

S&P Managed Risk 2.0 Index Series Mark-to-Market Weighting Method Consultation Results

NEW YORK, NOVEMBER 12, 2020: S&P Dow Jones Indices (“S&P DJI”) has conducted 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 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 is subsequently being updated to reflect the change in the mark-to-market weight calculation. The tables below and on the following page summarize the changes.

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

These changes will become effective prior to the market open on Monday, November 16, 2020.

Please note that the S&P Managed Risk 2.0 Index Series Methodology located on S&P DJI's website is being updated to reflect these changes.

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

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com