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# NYSE<sup>®</sup> Zebra Edge<sup>®</sup> II Index

An opportunity for consistent returns using behavioral finance

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# Validated and tracked by ICE Data Indices

NYSE

Since 1792, the New York Stock Exchange (NYSE®) has been the symbol of the strength of the American financial system. As part of Intercontinental Exchange, NYSE and ICE Data Indices LLC build, operate and advance global markets through informational technology and expertise. The engineers and strategists at ICE Data Indices validate the methodology and daily performance of the NYSE® Zebra Edge® II Index.





**“Behavioral finance could be the key to higher returns with less risk.”**

**Roger G. Ibbotson, Ph.D.**

- Co-Founder and Chairman, Zebra Capital Management, LLC
- Professor Emeritus, Yale School of Management
- Founder of Ibbotson Associates, now a Morningstar Company

Behavioral finance is a field of economics that applies insights from cognitive psychology to reveal how and why some people make irrational investment decisions. Renowned economist Professor Roger Ibbotson and the team at Zebra applied behavioral finance to the equity markets and discovered that:

- **Irrational decisions by investors may add volatility and risk**
- **The most popular stocks historically have provided lower returns**

Zebra’s research methodology is combined with a daily risk control methodology to create the NYSE® Zebra Edge® II Index, a rules-based index which, by design, endeavors to provide higher returns with less risk.



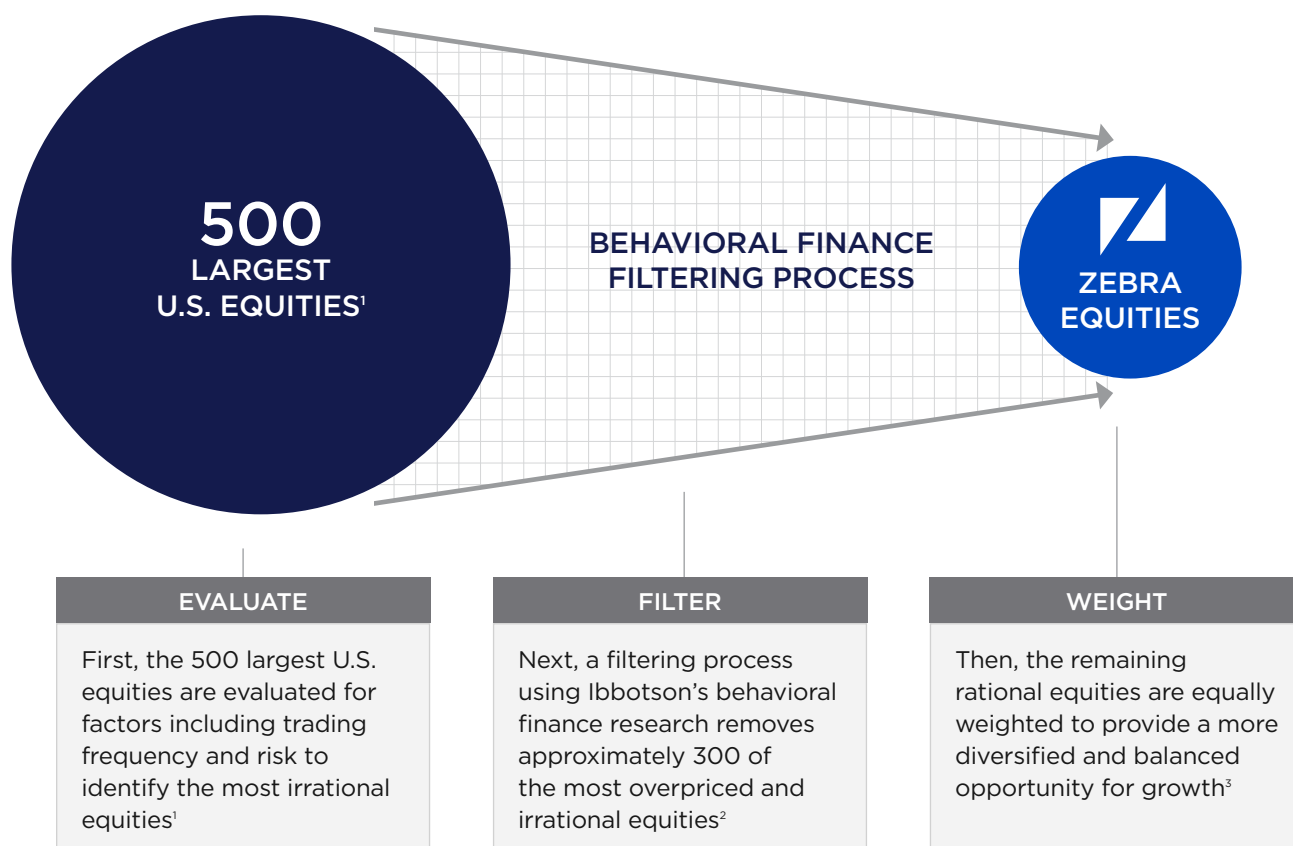
This brochure was designed to provide information on the NYSE® Zebra Edge® II Index and should be used in conjunction with the Nationwide New Heights® Select fixed indexed annuity materials. It does not describe the New Heights® Select product or historical crediting rates of the product. For more information on New Heights® Select, please ask your financial professional for a product brochure. Fixed indexed annuities are not an investment and do not directly invest in the stock market or any index. Past performance does not guarantee future results.



# Ibbotson's behavioral finance filtering process

The NYSE® Zebra Edge® II Index evaluates the 500 largest publicly traded companies in the United States each quarter and removes the riskiest and most volatile companies, leaving fewer irrational equities.<sup>2</sup> The diagram below shows how every three months the NYSE® Zebra Edge® II Index selects rational equities with the potential for higher returns with less risk.

## Zebra Equity Selection Process



The NYSE® Zebra Edge® II Index applies a risk control methodology that makes daily adjustments to the allocations between having a leveraged exposure to Zebra Equities, a short exposure to the S&P 500, U.S. Treasuries and an interest-free cash account.<sup>4</sup> This daily reallocation is designed to further reduce risk when markets are volatile, moving rapidly up or down.

<sup>1</sup> The 500 largest publicly traded companies in the United States as represented by the NYSE® U.S. Large Cap Equal Weight Index. The methodology for that index can be found at [www.theice.com/market-data/indices/equity-indices/methodologies](http://www.theice.com/market-data/indices/equity-indices/methodologies).

<sup>2</sup> Irrational equities refer to those equities with both a) the highest volatility over the previous three months and prior year and b) the highest daily turnover rate over the past two years. These are removed in the index qualification process.

<sup>3</sup> Approximately 200 Zebra Equities are selected through this quarterly selection process. The selection process occurs in February, May, August and November.

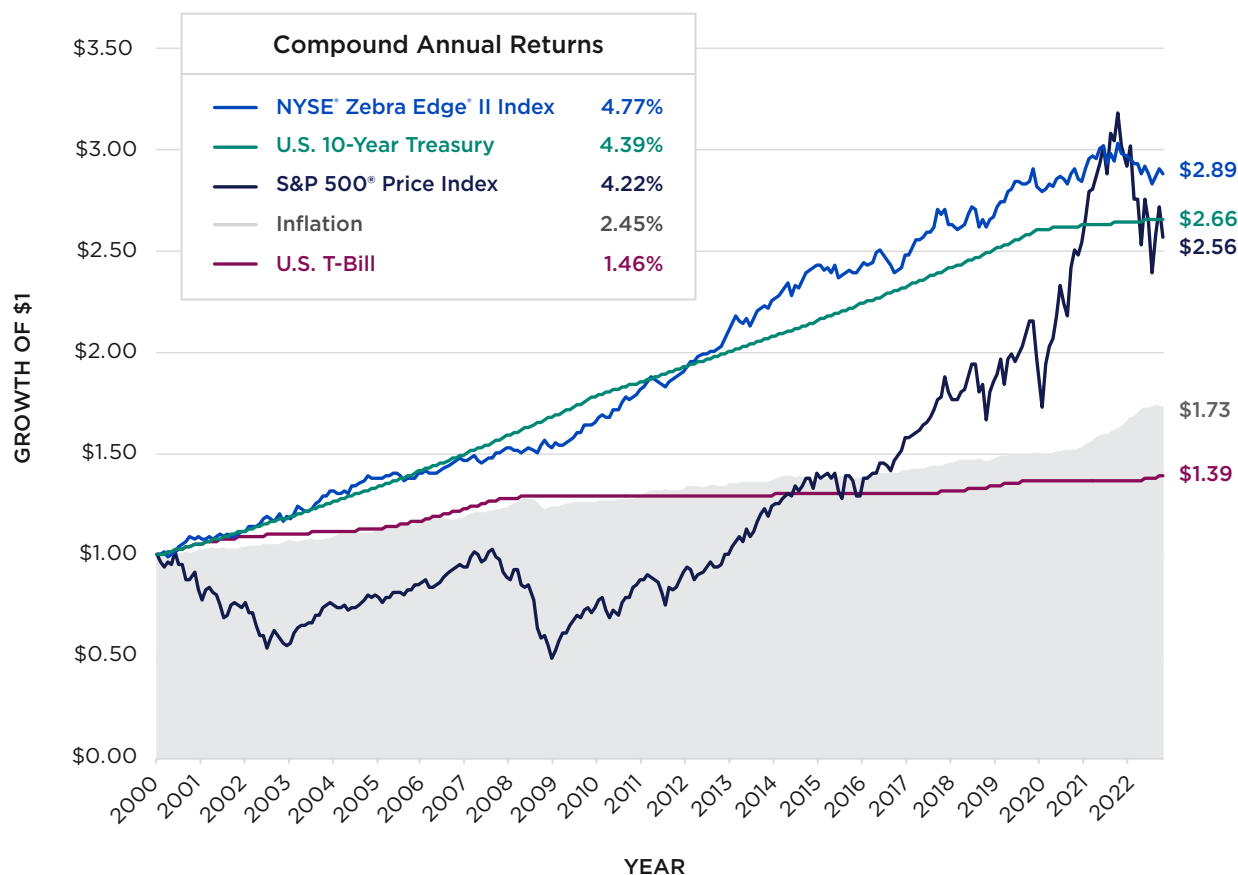
<sup>4</sup> The S&P 500® is tracked through e-mini S&P 500 futures and U.S. Treasuries are tracked through U.S. Treasury futures.

Risk control seeks to provide smoother returns and mitigate sharp market fluctuations. While this type of strategy can potentially lessen the impact of market downturns, it can potentially also lessen the impact of market upturns, potentially limiting upside potential. For additional information regarding the NYSE® Zebra Edge® II investment strategy and related risks, please visit [www.nyse.com/zedgeny2](http://www.nyse.com/zedgeny2).

# The benefit of a rational long-term strategy

Over the last 22 years, U.S. Treasury Bills have failed to keep pace with inflation, and Large Cap U.S. Stocks have experienced significant drawdowns, reducing returns. Although long-term bonds have been consistent, the back-tested performance shown below demonstrates how the NYSE® Zebra Edge® II Index would have provided a higher compound annual return.

## NYSE® Zebra Edge® II Index



Source: S&P Dow Jones, Board of Governors of the Federal Reserve System (US), ICE Data Indices and 2020 SBBI Yearbook, Roger G. Ibbotson, Duff & Phelps. Growth of \$1 4/1/00 to 12/31/22. Large Cap Stocks (as represented by the S&P 500® Price Index), Long-term Gov't Bonds (as represented by 10-year Treasuries), U.S. Treasury Bills and Inflation results are actual for the full period and are not risk controlled (if applicable). Long-term Gov't Bonds and U.S. Treasury Bills are guaranteed by the U.S. government

The NYSE® Zebra Edge® II Index was established on 10/6/2020. Performance for the NYSE® Zebra Edge® II Index is back-tested by applying the NYSE® Zebra Edge® II Index strategy, which was designed with the benefit of hindsight, to historical financial data. Certain components of the NYSE® Zebra Edge® II Index were unavailable before 3/14/00. Back-tested performance is hypothetical and has been provided for informational purposes only. Past performance is not indicative of nor does it guarantee future performance. The NYSE® Zebra Edge® II Index could underperform relative to other equity investment strategies. The hypothetical data includes index transaction fees, including a 0.50% per annum index fee.



**For more information on New Heights® Select, please visit  
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**For more information on the NYSE® Zebra Edge® II Index, please visit  
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