

The CBOE S&P 500[®] BuyWrite Index (the BXMSM) returned 0.69% from its closing price on Friday, February 17th through its index call option expiration on Friday, March 17th. The S&P 500[®] Index returned 1.33% over the same period, outperforming the BXMSM by 64 basis points (bps).

From February 17th through March 1st, the S&P 500[®] Index advanced 1.99% to a closing price of 2395.96, more than 2% above the strike price of the BXM'sSM March-expiration index call option. The premium received by the BXMSM when it wrote its March-expiration index call option was insufficient to keep pace with this relatively sharp, short-term market advance, thus resulting in a lag of 135 bps as compared to the S&P 500 Index for this period. As the equity market generally declined over the rest of the expiration cycle, the combination of the BXM'sSM in-the-money index call option and small amount of remaining time-premium allowed the BXMSM to generate a positive return and deliver downside protection. From March 1st through March 16th, the day prior to the expiration for the BXM'sSM index call option, the BXMSM returned 0.33% while the S&P 500[®] Index declined 0.51%.

From February 17th through March 16th, the close prior to the BXM'sSM index option roll, the cumulative returns for the BXMSM and S&P 500[®] Index were 0.97% and 1.46%, respectively.

March BXMSM Roll

On March 17th, the BXMSM returned -0.28% as it rolled from the expiring March index call option to a new index call option expiring in April. With a SPXSET of 2385.80, the BXMSM paid \$40.80 to retire the March index call option with a strike price of 2345. The new April index call option had a strike price of 2385 and a premium of \$21.98 at the time of the roll.

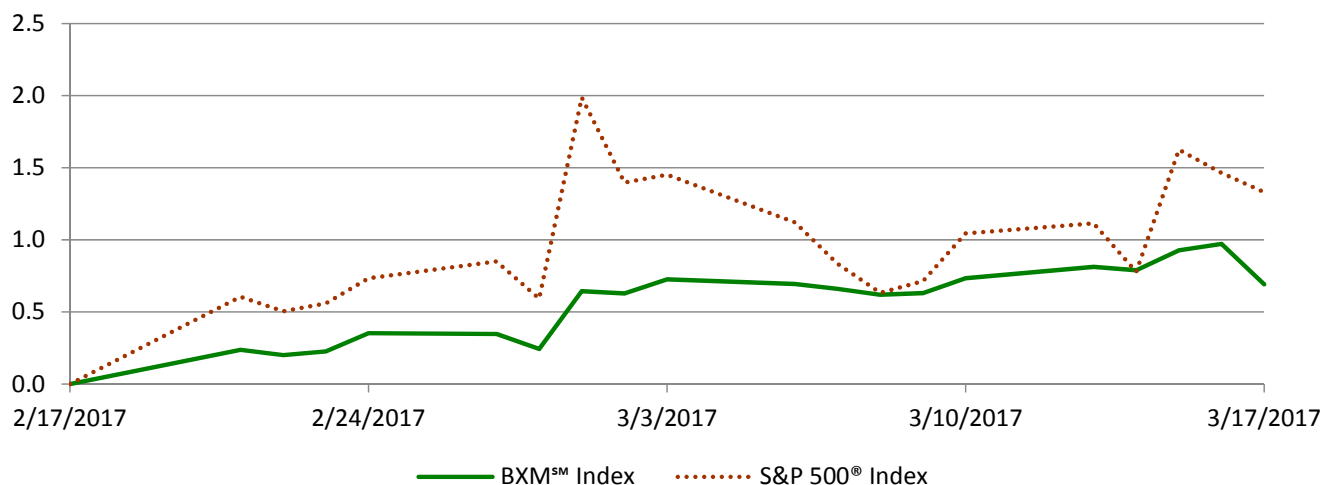
¹ The Chicago Board Options Exchange (CBOE[®]) S&P 500 BuyWrite Index (the BXMSM) is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500[®] Index. The construction methodology of the BXMSM includes buying an equity portfolio replicating the holdings of the S&P 500[®] Index and selling a single one-month S&P 500[®] Index call option with a strike price approximately at-the-money each month on the Friday of the standard index option expiration cycle and holding that position until the next expiration.

² SPXSET determines the price at which the BXMSM "buys back" the expiring index option as it rolls to a new one. SPXSET is based on the first available price of each company in the S&P 500[®] Index, rather than the opening price of the S&P 500[®] Index itself. Since it is common for a portion of the companies to not trade on the market open, the set price can and frequently does vary from the opening price of the S&P 500[®] Index.

The S&P 500® Index lost 0.13% on the day of the option roll. The differential between the SPXSET and the previous day’s closing price of the S&P 500® Index hurt the BXM’sSM performance. The SPXSET was over 4 points higher than the 2381.38 closing price of the S&P 500® Index on March 16th. The differential between the SPXSET and the S&P 500 Index closing price on March 16th increased the price the BXMSM paid to retire its index call option, thus detracting approximately 19 bps from the BXM’s return.

The CBOE Volatility Index (the VIX®) fluctuated between 10.78 and 11.38 on March 17th. This was lower than the range the VIX® exhibited on the day of the previous BXMSM roll. The April index call option premium received equates to 0.92% of the underlying value of the BXMSM, for an annualized rate of 9.63%, which is lower than the 11.64% annualized rate of the previous month.

Cumulative Performance (%) (2/17/17 - 3/17/17)



Datasource: Bloomberg, L.P., Morningstar DirectSM and Chicago Board Options Exchange (CBOE®)

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.