

**S&P Dow Jones
Indices**

A Division of **S&P Global**

S&P Equity Trend Long/Short Indices *Methodology*

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S&P Dow Jones Indices: Index Methodology

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Introduction

Index Objective

The S&P Equity Trend (5 Region) Long/Short Index is a weighted return index that measures the performance of a trend-following strategy in five major global equity index futures. The major markets are the U.S., Canada, Eurozone, Japan, and Australia.

The index measures the performance of long or short positions in each of the underlying equity index futures component indices, with the trend for each assessed individually. All component indices are represented by either long or short positions.

Generally, the index defaults to a long position in the respective equity index future. A long position occurs in a strongly upward-trending market. Only when the signal shows a persistent downward trend does the index represent a short position in the respective equity index future. Component indices are weighted proportionally to the inverse of their realized volatility.

Highlights

The key characteristics of the index are:

- The index measures the performance of long or short positions in five equity index futures: S&P 500, S&P/TSX 60, EURO STOXX 50, Nikkei 225, and S&P/ASX 200.
- The five regions are each represented by component indices measuring the performance of a rolling futures position of each underlying futures contract month (see *Index Maintenance* for the roll period schedule).
- The index rebalances monthly to new target weights.
- The trend signal is assessed daily, subject to a buffer to prevent excessive turnover, and the index is rebalanced the following day if there is a signal change.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Commodities Indices Policies & Practices Methodology	Commodities Indices Policies & Practices
S&P Dow Jones Indices' Index Mathematics Methodology	Index Mathematics Methodology

The index methodology is maintained, and the indices are calculated and managed independently by S&P Dow Jones Indices according to S&P Dow Jones Indices' standard policies and procedures, including the policies and procedures governing S&P Dow Jones Indices' independent Index Committee. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the indices continue to achieve their objectives.

Index Construction

Component Indices

The futures component indices are constructed from the respective nearest quarterly month futures contract. These indices apply a one-day rolling period. The table below lists the contracts, corresponding exchanges, roll dates, and index base dates.

Component Index	Underlying Futures Contract	Symbol	Exchange	Roll Date (business days prior to expiry)	Base Date	First Value Date
S&P 500 Futures ER Index	S&P 500 Futures	ES	CME	5	09/07/1997	09/07/1997
S&P/TSX 60 Futures Index ER	S&P/TSX 60 Futures	PT	MX	3	09/30/1999	09/30/1999
EURO STOXX 50 Futures ER Index	EURO STOXX 50 Futures	VG	EUREX	3	07/31/1998	07/31/1998
Nikkei 225 Futures ER Index	Nikkei 225 Futures	NY	JPX	3	01/31/1995	01/31/1995
S&P/ASX 200 Futures Index ER	S&P/ASX 200 Futures	XP	ASX	1	06/29/2000	06/29/2000

Trend Signal and Weight Determination

Step 1: Trend Signal Determination

The trend signal is assessed daily by reviewing the spot price, short-term moving average, and long-term moving average.

1.1 On a given index business day t , calculate a short-term (126 business days) and long-term (252 business days) moving average for each index, i :

$$SMA_{i,t} = \frac{\sum_{j=0}^{j=125} ER_{i,t-j}}{126}$$

$$LMA_{i,t} = \frac{\sum_{j=0}^{j=251} ER_{i,t-j}}{252}$$

where:

$SMA_{i,t}$ = 126-day moving average for index i , as of day t

$LMA_{i,t}$ = 252-day moving average for index i , as of day t

$ER_{i,t}$ = Excess return index value for index i , in its local currency, for day t

1.2

a. If the previous day's signal ($S_{i,t-1}$) was +1:

IF:

$$\frac{SMA_{i,t}}{LMA_{i,t}} - 1 \leq -1\% \quad \text{AND} \quad \frac{ER_{i,t}}{SMA_{i,t}} - 1 \leq -1\%$$

THEN:

$$S_{i,t} = -1$$

b. If the previous day's signal ($S_{i,t-1}$) was -1:

IF:

$$\frac{SMA_{i,t}}{LMA_{i,t}} - 1 \leq 1\% \quad \text{AND} \quad \frac{ER_{i,t}}{SMA_{i,t}} - 1 \leq 1\%$$

THEN:

$$S_{i,t} = -1$$

c. If neither the (a) nor (b) conditions are met, THEN:

$$S_{i,t} = +1$$

where:

$S_{i,t}$ = the signal for *component index i* on day *t*. The signal is an indicator variable that is either +1 (long) or -1 (short).

Note: For the very first day of the index time series, the signal for the previous day is considered to have been long (default).

Step 2: Weight Calculation

If Step 1 indicates a change of signal for any component index, OR if the next business day is the last CME trading day of the month, a rebalancing is necessary and new weights need to be determined.

2.1 Calculate a 126-day annualized volatility of each component index's simple daily returns, in its local currency

$$Vol_{i,t} = \sqrt{252} * \sqrt{\frac{\sum_{j=0}^{125} \left(\frac{ER_{t-j}}{ER_{t-j-1}} - \mu \right)^2}{125}}$$

where:

$$\mu = \frac{\sum_{j=0}^{125} \frac{ER_{t-j}}{ER_{t-j-1}}}{126}$$

2.2 Sum the inverse of all volatilities across component indices

$$Total\ inverse\ volatility_t = \sum_{i=1}^5 \frac{1}{Vol_{i,t}}$$

2.3 Calculate a weight for each component index

$$w_{i,t} = \frac{1 / Vol_{i,t}}{Total\ Inverse\ Volatility_t} * S_{i,t}$$

where:

$S_{i,t}$ is the indicator variable from Step 1.2

Index Calculation

Excess Return Calculation

On each trade date t , the excess return index (USD) is calculated as:

$$ER_t = ER_{pr} * \left[1 + \sum_{i=1}^{i=5} w_{i,pr} * \left(\frac{ER_{i,t}}{ER_{i,pr}} - 1 \right) * \left(\frac{FX_{i,t}}{FX_{i,t-1}} \right) \right]$$

where:

ER_t = Excess Return Index value as of day t

ER_{pr} = Excess Return index value on the most recent previous rebalancing day

$w_{i,pr}$ = Weight of component index i set on the previous rebalancing day

$FX_{i,t}$ = FX spot rate for the currency denomination of index i on day t , in USD per unit of foreign currency

$FX_{i,pr}$ = FX spot rate for the currency denomination of index i on the most recent previous rebalancing day, in USD per unit of foreign currency

Total Return Calculation

On any given calendar day, t , the Treasury Bill Return (TBR) is equal to an amount determined in accordance with the following formula:

$$TBR_t = \left[\frac{1}{1 - \frac{91}{360} * TB_{t-1}} \right]^{\frac{1}{91}} - 1$$

where:

TB_{t-1} = The 3 month T-Bill Rate available on the business day prior to day t .

A total return (USD) version of each index is calculated, which includes interest accrual based on 3 month T-Bill rate, as follows:

$$TR_t = TR_{t-1} * (1 + ER_t + TBR_t) * (1 + TBR_t)^{days}$$

where:

TR_t = Total return index value as of the current date, t .

TR_{t-1} = Total return index value as of immediately preceding CME Business Day $t-1$.

ER_t = Excess Return Index value as of day t

TBR_t = Treasury Bill Return on date t

days = Number of non CME business days since the prior CME Business Day $t-1$

For more information on the index calculation methodology, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

Index Maintenance

Rebalancing

The long/short signal is determined daily for all component indices. If a signal change has occurred, the current date is the reference date for the calculation of new weights. The rebalancing is effective on the close of the following trading day from the reference date.

Additionally, the index rebalances monthly to re-calculated weights, using the second to last CME trading day of each month as the reference date. The rebalancing takes place on the close of the following trading day from the reference date. This would be the last trading day of the month for standard monthly rebalancings, effective on the first trading day of the next month.

If any of the underlying markets are not open on a reference date, or do not provide a closing price, the closing price from the most recent day when that market was open for official trading is used.

In the event of a change in the trend signal or if the next business day is the last trading day of the month, the table below illustrates the implementation timing of the rebalance:

Rebalancing Schedule	
Reference Date Used to Calculate Trend Signal and Weights	$T - 1$
Announcement Date	$T - 1$
Rebalancing Date	T

Currency of Calculation and Additional Index Return Series

The index calculates in U.S. dollars.

The source data for FX spot rates used in this methodology is WMR's London 4:00 PM fixing rates. WMR foreign exchange rates are taken daily at 4:00 PM London Time and used in the calculation of the indices. These mid-market fixings are calculated by WMR based on LSEG data and appear on LSEG pages.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the [S&P DJI Methodology & Regulatory Status Database](#).

For information on various index calculations, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at www.spglobal.com/spdji/.

Base Dates and History Availability

Index history availability, base date, and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P Equity Trend (5 Region) Long/Short Index (USD)	04/27/2020	12/31/2001	12/31/2001	100

Index Governance

Index Committee

An S&P Dow Jones Indices Index Committee maintains the indices. The Index Committee meets regularly. At each meeting, the Index Committee reviews any significant market events. In addition, the Index Committee may revise index policy covering rules for timing of rebalancing or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

Index Policy

Holiday Schedule

The indices are calculated when CME is open. If any one of the relevant markets are not open, closing prices from the previous day are used.

Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Commodity Indices Policies & Practices Methodology.

Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Commodity Indices Policies & Practices Methodology.

Contact Information

For any questions regarding an index, please contact: index_services@spglobal.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spglobal.com/spdji/, major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

Index	Return Type	Ticker
S&P Equity Trend (5 Region) Long/Short Index (USD)	Excess Return	SPET5RP
	Total Return	SPET5RT

Index Data

Daily index levels and data are available via subscription.

For product information, please contact S&P Dow Jones Indices, www.spglobal.com/spdji/en/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spglobal.com/spdji/.

Disclaimer

Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients by providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P DJI defines the Launch Date as 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 website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

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will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used. Index returns shown do not represent the results of actual trading of investable assets/securities. S&P DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any assets.

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S&P DJI ESG indices use ESG metrics and scores in the selection and/or weighting of index constituents. ESG scores or ratings seek to measure or evaluate a company's, or an asset's, performance with respect to environmental, social and corporate governance issues.

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Prospective users of an S&P DJI ESG Index are encouraged to read the relevant index methodology and related disclosures carefully to determine whether the index is suitable for their potential use case or investment objective.