SGI Vol Premium US
(USD – Excess Return)

Index Rules Summary
Version as of March 21,2008

1. Index Summary Description:

1.1. Index description

The SGI Vol Premium US (the "**Index**") tries to capture the spread between implied and realized volatility on the S&P 500® (the "**Underlying Index**") by rolling 1M variance swaps.

The Index is calculated and published by Standard & Poor's, a division of the McGraw-Hill Companies, Inc., and is computed end of day.

1.2. Investment strategy

Empirical observations show that short volatility positions are, on average, profitable. This spread between the implied and realized volatility, known as the volatility risk premium could notably be captured by short positions in variance swaps.

To exploit this bias, the Index tracks the performance of a portfolio holding short positions in 1-month variance swaps on the Underlying Index.

The short position in variance swaps gives the Index a positive exposure to the volatility risk premium.
The rolling mechanism is based on a systematic methodology that aims to smooth the Index returns and increase the liquidity.
Each variance swap exhibits the same features (maturity, Underlying Index and strike determination process) on their respective roll dates. The strike is notably derived from the VIX Index.