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IUR Capital

Develop an Options Trading Plan into Year-End

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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
- Focused in exchange-traded option strategies

How has 2022 been so far?

- Nasdaq falls back into bear market
- S&P 500 retracing 10% from recent highs
- Software/Internet stocks bearing the brunt of the sell-off
- VIX remains range-bound mid-20s
- And we have a “perma-hawk” Fed to contend with
- August volatility for equity indexes

(As of September 1st, 2022)

CBOE VIX....if you haven't noticed, it's volatile out there



Source: IBKR TWS (September 7th, 2022)

SPDR S&P 500 ETF....

1-2% daily moves are the new norm



Source: IBKR TWS (September 7, 2022)

Question of the day....

**Will the S&P 500 retest June bear market lows?
(SPX 3666)**

Answers please in the Q&A Panel

Scenario 1: \$5m equity portfolio

- You are nearing retirement or already retired, with no dependents
- Mostly invested in large-cap tech with element of cyclicals/defensives, but dividend income is not sufficient for regular drawdowns
- 2022 has been a humbling year for growth/tech
- But we have retained most of long-term holdings, despite YTD impact
- You are willing to look at an premium-harvesting option strategies that does not require a rising market
- You want to achieve regular premium even if the market remains flat

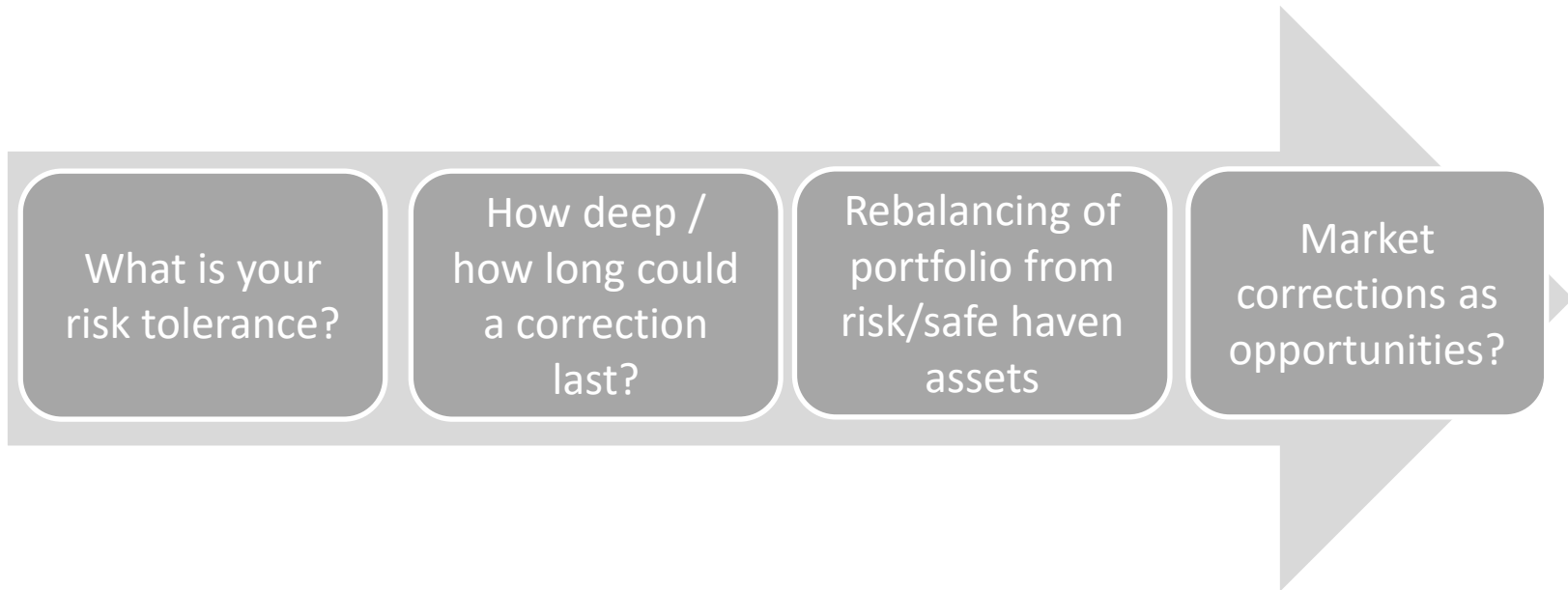
Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs

Scenario 2: \$500k retirement account

- You are nearing retirement or already retired, with no dependents
- Your income has dropped, but wary of record inflation
- Mostly invested in bonds with a small element of equities
- Preserving your capital in your retirement accounts is a priority
- How can we achieve premium-harvesting through defined-risk / defined-return option strategies?
- You want to achieve regular premium even if the market remains flat

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What should be my approach into year-end?



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And what are the objectives for the portfolio?

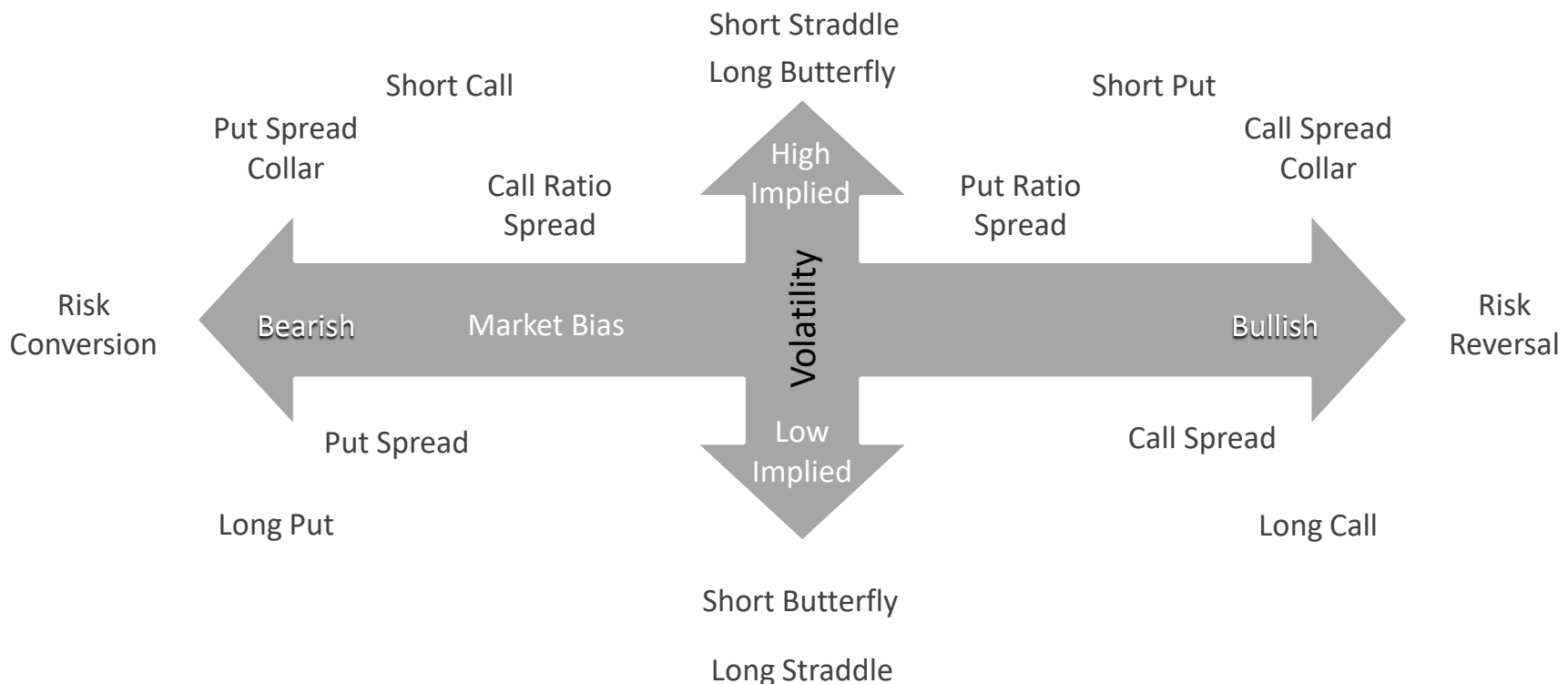
Capital Growth?

Capital Preservation?

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Let's revisit our strategy suite...

Strategy Suite Income-seeking / Directional / Portfolio protection



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Use of index/index ETF products as underlying vehicles

Ticker	Instrument	Style	Settlement
SPY	SPDR S&P 500 ETF	American	Physical
SPX	S&P 500 Index	European	Cash
IWM	Russell 2000 Index ETF	American	Physical
RUT	Russell 2000 Index	European	Cash
QQQ	Invesco QQQ Trust	European	Physical

*Note that SPY / IWM ETF products have quarterly dividends.

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Income-seeking strategies... an overview

Objective	To generate regular premium to portfolio / generate income	
Setup	Selling of put / call options for premium on underlying security Carries inherent market exposure	
Covered Call	Credit Spread	Iron Condor / Iron Butterfly
When it works:	Moderately trending market Sideways market	
Risks:	Sharp market moves with no hedge Realized volatility is higher than implied volatility	

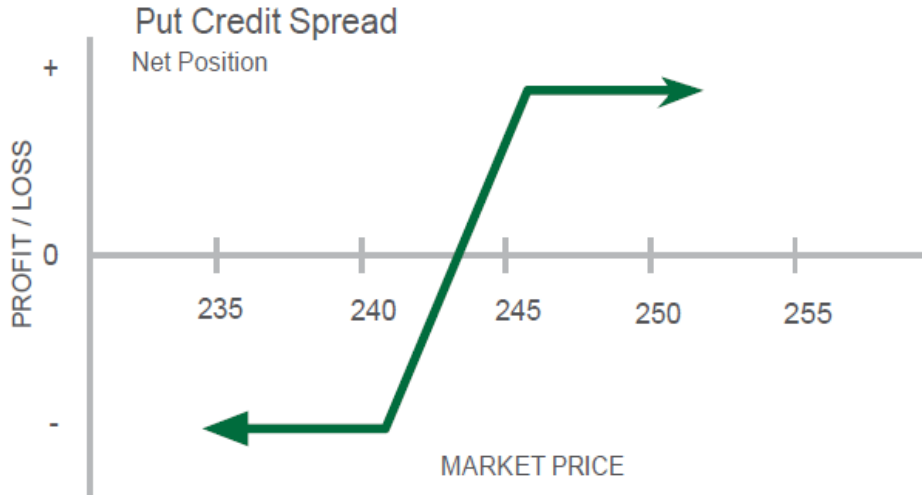
Using index ETF options as a vehicle for income

- 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)

- Seeks to harvest premium on a continuous basis to the portfolio using both put spread and call spread premium on an index ETF.
- Makes use of short-dated and long-dated options
- Seeks to outperform the underlying benchmark index net of fees.
- Can be used on any equity index or index ETF.

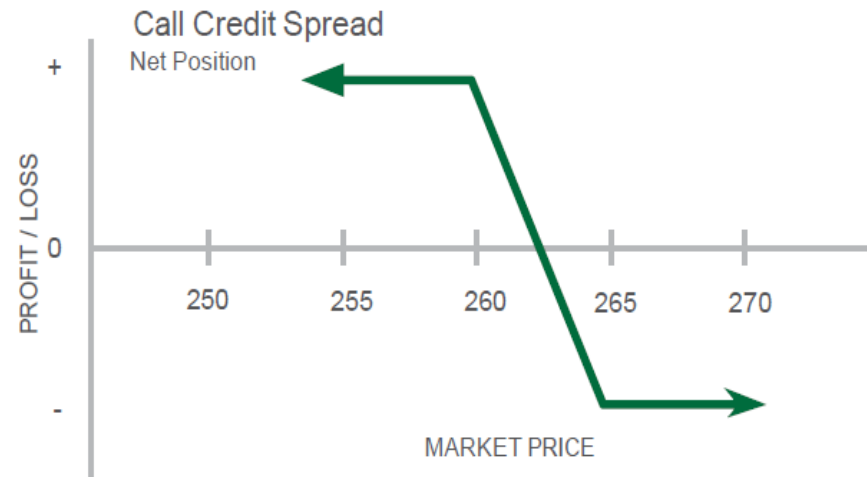
- Combine weeklies and traditional monthlies to harvest premium
- Weeklies setup could be as short as 14 days
- Use of at least 2 weeklies and traditional monthly in any given month
- Consider an outright hedge

Credit Spread Strategy for income



Defined return

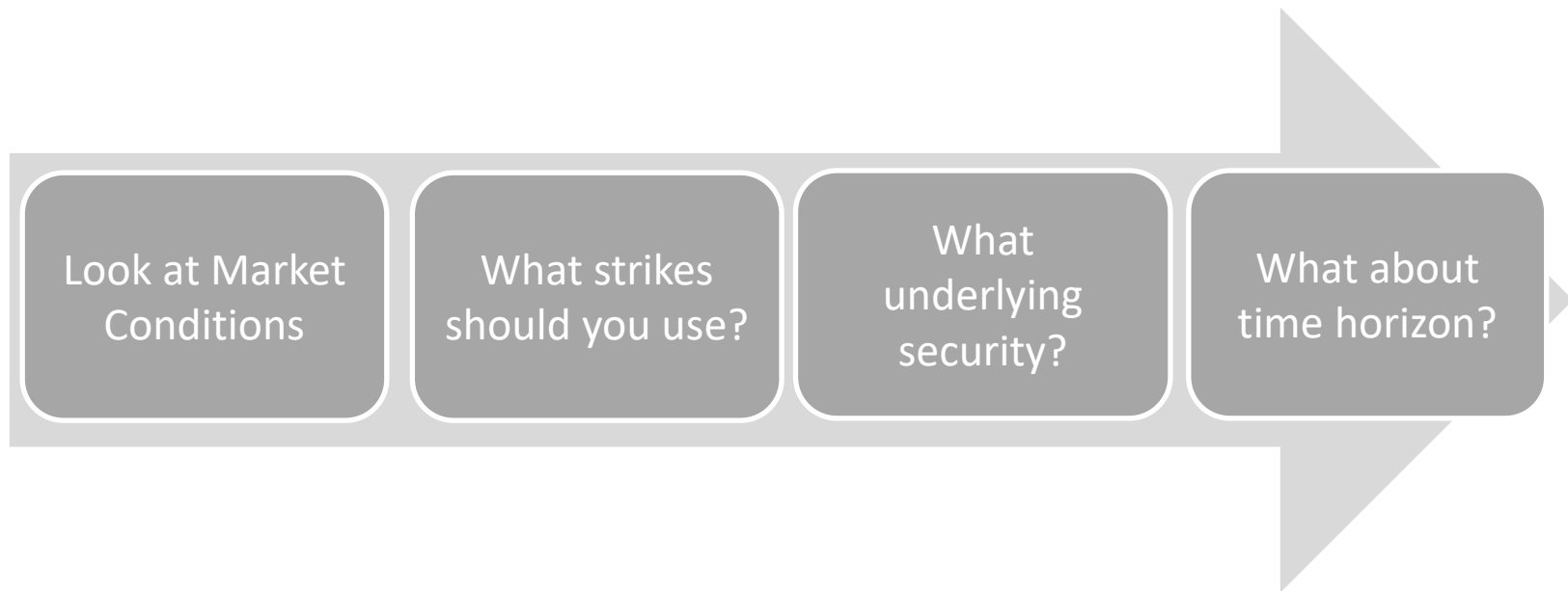
Defined risk



- Both maximum gain and maximum loss are defined
- Best case scenario is both legs of the credit spread expire OTM at zero
- Worst case scenario is for the underlying security to fall below the lower strike at expiry (put credit spread) or above the higher strike (call credit spread)
- Adjustment points determined at the outset to avoid assignment
- Credit Spread Strategy can also be hedged to reduce directional exposure
- **This requires active management of the position...particularly in market corrections**

There is a substantial risk of loss in trading futures and options.

Making option-based strategies work in a portfolio.....



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Join us on our September Options Roadshow with IBKR

Vancouver - Hyatt Regency Vancouver

Monday September 12th
1pm-4pm

San Francisco - Westin St. Francis Union Square

Tuesday September 13th
1pm-4pm

Los Angeles - Kimpton Hotel Palomar Los Angeles

Wednesday September 14th
1pm-4pm

Dallas - Sheraton Dallas Hotel

Friday September 16th
1pm-4pm

Miami - JW Marriott Marquis

Saturday September 17th
1pm-4pm

West Palm Beach - Hilton West Palm Beach

Monday September 19th
1pm-4pm

Chicago - Renaissance Chicago

Wednesday September 21st
1pm-4pm

Toronto - The Westin Harbour Castle

Thursday September 22nd
1pm-4pm

New York City - etc. Venues 601 Lexington Ave

Friday September 23rd
1pm-4pm

For more information and to register,
please email gryan@iurcapital.com

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Let's talk...

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