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# The Barclays Trailblazer Sectors 5 Index

## Who is Barclays?

Barclays has over 325 years of history in the financial services industry. They have operations in over 40 countries and employ approximately 130,000 people. More information about the Barclays Trailblazer Sectors 5 Index (The Index) can be found by visiting <http://trailblazer.barclays.com>.

## How is Volatility Managed?

Investment theory states that returns are compensation for risk taken. So, risk-adjusted returns are expected to be similar for different asset classes or sectors over time. Volatility is used as a measure of risk. The Index builds an allocation between U.S. equity assets and fixed income assets (each a “sector”) by:

- 1 Calculating volatilities for each index component, calculating correlations between each pair of sectors
- 2 Combining these into portfolios, eliminating those with volatility greater than 5%
- 3 Of the remaining portfolios, choosing those with the highest expected return
- 4 Rebalancing these new sector allocations, if necessary

## What is the Barclays Trailblazer Sectors 5 Index?

The **Barclays Trailblazer Sectors 5 Index** is available as an index crediting option on select F&G fixed indexed annuity (FIA) products.<sup>1</sup> Based on the principles of the Modern Portfolio Theory, published in 1952 by the Journal of Finance, this index aims to maximize portfolio returns without exceeding a specific level of risk.

### Key components:

- **Potential Performance** – The Index selects the portfolio mix with the highest expected return given a certain level of risk. Review the performance [here](#).
- **Diversification** – The Index portfolio mix is chosen from a universe of exchange traded funds (ETFs) that provide exposure to sectors of the U.S. equity market, the fixed income market and cash (3 month USD LIBOR), with the intention of avoiding the “Putting All Your Eggs In One Basket” scenario.<sup>2</sup>
  - The Barclays Trailblazer Sectors 5 Index provides opportunities for growth based on a diverse set of U.S. asset classes:
    - **11 U.S. EQUITY ASSETS**
    - **3 FIXED INCOME ASSETS**
    - **CASH<sup>3</sup>**
- **Volatility Managed** – The Index aims to select portfolios with volatilities under 5% and adjusts its exposure to the index portfolio daily in an attempt to maintain the 5% target volatility level.
- **Dynamic Rebalancing** – The Index rebalances into a new portfolio only when specific trigger conditions are met, allowing the Index to avoid unnecessary adjustments in less volatile markets while adjusting as often as daily when markets are more volatile.

**No bank guarantee.**

**Not FDIC/NCUA/NCUSIF insured.**

**May lose value if surrendered early.**

<sup>1</sup> It is available for F&G's Accelerator Plus<sup>®</sup>, FG AccumulatorPlus<sup>®</sup>, F&G Flex Accumulator<sup>®</sup>, Performance Pro<sup>®</sup>, and Prosperity Elite<sup>®</sup> fixed indexed annuities in all states where approved except NH.

<sup>2</sup> Please note, the index may at any time be in only one asset class.

<sup>3</sup> Any allocation to cash will earn zero return.

"F&G" is the marketing name for Fidelity & Guaranty Life Insurance Company issuing insurance in the United States outside of New York. Life insurance and annuities issued by Fidelity & Guaranty Life Insurance Company, Des Moines, IA.

Indexed interest crediting options are subject to a cap, fixed declared rate, index gain interest rate and/or a spread. Caps, fixed declared rates, index gain interest rate and spreads are subject to change at the discretion of Fidelity & Guaranty Life Insurance Company.

Guarantees are based on the claims paying ability of the issuing insurer, Fidelity & Guaranty Life Insurance Company, Des Moines, IA.

The Barclays Trailblazer Sectors 5 Index provides opportunities for growth by selecting from a set of exchange traded funds (ETFs) and cash, which consists of 11 U.S. equity ETFs, 3 fixed income asset ETFs and 3 month USD LIBOR. At any one time, depending on market conditions, the index may be more heavily weighted in one asset class than another and may be in only one asset class.

It is important to note the following information with respect to the Barclays Trailblazer Sectors 5 Index:

- The rationale of the index may prove to be unsuccessful. The index uses historical volatility to predict future returns and future volatility. If historical volatility proves to be a poor measure of predicting future returns or future volatility, the index portfolio may perform poorly and may under-perform alternative portfolios selected using a different methodology.
- The index may not achieve its intended objectives of keeping the target volatility level for the index approximately equal to 5%.
- The index has limited actual history and may perform in an unanticipated manner.
- As noted above, the daily level of the index reflects the deduction of a fee of 0.85% per annum and a cost equal to the 3-month USD LIBOR rate, any allocation to cash will earn zero return. Because of these deductions, the

value of the index will be less than the value of a hypothetical, identically constituted portfolio from which no such fees or costs are deducted

- The index may at any time be invested in only one or a small number of index components, which produce lower returns than an investment in a more diversified pool of assets.
- Any exposure to cash in the portfolio will earn no return. In addition, if the volatility control mechanism causes exposure to the index portfolio to be less than 100%, the difference will be uninvested and will earn no return. The performance of the index will be subject to risks associated with investments in ETFs and with investments in the U.S. sectors and fixed income assets that are represented by the components of the index at any given time.
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Volatility control seeks to provide smoother returns and mitigate sharp market fluctuations. While this type of strategy can lessen the impact of market downturns, it can also lessen the impact of market upturns, potentially limiting upside potential.

