

# ZEGA's Dividend Max Strategy

February 2024



# Disclosure

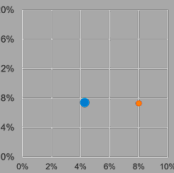
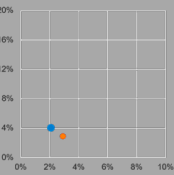
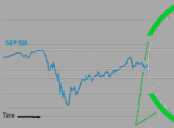
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**Except where specifically identified otherwise, all performance data in this presentation is the performance of the Separate Account Strategy.**



# About ZEGA Financial LLC

- ❑ SEC Registered Investment Advisor founded in 2011
- ❑ ~\$2.6 billion in assets under management (AUM) as of December 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 Pestrighelli, Founder & CEO

**Bloomberg**

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BUSINESS

THE WALL STREET JOURNAL.

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**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

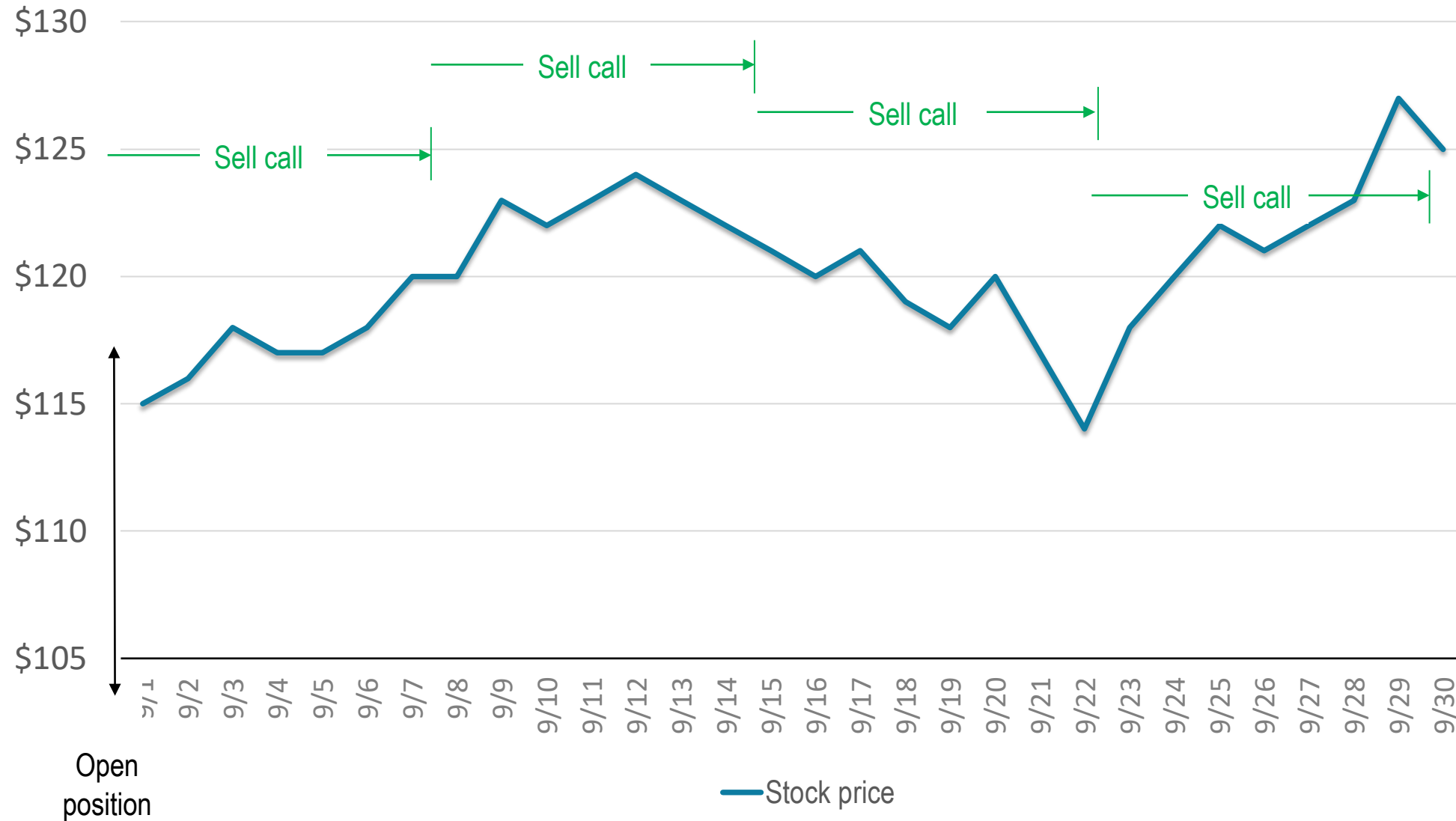
# Dividend Max – Basket of ETFs for Alt Income

- ❑ Actively managed **Basket of ETFs** constructed with options on a single ticker with the intention of **delivering outsized dividend yields**.
- ❑ Strategy designed to **convert option volatility** to cash flow
- ❑ Using short-term and near-the-money **option selling**, Puts, Calls or Spreads.

The strategy looks to **take advantage of the natural time decay** of options

- ❑ Some positions may use a **replication of a covered call** strategy.

# A review of Covered Calls



# Portfolio Composition of ETFs

1. Short Put + Long Call = Long Stock Position
2. Short Call = Income
3. Treasuries = Collateral & Additional Income

Synthetic  
Covered  
Call

## Results:

- Covered call strategy
- Monthly income potential
- Short out-of-the money call allows some upside participation
- All options are backed by the Options Clearing Corporation (OCC)
- No leverage
- No stock gets called away

# ETF Dividend Max

- ❑ Dividend Max : **Holds high dividend yielding ETFs** that primarily institute synthetic covered calls, covered call strategies or other options tactics.
- ❑ Funds **generate income** from a combination of selling covered call premium and any available capital appreciation
- ❑ Diversify Across **Stocks, Commodities and Bonds**
- ❑ High Income Focused

## Risks

- ❑ Portfolio should move inline with a **70/30 portfolio**
- ❑ The covered call ETFs are not downside protected
- ❑ Some of the ETFs are invested in **tech stocks**, tech stocks can be more volatile than the S&P500 at times
- ❑ If the portfolio uses margin, the fluctuation in value will magnify by the percentage of leverages used. For example, a portfolio with 50% margin balance will fluctuate 100% more than a non-margined account

Target Yield of:

up to

30%+



# Use Case: ETF Build Enhancement

Adding a slice of income to an ETF build

	Allocation	Yield	Volatility
ETF Dividend Build	100%	4%	20%
ETF Dividend Build	75%	4%	20%
ZEGA ETF Dividend Max	25%	35%*	50%**
Weighted Result		11.75%	24.5%

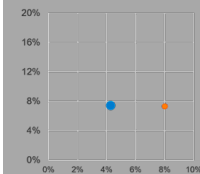
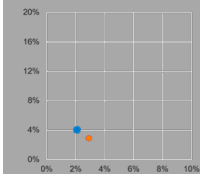
\*Assuming 50% Yield (Target)

\*\*Assuming Volatility of 30%

For clients who can handle the increase in volatility, the dividend can almost triple with a 25% Dividend Max allocation

# ZEGA ETF Dividend Max Summary

- ❑ **High Income** Focus
- ❑ **Dividend yield is different than Total Return**
- ❑ ETFs carry same **downside risk** of stocks, minus options premium
- ❑ Diversify Across **Stocks, Commodities and Bonds**
- ❑ Strategy does **not need options or margin approval**
- ❑ Strategy can be run in UMA or SMA format



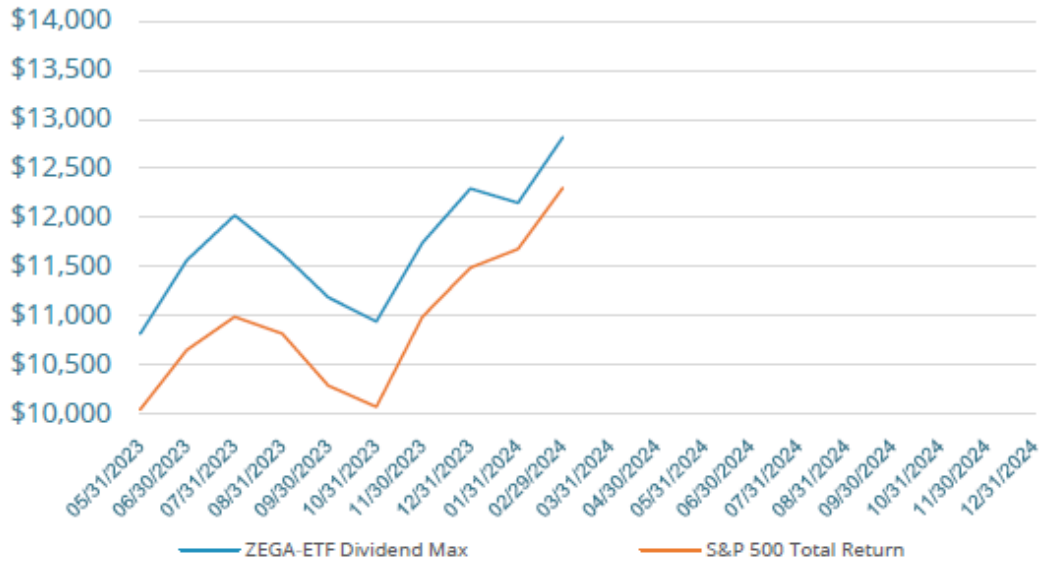
ZEGA-ETF Dividend Max

Through February 29, 2024

Performance Statistics

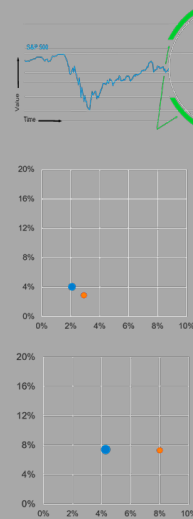
	ZEGA Financial	S&P 500 Total Return
YTD Return	4.25%	7.11%
Cumulative Return ITD	28.16%	22.99%
Annualized Volatility	15.34%	14.09%
Sharpe Ratio	2.01	1.68

Cumulative Growth (since inception)



Monthly Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	S&P 500 Total Return
2023					8.16%	6.86%	3.98%	-3.22%	-3.85%	-2.23%	7.36%	4.72%	22.93%	14.83%
2024	-1.20%	5.52%											4.25%	7.11%



For more information – including short videos,  
podcasts, blog posts – on the entire family of  
ZEGA strategies and ETFs please visit:

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