

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 reticent to sell due to significant tax consequences.

SOLUTION

Using SRA's Hedged Equity – Concentrated Stock program, you can reduce the risk inherent in concentrated positions, while generating income and avoiding tax consequences.

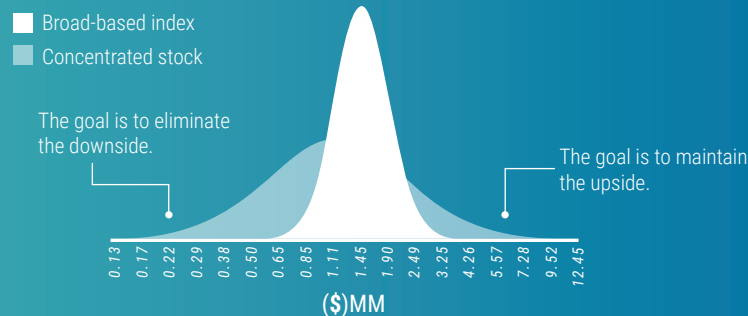
HIGHLIGHTS

- » Protect concentrated stock in a tax efficient manner
- » May increase total return and reduce portfolio volatility
- » Single stock & index options
- » Liquid strategy traded directly in your client accounts
- » Non disruptive to the underlying portfolio
- » Optional **no call away** provision

3 APPROACHES

- » Covered Call – systematically write calls against concentrated positions to generate call premium and reduce downside risk
- » Protective Put – use portfolio cash to cap the downside in a concentrated position
- » Collar – use premium generated from covered calls to purchase protective puts, capping the upside and downside of your individual stock

WHY HEDGE YOUR CONCENTRATION?



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

WHY CONCENTRATED STOCK HEDGE?

- Reduce exposure
- Reduce volatility
- Mitigate idiosyncratic risk without triggering tax consequences
- Use to position tactically for a defined time period
- Defer tax ramifications on low-basis stock

THE PROCESS

- 1** **DEFINE**
Advisors select strategy, holdings, and respective percentage of the account holdings to hedge.
- 2** **ANALYZE**
SpiderRock systematically identifies the cheapest and most expensive options per security.
- 3** **IMPLEMENT**
Call options are written against and put positions are purchased against the underlying concentrated positions.
- 4** **REBALANCE**
The options are actively renewed and managed opportunistically to the underlying positions.

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

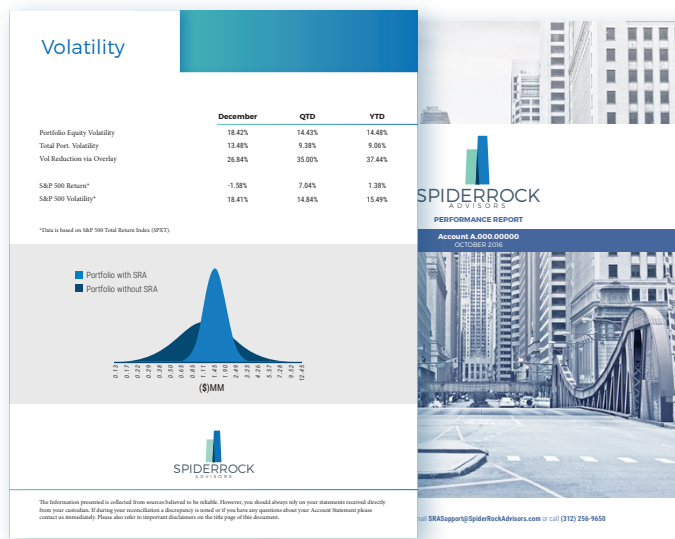
- » Customized Option Strategies
- » Model Implementation
- » Strategy Automation
- » Product Development

RISK DISCLOSURES

- The SpiderRock Advisors Hedged Equity Concentrated Stock options overlay strategy does not protect from downside risk. The downside risk protection benefit of a call writing strategy is limited to the amount of the premium received.
- Portfolio holdings may need to be sold to generate cash to settle options. Such sales may produce tax consequences.
- 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.
- 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>

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.

CONTACT

Dave Donnelly

**DIRECTOR OF CLIENT
PORTFOLIO MANAGEMENT**

ddonnelly@spiderrockadvisors.com

Direct: 646.510.3376

Support Desk

support@spiderrockadvisors.com

312.256.9650