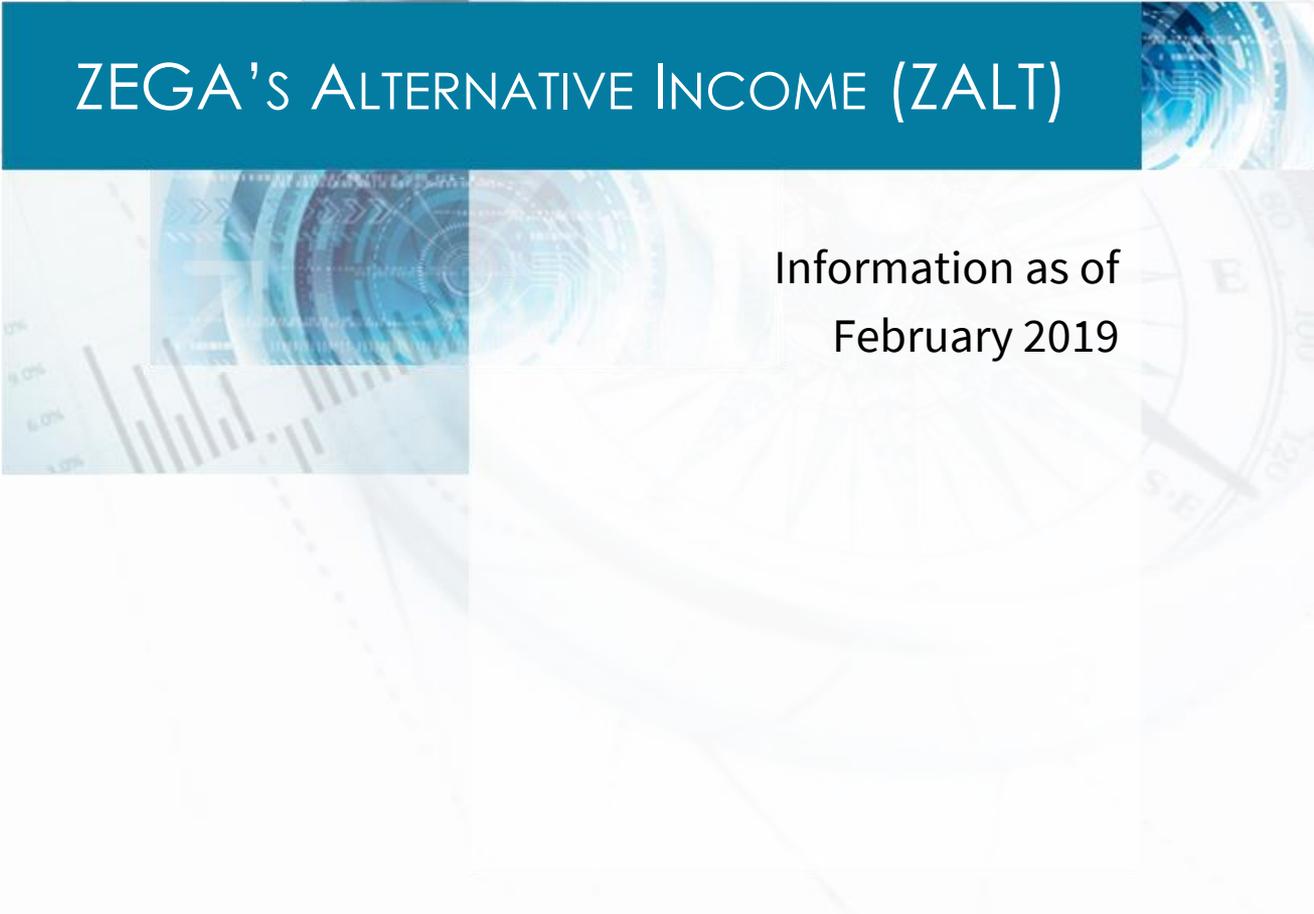




# ZEGA'S ALTERNATIVE INCOME (ZALT)



Information as of  
February 2019

**This presentation is representatives of Qualified Investors only.**

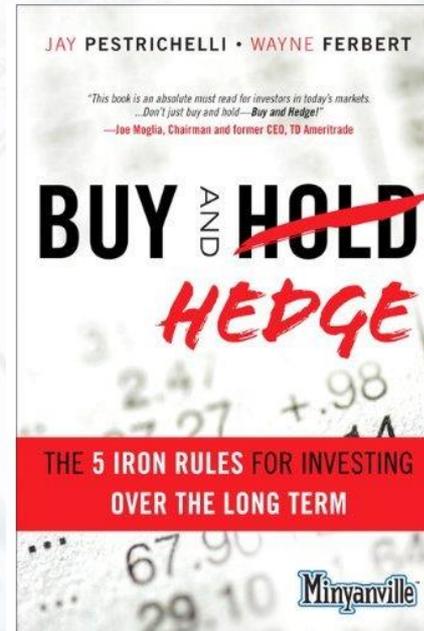
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## Product Developers turned Investment Managers

### Jay Pestrichelli Co-Founder



- Registered Investment Advisor\*
- ZEGA Founded in 2011
- Co-author of *Buy And Hedge*
- Former TD Ameritrade Executive
- Claims compliance with the Global Investment Performance Standards (GIPS)
- Over \$425 million in Assets Under Management as of February 2019

## What is the ZEGA Alternative Income (ZALT) strategy?

- 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

## 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

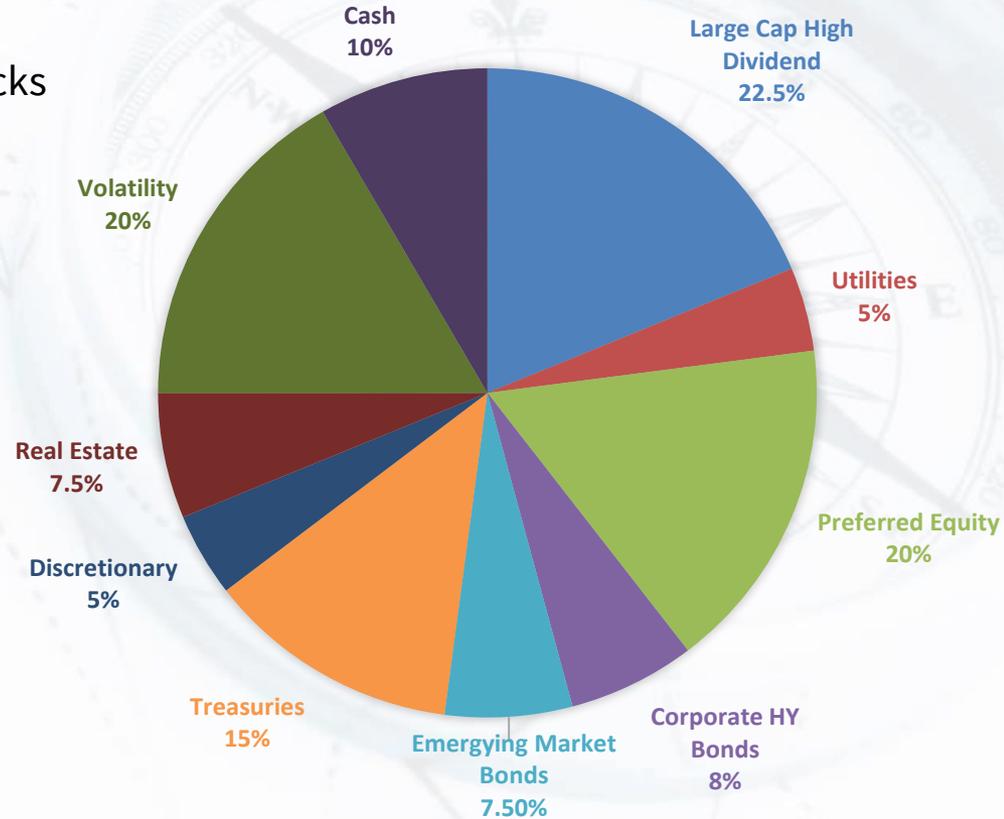
## Benefits of Separately Managed Income Strategy

- 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 Jan 2019

- 22.5% Large Cap and High Dividend Stocks
- 5% Utilities
- 20% Preferred Equity
- 7.5% Emerging Markets Bonds
- 7.5% Real Estate
- 5% Discretionary
- 20% HiPOS overlay
- 15% Short Term US Treasury Bonds
- 10% Cash

## ZALT ASSET CLASSES

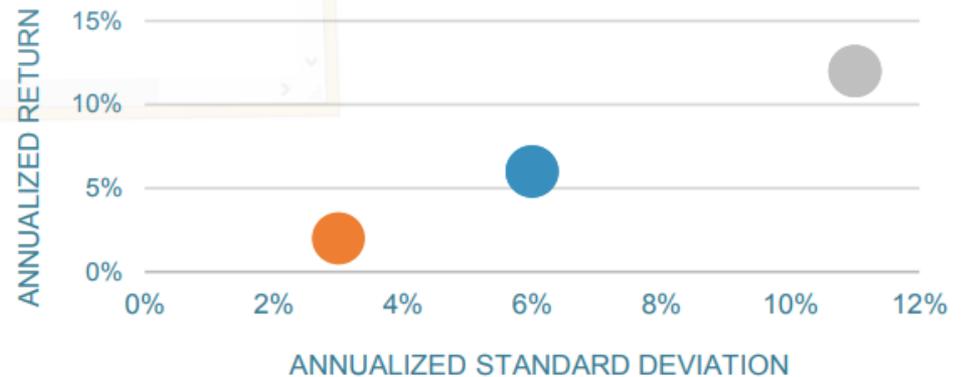


Target percentages will vary based on market conditions

# ZALT RISK VS. RETURNS THROUGH JANUARY 2019

- Provided Higher Annualized Return vs. US Aggregate Bond Index Benchmark
- Delivered Less Volatility Than Broad Equity Indexes
- HIPOS Overlay adds a Non-Interest Rate Correlated Asset to Portfolio

## Risk vs. Return



- ZEGA's Alternative Income Strategy
- Barclays US Aggregate Bond Index
- S&P 500 Total Return

## ZALT PERFORMANCE Through February 28, 2019

### Performance Statistics

	<b>ZEGA Financial</b>	<b>Barclays US Aggregate Bond Index</b>	<b>S&amp;P 500 Total Return</b>
YTD Return	6.04%	1.00%	11.48%
Ann. Return: 1 year	5.15%	3.17%	4.68%
Ann. Return: 3 years	6.99%	1.69%	15.29%
Ann. Return: Inception	6.20%	2.27%	12.56%
Annualized Volatility	5.92%	2.81%	11.32%
Sharpe Ratio	0.68	-0.48	0.79

### 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%	1.43%	-0.91%	0.08%	-1.83%	-0.93%	1.44%	8.50%	2.66%
2017	1.46%	1.99%	0.22%	0.39%	0.64%	0.84%	0.97%	0.23%	0.24%	0.12%	0.55%	0.25%	8.17%	3.55%
2018	-0.37%	-1.61%	0.31%	0.73%	1.06%	0.77%	1.12%	0.58%	-0.38%	-2.05%	0.96%	-3.82%	-2.80%	0.02%
2019	5.73%	0.29%											6.04%	1.00%

### Cumulative Growth (since inception)



## 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

**ZEGA FINANCIAL, LLC**  
**ZEGA'S ALTERNATIVE INCOME STRATEGY (ZALT) COMPOSITE**  
**ANNUAL DISCLOSURE PRESENTATION**

Year  End	Total Firm Assets  (USD) (millions)	Composite Assets  (USD) (millions)	Percent of Assets in Wrap Accounts	Number of Accounts	Annual Performance Results Composite		Barclays US Aggregate Bond Index	Composite Dispersion	Composite 3 Yr St Dev	Benchmark 3 Yr St Dev
					Gross	Net				
2017	287	5	38%	24	10.15%	8.11%	3.55%	0.29%	4.98%	2.78%
2016	207	3.1	23%	19	8.87%	8.50%	2.66%	N.A. <sup>1</sup>	N.A. <sup>2</sup>	N.A. <sup>2</sup>

# ZEGA FINANCIAL, LLC

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

### ANNUAL DISCLOSURE PRESENTATION

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 composite 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. There is no minimum account size for this composite. 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, 2017. 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.