

**S&P 500 Dividend  
Aristocrats Covered Call  
(7.2% Premium) Index  
*Methodology***

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# Introduction

## Index Objective

The S&P 500 Dividend Aristocrats Covered Call (7.2% Premium) Index is designed to measure the performance of a long position in the S&P 500 Dividend Aristocrats Net Total Return Index and a short position in a standard S&P 500 Index monthly call option.

## 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' Equity Indices Policies & Practices Methodology	<a href="#">Equity Indices Policies &amp; Practices</a>
S&P Dow Jones Indices' Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>
S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology	<a href="#">Fixed Income Policies &amp; Practices</a>
S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. 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 index continues to achieve its objective.

# Index Construction

## Approaches

The short position in the call option is generally initiated on the third Friday of each month (a "Roll Day") and held to maturity. Subsequently, a next-month call option that produces at least a 60 basis point premium to the value of the S&P 500 Index level is selected and added to the index. The long S&P 500 Dividend Aristocrats Index component and the short call option component are held in equal notional amounts. Once the strike price has been identified, the new call option is added at the last bid price of the day. The value of option premium at the time the new call option is sold is accumulated using the overnight LIBOR rate and will be from the index on the "Distribution Day" which is defined as the following Roll Day that occurs in the months of March, June, September, and December.

## Index Calculations

On any business day  $t$ , the index is calculated as follows and is floored at zero:

$$Index_t = \text{Max} (0, Equity_t - Call_t + Cash_t) \quad (1)$$

where:

$Equity_t$  = Notional investment in S&P 500 Dividend Aristocrats Net Total Return Index, as defined in (2a) and (2b)

$Call_t$  = Value of the short call position, as defined in (3a) and (3b)

$Cash_t$  = Value of option premium accrued at the USD LIBOR overnight rate and is distributed once a quarter, as defined in (4a) and (4b)

### If $t$ is not a Roll Day

The value of the equity, short call and accrued option premium are calculated as follows:

$$Equity_t = Equity_{t-1} * \frac{SPDAUDN_t}{SPDAUDN_{t-1}} \quad (2a)$$

$$Call_t = N_t * Mid_t \quad (3a)$$

$$Cash_t = Cash_{t-1} * (1 + \frac{ACT_t}{360} * Libor_{t-1}) \quad (4a)$$

where:

$SPDAUDN_t$  = The S&P 500 Dividend Aristocrats Net Total Return Index level as of day  $t$

$N_t$  = Number of the short call option at the end of the current business day, as defined in (5a) and (5b)

$Mid_t$  = Mid price of the short call option at the end of the business day  $t$

$$Mid_t = \sum (Bid_t + Ask_t) / 2$$

$Libor_{t-1}$  = The fixing of USD LIBOR overnight rate as of the immediately preceding business day prior to t

$ACT_t$  = Number of calendar days between t-1 and t

The number and the strike ( $K_t$ ) of the short call remain the same.

$$N_t = N_{t-1} \quad (5a)$$

$$K_t = K_{t-1} \quad (6a)$$

The index has no distribution ( $D_t$ ).

$$D_t = 0 \quad (7a)$$

If t is a Roll Day

The value of the equity, short call and accrued option premium are calculated as follows:

$$Equity_t = Equity_{t-1} * \frac{SPDAUDN_t}{SPDAUDN_{t-1}} - N_{t-1} * \max(0, SOQ_t - K_{t-1}) + R_t \quad (2b)$$

$$Call_t = N_t * Mid_t \quad (3b)$$

$$Cash_t = Cash_{t-1} * \left(1 + \frac{ACT_t}{360} * Libor_{t-1}\right) + N_t * Bid_t - D_t - R_t \quad (4b)$$

where:

$SOQ_t$  = The Special Opening Quotation as of the Roll Day t

The number of new call option is determined by the index value and the S&P 500 closing on t-1:

$$N_t = \frac{Index_{t-1} - Cash_{t-1} + R_t}{SPX_{t-1}} \quad (5b)$$

The strike of the new call option ( $K_t$ ) is the *largest* strike that satisfies the following condition:

$$Bid_{t-1} \geq 0.60\% * S\&P\ 500\ Index\ Level_{t-1} \quad (6b)$$

where:

$Bid_{t-1}$  = Last bid price of the short call option as of the immediately preceding day prior to t

The index distribution is calculated as below:

$$D_t = \begin{cases} 1.8\% * Index_{t-1} & \text{if } t \text{ is a Distribution Day} \\ 0 & \text{otherwise} \end{cases} \quad (7b)$$

The reinvestment amount is calculated as below:

$$R_t = \begin{cases} Cash_{t-1} * \left(1 + \frac{ACT_t}{360} Libor_{t-1}\right) - D_t & \text{if } t \text{ is a Distribution Day} \\ 0 & \text{otherwise} \end{cases} \quad (8)$$

If a monthly Roll Day occurs on a U.S. market holiday, the Roll Day will be changed to be one day prior and the process will otherwise be executed in the same way.

For the avoidance of doubt, the reinvestment amount can be positive or negative.

### Base Date and History Availability

The 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 500 Dividend Aristocrats Covered Call (7.2% Premium) Index	04/24/2017	01/18/2001	01/18/2001	100

# Index Governance

## **Index Committee**

The S&P Dow Jones Indices Global Benchmarks Index Committee maintains the index. All Committee members are full-time professional members of S&P Dow Jones Indices staff. 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 for timing of rebalancings 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 document and/or Fixed Income Policies & Practices document.*

# Index Policy

## **Announcements**

Announcements of the daily index values are made after the market close each day.

## **Holiday Schedule**

Each index is calculated daily when the underlying equity index is calculated.

*A complete holiday schedule for the year is available at [www.spdji.com](http://www.spdji.com).*

## **Unexpected Exchange Closures**

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

## **Recalculation Policy**

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices and Fixed Income Policies & Practices documents for the underlying equity index and bond index, respectively..

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices and Fixed Income Policies & Practices documents for the underlying equity index and bond index, respectively.*

## **Contact Information**

For questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).



# Index Dissemination

Index levels are available through S&P Dow Jones Indices Web site at [www.spdji.com](http://www.spdji.com), 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 currency, currency hedged, risk control, and return type versions of the below indices that may exist are also covered by this document. Please contact [index\\_services@spglobal.com](mailto:index_services@spglobal.com) for a complete list of indices covered by this document.

Index	Bloomberg	Reuters
S&P 500 Dividend Aristocrats Covered Call (7.2% Premium) Index	SPXDACUN	. SPXDACUN

## FTP

Daily constituent and index level data are available via FTP subscription.

*For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).*

## Web site

*For further information, please refer to S&P Dow Jones Indices Web site at [www.spdji.com](http://www.spdji.com).*

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