B3 LIVE CATTLE FUTURES INDEX (IFBOI B3) METHODOLOGY

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[B]³

SUMMARY

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$[B]^3$

The B3 Live Cattle Futures Index (IFBOI B3) is the result of a theoretical portfolio of futures contracts calculated in accordance with the criteria established in this methodology.

1   PURPOSE

The purpose of the B3 Live Cattle Futures Index is to be an indicator of the total return on a theoretical portfolio comprising the first contract month of the Live Cattle Futures Contracts (BGI) with monthly rollover and the cash invested in assets indexed to the one-day DI rate or overnight Selic rate.

2   INDEX TYPE

The B3 Live Cattle Futures Index is a total return index (BRL).

3   CALCULATION

The index is calculated at end of day (EOD) on the basis of the settlement price for the contracts.

$$\text{Index}_n{}^{[1]} = \text{Index}_{n-1} * \left(1 + \left(\frac{P_n - P_{n-1}}{P_{n-1}} + \left(\left(\frac{DI_{dn-1}}{100} + 1 \right)^{1/252} - 1 \right) \right) \right)$$

where:

Index_n = the index on the day;

Index_{n-1} = the index on the previous day;

P_n = the weighted settlement price for the contracts on the day; [2]

P_{n-1} = the weighted settlement price for the contracts on the previous day;

DI_{dn-1} = the overnight (one-day) DI rate for day "n-1", calculated and published by B3 on the basis of fixed-rate interbank deposits agreed for one day between institutions in different business groups (extra group), expressed to two decimal places as an annual rate for a year of 252 business days. [3]

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Reinvestment of initial cash flow may occur at the one-day DI rate or overnight Selic rate.

[1] If the settlement price of the futures contracts (BGI) is not disclosed, a situation that occurs when there is no trading session, and the DI Over rate is disclosed, the Index will accumulate the DI Over rate of the non-trading period. Thus, the Index will be recalculated, already accumulating the DI Over rate for the non-trading period, only when there is a trading session for futures contracts (BGI), in accordance with the official calendar made available by B3.

[2] More information about calculation of the weighted settlement price is available in B3 Pricing Manual – Futures, at www.b3.com.br/en_us, Market Data and Indices, Data services, Market data, Reports, Derivatives market, Methodology, B3 Pricing Manual. Settlement prices are published at www.b3.com.br/en_us, Market Data and Indices, Data services, Market data, Historical data, Derivatives, Trading session settlements.

[3] If the DI rate is not published or calculated on the day, the rate published previously will be used.

4   GENERAL

Start date: April 24, 2017

Initial value or index basis (number of points): 1,000.000000

Precision of index: truncated to six decimal places.

Valuation: The value of the index is calculated as the variation in the weighted average price for the day adjusted by the variation in the immediately previous weighted average price.

Calendar: The index follows the calendar available at www.b3.com.br/en_us, Solutions, Platforms, PUMA Trading System, Participants and traders, Trading calendar.

5   DEFINITION OF ROLLOVER

The index is based on the first contract month for the Live Cattle Futures Contract and uses the criteria detailed below for rollover between contract months.

During a period of five trading sessions between the ninth and fifth business day before expiration of the current contract, B3 creates a basket in which the price

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of the index is the weighted average between the variation in the price of the current contract and the price of the next contract month.

The new weighting occurs gradually as shown in the following table.

6 ROLLOVER CRITERIA

	9th business day before first expiration	8th business day before first expiration	7th business day before first expiration	6th business day before first expiration	5th business day before first expiration
Weight of first contract month	80%	60%	40%	20%	0%
Weight of second contract month	20%	40%	60%	80%	100%

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