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## About the Index

The S&P 500 Volatility Arbitrage Index seeks to model a common strategy that takes advantage of the difference between implied volatility and realized volatility. The index consists of receiving implied variance of the S&P 500 and paying realized variance of the S&P 500.

The index is part of the S&P Arbitrage Index Family. Other indices in the family are the S&P Currency Arbitrage Index, the S&P Long Only Merger Arbitrage Index, and the S&P Forward Interest Rate Arbitrage Indices.

### Highlights

Volatility arbitrage strategies are based on the tendency for implied volatility of an asset to be higher than realized volatility. Due to this, it historically has been a profitable strategy to receive implied volatility and pay realized volatility.

### Index Construction

The index is rebalanced on the third Friday of each month. The methodology approximates a one-month variance swap position that receives implied variance on the S&P 500, as measured by the Chicago Board Option Exchange Volatility Index (VIX), and pays realized variance on the S&P 500. VIX is a measure of the implied volatility of the S&P 500 index options. It measures the market's expectation of volatility over the next 30 days.

A total return version of the S&P 500 Volatility Arbitrage index is calculated and incorporates interest accrual on the notional value of the index. Interest accrues based on the overnight U.S. Dollar LIBOR rate.

### Index Governance

Index membership and maintenance is governed according to a set of published rules. Factsheets and methodology documents are available at [www.indices.standardandpoors.com](http://www.indices.standardandpoors.com). The index is the responsibility of an Index Committee that monitors overall policy guidelines and methodologies.

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# S&P 500 Volatility Arbitrage Index

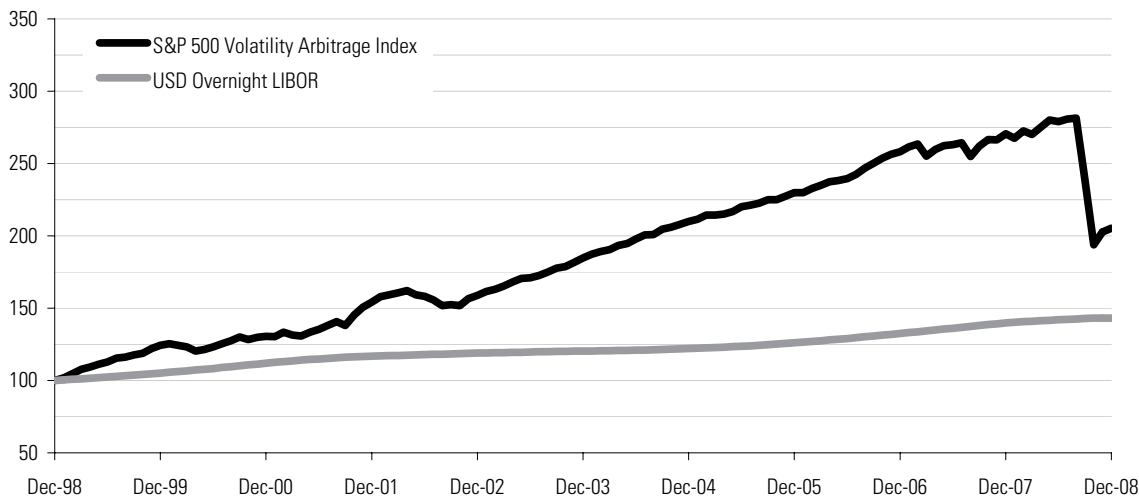
## S&P Global Indices

S&P Strategy Indices		
S&P Arbitrage Index Family		
S&P 500 Volatility Arbitrage Index	S&P Currency Arbitrage Index	S&P Long Only Merger Arbitrage Index

December 31, 2008

Seeks to model a common strategy that takes advantage of the difference between implied volatility and realized volatility.

## 10 Year Historical Performance



## Correlation to Returns

	S&P 500 Volatility Arbitrage Index	S&P 500	Lehman Aggregate Bond Index
<b>5 Years</b>			
S&P 500 Volatility Arbitrage Index	1.0000	0.6598	0.3821
S&P 500		1.0000	0.0667
Lehman Aggregate Bond Index			1.0000
<b>10 Years</b>			
S&P 500 Volatility Arbitrage Index	1.0000	0.4972	0.2220
S&P 500		1.0000	-0.0645
Lehman Aggregate Bond Index			1.0000

## Tickers

S&P 500 Volatility Arbitrage Index	
Price Return	
BLOOMBERG <sup>SM</sup>	SPARBV
Reuters	.SPARBV
Total Return	
BLOOMBERG <sup>SM</sup>	SPARBVT
Reuters	.SPARBVT

## Index Performance

<b>Annualized</b>	1 Year	-24.11%
<b>Returns</b>	3 Years	-3.70%
	5 Years	2.14%
	7 Years	4.17%
<b>Annualized</b>	3 Years Std Dev	15.22%
<b>Risk</b>	5 Years Std Dev	11.93%
<b>Sharpe Ratio</b>	3 Years	-0.4047
	5 Years	-0.0111