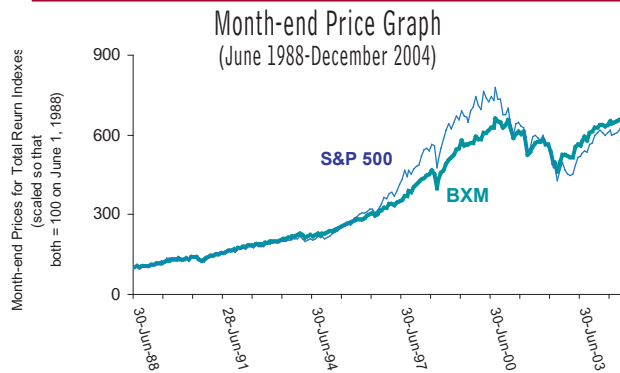


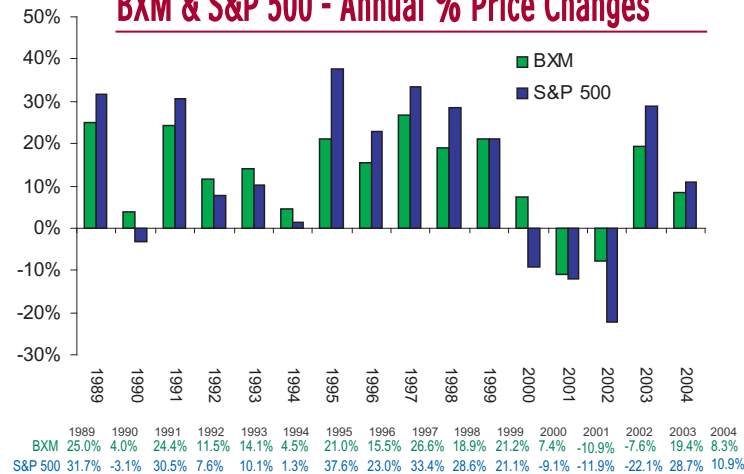
# The CBOE S&P 500 BuyWrite Index (BXM<sup>SM</sup>)

## January 2005 Quick Reference Guide

### BXM and S&P 500

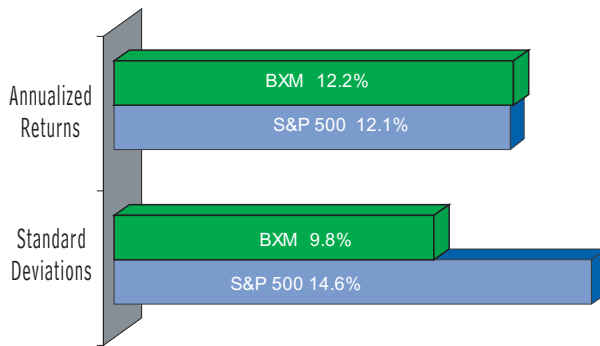


### BXM & S&P 500 - Annual % Price Changes



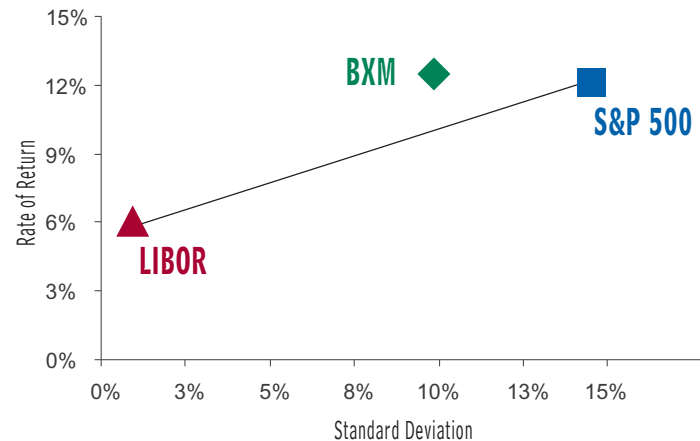
### Returns and Volatility

June 1988 - December 2004



### Market Line of Return and Risk

June 1988 - December 2004



- Want extra income for your equity portfolio?
- Need a cushion against downside moves in the market?
- Are you willing to limit upside potential in return for potentially less volatility in your portfolio?

### Explore

The CBOE S&P 500 BuyWrite Index (BXM), the first major benchmark for BuyWrite options performance, with daily data dating back to June 1988.

**CBOE** **BXM<sup>SM</sup>**  
CHICAGO BOARD OPTIONS EXCHANGE  
[www.cboe.com/bxm](http://www.cboe.com/bxm)

Sources: CBOE and Bloomberg. The figures above contain numbers for the BXM and S&P 500 total return indexes (which include reinvested dividends, but do not take into account transaction costs and taxes). Please see the Risk Disclosures on the opposite side and at [www.cboe.com/bxm](http://www.cboe.com/bxm) for more information.

# The CBOE S&P 500 BuyWrite Index (BXM<sup>SM</sup>)

## METHODOLOGY FOR CALCULATING THE BXM INDEX

- ▶ Passive total return index set to 100 on June 1, 1988, reflecting this strategy:
- ▶ **BUY** a S&P 500 stock index portfolio
- ▶ **WRITE** (or sell) a covered S&P 500 Index call option, usually in the morning of the third Friday of every month. The SPX call that is sold (or written) is held until its expiration.\*

## DATA SINCE JUNE 1988

Daily prices are provided for the BXM Index going back to June 1, 1988 (the first day that Standard and Poor's began reporting the daily cash dividends for the S&P 500 Total Return Index).\*

## LOW VOLATILITY

A potentially attractive feature to some investors has been the relative steadiness and low volatility of BXM returns. From June 1988 through December 2003, the annualized standard deviation of returns was 14.7 for the S&P 500 and 9.9 for BXM.\*

## RETURNS IN DIFFERENT TYPES OF MARKET ENVIRONMENTS

In times of flat to declining markets (e.g., in 2000 - 2002), the added income from the covered calls in a BXM position often provided a cushion to downside market movements. On the other hand, in times when the stock market was rising rapidly (e.g., in 1995 - 1998), SPX buy-write strategies generally underperformed the S&P 500.\*

## SOURCES OF RETURNS

The BXM Index is designed to reflect the gaining of income from monthly sales of S&P 500 options. In addition, according to Professor Whaley of Duke University, a source of returns during the 1988 - 2001 time period was the fact that implied volatility usually was higher than realized volatility.\*

\* Please see the charts, tables and publications at the BXM website [www.cboe.com/bxm](http://www.cboe.com/bxm) for more specific information on specifications, risks, returns and daily prices.

## January 2005 Quick Reference Guide INFORMATION ON S&P 500<sup>®</sup> (SPX<sup>™</sup>) INDEX OPTIONS

### VOLUME AND OPEN INTEREST

In 2003, the S&P 500 index options had an average daily volume of 196,318 and year-end open interest of 5 million contracts.

### NO EARLY EXERCISE

Unlike equity and certain other index options, SPX call options have "European-style" exercise, that is, SPX options generally may be exercised only on the last business day before expiration.

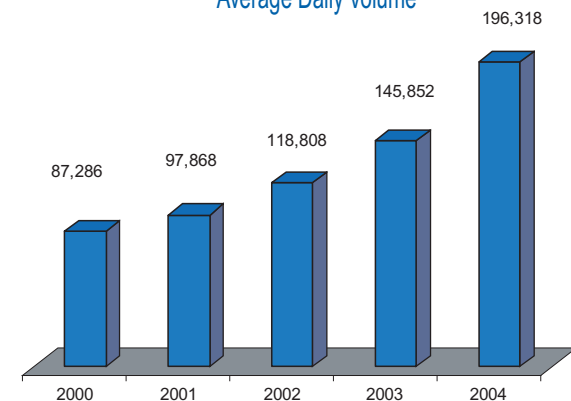
### CASH-SETTLEMENT AND A.M.-SETTLEMENT

SPX options are cash-settled (i.e., there is no delivery of stocks) and have "A.M.-settlement," usually on the third Friday of the month. Please see [www.cboe.com/spx](http://www.cboe.com/spx) for more information.

More Information on Index Options Strategies. Investors can learn more about index options by visiting [www.cboe.com/index](http://www.cboe.com/index), exploring the CBOE's Index Workbench<sup>SM</sup> at [www.cboe.com/workbench](http://www.cboe.com/workbench), and by taking a course at the Options Institute.

## S&P 500 (SPX) OPTIONS

Average Daily Volume



Options involve risk and are not suitable for all investors. Prior to buying or selling an option, a person must receive a copy of *Characteristics and Risks of Standardized Options*, which is available from your broker, by calling 1-888-OPTIONS, or from The Options Clearing Corporation, One North Wacker Drive, Suite 500, Chicago, IL 60606. Supporting documentation for claims, comparisons, statistics or other technical data is available by calling 1-888-OPTIONS, sending an e-mail to [help@cboe.com](mailto:help@cboe.com), or by visiting [www.cboe.com/bxm](http://www.cboe.com/bxm). S&P 500<sup>®</sup> is a registered trademark of The McGraw-Hill Companies, Inc. and is licensed for use by the CBOE. CBOE calculates and disseminates the BXM Index. The BXM Index was developed by the CBOE in cooperation with Standard & Poor's. The CBOE has a business relationship with Standard & Poor's on the BXM. Visit [www.cboe.com/bxm](http://www.cboe.com/bxm) for more detailed explanation. Past performance is not a guarantee of future returns. SPX<sup>™</sup> and BXM<sup>SM</sup> are servicemarks of the CBOE. Copyright © Chicago Board Options Exchange<sup>®</sup>, Incorporated, 2005. All Rights Reserved.

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