Opportunities for Option Strategies
ABSOLUTE RETURN OVERLAYS

Mariner WEALTH ADVISORS

Premium Income

Investment Objective

- Absolute Return
- Overlay strategy selling deep out-of-the-money call and put spreads with expirations typically 45 days or less on the S&P 500 index

Risk

- Extreme moves up or down in the S&P 500 index over short periods of time
  - The strategy adds additional risk to a portfolio. The client must be able AND willing to add this risk to their portfolio.

How To Use The Strategy

- Overlay on a portion (20% to 40%) of an investment portfolio with the goal of enhancing the total return
  - *Note: Concentrated positions are not required*
  - Can be utilized on almost all nonqualified portfolios
  - The underlying assets serve as collateral for the strategy, it doesn't matter what they are as long as they are marginable
- Run strategy in place of a covered call strategy when a prospect/client does not want to reduce shares in a timely fashion
- Run strategy in conjunction with a collar or covered call strategy
  - Complementary to their covered call or collar strategy
    - Covered Calls: Can allow the client to run the covered calls on a smaller portion of their positions
    - Collars: Can serve as another way to help pay for the cost of the puts

Clients Who May Be Appropriate for the Strategy

- If the client has:
  - A moderate risk tolerance
  - Investable assets > $1 million
  - Underlying securities are marginable (no IRAs, LPs or non-publicly traded assets)
  - Objective to enhance the total return of their portfolio

If those 4 criteria are met, a client is a potential fit for the strategy

Managed Volatility

Investment Objective

- Absolute Return
- Overlay strategy selling deep out-of-the-money call and put spreads with expirations typically 14 days or less on the S&P 500 index

Risk

- Extreme moves up or down in the S&P 500 index over short periods of time
  - The strategy adds additional risk to a portfolio. The client must be able AND willing to add this risk to their portfolio.

How To Use The Strategy

- Overlay on a portion (10% to 20%) of an investment portfolio with the goal of enhancing the total return
  - *Note: Concentrated positions are not required*
  - Can be utilized on almost all nonqualified portfolios
  - The underlying assets serve as collateral for the strategy, it doesn't matter what they are as long as they are marginable
- Run strategy on investment grade fixed income
  - Investors receive the performance of the fixed income collateral which has a low correlation to Managed Volatility.
  - Fixed Income typically receives a higher margin release so Managed Volatility can be overlaid on a larger portion of the collateral relative to equities held as collateral.

Clients Who May Be Appropriate for the Strategy

- If the client has:
  - A moderately aggressive risk tolerance
  - Investable assets > $2.5 million
  - Underlying securities are marginable (no IRAs, LPs or non-publicly traded assets)
  - Objective to enhance the total return of their portfolio

If those 4 criteria are met, a client is a potential fit for the strategy

Managed Volatility sells options closer to the money compared to Premium Income so we would typically recommend overlaying on it on a smaller percentage of a client's portfolio. Additionally, we believe it is only appropriate for clients with investable assets greater than $2.5 million.

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Opportunities for Option Strategies
CUSTOM OVERLAYS

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Covered Call

Investment Objective

- Enhance return over a market cycle
- Provide incremental return
- When appropriate, provide an opportunity to reduce a concentrated position

Risk

- Underlying stock rallies significantly above the call strike price. The short calls will cap the upside appreciation of the underlying stock.

How to Use the Strategy

- Strategy can be run on an entire portfolio of stock and ETF positions
  - Mariner Wealth Advisors' **Focused Equity Income** strategy writes covered calls on a portfolio of 20-35 domestic large cap stocks
- Run strategy in a qualified account with the goal of eliminating tax consequences
- Run on concentrated positions with the goal of adding additional return and diversifying away from the concentrated position. Need flexibility to reduce shares.

Protective Put

Investment Objective

- Provide downside protection for a set period of time.
- Maintain 100% of the upside in the underlying security, excluding the cost of the put option.

Risk

- Maximum risk is the price paid for the put options.

How to Use the Strategy

- Strategy can be run on individual stocks and ETFs or an entire portfolio
- Not ideal to utilize for long periods of time since buying puts is expensive over the long-run.
- Best used to achieve specific objectives over defined time periods.

Collar

Investment Objective

- Provide downside protection for a set period of time
- Minimize the cost paid to purchase downside protection by selling an out-of-the-money call option
  - *Note: a collar will not provide any additional return unless the underlying stock declines significantly*
  - During slightly down, flat and up markets this strategy will be cash flow neutral at best

Risk

- Underlying stock rallies significantly above the call strike price. The short calls will cap the upside appreciation of the underlying stock.

How to Use the Strategy

- Ideal to use for defined time periods to achieve a specific objective vs. general protection for an indefinite period of time
- Alternative to attempting to time the market
  - Put cash to work in the equity market and apply a collar to help protect against a potential correction
    - Example: Buy an ETF and add a collar for a more conservative way to have market exposure vs. sitting on the sidelines in cash

Disclosures

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