



SPIDERROCK
ADVISORS

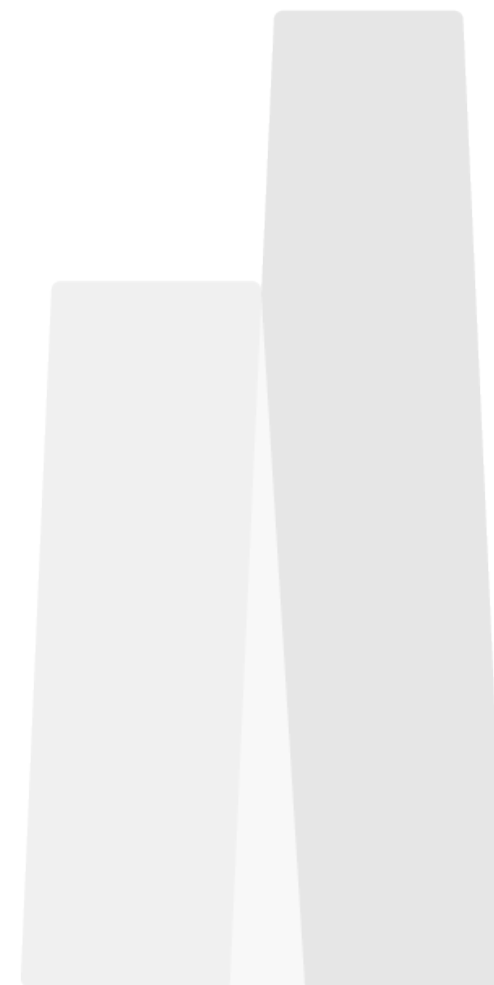
Tax-Efficient Rebalance



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.

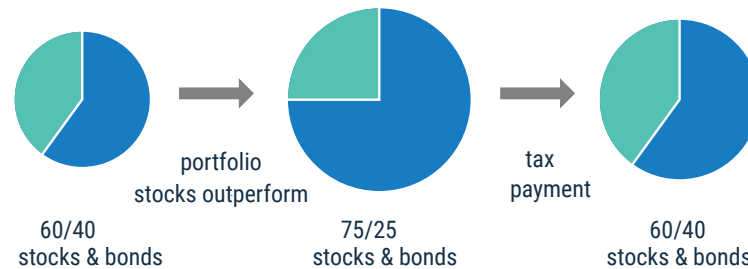


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Common Scenario



A COMMON CLIENT SCENARIO

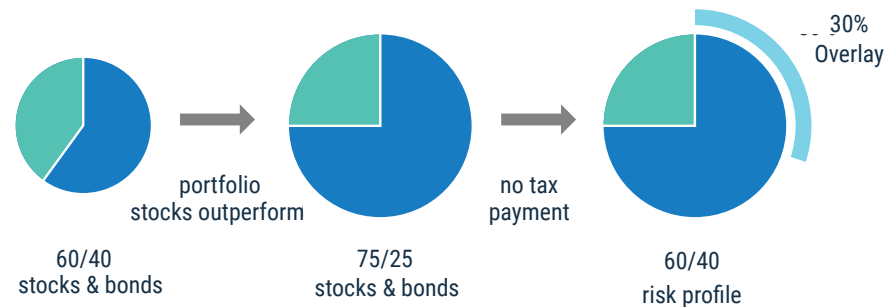
It is likely that over the past few years clients have made so much money in their 60/40 portfolio that it may now resemble a 75/25 model.

THE PROBLEM

The risk tolerances of a 60/40 client and a 75/25 client are very different, but clients are often reticent to rebalance due to the tax consequences.

THE SOLUTION

SpiderRock Advisors suggests and offers a Tax-Efficient Rebalancing program, providing the market exposure or beta reduction the client wants, without the need to sell equities or trigger capital gains.



How Does it work?

Rebalance Process

- 1) Regress equity beta for all holdings in the portfolio
- 2) Calculate the difference between current and target exposures
- 3) Sell call options (or purchase puts) on the S&P 500 (SPX or SPY) in the appropriate amount to bring current exposures back in-line with client's risk tolerance questionnaire
- 4) Manage the option component in the existing account, monitoring positions in real time and making adjustments as markets move



Example

REBALANCE PROCESS

- 1) Sell calls, receive premium
- 2) Buffer downside exposure
- 3) Reduce upside exposure
- 4) Beta reduced, no taxes triggered

SUMMARY

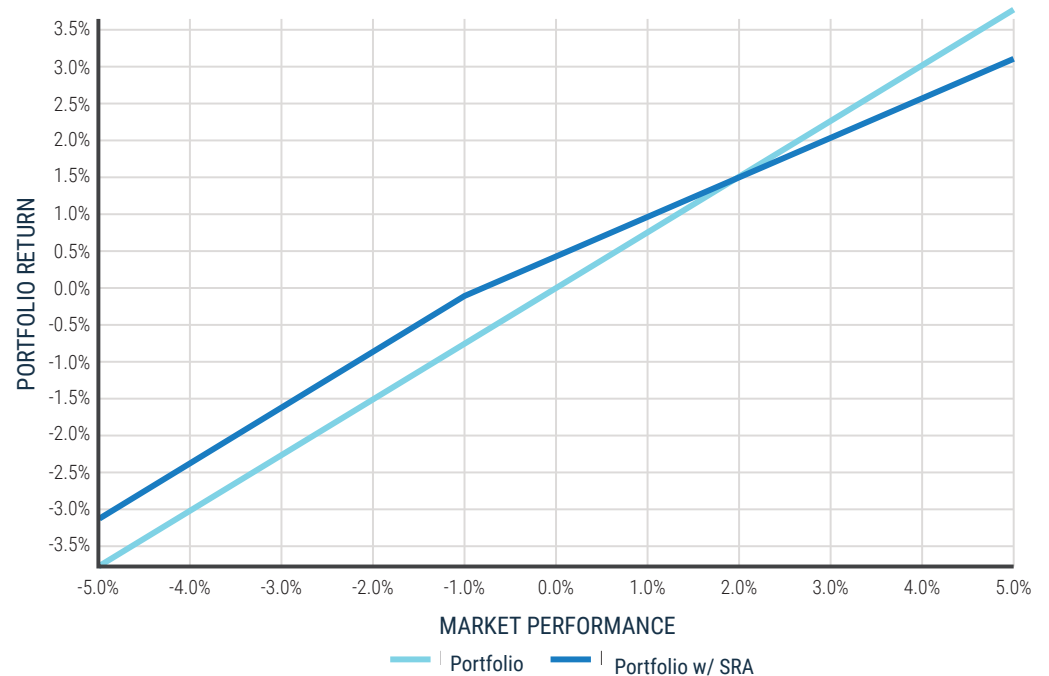
Portfolio prior to rebalance

- Beta Market Exposure = \$751k Beta
- Portfolio Beta = 0.75

Portfolio after rebalancing

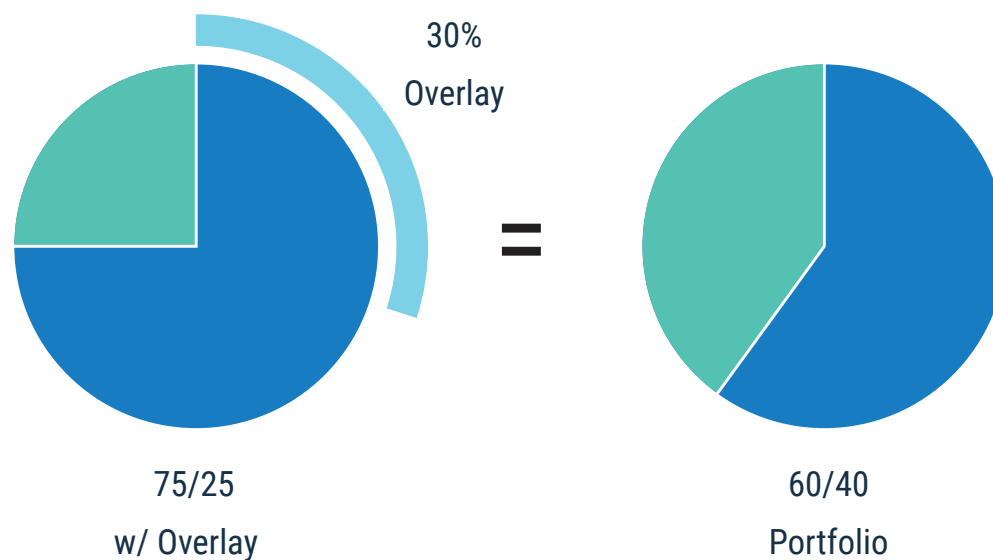
- Target Beta (Per Advisor) Market Exposure = \$600k
- Portfolio Beta = 0.60
- 1.9% in annualized call premium has been generated

	AUM	Market Exposure	Beta Market Exposure	Cash	Portfolio Beta	Option Yield	Option Premium
Portfolio	\$999,814	\$999,814	\$751,331	\$0	0.75	0.00%	\$0
Portfolio w/ SRA	\$999,814	\$842,108	\$593,625	\$0	0.60	1.93%	\$4,261



Summary

We achieve a portfolio with a similar market exposure without altering the portfolio's holdings or triggering capital gains



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