The Barclays Low Volatility 5 Index

The Low Volatility 5 Index (the "Index) is designed to provide exposure to U.S. stocks that have shown low volatility during the past year and targets 5% volatility.

What is volatility?

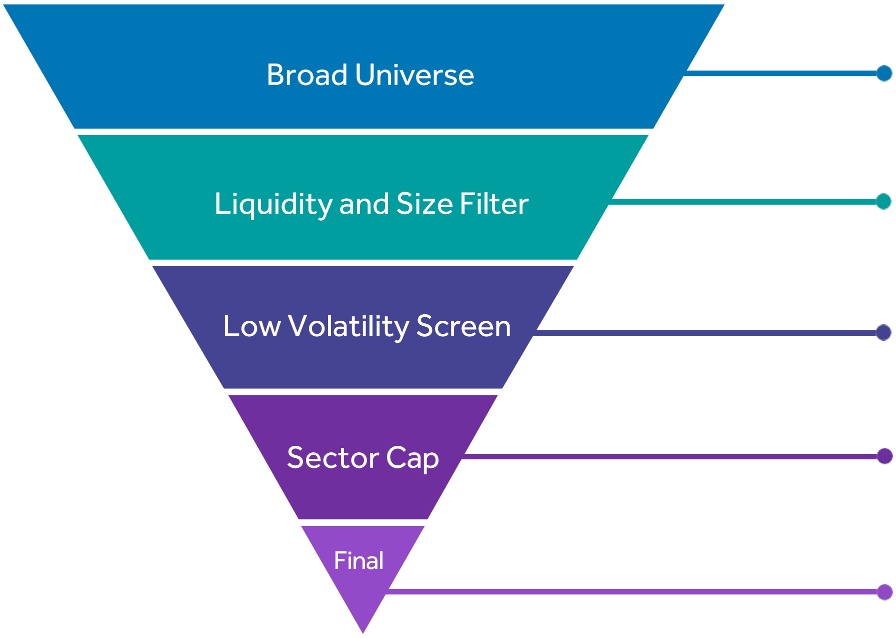
Volatility is a measure of the degree to which the price of an asset fluctuates and is widely used as an indicator of investment risk. A low volatility level implies that the stock has had relatively stable performance during this period, whereas a high volatility level implies that the daily performance has varied more significantly.

Why low volatility stocks?

Academic research has observed that such stocks have historically outperformed broad market benchmarks over the long run with relatively lower risk[1] – this is known as the "Low Volatility Anomaly". Why does this exist?

- Investors overpay for high volatility "lottery" stocks hoping for large potential gains
- Investors avoid low volatility stocks because they would have to leverage up to track benchmark
- Investors focus more on outperformance in up markets than on underperformance in down markets, hence overpay for more volatile stocks

Portfolio construction; every month:



All listed stocks from NYSE and NASDAQ and headquartered in the U.S.

Market capitalization > $5 billion
Avg. daily traded value > $50 million
Avg. daily traded volume > 5,000 shares

Ranks stocks by one year realized volatility, with the lowest volatility stock receiving the highest rank

No more than 20% of stocks from one sector, (e.g. information technology, industrial, energy)

Equally weighted basket of 50 stocks with the lowest realized volatility measure

Volatility control overlay

In response to ever-changing market conditions, the Index has the ability to increase and decrease exposure to the base portfolio on a daily bases in an attempt to maintain the 5% volatility target. This exposure can be up to 150% to the Low Vol 5 portfolio.

Exposure to U.S. Low Vol stocks | **Monthly rebalancing** | **5% volatility control**

Indices.barclays/lowvolatility

[1] Blitz & van Vliet, The Volatility Effect: Lower Risk without Lower Return, Journal of Portfolio Management, April 2007 – Examined global stock returns over 1986-2006 and found not merely the absence of a risk premium, but a negative correlation between returns and increasing risk. Baker, Bradley & Wurgler. Benchmarks as Limits to Arbitrage: Understanding the Low Volatility Anomaly, Financial Analysts Journal Jan/Feb 2011 – Extended their analysis to cover the period of 1968-2008. Their study focused on the US stock market and found, once again, an inverse relationship between risk and return.

Risk factors

An investment in the Index also involves fees, costs and risks. The following is a summary of these fees and costs and certain risks associated with the Index. You should consider the following, and consult with your advisers and read any product documentation carefully, before investing in any financial product based on the performance of the Index.

- The strategy reflected in the Index may be unsuccessful. Historical volatility may prove to be a poor measure of predicting future returns and future volatility and, if it is, the Index portfolio may not be optimized and may perform poorly. The low volatility anomaly on which the Index strategy is based may not persist in the future or may not be reflected in the future to the degree it has been in historical performance or over the time period for any investment in the Index
- Because the Index includes a limitation on the exposure to any given industry sector, the Index may limit exposure to stocks within a sector experiencing positive performance, which may result in the Index underperforming a similar strategy without this limitation
- The Index includes deductions for a fee of 0.5% per year and a cost equal to the 1-month US dollar LIBOR rate (before April 28, 2022) or SOFR plus 0.1145% (April 28, 202 onwards), which may be increased or decreased in the aggregate by the volatility control mechanism. These deductions will reduce Index performance, and the Index will underperform similar portfolios from which these fees and costs are not deducted
- The volatility control mechanism included in the Index may not achieve its intended goal, and the Index may not achieve its target volatility. In addition, when the Index's exposure to its portfolio is greater than 100%, any negative performance of the portfolio will be magnified and the level of the Index may decrease significantly. In addition, if the volatility control mechanism causes exposure to the Index portfolio to be less than 100%, the difference will be uninvested and will earn no return.

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