truVol™ Risk Control Engine
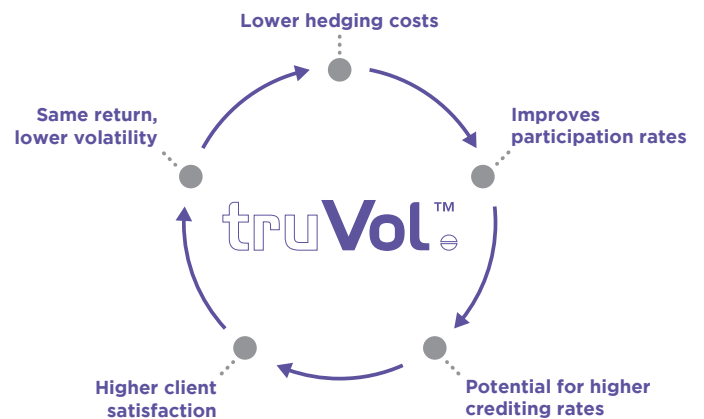## Intelligent. Responsive. Dynamic.

The **truVol™ Risk Control Engine** (RCE) from Salt Financial is a powerful risk management toolkit designed to target volatility in risk-controlled index strategies. Powered by higher frequency intraday data, the truVol RCE aims to react faster to market events for more efficient volatility targeting. Suitable for a range of benchmark equity and cross-asset quantitative index strategies, Salt Financial partners with investment banks, insurance carriers, asset managers, ETF sponsors, and benchmark index providers to embed the truVol RCE into their workflows.

Features

- Advanced realized volatility model using a mix of high-frequency intraday and daily returns
- Sophisticated detection of high versus low volatility environments
- Dynamic risk scalars designed to intelligently increase or decrease the target to enhance performance
- Fully customizable with available parameters to adapt to nearly any index strategy

Benefits

- Highly responsive design seeks to achieve the same return with a lower volatility target
- Unlocks more performance potential with a limited options budget
- Powers more competitive pricing for fixed index annuities and structured products
- Drives development of more advanced risk-focused indices for use in exchange-traded products

Lower hedging costs

Same return, lower volatility

Improves participation rates

truVol™

Higher client satisfaction

Potential for higher crediting rates

Performance

In a hypothetical risk-controlled strategy that allocates between the S&P 500 (Total Return) and cash with daily rebalancing, the truVol RCE outperforms traditional volatility estimates.

12/31/03 – 5/31/2020	Historical Volatility	EWMA Volatility	truVol RCE
Volatility Target	5%	5%	4.25%
Average Excess Return	**2.62%**	**2.81%**	**3.13%**
Annualized Volatility	**4.88%**	**5.05%**	**3.97%**
Sharpe Ratio	0.54	0.56	0.79
Vol of Vol (22D)	1.52%	1.52%	1.30%
Average Exposure	36.9%	38.3%	29.9%

Historical volatility uses the higher of realized volatility calculated from 20 of 60 days of daily returns. EWMA volatility uses the higher of volatility computed from an exponentially-weighted moving average using daily returns with lambdas (decay factors) of 94 and 97. truVol results are based on a hypothetical simulation using its default settings. Past performance (actual or simulated) is not an indicator of future performance. Vol of Vol (22D) is the average rolling 22 day standard deviation over the entire sample period.

Versatility

The truVol RCE is highly customizable and adaptable to multiple index strategies. The Salt Financial team provides extensive consulting with clients on integrating the truVol RCE, including coordination with third-party index providers and end clients.

Single Asset

- Uses truVol estimates to dynamically target volatility

- Leverages data from index values, futures, or ETFs, depending on liquidity

- Supports both liquid benchmarks and custom equity indices

Cross Asset

- Uses truVol estimates for both cross-asset correlations and targeting volatility

- Leverages data from index values, futures, or ETFs, depending on liquidity

- Supports multiple global asset classes and proprietary model integration

The truVol RCE can be fully embedded on the trading desk or delivered as a set of analytics via FTP or direct API upon request.

Use Cases

INSURANCE CARRIERS	INVESTMENT BANKS	ETP SPONSORS	INDEX PROVIDERS
Use the truVol RCE to power higher participation rates and innovative crediting strategies in fixed index annuities	Enhance principal-protected notes, market-linked CDs, buffered notes, and other products	License one of Salt's truVol-powered indices or collaborate to create custom index solutions for ETPs	Partner with Salt to embed truVol analytics in global benchmarks and proprietary strategies

SALT FINANCIAL