



SECURITY BENEFIT

# Avantis Barclays Volatility Control Index

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A QUICK LOOK

# Key Features of the Avantis Barclays Volatility Control Index (Avantis Barclays VC Index)

The Avantis Barclays VC Index is comprised of an equity component and a treasury component.

## **The equity component is the Avantis U.S. Quality Large Cap Index**

The Avantis U.S. Quality Large Cap Index aims to provide exposure to profitable firms priced at good value. This Index incorporates advances in financial research that have revolutionized how we think about investing over the last 50 years.

## **The treasury component is made up of three Barclays U.S. Treasury Futures Indices**

The treasury component consists of an equally weighted portfolio of 2-year, 5-year, and 10-year Barclays U.S. Treasury Futures indices.

Additionally, the Avantis Barclays VC Index applies a volatility control overlay that aims to reduce risk and maintain its annual volatility level at or below 10%.

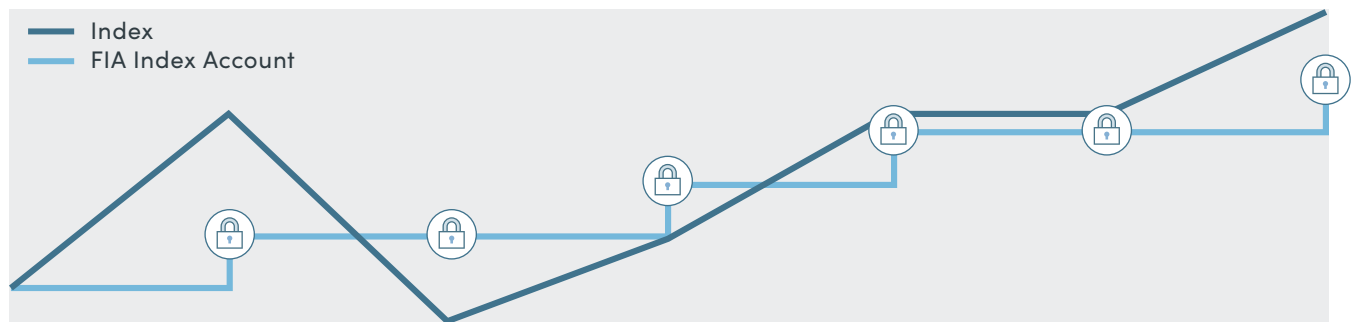
Before further exploring the Avantis Barclays VC Index, understanding how a Fixed Index Annuity (FIA) provides value and why indices are used in an FIA are important concepts that will help you make an informed decision.

## How a Fixed Index Annuity Provides Value

A Fixed Index Annuity (FIA) offers the best features of a traditional fixed annuity — a guarantee of your purchase payment and tax deferral — combined with the opportunity to increase the value of your retirement savings by offering one or more interest crediting options based on an index.

By employing an index as an interest crediting option, an FIA has the potential to credit interest when the index goes up. If the index goes down, your purchase payment and previously credited interest are locked in, and instead of losing value — you simply will not receive additional interest credit for that crediting period.

With an FIA, you're never invested in the market or in the insurance company. Unlike other savings vehicles where the account balance may decline due to market performance, your purchase payment and any previously credited interest in an FIA are guaranteed to never go down due to market downturns.



## Why Use an Index?

An index is a way to measure the performance of a select group of financial assets as a benchmark to determine interest crediting inside of an FIA.

An FIA increases in value by crediting interest based on a formula that links to a market index, without the risk of direct participation in those markets. Using an index in an FIA allows for interest to be credited based on a diversified strategy that is linked to the market or markets represented in that index and its potential gains, without being subjected to the potential downturns of the market.

Security Benefit offers an Annual Point to Point Index Account based on the Avantis Barclays VC Index.

## What is the Avantis Barclays VC Index?

Avantis Investors' competitive advantage lies in marrying cutting-edge research in financial science with common-sense investment principles, resulting in portfolios designed to outperform simple market-cap weighted indices. The Avantis Barclays VC Index (the Index) is comprised of an equity portfolio managed by Avantis Investors, as well as a treasury component managed by Barclays.

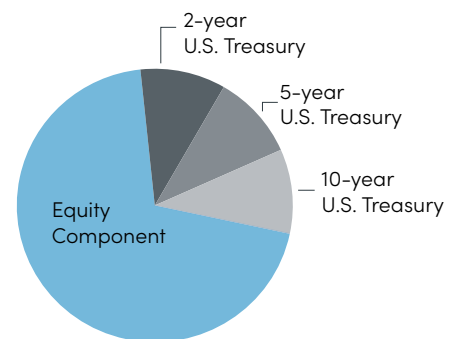
The Avantis Barclays VC Index uses principles to determine the combination of Equity and Fixed Income exposure that offers the highest estimated return potential per unit of expected volatility.

### The Index Portfolio

The **Equity Component** of the Index portfolio is comprised of the Avantis U.S. Quality Large Cap Index, which aims to provide exposure to 300 profitable firms priced at good value — selected and weighted annually through scientific analysis by Avantis Investors<sup>1</sup>:

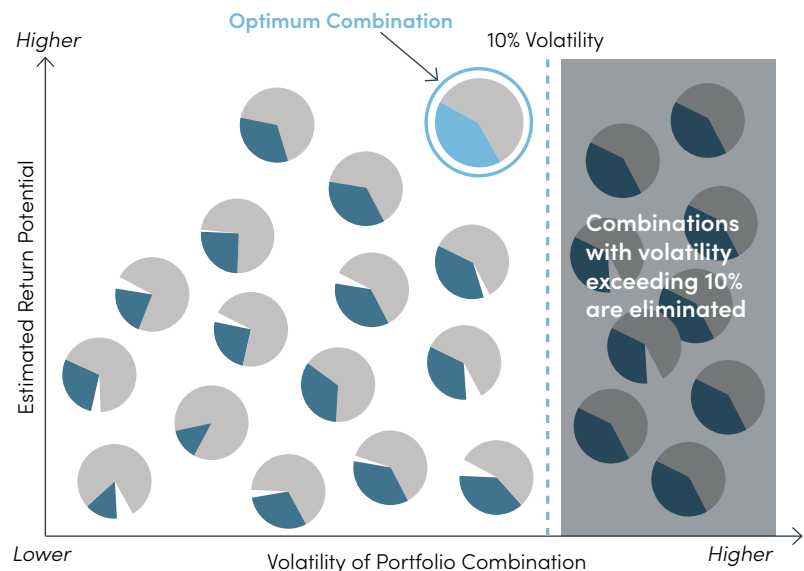
- Selection of top 1,000 large cap stocks out of the universe of all NYSE and NASDAQ stocks with U.S. domicile
- Assess potential future returns of 1,000 stocks by using market capitalization-based stock weights as the starting point and adjust weights based on:
  - Equity-Price: Book Value / Total Market Capitalization
  - Profitability: 12 Months Trailing; Operating Profits / Book Value
- Overweight => highest Book/Market & Profitability
- Underweight => lowest Book/Market & Profitability
- Select 300 stocks with the highest final weights

The **Fixed Income Component** of the Index portfolio is comprised of an equally weighted basket of indices tracking 2-, 5-, and 10-year U.S. Treasuries, helping to dampen the volatility from the equity portion of the index.



### Illustration of the mean-variance optimization process

Each month, the Index runs a process called “mean-variance optimization,” which aims to determine the optimal weights to be allocated to the Equity and Fixed Income Components. The process ranges from 0% allocation in the components up to 150%; determines the volatility; removes all combinations with volatility above 10%; and then selects the combination that has the highest estimated return potential, based on the assumption that the risk-adjusted returns offered will be comparable for the following month. That combination will be the base portfolio for the following month.



<sup>1</sup>The Avantis U.S. Quality Large Cap Index is a total return index that provides the performance of stocks, including their dividend payments. The Avantis Barclays VC Index is an excess return index which includes a deduction equal to the Secured Overnight Financing Rate (“SOFR”) plus a spread adjustment on the Equity Component.

## 10% Volatility Control

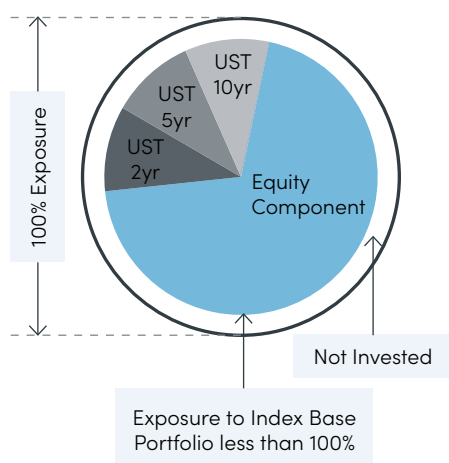
Daily, the overall exposure to the set monthly allocation or "Base Portfolio," can be adjusted so the expected volatility of the Avantis Barclays VC Index is around 10%. Simply stated, the Index increases or decreases the exposure to the Base Portfolio in order to try and maintain volatility at around a 10% annualized level.

To achieve this, the Index's exposure to the Base Portfolio is calculated on a daily basis taking into consideration multiple factors, subject to a maximum exposure of 200%. Some of these factors would be the change in Index level from the prior day, change in interest rates, the change in cumulative sales of annuity products linked to the Index, and the recent volatility of the portfolio. If the recent volatility of the Base Portfolio exceeds 10%, the Index tends to allocate less than 100% exposure to the Base Portfolio and not invest the residual weight. If the recent volatility of the Base Portfolio is below 10%, the exposure allocated to the Base Portfolio may exceed 100% and can be up to 200%.

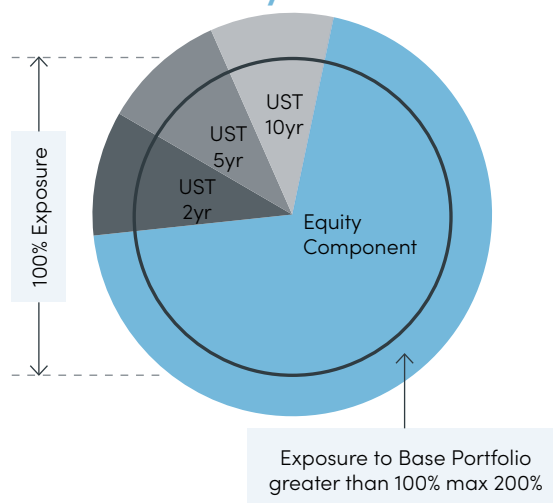
Because the Index may allocate up to 150% of exposure to the Index components during the monthly optimization, and the volatility control process may further target up to 200% of exposure to the portfolio, the Avantis Barclays VC Index may allocate up to 300% of total exposure to the Index components.

There can be no guarantee that the realized volatility of the Avantis Barclays VC Index will not be less than or greater than 10%.

### Index Volatility more than 10%



### Index Volatility less than 10%



Maximum Exposure = 150% x 200% = 300%

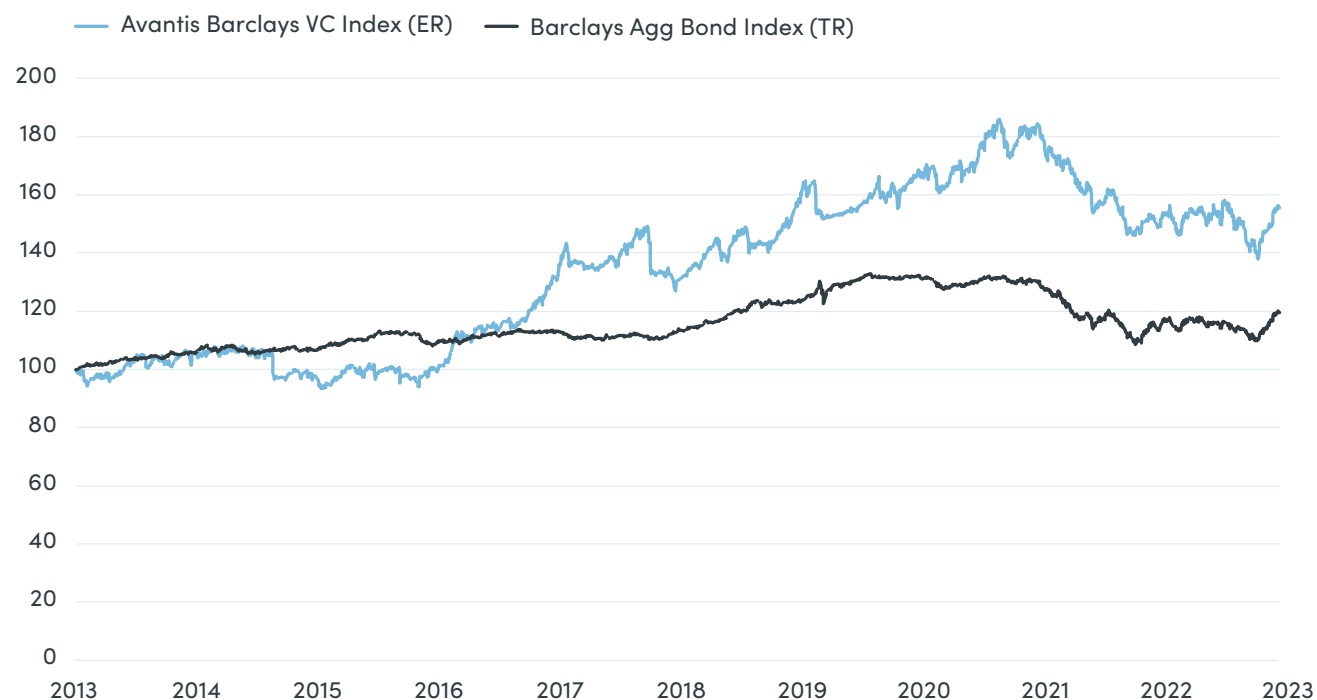
For illustration purposes only; may not reflect actual weights or allocations

Key Terms	
Excess Returns (ER)	The measure of the Index return after deducting costs and fees, which include financing costs measured based on the Secured Overnight Financing Rate ("SOFR") plus a spread adjustment.
Volatility	The degree of price variation. High volatility means the price moves up and down in wide ranges over a short period of time. Low volatility means that the price does not change dramatically, but change happens at a more gradual pace.
Weighting	The adjustment made in the allocation in order to account for the relative importance of an item in calculation

## Index Performance

The chart below shows the Index performance for the time period shown compared to the Barclays Aggregate Bond Index, indexed to the same beginning value, which in this case is 100.

**Dec. 31, 2013–2023**



## Barclays: A Recognized Name in the Financial World

Barclays PLC is a British multinational investment bank and financial services company headquartered in London. With more than 75,000 employees worldwide, Barclays is a well-diversified financial services company with both consumer and wholesale businesses.

## Who Developed and Owns the Avantis Barclays VC Index?

The Index was created and is maintained by Barclays Bank PLC and is calculated daily. Avantis Investors owns the underlying Avantis U.S. Quality Large Cap Index and has licensed its use in the Index.

For daily valuations and more information about the Avantis Barclays VC Index, visit [Indices.Barclays/Avantis](https://Indices.Barclays/Avantis).

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