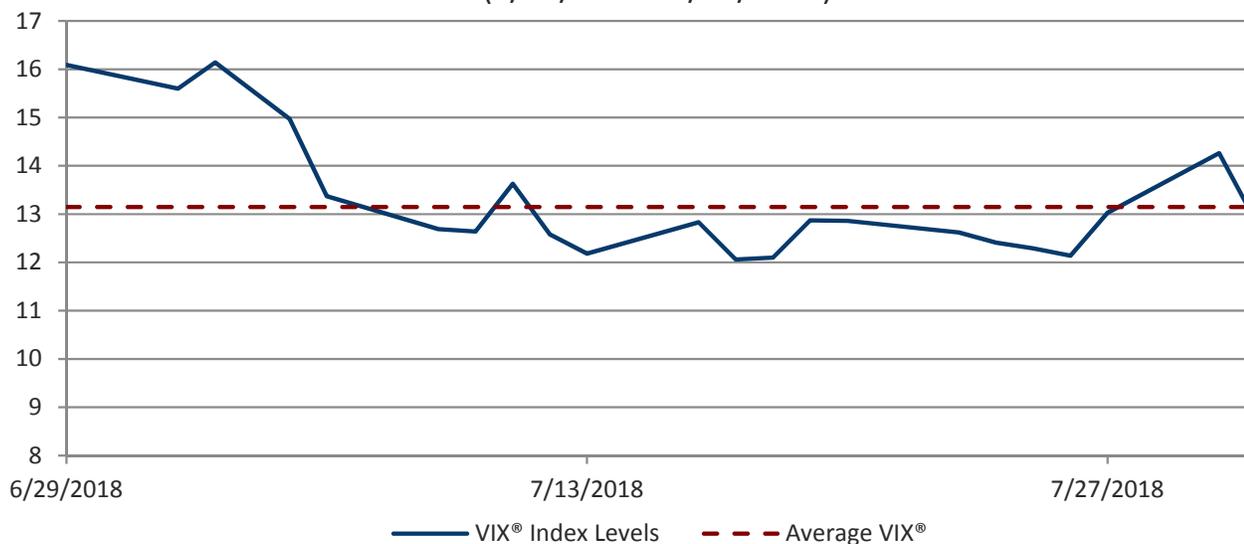


The S&P 500® Index returned 3.72% in July, bringing its year-to-date return to 6.47%. The month began with an advance of 4.81% through July 25<sup>th</sup>. Though the advance was not enough to raise the price of the S&P 500® Index above its all-time high set on January 26<sup>th</sup>, the S&P 500® Index did eke out a positive return of 0.03% on a total return basis from its all-time high through July 25<sup>th</sup>. From July 25<sup>th</sup> through month-end, the S&P 500® Index declined 1.04% with market weakness driven primarily by a selloff in technology companies.

Data releases showed a continuation of robust corporate earnings growth and a surging economy while employment figures were strong and inflation remained tame. The June employment report released on July 6<sup>th</sup> showed non-farm payrolls increasing more than expected and, while unemployment ticked up to 4%, this was mainly due to an increase in people re-entering the job market by actively seeking employment. The June Consumer Price Index released in mid-July reported a 2.3% increase year-over-year, a number consistent with consensus expectations. On July 27<sup>th</sup>, the first estimate of Q2 GDP growth came in at an annualized rate of 4.1%, the fastest growth since Q2 2014. With over half of the S&P 500® Index companies reporting results as of July 26<sup>th</sup>, aggregate quarterly operating earnings are on pace to grow by 6.5% during Q2, and nearly 21.5% year-over-year. In addition, over 88% of companies reporting earnings met or beat expectations.

Implied volatility, as measured by the Cboe® Volatility Index (the VIX®), averaged 13.15 for the month of July. The VIX® trended downward over the course of the month, with a closing high of 16.14 on July 3<sup>rd</sup> and a closing low of 12.06 on July 17<sup>th</sup>, while ending the month at 12.83. The S&P 500® Index's realized volatility (as measured by its annualized standard deviation of daily returns) was 8.84%. The 4.31 point spread between implied and realized volatility for the month was above the long-term average spread between the two statistics.

### VIX® Levels (6/29/2018 - 7/31/2018)

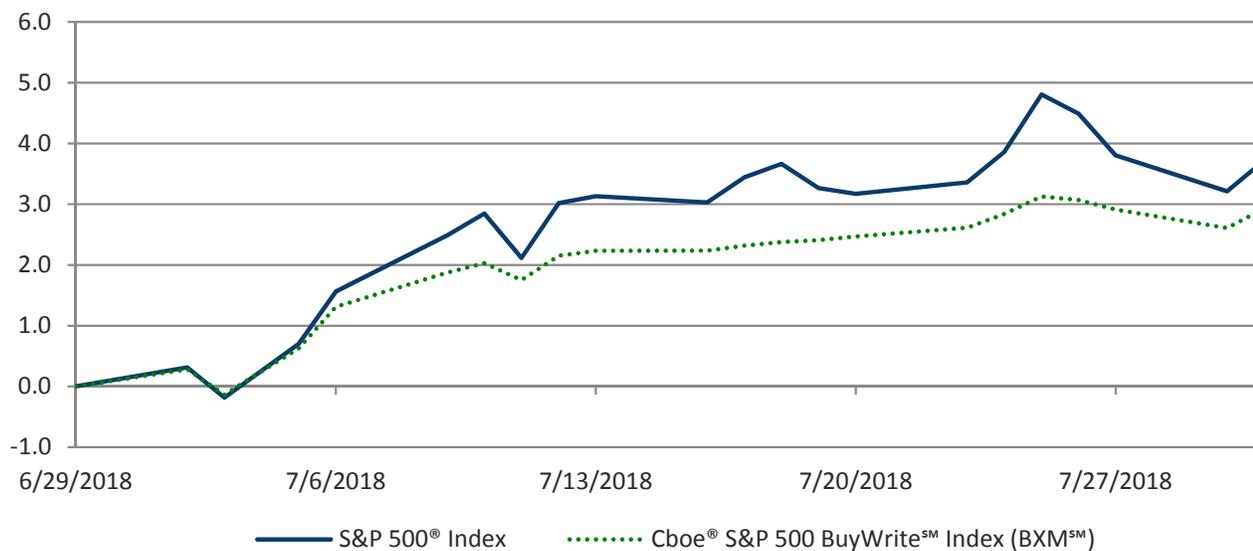


Datasource: Bloomberg, L.P.

The Cboe® S&P 500 BuyWrite<sup>SM</sup> Index (the BXMSM) had a return of 2.93% for July, underperforming the S&P 500® Index by 79 basis points (bps) and bringing its year-to-date return to 4.76%. The BXM's<sup>SM</sup> lagging performance relative to the S&P 500® Index for the month was primarily due to the relatively low return potential from the premium received in June when the BXMSM wrote its index call option with a July expiration. The below-average volatility environment of June resulted in a small premium received relative to the market advance over the first three weeks of July. On July 20<sup>th</sup>, the BXMSM wrote a new index call option with an August expiration. The premium received helped deliver downside protection as the market declined from the 25<sup>th</sup> of July through month-end. Over this period, the BXMSM returned -0.19%, delivering downside protection of 85 bps relative to the S&P 500® Index.

<sup>1</sup>The Cboe® S&P 500 BuyWrite<sup>SM</sup> 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.

### Cumulative Performance (%) (6/29/2018 - 7/31/2018)



Datasource: Bloomberg, L.P. Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

The Bloomberg Barclays U.S. Aggregate Bond Index (the Aggregate) returned 0.02% for July, bringing its year-to-date return to -1.59%. The yield on the 10-year U.S. Treasury rose over the course of the month, beginning at 2.86% and ending at 2.96%.