

Investment Vehicle: Separately Managed Account  
Portfolio Manager: Jay Pestrichelli & Mick Brokaw

Inception Date: January 2016

## Strategy Overview

ZEGA's Alternative Income Strategy (ZALT) aims to provide income by investing in a basket of diversified income yielding securities with a High Probability Options Strategy (HiPOS) overlay for additional income. The product is deployed in an SMA format. The portfolio includes a diversified basket of ETFs and other income yielding vehicles. 15-25% of the portfolio is allocated to ZEGA's High Probability Options Strategy which results in 115-125% of the portfolio invested.

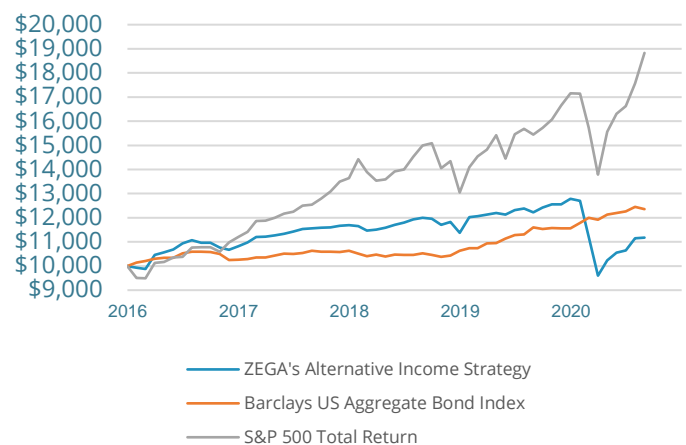
## Methodology

- **Diversified Portfolio:** ZALT provides diversification with exposure to 4 distinct asset classes: Stocks, Bonds, Real Estate, and Volatility.
  - The holdings include a diversified basket of ETFs and other income yielding vehicles that own large cap high dividend stocks, high yield corporate bonds, investment grade corporate bonds, utility stocks, preferred equity, real estate, and other income vehicles.
- **HiPOS Overlay for Additional Income:** The HiPOS overlay allocates 15-25% of the portfolio to ZEGA's High Probability Options Strategy, which sells deep out-of-the-money credit spreads with 3-5 weeks until expiration to collect the options premium, thereby generating monthly income. The underlying ETFs are the collateral that permits the overlay investment. This results in the account being 115-125% invested without any margin interest charges.

## Performance Statistics

	ZEGA Financial	Barclays US Aggregate Bond Index	S&P 500 Total Return
YTD Return	-12.53%	6.85%	9.75%
Ann. Return: 1 year	-8.51%	6.47%	21.95%
Ann. Return: 3 years	-1.11%	5.10%	14.52%
Ann. Return: Inception	2.43%	4.63%	14.52%
Annualized Volatility	10.89%	3.20%	14.66%
Sharpe Ratio	0.25	1.07	0.91

## Cumulative Growth (since inception)



# ZEGA's Alternative Income Strategy

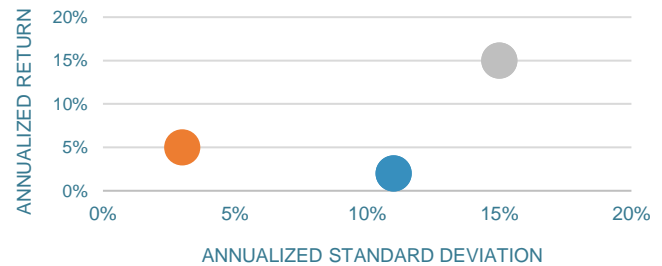
## August 2020



### Recommended Usage

The ZEGA Alternative Income Strategy (ZALT) is designed for a conservative investor. Returns are driven by growth and income, and so the strategy can replace an equity or fixed income allocation in a blended portfolio. We recommend the strategy as an alternative to ZEGA's HiPOS Aggressive for clients with less risk tolerance. Preferred usage in margin enabled accounts.

### Risk vs. Return



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

### 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%	0.28%					-12.53%	6.85%

### 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.

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 15-25% of the portfolio to ZEGA's High Probability Options Strategy, which sells deep out-of-the-money credit spreads with 3-5 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.

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.pestichelli@zegafinancial.com](mailto:jay.pestichelli@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.