

WHY OPTION OVERLAYS?

- Risk management
- Contrarian benefit
- Complementary to existing portfolios

WHY SPIDERROCK?

- Disciplined philosophy
- Proven methodology
- Advanced technology

PROBLEM

Clients have concentrated positions with low cost bases which they are hesitant to sell due to significant tax consequences and/or emotional considerations, but would prefer to deploy capital into a broad-based equity index if given the choice.

SOLUTION

Using SRA's Exchange Fund Replication program, you can "exchange" much of the idiosyncratic risk inherent in holding concentrated positions for broad-based equity index exposure, while avoiding the tax consequences associated with selling a low cost basis position.

HIGHLIGHTS

- » Protect concentrated stock in a tax-efficient manner
- » No lock-up periods or counterparty risk associated with traditional exchange funds
- » Full transparency of account holdings
- » Optional no call away provision
- » Liquid strategy traded directly in client accounts
- » Allows for the strategic liquidation of a concentrated equity position over time

PROCESS

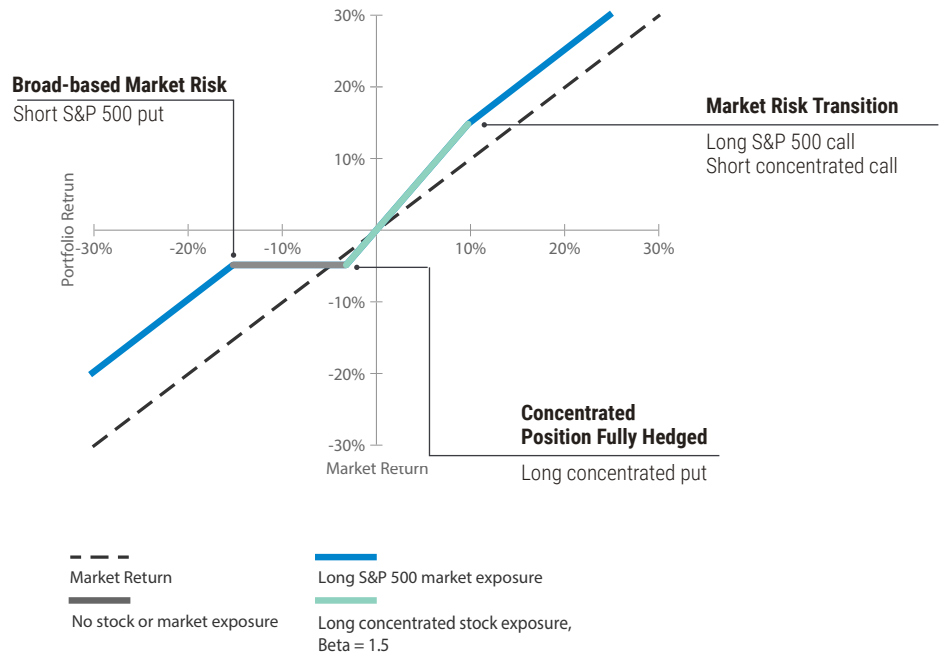
1. How to reduce concentrated risk?

- » 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.

WHY HEDGE YOUR CONCENTRATION?

- Broad-based index
- Concentrated stock

The goal is to eliminate the downside.

The goal is to maintain the upside.



The volatility of an investor's portfolio from a concentrated single stock position is **much higher** than that of a broadly diversified portfolio.

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

THE PROCESS

DEFINE

Advisors select strategy, holdings, and respective percentage of the account holdings to hedge.

ANALYZE

SpiderRock systematically identifies the cheapest and most expensive options per security.

IMPLEMENT

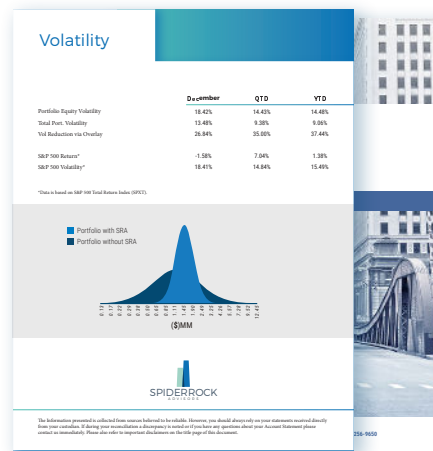
Call options are written against and put positions are purchased against the underlying concentrated positions.

REBALANCE

The options are actively renewed and managed opportunistically to the underlying positions.

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.

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 / Concentrated Stock
- » Managed Index Income
- » Cash Secured Put
- » Negative Duration Equity
- » Exchange Fund Replication
- » Structured Downside Protection

RISK DISCLOSURES

- The SpiderRock Advisors Exchange Fund Replication options overlay strategy does not protect from downside risk.
- 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.
- Investors must be willing to forgo potential upside appreciation above the premium value in exchange for the incremental income.
- Past performance is not a guarantee of future results.
- 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.
- Options may expire worthless or not perform as expected, resulting in losses.
- 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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