

# INDEX INFORMATION

With the Heritage Growth Advantage products, you have various index crediting options and the Fixed Account to diversify and grow your retirement income. You are not invested directly in any securities or stocks and are therefore protected from market downturns.

## GET TO KNOW THE INDEXES

### **The Morgan Stanley Dynamic US Equities Index - Exclusive**

#### *1-Year and 2-Year Point-to-Point with Participation Rate*

The Morgan Stanley Dynamic US Equities Index (the "Index") provides exposure to US Large Cap equities and targets realized volatility of 15%. The Index also has a variable index deduction factor that will reduce returns on the Index and on instruments linked to the Index, but will also potentially allow such instruments to provide a larger allocation to US Large Cap equities and greater participation to upside performance in a cost controlled manner.

### **The S&P MARC 5% (Multi-Asset Risk Control)**

#### *1-Year and 2-Year Point-to-Point with Participation Rate*

The S&P MARC 5% index seeks to provide multi-asset diversification within a simple risk weighting framework, tracking three underlying component indices that represent: Equities: S&P 500; Commodities: S&P GSCI Gold; Fixed Income: S&P 10-Year U.S. Treasury Note Futures. Index allocation is rebalanced daily based on market conditions.

### **The S&P 500 Dynamic Intraday TCA**

#### *1-Year Cap Rate*

The S&P 500<sup>®</sup> Dynamic Intraday TCA Index aims to provide exposure to the S&P 500 through the use of E-mini S&P 500 futures, while applying an intraday volatility control and trend-following mechanism. The index rebalances up to 13 times daily using a time-weighted average price (TWAP).

### **The SG Entelligent Agile 6% - Exclusive**

#### *1-Year and 2-Year Point-to-Point with Participation Rate*

The SG Entelligent Agile 6% index uses Entelligent's Smart Climate<sup>®</sup> model to predict profitability and share price performance under different climate scenarios. This model is distilled into an "E-Score<sup>®</sup>" for each company in the S&P 500, which allows the Index to rank each by climate risk preparedness. Its decision-making criteria are fully systematic and rules-based.

For more information about each index including values, historical performance and fact sheets please visit their websites:

**Morgan Stanley Dynamic US Equities:** <https://www.morganstanley.com/indices/#/msde>

**S&P MARC 5%:** <https://www.spglobal.com/spdji/en/indices/strategy/sp-marc-5-index/#overview>

**S&P 500 Dynamic Intraday TCA:** <https://www.spglobal.com/spdji/en/indices/multi-asset/sp-500-dynamic-intraday-tca-index-usd-er/#overview>

**SG Entelligent Agile 6% VT Index:** <https://sg-ent-agile.com/>

# CREDITING OPTIONS EXPLAINED

At contract issue you have the option to distribute your funds across a selection of accounts either tied to an index performance or the fixed account. Your advisor will work with you to develop an allocation strategy best suited to your needs. And you will have the opportunity to redistribute your funds during the Reallocation Window around the yearly policy anniversary.

## CREDITING PERIODS

The Fixed Account grows at the guaranteed rate of compound interest, credited daily.

The Indexed Accounts earn interest based on the positive performance of the index over the 1-year or 2-year crediting term using a point-to-point calculated participation rate or a cap rate. Earned interest is credited on the policy anniversary date at the end of the 1-year or 2-year periods.

## POINT-TO-POINT

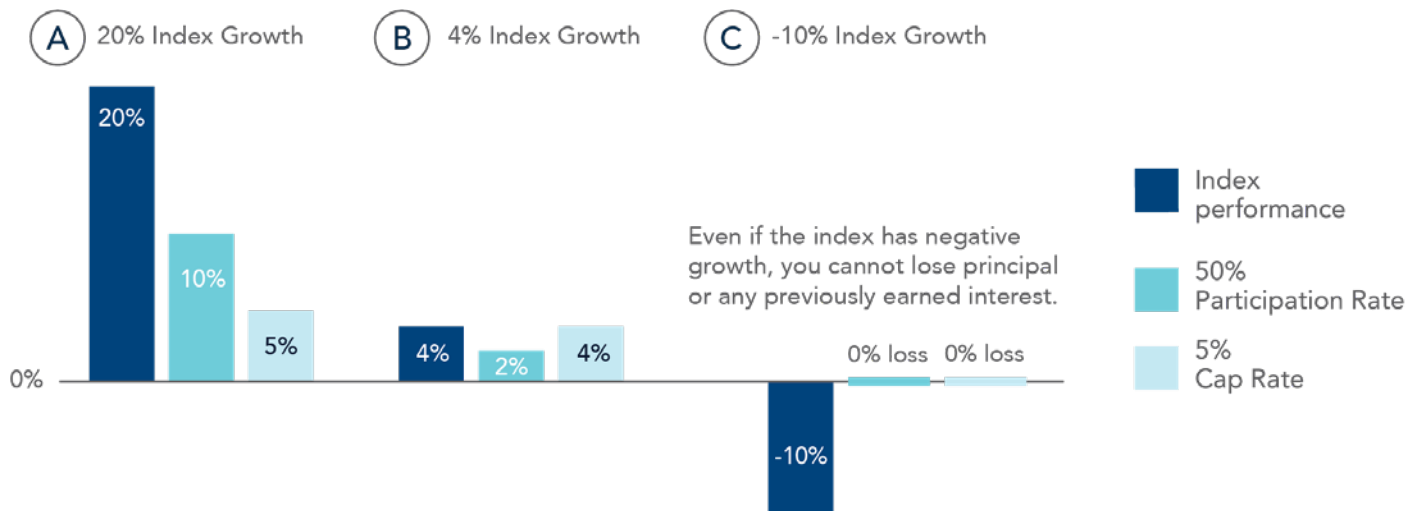
With a Point-to-Point crediting option, the index performance is calculated based on two points – the beginning and ending of the Index Crediting Period. Interest is credited based on the change in the index during that time period using either the Participation Rate or Cap Rate.

## PARTICIPATION RATE

The Participation rate is the percentage of the index's positive performance that is earned.

## CAP RATE

With a Cap Rate, you can earn up to, but not over, that percentage of the index's positive performance.



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In calculating the performance of the Index, SG deducts a maintenance fee of 0.50% per annum on changes in the level of the Index, and fixed transaction and replication costs, each calculated and deducted on a daily basis. Replication costs also are deducted from a constituent of the Index. The transaction and replication costs cover, among other things, rebalancing and replication costs. The total amount of transaction and replication costs is not predictable and will depend on a number of factors, including the leverage of the Index, which may be as high as

175%, the performance of the indices underlying the Index, and the performance of the individual stocks and futures contracts included in such underlying indices, among other factors. These fees and costs, which are increased by the Index's leverage, will reduce the potential positive changes in the Index and increase the potential negative changes in the Index. While the volatility control applied by SG may result in less fluctuation in rates of return as compared to indices without volatility controls, it may also reduce the overall rate of return as compared to products not subject to volatility controls.

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The Index includes a variable index deduction mechanism that scales upward based on positive performance of the Index. Such index deduction is applied when calculating the level of the Index and will thus reduce the return of the Index and any product linked to the Index. The Index applies a bespoke volatility control mechanism to identify changing market conditions using intraday data, and stabilize the overall level of risk of the Index. The volatility control calculation applied by Morgan Stanley as part of the Index's methodology may decrease the Index's performance and thus the return of any product linked to the Index. In addition, because the volatility control calculation is expected to reduce the overall volatility of the Index, it will also reduce the cost of hedging certain products linked to the Index.

Morgan Stanley may transact derivative transactions linked to the Index. Potential purchasers of products linked to this Index should refer to the full offering document for important information concerning such products, including the related risk factors and determine their own appraisal of the risks and suitability of such products.

**NOTE ON SIMULATED RETURNS:** Back-testing and other statistical analyses provided herein use simulated analysis and hypothetical circumstances to estimate how the Index may have performed between April 2, 2007 to May 27, 2022, prior to its actual existence. The results obtained from such "back-testing" should not be considered indicative of the actual results that might be obtained from an investment or a product linked to the Index. The actual performance of the Index may vary significantly from the results obtained from back-testing. Unlike an actual performance record, simulated results are achieved by means of the retroactive application of a back-tested model itself designed with the benefit of hindsight and knowledge of factors that may have possibly affected its performance. Morgan Stanley provides no assurance or guarantee that any product linked to the Index will operate or would

have operated in the past in a manner consistent with these materials. Calculation based on simulated performance is purely hypothetical and may not be an accurate or meaningful comparison. Past performance (actual or simulated) is not necessarily indicative of future results.

Risk Factors:

- The level of the Index can go down. The Index components are exposed to various risks and their market price may be influenced by many unpredictable factors. There are also risks associated with the construction of the variable index deduction factor.
- The Index contains a variable index deduction factor. The Index includes a variable index deduction mechanism that scales upward based on positive recent performance of the Index, up to a maximum of 0.20% per business day. Such index deduction is applied when calculating the level of the Index and will thus reduce the return of the Index. Over the following period April 2, 2007 – May 31, 2022, the average daily variable deduction factor has been 0.025%.
- The Index nor any of the components comprising the Index are guaranteed to yield specific results. There can be no assurance that the Index will be successful.
- There are risks relating to the volatility target mechanism. The Index's volatility target mechanism is applied to target an overall level of realized volatility equal to 15% but the realized volatility may be less than or greater than 15% and the volatility target may adversely affect Index performance. The Index may have greater than 100% exposure (up to 200% to the various Index components at any time as a result of the volatility target mechanism, which may exacerbate losses and subsequent deleveraging may increase the time taken to recover from a drawdown event.
- There are risks associated with leverage. The Index rules contemplate the possibility of leverage within the Index to achieve the 15% volatility target, which is expected to magnify declines.
- The Index has limited history. The Index was established on May 31, 2022 and therefore has a very limited history. Any investment in an instrument linked to the Index may involve greater risk than an investment linked to an index with longer actual historical performance and a proven track record. Any performance prior to the establishment of the Index has been retrospectively simulated by Morgan Stanley & Co. LLC and is subject to significant limitations, Past performance (actual or simulated) is never a guarantee of future performance.
- The Index has embedded costs, including, but not limited to, transaction, futures roll and margin costs. The return of such component and, as a result, the return of the Index will be lower than if there were no associated costs.
- Investing in an instrument linked to the Index is not equivalent to investing in any underlying instrument linked to S&P 500 Index or ETFs. There is no actual portfolio of assets to which any person who purchases a product linked to the Index is entitled or has any ownership interest in. Investors in an instrument linked to the Index will not have rights to the underlying futures contracts.
- Prior to purchasing any products linked to (or based on) the Index, investors and consumers should seek independent financial, tax, accounting and legal advice.
- Index may be impacted by extraordinary or disruption events.



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Indices are not available for direct investment



INVESTORS HERITAGE®

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