



ZEGA  
FINANCIAL

# ZEGA'S ALTERNATIVE INCOME (ZALT)

July 2020

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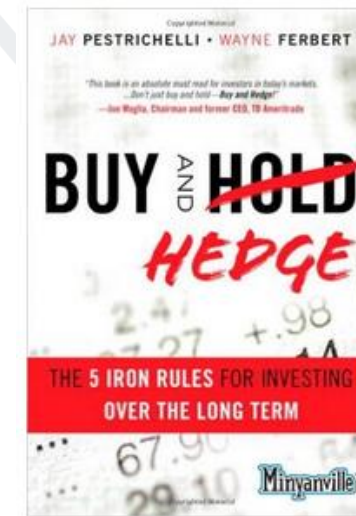
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**Except where specifically identified otherwise, all performance data in this presentation is the performance of the Separate Account Strategy.**

- SEC Registered Investment Advisor\* founded in 2011
- Over \$450 million in Assets Under Management as of December 2019
- Authors of the best-seller: *Buy And Hedge: The 5 Iron Rules for Investing over the Long Term*
- Awarded 5-star rating for HiPOS Conservative and ZBIG Leverage in 2019
- Claims compliance with the Global Investment Performance Standards



*ZEGA's mission is to partner with small to mid-size advisors and deliver industry leading options-based investing solutions and insights.*

*Our passion is developing strategies centered on the balance between risk and reward.*

*We are conservative in our market positioning and follow the strictest of ethical codes to act only in the best interest of our clients.*

*The media is taking notice. ZEGA is recognized as the go to source for options insights.*



**THE WALL STREET JOURNAL.**

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*With over 120 years of combined investing experience, we follow a progressive, forward thinking approach to investing.*



**Jay Pestrichelli**  
Co-Founder  
Managing Director

21 years Investment Experience



**Mick Brokaw**  
Director of  
Trading/CCO

22 years Investment Experience



**Jillian Baker**  
Director of  
Communications

14 years Investment Experience



**Jim Granger**  
Operations  
Manager

20 years Investment Experience



**Wayne Ferber**  
IAR of ZEGA/Co-  
Founder

19 years Investment Experience



**Derek Moore**  
IAR of ZEGA

25 years Investment Experience

“Nothing differentiates a business more than the people who contribute to its success.” – Jay Pestrichelli

# ZALT

(ZEGA Alternative Income)



## Attributes and Benefits

- Basket of diversified high-yield holdings
- Use HiPOS overlay for additional return
- Aims to deliver 5-6% per year in total returns
- Appropriate for conservative investors looking to add income or bond diversification

# Who should use the ZBIG Strategy?

## Client Benefits

- Provides lower volatility than broad equity indexes
- Generates regular monthly returns, so ideal for clients with income needs
- Diversification with exposure to 4 distinct asset classes:
  - ✓ Stocks
  - ✓ Bonds
  - ✓ Real Estate
  - ✓ Volatility

## Benefits of Separately Managed Income Strategy

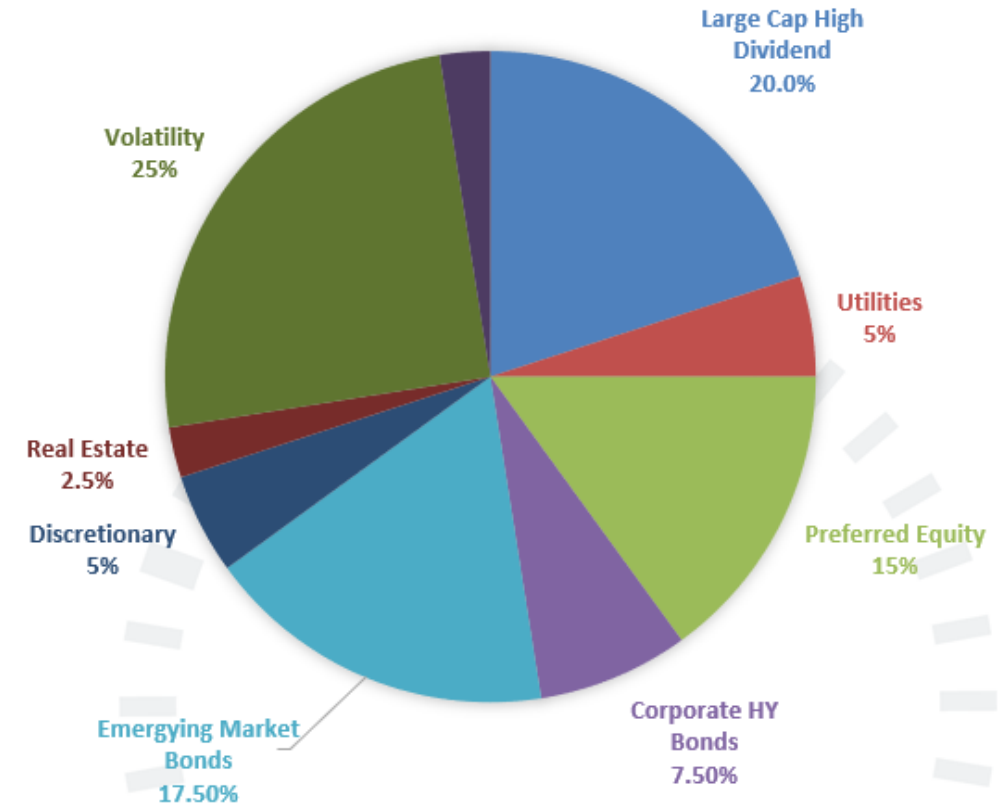
- HIPOS Strategy Historically Has Not Experienced Negative Effects From Rising Rates
- Portfolio Is Not Rigidly Tied or To A Broad Equity Or Bond Index
- Ability To Look For Opportunistic Income Vehicles For Both Growth And Income
- Rebalancing Periodically Allows For Strategic Rotations While Taking Profits
- Flexibility To Optimize Asset Allocation Based On Current Environment



## ZALT Sector Holdings as of Q1 2020

- 20% Large Cap or High Dividend
- 5% Utilities
- 15% Preferred Equity
- 7.5% US Corporate HY Bonds
- 17.5% Emerging and EU Markets Bonds
- 2.5% Real Estate Investment Trust
- 5% Discretionary
- 25% HiPOS overlay/Volatility
- 2.5% Cash

### ZALT ASSET CLASSES



\*Target percentages will vary based on market conditions

# Performance

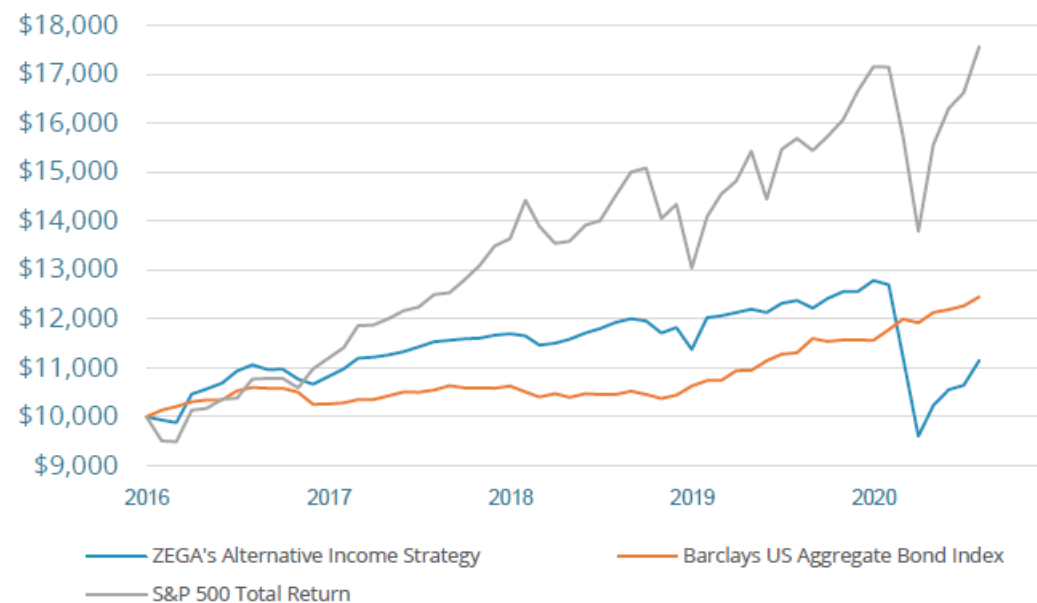


# ZALT Performance Through July 31, 2020

## Performance Statistics

	<b>ZEGA Financial</b>	<b>Barclays US Aggregate Bond Index</b>	<b>S&amp;P 500 Total Return</b>
YTD Return	-12.77%	7.72%	2.39%
Ann. Return: 1 year	-9.90%	10.12%	11.97%
Ann. Return: 3 years	-1.12%	5.70%	12.02%
Ann. Return: Inception	2.41%	4.90%	13.08%
Annualized Volatility	10.99%	3.18%	14.52%
Sharpe Ratio	0.25	1.16	0.82

## Cumulative Growth (since inception)



## Monthly Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Barclays US Aggregate Bond Index
2016	-0.66%	-0.57%	5.91%	1.05%	1.12%	2.28%	1.21%	-0.93%	0.08%	-1.84%	-0.94%	1.45%	8.23%	2.66%
2017	1.45%	1.98%	0.22%	0.39%	0.59%	0.83%	0.97%	0.23%	0.24%	0.12%	0.55%	0.25%	8.09%	3.55%
2018	-0.36%	-1.61%	0.31%	0.73%	1.06%	0.77%	1.12%	0.58%	-0.37%	-2.05%	0.97%	-3.81%	-2.76%	0.02%
2019	5.72%	0.30%	0.59%	0.52%	-0.53%	1.51%	0.50%	-1.24%	1.58%	1.13%	-0.01%	1.83%	12.39%	8.73%
2020	-0.68%	-11.67%	-14.39%	6.53%	3.18%	0.81%	4.81%						-12.77%	7.72%

# Incorporating ZALT into client portfolios

- Designed for a conservative investor
- Returns driven by growth and income
- Adds an Alternative income slice to an existing portfolio via the HiPOS overlay
- Can replace equity or fixed income allocation in a blended portfolio
- Preferred usage in margin enabled accounts
- \$75,000 Minimum

# Questions



# Appendix: GIPS Compliant Disclosure



# ZEGA FINANCIAL, LLC

## ZEGA'S ALTERNATIVE INCOME STRATEGY (ZALT) COMPOSITE

### ANNUAL DISCLOSURE PRESENTATION



Year End	Total Firm Assets	Composite Assets	Number of Accounts	Percent of Assets	Percent of Carve Out Accounts	Percent Assets of Non-Fee Paying	Annual Performance Results Composite		Benchmark Barclays US Aggregate Bond Index	Composite Dispersion	Composite 3 Yr St Dev	Benchmark 3 Yr St Dev
	(USD) (millions)	(USD) (millions)		In Wrap Accounts			Gross	Net				
2019	442	3	21	25%	0%	0%	14.15%	12.40%	8.73%	0.26%	5.0%	0.8%
2018	340	4	19	17%	0%	0%	-1.42%	-2.77%	0.01%	0.53%	5.3%	2.9%
2017	288	5	25	11%	0%	0%	10.13%	8.08%	3.54%	0.29%	N.A. 2	N.A. 2
2016	236	3	21	22%	0%	0%	8.66%	8.24%	2.65%	N.A. 1	N.A. 2	N.A. 2

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 2016 due to less than 36 months of and benchmark data.

***ZEGA'S ALTERNATIVE INCOME STRATEGY (ZALT) COMPOSITE*** includes all institutional and retail portfolios that invest in a basket of diversified high-yield holdings, with a HiPOS overlay for additional income. The holdings include a diversified basket of ETFs and other income yielding vehicles that own large cap high dividend stocks, investment grade corporate bonds, high yield (junk) corporate bonds, utility stocks, preferred equity, real estate, and other income vehicles like MLPs. The HiPOS overlay allocates 20% of the portfolio to ZEGA's High Probability Options Strategy, which sells deep out-of-the-money credit spreads with 3-4 weeks until expiration to collect the options premium—thereby generating monthly income. The underlying ETFs are the collateral that permits the overlay investment. This composite includes all portfolios that were at least 70% dedicated to this strategy. The benchmark is the Barclays US Aggregate Bond Index. This Barclays Index is a market cap weighted index of fixed income securities and it widely considered the most used index in the fixed income investment community. The minimum account size for this composite is \$50,000. The ZEGA's Alternative Income Strategy (ZALT) Composite was created November 30, 2016.

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 for the periods July 1, 2011 to December 31, 2019. The verification report(s) is/are available upon request

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

ZEGA Financial is an independent registered investment adviser. The firm began managing client assets in July 2011. Since July 2011, firm assets included any accounts for which ZEGA Financial has at least some discretionary authority which includes accounts in ZEGA's wealth management practice and the investment management accounts for which ZEGA Financial was a sub-advisor to the account. The firm's list of composite descriptions is available upon request.

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 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. The weighted average percentage of assets that were in Wrap fees is available upon request. 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 calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the composite varies. Our fee for portfolio management services is based on a percentage of your assets we manage and ranges from 0.50% to 1.7%. The fee is negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. Employee accounts do not pay advisory fees, so the returns illustrated for the strategy are higher than they would be if employee accounts paid similar fees.