

WHY OPTION OVERLAYS?

Risk management
Contrarian benefit
Complementary to existing portfolios

WHY SPIDERROCK?

Disciplined philosophy
Proven methodology
Advanced technology

PROBLEM

With equity markets near their all-time highs, and interest rates near all-time lows, many clients who are allocated to cash struggle with the choice of doing nothing or potentially doing something detrimental to their portfolios.

SOLUTION

Sell index options against portfolio cash, which can generate current income if stocks continue to rise, and trigger an obligation to buy stocks only if they decline by a pre-determined amount.

3 APPROACHES

- » **Sweep:** automatically sell cash secured puts as cash is added to the portfolio via dividends, monthly contributions, etc.
- » **Static:** sell cash secured puts at a specified point in the future
- » **Ladder:** diversify across months and moneyness to potentially smooth return streams

STRATEGY DIFFERENTIATORS

- » Augment & optimize risk-adjusted yields
- » Varying maturities and strikes
- » Liquid strategy traded directly in your clients' accounts
- » Non-disruptive to the underlying portfolio

WHAT TYPE OF YIELD CAN AN INVESTOR EXPECT*

Implied Volatility	3 Month	6 Month	9 Month	12 Month
15	0.28%	0.92%	1.59%	2.21%
20	0.78%	1.94%	2.99%	3.93%
25	1.44%	3.11%	4.54%	5.97%
30	2.21%	4.38%	6.16%	7.71%
35	3.05%	5.70%	7.83%	9.67%

- 10% OTM Puts
- Non-annualized

*Black-Scholes option pricing model – assumes 0% interest rates

THE PROCESS

1	DEFINE	Advisors select strategy, holdings, and respective percentage of their clients' portfolio to overlay.
2	ANALYZE	SpiderRock systematically attempts to identify the cheapest and most expensive options, suggesting put options where premium relationships are most attractive, per client mandate.
3	IMPLEMENT	Put options are written against the portfolio's notional exposure in a broad-based index.
4	REBALANCE	The options are actively renewed and managed opportunistically.

OVERLAY
WITH DISCIPLINE
DIVERSIFY
YOUR INCOME
TARGET
EQUITY EXPOSURE

We automate and scale option-based investment strategies for institutions and advisors

ABOUT US

SpiderRock Advisors is an asset management firm focused on providing customized option overlay strategies to advisors and institutions. 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.

WHAT WE DO

MANAGED OPTION OVERLAYS

- » Opportunistic Yield Enhancement
- » Hedged Equity Portfolio
- » Hedged Equity Concentrated Stock
- » Managed Index Income
- » Cash Secured Put
- » Strategic Rebalance
- » Negative Duration Equity

SUB-ADVISORY & RISK MANAGEMENT

- » Customized Option Strategies
- » Model Implementation
- » Strategy Automation
- » Product Development

PERFORMANCE REPORTING*

- » Quarterly, YTD, and Since Inception
- » Per strategy, client, and advisor



*Performance report is for illustrative use only. The portfolios and returns of each client and advisor will be different.

RISK DISCLOSURES

- The SpiderRock Advisors Cash Secured Put strategy does not protect from downside risk.
- Past performance is not a guarantee of future results.
- Options may expire worthless or not perform as expected, resulting in losses.
- Implied Volatility Risks: When a listed put option is sold, the investor gains the amount of the premium it receives, but also incurs a corresponding liability representing the value of the option sold (until the option is exercised and finishes in the money or expires worthless). The value of the options is partly based on the volatility used by market participants to price such options (i.e., implied volatility). Accordingly, increases in the implied volatility of such options will cause the value of such options to increase (even if the prices of SPY underlying the options do not change), which will result in a corresponding increase in liability under such options and thus decrease returns. Therefore, the investor is exposed to implied volatility risk before the options expire or are exercised. This is the risk that the value of the implied volatility of the options sold will increase due to general market and economic conditions, perceptions regarding the industries in which the issuers of the stocks comprising SPY participate, or factors relating to specific companies comprising SPY.
- There can be no assurance that current investments will be realized as projected. Actual realized returns will depend on, among other factors, future operating results, the value of assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the information contained herein is based. It should not be assumed that any investments described herein will be profitable.
- Options involve risk and are not suitable for all investors. Refer to Characteristics & Risks of Standardized Options: <http://www.optionsclearing.com/about/publications/character-risks.jsp>

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