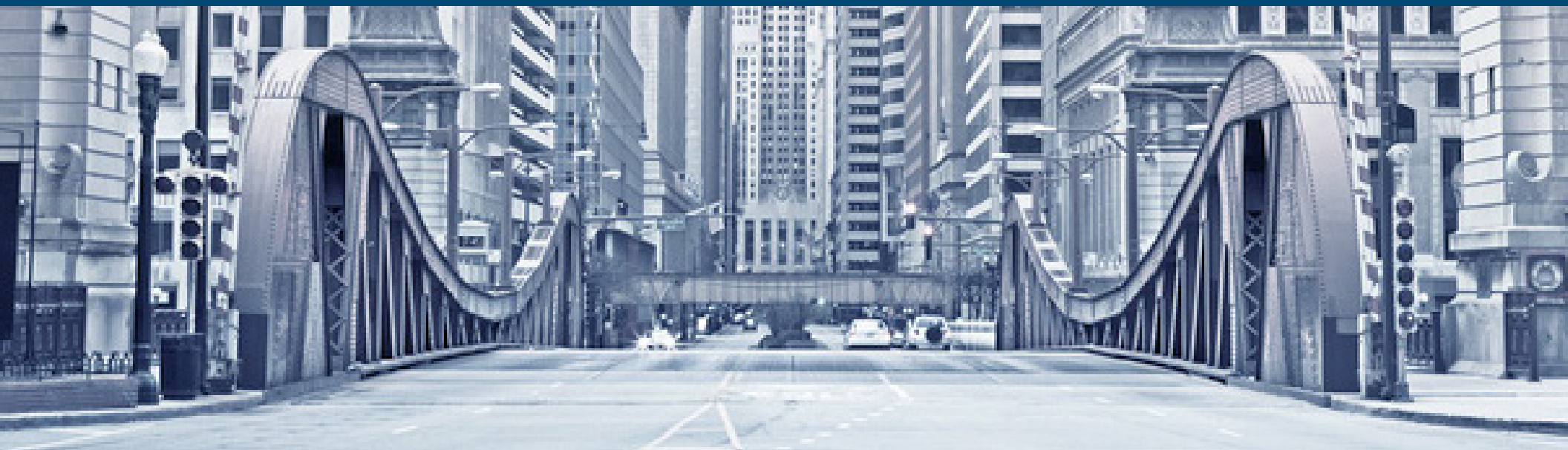




## **Portfolio Hedging Solutions**



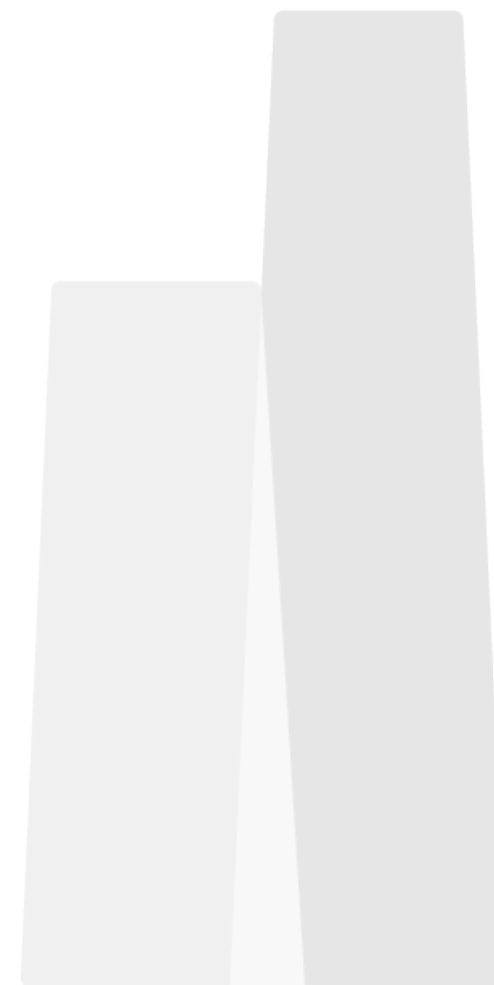
# Our Company

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SpiderRock Advisors is an asset management firm **focused on providing customized option overlay** strategies to investors. Combining world-class technology with comprehensive derivative expertise, we are **making it easy for Institutions and Financial Advisors** to add option strategies to their investment portfolios.

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Year Founded:	2013
Full Time Employees:	31
Portfolio Management Team:	6
Firm AUM:	\$2.7 billion



# Our Company Portfolio Management

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**ERIC METZ, CFA**  
President, Chief Investment Officer

Eric oversees all investment strategies and portfolio management activities at the firm. Prior to joining SRA, Eric was the Derivatives Strategist and Portfolio Manager at RiverNorth Capital Management, managing both mutual fund and hedge fund assets. He began his career with the Chicago Trading Company on the floors of the Chicago Mercantile Exchange (CME) and the Chicago Board Options Exchange (CBOE). After the trading floors, Eric was a senior trader and partner at both Ronin Capital and Bengal Capital, proprietary trading firms specializing in volatility arbitrage.

Eric graduated, Magna Cum Laude, from the University of Michigan with a B.S.E in Industrial and Operations Engineering. He earned his M.S.E., with honors, in Industrial and Operational Engineering, and was enrolled in the program's PhD program. Eric is a CFA Charterholder, a member of the CFA Institute, the CFA Society of Chicago and a board member of the OIC Institutional Advisory Council.

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**FRED SLONEKER**  
Deputy CIO, Chief Quantitative Strategist

Fred joined SpiderRock Advisors in 2019 and now serves as Deputy Chief Investment Officer as well as Chief Quantitative Strategist. Prior to joining SRA, Fred was the Head Quantitative Trader for a series of volatility-focused proprietary trading funds in Chicago. He began his career as a Trader and Portfolio Manager for hedge funds JMG Triton Offshore and Claire Capital Management in San Francisco, specializing in convertible arbitrage strategies. He later created and managed a volatility strategy for Toronto Dominion (TD) Securities.

Fred graduated from the California Institute of Technology (Caltech) with a B.S. in Economics.

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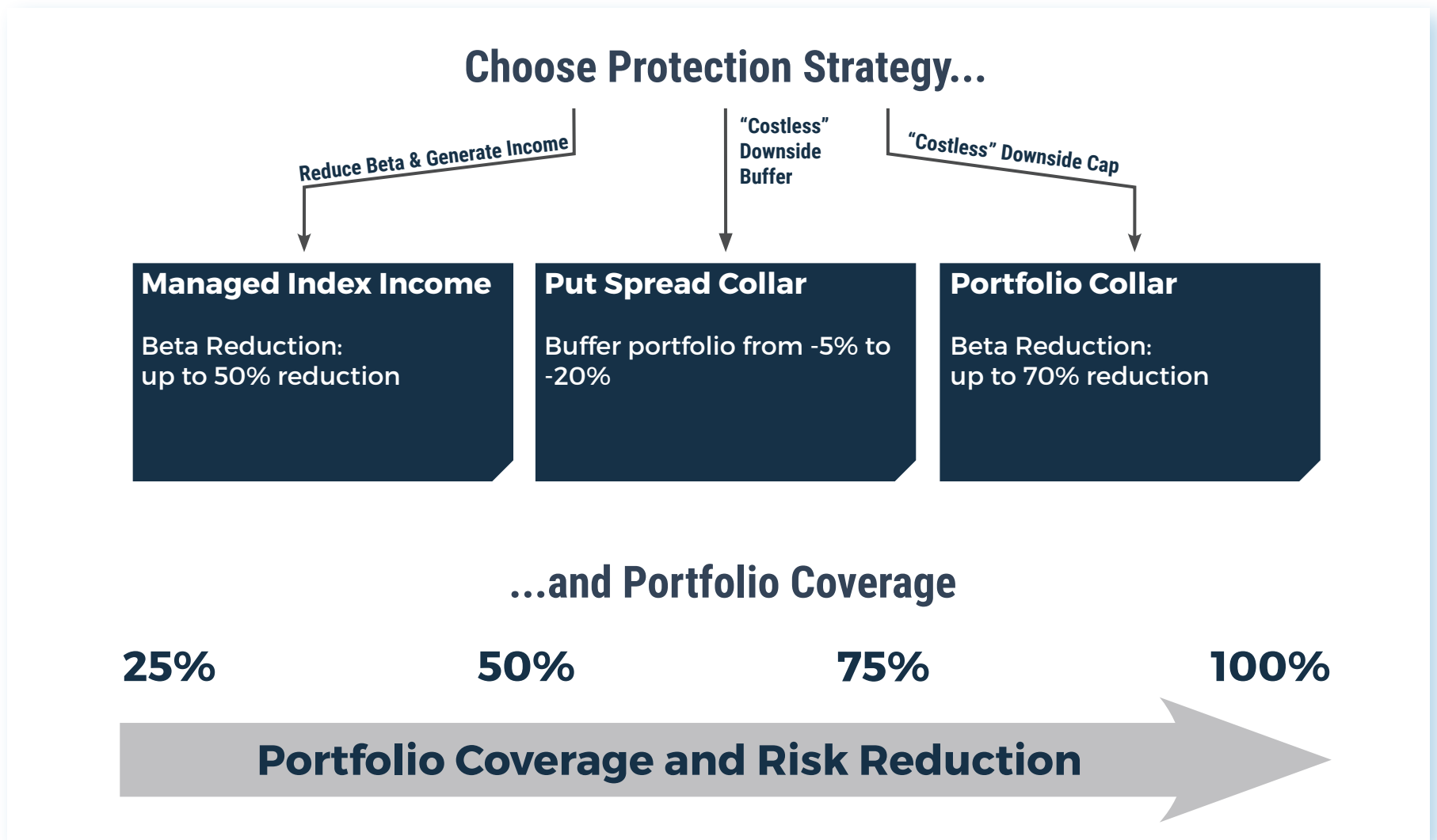
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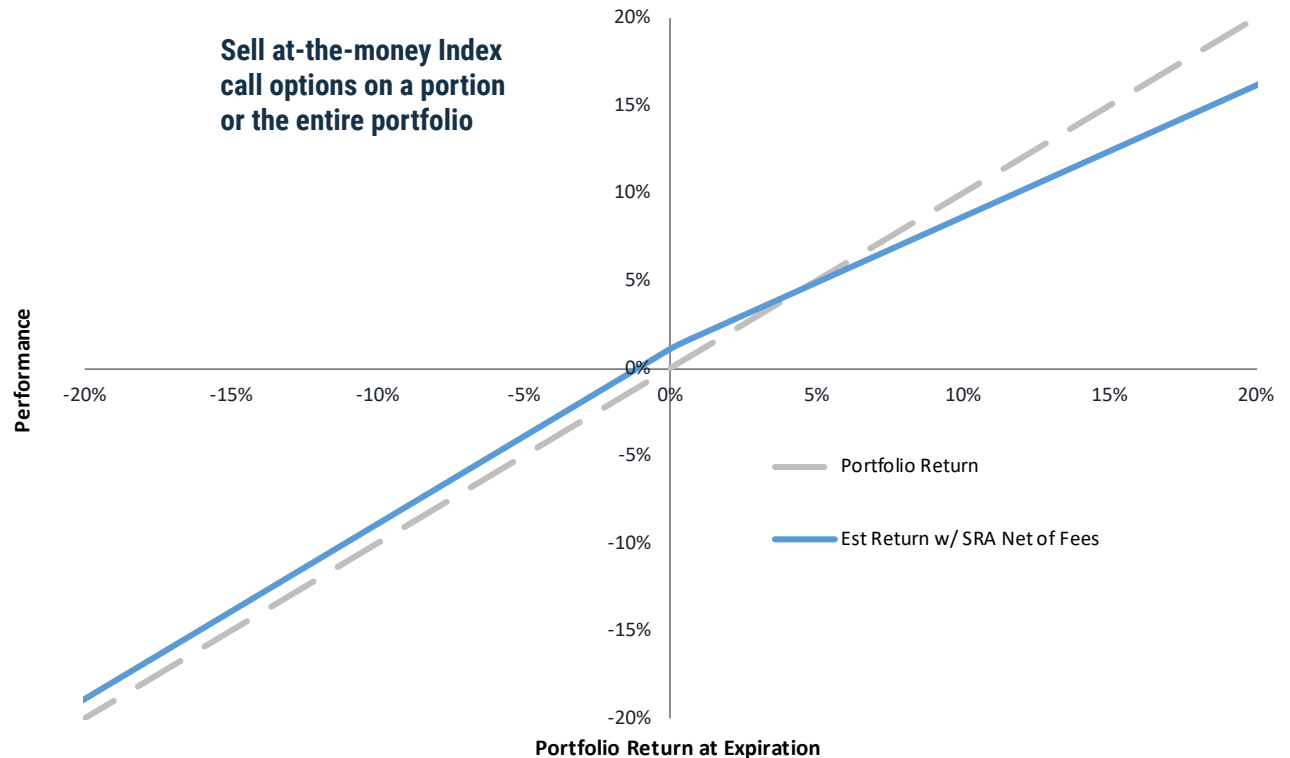


# Portfolio Hedging



# Index Call Write Managed Index Income

- The Index Call Write's level of protection is determined by the amount of premium collected from selling calls.
- The strategy's level of upside participation is limited by the amount of overwrite.
- In a flat market, the strategy's PnL will be positive.
- Portfolio dividends are preserved.



Up to ~2-8% annually (call premium generated\*).

## Risk Reduction:



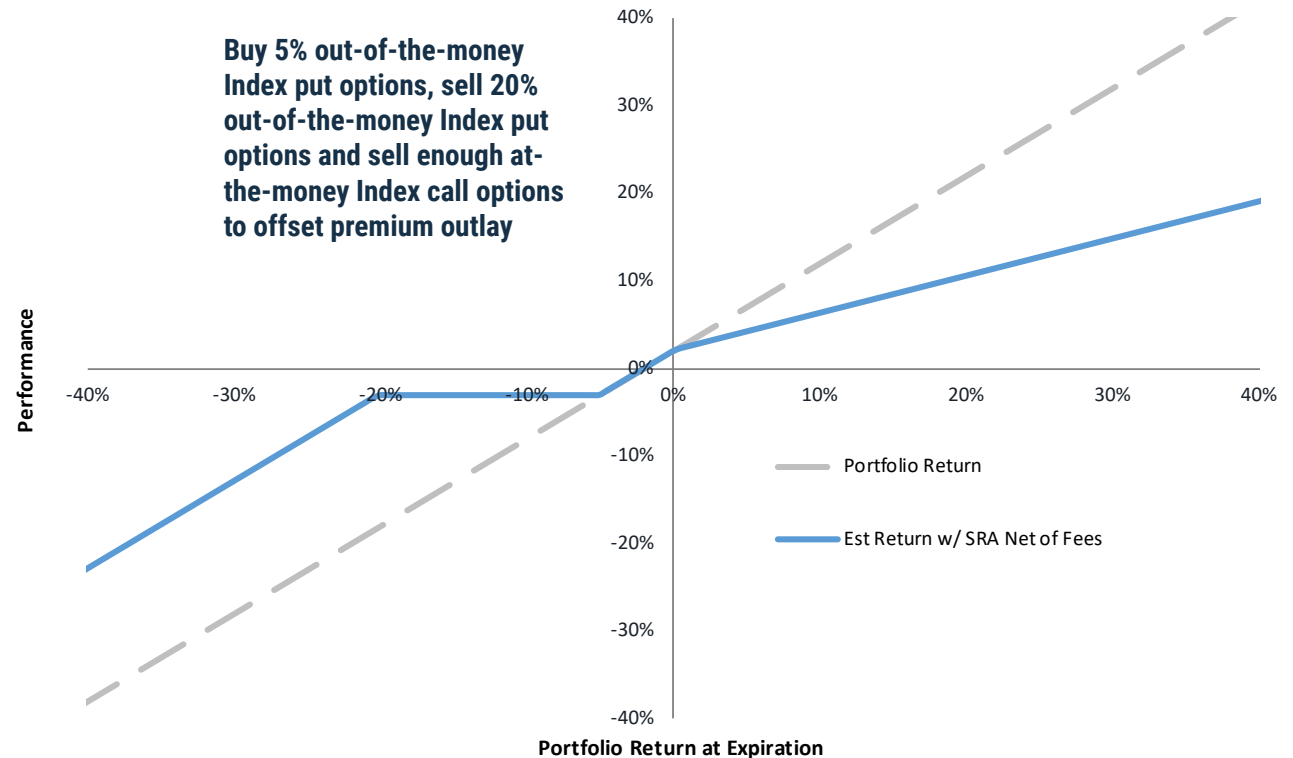
\* 25% overwrite in illustration to reduce equity beta by 12.5%. Premiums will vary with market conditions.

The report contains hypothetical performance information and the examples are for illustration purposes only. This represents call premium only. Please see the disclaimers at the back of this report for important discussion of the limitations of hypothetical performance information.



# Put Spread Collar Hedged Equity Portfolio

- The Index Put Spread will provide protection between -5% and -20% while allowing for partial upside participation.
- The strategy's level of upside participation is slightly mitigated.
- In a flat market, the strategy's PnL will be slightly positive.
- Portfolio dividends are preserved.



Full equity protection between approx. -5% to -20%.

## Risk Reduction:

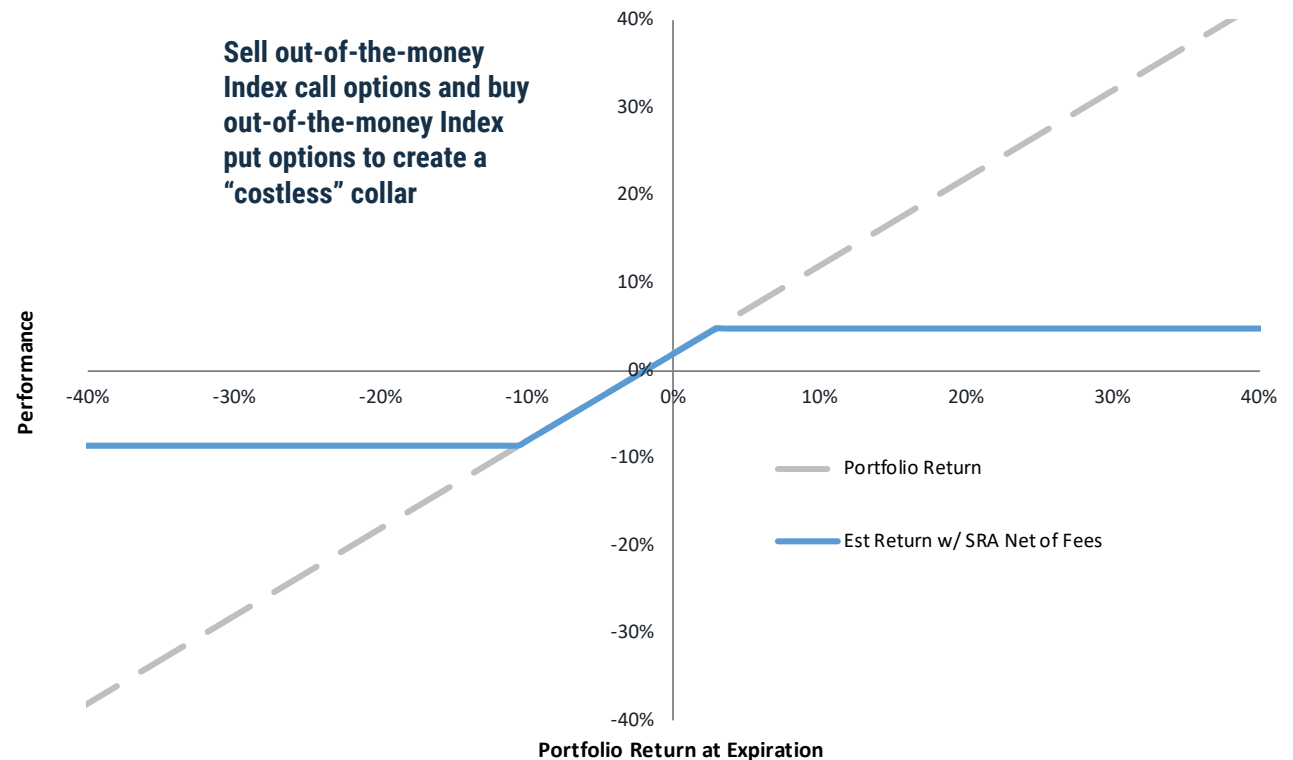


The above example illustrates a 100% allocation.  
 The report contains hypothetical performance information and the examples are for illustration purposes only.  
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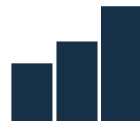
# Index Collar Hedged Equity Portfolio

- The Index Collar protects the underlying portfolio from large downside moves, while preserving a portion of the upside.
- In a flat market, the strategy's PnL will be zero or slightly positive.
- Portfolio dividends are preserved.



Full downside equity protection beginning at -10%.

## Risk Reduction:



The above example illustrates a 100% allocation to reduce beta by up to 70%.  
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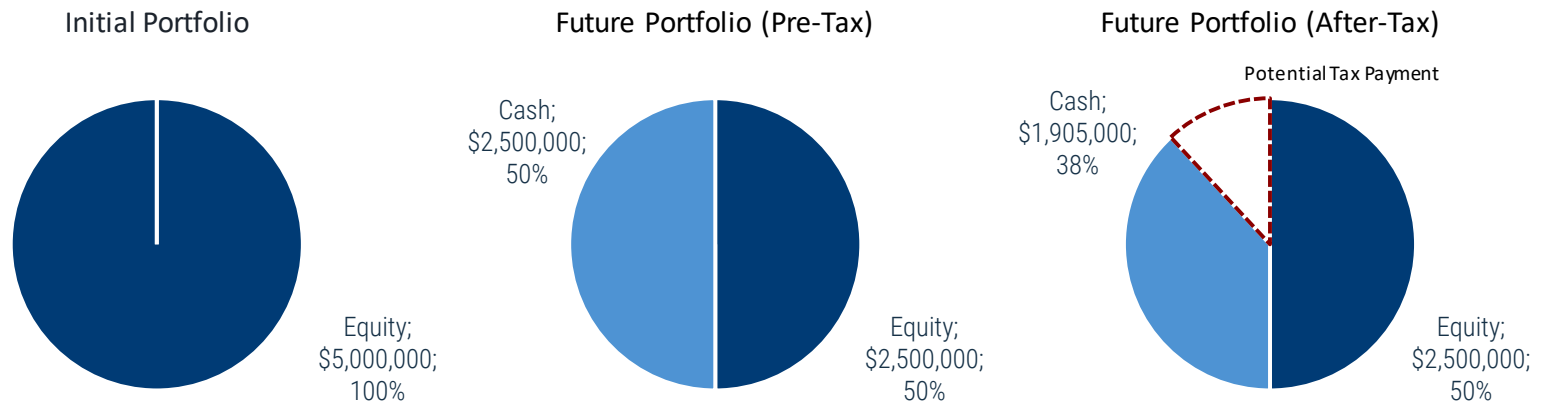
# Synthetic Tax Savings

## Conventional Rebalance

The term conventional rebalance refers to the traditional liquidation of shares to achieve a specified decrease in equity risk. In the example below, an advisor wants to reduce portfolio equity risk by 50%.

### Hypothetical Rebalance

#### Sell \$2,500,000 of Equity Exposure (-50%)

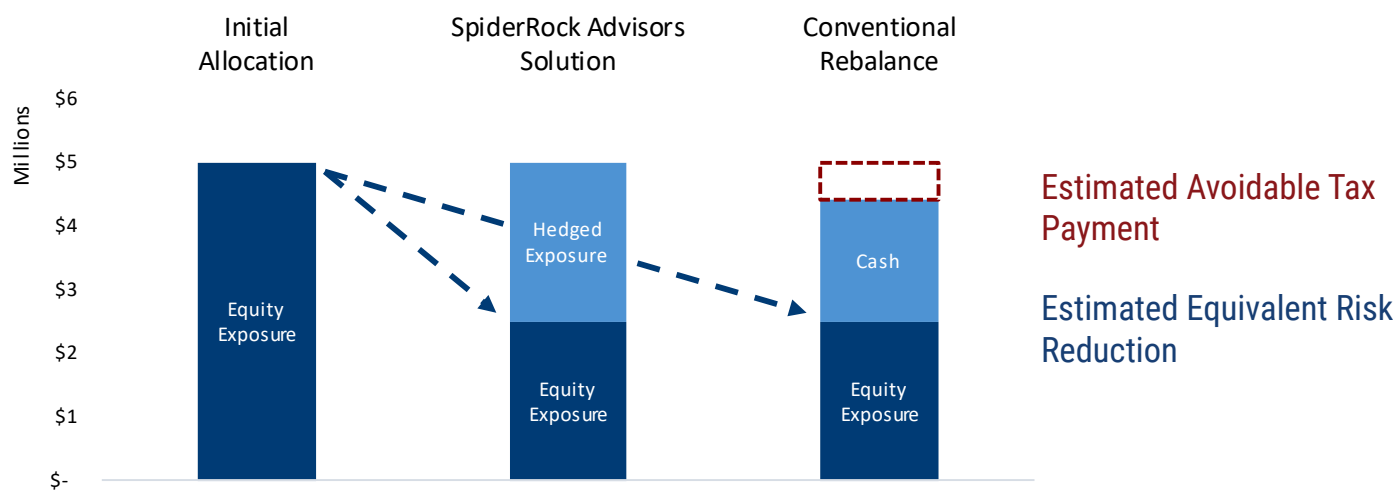


Assumes cost basis of zero, average cost & long-term capital gains tax rate of 23.8%. The model utilized estimates impact of initial realized gains only (does not account for future dividends or cashflows). Please note that individual tax consequences may vary.



# Synthetic Tax Savings Tax Liability Impact

The following compares the current allocation, SpiderRock Advisors' solution and a conventional rebalance. Both risk reduction solutions achieve similar results, however conventional rebalances may trigger capital gains tax. As illustrated below, synthetic tax savings may materially impact a portfolio.



Initial Equity Value	Estimated Tax Liability	Post-Rebalance Net Value	Required Return to Breakeven
\$5,000,000	-\$595,000	\$4,405,000	13.5%

Assumes cost basis of zero, average cost & long-term capital gains tax rate of 23.8%. The model utilized estimates impact of initial realized gains only (does not account for future dividends or cashflows). Please note that individual tax consequences may vary.



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# Disclosures

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Margin Accounts; Rights Connect with Margined Securities. Margin transactions involve the possibility of greater loss than transactions for which you are not borrowing money. If the value of the securities and other assets in your account falls, you may be required to deposit additional assets to secure your loan. Alternatively, a custodian may sell your securities and other assets to pay down or pay off the loan without prior notice to you and at a loss or at lower prices than under other circumstances. You remain solely liable for any deficiencies arising from such sales.

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