

truVol® Risk Control Engine

Intelligent. Responsive. Dynamic.

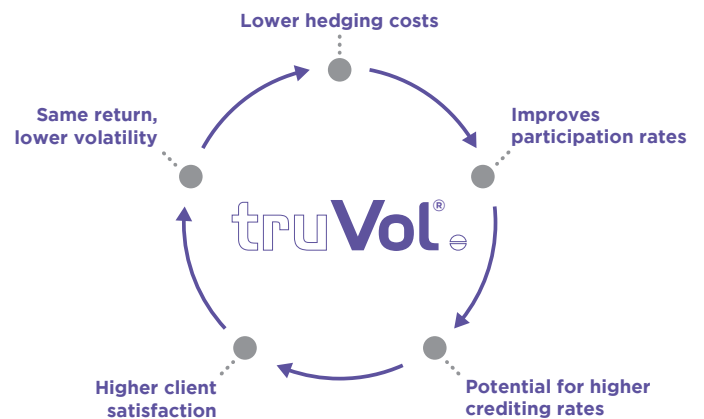
The **truVol® Risk Control Engine (RCE)** from Salt Financial is a powerful risk management toolkit designed to target volatility in risk-controlled index strategies. Powered by higher frequency intraday data, the truVol RCE aims to react faster to market events for more efficient volatility targeting. 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



Performance

In a hypothetical risk controlled strategy that allocates among stocks (SPDR S&P 500 ETF), bonds (iShares 7-10 Year Treasury ETF), and cash with daily rebalancing, the truVol RCE outperforms traditional volatility estimates.

12/31/03 - 1/29/2021	EWMA 5%	truVol 5%	truVol 4.25%
Average Vol Target	5.00%	5.19%	4.42%
Average Excess Return	4.46%	6.10%	5.13%
Annualized Volatility	4.82%	5.08%	4.33%
Sharpe Ratio	0.92	1.20	1.19
Vol of Vol (22D)	1.29%	1.23%	1.06%
Average Equity/Bond	35.7/56.2%	37.4/63.2%	31.9/53.8%

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 illustrations use the default risk scalar values. Average volatility target is the mean of the truVol RCE's dynamic target value over the sample (a static value for EWMA). Vol of Vol (22D) is the standard deviation of rolling 22 day annualized volatility over the entire sample period. All simulations assume returns in excess of 3-month LIBOR, 150% maximum leverage, and a 50 bps per annum index fee. For additional information on the index methodology, visit <https://tinyurl.com/ezbd86fu>. Past performance (actual or simulated) is not an indicator of future performance.

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	ETF 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 ETFs	Partner with Salt to embed truVol analytics in global benchmarks and proprietary strategies

All information for an index prior to its Inception Date is back-tested, based on the methodology that was in effect on the Inception Date. Back-tested performance, which is hypothetical and not actual performance, can frequently result in material differences between back-tested results and actual results achieved by an investment strategy.

Copyright © 2021 Salt Financial Indices LLC. Salt Financial Indices LLC is a division of Salt Financial LLC. "Salt Financial", "TRUBETA", and "TRUVOL" are registered trademarks of Salt Financial Indices LLC. These trademarks together with others have been licensed to Salt Financial LLC. The redistribution, reproduction and/or photocopying of these materials in whole or in part are prohibited without written permission. This document does not constitute an offer of services in jurisdictions where Salt Financial Indices LLC, Salt Financial LLC or their respective affiliates (collectively "Salt Financial Indices") do not have the necessary licenses. All information provided by Salt Financial Indices is impersonal and not tailored to the needs of any person, entity or group of persons. Salt Financial Indices receives compensation in connection with licensing its indices to third parties. Past performance of an index is not a guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is available through investable instruments based on that index. Salt Financial Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. Salt Financial Indices makes no assurance that investment products based on the indices will accurately track index performance or provide positive investment returns. Salt Financial Indices is not an investment advisor and makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or other similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. Salt Financial Indices is not a tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Inclusion of a security within an index is not a recommendation by Salt Financial Indices to buy, sell, or hold such security, nor is it intended to be investment advice and should not be construed as such.