



Cash Equity Risk Premia Portfolio TV5

Option Pricing*

- Protection on equity portfolios can expensive relative to the expected return on a long equity position – e.g. a 2-year 90% option on the S&P 500 costs 6.9%, or over 3.4% per annum.*

	Maturity / Strike	90% Strike	85% Strike
SPX	2 years	6.91%	-
	3 years	9.27%	7.14%

- However, the diversification between the strategies in the Cash Equity Risk Premia Portfolio TV5 allows protection on the Portfolio to be purchased relatively cost-efficiently. E.g. a 2-year 90% option costs 0.85%, or less than 0.45% per annum, versus backtested returns of ~7% per annum on the index.
- The table below summarizes the pricing of out-of-the-money put options on the Portfolio.
- Pricing assumes the protection is purchased at the same time that investment in the index is made. If purchased separately, prices will be higher to reflect higher hedging costs.

	Maturity / Strike	90% Strike	85% Strike
TV5	2 years	0.85%	-
	3 years	1.45%	0.60%

*Indicative pricing as of Dec 2016.