S&P DOW JONES INDICES
McGRAW HILL FINANCIAL

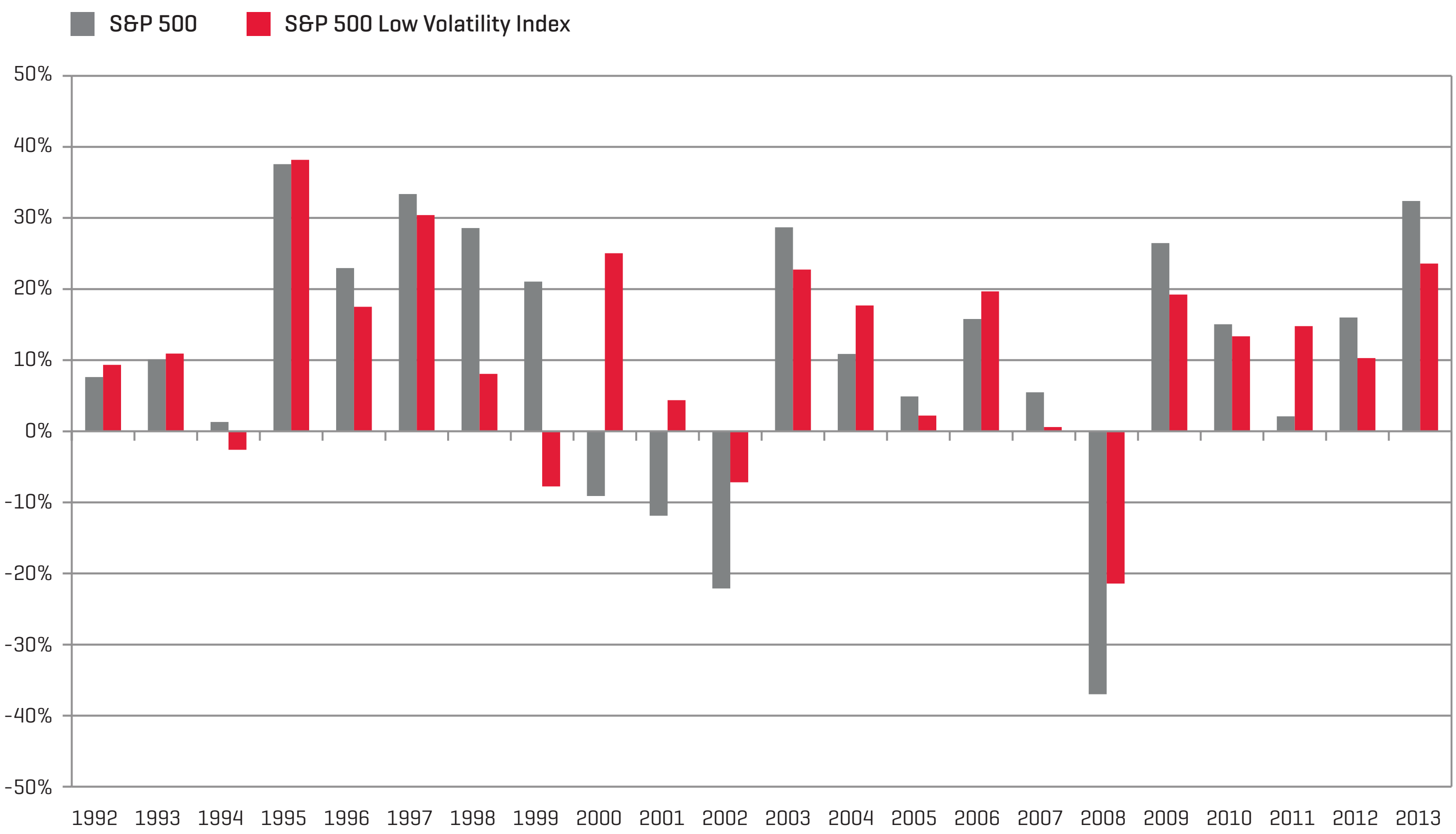
LOW VOLATILITY INDICES: Why Less Can Be More

> Like cars, some stocks can offer smoother rides than others. These stocks are the foundation of low volatility indices, which can offer cautious investors some peace of mind, especially when market terrain gets rough. While they're designed to take some of the sting out of bear markets, these indices have also proven their ability to offer gains in bull markets.

Limiting Risk, Not Returns

When the market outlook is far from certain, limiting downside risk is obviously important. Low volatility indices can help to minimize downside risk by avoiding highly volatile stocks and favoring those that have exhibited more stable performance. These indices not only tend to protect investors from steep declines, but also allow them to participate in the upside, as shown in the chart below. They also tend to offer higher dividend yields than their benchmarks.

PERFORMANCE OF THE S&P 500 LOW VOLATILITY INDEX™ AND THE S&P 500®



Source: S&P Dow Jones Indices. Data as of March 31, 2014. Charts and tables are provided for illustrative purposes. This chart reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

FEATURED LOW VOLATILITY INDICES:

- S&P 500 Low Volatility Index
- S&P Europe 350® Low Volatility Index
- S&P BMI Emerging Markets Low Volatility Index
- S&P BMI International Developed Low Volatility Index
- S&P Pan Asia Low Volatility Index

In fact, low volatility indices have actually shown a tendency to outperform their benchmarks over mid- to long-term periods on a risk-adjusted basis, as shown below. This well-documented phenomenon is known as the "low volatility anomaly" because it runs counter to traditional investment theories. Whether you're investing in the U.S., Europe, Asia, emerging or developed markets, this trend holds, showing that lower risk doesn't have to mean lower returns.

ANNUALIZED RETURNS AND ANNUALIZED RISK OF THE S&P 500 LOW VOLATILITY INDEX AND S&P 500

		S&P 500 LOW VOLATILITY INDEX TR (%)	S&P 500 TR (%)
Annualized Returns	1 Year	12.79	21.86
	3 Years	15.95	14.66
	5 Years	19.14	21.16
	10 Years	9.01	7.42
	15 Years	9.11	4.46
	20 Years	10.95	9.53
Annualized Risk	3 Years Std Dev	9.02	12.47
	5 Years Std Dev	9.22	13.99
	10 Years Std Dev	10.41	14.71
	15 Years Std Dev	11.58	15.48
	20 Years Std Dev	11.44	15.20

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Why Select our Low Volatility Indices?

Since its launch in 2011, the S&P 500 Low Volatility Index has attracted widespread attention, owing to its easily comprehensible, transparent approach to measuring large-cap low volatility stocks. In 2012, the index was named the William F. Sharpe Indexing Product of the Year, a distinction awarded to the year's most influential index. In response to investor demand, we expanded our range of low volatility offerings to cover European, Asian, and emerging and developed markets. All of these indices are comprehensible and transparent, enabling you to understand what's in your index and why it's there.

Our low volatility indices are designed to measure the performance of the least-volatile stocks within their respective regions. Volatility is defined as the standard deviation of a security's daily price returns over the prior 252 trading days. Over mid- to long-term periods, all of the featured indices outperformed their respective benchmarks on a risk-adjusted basis.

How someone uses a low volatility index depends on a number of factors, including their risk tolerance and market outlook. A low volatility index may be appealing to those who wish to maintain equity exposure but limit risk or those who are interested in increasing equity exposure without increasing risk.

Our Low Volatility Index Offerings and Related Products

As the world's largest global resource for index-based concepts, data and research, we offer low volatility indices for all the major markets.

INDEX NAME	CURRENCY	BLOOMBERG TICKER	EXCHANGE TRADED PRODUCT NAME	ETF TICKER
S&P 500 Low Volatility Index	USD	SP5LVI	PowerShares S&P 500 Low Volatility Portfolio	SPLV
(TR) CAD Hedged	CAD	SP5LVCTH	PowerShares S&P 500 Low Volatility CAD Hedged Index ETF	ULV CN
S&P 500 Low Volatility High Dividend Index	USD	SP5LVHD	PowerShares S&P 500 High Dividend Portfolio	SPHD
S&P BMI Emerging Markets Low Volatility Index	USD	SPEMLVUP	PowerShares S&P Emerging Markets Low Volatility Portfolio	EELV
S&P BMI International Developed Low Volatility Index	USD	SPIDLVUP	PowerShares S&P International Developed Low Volatility Portfolio	IDLV
S&P Europe 350 Low Volatility Index	USD EUR	SPEULVE SPEULV		
S&P MidCap 400 Low Volatility Index	USD	SP4LVI	PowerShares S&P MidCap Low Volatility Portfolio	XMLV
S&P Pan Asia Low Volatility Index	USD EUR SEK	SPPALV SPPALVE SPPALVS		
S&P SmallCap 600 Low Volatility Index	USD	SP6LVI	PowerShares S&P SmallCap Low Volatility Portfolio	XSLV
S&P/TSX Composite Low Volatility Index	CAD	SPTXLVPR	PowerShares S&P/TSX Composite Low Volatility Index ETF	TLV CN

S&P Dow Jones Indices does not sponsor, promote or endorse any investment product linked to any of our indices. We have attempted to provide a complete list of all ETFs that are currently linked to the indices mentioned in this publication. SPDJI does not recommend or suggest one product over any other product.

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PERFORMANCE DISCLOSURE

The launch date of the S&P 500 Low Volatility Index was April 4, 2011 at the market close. All information presented prior to the launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. Complete index methodology details are available at www.spdji.com. It is not possible to invest directly in an index.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency on their products. 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 at a fixed value for calculation purposes. The Launch Date designates the date upon which 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 datafeed to external parties. For Dow Jones-branded indicates 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.

Past performance of the Index is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the methodology paper for the Index, available at www.spdji.com 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.

Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

The Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices LLC 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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