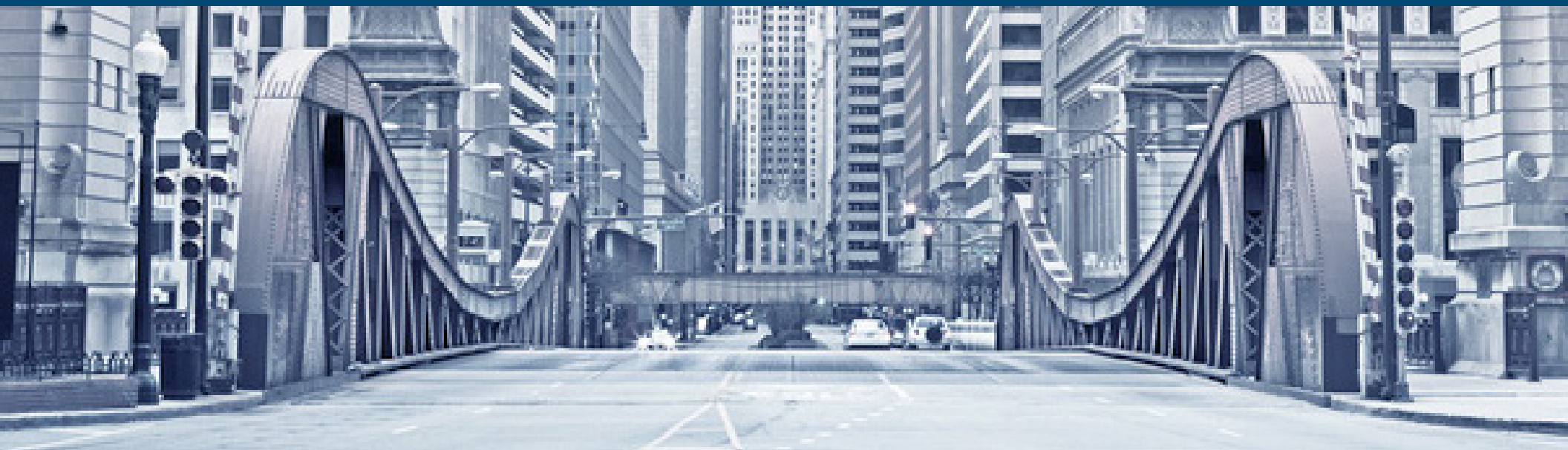




## **Exchange Fund Replication**



# Table of Contents

---

Our Company.....	3
Exchange Fund Replication.....	5
Contact Us.....	11
Disclosures.....	12



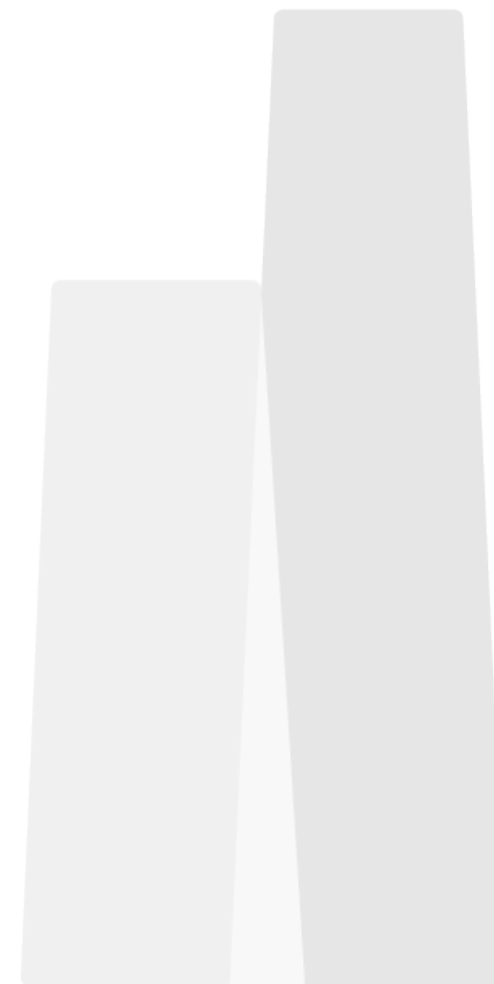
# Our Company

---

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.

---

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



# Our Company Portfolio Management

---



**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.

---



**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.

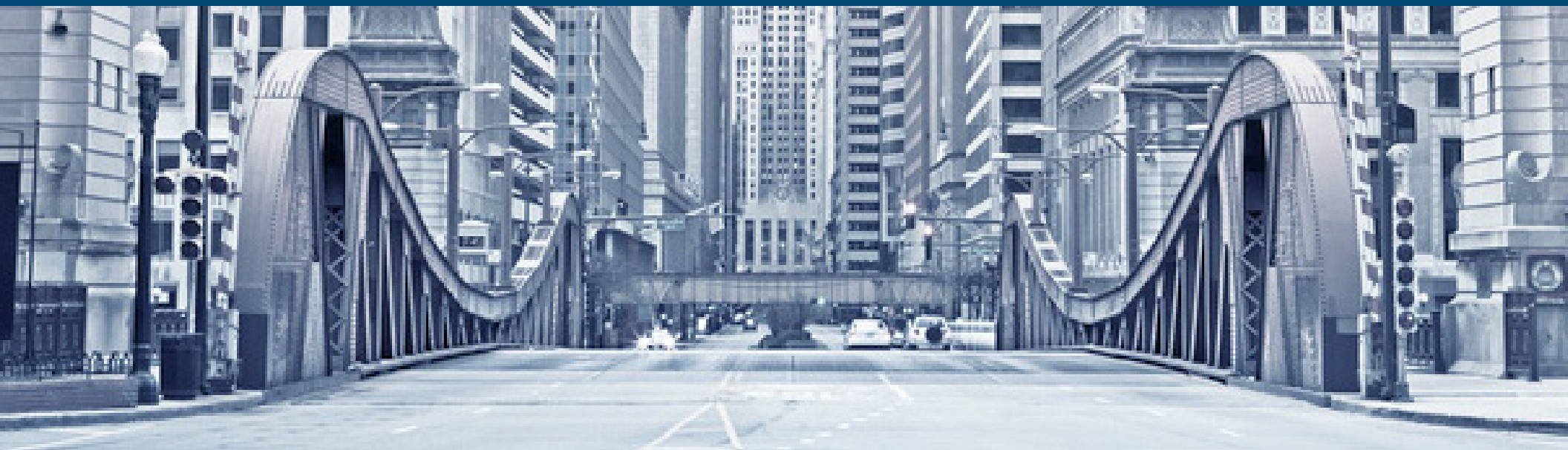
Fred graduated from the California Institute of Technology (Caltech) with a B.S. in Economics.

---





## **Exchange Fund Replication (EFR)**



# Exchange Fund Replication

---

## The Problem

Client has a concentrated stock position and is reticent to sell **but** would be open to exchanging single stock risk for market risk. The client has not opted into an Exchange Fund yet due to:

1. Lack of liquidity (e.g. 7-year lockups)
2. The challenges of a Limited Partnership, especially K-1s and administrative fees
3. Limited transparency into holdings or some funds being “maxed out” with a certain ticker or exposure
4. Receiving low basis positions at the end of the lockup period which they may not wish to hold



# Exchange Fund Replication

---

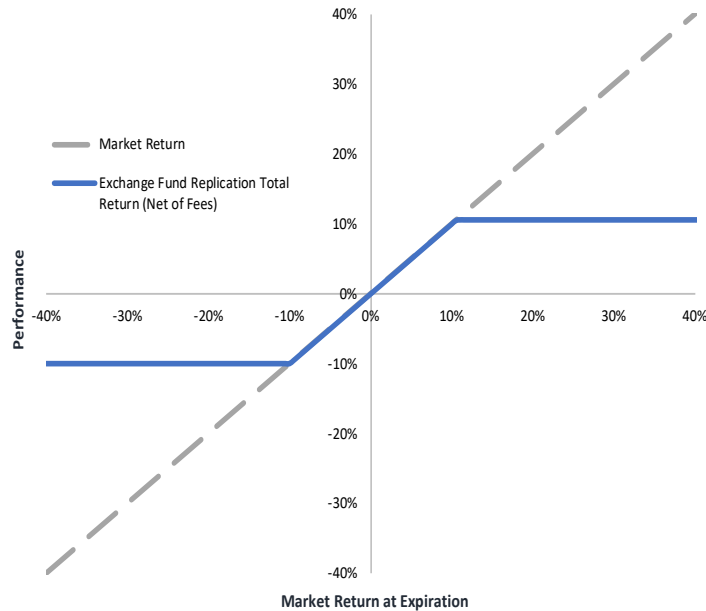
## The Solution

Using SpiderRock Advisors' Exchange Fund Replication, clients may exchange their concentrated idiosyncratic risk for broad-based market risk with the following advantages over traditional Exchange Funds:

1. Daily liquidity
2. Structure is used in an SMA format
3. Full transparency into strategy holdings
4. Allows for strategic liquidation over time

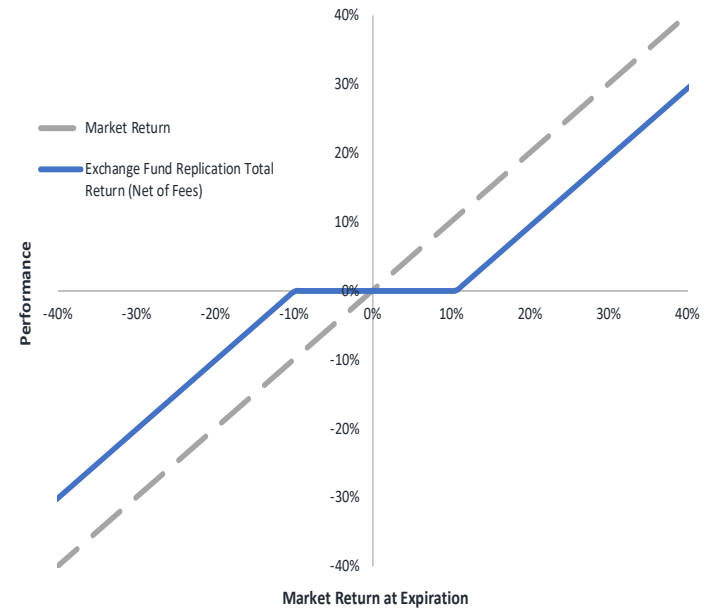


# Exchange Fund Replication



## How to reduce concentrated risk

- 1) Sell call options on concentrated position
- 2) Purchase put options on concentrated position
- 3) Result = position is collared, premium neutral



## How to transition to market risk

- 1) Sell put options on the S&P 500
- 2) Use put premium to purchase call options on the S&P 500
- 3) Result = concentrated equity exposure is transitioned to market equity exposure, premium neutral

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





# Exchange Fund Replication

## PROCESS

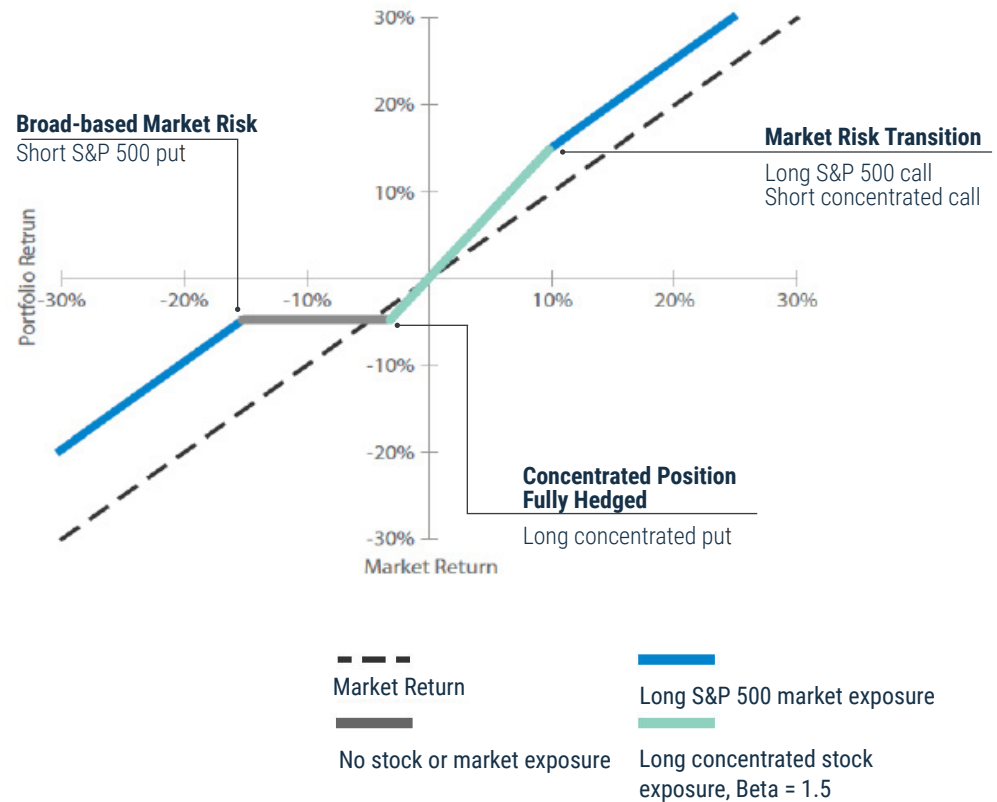
### 1. How to reduce concentrated risk?

- » Sell call option on concentrated position
- » Purchase put option on concentrated position
- » Result = position is collared, premium neutral

### 2. How to transition to market risk?

- » Sell put option on the S&P 500
- » Use put premium to purchase call option on the S&P 500
- » Result = concentrated equity exposure is transitioned to market equity exposure, premium neutral

## EXCHANGE FUND REPLICATION PORTFOLIO\*



\*Illustrative Use Only. Assumes no Basis Risk.

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



# Exchange Fund Replication

---

## Summary

Utilizing SpiderRock Advisors, you can help clients with the following:

1. Seek to hedge away idiosyncratic risk
2. Gain broad-based market risk exposure
3. Strategically liquidate the position over time
4. Obtain full strategy transparency with daily liquidity



# Contact Us

---

Eric Metz, CFA  
**Chief Investment Officer**

EMetz@SpiderRockAdvisors.com  
312.847.0230

Dave Donnelly  
**Managing Director**

DDonnelly@SpiderRockAdvisors.com  
312.847.0220

Maisie Hughes  
**Head of Family Office Services**

MHughes@SpiderRockAdvisors.com  
917.478.2881

Adam Butterfield, CAIA  
**Regional Consultant - West**

AButterfield@SpiderRockAdvisors.com  
312.847.0222

Andrew McCall, CFA, CMT  
**Regional Consultant - East**

AMcCall@SpiderRockAdvisors.com  
312.761.5181

Jake Schmelter  
**Senior Analyst - Central (North)**

JSchmelter@SpiderRockAdvisors.com  
312.761.1470

Luke Ford  
**Regional Consultant - Central (South)**

LFord@SpiderRockAdvisors.com  
847.275.7801

## Headquarters - Chicago, IL

300 South Wacker Drive, Suite 2840

Chicago, IL 60606

(312) 847-0300



# Disclosures

---

The information contained herein is proprietary and confidential to SpiderRock Advisors, LLC ("SpiderRock") and is intended only for the use of the individual or entity to whom SpiderRock directs it.

Actual strategy returns from live portfolios may differ materially from hypothetical returns. There is no substitute for actual returns from a live portfolio. HYPOTHETICAL PERFORMANCE IS NOT A GUARANTEE OF FUTURE RETURNS. In fact, hypothetical performance results have many inherent limitations and no representation is being made that any trade will or is likely to achieve profits or losses similar to those shown or that a market for securities will exist as shown. There are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trade or trading program.

All brokerage commissions, custodial fees and any other transaction fees related to the purchase or sale of securities are for the account of the underlying client. Past performance is not a guide of future results and the value of investments and the income derived from them can go down as well as up. This information is provided for your information only and does not imply that your actual portfolio will achieve returns similar to those shown on prior slides. Your actual portfolio and performance may look significantly different based on your specific asset allocation, strategy selection, client guidelines, objectives and restrictions. A different time period might display a different set of results. Future pricing may differ, and such options may cease to be offered.

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.

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed. While an adviser seeks to design a portfolio which reflects appropriate risk and return features, portfolio characteristics may deviate from those of the benchmark.

No representation regarding the suitability of these instruments and strategies for a particular investor is made.

It is possible that the markets or pricing will be better or worse than shown in the projections; that the actual results of an investor who invests in the manner these projections suggest will be better or worse than the projections; and that an investor may lose money by investing in the manner the projections suggest. Simulated returns may be dependent on the market and economic conditions that existed during the period. Future market or economic conditions can adversely affect the returns.

SpiderRock does not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal, and accounting advisors before engaging in any transaction. It is also the responsibility of the client and/or individual to ensure that the necessary account documents have been completed with the appropriate custodian prior to enabling SpiderRock to enter trades on the client's or individual's behalf. Preparation of such documentation may lead to significant delays from the time in which this analysis has been prepared and when trades may be entered and SpiderRock will not be liable for any lost profits and/or opportunities caused by this delay.

Options involve risk and are not suitable for all investors. Please refer to Characteristics and Risks of Standardized Options (<http://www.optionsclearing.com/about/publications/character-risks.jsp>), and the SpiderRock Advisors ADV, which includes specific Risk Statements and Disclosures, Privacy Policy, and Terms & Conditions, copies of which can also be obtained by contacting our Client Support Department at [support@spiderrockadvisors.com](mailto:support@spiderrockadvisors.com).

Market Conditions may include but are not limited to volatility, stock price, interest rates and premiums, government action and regulation, and other "Acts of God" such as natural disturbances, public health crises and the threat of war or terrorism.

© 2022 SpiderRock Advisors, LLC. All rights reserved.

