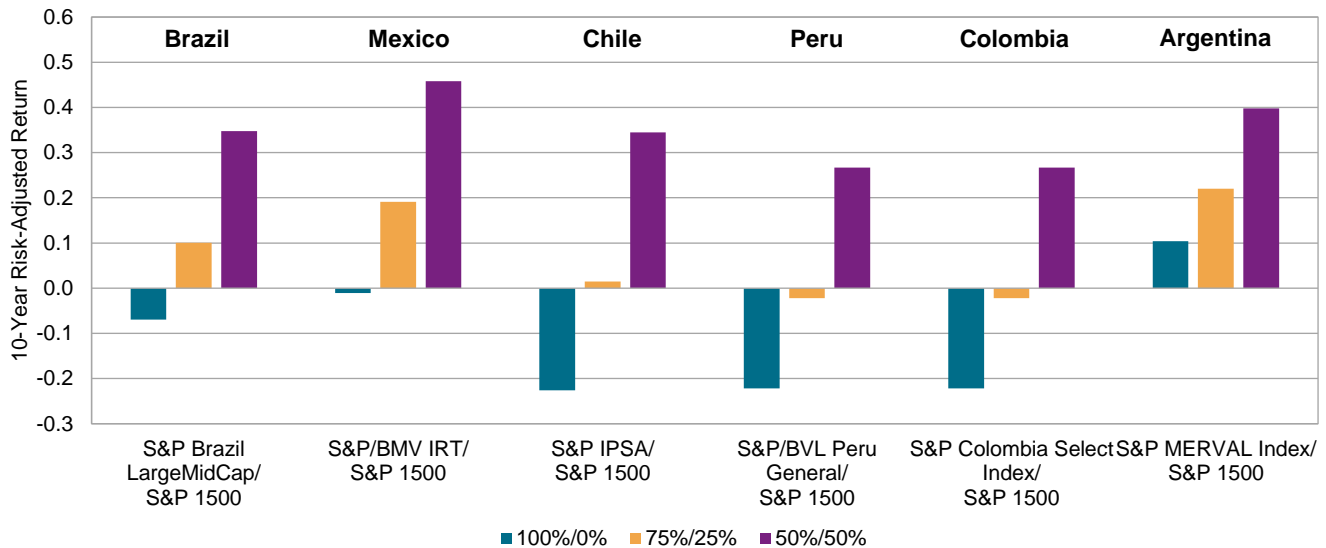
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Executive Summary

It is common for equity investors to overweight their home countries relative to the global opportunity set. Such a “home bias” means that many investors may be underallocated to U.S. equities, which accounted for 59% of global equity float market capitalization as of the end of 2021. In this paper, we:

- Highlight the relative size of the U.S. equity market, including mid- and small-cap companies;
- Demonstrate how incorporating U.S. equities can diversify domestic sector biases, provide exposure to U.S. economic growth and potentially improve risk-adjusted returns (see Exhibit 1);
- Introduce the [S&P 500[®]](#), [S&P MidCap 400[®]](#) and [S&P SmallCap 600[®]](#), collectively known as the [S&P Composite 1500[®]](#); and
- Show how active managers have found it difficult to outperform index benchmarks, historically.

Exhibit 1: Incorporating U.S. Equities Could Have Improved Risk-Adjusted Returns Historically



All index combinations are hypothetical.

Source: S&P Dow Jones Indices LLC and FactSet. Data from Dec. 31, 2011, to Dec. 31, 2021. 10-year risk-adjusted returns for hypothetical index combinations based on monthly return in USD. Each hypothetical index of indices combines the country-specific S&P Equity Index and the S&P 1500®. Hypothetical combinations are rebalanced back to the given weights at the start of January. Past performance is no guarantee of future results. The S&P Colombia Select Index was launched Oct. 31, 2013. The S&P/BVL Peru General was launched on May, 4, 2015. All data prior to index launch date is back-tested hypothetical data. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Relevance of U.S. Equities

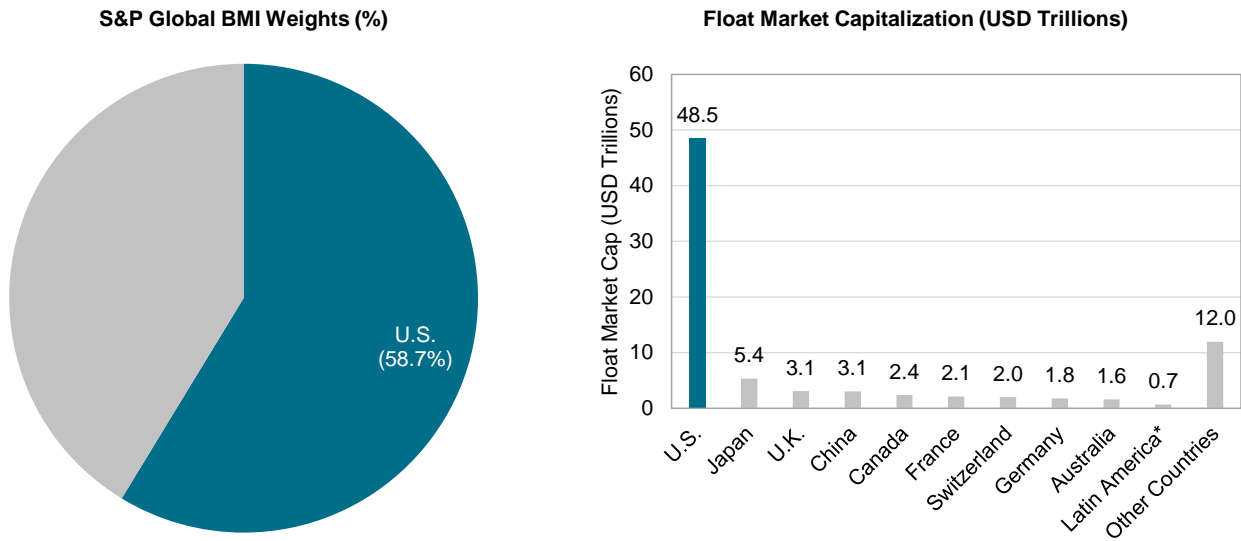
Although definitions of “the market” can vary depending on one’s investment objective and domicile, market participants excluding U.S. companies from their investment strategies could risk overlooking a significant portion of the global equity opportunity set.

Exhibit 2 shows that U.S.-domiciled companies accounted for 59% of the global equity market at the end of 2021.¹ This was more than nine times the weight of the second biggest country, Japan, and more than 70 times larger than the Brazil, Chile, Colombia, Mexico and Peru segments of the S&P Global BMI, combined.²

¹ As measured by the weight of U.S.-domiciled companies in the S&P Global BMI on Dec. 31, 2021.

² Argentina is not currently represented in the S&P Global BMI.

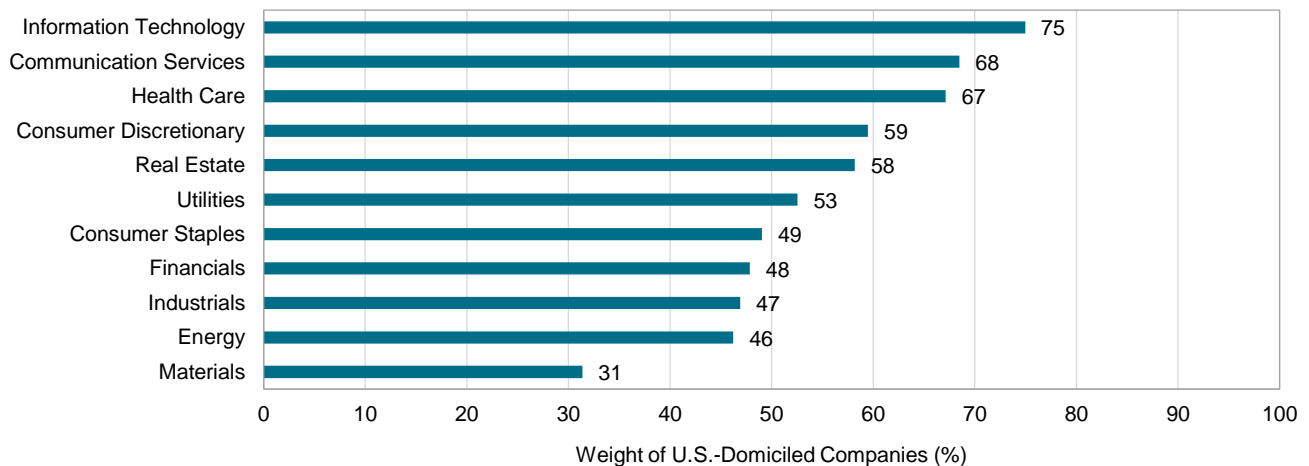
Exhibit 2: The U.S. Represents the Majority of the Global Equity Universe



* Latin America corresponds to the S&P Latin America BMI. As of December 2021, this index includes companies from Brazil, Mexico, Chile, Peru and Colombia; Argentina is not currently represented in the S&P Global BMI. Source: S&P Dow Jones Indices LLC. Data based on float market capitalizations of countries in the S&P Global BMI as Dec. 31, 2021. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

The importance of U.S. equities is even more acute within some market segments. For example, Exhibit 3 shows that **U.S.-domiciled companies accounted for most of the weight in 6 of the 11 global GICS® sectors at the end of 2021 and more than two-thirds of the weight in 3 sectors.** Combined with the distinct sectoral composition of the U.S. equity market—for example, Appendix B shows that countries across Latin America typically have far less exposure to Information Technology, Health Care and Communication Services—**U.S. exposure may be necessary to address domestic sector biases.**

Exhibit 3: U.S. Representation across Global GICS Sectors



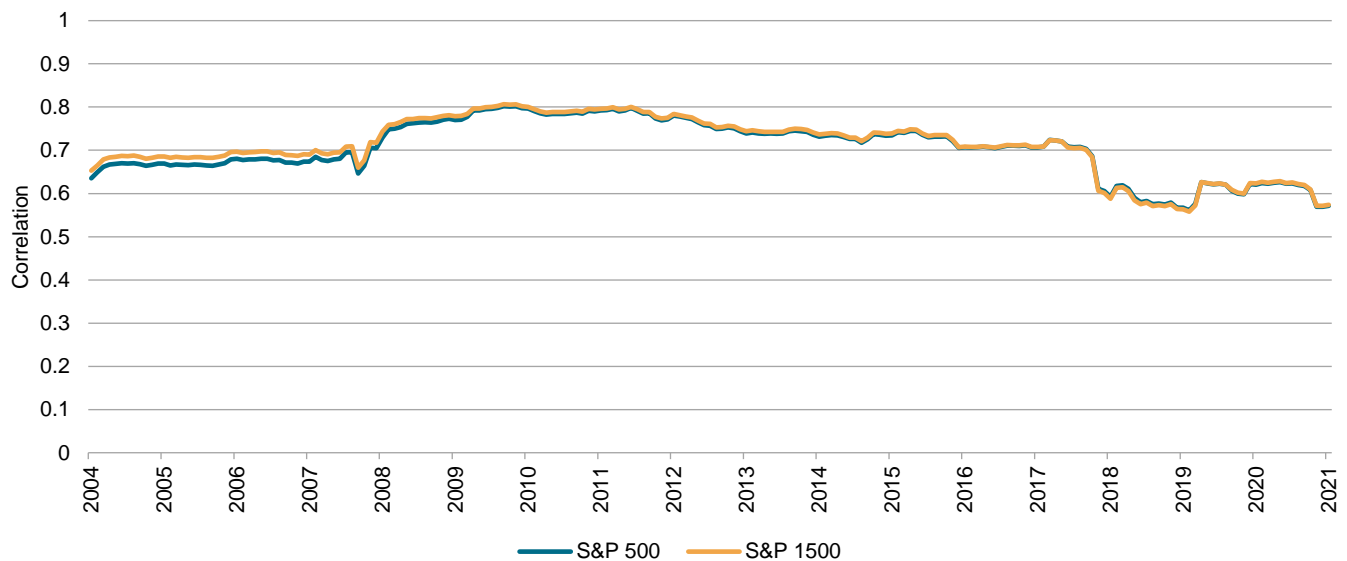
Source: S&P Dow Jones Indices LLC. Data based on the proportion of each S&P Global BMI sector represented by U.S.-domiciled companies, based on float market capitalizations as of Dec. 31, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Potential Diversification and Performance Impacts

In addition to gaining exposure to a sizeable portion of the global equity opportunity set, **U.S. equities may offer diversification benefits to investors across Latin America and potentially improve risk-adjusted returns.**

Exhibit 4 shows the rolling 10-year correlation in returns, in USD, between the [S&P Latin America BMI](#) and two U.S. equity indices: the S&P 500 and S&P Composite 1500. The average correlation was about 0.7 for both series, with declines in recent years, suggesting a potential reduction in portfolio volatility for Latin American investors when adding U.S. equities to domestic equity allocations. Country-specific analyses in the Appendix show similar correlation figures and potential diversification benefits.

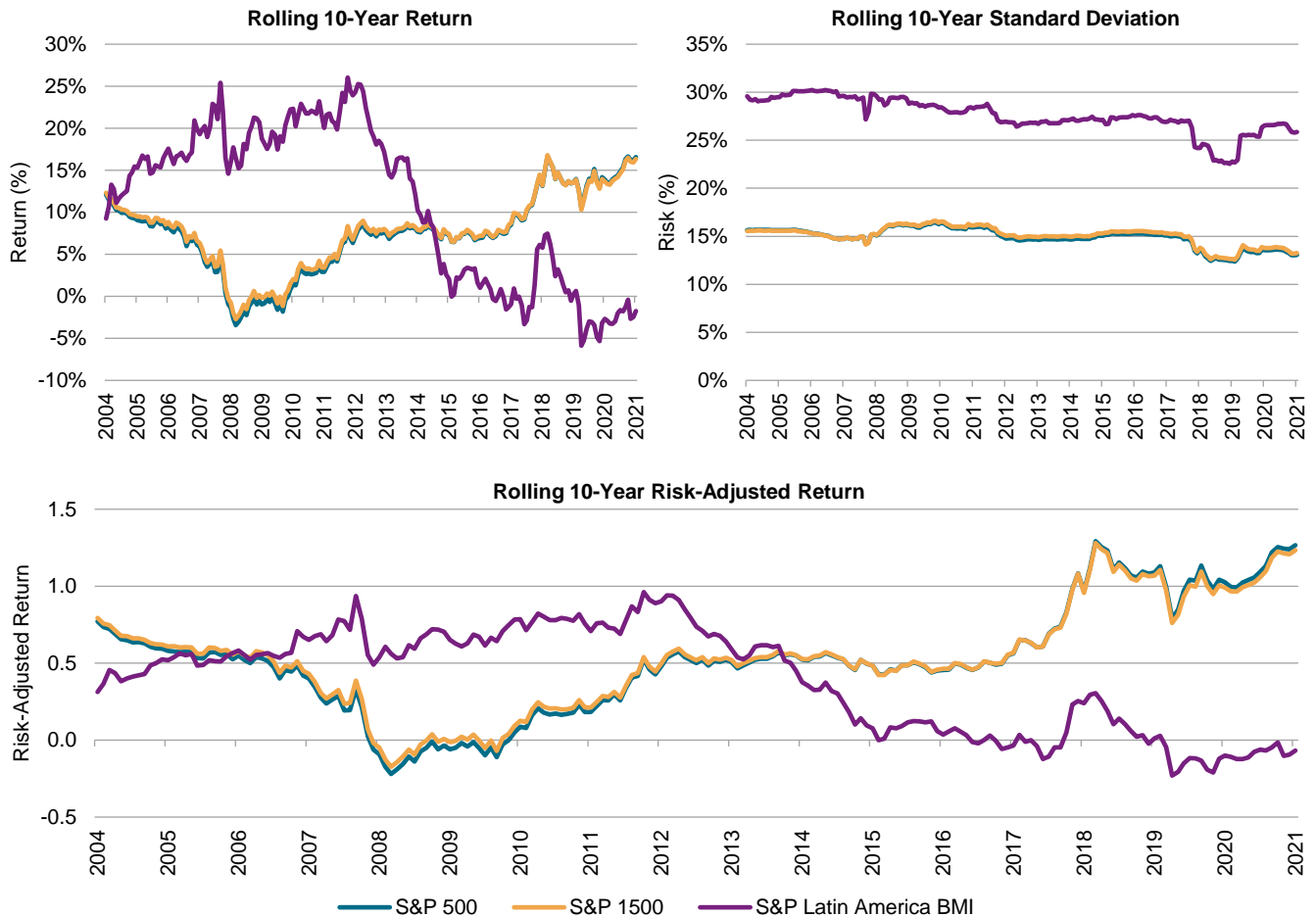
Exhibit 4: Rolling 10-Year Correlation between the S&P Latin America BMI and the U.S.



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2004, to Dec. 31, 2021. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. The S&P Latin America BMI was launched Dec. 31, 1997. All data prior to index launch date is back-tested hypothetical data. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Exhibit 5 shows that both **the S&P 500 and S&P 1500 typically posted higher risk-adjusted returns than the S&P Latin America BMI on a rolling 10-year basis.** These results were primarily driven by the U.S. equity indices' lower volatilities; the S&P Latin America BMI's average standard deviation was nearly twice as large as for the S&P 500 and S&P 1500. The U.S. equity indices' higher absolute returns in recent years also helped.

Exhibit 5: Rolling 10-Year Return, Volatility and Risk-Adjusted Return



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2004, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. The S&P Latin America BMI was launched Dec. 31, 1997. All data prior to index launch date is back-tested hypothetical data. Charts are provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

U.S. Equities: S&P 500 and Beyond!

The S&P 500 is one of the most widely followed and tracked indices in the world, with an estimated USD 13.5 trillion indexed or benchmarked to the large-cap U.S. equity gauge as of Dec. 31, 2020.³ While the S&P 500 is designed to reflect the performance of the large-cap U.S. equity segment, many view its performance as synonymous with that of the U.S. equity market. Indeed, S&P 500 companies collectively accounted for 80% of the U.S. equity market capitalization at the end of 2021.⁴

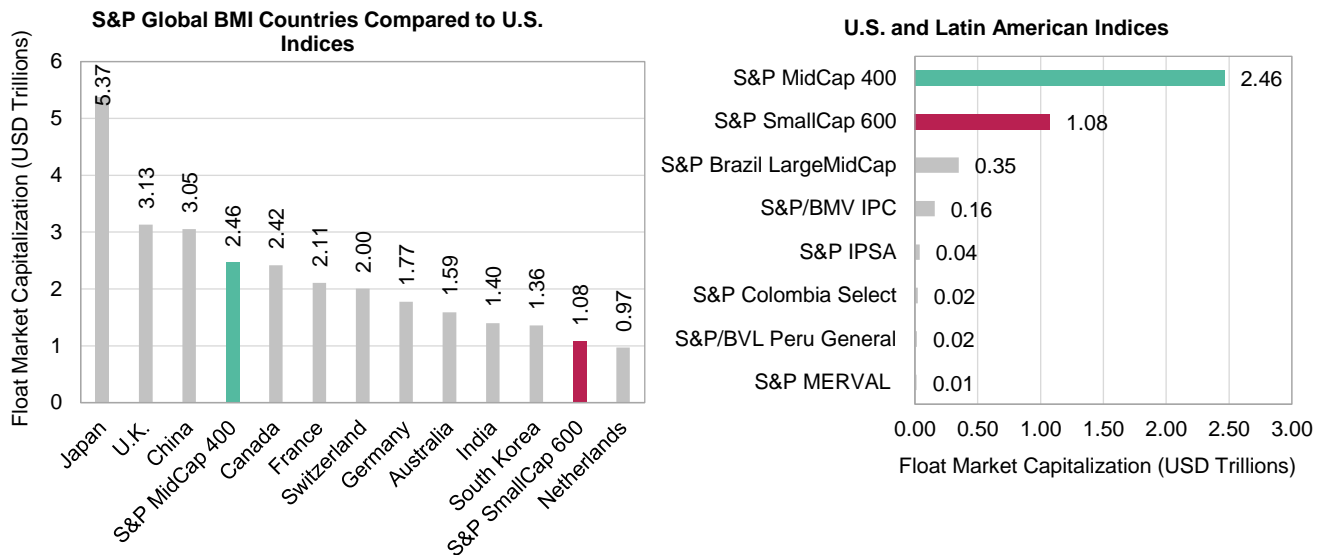
³ For more information, see S&P DJI’s [“Survey of Indexed Assets”](#) (2020).

⁴ This figure is based on the weight of S&P 500 companies in the S&P Total Market Index as of Dec. 31, 2021.

However, although S&P 500 companies capture a significant portion of the U.S. equity market, the breadth and depth of the market mean that its mid- and small-cap segments, as measured by the S&P 400® and S&P 600®, respectively, have international relevance. Exhibit 6 shows that the S&P 400 and S&P 600 are as large as various countries' equity markets. In fact, **treated on a standalone basis, the S&P 400 and S&P 600 would be the 5th and 13th largest countries in the S&P Global BMI by float market cap.**

Exhibit 6 also shows that market participants based in Latin America could be overlooking market segments that are larger than their domestic equity markets if they ignore mid- and small-cap U.S. equities. Indeed, the market capitalizations of the **S&P 400 and the S&P 600 are an order of magnitude larger than several indices designed to reflect the performance of equity markets in Latin America.**⁵

Exhibit 6: U.S. Mid and Small Caps Are Larger than Many Countries

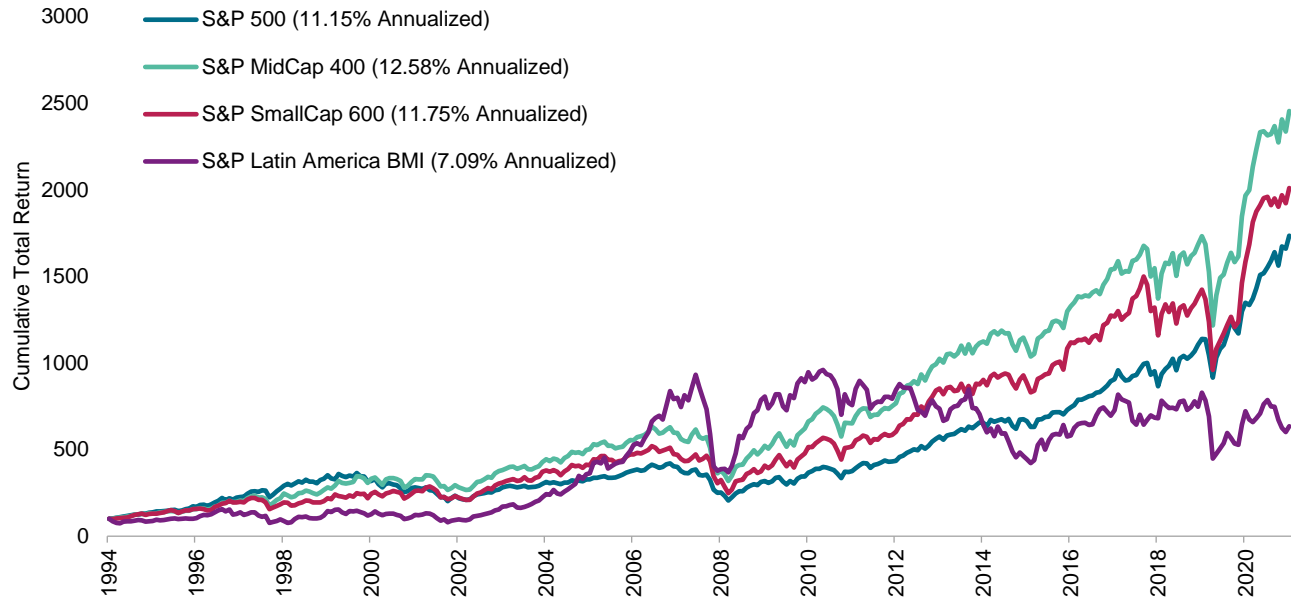


Source: S&P Dow Jones Indices LLC. Data based on float market capitalizations in USD trillions as of Dec. 31, 2021. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

⁵ For a description of the country-specific Latin America equity indices used in Exhibit 6, please see Appendix A.

The historical performance of U.S. equities offers further motivation to consider incorporating mid and small caps. **Exhibit 7 shows that all three U.S. equity indices outperformed the S&P Latin America BMI since 1994, in USD.** The S&P 400 (12.58%) and S&P 600 (11.75%) posted higher annualized returns than the S&P 500 (11.15%) over the entire period.

Exhibit 7: Smaller U.S. Equities Historically Outperformed since 1994

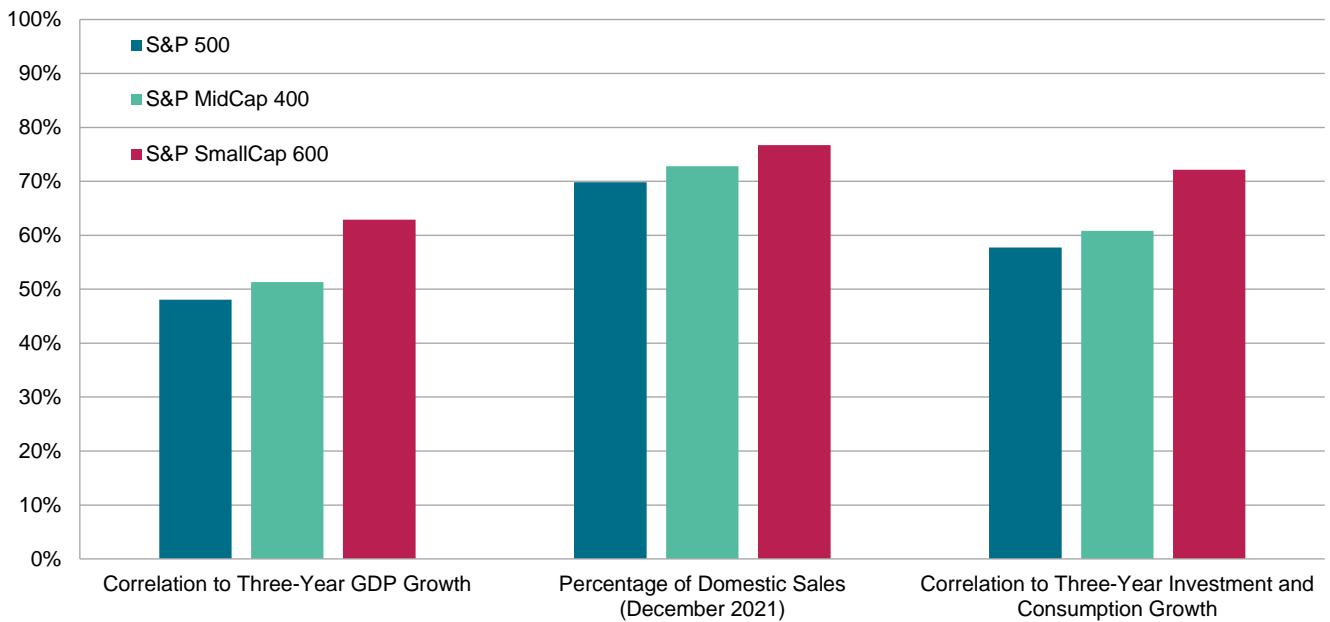


Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1994, to Dec. 31, 2021. Past performance is no guarantee of future results. Index performance based on monthly total return in USD. The S&P Latin America BMI was launched Dec. 31, 1997. All data prior to index launch date is back-tested hypothetical data. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Additionally, **incorporating smaller U.S. companies may be especially relevant for market participants looking to gain exposure to the U.S. economy.** For example, Exhibit 8 shows that the revenues of smaller companies are typically more domestically focused than those of their large-cap counterparts. Unsurprisingly, perhaps, the S&P 400 and S&P 600's returns were more highly correlated to U.S. GDP growth and various components of GDP, historically.⁶

⁶ Updated from Edwards, Tim and Sherifa Issifu. "[Hidden in Plain Sight: U.S. Equities Beyond the S&P 500.](#)" S&P Dow Jones Indices. April 2021.

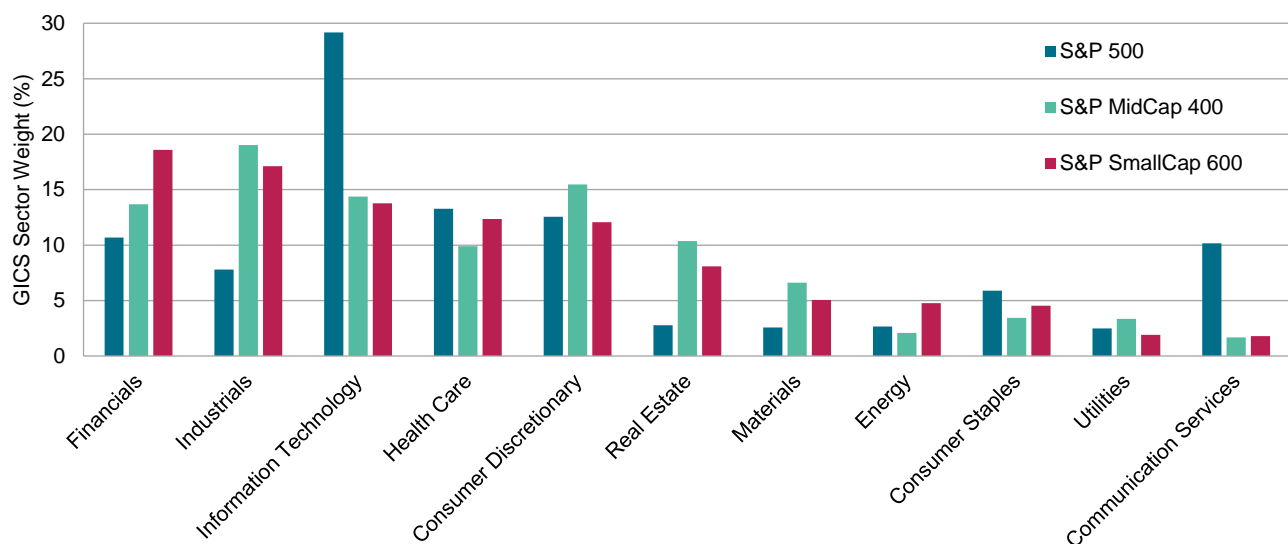
Exhibit 8: Smaller Companies Were Typically More Domestically Focused



Source: S&P Dow Jones Indices LLC, U.S. Bureau of Economic Analysis, FactSet and GeoRev database. Data from December 1994 to December 2021. Past performance is no guarantee of future results. Percentage of domestic sales calculated via index-weighted average among constituents. Chart is provided for illustrative purposes.

The distinct sector exposures of the S&P 400 and S&P 600 may help to explain their greater sensitivity to U.S. macroeconomic variables. Exhibit 9 shows that both indices had greater exposure than the S&P 500 to Industrials, Real Estate, Materials and Financials. The mid- and small-cap U.S. equity indices also had less exposure to Information Technology and Communication Services.

Exhibit 9: The S&P 400 and S&P 600 Have Distinct Sector Exposures



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

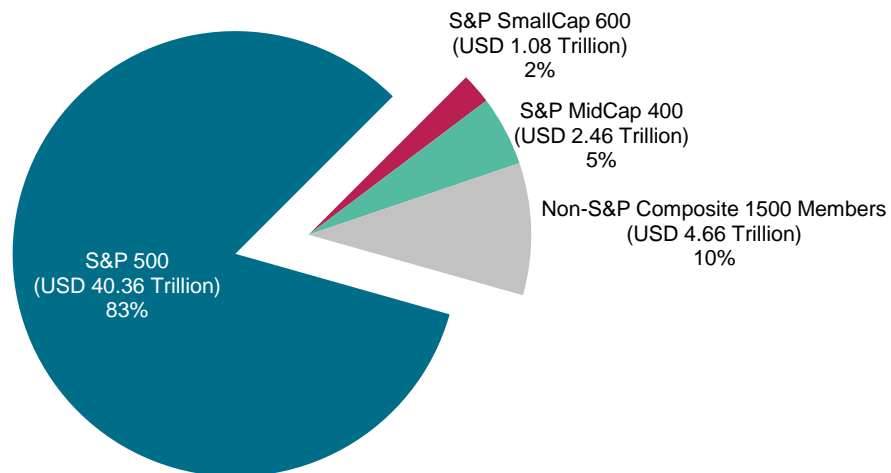
Given the potential benefits of incorporating smaller U.S. equities, including allowing market participants to express views on a broader set of return drivers, we now turn our attention to an index that measures the performance of the large-, mid- *and* small-cap segments of the U.S. equity market—the S&P Composite 1500.

The S&P Composite 1500: Measuring the Market

The S&P Composite 1500 is designed to represent the performance of the broad U.S. equity market. **The S&P 1500 combines the S&P 500, S&P 400 and S&P 600 in proportion to their free-float market capitalizations, capturing 90% of the U.S. equity market capitalization.**

Exhibit 10 shows the float market capitalization of the U.S. equity universe, as measured by the [S&P Total Market Index](#), at the end of 2021. It shows the size of the S&P 1500's three component indices, as well as the companies not included in the S&P 1500.

Exhibit 10: Breakdown of the U.S. Equity Market



Source: S&P Dow Jones Indices LLC. Data based on the float market capitalizations of S&P Total Market Index companies as of Dec. 31, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Importantly, **the S&P Composite 1500 is not simply the largest 1,500 U.S.-domiciled companies**; as with its component indices, new index additions must meet various criteria before they can be added to the index (see Exhibit 11).⁷ For example, **companies must have a history of positive earnings and they must meet certain liquidity and market capitalization thresholds.**

⁷ The S&P Composite 1500's addition criteria also means that the S&P 500 is not simply the largest 500 U.S.-domiciled companies.

Hence, the “Non-S&P Composite 1500 Members” bucket does not only contain companies that are too small for consideration. In fact, only 1% of the U.S. equity capitalization is represented by non-S&P 1500 companies that do not meet the market capitalization threshold; 9% out of the 10% in the “Non-S&P Composite 1500 Members” bucket comes from companies that do not meet other addition criteria.

Exhibit 11: The S&P Composite 1500 Uses Several Index Addition Criteria

Criteria	Description
Reconstitution of Stocks	Throughout the year, as corporate actions arise
Earnings	The sum of the most recent four consecutive quarters' as-reported earnings should be positive, as should the most recent quarter's.*
Liquidity	The ratio of annual U.S. dollar value traded to float-adjusted market capitalization should be 1.00 or greater, and the stock should trade a minimum of 250,000 shares in each of the six months leading up to the evaluation date.
Market Capitalization	Unadjusted company market capitalizations of USD 14.6 billion or more for the S&P 500, USD 3.7 billion to USD 14.6 billion for the S&P MidCap 400, and USD 850 million to USD 3.7 billion for the S&P SmallCap 600.** These ranges are reviewed from time to time to assure consistency with market conditions.
Public Float	At least 10% of shares publicly floated***
IPO Seasoning	12 months required
Domicile of Constituents	U.S. companies, based on multiple criteria such as fixed assets, revenues, listing, etc.
Sector Classification	Global Industry Classification Standard® (GICS)

* Prior to 2014, the S&P DJI earnings criterion required four consecutive quarters of positive earnings, instead of the sum of the last four quarters being positive.

** Effective as of April 4, 2022.

*** A company meeting the unadjusted company market capitalization criteria is also required to have a security-level float-adjusted market capitalization that is at least 50% of the respective index's unadjusted company level minimum market capitalization threshold.

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

The S&P 1500's addition criteria are distinct from other indices and help to explain its relative returns and those of its component indices. For example, the earnings screen and resulting quality exposure contributed to the S&P 600's historical outperformance against the Russell 2000.⁸ And the use of an earnings screen helped the S&P 1500 to avoid less liquid, lower priced and lower quality stocks specific to the Russell 3000.⁹

⁸ Hao, Bill, Phillip Brzenk and Aye Soe. “[Tale of Two SmallCap Benchmarks: 10 Years Later.](#)” S&P Dow Jones Indices. September 2019.

⁹ Preston, Hamish, Phillip Brzenk and Aye Soe. “The [S&P Composite 1500: An Efficient Measure of the U.S. Equity Market.](#)” S&P Dow Jones Indices. May 2020.

Exhibit 12 shows the historical benefit to the S&P 1500 from incorporating smaller U.S. equities: **the S&P 1500 posted higher returns than the S&P 500 over the entire period.** Although the S&P 500 outperformed in recent years, as large caps posted strong returns, the S&P 400 and S&P 600 posted higher returns over longer horizons.

Exhibit 12: Risk/Return Profiles for the S&P Composite 1500 and its Component Indices

Period	S&P Composite 1500	S&P 500	S&P MidCap 400	S&P SmallCap 600
Annualized Return (%)				
1-Year	28.45	28.71	24.76	26.82
3-Year	25.63	26.07	21.41	20.11
5-Year	17.95	18.47	13.09	12.42
10-Year	16.35	16.55	14.20	14.50
20-Year	9.68	9.52	10.56	10.73
Since Dec. 31, 1994	11.26	11.15	12.58	11.75
Annualized Volatility (%)				
3-Year	17.72	17.41	22.14	23.90
5-Year	15.63	15.39	19.17	20.99
10-Year	13.25	13.08	15.92	17.69
20-Year	14.83	14.65	17.26	18.91
Since Dec. 31, 1994	15.08	14.97	17.54	18.99
Risk-Adjusted Return				
3-Year	1.45	1.50	0.97	0.84
5-Year	1.15	1.20	0.68	0.59
10-Year	1.23	1.27	0.89	0.82
20-Year	0.65	0.65	0.61	0.57
Since Dec. 31, 1994	0.75	0.74	0.72	0.62

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1994, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Indexing Works across the Size Spectrum

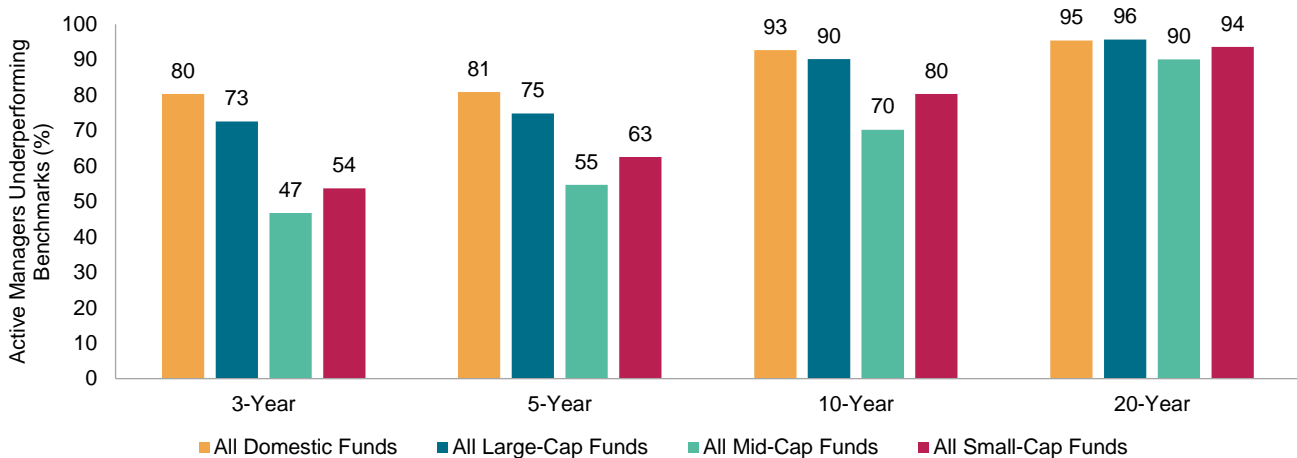
Implicit in our analysis is that an investor elects to use a passive, index-based approach for U.S. equity allocations. However, an alternative exists for those looking to outperform index benchmarks: active management.

S&P Dow Jones Indices produces semiannual SPIVA[®] scorecards, which compare the performance of actively managed mutual funds against their comparable benchmarks over

various time frames.¹⁰ **SPIVA scorecards have typically shown that most active managers—both in the U.S. and around the world—have underperformed most of the time.**

For example, the SPIVA U.S. Year-End 2021 Scorecard¹¹ showed that **over most time horizons, the majority of active U.S. equity managers underperformed their respective size benchmark.** Exhibit 13 shows that similar underperformance was observed on a risk-adjusted basis.

Exhibit 13: Most Active Managers Underperformed Their Benchmark on a Risk-Adjusted Basis



Source: S&P Dow Jones Indices LLC and CRSP. Data as of Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Blending the S&P Latin America BMI and U.S. Equity Indices

Exhibit 14 shows the historical risk and performance profiles of hypothetical blends created by combining the S&P Latin America BMI with the S&P 500 and S&P 1500. For each U.S. equity index, we analyze five combinations, ranging from a 100% allocation to the S&P Latin America BMI to a 100% allocation to the U.S. equity index, using increments of 25%. Each hypothetical blend rebalances back to the target weights at each year’s end.

Across the different time horizons, **hypothetical blends with greater weights in the U.S. equity indices posted higher absolute returns, in USD, lower volatilities and higher risk-adjusted returns compared with a 100% allocation to the S&P Latin America BMI,**

¹⁰ For more details on SPIVA Scorecards, see “[SPIVA Scorecards: An Overview](#).” S&P Dow Jones Indices. January 2020.

¹¹ Liu, Berlinda and Gaurav Sinha. “[SPIVA U.S. Year-End 2021 Scorecard](#).” S&P Dow Jones Indices.

historically. Similar results were observed for a variety of hypothetical blends combining the U.S. equity indices with country-specific equity indices across Latin America.¹²

Exhibit 14: Risk and Performance Characteristics for Combinations of the S&P Latin America BMI with the S&P 500 and S&P Composite 1500

Period	S&P Latin America BMI/S&P Composite 1500					S&P Latin America BMI/S&P 500				
	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%
Return (Annualized, %)										
3-Year	-2.28	4.88	11.91	18.82	25.63	-2.28	4.99	12.13	19.15	26.07
5-Year	1.78	6.10	10.22	14.16	17.95	1.78	6.23	10.48	14.55	18.47
10-Year	-1.74	3.16	7.79	12.18	16.35	-1.74	3.22	7.90	12.34	16.55
15-Year	1.25	4.29	6.87	9.00	10.66	1.25	4.30	6.88	9.01	10.66
20-Year	8.60	9.63	10.15	10.17	9.68	8.60	9.60	10.09	10.07	9.52
Since Dec. 1994	7.09	8.98	10.28	11.04	11.26	7.09	8.98	10.26	10.98	11.15
Volatility (Annualized, %)										
3-Year	33.14	27.73	23.34	19.97	17.72	33.14	27.59	23.09	19.66	17.41
5-Year	28.37	23.43	19.51	16.82	15.63	28.37	23.35	19.36	16.61	15.39
10-Year	25.86	21.23	17.35	14.52	13.25	25.86	21.18	17.27	14.39	13.08
15-Year	27.73	23.50	19.88	17.10	15.58	27.73	23.45	19.77	16.93	15.34
20-Year	27.21	23.06	19.42	16.53	14.83	27.21	23.01	19.33	16.38	14.65
Since Dec. 1994	28.23	23.72	19.82	16.79	15.08	28.23	23.66	19.72	16.67	14.97
Return/Volatility										
3-Year	-0.07	0.18	0.51	0.94	1.45	-0.07	0.18	0.53	0.97	1.50
5-Year	0.06	0.26	0.52	0.84	1.15	0.06	0.27	0.54	0.88	1.20
10-Year	-0.07	0.15	0.45	0.84	1.23	-0.07	0.15	0.46	0.86	1.27
15-Year	0.05	0.18	0.35	0.53	0.68	0.05	0.18	0.35	0.53	0.69
20-Year	0.32	0.42	0.52	0.62	0.65	0.32	0.42	0.52	0.61	0.65
Since Dec. 1994	0.25	0.38	0.52	0.66	0.75	0.25	0.38	0.52	0.66	0.74

All index combinations are hypothetical.

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1994, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. The S&P Latin America BMI was launched Dec. 31, 1997. Hypothetical combinations are rebalanced back to the given weights at the end of December. All data prior to index launch date is back-tested hypothetical data. Table is provided for illustrative purposes reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

¹² See Appendix B for more details.

Conclusion

It is common for equity investors to overweight their home countries relative to the global opportunity set. Such a “home bias” means many investors may have less exposure to U.S. equities than would be expected given its representation in the global equity market. Consequently, many investors may be overlooking a significant portion of the global equity market and could be foregoing potential diversification benefits.

The S&P Composite 1500 is designed to measure the performance of U.S. equities across the large-, mid- and small-cap segments. In addition to allowing market participants to express views on a broad set of drivers of returns, the S&P Composite 1500 benefited from its exposure to smaller companies: it posted higher returns than the S&P 500, historically. And as we have seen by comparing various hypothetical blends, incorporating U.S. equities could have helped investors in Latin American to improve risk-adjusted returns, historically.

Appendix A

S&P Latin America Equity Index Benchmarks

Argentina – The [S&P Merval Index](#) seeks to measure the performance of the largest, most liquid stocks trading on the Bolsas y Mercados Argentinos Exchange (BYMA) classified as domestic stocks. The constituents of the index must meet minimum size and liquidity requirements.

Brazil – The [S&P Brazil LargeMidCap](#) is a subindex of the S&P Brazil BMI and is designed to track the top 85% of float-adjusted market cap in Brazil.

Chile – The [S&P IPSA](#) (Índice de Precios Selectivo de Acciones) seeks to measure the performance of the largest and most liquid stocks listed on the Santiago Exchange.

Colombia – The [S&P Colombia Select Index](#) is designed to represent the largest and most liquid stocks domiciled in Colombia. The index uses a modified market-cap weighting scheme, providing market participants with a broad, yet replicable index covering the Colombian equity market.

Mexico – The [S&P/BMV IPC](#) seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores. The index is designed to provide a broad, representative, yet easily replicable index covering the Mexican equities market. The constituents are weighted by modified market cap subject to diversification requirements.

The S&P/BMV IPC included dividends until it became a price return index in July 2002. The S&P/BMV IRT is used for returns analysis. This index was created in 2002 and reflects total returns.

Peru – The [S&P/BVL Peru General Index](#) is a modified market-cap-weighted index that is designed to serve as the broad benchmark for the Peruvian stock market.

Appendix B

Index Characteristics

Exhibit 15 provides GICS sector weights and several characteristics for each of the indices described in Appendix A, as well as for the S&P 500 and S&P 1500 as of Dec. 31, 2021.

The U.S. equity indices have different sector exposures compared to the Latin American equity indices. Hence, incorporating U.S. equities may help investors across Latin America to alleviate their domestic sector biases.

The breadth and depth of the U.S. equity market contributed to the U.S. equity indices being significantly larger and more liquid than their Latin America counterparts.

Exhibit 15: Sector Weights and Index Characteristics of Latin American and U.S. Country Indices

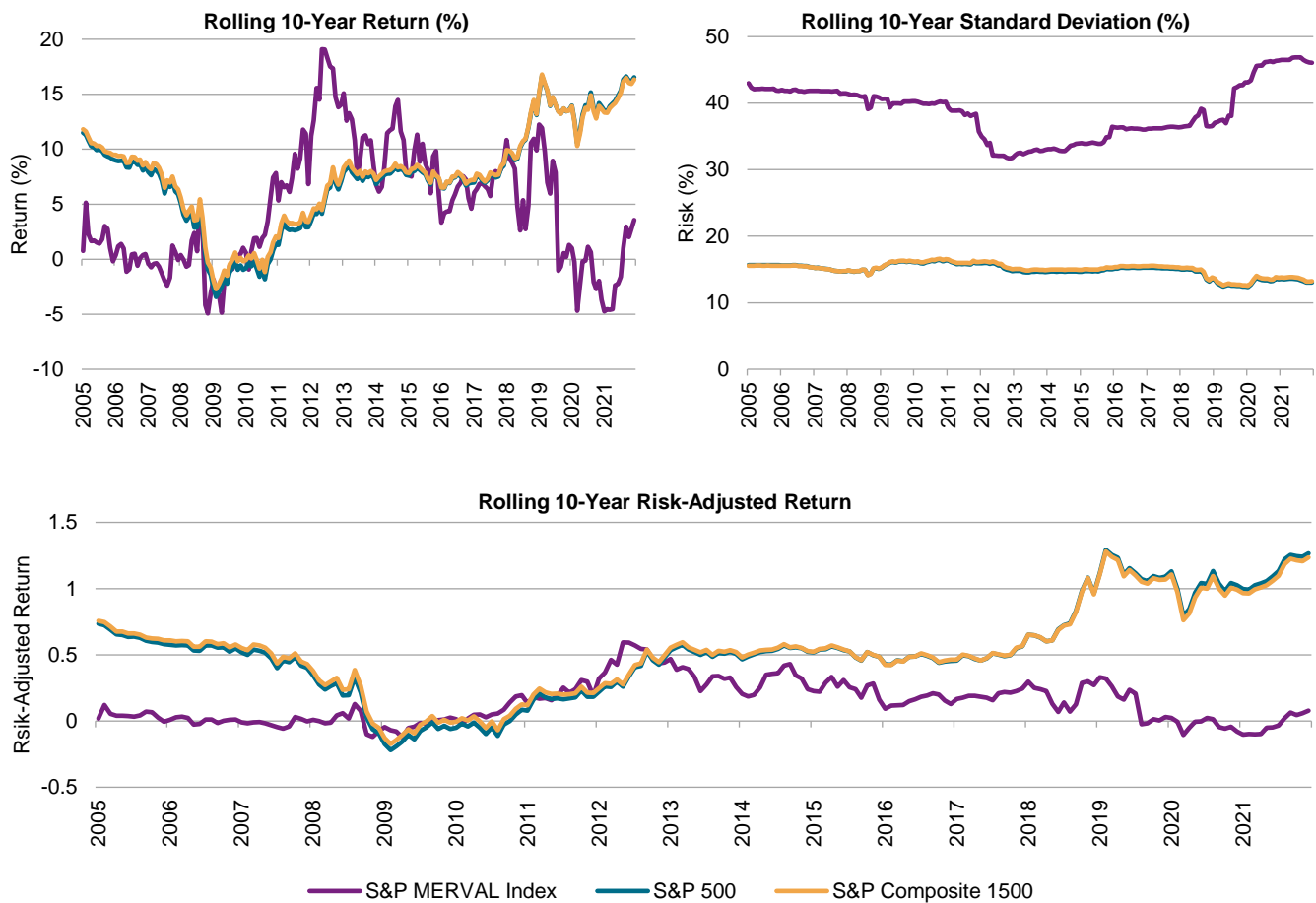
Country	Argentina	Brazil	Chile	Colombia	Mexico	Peru	S&P Composite 1500	S&P 500
GICS Sector Weights (%)								
Communication Services	4.6	1.7	1.3	0.0	19.6	0.0	9.5	10.2
Consumer Discretionary	2.7	5.3	7.5	0.0	1.1	0.0	12.7	12.5
Consumer Staples	0.0	8.8	14.7	8.7	31.3	14.7	5.7	5.9
Energy	15.5	14.4	7.6	14.4	0.0	0.0	2.7	2.7
Financials	30.8	25.9	24.2	41.0	17.0	34.2	11.0	10.7
Health Care	0.2	4.8	0.0	0.0	0.5	0.0	13.1	13.3
Industrials	0.0	6.4	3.7	0.0	11.1	4.4	8.6	7.8
Information Technology	0.0	3.4	0.4	0.0	0.0	0.0	28.0	29.2
Materials	28.4	23.6	20.9	11.8	18.5	41.7	2.9	2.6
Real Estate	2.8	0.0	4.8	0.0	0.8	0.3	3.3	2.8
Utilities	14.9	5.8	14.8	23.9	0.0	4.6	2.5	2.5
Index Characteristics								
Index Market Cap (USD Million)	13,095	348,726	37,310	22,339	157,524	16,512	43,896,734	40,356,495
Number of Stocks	23	73	29	14	35	29	1,506	505
Weight of Largest Stock (%)	15.82	16.07	13.58	14.45	15.37	25.36	6.30	6.86
Average 6-Month MDVT (USD Million)	0.94	138.58	6.69	1.73	20.04	17.62	2538.53	2757.44
Average 10-Year Correlation with S&P 1500	0.47	0.62	0.58	0.49	0.74	0.46	1	0.999

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2021. Table is provided for illustrative purposes.

Argentina

The S&P MERVAL Index posted higher returns over various 10-year periods, but its performance was far more volatile, and its risk-adjusted returns were typically lower than the U.S. equity indices. Combined with the relatively low return correlations between the S&P MERVAL Index and the S&P Composite 1500, it is unsurprising that incorporating U.S. equities could have helped improve returns, lower volatility and increase risk-adjusted returns.

Exhibit 16: Rolling 10-Year Return, Volatility and Risk-Adjusted Return for Argentinian and U.S. Equity



Source: S&P Dow Jones Indices LLC and FactSet. Data from Jan. 31, 2005, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Exhibit 17: Risk and Performance Characteristics for Hypothetical Combination of Argentinian and U.S. Equity Indices

Period	S&P Merval Index/S&P 500					S&P Merval Index/S&P Composite 1500				
	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%
Return (Annualized, %)										
3-Year	0.4	7.2	13.7	20.0	26.1	0.4	7.1	13.5	19.7	25.6
5-Year	-5.3	1.6	7.8	13.4	18.5	-5.3	1.4	7.5	13.0	17.9
10-Year	5.0	8.1	10.8	13.0	14.9	5.0	8.1	10.7	12.9	14.7
Since Jan. 1995	2.4	5.4	7.9	9.8	11.1	2.4	5.5	7.9	9.8	11.2
Volatility (Annualized, %)										
3-Year	60.4	46.2	34.0	23.8	17.4	60.4	46.3	34.2	24.1	17.7
5-Year	52.7	39.8	28.9	20.3	15.4	52.7	39.8	29.1	20.5	15.6
10-Year	47.7	36.6	26.7	18.2	13.3	47.7	36.7	26.8	18.4	13.5
Since Jan. 1995	41.6	32.1	24.2	18.0	15.0	41.6	32.2	24.3	18.2	15.1
Return/Volatility										
3-Year	0.0	0.2	0.4	0.8	1.5	0.0	0.2	0.4	0.8	1.4
5-Year	-0.1	0.0	0.3	0.7	1.2	-0.1	0.0	0.3	0.6	1.1
10-Year	0.1	0.2	0.4	0.7	1.1	0.1	0.2	0.4	0.7	1.1
Since Jan. 1995	0.1	0.2	0.3	0.5	0.7	0.1	0.2	0.3	0.5	0.7

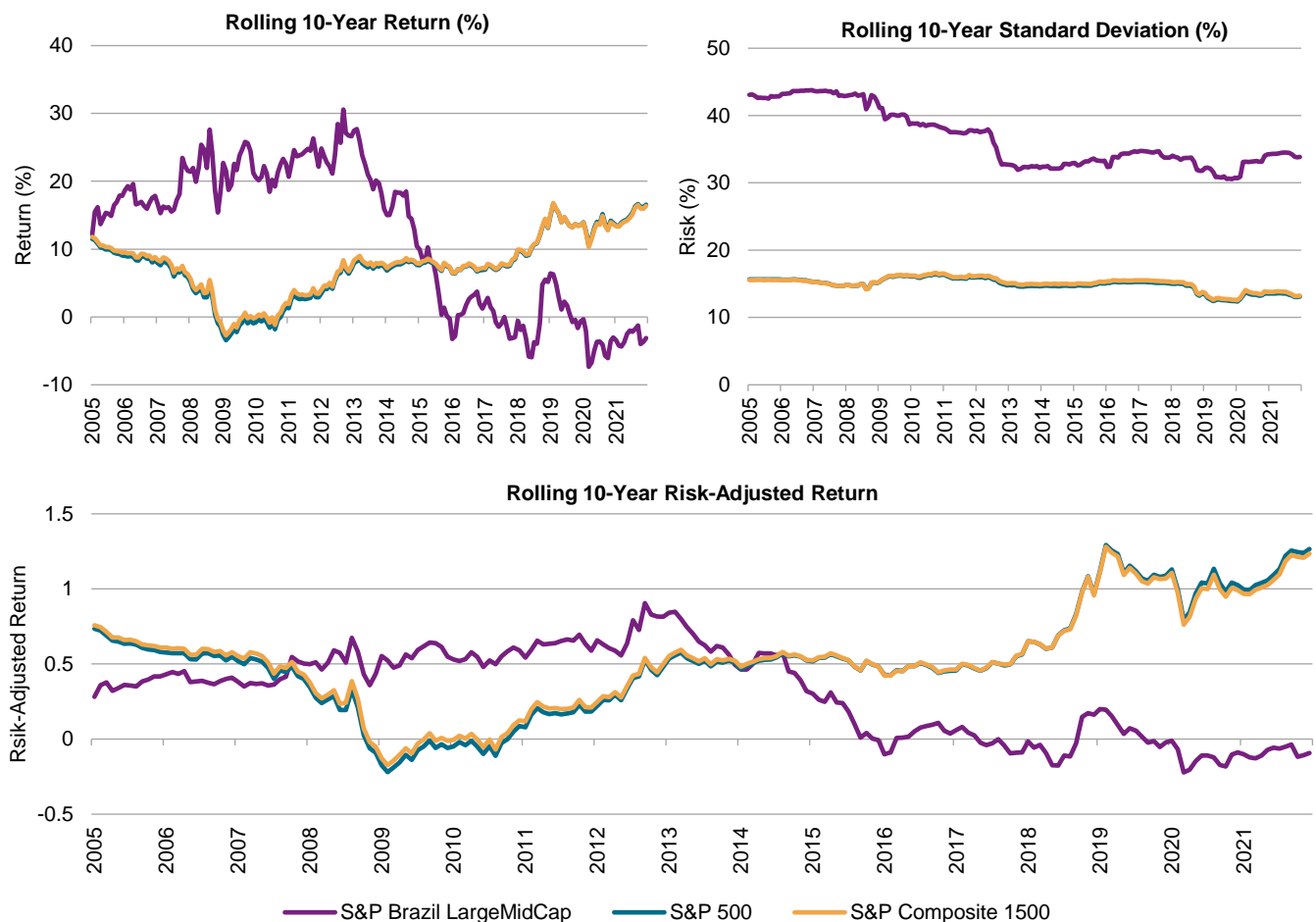
All index combinations are hypothetical.

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1995, to Dec. 31, 2021. Index performance based on monthly total return in USD. Hypothetical combinations are rebalanced back to the given weights at the start of January. Table is provided for illustrative purposes.

Brazil

The S&P Brazil LargeMidCap posted higher returns in USD in most 10-year periods. However, the Brazilian equity market’s higher volatility, as well as its lower returns in recent years, meant that the S&P 500 and S&P Composite 1500 typically outperformed on a risk-adjusted basis. The performance of various hypothetical index combinations suggested that adding U.S. equities to Brazilian equities allocation could have improved returns, lowered volatility and increased risk-adjusted returns.

Exhibit 18: Rolling 10-Year Return, Volatility and Risk-Adjusted Return for Brazilian and U.S. Equity Indices



Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2005, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. The S&P Brazil LargeMidCap was launched Dec. 31, 1997. All data prior to index launch date is back-tested hypothetical data. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Exhibit 19: Risk and Performance Characteristics for Hypothetical Combinations of Brazilian and U.S. Equity Indices

Period	S&P Brazil LargeMidCap/S&P 500					S&P Brazil LargeMidCap/S&P Composite 1500				
	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%
Return (Annualized, %)										
3-Year	-6.3	2.2	10.4	18.3	26.1	-6.3	2.1	10.2	18.0	25.6
5-Year	0.3	5.4	10.0	14.4	18.5	0.3	5.3	9.8	14.0	17.9
10-Year	-2.4	2.8	7.4	11.4	14.9	-2.4	2.7	7.3	11.3	14.7
Since Jan. 1995	8.4	10.4	11.5	11.7	11.1	8.4	10.4	11.5	11.8	11.2
Volatility (Annualized, %)										
3-Year	38.0	30.6	24.7	20.2	17.4	38.0	30.7	24.9	20.5	17.7
5-Year	34.7	27.3	21.3	17.1	15.4	34.7	27.3	21.5	17.3	15.6
10-Year	34.6	27.2	20.8	15.7	13.3	34.6	27.3	20.9	15.8	13.5
Since Jan. 1995	37.9	30.3	23.7	18.2	15.0	37.9	30.4	23.8	18.3	15.1
Return/Volatility										
3-Year	-0.2	0.1	0.4	0.9	1.5	-0.2	0.1	0.4	0.9	1.4
5-Year	0.0	0.2	0.5	0.8	1.2	0.0	0.2	0.5	0.8	1.1
10-Year	-0.1	0.1	0.4	0.7	1.1	-0.1	0.1	0.3	0.7	1.1
Since Jan. 1995	0.2	0.3	0.5	0.6	0.7	0.2	0.3	0.5	0.6	0.7

All index combinations are hypothetical.

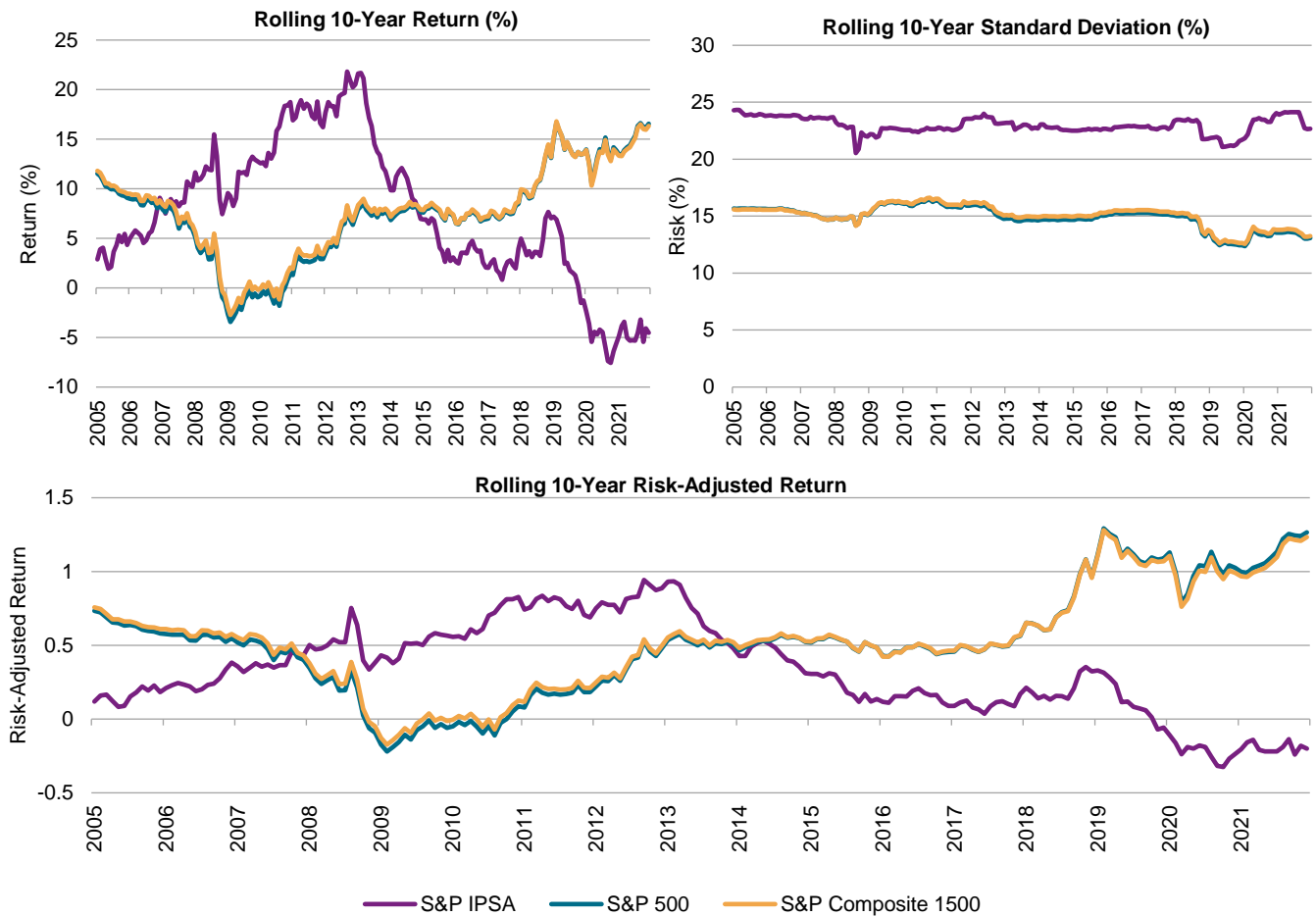
Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1995, to Dec. 31, 2021. Index performance based on total return in USD.

Hypothetical combinations are rebalanced back to the given weights at the start of January. The S&P Brazil LargeMidCap was launched Dec. 31, 1997. All data prior to index launch date is back-tested hypothetical data. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Chile

The Chilean equity market’s higher volatility and lower returns in USD in recent years meant that the S&P IPSA typically underperformed the U.S. equity indices on a risk-adjusted basis. Combined with the relatively low return correlation between the S&P IPSA and S&P Composite 1500, incorporating U.S. equities could have improved returns, lowered volatility and improved risk-adjusted performance.

Exhibit 20: Rolling 10-Year Return, Volatility and Risk-Adjusted Return for Chilean and U.S. Equity Indices



Source: S&P Dow Jones Indices LLC and FactSet. Data from Jan. 31, 2005, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Exhibit 21: Risk and Performance Characteristics for Hypothetical Combinations of Chilean and U.S. Equity Indices

Period	S&P IPSA/S&P 500					S&P IPSA/S&P Composite 1500				
	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%
Return (Annualized, %)										
3-Year	-11.7	-2.2	7.3	16.7	26.1	-11.7	-2.3	7.1	16.4	25.6
5-Year	-4.0	2.1	7.9	13.3	18.5	-4.0	2.0	7.6	12.9	17.9
10-Year	-5.2	0.3	5.5	10.4	14.9	-5.2	0.3	5.4	10.2	14.7
Since Jan. 1995	2.9	5.6	7.9	9.7	11.1	2.9	5.7	7.9	9.8	11.2
Volatility (Annualized, %)										
3-Year	29.3	24.3	20.6	18.3	17.4	29.3	24.4	20.9	18.6	17.7
5-Year	26.9	22.0	18.3	16.0	15.4	26.9	22.1	18.4	16.2	15.6
10-Year	23.0	18.8	15.6	13.6	13.3	23.0	18.8	15.7	13.8	13.5
Since Jan. 1995	23.7	19.9	17.0	15.2	15.0	23.7	19.9	17.0	15.3	15.1
Return/Volatility										
3-Year	-0.4	-0.1	0.4	0.9	1.5	-0.4	-0.1	0.3	0.9	1.4
5-Year	-0.1	0.1	0.4	0.8	1.2	-0.1	0.1	0.4	0.8	1.1
10-Year	-0.2	0.0	0.4	0.8	1.1	-0.2	0.0	0.3	0.7	1.1
Since Jan. 1995	0.1	0.3	0.5	0.6	0.7	0.1	0.3	0.5	0.6	0.7

All index combinations are hypothetical.

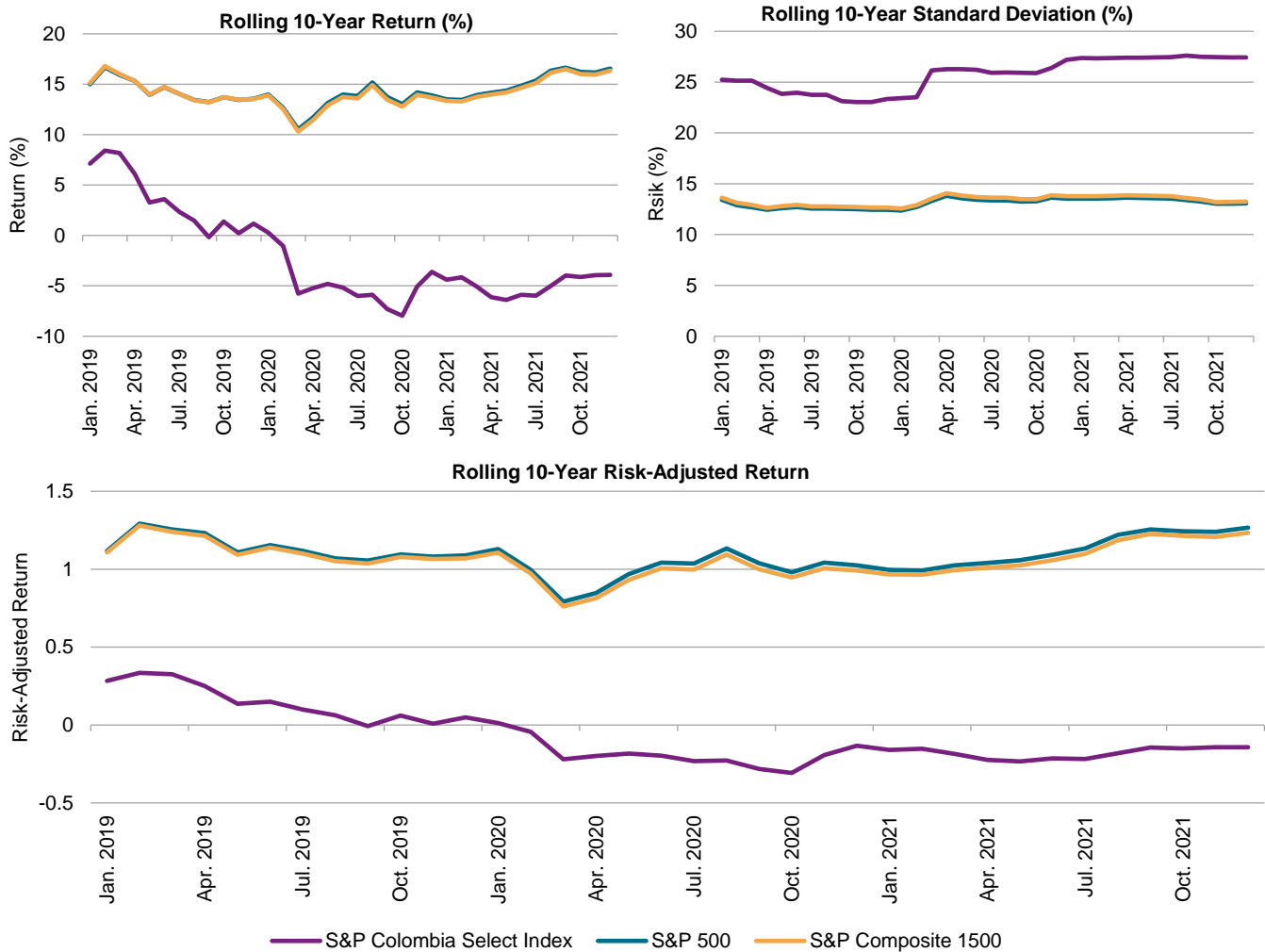
Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1995, to Dec. 31, 2021. Index performance based on total return in USD.

Hypothetical combinations are rebalanced back to the given weights at the start of January. Table is provided for illustrative purposes.

Colombia

The S&P Colombia Select Index posted lower returns and higher volatility than the U.S. equity indices across all rolling 10-year periods. Combined with the relatively low return correlation, it is unsurprising that incorporating U.S. equities within a domestic equity strategy could have improved risk-adjusted returns.

Exhibit 22: Rolling 10-Year Return, Volatility and Risk-Adjusted Return for Colombian and U.S. Equity Indices



Source: S&P Dow Jones Indices LLC and FactSet. Data from Jan. 31, 2019, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. The S&P Colombia Select Index was launched Oct. 13, 2013. All data prior to index launch date is back-tested hypothetical data. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Exhibit 23: Risk and Performance Characteristics for Hypothetical Combinations of Colombian and U.S. Equity Indices

Period	S&P Colombia Select Index/S&P 500					S&P Colombia Select Index/S&P Composite 1500				
	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%
Return (Annualized, %)										
3-Year	-0.3	6.6	13.2	19.7	26.1	-0.3	6.5	13.0	19.4	25.6
5-Year	-1.1	4.0	8.9	13.8	18.5	-1.1	3.9	8.7	13.4	17.9
10-Year	-6.2	-0.4	5.0	10.1	14.9	-6.2	-0.5	4.9	9.9	14.7
Since Jan. 2009	4.3	8.2	11.6	14.5	16.9	4.3	8.2	11.6	14.4	16.9
Volatility (Annualized, %)										
3-Year	34.5	28.5	23.7	20.0	17.4	34.5	28.7	23.9	20.3	17.7
5-Year	28.9	24.0	20.0	17.1	15.4	28.9	24.1	20.2	17.3	15.6
10-Year	28.2	22.7	18.2	14.9	13.3	28.2	22.7	18.3	15.0	13.5
Since Jan. 2009	27.3	22.4	18.4	15.5	14.4	27.3	22.5	18.5	15.7	14.6
Return/Volatility										
3-Year	0.0	0.2	0.6	1.0	1.5	0.0	0.2	0.5	1.0	1.4
5-Year	0.0	0.2	0.4	0.8	1.2	0.0	0.2	0.4	0.8	1.1
10-Year	-0.2	0.0	0.3	0.7	1.1	-0.2	0.0	0.3	0.7	1.1
Since Jan. 2009	0.2	0.4	0.6	0.9	1.2	0.2	0.4	0.6	0.9	1.2

All index combinations are hypothetical.

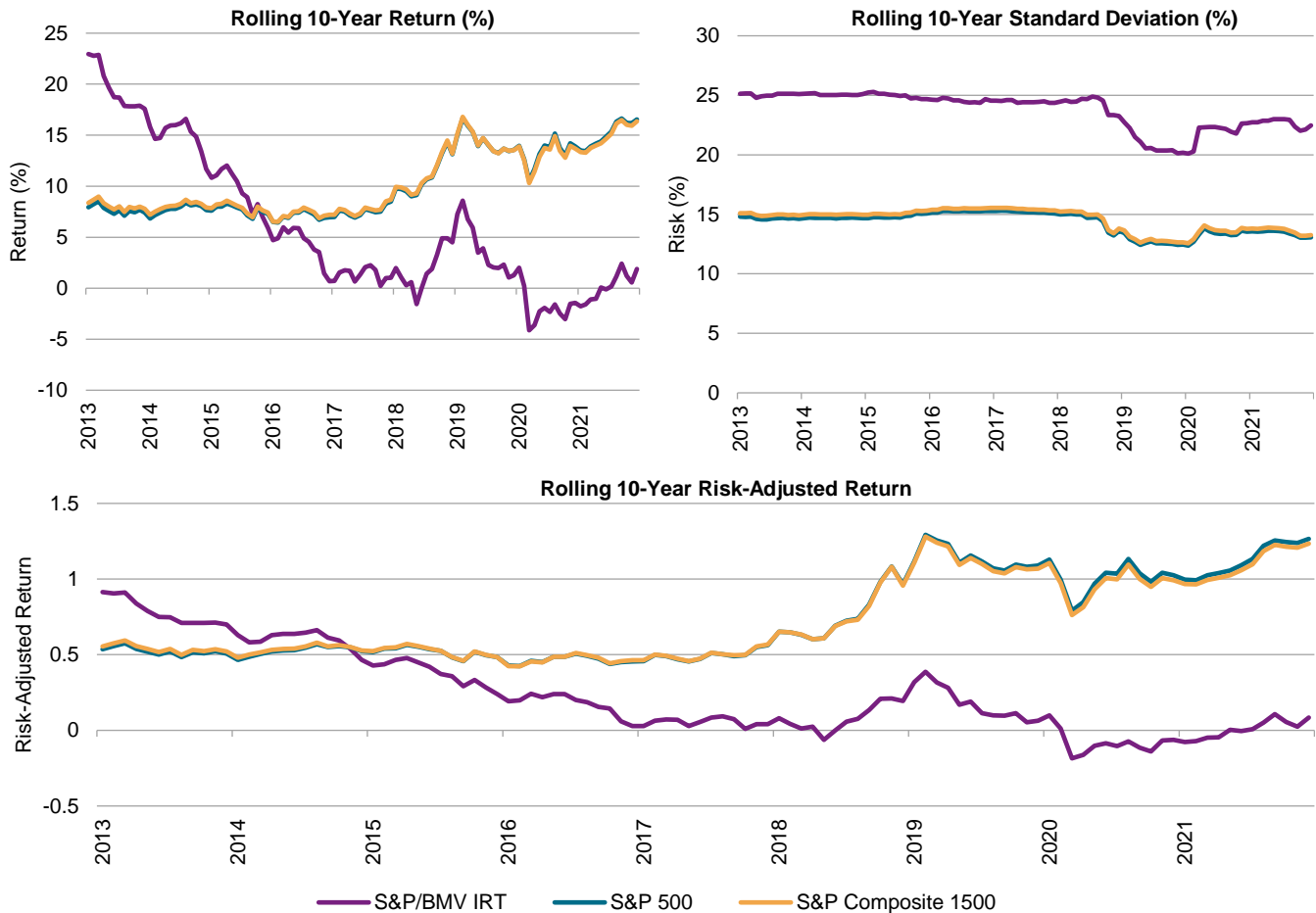
Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2009, to Dec. 31, 2021. Index performance based on total return in USD.

Hypothetical combinations are rebalanced back to the given weights at the start of January. The S&P Colombia Select Index was launched Oct. 13, 2013. All data prior to index launch date is back-tested hypothetical data. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Mexico

The S&P 500 and S&P Composite 1500 typically posted higher risk-adjusted returns in USD on a rolling 10-year basis than the S&P/BMV IRT. This helped to explain why the hypothetical combinations of Mexican and U.S. equities in various proportions recorded higher risk-adjusted returns than the S&P/BMV IRT.

Exhibit 24: Rolling 10-Year Return, Volatility and Risk-Adjusted Return for Mexican and U.S. Equity Indices



Source: S&P Dow Jones Indices LLC and FactSet. Data from Jan. 31, 2013, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

Exhibit 25: Risk and Performance Characteristics for Hypothetical Combinations of Mexican and U.S. Equity Indices

Period	S&P/BMV IRT/S&P 500					S&P/BMV IRT/S&P Composite 1500				
	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%
Return (Annualized, %)										
3-Year	9.9	14.0	18.0	22.1	26.1	9.9	13.9	17.8	21.7	25.6
5-Year	6.0	9.2	12.3	15.4	18.5	6.0	9.0	12.0	15.0	17.9
10-Year	-0.2	3.7	7.5	11.2	14.9	-0.2	3.6	7.4	11.1	14.7
Since June 2002	10.8	11.4	11.7	11.9	11.7	10.8	11.4	11.8	11.9	11.8
Volatility (Annualized, %)										
3-Year	27.5	23.9	21.0	18.8	17.4	27.5	24.1	21.2	19.1	17.7
5-Year	26.1	22.1	18.8	16.5	15.4	26.1	22.2	18.9	16.7	15.6
10-Year	22.4	18.9	16.0	14.1	13.3	22.4	18.9	16.1	14.2	13.5
Since June 2002	24.1	20.7	17.8	15.5	14.2	24.1	20.8	17.9	15.7	14.4
Return/Volatility										
3-Year	0.4	0.6	0.9	1.2	1.5	0.4	0.6	0.8	1.1	1.4
5-Year	0.2	0.4	0.7	0.9	1.2	0.2	0.4	0.6	0.9	1.1
10-Year	0.0	0.2	0.5	0.8	1.1	0.0	0.2	0.5	0.8	1.1
Since June 2002	0.4	0.6	0.7	0.8	0.8	0.4	0.5	0.7	0.8	0.8

All index combinations are hypothetical.

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2003, to Dec. 31, 2021. Index performance based on total return in USD.

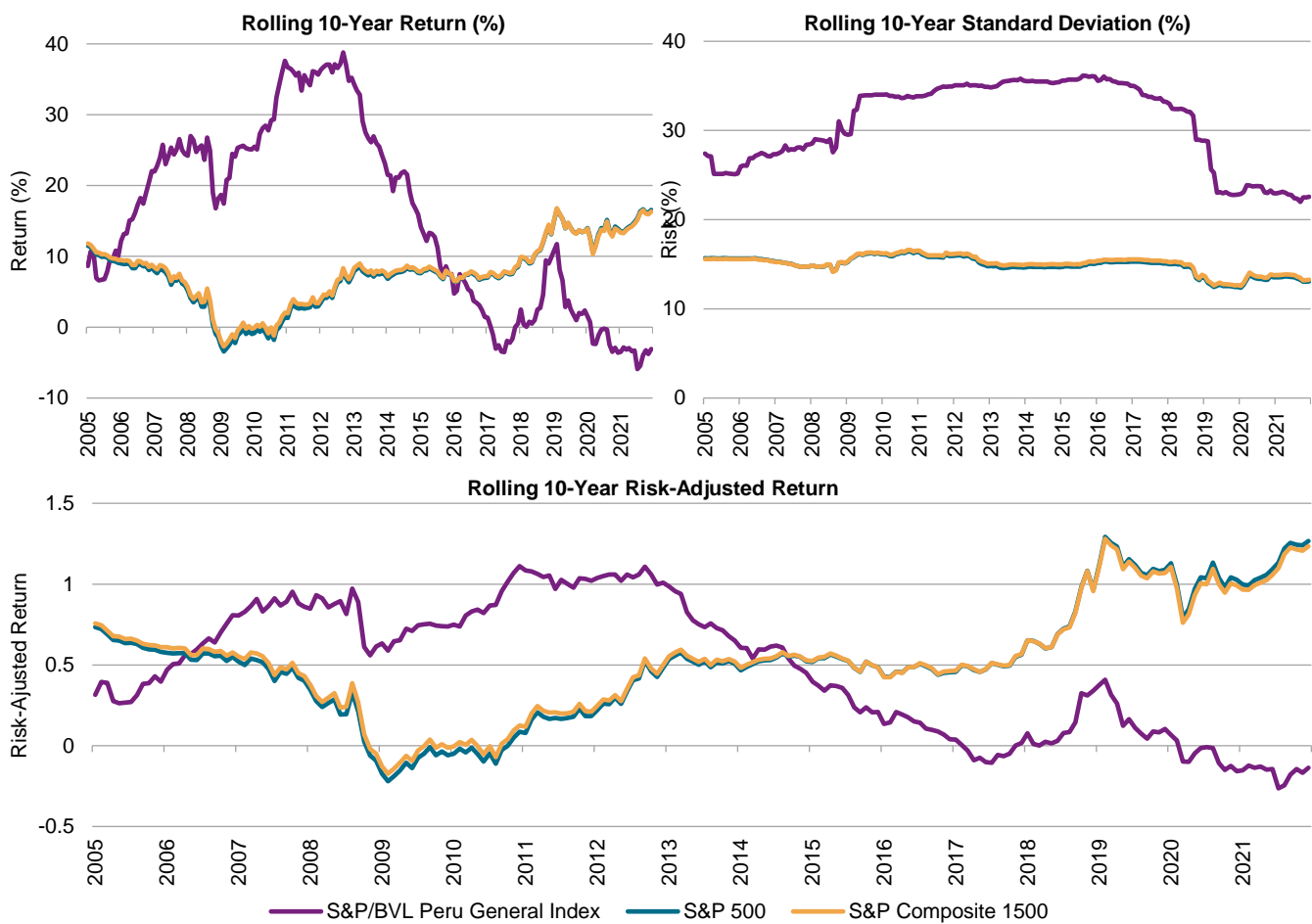
Hypothetical combinations are rebalanced back to the given weights at the start of January. Table is provided for illustrative purposes.

Peru

The S&P/BVL Peru General Index was much more volatile than the U.S. equity indices. So, although the index typically posted higher returns over rolling 10-year periods, the S&P 500 and S&P Composite 1500 typically posted higher risk-adjusted returns.

Comparing the performance of various hypothetical index blends suggests that adding U.S. equities to a Peruvian equities allocation could have improved returns, lowered volatility and increased risk-adjusted returns.

Exhibit 26: Rolling 10-Year Return, Volatility and Risk-Adjusted Return for Peruvian and U.S. Equity Indices



Source: S&P Dow Jones Indices LLC and FactSet. Data from Jan. 31, 2005, to Dec. 31, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. The S&P/BVL Peru General Index was launched May 4, 2015. All data prior to index launch date is back-tested hypothetical data. Charts are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Exhibit 27: Risk and Performance Characteristics for Hypothetical Combinations of Peruvian and U.S. Equity Indices

Period	S&P/BVL Peru General Index/S&P 500					S&P/BVL Peru General Index/S&P Composite 1500				
	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%	100%/0%	75%/25%	50%/50%	25%/75%	0%/100%
Return (Annualized, %)										
3-Year	-0.3	6.6	13.2	19.7	26.1	-0.3	6.5	13.0	19.4	25.6
5-Year	-1.1	4.0	8.9	13.8	18.5	-1.1	3.9	8.7	13.4	17.9
10-Year	-6.2	-0.4	5.0	10.1	14.9	-6.2	-0.5	4.9	9.9	14.7
Since Jan. 1995	4.3	8.2	11.6	14.5	16.9	4.3	8.2	11.6	14.4	16.9
Volatility (Annualized, %)										
3-Year	34.5	28.5	23.7	20.0	17.4	34.5	28.7	23.9	20.3	17.7
5-Year	28.9	24.0	20.0	17.1	15.4	28.9	24.1	20.2	17.3	15.6
10-Year	28.2	22.7	18.2	14.9	13.3	28.2	22.7	18.3	15.0	13.5
Since Jan. 1995	27.3	22.4	18.4	15.5	14.4	27.3	22.5	18.5	15.7	14.6
Return/Volatility										
3-Year	0.0	0.2	0.6	1.0	1.5	0.0	0.2	0.5	1.0	1.4
5-Year	0.0	0.2	0.4	0.8	1.2	0.0	0.2	0.4	0.8	1.1
10-Year	-0.2	0.0	0.3	0.7	1.1	-0.2	0.0	0.3	0.7	1.1
Since Jan. 1995	0.2	0.4	0.6	0.9	1.2	0.2	0.4	0.6	0.9	1.2

All index combinations are hypothetical.

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1995, to Dec. 31, 2021. Index performance based on total return in USD.

Hypothetical combinations are rebalanced back to the given weights at the start of January. The S&P/BVL Peru General Index was launched May 4, 2015. All data prior to index launch date is back-tested hypothetical data. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of the document for more information regarding the inherent limitations associated with back-tested data.

Performance Disclosure/Back-Tested Data

The S&P Latin America BMI was launched Dec. 31, 1997. The S&P Colombia Select Index was launched Oct. 31, 2013. The S&P Brazil LargeMidCap was launched Dec. 31, 1997. The S&P/BVL Peru General Index was launched May 4, 2015. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at www.spglobal.com/spdji. Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the [FAQ](#). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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