



S&P 500 Low Volatility Index[®]

A low volatility investment strategy for turbulent markets

HSBC 

The S&P 500 Low Volatility Index® measures the performance of the 100 least volatile stocks in the S&P 500® based on their historical volatility. The index is compiled and maintained by Standard & Poor's S&P Dow Jones Indices.

The challenge

High volatility means the daily price of an asset can fluctuate dramatically, increasing the potential for gains or losses in your portfolio.

In the aftermath of the 2008 financial crisis, investors remain in an environment of continued uncertainty with turbulent global markets, where the level of risk is constantly changing.

Investors are seeking more stability when it comes to investment returns and are asking the question – “how can I potentially reduce my portfolio volatility while aiming to be fully invested in order to preserve the long term return advantages that stocks generally provide?”

The simple approach

Adapt to changing risk environments with the S&P 500 Low Volatility Index®.

Implementing low volatility investing strategies is an effective way for investors to increase or maintain equity exposure, while attempting to reduce overall portfolio risk.

The S&P 500 Low Volatility Index® follows a transparent and replicable methodology. The Index methodology is simple, as opposed to other more complex low volatility approaches which involve the calculation and estimation of a number of factors.

Index Methodology

There are just three steps in the calculation of the Index:

- 1) **Calculate** the historical volatilities of the 500 stocks that make up the S&P 500 Index® using daily standard deviation, or degree of daily price variation, for the past year (252 trading days)
- 2) **Rank** the stocks in ascending order of their historical volatility
- 3) **Weight** the 100 least volatile stocks and assign the greatest weight to those with the smallest price swings

The index is rebalanced on a quarterly basis each year.



S&P Low Volatility at work

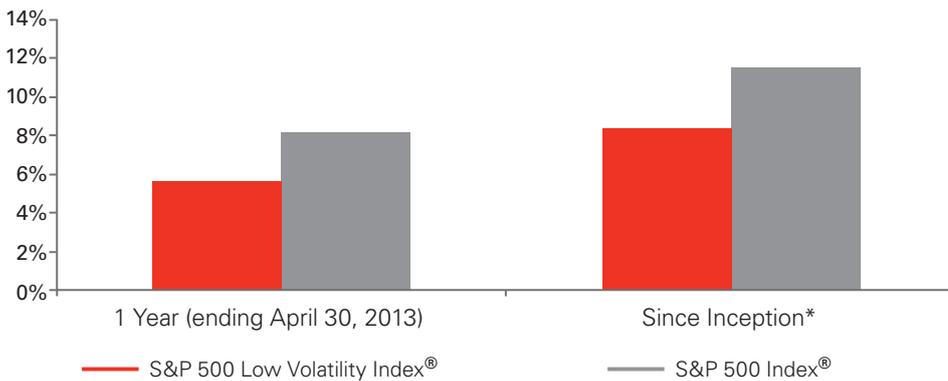
Implementing low volatility investment strategies as a complement to traditional market capitalization weighted equity indices can help mitigate losses in falling markets, which means less catching up to do in rising markets. It's important to note that low volatility stocks may underperform in rapidly rising bull markets. However, a well diversified portfolio increases the potential for superior long-term risk adjusted returns.

Index performance – since inception*



The following chart compares the historic volatility between the S&P 500 Low Volatility Index[®] and the S&P 500 Index[®] over the one year period ending April 30, 2013 and since the inception of the S&P Low Volatility Index[®]. The chart shows that investors in the S&P 500 Low Volatility Index[®] would have experienced less price fluctuations than investors in the S&P 500[®] over the stated time periods.

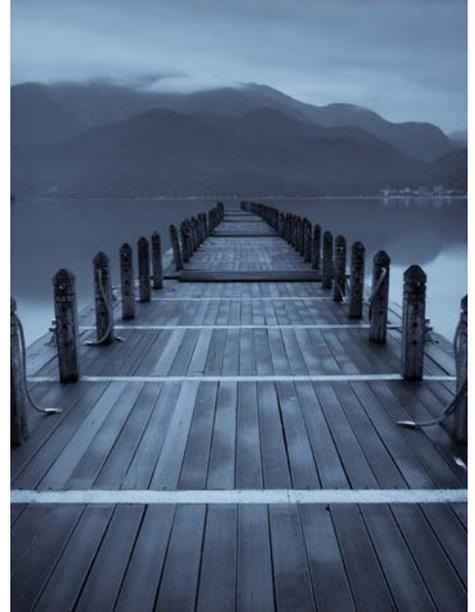
Historical volatility analysis*



* The inception date of the S&P Low Volatility Index[®] was April 4, 2011. Source for all data: Bloomberg, as of April 30, 2013.

About HSBC

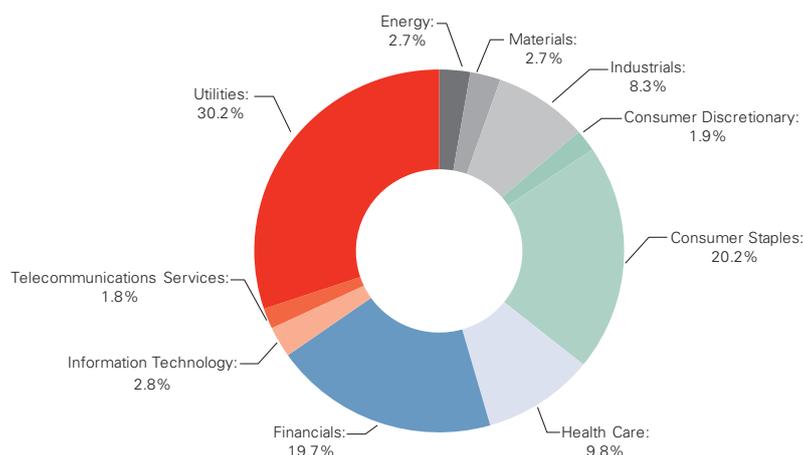
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Tickers

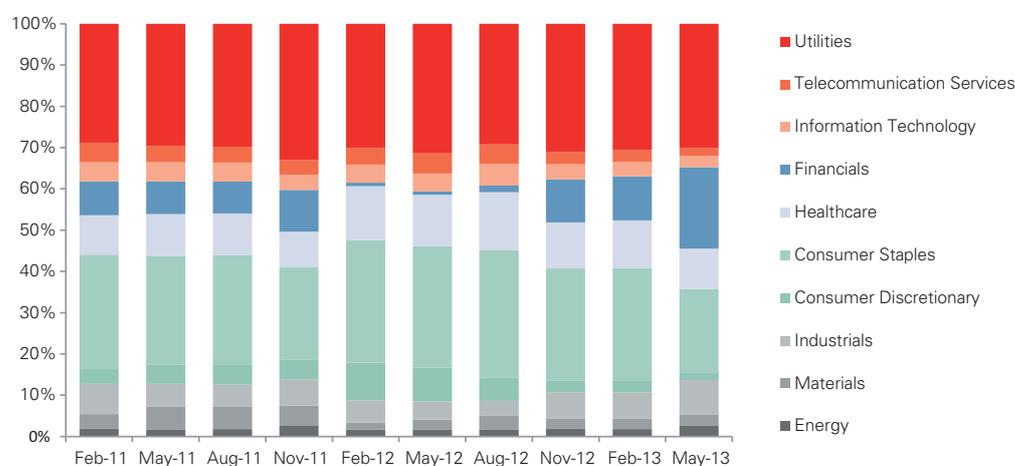
S&P 500 Low Volatility Index [®] price return	
BLOOMBERG SM	SP5LVI
Reuters	.SP5LVI
Yahoo Finance	^SP500LVOL

Sector diversification – current sector weights*



* Current sector weights as of May 2013 rebalancing.

Sector Diversification – sector weights since inception**



** Sector weights since April 4, 2011 inception date.

Top 10 Constituents By Index Weight**

Constituent	Symbol	Sector
Johnson & Johnson	JNJ	Health Care
PepsiCo Inc	PEP	Consumer Staples
General Mills Inc	GIS	Consumer Staples
Clorox Co	CLX	Consumer Staples
Heinz H.J. Co	HNZ	Consumer Staples
Consolidated Edison Inc	ED	Utilities
Campbell Soup Co	CPB	Consumer Staples
SCANA Corp	SCG	Utilities
NextEra Energy Inc	NEE	Utilities
Southern Co	SO	Utilities

** As of March 28, 2013

This brochure is intended to provide an overview of the S&P Low Volatility Index® and does not provide the terms of any specific investment linked to the S&P Low Volatility Index®. Prior to any decision to invest in a specific issuance linked to the S&P Low Volatility Index®, investors should carefully review the disclosure documents for such issuance which contain a detailed explanation of the terms of the issuance as well as the risks, tax treatment and other relevant information.

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