

## Buy &amp; Hedge - Retirement

March 2019



Investment Vehicle: Separately Managed Account  
Portfolio Manager: Jay Pestrichelli

Inception Date: April 2012

## Strategy Overview

The Buy & Hedge Retirement strategy is designed to provide broad market exposure while limiting the downside risk in the event of a material market correction. The product is deployed in a SMA format and utilizes index based options and ETFs. The investor has long-term market exposure in the equity markets but attempts to reduce downside risk by limiting the actual capital invested in equity positions. The position is created using a combination of options to build synthetic exposure as well as actually holding ETF shares for growth and income.

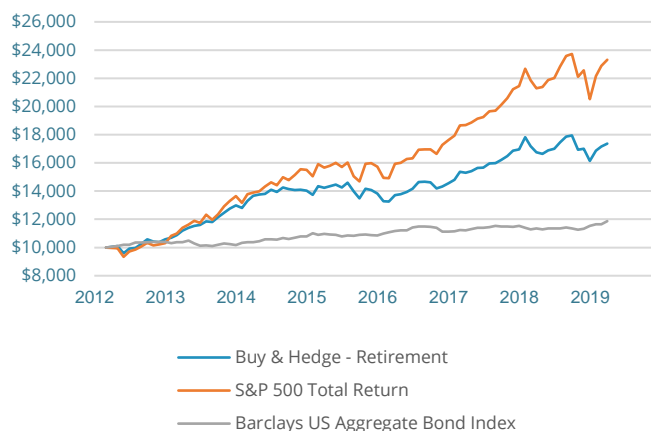
## Methodology

- Purchases SPY/SPX call options to simulate long market exposure
- At times, may produce income by selling Out-of-the-Money calls
- Fixed income ETFs are purchased with free cash and the income is used to pay for the long call option
- Options may be built in laddered positions over a 12 month window using at least two rungs
- Regularly rebuilding each ladder rung as options expire can provide the means for purchasing extra equity exposure as markets experience reduced prices (essentially buying on dips)
- Regularly rebuilding each rung may also lock in gains as markets move up as hedged positions are reestablished at higher levels
- Hedges on fixed income positions are structured to be either credit hedges or interest rate hedges—but never both in the same ladder

## Performance Statistics

	ZEGA Financial	S&P 500 Total Return	Barclays US Aggregate Bond Index
YTD Return	7.62%	13.64%	2.94%
Ann. Return: 1 year	3.68%	9.49%	4.48%
Ann. Return: 3 years	8.17%	13.52%	2.03%
Ann. Return: 5 years	4.89%	10.92%	2.74%
Ann. Return: Inception	8.20%	12.85%	2.48%
Annualized Volatility	7.81%	10.77%	2.83%
Sharpe Ratio	1.18	1.14	0.68

## Cumulative Growth (since inception)



# Buy & Hedge - Retirement

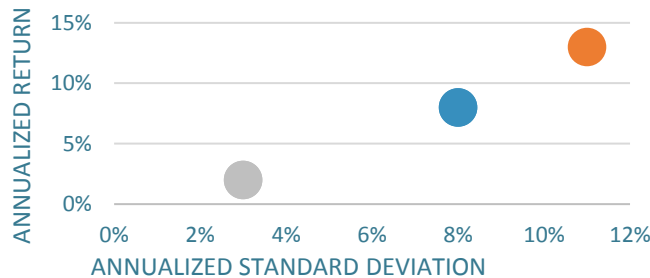
March 2019



## Recommended Usage

The ZEGA Buy & Hedge Retirement Strategy is recommended as a Core holding to replace a portion of the US equity exposure for a client. Client should have moderate risk tolerance. Strategy is best suited to a tax-advantaged account.

## Risk vs. Return



- Buy & Hedge - Retirement
- Barclays US Aggregate Bond Index
- S&P 500 Total Return

## Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	S&P500
<b>2012</b>				1.00%	-5.01%	3.47%	0.39%	3.04%	3.05%	-1.52%	-0.45%	2.06%	<b>5.88%</b>	<b>3.03%</b>
<b>2013</b>	1.06%	1.72%	2.81%	1.77%	1.30%	0.55%	2.18%	-0.47%	3.00%	2.59%	2.30%	1.78%	<b>22.59%</b>	<b>32.39%</b>
<b>2014</b>	-1.40%	3.94%	2.82%	0.51%	0.49%	2.06%	-1.20%	2.42%	-0.79%	-0.57%	0.15%	-0.44%	<b>8.13%</b>	<b>13.69%</b>
<b>2015</b>	-2.06%	4.31%	-0.67%	0.69%	0.78%	-1.41%	2.50%	-4.33%	-3.45%	5.06%	-0.70%	-1.84%	<b>-1.56%</b>	<b>1.40%</b>
<b>2016</b>	-3.79%	-0.19%	3.42%	0.52%	1.11%	1.61%	3.34%	0.16%	-0.33%	-2.87%	0.93%	1.52%	<b>5.31%</b>	<b>11.98%</b>
<b>2017</b>	1.68%	3.82%	-0.39%	0.74%	1.50%	0.19%	1.77%	0.20%	1.42%	1.70%	2.34%	0.58%	<b>16.63%</b>	<b>21.84%</b>
<b>2018</b>	4.97%	-3.48%	-2.56%	-0.67%	1.51%	0.62%	2.67%	2.39%	0.45%	-5.62%	0.41%	-5.11%	<b>-4.89%</b>	<b>-4.38%</b>
<b>2019</b>	4.45%	1.75%	1.26%										<b>7.62%</b>	<b>13.64%</b>

## 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.

This report is supplemental information. The Buy & Hedge Retirement Strategy is a sub-composite to the Buy & Hedge Master Composite that ZEGA maintains. The data in this supplemental report is for the accounts that were managed in accordance with the guidelines consistent with the Buy & Hedge Retirement strategy as described in this report. All of the portfolios included in the returns reported herein are also part of the Buy & Hedge Master Composite.

The Buy & Hedge Master Composite includes all Hedged Equity strategies and accounts managed by ZEGA prior to and since ZEGA's inception. To qualify as a Hedged Equity strategy, the account must be invested with its assets in at least 70% in a diversified portfolio of Equities, Equity ETFs, or Equity indexes. The value is based on the notional dollars controlled. The portfolio must also have a hedge built in that limits the downside for the majority of the notional equity controlled. All portfolios that are at least 70% allocated to this strategy are included. The benchmark is the S&P 500. The S&P 500 Index is a collection of 500 of the largest publicly traded US Equity large cap companies. The secondary 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.

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 Pestrighelli at 1-800-380-9342, ext 101 or [jay.pestrihelli@zegafinancial.com](mailto:jay.pestrihelli@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.