

RISK REDUCTION AND YIELD ENHANCEMENT STRATEGY FOR EQUITY PORTFOLIOS

CONCEPT

Risk reduction and yield enhancement strategy for existing equity portfolios.
Performance improvement by 2-4% p.a. for any equity portfolio meeting certain standards
no management fee, just sharing of realized additional performance, if any

STRATEGY

The strategy does not intervene in management of equity portfolios - portfolio managers (or clients themselves for self-managed portfolios) remain in charge for composition of portfolios, selection of stocks, timing of buy and sell orders.

The strategy is adding value purely through different form of execution of buy and sell orders by sophisticated use of options. In essence, the strategy improves performance of any equity portfolio (meeting certain criteria) by collecting option premiums instead of paying fees for executing transactions (valid for market as well as limit orders). This results in buying at a lower price and selling at a higher price compared to standard buy/sell orders. Additionally, during holding periods of stocks in the portfolio, extra income can be generated by covered call writing (yield enhancement strategy).

REQUIREMENTS, COST

Portfolio standards required:

- minimum size of equity positions (multiples of 100 shares)
- no excessive turnover, holding period from several months to several years
- liquidity in options for relevant stock positions

Cost: no extra cost for investor
sharing of additional performance, if any

for Information purposes only – no recommendation to buy or sell