

Table 3-y Examples of Portfolio Insurance, No Rebalancing and Discrete Rebalancing

Insured stock portfolio value at alternative stock index levels,  
using dynamic portfolio insurance with no rebalancing.<sup>a</sup>

Index Level $S$	T-Bill Price $Xe^{-rT}$	Stock Portfolio Weight $w_1$	T-Bill Weight $w_2$	Portfolio Value
59.87	96.08	0.638	0.416	78.18
63.02	96.08	0.638	0.416	80.19
66.34	96.08	0.638	0.416	82.31
69.83	96.08	0.638	0.416	84.53
73.51	96.08	0.638	0.416	86.88
77.38	96.08	0.638	0.416	89.35
81.45	96.08	0.638	0.416	91.95
85.74	96.08	0.638	0.416	94.68
90.25	96.08	0.638	0.416	97.56
95.00	96.08	0.638	0.416	100.59
100.00	96.08	0.638	0.416	103.79
105.00	96.08	0.638	0.416	106.98
110.25	96.08	0.638	0.416	110.33
115.76	96.08	0.638	0.416	113.84
121.55	96.08	0.638	0.416	117.54
127.63	96.08	0.638	0.416	121.42
134.01	96.08	0.638	0.416	125.49
140.71	96.08	0.638	0.416	129.76
147.75	96.08	0.638	0.416	134.25
155.13	96.08	0.638	0.416	138.97
162.89	96.08	0.638	0.416	143.92

Insured stock portfolio value at alternative stock index  
using dynamic portfolio insurance with discrete rebalancing.<sup>a</sup>

Index Level $S$	T-Bill Price $Xe^{-rT}$	Stock Portfolio Weight $w_1$	T-Bill Weight $w_2$	Portfolio Value
59.87	96.08	0.001	0.985	94.65
63.02	96.08	0.002	0.984	94.66
66.34	96.08	0.005	0.982	94.67
69.83	96.08	0.014	0.976	94.72
73.51	96.08	0.034	0.961	94.85
77.38	96.08	0.071	0.933	95.12
81.45	96.08	0.135	0.882	95.67
85.74	96.08	0.229	0.802	96.65
90.25	96.08	0.353	0.691	98.24
95.00	96.08	0.495	0.558	100.59
100.00	96.08	0.638	0.416	103.79
105.00	96.08	0.755	0.288	106.98
110.25	96.08	0.847	0.183	110.94
115.76	96.08	0.911	0.105	115.61
121.55	96.08	0.951	0.055	120.89
127.63	96.08	0.973	0.026	126.67
134.01	96.08	0.984	0.011	132.87
140.71	96.08	0.988	0.004	139.46
147.75	96.08	0.990	0.001	146.42
155.13	96.08	0.991	0.000	153.73
162.89	96.08	0.991	0.000	161.41

\*\* Note: To value the European put, it is assumed: the index pays no dividends;  $r = .08$ ;  $\sigma = .2$ ;  $X = 100$ ; and  $t^* = .5$ . The discrete rebalancing case assumes a trigger value of 5%.