MODERATE GROWTH

ZEGA High Probability Options Strategy - Mod Growth

October 2022

ZEGA FINANCIAL
The disciplined option

Investment Vehicle: Separately Managed Account
Portfolio Manager: Jay Pestrichelli

Inception Date: June 2013

Strategy Overview

ZEGA's High Probability Options Strategy (HiPOS) Moderate Growth is an alternative investment strategy designed as a complement to an existing equity allocation. ZEGA generates return by selling credit spreads, which are two-legged options strategies. HiPOS is designed to be highly liquid, downside exposure is actively managed, and it has little to no historical correlation to equity indexes or interest rate sensitive markets.

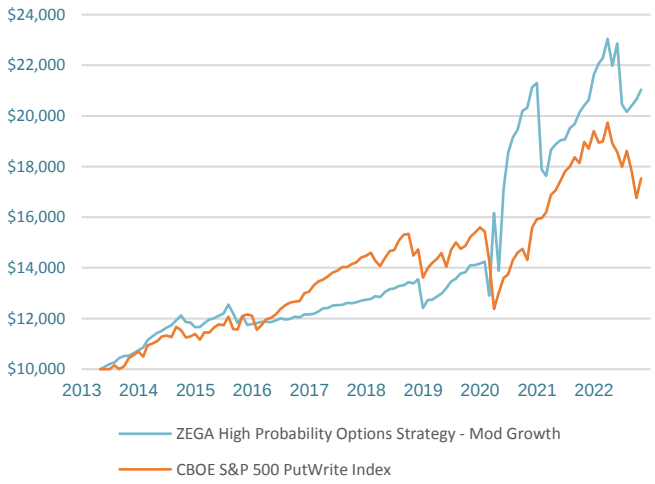
Methodology

- **Disciplined Approach:** only invests when targeted returns exceed the calculated risk.
  - Investment in options on major equity indexes
  - Returns are driven by the natural time decay of near-expiring options; positions must have expirations within 40 days
  - Strike prices are considered deep out-of-the-money
  - Option must have a high probability of expiring worthless, per ZEGA's calculation
- **Credit Spreads Used for Leverage:** HiPOS writes spreads instead of naked puts/calls in order to maximize the buying power in the account.
- **Disciplined Exit Criteria:** ZEGA continuously monitors positions and if the portfolio's one-month loss approaches our exit criteria, the strategy pivots to a defensive posture.
- **Purposefully go to Cash:** The strategy will close positions to cash or let the options expire worthless between each trade cycle, and may roll the trade as a defensive tactic.
- **Opportunistic Trading:** Opportunistic trades may occur if markets move favorably early enough in the lifecycle of the trade. ZEGA will generally take profits early when 85% or more of the max gain are realized and another trade exists.

Performance Statistics

	ZEGA Financial	CBOE PUT Write Index
YTD Return	-2.71%	-9.66%
Ann. Return: 1 year	3.02%	-7.60%
Ann. Return: 3 years	14.25%	4.81%
Ann. Return: 5 years	10.71%	4.27%
Ann. Return: Inception	8.22%	6.14%
Annualized Volatility	15.28%	9.99%
Sharpe Ratio	0.61	0.54

Cumulative Growth (since inception)



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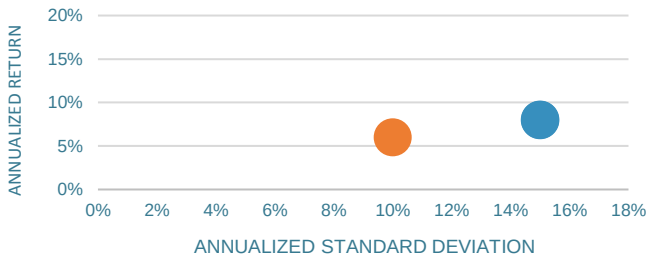
Recommended Usage

The ZEGA High Probability Option Strategy (HiPOS) Moderate Growth is designed as a complement to an equity allocation. Typically recommended as a replacement for a portion of a portfolio's core stock or stock-like position. We recommend this investment make up 10-20% of a portfolio's equity position. While the HiPOS Moderate Growth limits downside losses during extreme conditions, there is still notable risk taken to produce its non-correlated returns.

Risk vs. Return



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CBOE PUT Write Index

Monthly Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	CBOE PUT Write Index
2013						2.06%	0.58%	1.69%	0.79%	0.09%	0.94%	1.13%	**7.50%**	**7.01%**
2014	0.98%	2.62%	1.37%	1.24%	0.71%	1.16%	0.68%	1.75%	1.64%	-2.17%	-0.13%	-1.63%	**8.42%**	**6.39%**
2015	0.09%	1.31%	1.16%	0.41%	0.88%	0.76%	2.88%	-2.87%	-3.04%	2.33%	-2.97%	0.40%	**1.12%**	**6.42%**
2016	0.34%	0.36%	0.00%	-0.13%	0.56%	0.73%	-0.43%	0.21%	0.78%	-0.20%	0.90%	-0.02%	**3.13%**	**7.75%**
2017	0.23%	0.78%	1.05%	0.10%	0.74%	0.16%	0.08%	0.60%	-0.07%	0.31%	0.50%	0.28%	**4.86%**	**10.84%**
2018	0.16%	0.92%	-0.35%	1.64%	0.82%	0.18%	0.76%	0.28%	0.88%	-0.37%	1.21%	-8.37%	**-2.61%**	**-5.89%**
2019	2.59%	0.05%	1.04%	0.81%	1.68%	2.00%	0.91%	1.46%	0.38%	1.98%	0.04%	0.44%	**14.19%**	**14.57%**
2020	0.47%	-9.37%	25.29%	-14.10%	23.18%	8.33%	3.34%	1.60%	3.79%	0.65%	3.97%	0.79%	**50.30%**	**2.11%**
2021	-16.03%	-1.45%	5.83%	1.15%	0.90%	0.16%	2.35%	0.82%	2.28%	1.44%	1.01%	4.83%	**1.49%**	**21.80%**
2022	2.06%	0.99%	3.41%	-4.62%	4.05%	-10.59%	-1.42%	1.20%	1.25%	1.84%			**-2.71%**	**-9.66%**

Strategy Risks & Disclosures

Note: Returns are expressed in US Dollars and calculated net of actual fees. Performance includes reinvestment of dividends and other earnings.

ZEGA Financial is a registered investment adviser and investment manager that specializes in derivatives. ZEGA is a separate accounts manager and all returns expressed herein are solely from the separate accounts business within ZEGA.

The High Probability Options Strategy - Moderate Growth composite includes all institutional and retail portfolios that deploy out of the money credit spreads across 40% to 60% of the portfolio along with money market ETF for the remainder. The strategy aims to deliver risk-adjusted returns that are uncorrelated to the broader markets. A rapidly declining market generally negatively affects the strategy's credit put spreads. This composite includes all portfolios that were at least 70% dedicated to this strategy. The benchmark is the CBOE Put Write Index. The CBOE Put Write Index is an index that measures the performance of a hypothetical portfolio that sells S&P 500 Index (SPX) put options against collateralized cash reserves held in a money market account.

ZEGA Financial claims compliance with the Global Investment Performance Standards (GIPS). To receive a full list of composite descriptions of ZEGA Financial and/or a presentation contact Jay Pestrichelli at 1-800-380-9342, ext 101 or jay.pestrichelli@zegafinancial.com.

All investments involve the risk of potential investment losses as well as the potential for investment gains. Prior performance is no guarantee of future results and there can be no assurance, and clients should not assume, that future performance of any of the model portfolios will be comparable to past performance.

These results should not be viewed as indicative of the advisor's skill. The prior performance figures indicated herein represent portfolio performance for only a short time period and may not be indicative of the returns or volatility each portfolio will generate over a long time period. The performance presented should also be viewed in the context of the broad market and general economic conditions prevailing during the periods covered by the performance information. The actual results for the comparable periods would also have varied from the presented results based upon the timing of contributions and withdrawals from individual client accounts. The performance figures contained herein should be viewed in the context of the various risk/return profiles and asset allocation methodologies utilized by the asset allocation strategists in developing their model portfolios and should be accompanied or preceded by the model.

Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility.

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