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CBOE Publishes First Buy-Write Index, "BXM"

Date 11/04/2002 (11/04/2002)

The Chicago Board Options Exchange (CBOE) today announced that it began disseminating the CBOE BuyWrite Monthly Index, (BXM). The BXM is a benchmark index that measures potential returns of a theoretical portfolio of Standard & Poor's 500 Index stocks that also systematically sells S&P 500 Index call options (SPX) against the portfolio.

A "buy-write," also called a covered call, generally is considered to be an investment strategy in which an investor buys a stock or a basket of stocks, and also sells call options that correspond to the stock or basket of stocks. This strategy can be used to enhance portfolio returns and reduce volatility.

The BXM is a passive total return index based on selling the near-term, at-the-money S&P 500 Index (SPX) call option against the S&P 500 stock index portfolio each month, on the day the current contract expires.

The SPX call that is sold (or written) will have one month remaining to expiration, with an exercise price just above the prevailing index level (i.e., slightly out-of-the-money). The premium collected from the sale of the

call is added to the portfolio's total value. The SPX call is held until its expiration, at which time a new one-month, at-the-money call is written. The expired option, if exercised, is settled in cash.

CBOE developed the BXM in response to customer demand for a quantified performance measure of the buy-write strategy. Historical values for the BXM were calculated by CBOE and are available dating back to June 1988. Comparisons of the BXM to the S&P 500 Total Return Index also are available.

"For more than 25 years, portfolio managers have employed buy-write strategies to provide incremental income to boost risk-adjusted returns and provide a cushion against downside losses," said CBOE Chairman and CEO William J. Brodsky. "BXM is exactly the tool every money manager needs to measure the performance of these portfolios and compare buy-write portfolio performance to other benchmark indexes."

"The CBOE BuyWrite Monthly Index not only provides the first objective benchmark with which to assess managed buy-write fund performance but also serves to illustrate the risk/return management properties of hedged equity strategies in general," said Professor of Finance Robert Whaley. Whaley is professor of finance at the Fuqua School of Business at Duke University, and was instrumental in the development of the BXM. Whaley is also known for his work on the creation of CBOE's volatility indexes, VIX and VXN.

The new index is calculated and disseminated under the symbol "BXM", on a daily basis, using closing prices of the S&P 500 Index and the closing price of the selected SPX call. BXM levels can be accessed through the CBOE website at www.cboe.com/quotes, or anywhere that stock and option quotes are available. For more information about BXM and its use as a portfolio management tool, please visit

<http://www.cboe.com/bxm>.

CBOE, the world's largest options marketplace and the creator of listed options, is regulated by the Securities and Exchange Commission (SEC). For additional information about the CBOE and its products, access the CBOE site on the World Wide Web at <http://www.cboe.com>.



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