MSCI

# MSCI USA Balanced FC Index

Powered by Fast Convergence Technology

ENTER

BofA SECURITIES

# Fast Convergence technology applied to a balanced framework

**The MSCI USA Balanced FC Index ("the Index") applies BofA's patented Fast Convergence technology with an aim to reduce risk and improve performance by adapting faster to changing market conditions. The Index rebalances each hour between U.S. equities, U.S. Treasuries, and a notional cash position.**

**U.S. Equities:** MSCI USA Index was created in 1986 to measure the performance of the large and mid-cap segments of the US market. The index covers approximately 85% of the free float-adjusted market capitalization in the US.

**U.S. Treasuries:** 10-Year US Treasury Note Futures dynamically adjusted based on momentum.

**Fast Convergence technology:** BofA's patented intraday rebalancing applied to MSCI USA Index.

**Better balanced framework:** U.S. equities are paired with a dynamic 10yr U.S. Treasury sleeve with the goal of more consistent returns.

# MSCI USA

## MSCI USA Index

The **MSCI USA Index** is a stock market index that measures the performance of large and mid-cap companies across the U.S. market.

## What companies does it include?

The index covers approximately 85% of the market capitalization in the US. It has 547 constituents as of June 30, 2025. The MSCI USA Index focuses on U.S. large and mid-cap companies.

## How has it performed over time?*

The **MSCI USA Index** has returned 13% on an annualized basis over the last decade.

| MSCI USA Index | Returns (%) |
|---|---|
| Year-to-date | 6.1 |
| 1-year | 15.3 |
| 3-years | 19.4 |
| 5-years | 16.0 |
| 10-years | 13.0 |

*Gross total returns, USD, as of June 30, 2025. Returns are annualized for periods longer than a year.

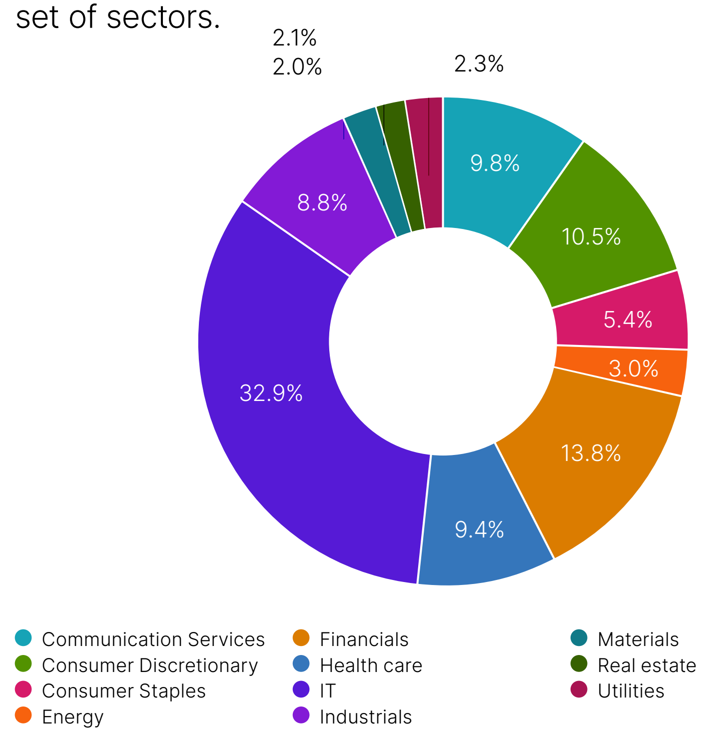
The MSCI USA Index has posted a positive return in eight of the last 10 years.

| MSCI USA Index | Annual performance (%) |
|---|---|
| 2023 | 24.6 |
| 2022 | 26.5 |
| 2021 | -19.9 |
| 2020 | 26.5 |
| 2019 | 20.7 |
| 2018 | 30.9 |
| 2017 | -5.0 |
| 2016 | 21.2 |
| 2015 | 10.9 |
| 2014 | 0.7 |

Gross total returns, USD, as of June 30, 2025.
Past performance – whether actual or back-tested – is no indication or guarantee of future performance.

## What about the businesses these companies represent?

The MSCI USA Index provides exposure to a diverse set of sectors.




Date: As of June 30, 2025.

# Apply Fast Convergence technology to adapt faster to changing market conditions

**By systematically monitoring market moves and rebalancing throughout the trading day, Fast Convergence (FC) technology seeks to more efficiently control the realized volatility of an index. Traditional approaches to risk management and portfolio construction have generally relied on longer time horizons to both measure and respond to changes in market volatility. Historically, higher volatility periods have coincided with negative market performance.[1]**

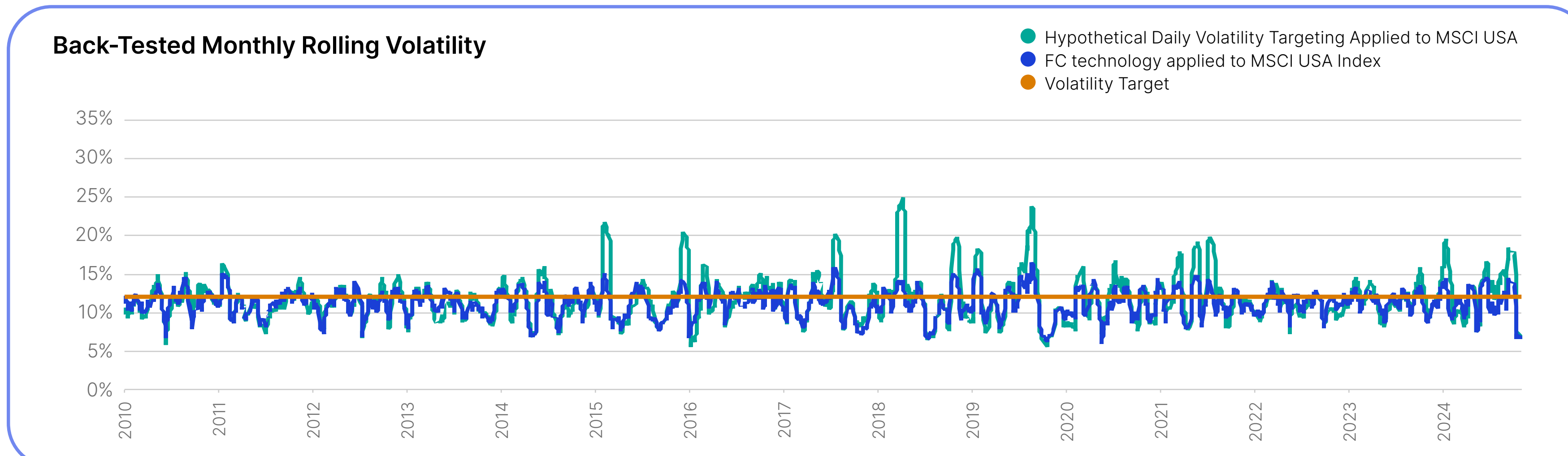
**BofA's patented Fast Convergence technology aims to increase both index stability and performance.**

### Stability

By more dynamically managing risk with intraday volatility targeting, FC technology aims to result in a more stable index volatility when compared to an index using traditional end-of-day volatility targeting.

### Performance

FC technology aims to manage exposure to large drawdowns, which may increase potential upside.




Source: BofA Securities, Bloomberg. Data from June 24, 2010 to May 29, 2025. The Index was created on June 16, 2025. Levels for the Index before June 16, 2025 represent hypothetical data determined by retroactive application of a back-tested model, itself designed with the benefit of hindsight. Past performance – whether actual, back-tested or simulated – is not indicative of future performance. Actual performance will vary, perhaps materially, from the performance set forth herein. The Index is calculated on an excess return basis. The performance of the Index includes a 50bps embedded cost and does not include fees or costs of any financial instrument referencing the Index. Because this Index applies a volatility control mechanism, the range of both positive and negative performance of the Index is limited.

1. Why are stock returns and volatility negatively correlated? - ScienceDirect

# Index Construction

**The Index is rules based and combines U.S. equities and U.S. Treasuries with the goal of steady performance in many market conditions. Each hour, the Index systematically assesses market volatility to rebalance between equities and U.S. Treasury futures.**

| Asset Class | Components |
| --- | --- |
| Equity | – MSCI USA: large- and mid-cap U.S. equities |
| Treasuries | – 10yr U.S. treasury rolling futures index |

## Step 1:
### Apply FC technology to MSCI USA

- The equity component is made up of the MSCI USA Index and a notional cash position (“cash”).
- The equity component applies BofA's patented Fast Convergence (FC) technology to rebalance each hour between MSCI USA and cash with the goal of capturing US equity market performance.

1

## Step 2:
### Apply risk management to 10yr U.S.Treasuries

- The Treasury component dynamically allocates between rolling 10 year U.S. Treasury futures and cash based on performance signals and volatility.

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## Step 3:
### Add equities + 10yr U.S. Treasuries to target 10% volatility

- The Index rebalances during the trading day between equities and the Treasury component to target 10% annualized volatility.
- When component volatility is below the target, the Index can systematically apply leverage, up to 250%, with the goal of capturing gains.
- When component volatility is above the target, the Index can systematically allocate to cash, up to 100%, with the goal of mitigating drawdowns.

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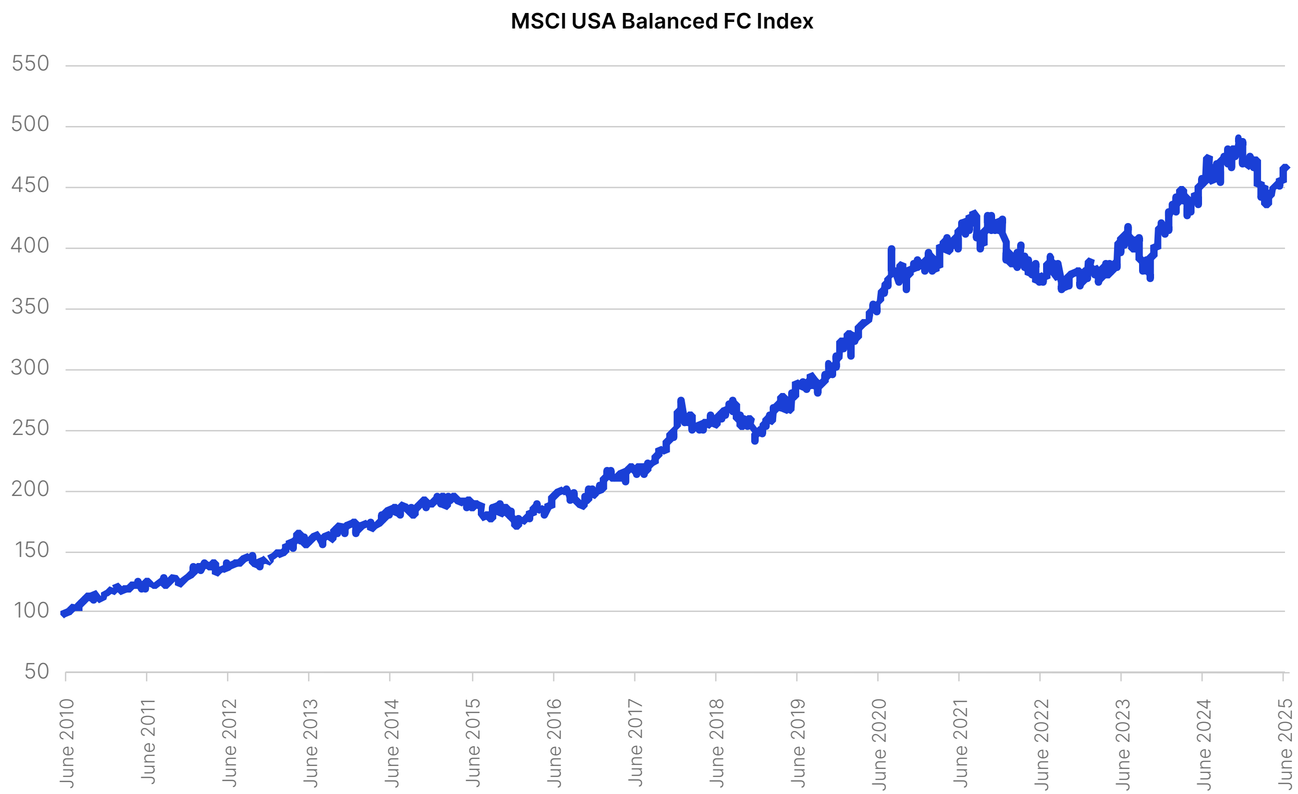
# Performance

### Hypothetical back-tested performance chart




### Hypothetical back- tested annual performance

| Year | MSCI USA Balanced FC Index |
|---|---|
| 2024 | 11.56% |
| 2023 | 12.40% |
| 2022 | -11.51% |
| 2021 | 7.95% |
| 2020 | 26.75% |
| 2019 | 24.40% |
| 2018 | 0.72% |
| 2017 | 24.70% |
| 2016 | 8.43% |
| 2015 | -4.08% |
| 2014 | 8.59% |
| 2013 | 22.74% |
| 2012 | 10.10% |
| 2011 | 11.76% |

Source: BofA Securities, Bloomberg. Data from June 24, 2010 to June 30, 2025. The Index was created on June 16, 2025. Levels for the Index before June 16, 2025 represent hypothetical data determined by retroactive application of a back-tested model, itself designed with the benefit of hindsight. Past performance – whether actual, back-tested or simulated – is not indicative of future performance. Actual performance will vary, perhaps materially, from the performance set forth herein. The Index is calculated on an excess return basis. The performance of the Index includes a 50bps embedded cost and does not include fees or costs of any financial instrument referencing the Index. Because this Index applies a volatility control mechanism, the range of both positive and negative performance of the Index is limited.

## About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com

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## Selected Risk Factors and Disclaimers

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**NATURE OF THE INDEX**
The Index uses a rules-based formula to enable the index closing level to be calculated from time to time. Although instruments may be issued or entered into where such instruments' return is linked to the Index performance, the Index is not itself an investment or instrument and does not give any person any entitlement to, or ownership interest in, any index components or any other obligation referenced (directly or indirectly) by the Index

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Potential conflicts of interest may exist in the internal teams and divisions of MLI or across different entities within the BofA group. For example, one team may calculate and publish the level of the Index, while another team within the organization may issue or promote/sell products linked to the Index or an index component. In addition, a further team within the organization may have trading positions in or relating to instruments and assets to which the performance of the Index is directly or indirectly linked (including any index component). Entities within the BofA group may be active and significant participants in or act as market maker in relation to a wide range of markets for currencies, commodities, securities and derivatives. Such activities may be undertaken on such a scale as to affect, either temporarily or on a long-term basis, the price of such investments which may impact adversely on the index closing level. No entity within the BofA group shall have any duty or obligation to take into account any impact in the performance of the Index when effecting transactions in such markets.

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The calculation of the Index will incorporate a deduction for embedded transaction costs. These transaction costs are not a per annum amount but are adjustments made in order to account for synthetic costs (for example, bid-ask spread, rebalancing, hedging, slippage and brokerage) incurred by a professional investor seeking to replicate the strategy of the Index, as applicable. In addition, these transaction costs may take into account expenses incurred by the benchmark sponsor in the development of intellectual property for, and administration of, the Index. These transaction costs may be higher or lower than the actual costs of hedging the exposure to the Index, as applicable, and, if higher, may result in professional investors being in a worse position than if they were to replicate the Index, as applicable. The embedded transaction costs are deducted from the level of the Index and act as a drag on the Index, therefore reducing the amount of return on the Index, and the level of the Index must increase by an amount sufficient to offset the aggregate of the transaction costs in order for there to be any return on the Index performance. The transaction costs are calculated in accordance with the applicable index rulebook.

**EXCESS RETURN INDEX**
This is an "excess return" index. An excess return index reflects returns on a hypothetical investment in the index components using borrowed funds. The borrowing cost is a market rate which is deducted from the Index performance on a daily basis (as set forth in the index rulebook). This deduction will negatively affect Index performance by reducing the positive performance of the Index and exacerbating the negative performance of the Index.

**VOLATILITY CONTROL**
The Index's "volatility control" mechanism may reduce the appreciation potential of the Index and may not achieve the target volatility. The volatility control mechanism allows the Index to dynamically adjust the level of the hypothetical exposure to the index components, depending on the volatility environment. When the Index's exposure to the index components is greater than 100%, any negative performance of the index components will be magnified and the level of the Index may decrease significantly. In addition, if the volatility control mechanism causes exposure to the index components to be less than 100%, the difference will not be hypothetically invested in index components and will earn no hypothetical return. There can also be no assurance that the Index will achieve its target volatility of 10% and the actual realized volatility of the Index may be greater or less than the target volatility, which may affect the level of the Index.

**PAST PERFORMANCE**
Past performance of the Index is not a reliable guide to future performance and the past performance of the Index may have been determined on different terms. No assurance, representation or warranty is given with respect to the future performance of the Index or that it will achieve its objective. Prices and values of the components, exchange rates and interest can fluctuate and may have an adverse effect on the Index performance.

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All index closing levels between the index base date and the index live date have been determined by reference to historical data and must be considered as simulated and thus purely hypothetical. The methodology and assumptions used to calculate index closing levels prior to the index live date, may be different to those applied from the index live date and in the future. While the index sponsor views this as reasonable, the use of historical data may result in material differences between the simulated performance of the Index, prior to the index live date, and any subsequent actual performance.

**LIMITED ACTUAL HISTORICAL PERFORMANCE**
The Index has only been calculated since the index live date and as such there is no actual historical performance data available in respect of it prior to that time. As a result, any investment the return of which is linked to the Index may involve greater risk than an exposure linked to indices or strategies with a longer term track record.

**INDEX NOT DESIGNED BY REFERENCE TO INDIVIDUAL NEEDS**
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