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1. What is the S&P Systematic Global Macro Index (SGMI)?

The S&P Systematic Global Macro Index (S&P SGMI) is designed to measure relevant price trends of certain globally-traded liquid futures contracts by systematically simulating investing with long, short or no positions. The index is not intended to represent a particular futures contract or sector. Rather, it is designed to represent investments in a diverse portfolio of global macro markets that exhibit approximately the same level of volatility taken by managers in the global macro and managed futures/Commodity Trading Advisor (CTA) universe, while still being subject to leverage constraints.

2. Why was the index created?

In collaboration with Thayer Brook Partners LLP, S&P Indices created the S&P SGMI to meet the market's demand for a representative benchmark within the global macro space. The index was also created to serve as a benchmark for global macro managers who identify trends or invest in asset classes beyond commodities. Furthermore, it is a performance index and is designed to be well-diversified with low correlations to other asset classes, serving the objective of offering protection in down markets.

S&P Indices' goal is to provide an index that offers greater transparency, insight and access into the global futures markets - at a reasonable cost. In addition, many investors will appreciate a long/short index that is potentially less volatile and better-diversified than an index solely composed of basic commodities. S&P Indices is meeting the demands of investors and helping to fill a void in client benchmarks, portfolios and strategies.

3. What makes this index unique?

Some of the index's unique features include:

- First global macro index launched by a major index provider that offers investors a convenient and cost-effective way to access this asset class. Traditionally, costly fees have deterred some investors from allocating a percentage of their portfolio to this asset class.

- This index effectively renders this traditionally "alpha" asset class a "beta" asset class and tracks futures directly, rather than via a fund-of-funds.

- Use of a robust trend-following model to determine the position of each constituent. On a monthly basis, the model analyzes the characteristics of each constituent to determine the relevant analytical time-frame.

- Even distribution of risk capital among constituents each month. Subject to nominal constraints, this strategy allows leverage to be applied across the index with the goal of achieving a level of volatility that is representative of the manager universe.

4. How can I use the index?

While it is possible to hold the number of futures contracts specified in the index methodology, there are numerous ways to invest in products based on the S&P SGMI, including:

- Over-the-counter (OTC) swaps on both the S&P SGMI Excess Return and the S&P SGMI Total Return offer investors direct access to the indices with unlimited downside risk (in the case where an investor enters into an OTC swap on the short side).

- Structured notes based on the index can also be used to gain exposure while limiting the downside risk from investing.

- Investors, asset managers and financial institutions may use the S&P SGMI as a hurdle rate for fee calculation, to track performance or as a benchmark for actively managed portfolios.

5. How many constituents are currently included in the S&P SGMI?

As of October 5, 2011, the S&P SGMI includes 37 constituents which are listed on 11 global exchanges, covering six sectors: commodities, energy, fixed income, foreign exchange, short-term interest rates and equity indices.

6. How many sub-indices are included in the S&P SGMI?

In order to comprehensively reflect the performance of an investment in futures, two separate but related indices have been developed based on the S&P SGMI:

- S&P SGMI Excess Return (S&P SGMI ER): Incorporates the returns of the S&P SGMI and the discount or premium obtained by "rolling" hypothetical positions in such contracts forward as they approach delivery, as well as the daily currency carry adjustment.

- S&P SGMI Total Return (S&P SGMI TR): Incorporates the returns of the S&P SGMI ER and interest earned on hypothetical fully collateralized contract positions on the futures included in the S&P SGMI.

Note: Future versions of the S&P SGMI will likely include the S&P SGMI – Commodity and S&P SGMI – Financial Indices

7. How much data history is available?

The back-dated history for the S&P SGMI begins in November 2003.

8. Do the index's constituents trade on international exchanges?

Yes, the index's constituents trade on the following exchanges:

- CBOT – Chicago Board of Trade
- CME - Chicago Mercantile Exchange
- COMEX - Commodity Exchange
- EUREX - European Exchange AG
- ICE - Intercontinental Exchange
- KE - Korea Exchange
- LIFFE - London International Financial Futures and Options Exchange
- NYBOT - New York Board of Trade
- NYMEX - New York Mercantile Exchange
- OSE - Osaka Securities Exchange
- TSE – Tokyo Stock Exchange

9. Do the index's constituents have any liquidity constraints?

Individual constituents are screened by liquidity for inclusion in the S&P SGMI and should have an annual total dollar value traded of US$ 5 billion. The eligibility requirements are designed to promote cost-effective implementation and true investability.

10. How are the returns for the S&P SGMI calculated?

Allowing for easy implementation, the S&P SGMI returns are calculated based on the price changes of positions in futures contracts.

11. How frequently is the index calculated?

Each index business day, S&P Indices publishes an official daily settlement price for the sub-indices between 4:00 p.m. and 6:00 p.m. (EST).

12. In what currency is the index calculated?

The S&P SGMI is calculated in U.S. dollars. However, the underlying futures contracts' prices are collected in local currencies. Using WM/Reuters' spot exchange rates, these local prices are converted to U.S. dollars on a daily basis.

13. What exchange rates are used?

Real-time Forex rates, as supplied by WM/Reuters, are used for ongoing index calculation. The index's final closing values convert all underlying contracts' prices used in the index calculation to the spot exchange rates provided by WM/Reuters at 4:00 p.m. Greenwich Mean Time.

14. What are the main differences between the S&P SGMI, S&P DFI and S&P DTI?

- The S&P SGMI is more global in nature and thus more diversified, as it includes more constituents than the S&P DFI or S&P DTI.
- The S&P SGMI includes six major sectors across asset classes, while the S&P DFI and S&P DTI include commodities and financials (excluding equity indices, foreign exchange and short-term interest rates).
- The S&P DFI and S&P DTI calculate a seven-month fixed moving average for each sector in order to determine positions, while the S&P SGMI uses a flexible time trend regression-based model that determines positions for each constituent.
- The S&P DFI and S&P DTI do not short energy, while the more robust S&P SGMI model includes no such constituent-specific assumptions.
- The S&P SGMI has a weighting scheme that is up to three times leveraged and is based on an even risk capital allocation. This differs from the nominal investment 50/50 split of financials and energy within the S&P DFI and S&P DTI.

15. What is the roll process for the S&P SGMI?

The simplest way to think about the roll process for the S&P SGMI is to look at the index as rolling from one basket of nearby futures contracts (the first nearby basket) to a basket of futures contracts that are further from expiration (the second nearby basket). The S&P SGMI is calculated as though these rolls occur at the end of each day during the roll period at the daily settlement prices. The portfolio is shifted from the first to the second nearby baskets at a rate of 20% per day for the five days of the roll period -- the second through sixth S&P SGMI business days. Until just before the end of the first business day, the entire S&P SGMI portfolio consists of the first nearby basket of futures. At the end of the second business day, the portfolio is adjusted so that 20% of the contracts held are in the second nearby basket (i.e. a basket of future contracts that are farther from maturity), with 80% remaining in the first nearby basket. The roll process continues on the third, fourth and fifth business days, with the relative weights of first to second nearby baskets being 60% / 40%, 40% / 60% and 20% / 80%, respectively. At the end of the sixth business day, the remaining members of the old first nearby basket are moved to the second nearby basket, completing the roll and leaving the entire portfolio in what we call the second nearby basket. At this time, this former second nearby basket becomes the new first nearby basket, and a new second nearby basket is formed (with futures maturities further in the future) for use in the following month's roll.

16. What do the roll basket splits mean?

The roll percentages refer to quantities of contracts, not values. Using the first day of the roll period as an example, just before the roll takes place at the end of the day, the S&P SGMI consists of the first nearby basket. That portfolio, constructed the night before and held throughout the second business day, has a dollar value. That dollar value is distributed across the first and second nearby baskets such that the number of contracts in the first nearby basket is 80% of the total and the number of contracts held in the second nearby basket is 20% of the total. The dollar value held for each basket can then be calculated by multiplying those quantity weights by the prices of the futures contracts contained in each basket. As the baskets contain futures with different maturities for some of the futures, the prices are generally close, but not exactly the same. Hence, the percentage of the portfolio value (i.e. U.S. dollar weight) held in each basket is generally close to, but not exactly equal to the 80% / 20% split specified for the quantities.

17. How is the S&P SGMI weighted?

The S&P SGMI weighting scheme is designed to evenly allocate risk capital to each of the sectors and each of the constituents within a given sector. This weighting scheme helps to ensure that no single sector or constituent disproportionately affects either the returns or the volatility of the index on a long-term basis.

18. What is the S&P SGMI Excess Return?

The S&P SGMI Excess Return measures the return derived from investing in nearby S&P SGMI futures and rolling them forward each month on the second through sixth business days. It includes the leverage and currency conversion to U.S. dollar. The S&P SGMI Excess Return is unlike the excess return S&P Indices calculates on equity indices and is not the return above cash.

19. What is the S&P SGMI Total Return?

The S&P SGMI Total Return measures the S&P SGMI Excess Return plus interest on the collateral of futures in the index, as measured by Treasury bills.

20. How is the S&P SGMI Excess Return different from the S&P SGMI Total Return?

The S&P SGMI Excess Return does not include the interest on collateral. However, the S&P SGMI Excess Return plus Treasury bills is not the same as the S&P SGMI Total Return because it ignores the impact of reinvesting Treasury bill collateral yield gains in commodity futures, as well as the gains and losses derived from moving money from futures back into Treasury bills.

21. Is it necessary to obtain a license from S&P Indices in order to use the S&P SGMI?

Yes, a license from S&P Indices is required to use the index or its methodology, including implementations, which may be subject to alternative nominal constraints.

If an institution is simply comparing its investment performance to that of the S&P SGMI, no license is required. However, a license from S&P Indices must be obtained if the investor uses the S&P SGMI methodology to replicate the index or creates a financial product based on or linked to the S&P SGMI.

22. Who can I contact at S&P Indices to license the use of these indices?

Questions regarding licensing the S&P SGMI can be addressed to:

Bo Chung, Managing Director
Email: bo_chung@standardandpoors.com
Tel: +1.212.438.3519

23. Where can I obtain more information about the S&P SGMI?

Historical and daily index returns for the S&P SGMI, the index methodology and a factsheet are available at www.indices.standardandpoors.com.

Additional index data, including information on the constituents that make up the S&P SGMI, is available by subscription. For more information, please contact index_services@standardandpoors.com or +1.212.438.2046.

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