ML Strategic Balanced Index

Index Overview

The ML Strategic Balanced Index (the “Index”) tracks a rules-based strategy that represents a hypothetical variable investment in a portfolio containing an equity asset (“Equity Asset”) and fixed income asset (“Fixed Income Asset”). The relative weights of the two assets within the portfolio are determined semiannually, based on a methodology that is designed to generate equal risk contribution from each asset class. In general, when the Equity Asset’s volatility is relatively low, the portfolio’s allocations shift toward the Equity Asset. Conversely, when the Equity Asset’s volatility is relatively high, the portfolio’s allocations shift towards the Fixed Income Assets. The Equity Asset is represented by the S&P 500 Index (price only) and the Fixed Income Asset is represented by the Merrill Lynch 10-year U.S. Treasury Futures Total Return Index. An embedded annual cost of 0.50% is deducted from the portfolio on a daily basis.

Each day the Index adjusts its position between the portfolio and cash with a target of realized volatility of 6% annualized. The portfolio position may fluctuate between 0% and 150% of the Index level. Accordingly, the Index may utilize leverage to amplify the returns of the portfolio. The portion of the Index allocated to cash accrues interest, while a leveraged portion of the Index has interest deducted. In either case, the interest rate used is USD 3-month LIBOR.

Index Performance

(as of September 30, 2017)

The Index was created on August 12, 2014. Levels for the Index before August 12, 2014 represent hypothetical data determined by retroactive application of a backtested model, itself designed with the benefit of hindsight. Past performance is not indicative of future performance. Actual performance will vary, perhaps materially, from the performance set forth herein. The performance of the Index does not include fees or costs of any financial instrument referencing the index.
For more information on the Index please contact us at dg.mlsb@baml.com

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