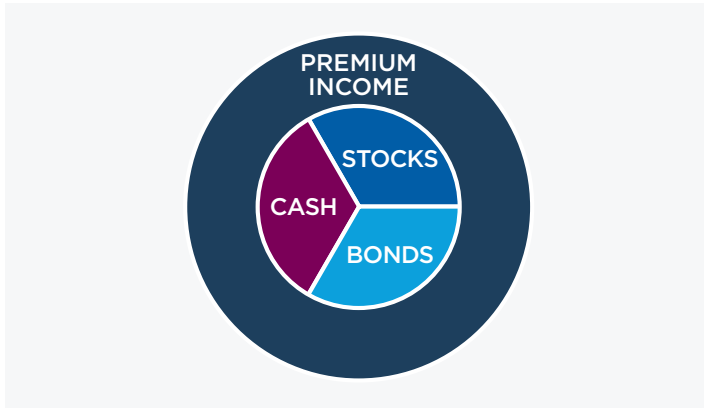


# Premium Income as a Portfolio Enhancer

## Opportunity Overview

Premium Income can be overlaid on a portfolio of marginable assets in an effort to enhance the total return. Premium Income has three primary benefits:

- Overlay Structure – Minimal Dedicated Capital
- Low Correlation to Most Asset Classes<sup>1</sup>
- Preferential Tax Treatment



## Portfolio Solutions for Clients

### Potential to achieve a higher overall portfolio cash flow.

Premium Income can be utilized as an alpha-generating overlay strategy to target a higher cash flow and total return without disrupting the existing portfolio. In most situations, an overlay of 10% to 20% of notional value on a client's total investable assets is recommended.

**Example:** If the client's assets are getting a 50% margin release this would equate to overlaying Premium Income on 20% to 40% of the collateral relative to a client's total investable assets.

## Contact

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## Objective of the Premium Income Overlay

Seeks to add additional cash flow to a current portfolio allocation.

## Risk

Premium Income adds additional risk to a portfolio above and beyond an investor's current asset allocation.

**Primary risk** for Premium Income is a large move down in the S&P 500 Index. During volatile time periods for the S&P 500, the strategy may have to adjust option positions and potentially realize a loss.<sup>1</sup>

## Client Attributes

**Premium Income may be appropriate** for high-net worth clients who have a moderate risk tolerance and are willing to add incremental risk to their portfolio in an effort to generate a higher cash flow or total return.

**Inappropriate** for clients who:

- Do not have the willingness and ability to take additional risks beyond their current portfolio.
- Do not want additional volatility added to their portfolio and cash flows. Premium Income's cash flows are not as consistent as dividends or bond coupons.

## Other Considerations

**Liquidity** – Premium Income has daily liquidity if needed. If possible, advanced notice of the liquidation will allow the options to unwind naturally and reduce costs to exit open positions.

**Account Setup** – Marginable assets are held in one account while Premium Income is managed in a separate account. The two accounts are linked together at the custodian so the margin release can be utilized in the option account.

**Collateral Sources** – Premium Income can be overlaid on marginable assets (stocks, bonds, ETFs, mutual funds, cash, etc.) in a taxable account. Premium Income can NOT be overlaid on non-marginable assets in IRA's or structures such as limited partnerships and interval funds. Additionally, accounts managed by a third-party can not be utilized as the collateral.

**Taxes** – Premium Income trades 1256 contracts which receive preferential 60% long-term and 40% short-term capital gains treatment.

<sup>1</sup> See the Premium Income fact sheet for historical returns, correlations and risk metrics.

### Disclosures

**This overview is provided for informational purposes only and does not take into account any individual personal, financial, or tax considerations. It is not intended to be personal investment advice or a solicitation to buy or sell any security or engage in a particular investment strategy. There is no guarantee that the strategy will meet its investment objectives.**

Premium Income as a portfolio enhancer will utilize securities, derivatives and short positions.

#### **Additional Risk Disclosure:**

Option trading involves a significant degree of risk, which each prospective investor should seriously consider. The risk of loss in trading options can be substantial. Prospective clients should carefully consider whether such trading is suitable for them in light of their financial condition and individual risk tolerances. The high degree of leverage that is often obtainable in options trading can work against investors as well as for them. More information on the risks of buying and selling options contracts can be found on the CBOE's website at Characteristics and Risks of Standardized Options ([www.cboe.com/trading-resources/characteristics-and-risks-of-standardized-options](http://www.cboe.com/trading-resources/characteristics-and-risks-of-standardized-options)).

The S&P 500<sup>®</sup> Index is a free-float market-capitalization weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

#### **Information Regarding Mariner, LLC:**

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