

# MSCI EAFE Option Overlay Matrix



## Definitions

**Floor:** Long Put Position

**Re-Entry:** Short Put Position

**Cap:** Short Call Position

**Option Premium:** Expressed as a percentage of portfolio value

**Option Strike:** Expressed as a percentage of current index level

**Published:** 7/23/2010

**MSCI EAFE:** 1445.68

Option Term	Strike	Put Option Premium							Call Option Premium						
		-35%	-30%	-25%	-20%	-15%	-10%	-5%	0%	0%	+5%	+10%	+15%	+20%	+25%
3-Month		0.26%	0.45%	0.73%	1.14%	1.75%	2.63%	3.91%	5.78%	5.79%	3.32%	1.63%	0.64%	0.19%	0.04%
6-Month		1.27%	1.77%	2.38%	3.12%	4.07%	5.29%	6.85%	8.86%	7.71%	5.12%	3.10%	1.69%	0.74%	0.32%
1-Year		2.83%	3.65%	4.60%	5.65%	6.95%	8.56%	10.33%	12.43%	10.95%	8.43%	6.28%	4.51%	3.15%	2.04%
2-Year		6.35%	7.60%	8.97%	10.66%	12.31%	14.25%	16.38%	19.10%	14.86%	12.54%	10.32%	8.46%	6.84%	5.43%

### Example Hedge Structure: 1 year MSCI EAFE Put Spread Collar: -10% Floor / -30% Re-entry / +10% Cap

Investor purchases a -10% Floor and sells a -30% Re-Entry and +10% Cap on the MSCI EAFE

Cost of a one-year -10% Floor:	8.56%
Value of a one-year -30% Reentry:	-3.65%
Value of a one-year +10% Cap:	-6.28%
<b>Net cost to investor as a % of portfolio value:</b>	<b>-1.38%</b>

**NOTE:** Please see pages 2-3 for sample hedge profile.

For informational purposes only. Costs and protection levels are based on current market characteristics and assumptions which change over time. The protection levels and costs described are estimates which may not be achieved or achievable and The Clifton Group makes no guarantee in this regard. Option premiums are calculated using implied market volatility on index traded options. Option strike levels based on index price, not index total return. Source: Bloomberg

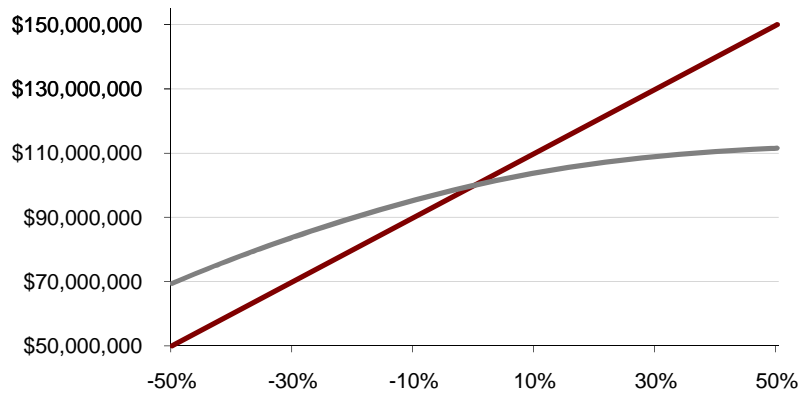
Historical Data available upon request: [Info@TheCliftonGroup.com](mailto:Info@TheCliftonGroup.com)

**MSCI EAFE Put-Spread Collar**  
1-Year Term  
Hedge Profile - 07/23/2010

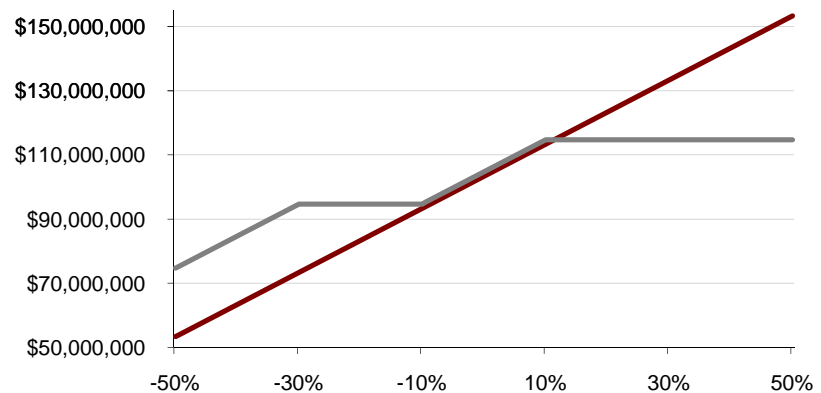
iShares EFA: 51.59  
Notional: \$100,000,000  
Hedge Term: 7/23/2011

<u>Hedge Structure</u>		<u>Position</u>	<u>Contracts</u>	<u>Option Type</u>	<u>Index</u>	<u>Strike</u>	<u>Term</u>	<u>Premium</u>	
<b>Floor:</b>	-10.00%	Long	19,384	Put	iShares EFA	46.43	7/23/11	\$	8,558,708 8.56%
<b>Reentry:</b>	-30.00%	Short	(19,384)	Put	iShares EFA	36.11	7/23/11	\$	(3,652,497) -3.65%
<b>Cap:</b>	+10.00%	Short	(19,384)	Call	iShares EFA	56.75	7/23/11	\$	(6,283,847) -6.28%
<b>Initial Premium:</b>								\$	(1,377,636) -1.38%

Portfolio Value - Instantaneous  
7/23/2010



Portfolio Value - at Maturity  
7/23/2011



— Unhedged Portfolio  
— Hedged Portfolio

Costs are based on current market characteristics and assumptions which change over time. The protection levels and costs described are estimates which may not be achieved or achievable, and The Clifton Group makes no guarantee in this regard

Return Estimate Period: **7/23/10 - 7/23/11**

**Protection Strategy**  
*Expected Return Profile*

Equity Cash Index Return (excludes Dividends)		Total Return Index <sup>1</sup>		Hedge Value at Expiration	Protection Gain/Loss <sup>2</sup>		Protected Equity Total Return <sup>3</sup>	
%	\$	%	\$	\$	%	\$	%	\$
50%	50,000,000	53.33%	53,331,571	(40,000,000)	-38.62%	(38,622,364)	14.71%	14,709,207
45%	45,000,000	48.33%	48,331,571	(35,000,000)	-33.62%	(33,622,364)	14.71%	14,709,207
40%	40,000,000	43.33%	43,331,571	(30,000,000)	-28.62%	(28,622,364)	14.71%	14,709,207
35%	35,000,000	38.33%	38,331,571	(25,000,000)	-23.62%	(23,622,364)	14.71%	14,709,207
30%	30,000,000	33.33%	33,331,571	(20,000,000)	-18.62%	(18,622,364)	14.71%	14,709,207
25%	25,000,000	28.33%	28,331,571	(15,000,000)	-13.62%	(13,622,364)	14.71%	14,709,207
20%	20,000,000	23.33%	23,331,571	(10,000,000)	-8.62%	(8,622,364)	14.71%	14,709,207
15%	15,000,000	18.33%	18,331,571	(5,000,000)	-3.62%	(3,622,364)	14.71%	14,709,207
10%	10,000,000	13.33%	13,331,571	0	1.38%	1,377,636	14.71%	14,709,207
5%	5,000,000	8.33%	8,331,571	0	1.38%	1,377,636	9.71%	9,709,207
0%	0	3.33%	3,331,571	0	1.38%	1,377,636	4.71%	4,709,207
-5%	(5,000,000)	-1.67%	(1,668,429)	0	1.38%	1,377,636	-0.29%	(290,793)
-10%	(10,000,000)	-6.67%	(6,668,429)	0	1.38%	1,377,636	-5.29%	(5,290,793)
-15%	(15,000,000)	-11.67%	(11,668,429)	5,000,000	6.38%	6,377,636	-5.29%	(5,290,793)
-20%	(20,000,000)	-16.67%	(16,668,429)	10,000,000	11.38%	11,377,636	-5.29%	(5,290,793)
-25%	(25,000,000)	-21.67%	(21,668,429)	15,000,000	16.38%	16,377,636	-5.29%	(5,290,793)
-30%	(30,000,000)	-26.67%	(26,668,429)	20,000,000	21.38%	21,377,636	-5.29%	(5,290,793)
-35%	(35,000,000)	-31.67%	(31,668,429)	20,000,000	21.38%	21,377,636	-10.29%	(10,290,793)
-40%	(40,000,000)	-36.67%	(36,668,429)	20,000,000	21.38%	21,377,636	-15.29%	(15,290,793)
-45%	(45,000,000)	-41.67%	(41,668,429)	20,000,000	21.38%	21,377,636	-20.29%	(20,290,793)
-50%	(50,000,000)	-46.67%	(46,668,429)	20,000,000	21.38%	21,377,636	-25.29%	(25,290,793)

1 Total Return Index assumes a constant dividend yield of 3.33% that is independent of the return on the Cash Index

2 Protection Gain/Loss is equal to Hedge Value at Expiration less the premium paid at initiation of hedge.

3 Protection Equity Total Return is equal to the sum of the Total Return Index and the Protection Gain/Loss.

**Comment:** The Protected Equity and Equity Total Return calculations above assume iShares MSCI EAFE Index performance results. Actual performance will be higher or lower depending on actual manager results versus the iShares MSCI EAFE Index over the protection term.