

S&P Dow Jones Indices

A Division of **S&P Global**

S&P 500 Futures Defined Volatility Indices

A Dynamic, Rules-Based Approach to Volatility Management

The S&P 500® Futures Defined Volatility Index Series seeks to measure the performance of dynamic rules-based strategies that track the S&P 500 via the underlying S&P 500 Futures (3-Day Roll) Index. The indices are designed to maintain a pre-defined level of volatility by applying leverage, which is calculated based on the current weekly implied volatility of the S&P 500. The indices are available with and without a decrement of 3% per year, deducted daily.

Potential Benefits and Key Index Features

- Implied volatility reflects forward-looking sentiment of potential market movements.
- Leverage of up to 4x or 5x, determined using implied volatility, seeks to achieve consistent target volatility levels.
- Built-in circuit breaker that floors the index return from the prior rebalancing at 75%.
- Decrement and non-decrement versions available; decrement decreases the index value by an annual percentage deducted daily.

What Does This Look Like in Practice?

The weekly rebalance (based on implied volatility) has historically responded quickly to anticipated changes in the market in order to maintain the target volatility of 35%.¹

Volatility, Decrement and Leverage Cap Characteristics of the Index Series

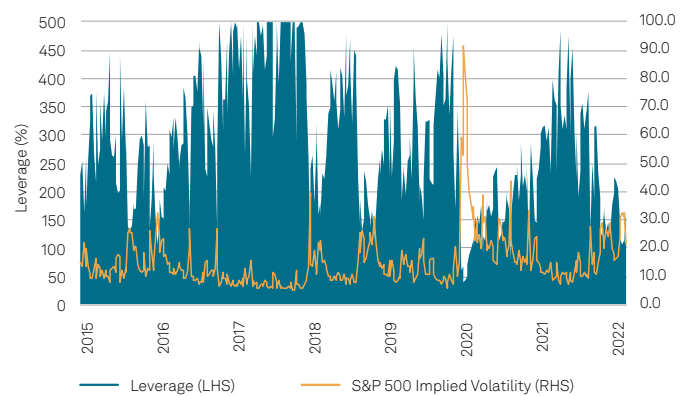
Index	Volatility Target	Decrement	Leverage Cap
<u>S&P 500 Futures 25% Defined Volatility 3% Decrement Index</u>	25%	3%	400%
<u>S&P 500 Futures 30% Defined Volatility 3% Decrement Index</u>	30%	3%	500%
<u>S&P 500 Futures 35% Defined Volatility 3% Decrement Index</u>	35%	3%	500%
<u>S&P 500 Futures 25% Defined Volatility Index</u>	25%	N/A	400%
<u>S&P 500 Futures 30% Defined Volatility Index</u>	30%	N/A	500%
<u>S&P 500 Futures 35% Defined Volatility Index</u>	35%	N/A	500%

¹Note that the target volatilities used to determine index leverage are based on the short-term implied volatilities. The actual indices' realized volatilities may deviate from the predetermined target volatilities.

Why Implied Volatility?

The use of implied volatility helps reflect the dynamic nature of the market's expectations. Implied volatility represents market participants' expectations for future price changes in an asset, and as a result, it is constantly moving. In contrast, realized volatility is backward-looking and represents the historically observed movement in the price of an asset over a given period of time.

Exhibit 1: Leverage for the S&P 500 Futures 35% Defined Volatility 3% Decrement Index



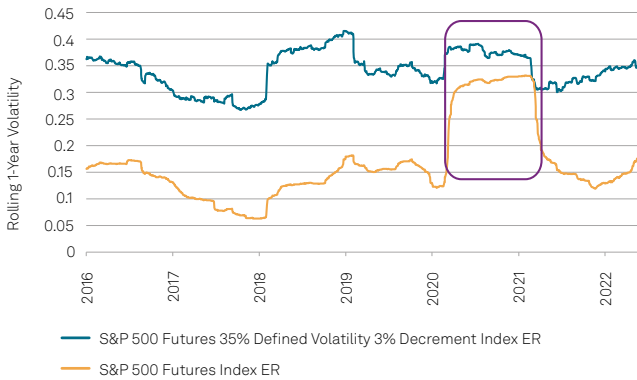
Source: S&P Dow Jones Indices LLC. Data from Jan. 2, 2015, to May 31, 2022. The S&P 500 Futures Defined Volatility 35% Decrement 3% Index was launched June 24, 2022. Chart is provided for illustrative purposes and reflects hypothetical historical performance.

How Does the Defined Volatility Overlay Work?

The defined volatility framework is applied to the underlying index and helps target more stable volatility. When the implied volatility of the S&P 500 is low, the index defined volatility mechanism increases the exposure to the underlying index up to the corresponding leverage cap. As implied volatility moves up, exposure to the underlying index decreases.

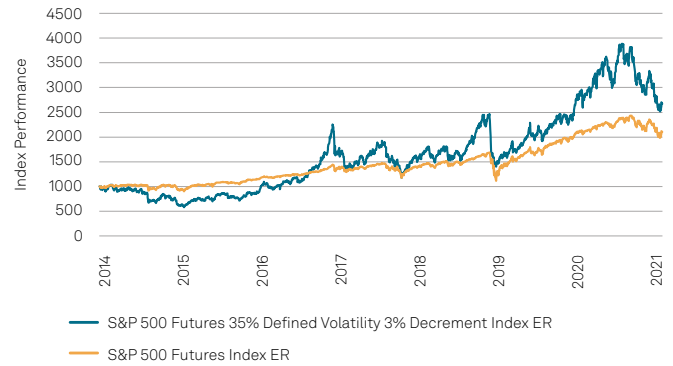
Historically, the defined volatility overlay has created more stable realized volatility levels for its index series compared with the S&P 500.

Exhibit 2: Rolling One-Year Volatility of the S&P 500 Futures 35% Defined Volatility 3% Decrement Index vs. the Benchmark



Data from Jan. 4, 2015, to May 31, 2022.

Exhibit 3: S&P 500 Futures 35% Defined Volatility 3% Decrement Index Performance vs. the Benchmark



Data from Dec. 31, 2014, to May 31, 2022.

Source: S&P Dow Jones Indices LLC. Index performance based on excess returns in USD. Past performance is no guarantee of future results. The S&P 500 Futures Defined Volatility 35% Decrement 3% Index was launched June 24, 2022. Chart is provided for illustrative purposes and reflects hypothetical historical performance.

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