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IUR Capital

Seeking Income for Summer with Powershares QQQ Options

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A copy is also available at: <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

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Host Profile (Gareth Ryan)

- Founded IUR Capital Ltd in 2007, IUR Capital LLC in 2010
- IUR Capital is an investment advisor for institutional and retail investors
- Specialising in exchange-traded option strategies

Market Update....further records

- SPX / QQQ +17% YTD
- Solid earnings season for megacaps
- Q3 2021 continues to see inflows for risk assets
- Commodities also continuing to see upside through late summer
- 10-Year Treasury yield continues to retrace toward 1% handle
- The “normalization” of global economy gathers pace
- How can we use options to enhance yield of our underlying holdings in a portfolio?

(As of 07/26/2021)

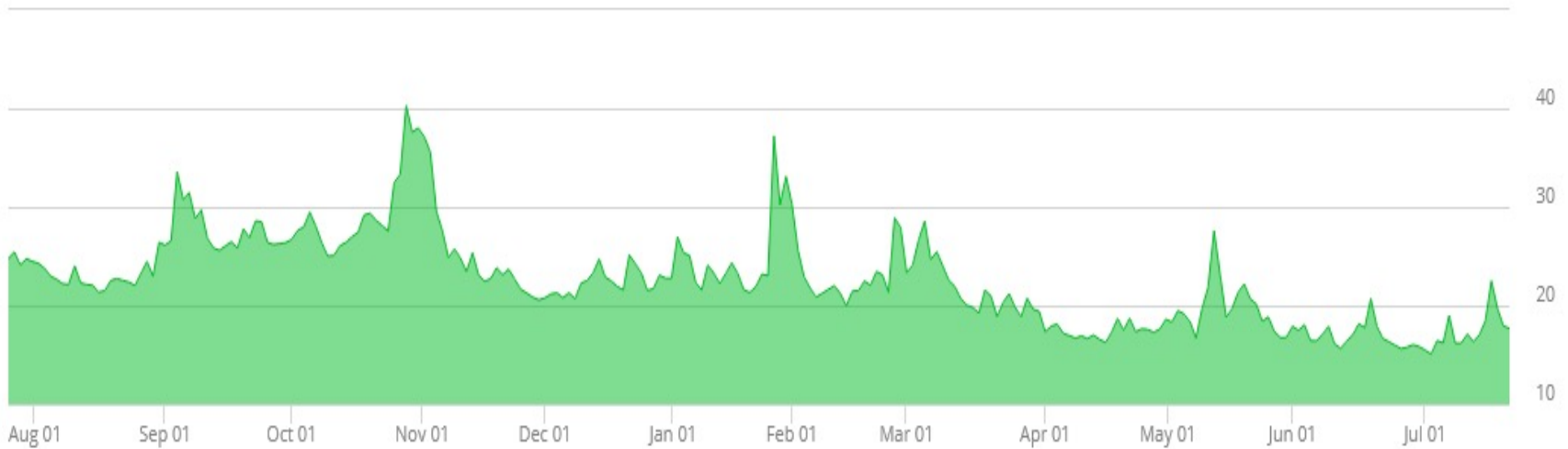
Where are we on the Volatility Landscape?

- The events of early 2020 have set a permanent mark on cross-asset volatility and how it is priced
- High volatility = High option pricing
- Covid “volatility premium” is now firmly in the background
- Implied volatility tells us what the options market is *implying* in terms of market moves
- The reversion to a lower volatility environment continues during Q3
- For as long as volatility continues to decline, the cost of insurance (puts) will be significantly lower than March 2020
- Opportunities for both long volatility and short volatility option strategies during the remainder of 2021...

Volatility trend continues to the downside....

CBOE Volatility Index

Intraday 5D 1M 3M 6M YTD 1Y 5Y All

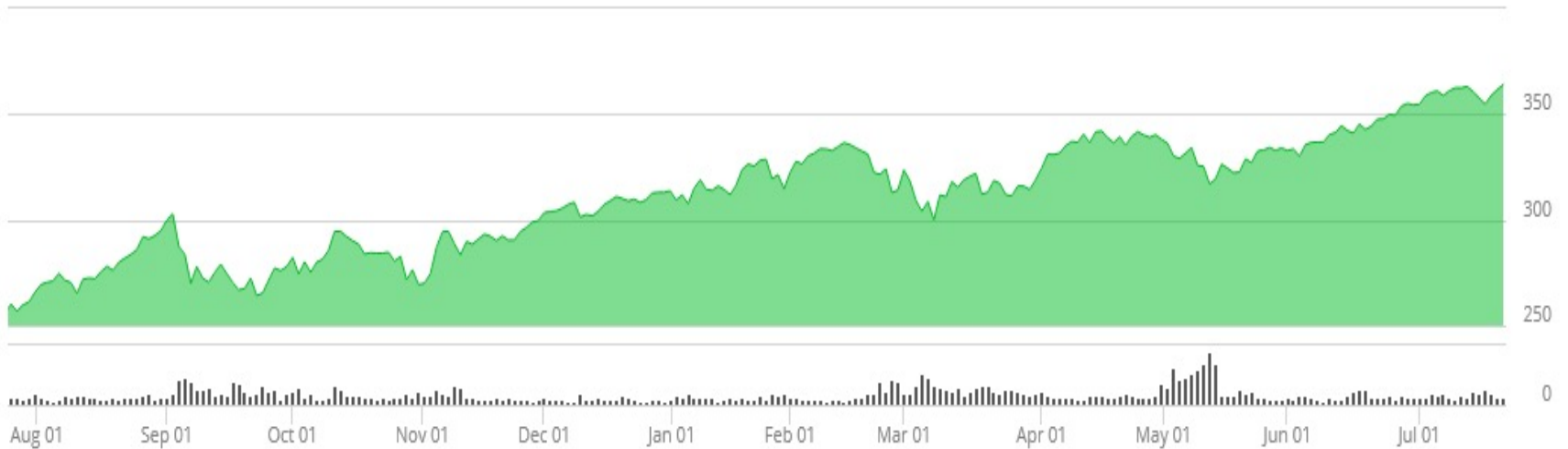


Source: CBOE

Tech continues to trend higher...but underperforming other parts of the market....

PowerShares QQQ Trust, Series 1 (ETF)

Intraday 5D 1M 3M 6M YTD 1Y 5Y All



Source: CBOE

Scenario 1: \$5m portfolio

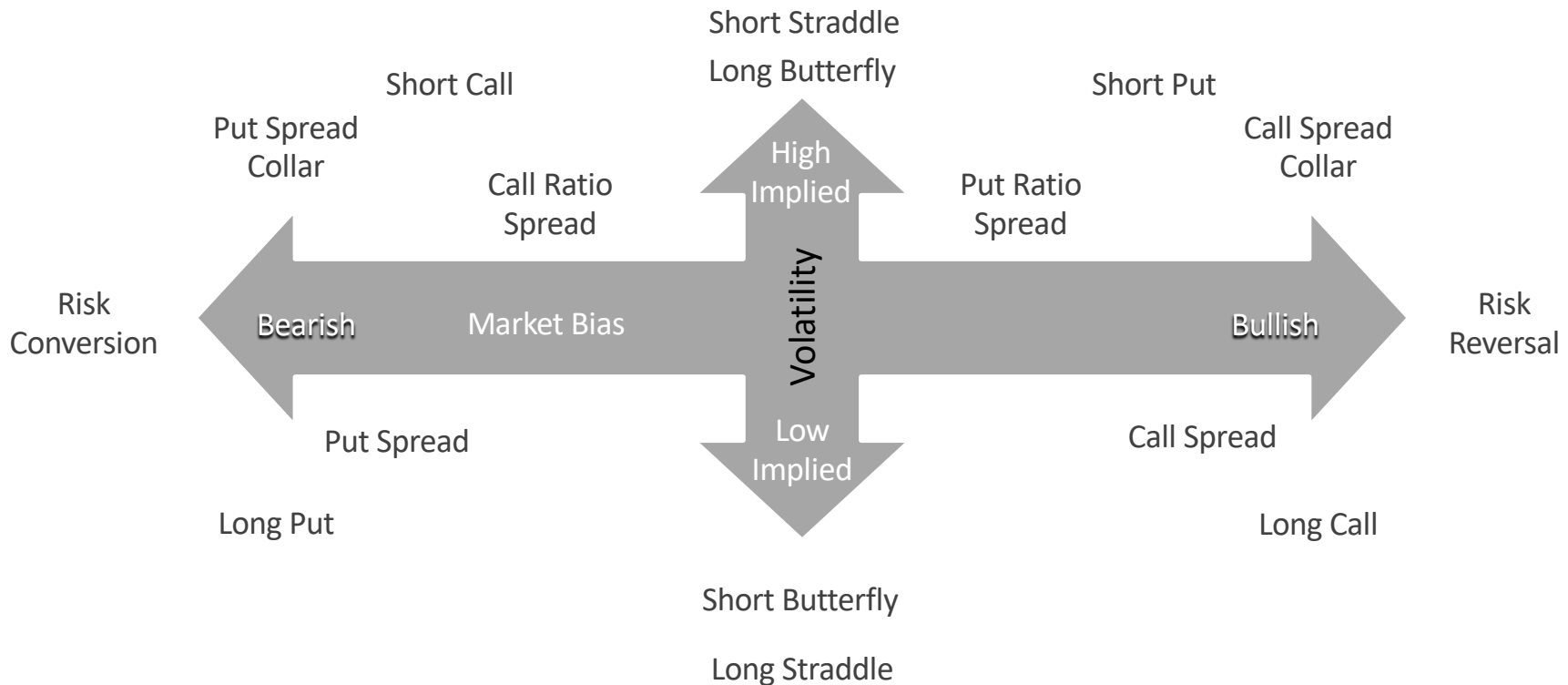
- You are in the 40-60 age range, married with 0 / 1 dependent
- You are looking to supplement income from employment through your current portfolio
- Currently invested in bonds, mutual fund, dividend-paying stocks
- You need to generate consistent income in the portfolio BUT with a focus on capital preservation
- You are willing to allocate 15-20% of the overall portfolio to a conservative options strategy to generate regular premium
- You want to achieve regular premium even if the market remains flat

Scenario 2: \$500k retirement account

- You are nearing retirement or already retired, with no dependents
- Your income has dropped, but you are wary that you will still have living costs for you and your spouse
- Mostly invested in bonds with a small element of stocks, but your dividend income is not sufficient for regular drawdowns
- Preserving your capital in your retirement accounts is a priority
- But you are willing to look at an income strategy using options that does not require a rising market
- You want to achieve regular premium even if the market remains flat

It begins with the right strategy...

Strategy Suite Income-seeking / Directional / Hedging



Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs

QQQ (Powershares QQQ Trust ETF)

- **Invesco QQQ Trust Series 1** is an exchange-traded fund incorporated in the USA.
- The ETF tracks the Nasdaq 100 Index
- Includes 100 of the largest non-financial companies by market cap listed on Nasdaq.
- Investors who want to own components in the technology sector may decide to buy exchange traded funds (**ETFs**) that track the Nasdaq.

Using QQQ options as a vehicle for income

- Vertical Spreads
- Creates defined-risk, defined-reward scenario
- Buy one option, sell another
- Same underlying
- Same expiration
- Different strike prices
- Established as a credit spread
(premium received on opening transaction)

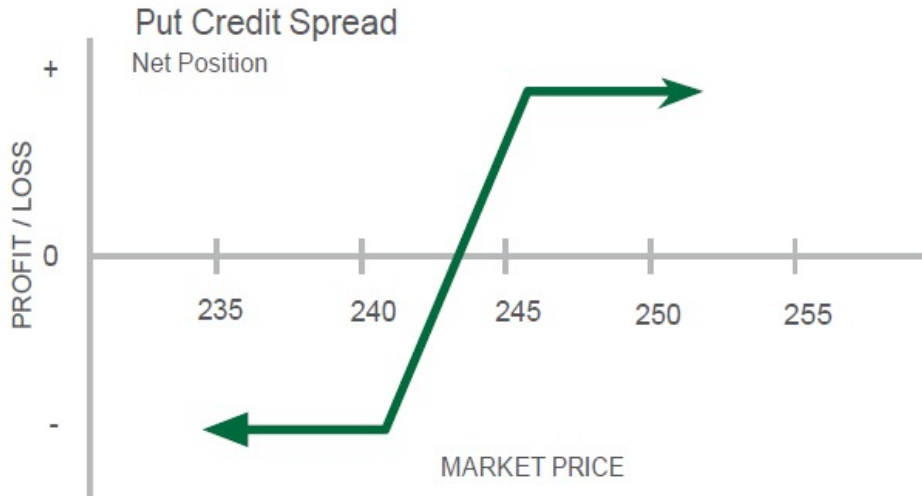
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QQQ Options Credit Spread Strategy

- Seeks to harvest premium to the portfolio using both put spread and call spread premium on underlying QQQ Exchange Traded Fund.
- Combine weeklies and traditional monthlies to harvest premium
- Weeklies setup could be as short as 14 days
- Use of at least 2 weeklies and the traditional monthly in any given month
- Consider an outright hedge

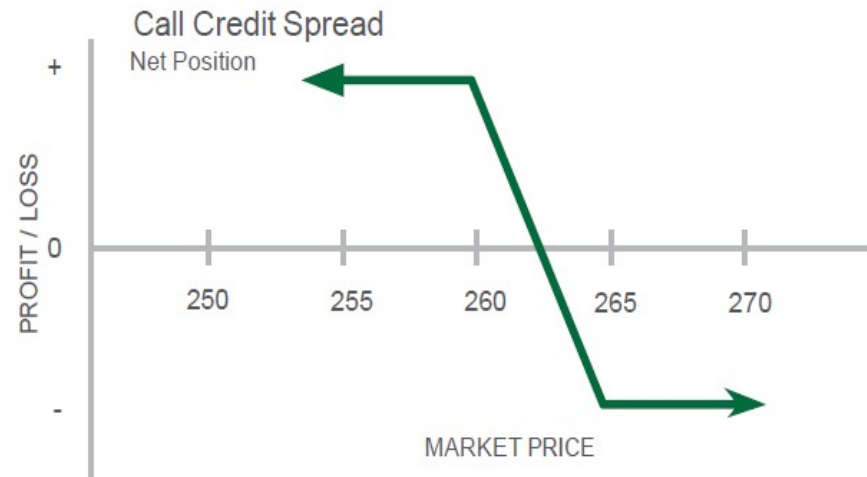
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Credit Spread Strategy for income



Defined risk

Defined return



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Questions for today's webcast...

- After retracing into the teens during Q2, is it appropriate to be buying volatility or selling volatility on QQQ options?
- Tech earnings will produce volatility within single names, how can we factor this into our income-seeking objectives?
- Will the downward trend for volatility on QQQ options continue?

Let's talk...

Email me gryan@iurcapital.com to request the slides or just to have a chat....