S&P 500 Distance Stabilizer Index Mechanics

The **S&P 500 Distance Stabilizer Index** (the “Index”) seeks to provide dynamic exposure to the S&P 500[1] by applying an innovative approach that *budgets for volatility*, developed in collaboration with Société Générale (SG).

At the core of the design is a distance timer strategy inspired by timer options. The Index dynamically adjusts its exposure to the S&P 500® when its realized volatility, observed across seven successive “distance timers,” exceeds predefined volatility budgets. These timers act as daily checkpoints to help the Index maintain stability over time and provide an effective method to track the S&P 500.

Key Index Characteristics

Dynamic Exposure:

The Index aims to track the S&P 500, with historical average exposure of ~90%.[2]

Volatility Budgeting:

The Index can reduce its exposure to the S&P 500 when a volatility budget is breached. This mechanism seeks to prevent overexposure during prolonged volatility spikes.

Flexibility:

The Index allows for higher volatility budgets over shorter time horizons (up to 40%) to help participate in potential rebounds, while stabilizing long-term volatility.

Periodic Reset and Diversification across Timers:

The Index is diversified across more than 500 sub-timers, which are continuously resetting. This structure aims to minimize path dependency and improve consistency.

[1] The Index’s official name is the S&P 500 Distance Stabilizer TCA Index (USD) ER. The Index tracks the excess return version of the S&P 500, which includes the full reinvestment of dividends and deducts a risk-free rate daily.

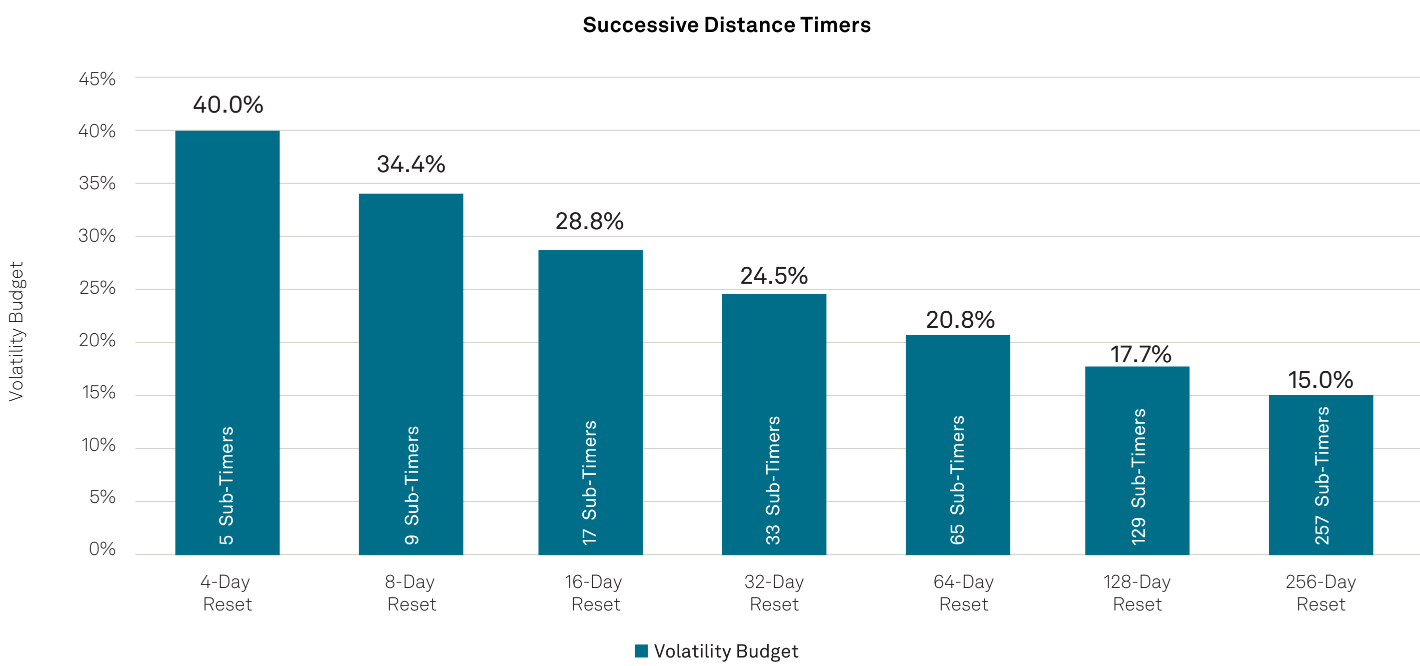
[2] Source: S&P Dow Jones Indices LLC. Data from March 31, 1958, to Dec. 31, 2025. The S&P 500 Distance Stabilizer TCA Index was launched on Sept. 12, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

How Does the Index Work?

The Index uses seven successive distance timers, each with a volatility budget and observation period, that monitors market movements daily and can dynamically adjust exposure to the S&P 500.[3]

- If the cumulative realized volatility of the S&P 500 is below the respective budgets, the Index will maintain 100% exposure to the S&P 500.
- In volatile markets, one or more distance timers may exceed their volatility budgets and "time out," partially reducing the Index's exposure to S&P 500 and shifting toward cash.[4,5]
- If short-term volatility declines, the Index can increase its exposure to the S&P 500 quickly, potentially participating in market rebounds.
- Hundreds of sub-timers continuously measure the realized volatility of the S&P 500 against their respective budgets. As market conditions change and the timers reset, the Index can systematically rebuild its exposure until it reaches 100%.

The flexibility to measure volatility over multiple horizons seeks to enable the Index to effectively navigate short-term spikes, while having the ability to increase exposure during subsequent recoveries when the long-term volatility of the S&P 500 tends to stabilize.



Key Terms

Volatility Budget: The maximum level of volatility each timer can tolerate. If the cumulative realized volatility of the S&P 500 exceeds this budget, exposure to the S&P 500 is reduced.

Sub-Timers: Individual signals within each timer that track how much of the volatility budget is being used. Each distance timer averages a set of sub-timers aligned with its observation period and re-evaluates them daily.

Time Out: When sub-timers exceed the volatility budget **relative to the previous timer**, they may "time out," reducing S&P 500 exposure until the next reset.

Reset: The number of days over which each sub-timer observes the cumulative realized volatility of the S&P 500.

Source: S&P Dow Jones Indices LLC. Chart is provided for illustrative purposes.

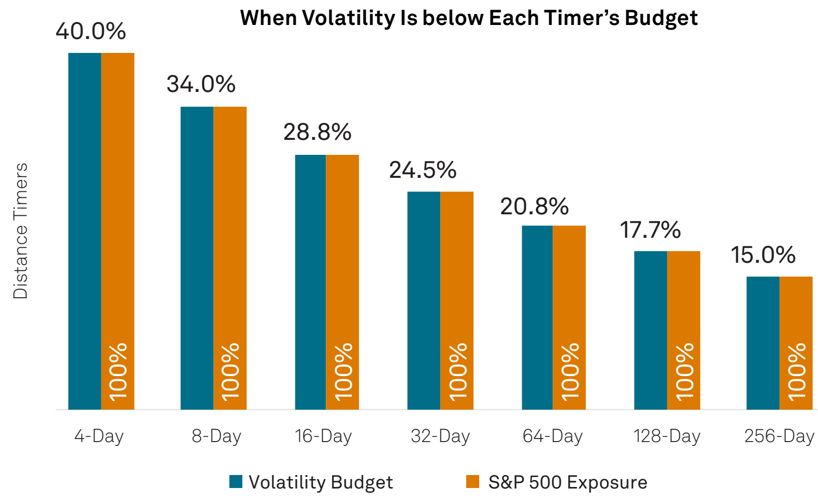
[3] The S&P 500 Distance Stabilizer TCA Index was launched on Sept. 12, 2025. All rolling one-year volatility data prior to Sept. 12, 2025, is back-tested hypothetical data. Past performance is no guarantee of future results. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

[4] Cash reflects a hypothetical interest free cash component.

[5] To help limit turnover, the Index's exposure to the S&P 500 can only change by a maximum of 20% on a given day.

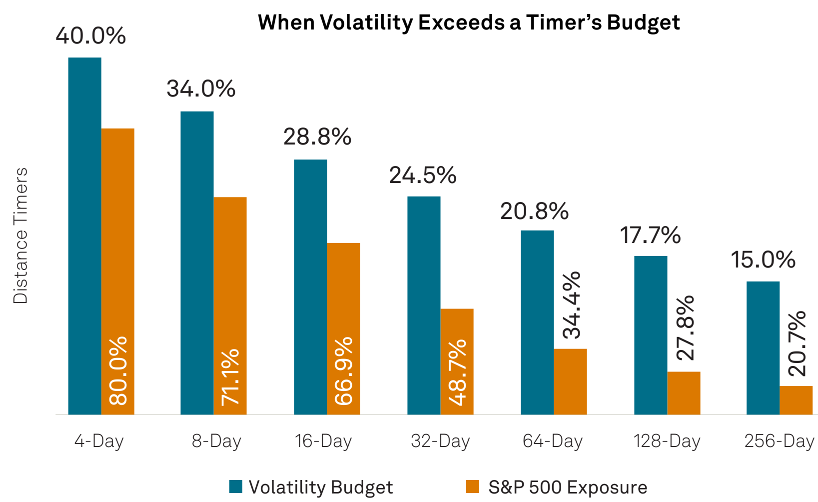
Illustrative Scenarios

1 **Base Scenario: When realized volatility is below each timer's budget, S&P 500 exposure remains at 100%.**



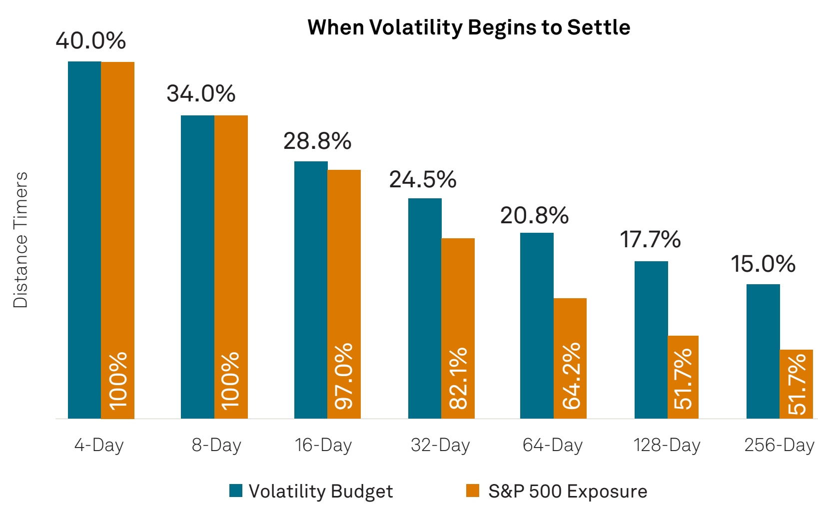
2 **When realized volatility exceeds a timer's budget, S&P 500 exposure is reduced and constrains the subsequent timers.**

- For example, if the realized volatility exceeds 40%, shorter-term timers will time out first.
- If elevated volatility persists, the longer-term timers may also time out.
- This allows the Index to potentially reduce S&P 500 exposure in prolonged volatile periods, which are often aligned with bear markets.



3 **Periodic Reset:**

- Timers reset periodically, regardless of volatility. This enables the Index to reflect the most recent market conditions and potentially participate in a recovery.
- When volatility begins to settle, shorter-terms timers typically restore their exposure faster.
- This seeks to rebuild exposure in a timelier manner.



Source: S&P Dow Jones Indices LLC. Charts are provided for illustrative purposes.

Case Study: April 2025

April 2025 was a historically volatile month for the S&P 500.[6]

- In early April, the S&P 500's short-term realized volatility exceeded 40%, which would have triggered time-outs across all filters.
- Shorter-term timers would have reset within days of the volatility burst, followed by the longer-term timers, increasing the Index's overall exposure to the S&P 500 (see Exhibit 1).
- This adjustment would have allowed the Index to limit the impact of shorter-term volatility spikes and participate in the subsequent recovery.

By month-end, the Index's exposure to the S&P 500 would have been higher than under traditional volatility-control strategies, due to its flexibility to budget volatility across seven different time periods rather than relying on rigid volatility thresholds.

Back-tested data shows that the S&P 500 Distance Stabilizer Index maintained 88% exposure to the S&P 500, compared to 38% for the S&P 500 Daily Risk Control 15% Index as of April 30, 2025.

Exhibit 1: Back-Tested Cumulative Exposure of the S&P 500 Distance Stabilizer Index during April 2025

Index exposure based on each distance timer								
Distance Timer	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
Volatility Budget	**40.0%**	**34.0%**	**28.8%**	**24.5%**	**20.8%**	**17.7%**	**15.0%**	
Observation Period (Days)	**4**	**8**	**16**	**32**	**64**	**128**	**256**	**Final Exposure**
April 1, 2025	100%	100%	100%	100%	100%	100%	100%	**100%**
April 2, 2025	100%	100%	100%	100%	100%	100%	100%	**100%**
April 3, 2025	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	**80.0%**
April 4, 2025	20.0%	4.4%	1.6%	1.0%	1.0%	1.0%	0.9%	**60.0%**
April 7, 2025	40.0%	13.3%	5.5%	3.8%	3.6%	3.6%	3.3%	**40.0%**
April 8, 2025	60.0%	26.7%	12.5%	9.1%	8.8%	8.8%	8.1%	**20.0%**
April 9, 2025	20.0%	8.9%	2.6%	1.8%	1.7%	1.7%	1.6%	**1.6%**
April 10, 2025	40.0%	22.2%	7.8%	5.7%	5.5%	5.5%	5.1%	**5.1%**
April 11, 2025	60.0%	40.0%	16.5%	12.5%	12.3%	12.3%	11.3%	**11.3%**
April 14, 2025	80.0%	62.2%	29.3%	23.1%	23.1%	23.1%	21.4%	**21.4%**
April 15, 2025	100%	88.9%	47.1%	38.5%	38.5%	38.5%	35.8%	**35.8%**
April 16, 2025	100%	66.7%	39.2%	33.3%	33.3%	33.3%	30.9%	**30.9%**
April 17, 2025	100%	77.8%	50.3%	44.2%	44.2%	44.2%	41.3%	**41.3%**
April 21, 2025	100%	88.9%	62.7%	57.0%	57.0%	57.0%	53.3%	**53.3%**
April 22, 2025	100%	100%	76.5%	71.8%	71.8%	71.8%	65.4%	**65.4%**
April 23, 2025	100%	100%	82.4%	79.9%	79.9%	79.9%	70.8%	**70.8%**
April 24, 2025	100%	100%	88.2%	80.2%	76.5%	76.5%	66.1%	**66.1%**
April 25, 2025	100%	100%	94.1%	85.6%	82.9%	82.9%	72.0%	**72.0%**
April 28, 2025	100%	100%	100%	93.9%	92.5%	92.5%	80.6%	**80.6%**
April 29, 2025	100%	100%	100%	97.0%	97.0%	97.0%	84.9%	**84.9%**
April 30, 2025	100%	100%	100%	100%	100%	100%	87.9%	**87.9%**

Source: S&P Dow Jones Indices LLC. Data from April 1, 2025, to April 30, 2025. The S&P 500 Distance Stabilizer TCA Index was launched on Sept. 12, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects 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.

[6] The S&P 500 Distance Stabilizer TCA Index was launched on Sept. 12, 2025. All data prior to this date, including the April 2025 case study, consists of back-tested hypothetical data that illustrates how the index would have performed.

Why Does the Index Use a Distance Timer Strategy?

Popularized by Société Générale, timer options are unique instruments with a flexible maturity. Rather than expiring on a fixed date, they are governed by a preset volatility budget and mature when that budget is used up, or at a final expiration date if reached first.

Traditional options are priced based on expected or implied volatility, which is often higher than realized volatility—and can result in higher and unstable option costs. By measuring actual market volatility, timer options seek to avoid this extra premium and the potential for pricing instability.

To better understand the rationale behind using timer options, we present the analogy of a runner on a track.

Instead of running for a specified time, the runner aims to run a fixed distance, such as a lap. Depending on the runner's pace, they can complete the lap in different times. Here, a runner's pace can be compared to market volatility, both of which depend on a range of factors and conditions. Running a fixed distance (versus for a fixed time) allows the runner to pace themself based on prevailing conditions, thus avoiding excess fatigue.

About S&P Dow Jones Indices

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Performance Disclosure/Back-Tested Data

The S&P 500 Distance Stabilizer TCA Index (USD) ER Index was launched on September 12, 2025. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology 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. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at www.spglobal.com/spdji. 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.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US $100,000 investment for a 12-month period (or US $10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US $1,650), the net return would be 8.35% (or US $8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US $5,375, and a cumulative net return of 27.2% (or US $27,200).

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