

The S&P Equal Weight Index (S&P EWI) is composed of the same stocks as the market cap weighted S&P 500®.

Equal Weight Indexing

A look at the S&P 500® versus the S&P Equal Weight Index

Differences in design between the S&P 500 and the S&P Equal Weight Index

Following the introduction of the S&P 500 in 1957, most indices have been weighted by market capitalization so that a price change in a larger company has a greater influence on the index when compared to the same price change in a smaller company. With the creation of the S&P Equal Weight Index (S&P EWI) in January 2003, S&P Indices introduced an equal weighted version of the highly regarded S&P 500. While the S&P EWI has the same 500 stock constituents as the market cap weighted S&P 500, every company in the S&P EWI is allocated a fixed weight at each quarterly rebalancing of the index. This feature makes the S&P EWI a tool of interest for advisors who are proponents of the theory that the market is inefficient, and, at times, overweights or underweights certain factors. Equal weighted capitalization offers advisors alternative views on the U.S. equity market and exposes different return potential at both the index and sector level.

Unique properties of the S&P Equal Weight Index

The S&P EWI gives greater influence to the smaller market cap stocks within the S&P 500, and lessens the influence of the larger market cap stocks. For example, on November 30, 2009 the largest holding in the S&P 500 was Exxon (XOM, Energy) with a 3.74% weight. On the same date, the largest holding in the S&P EWI was Amazon.com (AMZN, Consumer Discretionary) with a 0.30% weight in the index. How big is that weighting difference? The weight of Exxon in the S&P 500 on November 30, 2009 was greater than the combined weight of the top 10 holdings (2.59%) in the S&P EWI. Furthermore, during the December 2009 rebalancing of the S&P EWI, the weight of Amazon was rebalanced to a 0.20% weight in the index. This example shows how the S&P EWI allows the advisor to view a portfolio where concentration is nearly eliminated.

Relative to the S&P 500, the S&P EWI has been consistently overweight certain sectors, such as Utilities and Consumer Discretionary, and underweight certain sectors, such as Health Care and Telecommunication Services. Over time, however, the situation has varied considerably for other sectors. *How might this aspect of the S&P EWI matter to an advisor?* These differences in sector weighting provide more options for advisors in search of alternate ways to inform their sector views.

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For example, during the tech boom, the S&P EWI went from being underweight in the Information Technology (IT) sector by only 3% at the start of 1998, to almost 20% underweight in August 2000 relative to the S&P 500. That underweighting in the S&P EWI served to lessen the influence of the sector during the subsequent market decline.

Comparative Sector Weights of the S&P 500 and S&P EWI

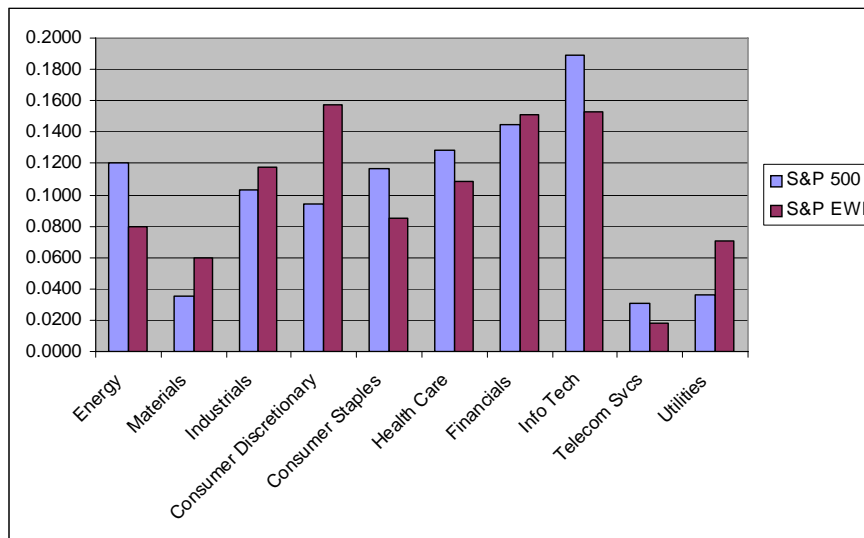
Sector weight differences between the S&P EWI and the S&P 500 allow advisors the opportunity to seek to measure the U.S. market in unique ways.

Sector	S&P 500 Sector Weights	S&P Equal Weight Sector Weights	EWI sector overweighting or (underweighting) relative to cap-weighted
Energy	12.02 %	7.97 %	(4.05 %)
Materials	3.57 %	5.98 %	2.41 %
Industrials	10.36 %	11.72 %	1.36 %
Consumer Discretionary	12.02 %	15.79 %	3.77 %
Consumer Staples	11.71 %	8.52 %	(3.19 %)
Health Care	12.84 %	10.88 %	(1.96 %)
Financials	14.45 %	15.09 %	0.64 %
Info Tech	18.90 %	15.26 %	(3.64 %)
Telecom Svcs	3.11 %	1.78 %	(1.33 %)
Utilities	3.63 %	7.02 %	3.39 %

Source: S&P Indices, data as of November 30, 2009

Comparative Sector Weights in 2009 Compared to 1999

2009 data comparing S&P 500 GICS® sectors to S&P EWI GICS sectors

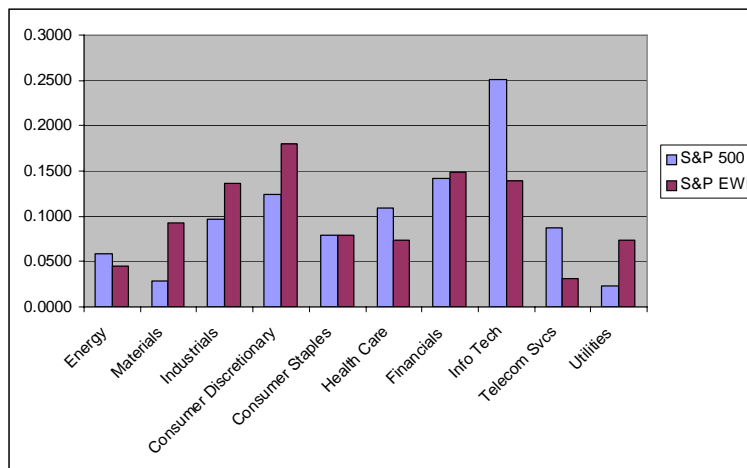


Source: S&P Indices

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1999 data comparing S&P 500 GICS sectors to S&P EWI GICS sectors

In the last five years, the S&P EWI has outperformed the S&P 500.



Source: S&P Indices

Comparative performance of the S&P EWI versus the S&P 500

In the last five years, the S&P EWI has outperformed the S&P 500 by 1.87% per year on average. As of November 30, 2009, the total return for the S&P EWI (year-to-date) was 39.85%, while the total return for the S&P 500 was 24.07% (year-to-date). Advisors should note that there is no guarantee that this past performance will be repeated in the future.

Annualized Returns of S&P 500 and S&P EWI as of October 31, 2009

	S&P 500 (Cap-weighted)	S&P Equal Weight Index	EWI Outperformance Relative to Cap-weighted
Year to Date	24.07%	39.85%	15.78%
1 Year	9.8%	23.46%	13.66%
3 Year	-7.02%	-5.7%	1.32%
5 Year	0.33%	2.2%	1.87%
10 Year	-0.95%	4.55%	5.50%

Source: S&P Indices

Turnover of the S&P EWI compared to the S&P 500

Average annual turnover was 22.09% for the S&P EWI and 4.01% for the S&P 500 in 2009. The S&P 500 has a very low turnover rate relative to most indices. Turnover for the S&P EWI is lower than the turnover for most actively managed portfolios, which tend to be in the 50% to 100% range.

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Conclusion

While simple, the concept behind the S&P Equal Weight Index can serve as a powerful investment tool. Equal weighting is associated with a unique set of risk factors that differs from that of market capitalization weighting. As awareness of the relatively low cost and transparency of funds based on indices continues to grow, S&P Indices expects this concept to continue to gain ground.

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