

Equity Investing and Factor Indices

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**S&P Dow Jones
Indices**

A Division of **S&P Global**

Index Evolution

Indices	Examples	Attributes
Broad Market	S&P 500 [®] , S&P 1500 [®]	<ul style="list-style-type: none">• Capitalization-weighted• Aim to represent an asset class
Specialized	S&P MidCap 400 [®] , S&P Select Sector indices	<ul style="list-style-type: none">• Focus on a subset of the broader market• Typically capitalization-weighted
Factor/ Smart Beta/ Strategic Beta	S&P 500 Growth/Value, S&P 500 Equal Weight	<ul style="list-style-type: none">• Focus on specific <i>patterns</i> or <i>characteristics</i>• Better “indicize” active strategies• Typically <i>not</i> capitalization-weighted

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- [Style Indices](#)
- [Defensive Tilts](#)
- [S&P Equal Weight Index](#)

Factors and Factor Indices

- Think of a factor as **an attribute with which excess returns are associated**
- Factor indices
 - “Indicize” by providing cheap, transparent, reliable factor exposure
 - Serve as the basis for investment vehicles
 - Serve as benchmarks for active managers

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Factor Indices Can Target Specific Objectives

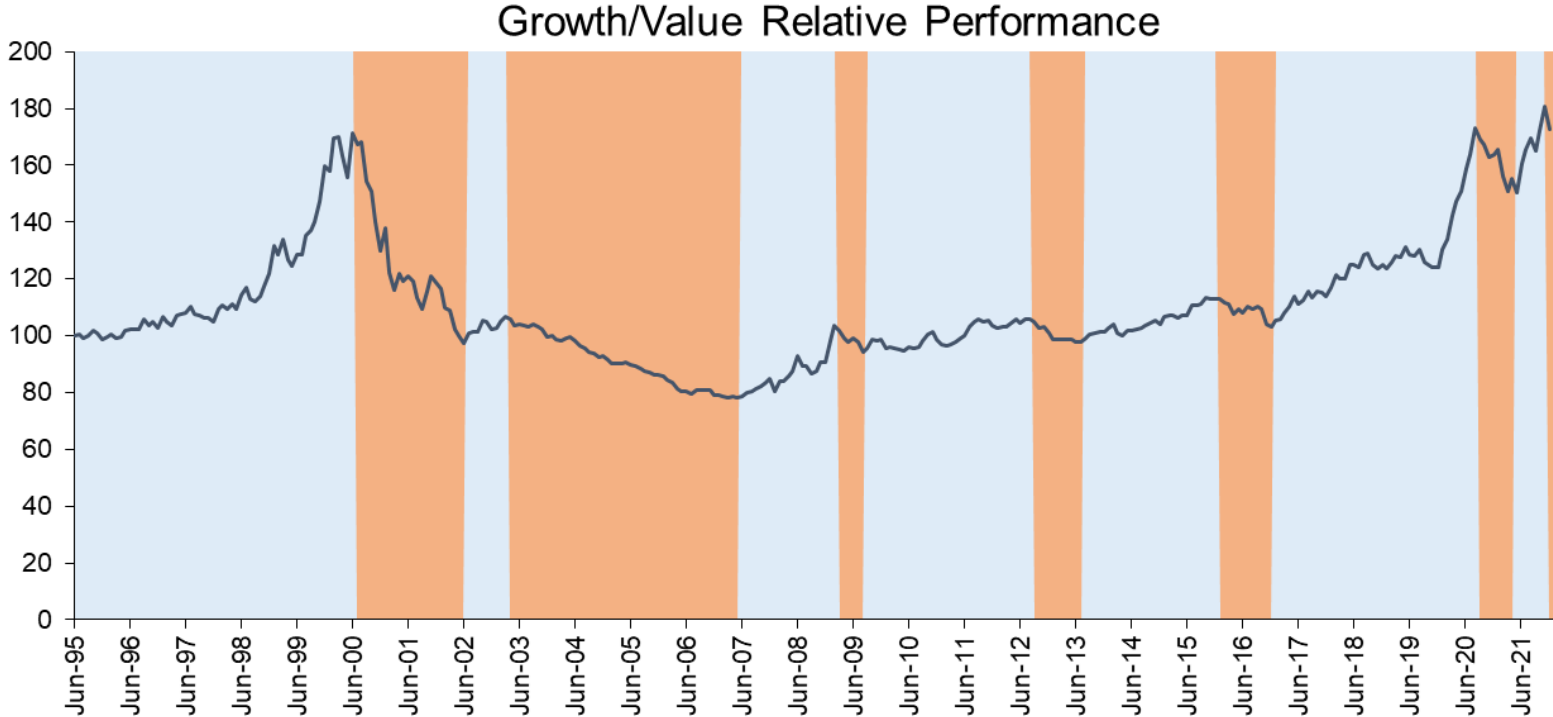
- Style exposure
- Defensive posture
- Avoidance of market concentration

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Style Indices

S&P 500 Pure Growth and Pure Value

Relative Performance – Growth and Value

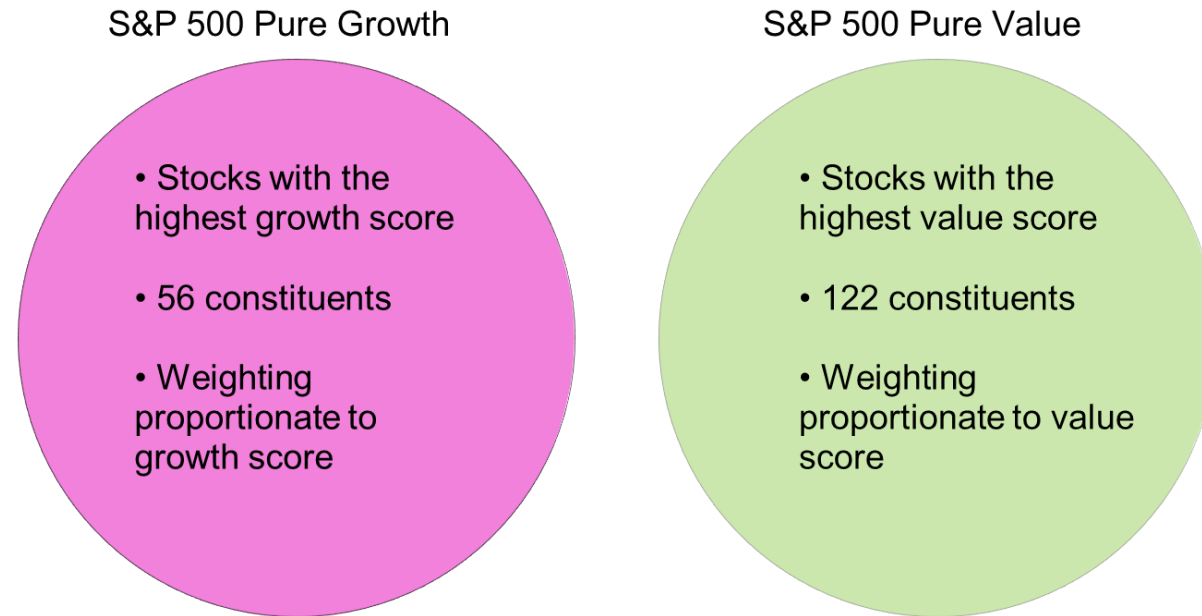


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Source: S&P Dow Jones Indices. Data from June 30, 1995 through Dec. 31, 2021. Charts are provided for illustrative purposes. Past performance is no guarantee of future results. This chart may reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

S&P Pure Style Indices

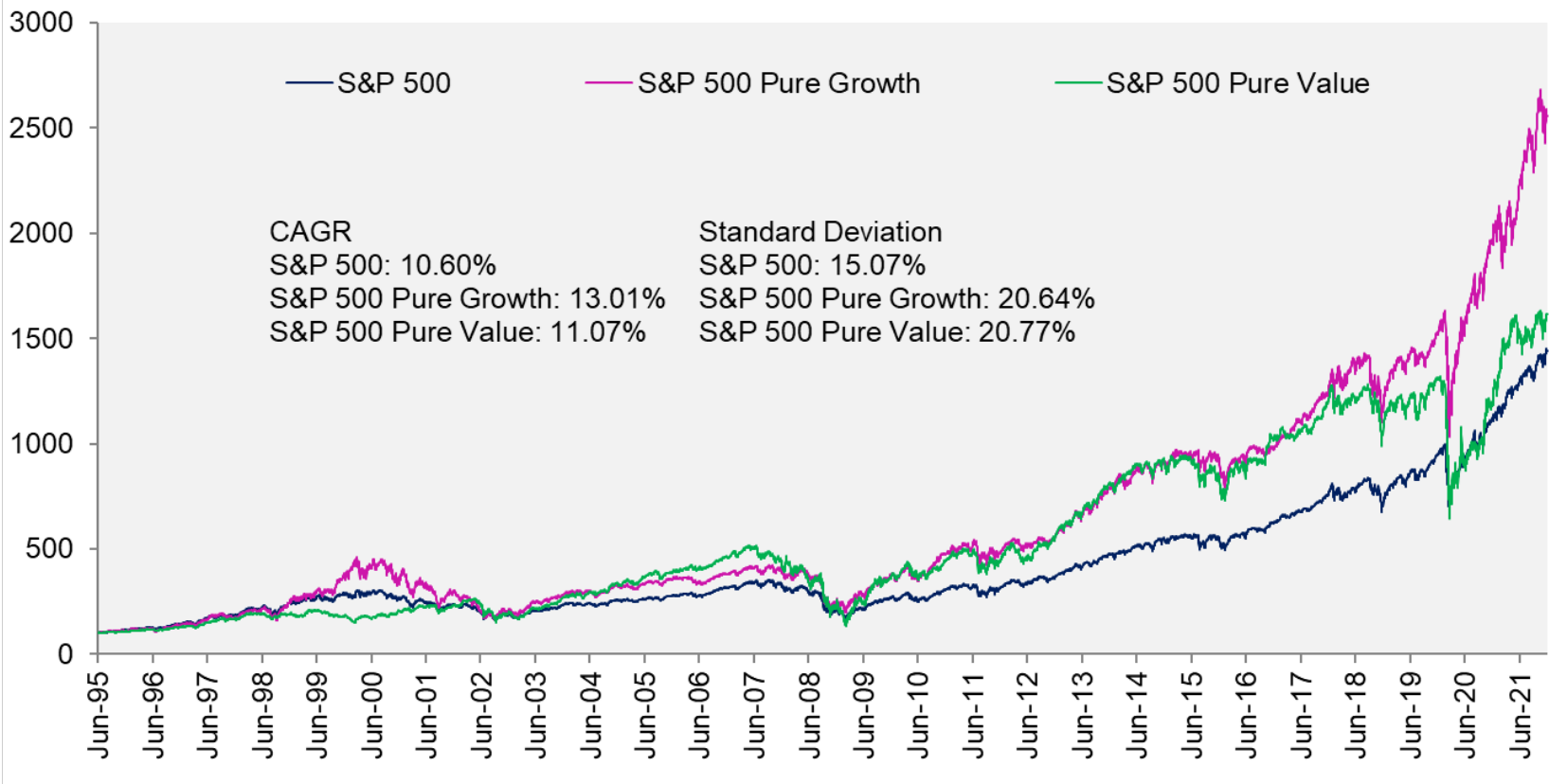
S&P Pure Style Indices are designed to track the performance of stocks that exhibit the strongest growth/value characteristics. They are mutually exclusive but not collectively exhaustive.



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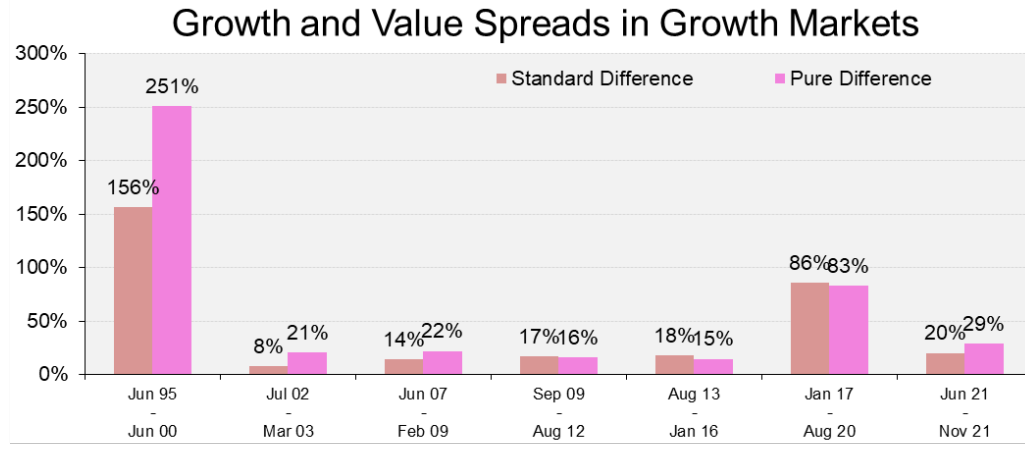
Relative Performance Pure Growth and Pure Value



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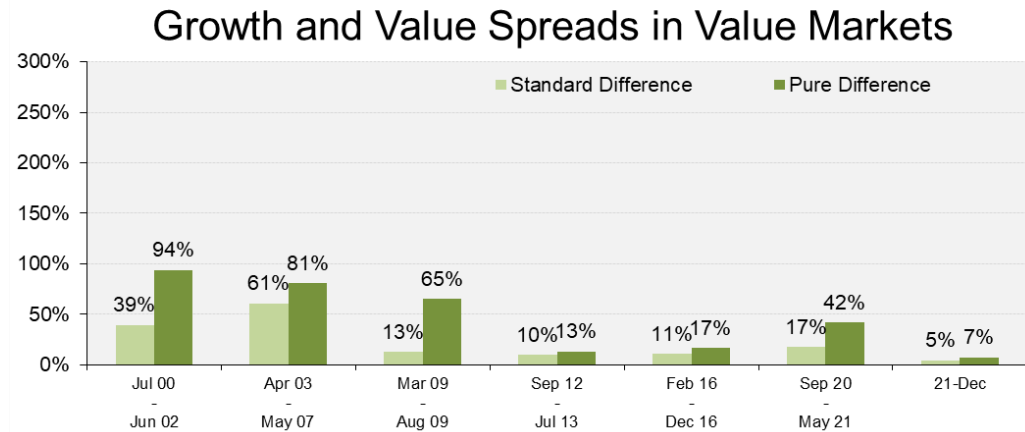
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Pure style dominates when in favor...



When growth beats value, pure growth beats pure value by more...

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...and vice versa when value beats growth.

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S&P Dow Jones Indices

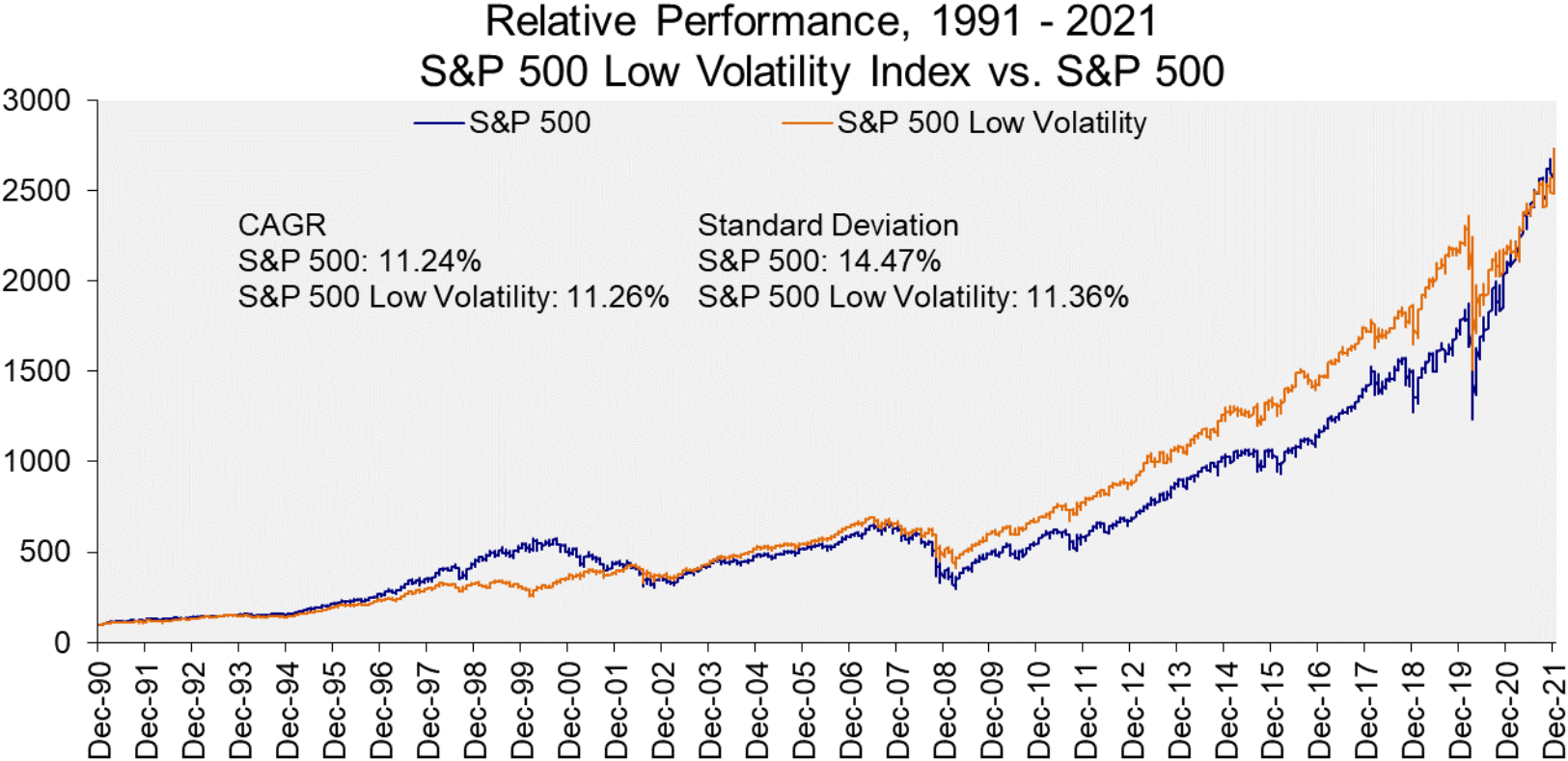
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Defensive Tilts

S&P 500 Low Volatility

S&P 500 Quality

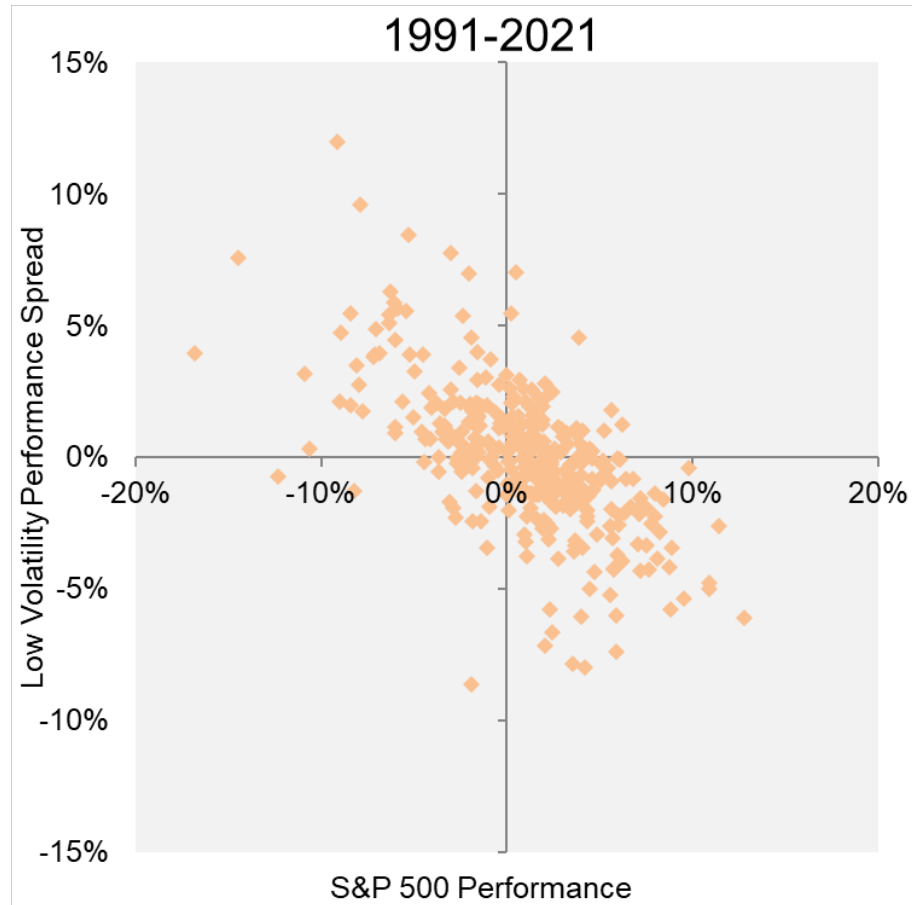
S&P 500 Low Volatility Index



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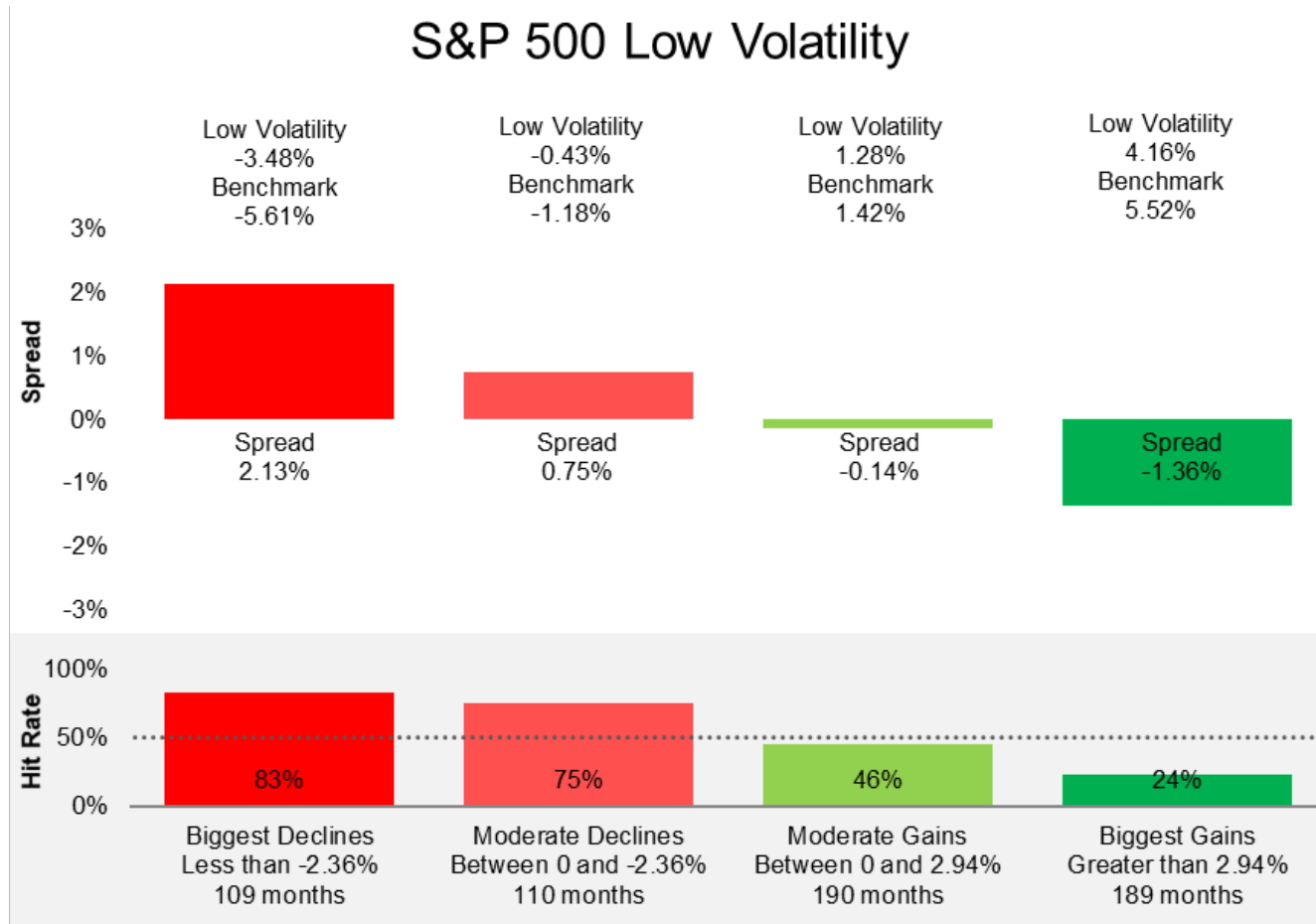
S&P 500 Low Vol Performance Differential



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Average Monthly Returns and Spreads

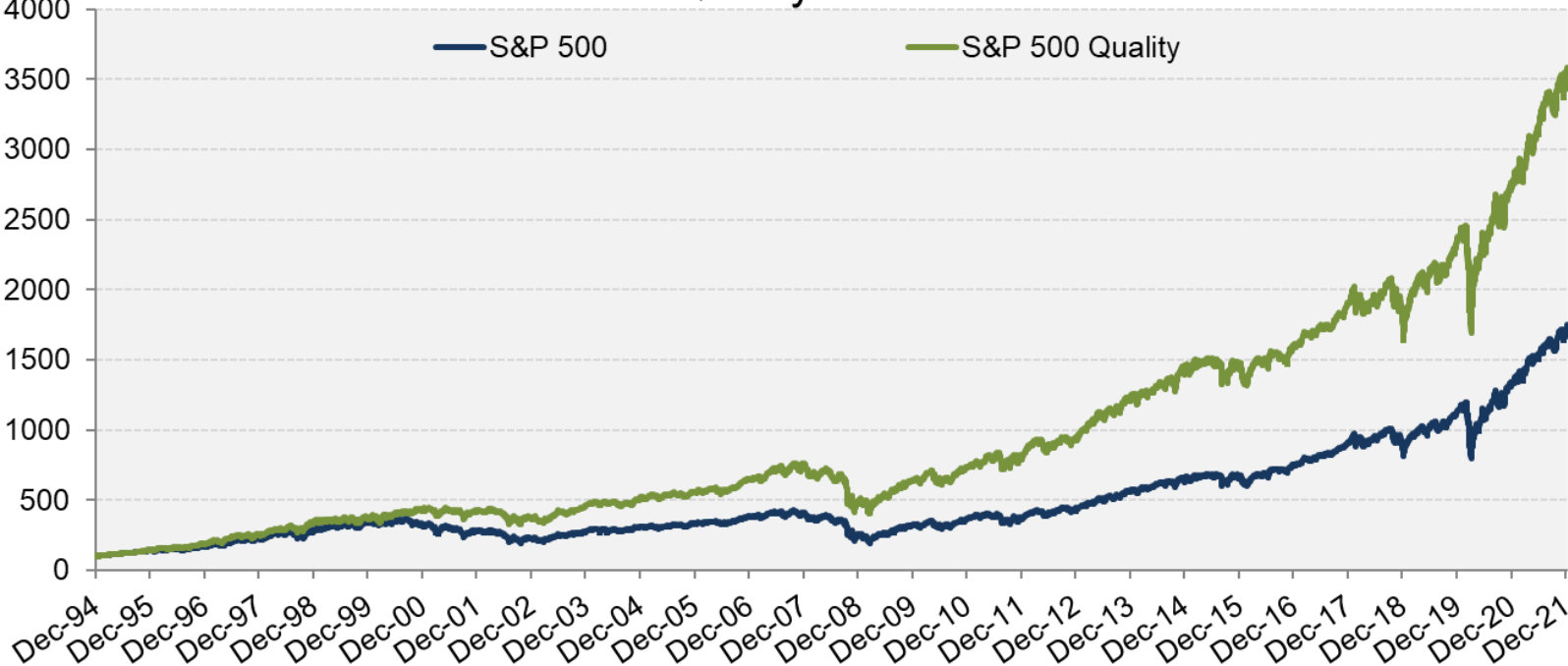


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S&P 500 Quality Index

Relative Performance, 1994 - 2021
S&P 500 Quality Index vs. S&P 500



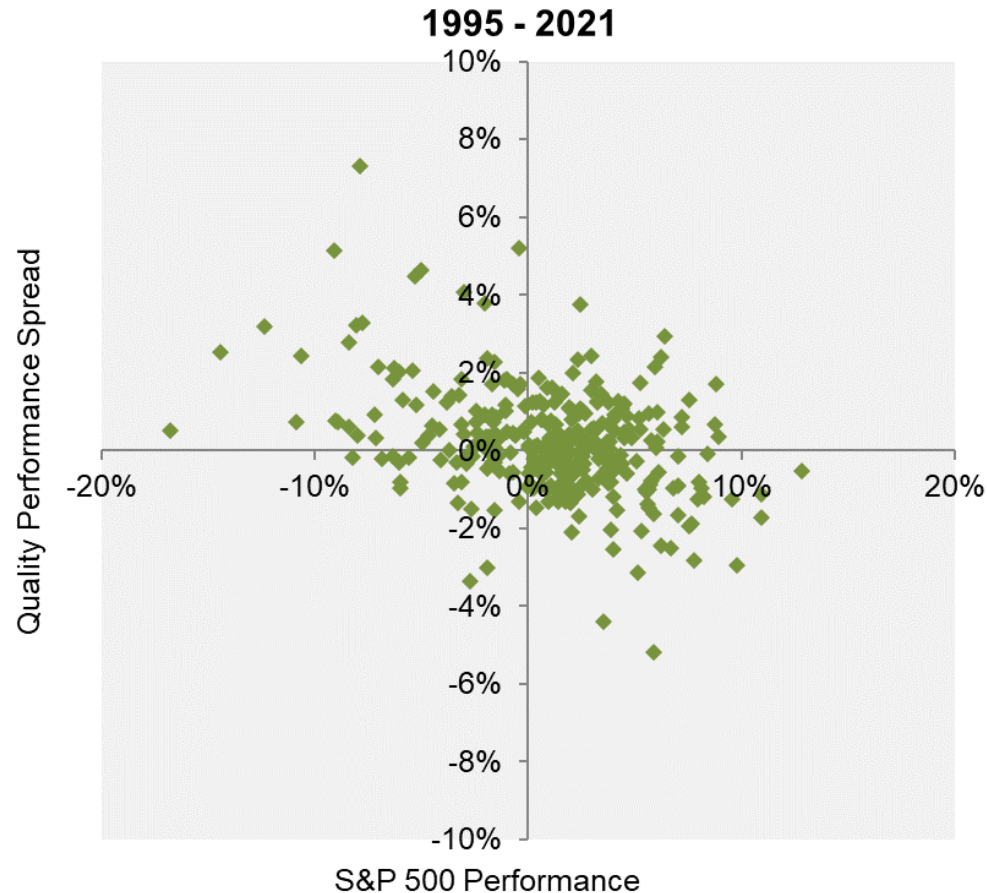
Source: S&P Dow Jones Indices. Data from Dec. 31, 1994 through Dec. 31, 2021. Charts are provided for illustrative purposes. Past performance is no guarantee of future results. This chart may reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

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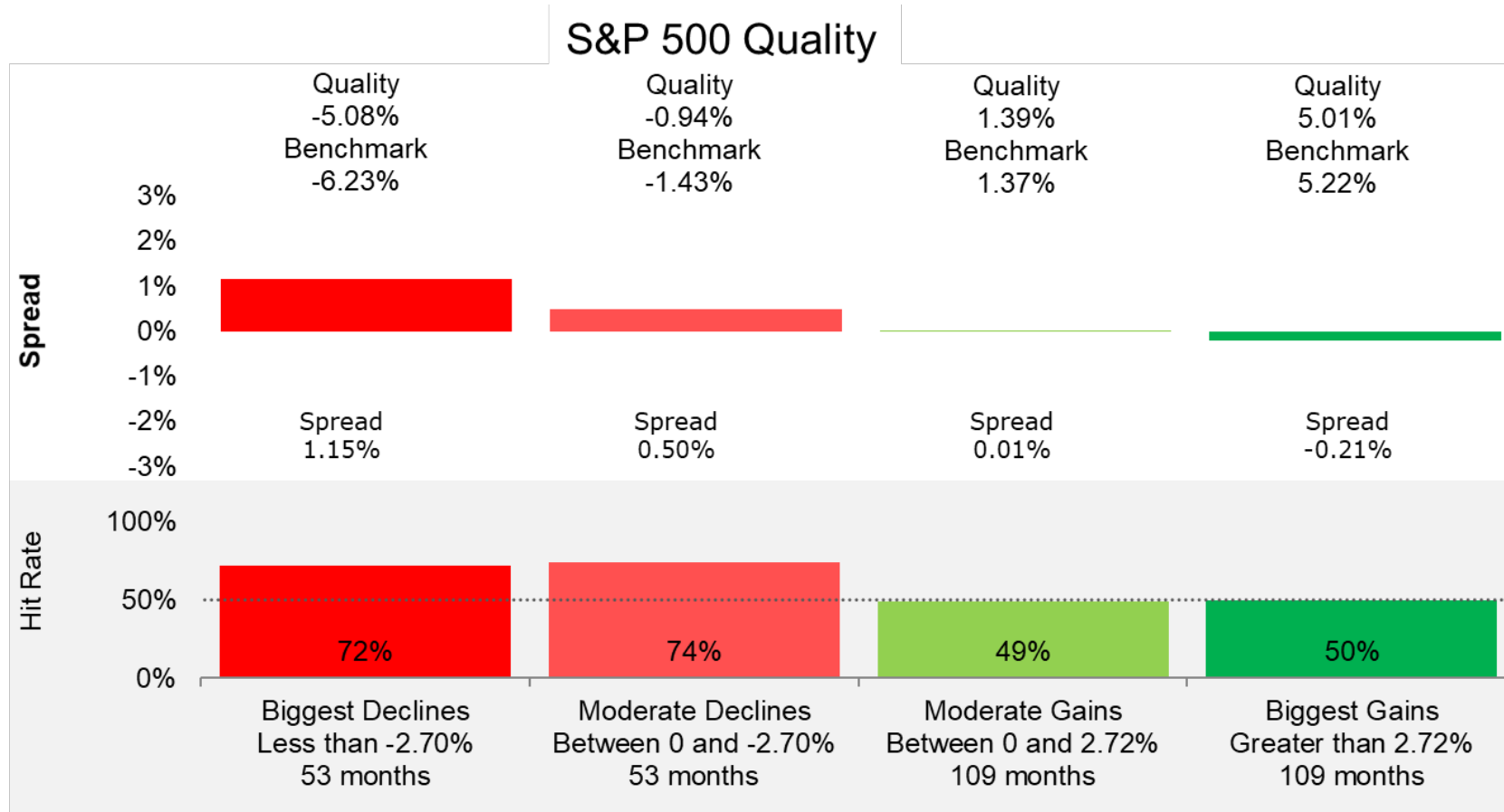
S&P 500 Quality Performance Differential



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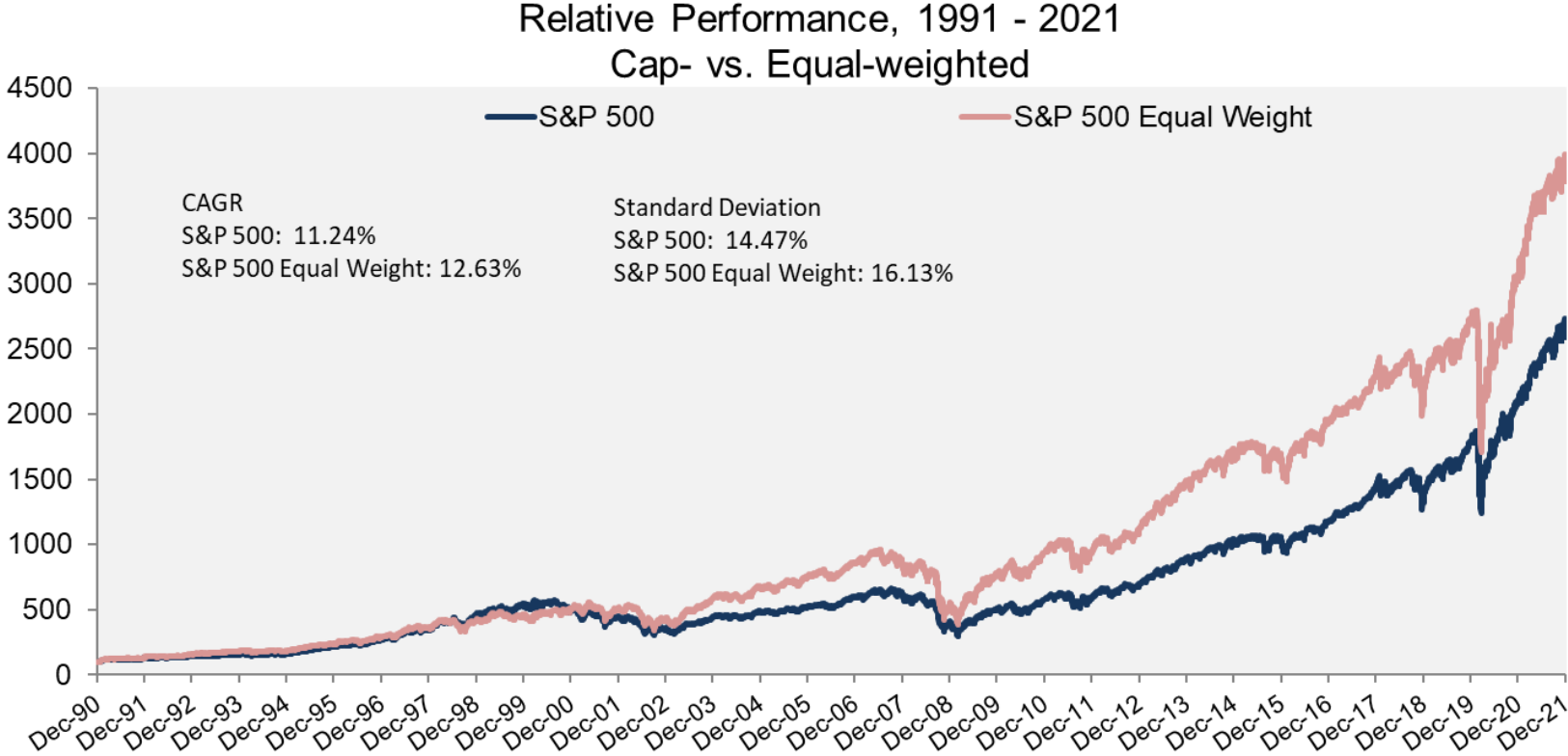
The Defensive Advantage

- Declining markets are typically characterized by
 - Above-average volatility
 - Above-average dispersion
- Defensive indices tend to outperform when the market is down and underperform when it rises
- Therefore defensive indices tend to
 - Win when the reward for winning is above average
 - Lose when the penalty for losing is below average

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S&P Equal Weight Index

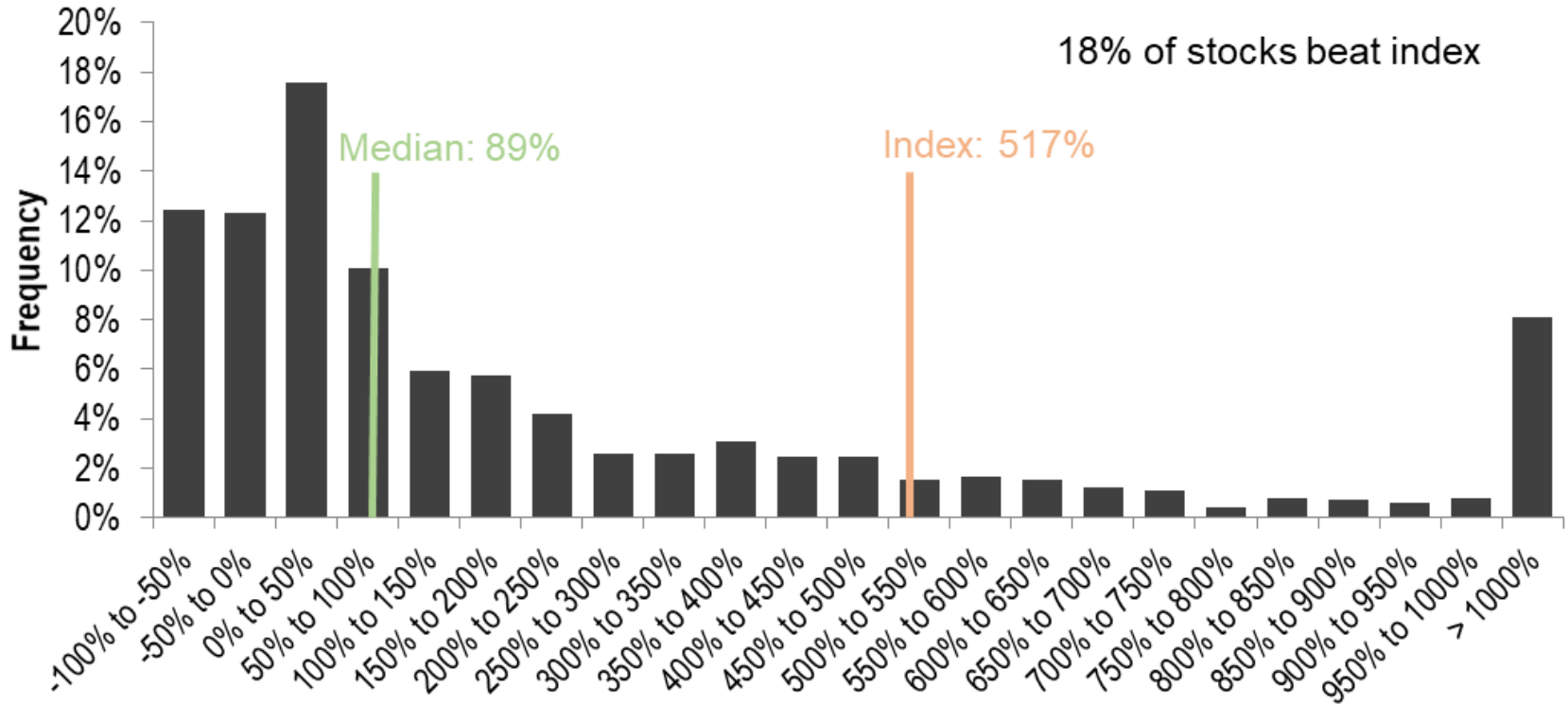
S&P 500 Equal Weight Index



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Historical Skewness for S&P 500 (2002-2021)



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Source: S&P Dow Jones Indices LLC, FactSet. Data from Dec. 31, 2001 through Dec. 31, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Thank you

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Performance Disclosure

The S&P 500 Equal Weight Index was launched Jan. 08, 2003. The S&P 500 Dividend Aristocrats Index was launched May 02, 2005. The S&P 500 Low Volatility Index was launched Apr. 04, 2011. The S&P 500 Low Volatility High Dividend Index was launched Sep. 17, 2012. The S&P 500 Minimum Volatility Index was launched Nov. 09, 2012. The S&P 500 Enhanced Value Index was launched Apr. 27, 2015. The S&P 500 Momentum Index was launched Nov. 18, 2014. The S&P 500 High Beta Index was launched Apr. 04, 2011. The S&P 500 Quality Index was launched Jul. 08, 2014. The S&P 500 Growth Index was launched May. 30, 1992. The S&P 500 Value Index was launched May 30, 1992. The S&P 500 Pure Growth Index was launched Dec. 16, 2005. The S&P 500 Pure Value Index was launched Dec. 16, 2005. 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.

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