

Barclays Focus50 Index™

A volatility-control index based on a combination of low-volatility U.S. stocks and U.S. Treasury indices



The Barclays Focus50 Index seeks growth opportunities while limiting volatility through exposure to a dynamic combination of U.S. stocks and U.S. Treasury Indices. Low-volatility U.S. stocks are used because, historically, they have tended to outperform other, higher volatility stocks, on a risk-adjusted basis. The addition of Treasuries adds a diversification benefit and a potential reduction in risk. To further control risk, the index aims to limit its annual volatility to a 5% target using a process called volatility control.

The case for low-volatility stocks

The common perception is that higher risk results in higher return. While highly volatile stocks may deliver bursts of exceptional performance, low-volatility stocks have historically achieved higher risk-adjusted returns over time. There are several reasons for this, including:

- Investors pushing up prices of riskier stocks, resulting in underpriced lower-risk stocks.
- Leverage strategies available to larger/institutional investors cause smaller investors to seek riskier stocks to compensate for borrowing restrictions.
- Institutional investors' disincentive to take advantage of lower-risk stock pricing differentials (arbitrage) due to competitive pressures to achieve higher returns with riskier stocks.

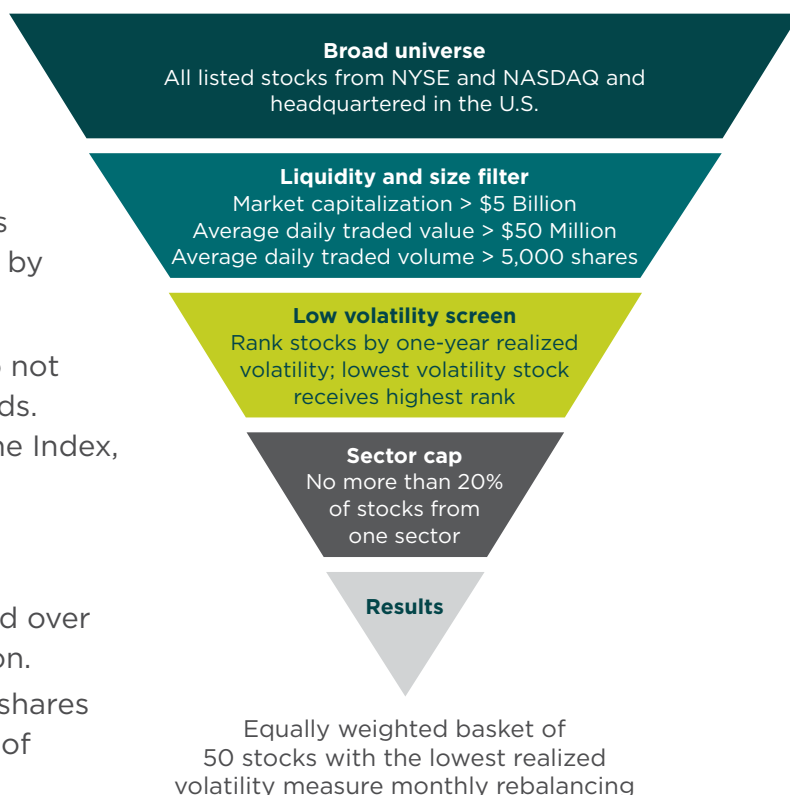
Stock selection

Each month the index follows a systematic process to select up to 50 stocks as its new constituents.

The broad universe consists of all stocks listed on the NYSE and NASDAQ issued by companies headquartered in the U.S.

The index then filters out stocks that do not meet defined size and liquidity thresholds. Specifically, in order to be included in the Index, the stock must meet these parameters:

- Minimum market capitalization of \$5 billion.
- Minimum average daily value traded over the past three months of \$50 million.
- Minimum average daily number of shares traded over the past three months of 5,000 shares.



The remaining eligible stocks are then ranked based on one-year historical volatility, and the process selects the 50 stocks with the lowest volatility, subject to the requirement of including no more than 10 stocks from any single industry sector. This limitation is designed to prevent over-concentration in any given industry sector.

Upon the completion of the next Index rebalancing, the 50 newly selected stocks, weighted equally, will represent the index constituents for the following month. The entire process is repeated each month to construct a dynamic stock portfolio that is reconstituted and rebalanced on a monthly basis.

Varying exposure — stocks and bonds

Exposure to bonds is represented by an equally weighted basket of four indices which track U.S. Treasury 2, 5, 10, and 30-year futures. The allocation between the 50 stocks and bond indices is determined by recent risk and return components of each, as well as their correlation to each other, to formulate a percentage allocation that will provide the greatest return potential for the specified risk level.

The portion allocated to bonds may be further refined to minimize the impact of rising interest rates. If trends indicate rising rates, half of the bond allocation is directed to the two best-performing of the four Treasury indices, while the other half is allocated to cash.

Exposure management for controlled risk

The stock and bond mix described previously represents the **index portfolio**. As an additional level of volatility control, the Barclays Focus50 Index manages the exposure weightings of the index portfolio with the objective of a constant annualized volatility of 5%. If the index portfolio volatility exceeds 5%, the index will allocate less than 100% to the index portfolio, leaving the residual portion in cash. Conversely, if the index portfolio volatility is below 5%, the exposure to the index portfolio may exceed 100%, up to a maximum exposure of 150%. The exposure to the index portfolio within the index may be adjusted as often as daily. The objective of adjusting exposure to the index portfolio is to maintain a steady level of risk as market environments change.

Managing performance expectations

No single index or crediting strategy can consistently achieve above average performance in all market conditions. During periods of market declines, index credits may be zero — but will never result in a loss of credits already added to your contract.

Additional information

For current index allocations and historical performance, visit Indices.Barclays/Focus50, ticker: BXIIF50E. For more information about the offerings from EquiTrust, contact your financial professional, or refer to the product brochure and your contract.



7100 Westown Pkwy Suite 200 • West Des Moines, IA 50266 • EquiTrust.com

Neither Barclays Bank PLC, or Barclays Capital Inc., nor any affiliate (collectively "Barclays") is the issuer or producer of EquiTrust index annuity contracts – ("the products") and Barclays has no responsibilities, obligations or duties to investors in the products. The Barclays Focus50 Index ("the Index") including as applicable any component indices that form part of the Index is a trademark owned by Barclays Bank PLC, or Barclays Capital Inc., and licensed for use by EquiTrust Life Insurance Company ("EquiTrust") as the Issuer of the products. While EquiTrust as the issuer of the products may for itself execute transaction(s) with Barclays in or relating to the Index in connection with the products investors acquire the products from EquiTrust and investors neither acquire any interest in the Index nor enter into any relationship of any kind whatsoever with Barclays upon making an investment in the products. The products are not sponsored, endorsed, sold or promoted by Barclays and Barclays makes no representation regarding the advisability of the products or use of the Index or any data included therein. Barclays shall not be liable in any way to the Issuer, investors or to other third parties in respect of the use or accuracy of the Index or any data included therein.

Bloomberg Index Services Limited is the official index calculation and maintenance agent of the Index, an index owned and administered by Barclays. Bloomberg Index Services Limited does not guarantee the timeliness, accurateness, or completeness of the Index calculations or any data or information relating to the Index. Bloomberg Index Services Limited makes no warranty, express or implied, as to the Index or any data or values relating thereto or results to be obtained therefrom, and expressly disclaims all warranties of merchantability and fitness for a particular purpose with respect thereto. To the maximum extent allowed by law, Bloomberg Index Services Limited, its affiliates, and all of their respective partners, employees, subcontractors, agents, suppliers and vendors (collectively, the "protected parties") shall have no liability or responsibility, contingent or otherwise, for any injury or damages, whether caused by the negligence of a protected party or otherwise, arising in connection with the calculation of the Index or any data or values included therein or in connection therewith and shall not be liable for any lost profits, losses, punitive, incidental or consequential damages.

This material is not intended to provide investment advice to you or to your specific situation. EquiTrust does not offer investment advice to any individual and this material should not be construed as investment advice.