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September 11, 2023

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Prepare An Options Trading Plan for the Rest of 2023

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September 2023

Risk Disclosure

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Options are leveraged products that involve risk and are not suitable for all investors. Before committing capital to any option strategies, read the "Characteristics & Risks of Standardized Options" provided by the Options Industry Council. For a copy call 312-542-6901.

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 on exchange-traded option strategies

How has 2023 been so far?

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- Nasdaq 40% YTD gains has driven broader equity market sentiment
- S&P 500 now at YTD highs (+17%)
- Fed rate hike cycle *could* see one more hike at the September meeting
- VIX continues to trend around "baseline volatility" of low-teens
- Post-summer pick-up in volatility ahead for risk assets
- This week's inflation data means >1% move for equity indexes

(As of September 6th, 2023)

CBOE VIX….volatility has been a cameo guest in 2023

Source: IBKR TWS (September 8th, 2023)

S&P 500 YTD….will we make new highs before year-end?

Source: IBKR TWS (September 8th, 2023)

What we need to watch in the coming months....

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Question of the day….

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Will we see the S&P 500 end 2023 above 3800?

Answers please in the Q&A Panel

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

Scenario 1:
$5m equity portfolio

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- 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
- 2023 has been an outperform year for growth/tech
- But we have retained most of long-term holdings, despite YTD impact
- You are willing to look at premium-harvesting option strategies that do not require a rising market
- You want to achieve regular premium even if the market remains flat

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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

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

What should be my approach into year-end?

What is your risk tolerance?

What is your time horizon?

Rebalancing of portfolio from risk/safe-haven assets

Market corrections as opportunities?

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

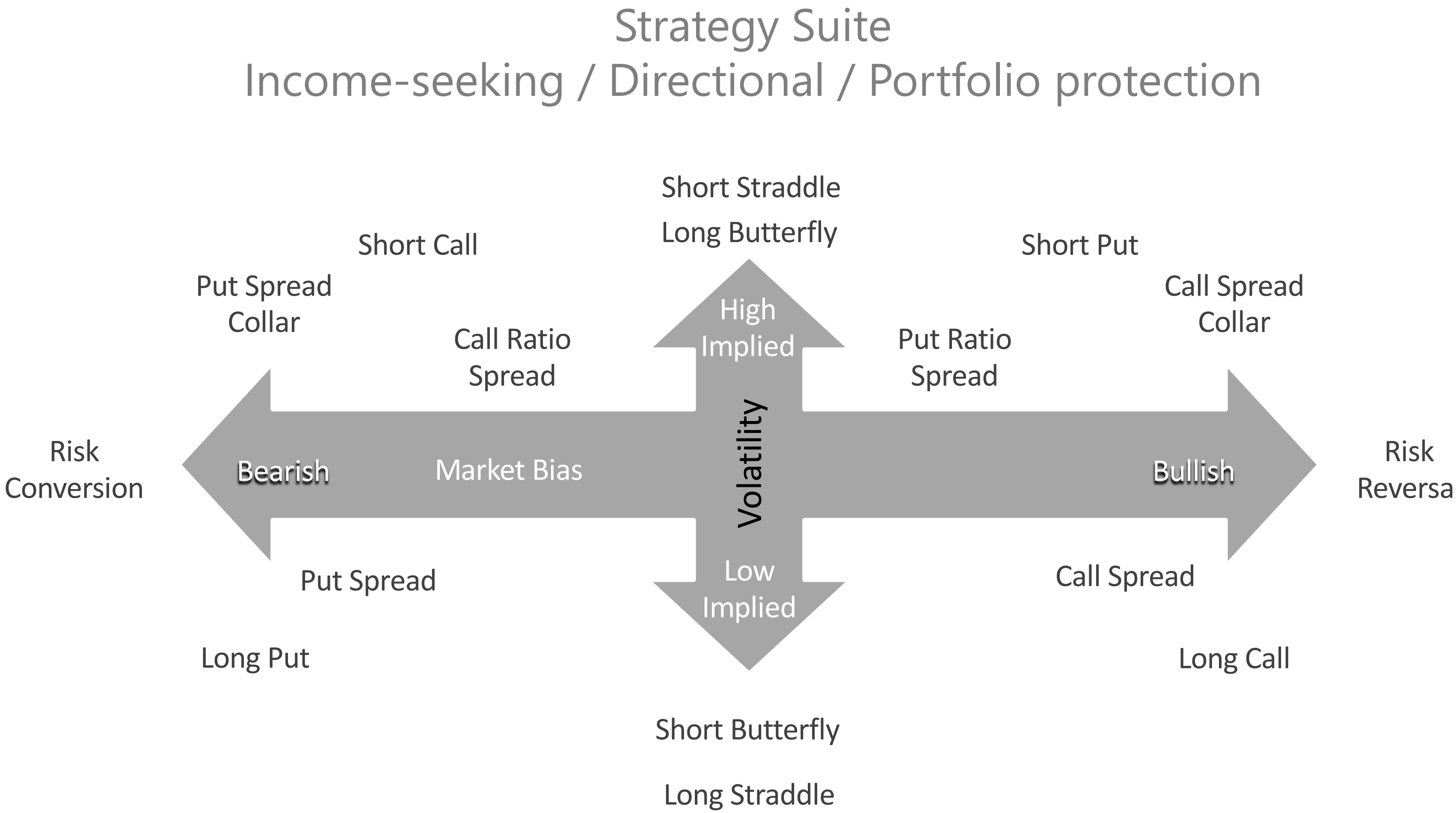
And what are the objectives for the portfolio?

Capital Growth?

Capital Preservation?

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

Let's revisit our strategy suite…



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

Source: Chris Hausman (CBOE RMC)

Three premium-harvesting strategies to consider….

Iron Condor → Butterfly → Credit Spread

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

Why do we like Index Options as a vehicle for income?

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- Gives us broad-market (top-down) exposure
- Reduces concentration to single sectors or single names
- Liquidity – we like liquidity (particularly with options)
- Choice of time horizon – weeklies / monthlies
- Taking bearish / neutral or bullish outlook on equity index
- Deploy option strategy that allows us to be (slightly) wrong

Using index options as a vehicle for income

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- 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)

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

Credit Spread Strategy for income

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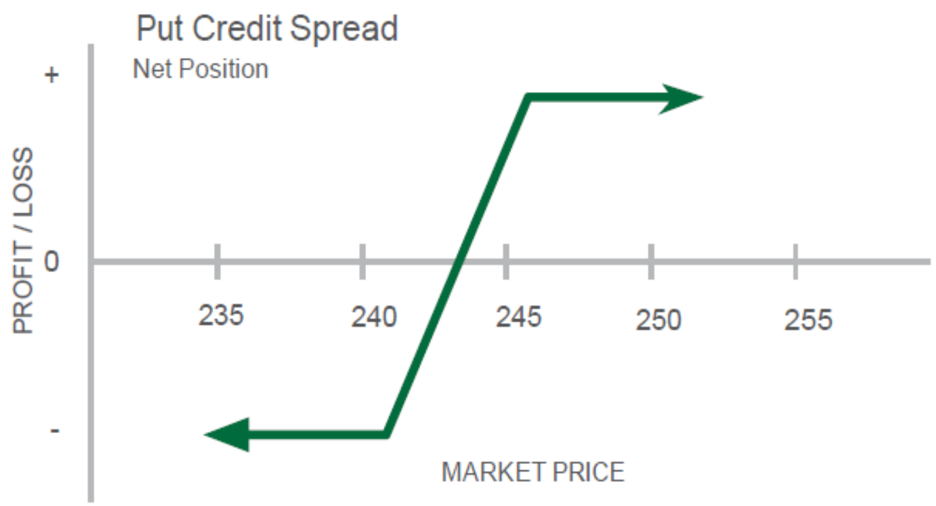
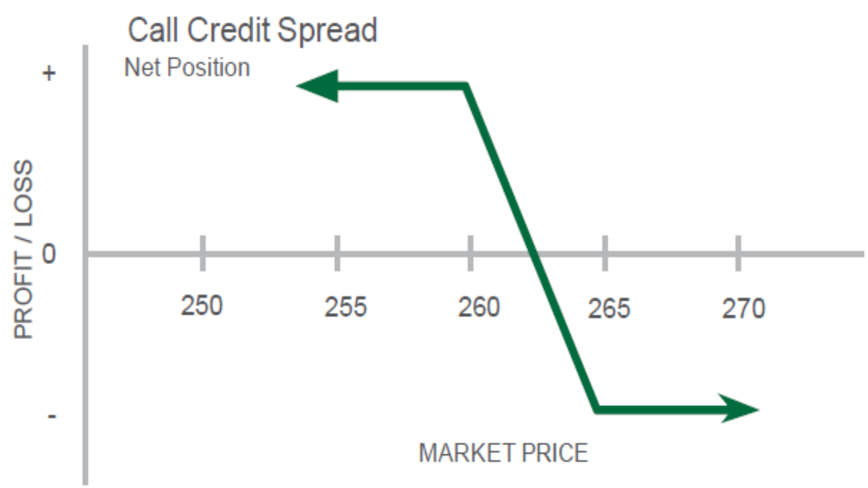


Defined risk

Defined return



Risk Management

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- 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…..

Look at Market Conditions

What strikes should you use?

What underlying security?

What about time horizon?

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How we advise on the IBKR platform....

- Advising on existing IBKR account
- Divide account into two partitions
- Create a new advisor-linked account

Let's talk…

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