

# Merrill Lynch Strategic Balanced Index



# MLSB Index

## A balancing act

In the face of market uncertainty, diversification and volatility targeting have historically helped to increase risk-adjusted return.<sup>1</sup> The Index rebalances between equities and bonds to systematically seek consistent returns in different market environments.

<sup>1</sup> "Beyond Traditional Diversification: Risk Parity & Target Volatility Within the ML Strategic Balanced Index." BofA Securities. July 2022.

## The Index operates by:

- 1 Reallocating every six months between equities and bonds with the goal of balancing risk contribution from each asset; by equally balancing risk contribution, the Index aims to harness the benefits of diversification
- 2 Providing daily risk control, with the goal of 6% target volatility  
**As volatility rises:** The Index moves into cash, with the goal of mitigating drawdowns  
**As volatility falls:** The Index may employ leverage of up to 150%, with the goal of capturing gains

## Daily volatility control



The Index can allocate up to 100% in cash, or up to 150% exposure to the asset basket in response to market conditions.

## History reveals opportunities

U.S. equities and U.S. Treasuries have historically had a low or negative correlation, indicating that when one asset underperforms, the other tends to perform well, and vice versa. The MLSB Index is designed to take advantage of this trend by rebalancing between the two with the aim of providing diverse exposure to two key asset groups. The Index is rules-based and applies a 6% volatility target.

### The construction of the Index includes:

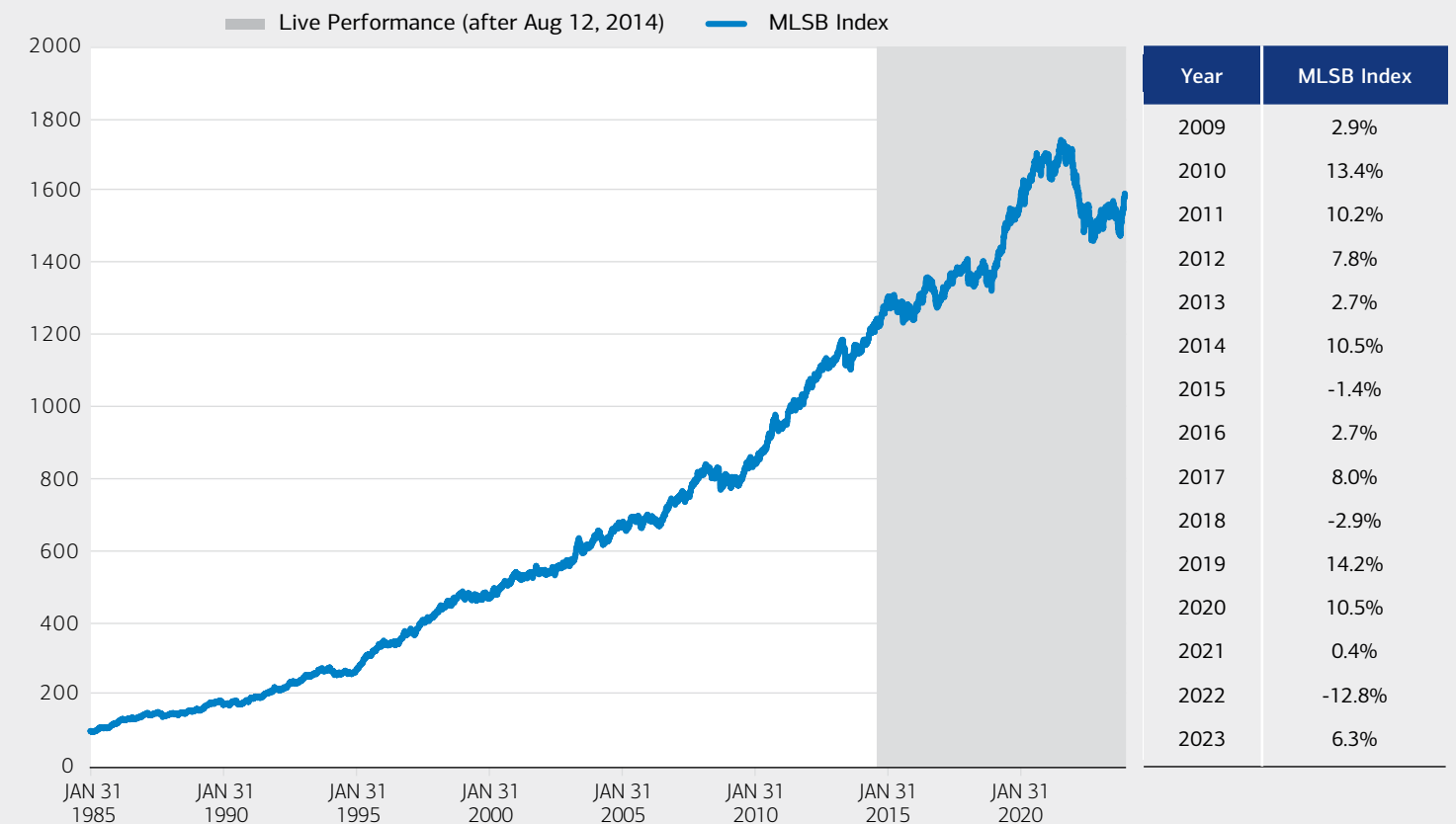
- **U.S. Equities:** S&P 500 Index® (SPX)
- **Bonds:** Merrill Lynch 10-year U.S. Treasury Futures Total Return Index (MLT1US10)

### The Index relies on two key principles:

Diversification	Transparency
The Index's risk parity strategy aims to balance risk contribution from each asset.	The Index takes a rules-based, nondiscretionary approach to rebalancing and volatility management.

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## Back-tested and Actual Index Performance<sup>2</sup>



<sup>2</sup> Sources: BofA Securities, Bloomberg. Data from 1/31/1985 to 12/31/2023. 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 back-tested 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 includes a 50bps fee drag and does not include fees or costs of any financial instrument referencing the Index. Because this Index applies a volatility control mechanism, the range of both positive and negative performance of the Index is limited.

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