

TalkingPoints

Understanding the S&P/BM&F One-Day Interbank Deposit 3Y Futures Index



Jaime Merino
Director
Fixed Income Indices
S&P Dow Jones Indices

Aside from typical bonds, how can we get exposure to fixed income? Meet our S&P/BM&F One-Day Interbank Deposit 3Y Futures Index, which provides exposure to the Brazilian DI rate using futures.

1. What is the S&P/BM&F One-Day Interbank Deposit 3Y Futures Index?

The index is designed to measure the performance of a hypothetical portfolio holding a three-year One-Day Interbank Deposit (DI) Futures Contract. The DI contract is on the Brazilian one-day interbank rate, which is used by Brazilian banks to lend and borrow from each other. The contract's objective is to provide a way to hedge for or speculate on short-term Brazilian interest rates. The index is constructed from futures contracts and includes a provision for the replacement of the index futures contract (also referred to as "rolling"). This replacement occurs over a one-day rolling period every six months, which is on the second-to-last business day of the month in December and June (also known as the rolling date). The index is designed for use by institutional investment managers, mutual fund managers, professional advisors, and insurance companies.

2. What are some key benefits of the S&P/BM&F One-Day Interbank Deposit 3Y Futures Index?

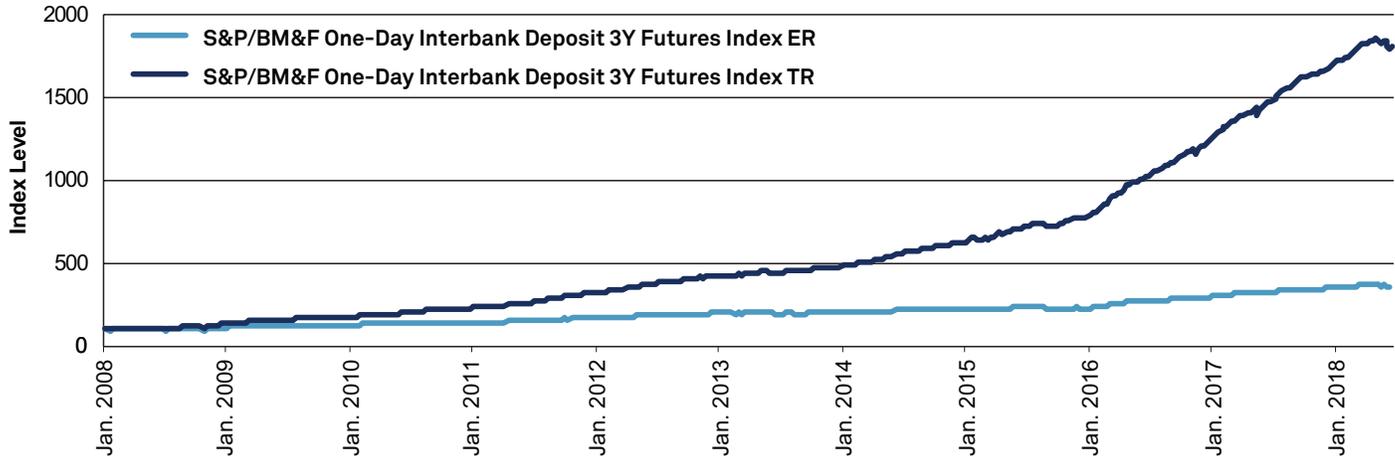
The index offers a benchmark for financial institutions to measure the return on their holdings and can serve as the base of an investment vehicle, as the index is easy to replicate. The futures market in Brazil, especially DI futures, is highly liquid, making the index easier to replicate than the underlying bonds. Since the index is based on futures, it is calculated in total return and excess return versions. Also, it is calculated in U.S. dollars, which makes it accessible outside of Brazil.

The excess return index includes the price return and roll yield, while the total return version incorporates the assumption of collateral being reinvested at the overnight rate.

3. How can the S&P/BM&F One-Day Interbank Deposit 3Y Futures Index benefit market participants in Brazil?

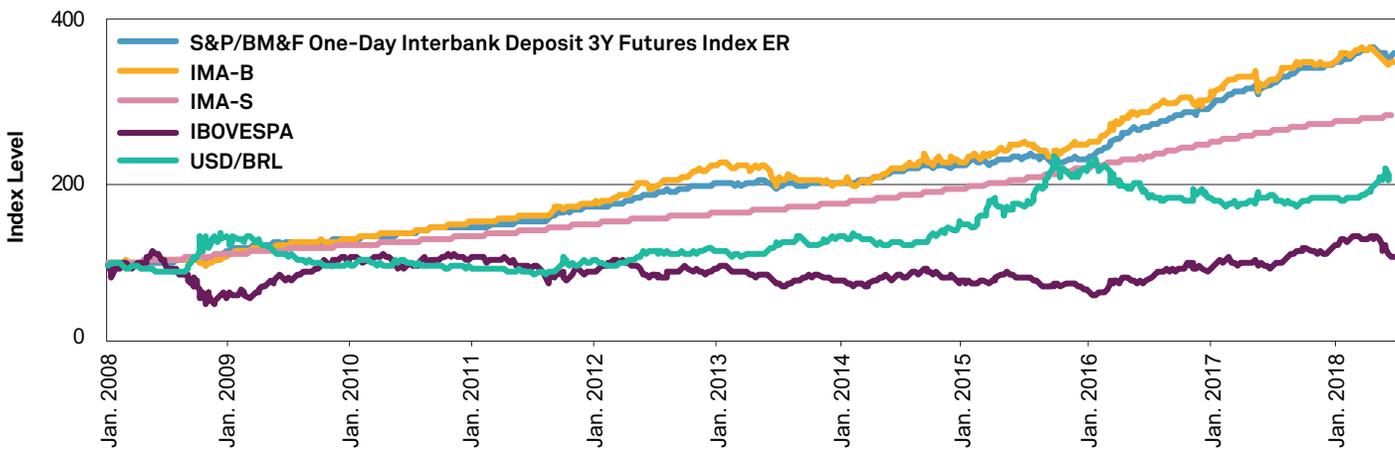
First of all, working with our partner B3 brings transparency to the local market on the exposure to the DI rate that is close to three years. This index provides the opportunity for a local fixed income investment vehicle in the Brazilian market that would provide diversification and could be used to gain core fixed income exposure or to hedge current positions. When comparing the risk/return profile with other local indices, the S&P/BM&F One-Day Interbank Deposit 3Y Futures Index significantly outperformed.

Exhibit 1: Performance of the S&P/BM&F One-Day Interbank Deposit 3Y Futures Index ER and TR



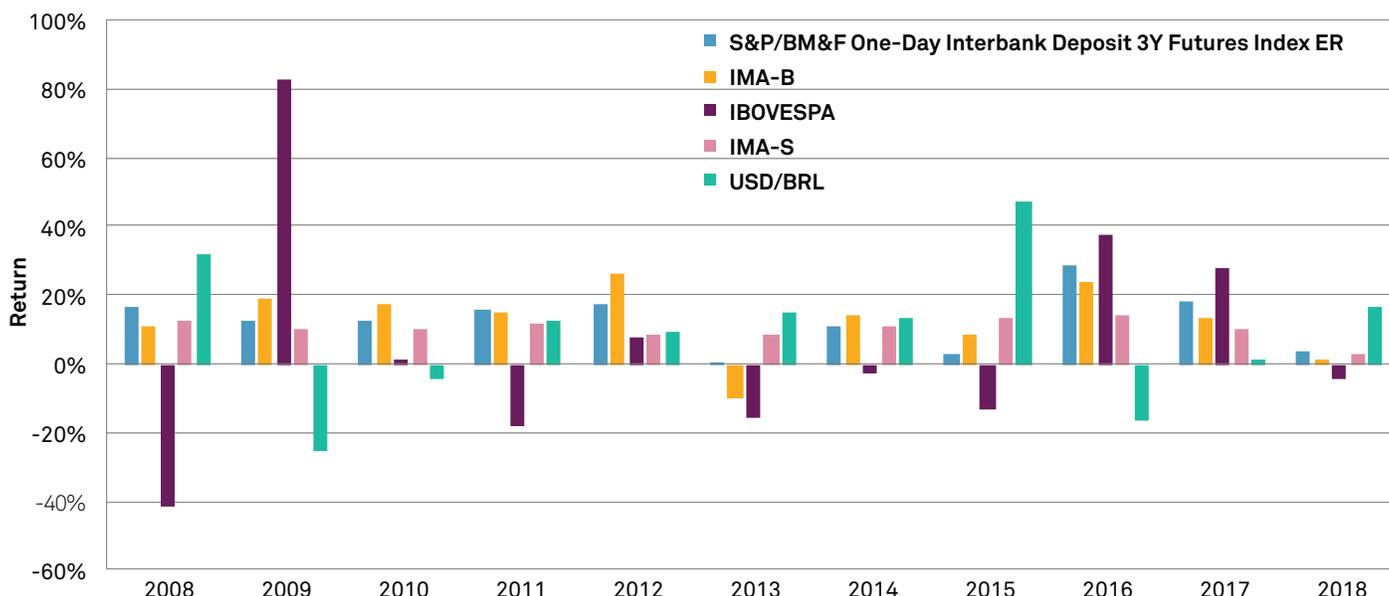
Source: S&P Dow Jones Indices LLC. Data as of June 30, 2018. Index performance based on total return and excess return in local currency. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 2: Performance Comparison With Local Indices



Source: S&P Dow Jones Indices LLC and Thomson Reuters (Eikon). Data as of June 30, 2018. Index performance based on return in local currency. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 3: Annual Return Comparison With Local Indices



Source: S&P Dow Jones Indices LLC and Thomson Reuters (Eikon). Data as of June 30, 2018. Index performance based on excess return in local currency. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 4: Risk/Return Profile

PERIOD	S&P/BM&F ONE-DAY INTERBANK DEPOSIT 3Y FUTURES INDEX ER	IBOVESPA	IMA-B	USD/BRL	IMA-S
ANNUALIZED RETURNS (%)					
1-Year	17.96	27.80	13.50	0.93	10.25
3-Year	57.08	52.78	53.33	24.54	42.08
5-Year	75.22	25.35	58.01	61.90	70.33
10-Year	254.68	19.59	256.23	86.81	179.92
ANNUALIZED RISK (%)					
1-Year	0.32	1.20	0.59	0.81	0.01
3-Year	0.35	1.46	0.55	1.05	0.05
5-Year	0.31	1.44	0.56	0.89	0.07
10-Year	0.32	1.77	0.47	1.01	0.06
RISK/RETURN					
1-Year	55.27	23.23	22.88	1.15	793.97
3-Year	161.45	36.08	97.05	23.41	853.23
5-Year	243.42	17.59	103.81	69.21	993.98
10-Year	804.32	11.08	549.01	85.80	3,263.60

Source: S&P Dow Jones Indices LLC and Thomson Reuters (Eikon). Data as of Dec. 31, 2017. Index performance based on return in local currency. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Performance Disclosure

The S&P/BM&F One-Day Interbank Deposit 3Y Futures Index ER and S&P/BM&F One-Day Interbank Deposit 3Y Futures Index TR were launched on April 18, 2017. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at www.spdji.com. Past performance of the Index is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the Index is set at a fixed value for calculation purposes. The Launch Date designates the date upon which the values of an index are first considered live; index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its datafeed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the methodology paper for the Index, available at www.spdji.com for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

The Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices LLC maintains the Index and calculates the Index levels and performance shown or discussed, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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