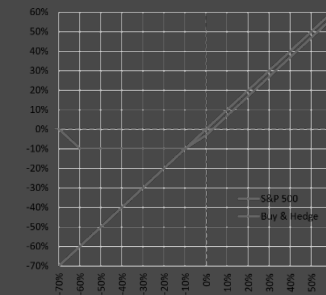


# Since 2011, ZEGA's foundational strategy: Buy & Hedge

December 2023



# Disclosure

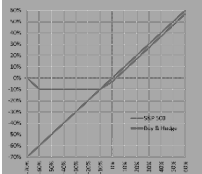
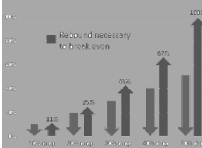
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**Except where specifically identified otherwise, all performance data in this presentation is the performance of the Separate Account Strategy.**



# About ZEGA Financial LLC

- ❑ SEC Registered Investment Advisor founded in 2011
- ❑ ~\$2.6 billion in assets under management (AUM) as of July 31, 2023
- ❑ Conservative market positioning that encompasses hedged equity, alternative income, alpha generation and more
- ❑ Claims compliance with the Global Investment Performance Standards (GIPS)
- ❑ Authors of the best-seller on hedged equity: *"Buy and Hedge: The 5 Iron Rules for Investing over the Long Term"*
- ❑ Established as a source for option insights on numerous financial media

*"ZEGA partners with advisors to deliver options-based solutions that clearly define and align potential returns with an individual client's risk profile."*

*We combine over 150 years of trading experience with our passion to develop forward-thinking strategies that distinguish both our firm...and yours.*

*Never forgetting our adherence to the strictest of ethical codes."*

Jay Pestrichelli, Founder & CEO

**Bloomberg**

**yahoo!**  
finance

**FOX**  
BUSINESS

THE WALL STREET JOURNAL.

**Nasdaq**

**TheStreet.**

# Meet the ZEGA team



**Jay Pestrichelli**  
CEO,  
Founder

26 years  
investment  
experience



**Mick Brokaw**  
Managing  
Director of  
Trading

28 years  
investment  
experience



**Micheal McGrath**  
Chief  
Operations  
Officer

25 years  
financial  
experience



**Jillian Baker**  
Director of  
Operations

19 years  
financial  
experience



**Jim Granger**  
Chief  
Compliance  
Officer

32 years  
investment  
experience



**Mike Puck**  
Director of  
Business  
Development

16 years  
investment  
experience



**Brett Johnson**  
Director of  
Trading

27 years  
investment  
experience



**Soupy Chum**  
Operations  
Manager

16 years  
financial  
experience



**Quinn Berry**  
ETF Trading  
Manager

16 years  
financial  
experience



**Therese Brader**  
Client  
Services  
Manager

13 years  
client service  
experience



**Derek Moore**  
Investment  
Committee,  
IAR of ZEGA

30 years  
investment  
experience



**Lynn Pestrichelli**  
Marketing  
Manager

30 years  
marketing  
experience



*"Nothing differentiates a business more than  
the people who contribute to its success."*

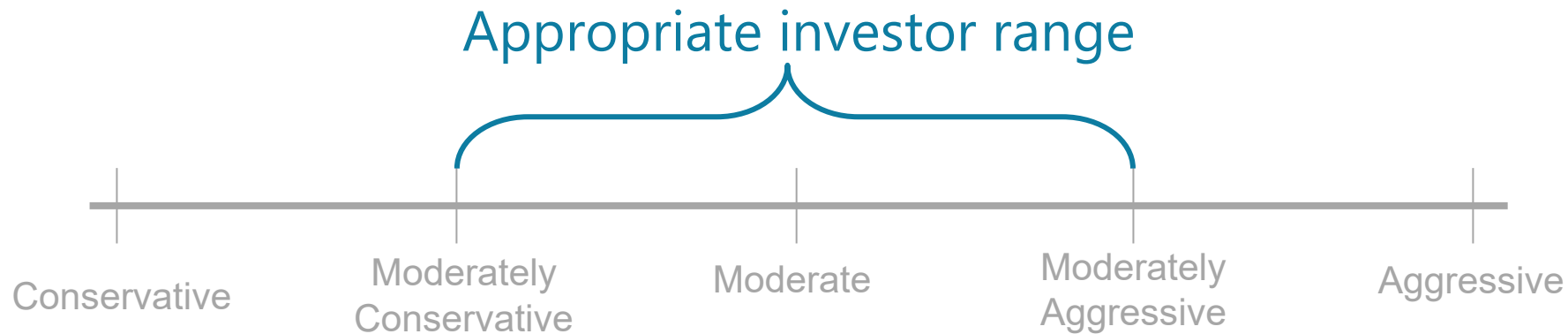
Jay Pestrichelli

# ZEGA's Buy & Hedge Strategy

- ❑ B&H *buys* stock market exposure to capture 65% to 80% of upside
- ❑ B&H *hedges* to protect clients in severely down markets
- ❑ Portfolio pairs options and yield-focused positions in a strategy built to capture growth while protecting against declines
- ❑ Separate Managed Account structure provides liquidity, transparency, and attention to individual client needs

*In any 12-month period,  
B&H intends to protect  
against equity losses in  
excess of*

**8<sup>to</sup>10%**

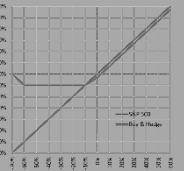
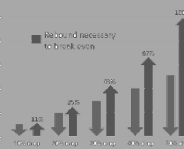
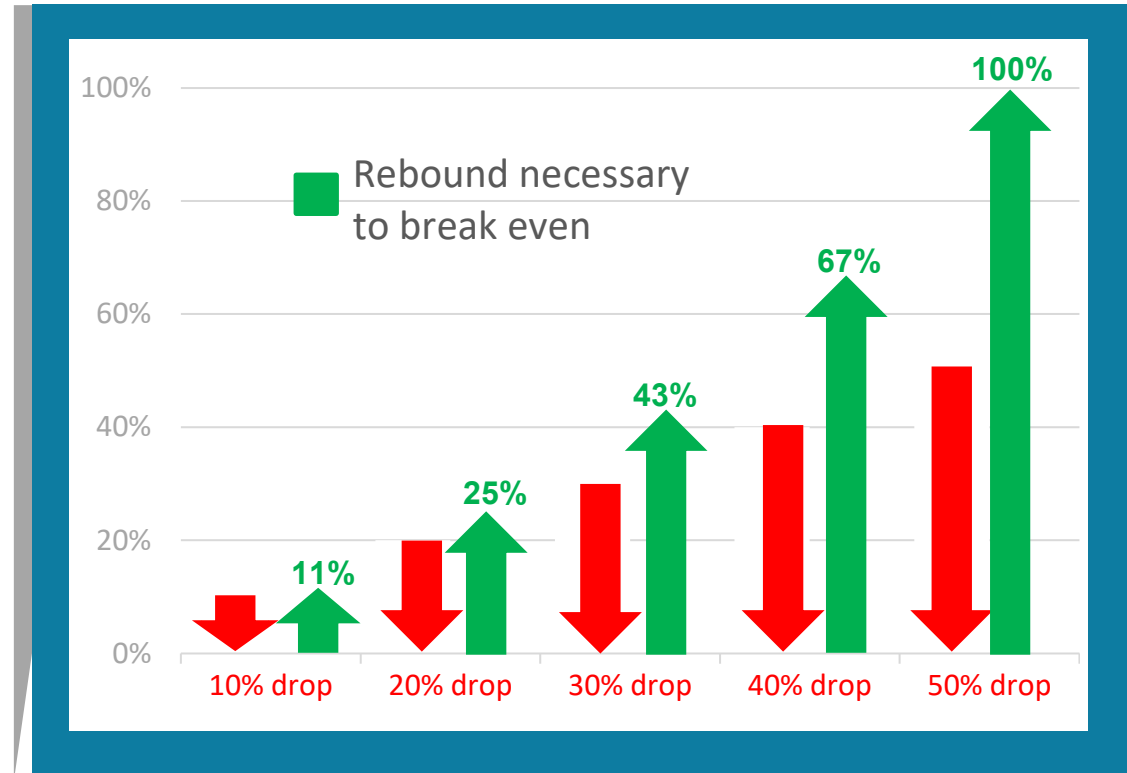


# Why hedge?

- ❑ The S&P 500 suffered an annual decline of >10% five times in the last 22 years
- ❑ Size matters as overcoming larger declines requires an ever greater magnitude of rebound in the market just to break even

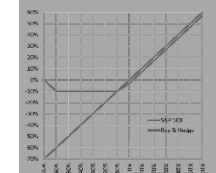
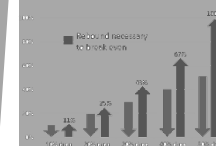
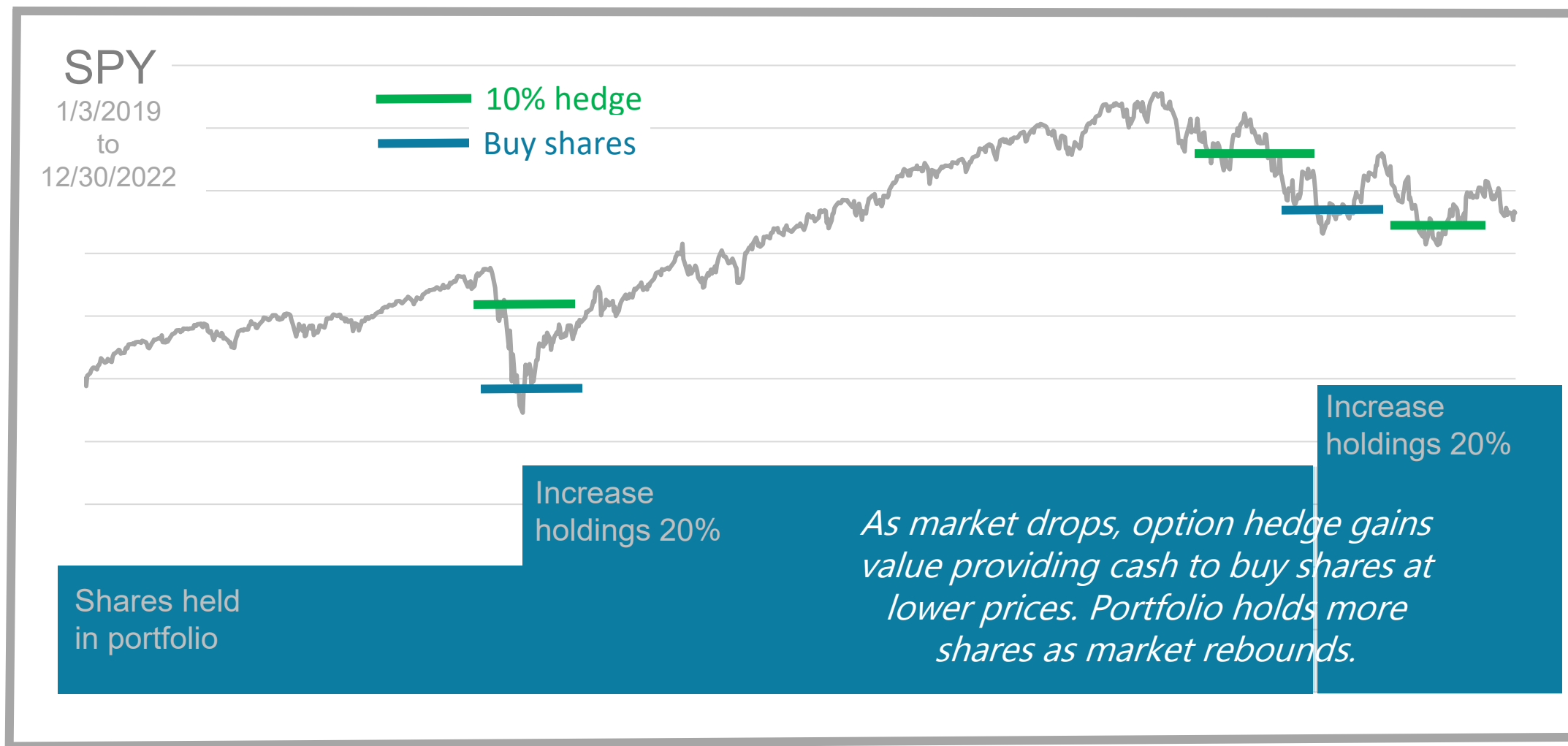
—— 40% drop needs 67% gain ——

- ❑ Avoiding principal losses allows reinvestment at lower market levels potentially increasing investment capital over the long haul
- ❑ Reducing volatility reduces client anxiety allowing for consistent, longer-term investment horizons



# Theoretical math of hedging

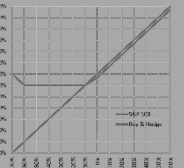
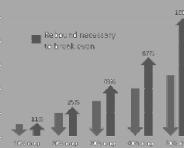
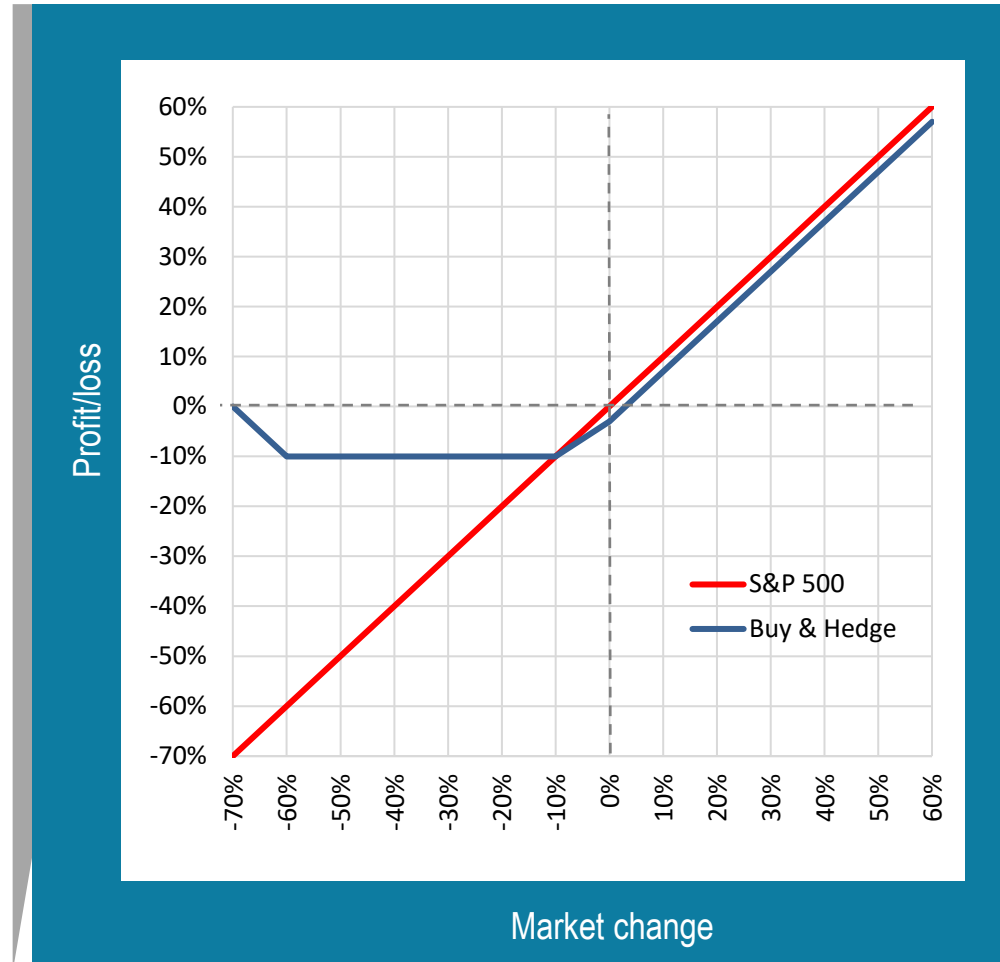
And the two ways to make money: growth in value, reduction in losses





# Buy & Hedge in Classic & Retirement versions

- ❑ B&H equity exposure consists of equity index or option positions depending on which market conditions provide the best advantage for the client
- ❑ Interest rate markets determine which income vehicles B&H holds to offset the cost of certain option positions





# The risks of investing in Buy & Hedge

...and the general downsides of hedging

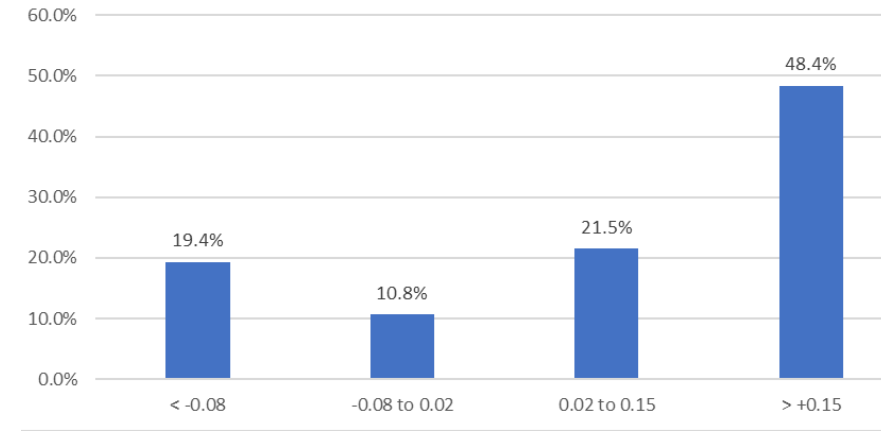
- ❑ B&H does not protect against market losses of less than 8%
- ❑ B&H rarely participates in the full growth of the S&P 500
- ❑ Higher volatility can increase the cost of long options thereby affecting performance
- ❑ Utilizing options to create equity exposure limits direct participation in stock dividends
- ❑ Cost of hedging causes a drag on equity index returns of 2% to 4% annually
- ❑ Yield-based positions expose the portfolio to fixed income risk

*Fast-moving market declines represent the most significant risk in the strategy*

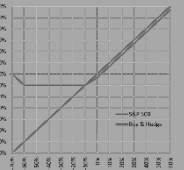
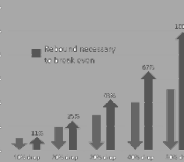
# Historical client expectations

Hedging delivers positive client outcomes ~90% of the time

S&P Ranges Organized to Show Hedge Breakpoints



| 1-year market change | Historical frequency | Expected hedged equity return        | Expected client sentiment  |
|----------------------|----------------------|--------------------------------------|--|
| > +15%               | ~ 50%                | Capture 75-85% of upside market move | Happy to participate in strong market gains. Most likely exceeded planned annual return                        |
| +2% to +15%          | ~20%                 | Capture 65-75% of upside market move | Happy with gains, but slightly disappointed in hedging drag  |
| -8% to +2%           | ~10%                 | Underperformance of 2-4% vs. market  | Most disappointing situation. Finds little value in the hedges   |
| -100% to -8%         | ~20%                 | Losses limited to 8% per year        | Max loss experienced, but should be relieved to be hedged. Optimistic about extra upside exposure on a rebound |

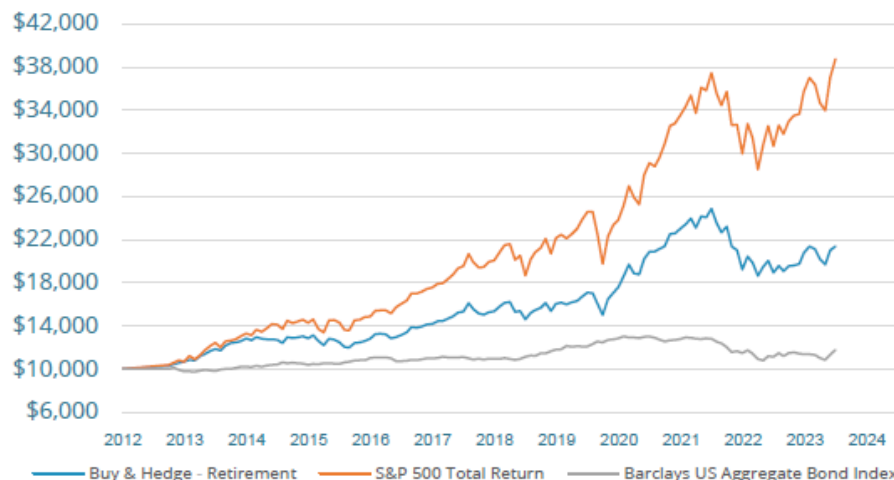


# Buy & Hedge - Retirement Through December 31, 2023

## \*Performance Statistics

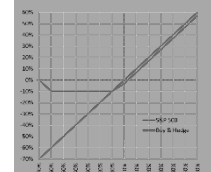
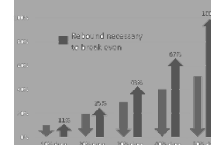
|                        | ZEGA<br>Financial | S&P 500 Total<br>Return | Barclays<br>US<br>Aggregate<br>Bond<br>Index |
|------------------------|-------------------|-------------------------|--|
| YTD Return             | 12.70%            | 26.27%                  | 5.54%  |
| Ann. Return: 1 year    | 12.70%            | 26.27%                  | 5.54%  |
| Ann. Return: 3 years   | 0.75%             | 10.00%                  | -3.29%                                       |
| Ann. Return: 5 years   | 7.91%             | 15.69%                  | 1.12%  |
| Ann. Return: 10 years  | 6.07%             | 12.04%                  | 1.82%  |
| Ann. Return: Inception | 6.82%             | 12.49%                  | 1.42%  |
| Annualized Volatility  | 11.05%            | 14.75%                  | 4.65%  |
| Sharpe Ratio           | 0.71              | 0.77                    | 0.06   |

## Cumulative Growth (since inception)



## \*Monthly Performance

| Year | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | YTD     | S&P500  |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| 2013 |        |        | 2.68%  | 1.80%  | 1.00%  | 1.03%  | 1.78%  | -0.53% | 3.48%  | 2.07%  | 2.12%  | 1.72%  | 18.48%  | 24.18%  |
| 2014 | -1.09% | 3.58%  | 2.11%  | 0.50%  | 0.96%  | 2.09%  | -1.33% | 2.22%  | -1.10% | -0.44% | 0.00%  | -0.40% | 7.19%   | 13.69%  |
| 2015 | -2.22% | 4.41%  | -0.74% | 0.50%  | 0.73%  | -1.45% | 2.33%  | -4.05% | -3.22% | 4.89%  | -0.59% | -1.83% | -1.66%  | 1.40%   |
| 2016 | -3.75% | -0.19% | 3.39%  | 0.52%  | 1.11%  | 1.61%  | 3.34%  | 0.16%  | -0.34% | -2.87% | 0.93%  | 1.52%  | 5.30%   | 11.98%  |
| 2017 | 1.68%  | 3.82%  | -0.39% | 0.74%  | 1.50%  | 0.19%  | 1.77%  | 0.20%  | 1.42%  | 1.69%  | 2.33%  | 0.57%  | 16.59%  | 21.84%  |
| 2018 | 4.97%  | -3.47% | -2.56% | -0.67% | 1.49%  | 0.62%  | 2.68%  | 2.37%  | 0.45%  | -5.61% | 0.41%  | -5.05% | -4.84%  | -4.38%  |
| 2019 | 4.21%  | 1.76%  | 1.26%  | 2.93%  | -4.57% | 4.28%  | 0.69%  | -1.11% | 1.31%  | 0.72%  | 2.53%  | 2.11%  | 17.00%  | 31.50%  |
| 2020 | -0.21% | -5.59% | -6.73% | 9.90%  | 3.50%  | 3.04%  | 5.68%  | 5.89%  | -4.05% | -0.69% | 7.73%  | 3.37%  | 22.29%  | 18.40%  |
| 2021 | 0.07%  | 1.11%  | 1.27%  | 5.19%  | 0.30%  | 1.94%  | 1.77%  | 2.32%  | -3.60% | 4.59%  | -0.53% | 3.43%  | 19.04%  | 28.72%  |
| 2022 | -5.44% | -3.60% | 2.37%  | -7.87% | -1.66% | -8.53% | 6.24%  | -2.78% | -6.12% | 4.48%  | 2.88%  | -5.43% | -23.77% | -18.10% |
| 2023 | 3.30%  | -2.48% | 2.34%  | 0.34%  | 0.71%  | 5.42%  | 2.70%  | -1.12% | -4.59% | -2.39% | 6.75%  | 1.64%  | 12.70%  | 26.27%  |

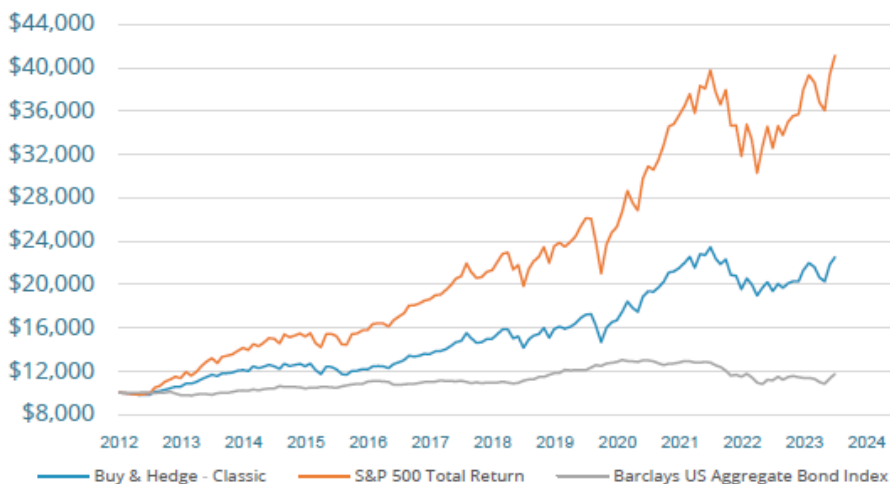


# Buy & Hedge - Classic Through December 31, 2023

## \*Performance Statistics

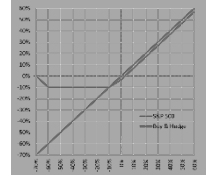
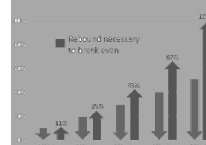
|                        | ZEGA<br>Financial | S&P 500 Total<br>Return | Barclays<br>US<br>Aggregate<br>Bond<br>Index |
|------------------------|-------------------|-------------------------|--|
| YTD Return             | 16.18%            | 26.27%                  | 5.54%  |
| Ann. Return: 1 year    | 16.18%            | 26.27%                  | 5.54%  |
| Ann. Return: 3 years   | 5.13%             | 10.00%                  | -3.29%                                       |
| Ann. Return: 5 years   | 9.73%             | 15.69%                  | 1.12%  |
| Ann. Return: 10 years  | 6.80%             | 12.04%                  | 1.82%  |
| Ann. Return: Inception | 7.05%             | 12.60%                  | 1.37%  |
| Annualized Volatility  | 10.89%            | 14.55%                  | 4.57%  |
| Sharpe Ratio           | 0.76              | 0.79                    | 0.06   |

## Cumulative Growth (since inception)



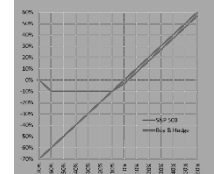
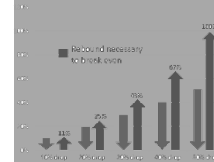
## \*Monthly Performance

| Year | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | YTD     | S&P500  |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| 2012 |        |        |        |        |        |        |        |        |        | -1.84% | -0.02% | 0.08%  | -1.78%  | -0.38%  |
| 2013 | 2.81%  | 0.50%  | 1.20%  | 1.39%  | 1.50%  | -0.13% | 2.72%  | 0.00%  | 1.44%  | 2.43%  | 1.75%  | 1.74%  | 18.74%  | 32.39%  |
| 2014 | -1.00% | 1.98%  | 0.18%  | 0.52%  | 1.50%  | 0.58%  | -0.72% | 3.51%  | -1.39% | 1.19%  | 1.36%  | -1.23% | 6.55%   | 13.69%  |
| 2015 | -1.79% | 3.74%  | -1.56% | 0.75%  | 0.96%  | -1.89% | 2.02%  | -4.74% | -3.03% | 5.78%  | -0.02% | -1.95% | -2.19%  | 1.40%   |
| 2016 | -3.66% | -0.42% | 2.98%  | 0.23%  | 1.17%  | -0.28% | 2.56%  | 0.21%  | -0.36% | -1.31% | 3.07%  | 1.23%  | 5.34%   | 11.98%  |
| 2017 | 1.70%  | 3.00%  | -0.61% | 0.73%  | 1.17%  | -0.12% | 1.97%  | 0.09%  | 1.13%  | 2.14%  | 2.57%  | 0.64%  | 15.32%  | 21.84%  |
| 2018 | 4.89%  | -2.99% | -2.71% | 0.23%  | 2.00%  | 0.22%  | 3.01%  | 2.77%  | -0.06% | -5.22% | 1.25%  | -6.92% | -4.14%  | -4.38%  |
| 2019 | 5.36%  | 2.37%  | 1.00%  | 3.66%  | -5.67% | 5.27%  | 1.54%  | -1.34% | 1.14%  | 1.87%  | 3.05%  | 1.88%  | 21.51%  | 31.50%  |
| 2020 | 0.36%  | -6.24% | -9.34% | 8.97%  | 3.23%  | 1.07%  | 4.68%  | 5.51%  | -3.23% | -2.07% | 8.02%  | 2.76%  | 12.69%  | 18.40%  |
| 2021 | -0.37% | 1.91%  | 2.71%  | 4.44%  | 0.40%  | 1.48%  | 2.15%  | 2.58%  | -4.44% | 5.92%  | -0.54% | 3.28%  | 20.90%  | 28.72%  |
| 2022 | -4.53% | -2.32% | 2.12%  | -6.52% | -0.32% | -5.95% | 5.18%  | -2.76% | -5.12% | 3.81%  | 2.52%  | -4.03% | -17.28% | -18.10% |
| 2023 | 3.55%  | -2.04% | 2.25%  | 0.88%  | 0.07%  | 5.14%  | 2.96%  | -1.58% | -4.51% | -1.90% | 7.72%  | 3.21%  | 16.18%  | 26.27%  |



\* During December 2023, ZEGA Financial discovered an error in the Net Return calculation concerning the allocation of quarterly fees. The Net Returns for the months of April through November 2023 have been corrected to reflect the proper fee allocation.

# Appendix: GIPS Compliant Disclosure



**ZEGA FINANCIAL, LLC**  
**BUY AND HEDGE RETIREMENT COMPOSITE**  
**GIPS REPORT**

| Year End | Total Firm Assets (USD) (millions) | Composite Assets (USD) (millions) | Number of Accounts | Percent of Assets In Wrap Accounts | Percent Assets of Non-Fee Paying | Annual Performance Results Composite |        | Benchmark S&P 500 | Composite Dispersion | Composite 3 Yr St Dev | Benchmark 3 Yr St Dev |
|----------|------------------------------------|-----------------------------------|--------------------|------------------------------------|----------------------------------|--------------------------------------|--------|-------------------|----------------------|-----------------------|-----------------------|
|          |                                    |                                   |                    |                                    |                                  | # Gross                              | Net    |                   |                      |                       |                       |
| 2021     | 638                                | 216                               | 715                | 45%                                | 1%                               | 20.77%                               | 19.04% | 28.72%            | 1.36%                | 12.27%                | 17.17%                |
| 2020     | 426                                | 175                               | 790                | 51%                                | 1%                               | 24.25%                               | 22.29% | 18.40%            | 3.07%                | 13.39%                | 18.53%                |
| 2019     | 442                                | 128                               | 610                | 45%                                | 0%                               | 18.85%                               | 17.00% | 31.50%            | 1.66%                | 8.61%                 | 11.93%                |
| 2018     | 340                                | 88                                | 425                | 36%                                | 0%                               | -3.36%                               | -4.85% | -4.39%            | 2.20%                | 8.14%                 | 10.96%                |
| 2017     | 288                                | 79                                | 335                | 45%                                | 0%                               | 18.72%                               | 16.60% | 21.83%            | 1.42%                | 7.49%                 | 10.07%                |
| 2016     | 236                                | 33                                | 202                | 78%                                | 0%                               | 7.41%                                | 5.32%  | 11.96%            | 2.76%                | 7.53%                 | 10.74%                |
| 2015     | 154                                | 10                                | 49                 | 86%                                | <1%                              | -0.61%                               | -1.66% | 1.38%             | 2.09%                | N.A. 2                | N.A. 2                |
| 2014     | 349                                | 2                                 | 9                  | 0%                                 | 5%                               | 8.51%                                | 7.19%  | 13.69%            | N.A. 1               | N.A. 2                | N.A. 2                |
| 2013*    | 111                                | < 1                               | 1                  | 0%                                 | 0%                               | 19.48%                               | 18.48% | 32.39%            | N.A. 1               | N.A. 2                | N.A. 2                |

\*Composite and benchmark performance are for the period 3/1/2013 through 12/31/2013.

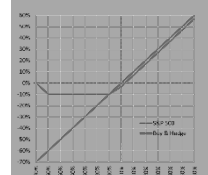
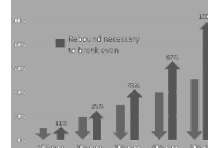
# Gross returns are shown as supplemental information and are stated gross of all fees and transaction costs for wrap accounts, and net of transaction costs for non-wrap account

N.A.1 - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

N.A.2 - The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for 2008 through 2009 due to less than 36 months of composite and benchmark data.

**Buy and Hedge Retirement Composite:** The Buy & Hedge Retirement strategy is designed to provide broad market exposure while limiting the downside risk in the event of a material market correction. The product utilizes index-based options and ETFs. Purchases Index call options to synthetically create long market exposure. The underlying index is U.S. large cap and typically one that represents the S&P 500. The investor has long-term market exposure in the equity markets but attempts to reduce downside risk by limiting the actual capital invested in equity positions. The position is created using a combination of options to build synthetic exposure as well as creating an income portion designed to generate a low risk 3-4% of annual return. The income portion may be constructed using fixed income or protected equity with a defined risk. The benchmark for this composite is the S&P 500. The composite creation and inception dates are March 2013.

ZEGA Financial LLC ("ZEGA") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. ZEGA has been independently verified by the Spaulding Group for the periods 7/1/2011 to 12/31/2021. The verification reports are available upon request.





**ZEGA FINANCIAL, LLC**  
**BUY AND HEDGE RETIREMENT COMPOSITE**  
**GIPS REPORT**

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

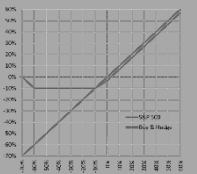
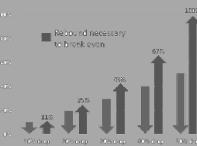
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Certain portfolios may incur additional advisor directed fees. As a result, ZEGA's returns for these accounts are net of the additional fees due to our subadvisor agreements.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. To qualify as fully discretionary, at least 70% of the account must be dedicated to the composite strategy and no more than 20% of the account may be invested at discretion of a party other than ZEGA Financial. Derivatives and short positions make up a material part of the composite strategy which includes short selling, with the short position covered by cash accounts that are marked to market on a daily basis. Past performance is not indicative of future results. The presented risk measurement of standard deviation is calculated based on gross-of-fees returns.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of fees and include the reinvestment of all income. This composite is a mix of accounts that are Wrap based and non-Wrap based (ie, pay commissions). Gross returns are shown as supplemental information and are stated gross of all fees and transaction costs for wrap accounts, and net of transaction costs for non-wrap accounts. Net returns are reduced by all fees and transaction costs incurred. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Net of fee performance was calculated using actual management fees. The annual composite dispersion presented is an asset-weighted standard deviation of annual gross returns calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing GIPS reports are available upon request.

The investment management fee schedule for the composite varies. Our wealth management fee for portfolio management services is 1.5%. These fees are negotiable depending upon the client's financial situation and the client's objectives. Our sub advisory fee for portfolio management services is 0.75%. These fees are negotiable depending upon the complexity and scope of the plan.





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