



**SGI Enhanced BuyWrite US**  
(USD-Total Return)

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### **Index Rules Summary**

Version as of 11 May 2007



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### 1. Index Summary Description:

#### **Index description**

The SGI Enhanced BuyWrite US (the “**Index**”) is an index designed to track the performance of an enhanced covered call strategy on the S&P 500<sup>®</sup> Total Return Index displayed on Bloomberg page SPTR <Index> (the “**Underlying Index**”), subject to a replication fee (the “**Replication Fee**”) of 0.5% per annum. The Index combines (i) the purchase of a passive equity index investment with (ii) the selling of near-term call options on the S&P 500<sup>®</sup> Index displayed on Bloomberg page SPX <Index> (the “**SPX Index**”), on the third Friday of each month (the “**Option Roll Date**”). The written call option is either in-the-money or out-the-money depending on value of a Trend Indicator: if the Trend Indicator indicates a bearish market, the call option deemed to be sold is in-the-money (with a strike price of approximately 95% of the closing price of the SPX Index on the Option Roll Date), and conversely, if the Trend Indicator indicates a bullish market, then the call option deemed to be sold is out-of-the-money (with a strike price of approximately 105% of the closing price of the SPX Index on the Option Roll Date).

The enhanced Buy-Write strategy combines the advantages of a classic Buy-Write strategy, which is designed to provide a risk-return ratio that is more attractive than that of the Underlying Index alone, with a strike price optimization depending on a Trend Indicator which is designed to improve the performance of the Index.

#### **Investment strategy**

The Index consists of a deemed long investment in the Underlying Index and the deemed selling of a succession of one-month call options on the SPX Index listed on the Chicago Board Options Exchange, with a strike price being approximately either 95% or 105% of the closing level of the SPX Index on the Option Roll Date, depending on whether the Trend Indicator is positive or negative. As of any day, the net value of the option deemed sold on the previous Option Roll Date (based on the premium of the option that would be received from the option deemed sold on the previous Option Roll Date less the option price of such option as of such day) is included in the current level of the Index.

**Expiring call option:** on the Option Roll Date, the settlement price of the call option deemed sold on the previous Option Roll Date, is determined against the Special Opening Quotation (“**SOQ**”) of the SPX Index that is determined by the Chicago Board Options Exchange. SOQ is a special calculation of the SPX Index that is determined from the opening prices of the component stocks of the SPX Index. The settlement price of the call option deemed sold on the previous Option Roll Date is determined as the greater value of (i) 0 and (ii) the difference between the SOQ determined on such Option Roll Date and the strike price of the call option deemed sold on the previous Option Roll Date.

**New call option:** on the Option Roll Date, subsequent to the settlement of the expiring call option deemed sold on the previous Option Roll Date, a new call option is deemed sold on such date, with a maturity date being the next Option Roll Date and a strike price determined pursuant to the Trend Indicator. If the Trend Indicator is negative, then the strike price will be set at the nearest listed strike price equal to or greater than 95% of the closing price of the SPX Index, rounded up to the nearest integer number ending by 5 or 0, on the Option Roll Date. If the Trend Indicator is positive, then the strike price will be set at the nearest listed strike price equal to or lower than 105% of the closing price of the SPX Index, rounded up to the nearest integer number ending by 5 or 0 on the Option Roll Date.

**Trend indicator:** the trend indicator (the “**Trend Indicator**”) compares the 1-month moving average against the 12-month moving average of the Underlying Index. If the 1-month moving average is lower than the 12-month moving average then the Trend Indicator is negative and sends a bearish signal and conversely, if the 1-month moving average is greater than the 12-month moving average then the Trend Indicator is positive and sends a bullish signal.

**Premium:** The premium of the call option deemed sold is deemed to equal the last bid available on the Bloomberg page SPX <Index> / OMON on the Option Roll Date.



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Upon request, S&P can provide the detailed Index Rules.