

# AGGRESSIVE GROWTH

## HIGH PROBABILITY OPTIONS STRATEGY (HiPOS)



as of December 2016

### HIGHLIGHTS

- Annualized returns since inception are +21.4% after fees
- Alternative investment strategy specializing in options
- Non-correlated historical returns to equity or fixed income markets
- Targets a monthly return rate of 1% - 4% (gross)
- Recommended use not to exceed 10% - 20% of a portfolio's investable assets
- Management team with extensive options experience

### METHODOLOGY

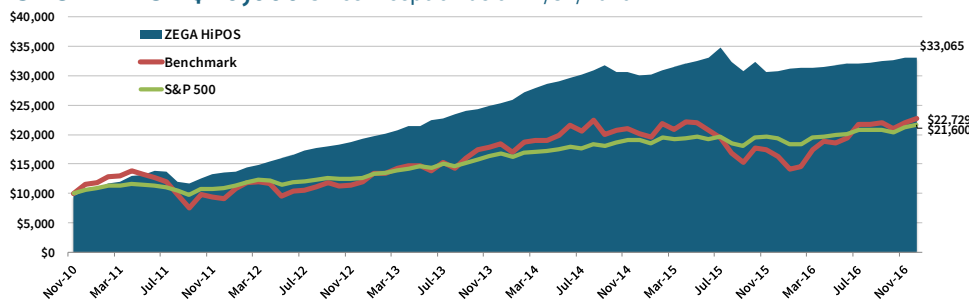
- **Disciplined Approach:** only invests when targeted returns exceed the calculated risk.
  - Investment in options on major equity indexes
  - Returns are driven by the natural time decay of near-expiring options; positions must have expirations within the following 30 days
  - Strike price must be far enough 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. This effectively reduces the amount of premium received per contract and increases the number of contracts in which the strategy can enter into at one time, therefore increasing the potential return.
- **Disciplined Exit Criteria:** ZEGA continuously monitors the positions in the portfolio and makes adjustments to fit the risk/return expectation of the strategy. If the portfolio's one-month loss approaches our exit criteria (typically around 4% loss), 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 only rolls 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 as of 12/31/2016

#### Annualized Returns

	MTD	QTD	YTD	1 Year	3 Year	5 Year	ITD
<b>ZEGA HiPOS Gross</b>	0.0%	2.0%	9.0%	9.0%	10.9%	21.2%	23.2%
<b>ZEGA HiPOS Net</b>	-0.1%	1.6%	7.4%	7.4%	9.2%	19.4%	21.4%
<b>Benchmark</b>	2.9%	3.3%	40.0%	40.0%	7.2%	19.9%	14.2%
<i>excess return</i>	-3.0%	-1.7%	-32.6%	-32.6%	2.0%	-0.5%	7.2%
<b>S&amp;P 500</b>	2.0%	3.8%	12.0%	12.0%	8.9%	14.7%	13.3%
<i>excess return</i>	-2.1%	-2.2%	-4.5%	-4.5%	0.3%	4.8%	8.1%

### GROWTH OF \$10,000 Since Inception as of 12/31/2016



### STRATEGY OVERVIEW

ZEGA's High Probability Options Strategy (HiPOS) is an alternative investment strategy that seeks excess returns from an aggressive investment profile. ZEGA generates return by selling credit spreads, which are two-legged options strategies. HiPOS is designed to be highly liquid and has little to no historical correlation to the equity or interest rate sensitive markets.

#### KEY FACTS

<b>Vehicle Type</b>	Separately Managed Account
<b>Inception Date</b>	November 2010
<b>AUM (12/31/2016)</b>	\$35.4 Million
<b>Benchmark</b>	Morningstar US ETF Trade Leveraged Equity Index
<b>Portfolio Managers</b>	Jay Pestrighelli Wayne Ferbert

#### RISK METRICS

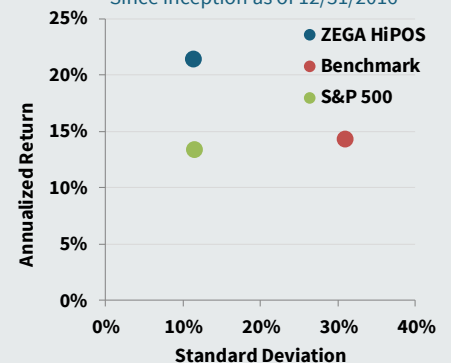
	Standard Deviation			
	1 Year	3 Year	5 Year	ITD
<b>ZEGA HiPOS Gross</b>	1.9%	9.0%	8.1%	11.3%
<b>ZEGA HiPOS Net</b>	1.9%	9.0%	8.1%	11.3%
<b>Benchmark</b>	27.2%	26.9%	26.8%	30.9%
<b>S&amp;P 500</b>	9.8%	10.6%	10.3%	11.4%

	Sharpe Ratio			
	1 Year	3 Year	5 Year	ITD
<b>ZEGA HiPOS Gross</b>	4.65	1.19	2.60	2.04
<b>ZEGA HiPOS Net</b>	3.79	1.01	2.38	1.88
<b>Benchmark</b>	1.46	0.26	0.74	0.46
<b>S&amp;P 500</b>	1.18	0.83	1.42	1.16

#### RISK/RETURN

Since Inception as of 12/31/2016





## MONTHLY PERFORMANCE Since Inception as of 12/31/2016

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD (net)	Bench	S&P 500
2010	Gross												-3.9%	4.8%	16.0%	6.7%
	Net												-4.0%			
2011	Gross	3.9%	7.1%	3.3%	8.0%	2.0%	4.6%	-0.5%	-12.7%	-2.4%	8.5%	4.8%	3.3%	29.8%	-21.1%	2.1%
	Net	3.7%	6.9%	3.1%	7.8%	1.9%	4.5%	-0.7%	-12.8%	-2.5%	8.4%	4.7%	3.1%			
2012	Gross	1.1%	5.0%	3.6%	3.8%	3.1%	4.1%	4.3%	3.1%	1.6%	1.4%	2.5%	3.2%	41.4%	31.3%	16.0%
	Net	1.0%	4.8%	3.5%	3.7%	3.0%	4.0%	4.2%	3.0%	1.4%	1.3%	2.4%	3.0%			
2013	Gross	2.6%	2.2%	3.2%	3.3%	0.0%	5.0%	1.4%	3.1%	2.6%	1.7%	2.3%	2.1%	31.8%	53.3%	32.4%
	Net	2.5%	2.1%	3.1%	3.2%	-0.2%	4.9%	1.3%	3.0%	2.5%	1.6%	2.2%	2.0%			
2014	Gross	2.0%	5.2%	2.7%	3.1%	1.3%	2.1%	2.1%	2.6%	3.0%	-3.4%	0.0%	-2.0%	18.2%	9.2%	13.7%
	Net	1.9%	5.1%	2.6%	2.9%	1.2%	2.0%	2.0%	2.5%	2.8%	-3.5%	-0.1%	-2.1%			
2015	Gross	1.0%	2.3%	2.1%	1.7%	1.6%	1.9%	5.4%	-7.0%	-4.7%	5.3%	-5.2%	0.6%	2.6%	-19.4%	1.4%
	Net	0.9%	2.2%	2.0%	1.6%	1.5%	1.7%	5.3%	-7.1%	-4.8%	5.2%	-5.3%	0.5%			
2016	Gross	1.4%	0.8%	0.0%	0.6%	0.9%	1.2%	0.1%	0.4%	1.3%	0.4%	1.6%	0.0%	7.4%	40.0%	12.0%
	Net	1.3%	0.6%	-0.1%	0.5%	0.8%	1.1%	-0.1%	0.2%	1.2%	0.3%	1.5%	-0.1%			

## RECOMMENDED USAGE

The ZEGA Aggressive Growth High Probability Option Strategy (HiPOS) is designed to complement or replace an existing aggressive portfolio's allocation. Due to its un-hedged and highly leveraged use of options, we typically recommend the Aggressive Growth HiPOS remain limited to no more than 10-20% of an individual's investable assets. This strategy is recommended for use by Accredited Investors. Investors must be aware of the risks in this strategy prior to investment.

## STRATEGY RISKS & DISCLOSURE

**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.**

The performance figures illustrated in the ZEGA High Probability Options Aggressive Growth Strategy represent the actual aggregated performance of the Aggressive Growth Strategy in ZEGA's client and employee accounts. Performance numbers displayed net of fees include a 1.50% fee; this fee is an estimate which reflects both ZEGA's management fee and the fee charged by the advisor to the client. The Aggressive Growth strategy became actively managed in the fourth quarter of 2010. The target benchmark allocation will change as the allocation of the strategy changes. 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 model portfolio will generate over a long time period. The performance of the models 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 model portfolio 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. **The Morningstar US ETFs – Trading Leveraged Equity Index:** the aggregate return calculated by Morningstar of the largest leveraged US Equity ETFs. This benchmark was selected because leveraged US equity ETFs share common performance characteristics to HiPOS: 1. Spikes in volatility can erode returns, and 2. the exposure to the US equity market is leveraged. **The S&P 500 Index** – a broad-based unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks.