

S&P Dow Jones Indices

A Division of **S&P Global**

Factoring in Changing Market Conditions

S&P Economic Cycle Factor Rotator Index

While factor risk premia are well-established tools for altering the risk/return characteristics of a portfolio, knowing which factor is best suited for a particular environment can prove challenging. Enter the S&P Economic Cycle Factor Rotator Index, a rules-based factor rotation strategy designed to adapt to changing market conditions based on key market signals.

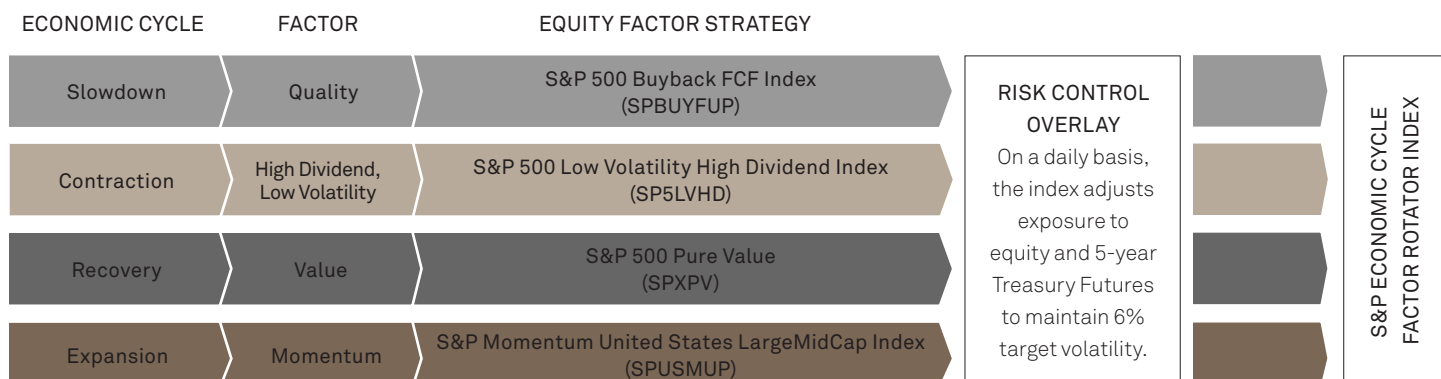
How Does the Index Work?

1. Uses Chicago Fed National Activity Index (CFNAI) data to identify business cycle (Slowdown, Contraction, Recovery, Expansion).
2. Selects an equity-factor strategy component based on CFNAI signals on a monthly basis.
3. Applies a risk control overlay, adjusting exposure to 5-year U.S. Treasury bonds and an equity component to maintain 6% target volatility.

What Are the Potential Benefits?

1. Upside Participation in U.S. Equities
2. Downside Protection Relative to the S&P 500®
3. Higher Sharpe Ratio
4. Constant Risk Level by Design
5. Diversification

Which Factor and When?



Index by the Numbers

CATEGORY	S&P ECONOMIC CYCLE FACTOR ROTATOR INDEX	S&P 500	S&P 5-YEAR U.S. TREASURY NOTE FUTURES
Annual Return (%)	6.13	6.50	2.08
Volatility (%)	5.84	13.74	3.51
Sharpe Ratio	1.02	0.32	0.59
Maximum Drawdown (%)	-9.01	-52.56	-5.89
Correlation	1	0.65	0.14

Meet the Index Family

U.S. FACTOR ROTATOR INDICES	
S&P Economic Cycle Factor Rotator Index	SPECFR6P
S&P Economic Cycle Factor Rotator (Cash Bond) Index (USD)	SPECFR6B
S&P Economic Cycle Factor Rotator Dynamic Long/Short Index (USD) ER	SPECFM6P
EUROPEAN FACTOR ROTATOR INDICES	
S&P Europe 350 Economic Cycle Factor Rotator Index (EUR)	SPEECF6P
JAPAN FACTOR ROTATOR INDICES	
S&P Japan Economic Cycle Factor Rotator Index (JPY)	SPJECF6P
S&P Japan Beta-Neutral Economic Cycle Factor Rotator Index (JPY)	SPJECFBN

Source: S&P Dow Jones Indices LLC. Data from Apr. 1, 2004, to Jun. 30, 2019. Performance of the S&P 500 is based on price returns in JPY. Performance of the S&P Economic Cycle Factor Rotator Index and the S&P 5-Year U.S. Treasury Note Futures is based on excess returns in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance.

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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PERFORMANCE DISCLOSURE

The S&P Economic Cycle Factor Rotator Index was launched on August 16, 2016. All information presented prior to this Launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical (see below). The back-tested calculations are based on the same methodology that was in effect on the Launch date. The Launch date designates the date upon which the values of an index are first considered live, which S&P Dow Jones Indices considers to be the date by which the values of an index are known to have been released to the public, for example via the company's public Web site or its datafeed to external parties.

Past performance of an Index, whether actual or back-tested, is no guarantee of future results. Performance shown does not necessarily correspond to the entire available history of an Index. For details about any Index of S&P Dow Jones Indices, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations, please refer to the methodology paper for that Index available at www.spdji.com or www.spindices.com.

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Back-tested returns. S&P Dow Jones Indices may show performance returns by applying an Index's methodology to historical data to produce "back-tested" (hypothetical) returns for periods prior to the Launch date of the Index. A limitation of back-tested information is that it reflects the application of the Index methodology and selection of Index constituents in hindsight. No theoretical approach can completely account for the impact of decisions that might have been made during the actual operation of an index; for example, there are numerous factors related to the equities (or fixed income, or commodities) markets in general which cannot be, and have not been, accounted for in the preparation of back-tested Index information.

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