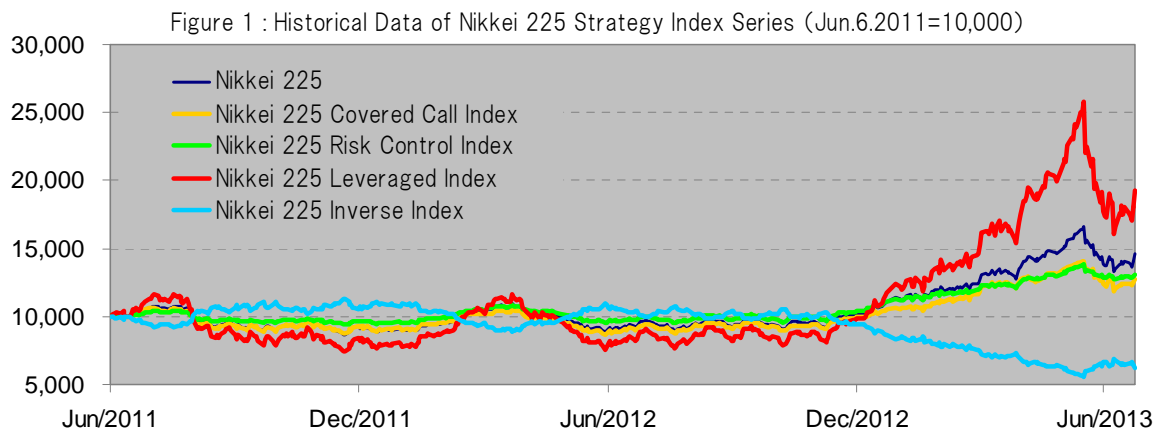


Nikkei 225 in June

As of the end of June, the Nikkei Stock Average (Nikkei 225) stood at 13677.32 down 97.22 points, or 0.7%, from the end of May. The index plummeted by 6.4% on 13th due to concern about US Federal Reserve Board tapering its quantitative easing program and Chinese economy. Although the market recovered slightly later in the month, the Nikkei 225 did not reach the level of the previous month for two months in a row.

This month's Topic : Nikkei 225 Risk Control Index shows stable efficiencies

The Nikkei Stock Average has been more volatile and its outlook is more uncertain after its plunge on May 23rd. Under such situation, the [Nikkei 225 Risk Control Index](#) in the Nikkei Stock Average Strategy Index Series would be noticeable as an investment strategy.



The strategy index series consists of the 4 indices, Nikkei 225 Leveraged Index tracking doubled daily returns, Nikkei 225 Inverse Index, Nikkei Covered Call Index, and Nikkei 225 Risk Control Index where its price change is controlled within a certain level during the volatile phase. Since last November, the leveraged Index has captured investors' attentions and the ETFs on the index have been actively traded. However the Nikkei 225 Risk Control Index could be worthwhile in the situation where the Nikkei 225 volatility remains high under the market uncertainty.

The fluctuation of risk control index is adjusted by the level of the Nikkei Stock Average Volatility Index. If the volatility index becomes above 15 points, the risk control index is adjusted as it becomes less volatile than the Nikkei 225.

When the Nikkei 225 plummets, as the volatility index has tendencies to rise, the risk control index expects to produce better performance. However the volatility index could appreciate while

the Nikkei 225 rises, then the risk control index would show increase less than the Nikkei 225.

From November 14th 2012 (when the rally started) to June 28th, the risk control index rose by 35% while the Nikkei 225 surged by 58%. However an indicator of risk-adjusted return shows a different aspect. The

Table 1 : Return and Standard Deviation of Each Index

	①Return from Nov 14, 2012 (%)	②Standard Dev.(%) Annualized	①/② Annualized
Nikkei 225	57.85%	28.65%	3.37
Nikkei 225 Risk Control Index	35.25%	14.27%	4.12
Nikkei 225 Covered Call Index	39.74%	22.31%	2.97
Nikkei 225 Leveraged Index	136.60%	57.29%	3.97
Nikkei 225 Inverse Index	-39.79%	28.65%	-2.31

table 1 describes (1) returns (since Nov 14th), (2) standard deviation (same, but annualized) and (3) return per risk (both annualized). The risk control index indicated the best result of the risk-adjusted return although it ranked the fourth in the 5 indices about returns. The prominent result seems to remain unchanged for a longer period. An indicator, averaged monthly return divided by the standard deviation on monthly returns of the risk control index, i.e. Sharp ratio was 0.37, 1.7 times as that of the Nikkei 225 since end of 2001, inception of the strategy index.

The historical volatility of the risk control index based on the past 20 days' returns was 14.5% (annualized), one third of that of the Nikkei 225, 42.8% at end of June. The efficiency the risk control index has should be notable during the current uncertain market.

Performance Summary of June 2013

○Nikkei 225 and its derived indices

(Data as of end of June)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	13677.32	-0.71%	0.18%	1.55%	15627.26	22-May	10486.99	23-Jan
Nikkei 225 TR	19646.04	-0.57%	0.19%	1.55%	22417.23	22-May	14924.17	23-Jan
Nikkei 225 VI (Volatility)	35.17	-3.91%	0.35%	5.96%	46.19	13-Jun	19.06	8-Jan
Nikkei 225 VI Futures	114011.18	19.33%	0.18%	2.87%	120465.35	13-Jun	47519.52	23-Jan
Nikkei 225 Covered Call	12093.20	-2.14%	0.14%	1.24%	13319.05	22-May	9865.49	23-Jan
Nikkei 225 Risk Control	14816.14	-0.08%	0.12%	0.83%	15659.93	22-May	12624.71	8-Jan
Nikkei 225 Leveraged	8336.60	-2.86%	0.37%	3.10%	11165.32	22-May	5125.79	23-Jan
Nikkei 225 Inverse	3859.33	-0.74%	-0.18%	1.55%	5261.18	8-Jan	3459.80	22-May

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	103.90	2.19%	109.90	2008	46.54	2002

○Benchmark and other indices

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 300	231.09	0.22%	0.17%	1.43%	259.66	22-May	176.73	8-Jan
Nikkei China Related 50	1219.04	-3.55%	0.15%	1.61%	1423.34	22-May	981.20	8-Jan
Nikkei 500 Average	1156.87	0.50%	0.16%	1.30%	1276.55	22-May	881.67	8-Jan
Nikkei Japan 1000	1336.01	-0.07%	0.17%	1.43%	1502.78	22-May	1023.90	8-Jan
Nikkei JASDAQ Average	1765.03	-9.86%	0.12%	1.06%	2140.59	14-May	1435.89	4-Jan

Note: Avg Return and Volatility are calculated on the daily return for the past 1 year.

"Change" in the Nikkei 225 Dividend Point Index (Nikkei 225 DP) indicates a comparison with the value at the end of June 2012.

Historical High and Low in the dividend index were based on the values in the same month since 1998.

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Index Business Office, Nikkei Inc.

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