

S&P Managed Risk 2.0 Index Series Consultation on Mark-to-Market Weighting Method – Updated

NEW YORK, NOVEMBER 6, 2020: S&P Dow Jones Indices (“S&P DJI”) is re-opening a consultation with members of the investment community on potential changes to the S&P Managed Risk 2.0 Index Series.

In order to help prevent rapid asset allocation reversal events, S&P DJI is considering modifying the mark-to-market weight calculation used by the index series so that it uses theoretical asset weights, rather than current asset weights, in determining the final trade decision. The final asset weight calculation would subsequently be updated to reflect the change in the mark-to-market weight calculation. The tables below and on the following page summarize the proposed changes.

Mark-to-Market Weights	
Current	<p>Mark-to-market weights are determined as:</p> $mmw_{E,t} = \frac{W_{E,t-1} * \frac{E_t}{E_{t-1}}}{W_{E,t-1} * \frac{E_t}{E_{t-1}} + W_{B,t-1} * \frac{B_t}{B_{t-1}} + (1 - W_{E,t-1} - W_{B,t-1}) * \frac{C_t}{C_{t-1}}}$ $mmw_{B,t} = \frac{W_{B,t-1} * \frac{B_t}{B_{t-1}}}{W_{E,t-1} * \frac{E_t}{E_{t-1}} + W_{B,t-1} * \frac{B_t}{B_{t-1}} + (1 - W_{E,t-1} - W_{B,t-1}) * \frac{C_t}{C_{t-1}}}$
Proposed	<p>Mark-to-market weights are determined as:</p> $mmw_{E,t} = \frac{thw_{E,t-1} * \frac{E_t}{E_{t-1}}}{thw_{E,t-1} * \frac{E_t}{E_{t-1}} + thw_{B,t-1} * \frac{B_t}{B_{t-1}} + (1 - thw_{E,t-1} - thw_{B,t-1}) * \frac{C_t}{C_{t-1}}}$ $mmw_{B,t} = \frac{thw_{B,t-1} * \frac{B_t}{B_{t-1}}}{thw_{E,t-1} * \frac{E_t}{E_{t-1}} + thw_{B,t-1} * \frac{B_t}{B_{t-1}} + (1 - thw_{E,t-1} - thw_{B,t-1}) * \frac{C_t}{C_{t-1}}}$

Final Asset Weights	
Current	<p>The final asset weights are determined by the two-day lagged theoretical weights in the event that a trade was triggered. Otherwise, they are determined by marking to market the prior day's weights:</p> <p><i>If TradeBoolean_{t-2} = True</i></p> <p style="padding-left: 40px;"><i>Then</i></p> <p style="padding-left: 80px;">$W_{E,t} = thw_{E,t-2}$</p> <p style="padding-left: 80px;">$W_{B,t} = thw_{B,t-2}$</p> <p style="padding-left: 40px;"><i>Else</i></p> <p style="padding-left: 80px;">$W_{E,t} = mmw_{E,t}$</p> <p style="padding-left: 80px;">$W_{B,t} = mmw_{B,t}$</p>
Proposed	<p>The final asset weights are determined by the two-day lagged theoretical weights in the event that a trade was triggered. Otherwise, they are determined by marking to market the prior day's weights:</p> <p><i>If TradeBoolean_{t-2} = True</i></p> <p style="padding-left: 40px;"><i>Then</i></p> <p style="padding-left: 80px;">$W_{E,t} = thw_{E,t-2}$</p> <p style="padding-left: 80px;">$W_{B,t} = thw_{B,t-2}$</p> <p style="padding-left: 40px;"><i>Else</i></p> $W_{E,t} = \frac{W_{E,t-1} * \frac{E_t}{E_{t-1}}}{W_{E,t-1} * \frac{E_t}{E_{t-1}} + W_{B,t-1} * \frac{B_t}{B_{t-1}} + (1 - W_{E,t-1} - W_{B,t-1}) * \frac{C_t}{C_{t-1}}}$ $W_{B,t} = \frac{W_{B,t-1} * \frac{B_t}{B_{t-1}}}{W_{E,t-1} * \frac{E_t}{E_{t-1}} + W_{B,t-1} * \frac{B_t}{B_{t-1}} + (1 - W_{E,t-1} - W_{B,t-1}) * \frac{C_t}{C_{t-1}}}$

For more information, please refer to the S&P Managed Risk 2.0 Index Series Methodology available [here](#).

IMPACT ANALYSIS

Using data from March 23, 2020 to October 30, 2020, the table on the following page shows the actual period performance for the following metrics, as well as the hypothetical results that would have occurred had the proposed changes been applied:

- Annualized Return
- Annualized Volatility
- Return/Volatility
- Number of Trades Triggered
- Number of Rapid Asset Allocation Reversal Events
- Average Daily Turnover
- Maximum Drawdown

Index	Period Performance	Actual	Hypothetical
S&P 500 Managed Risk 2.0 Index	Annualized Return	14.28%	14.36%
	Annualized Volatility	9.44%	9.43%
	Return/Volatility	1.51	1.52
	No. of Trades Triggered	20	18
	No. of Rapid Asset Allocation Reversal Events	1	0
	Average Daily Turnover	0.44%	0.39%
	Maximum Drawdown	-6.23%	-6.23%
S&P 400 Managed Risk 2.0 Index	Annualized Return	10.79%	8.64%
	Annualized Volatility	6.06%	5.76%
	Return/Volatility	1.78	1.50
	No. of Trades Triggered	6	7
	No. of Rapid Asset Allocation Reversal Events	0	0
	Average Daily Turnover	0.21%	0.23%
	Maximum Drawdown	-3.49%	-3.30%
S&P 600 Managed Risk 2.0 Index	Annualized Return	6.25%	5.85%
	Annualized Volatility	5.22%	5.12%
	Return/Volatility	1.20	1.14
	No. of Trades Triggered	5	5
	No. of Rapid Asset Allocation Reversal Events	0	0
	Average Daily Turnover	0.17%	0.16%
	Maximum Drawdown	-3.18%	-3.21%
S&P EPAC Ex. Korea LargeMidCap Managed Risk 2.0 Index	Annualized Return	6.55%	6.38%
	Annualized Volatility	6.97%	6.94%
	Return/Volatility	0.94	0.92
	No. of Trades Triggered	13	11
	No. of Rapid Asset Allocation Reversal Events	1	0
	Average Daily Turnover	0.45%	0.38%
	Maximum Drawdown	-5.02%	-5.01%
S&P EM 100 Managed Risk 2.0 Index	Annualized Return	22.55%	22.49%
	Annualized Volatility	8.31%	8.37%
	Return/Volatility	2.71	2.69
	No. of Trades Triggered	17	19
	No. of Rapid Asset Allocation Reversal Events	0	0
	Average Daily Turnover	0.40%	0.40%
	Maximum Drawdown	-4.21%	-4.21%

An Excel spreadsheet containing the underlying data points calculated and provided on a daily basis for the respective headline index over the same performance period is available [here](#).

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, after the close on Friday, November 13, 2020.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. Do you agree with the proposed changes to the mark-to-market weight and final asset weight calculations?
2. If the proposed changes are adopted, do you agree with the proposed implementation timing?
3. Do you have any other comments or feedback regarding the proposed changes outlined above?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **November 11, 2020**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at index_services@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

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FOR MORE INFORMATION:

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