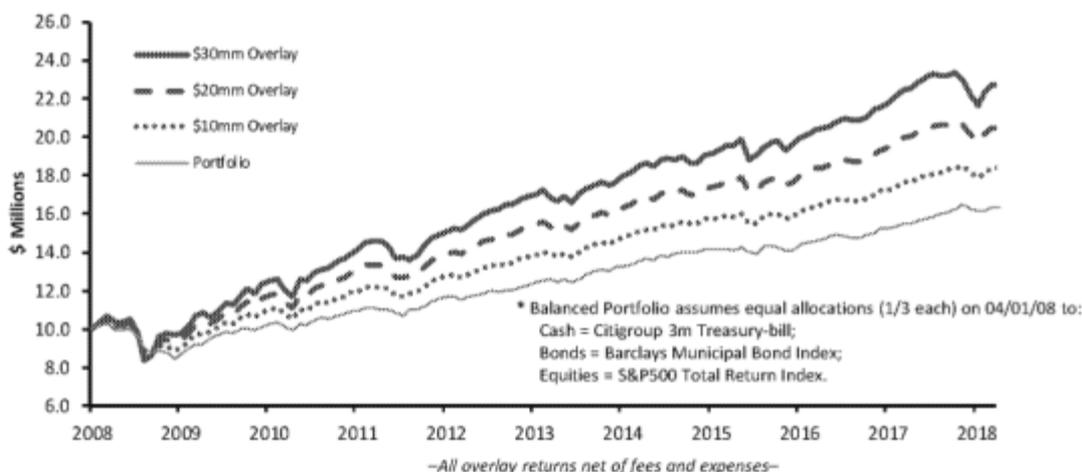


IMPACT OF CYES OVERLAY SIZING ON BALANCED PORTFOLIO*

- ▶ Client's preference determines overlay size
- ▶ Enhanced cash flow and risk adjusted returns



DEFINITIONS

AUM – Reflects the total firm notional and capital under management as of the report date.

Drawdown – Any losing period during an investment record. It is defined as the percent retrenchment from a performance peak to a performance valley.

Largest Drawdown – The largest percentage losing period from peak to trough that has occurred during the period of investment record.

Drawdown Period – The length of time it takes the largest drawdown to occur.

Drawdown Recovery – The subsequent time period required to recover the largest drawdown.

Internal Revenue Code (IRC) Section 1256 Contract – A regulated futures contract, foreign currency contract, non-equity option e.g. cash-settled S&P500 Index options (SPX), dealer equity option or dealer securities futures contract. Each contract held by a taxpayer at the end of the tax year is treated as if it was sold for its fair market value, and gains or losses are treated as either short-term or long-term capital gains.

Correlation - Measure of the strength and direction of the linear relationship between two variables or data sets over a period of time. Correlation can vary between +1 to -1. Values close to +1 indicate a high degree of relationship, values close to -1 indicate a high degree of negative relationship, and values close to 0 indicate very little relationship overall.

Annualized Standard Deviation – Annualized measure of dispersal or uncertainty of investment returns. Often used as a measure of investment risk. Specifically, it measures the degree of variation of monthly returns around the mean return for a given year. The higher the volatility of the investment returns, the higher the standard deviation.

Annualized Return – The calculated average yearly increase (or decrease) in the value of an investment, including the effects of compounding over a period other than a year. Annualized return indicates how an investment has performed and allows it to be compared to other investments.

Information Ratio – Annualized Return divided by Annualized Standard Deviation (with overlays using 0% benchmark).

Option Spreads – Selling a call (put) spread consists of selling a call (put) option and buying an equal number of call (put) options with a higher (lower) strike price and the same (or longer) expiration.

OCC – The Options Clearing Corporation. Organization that operates under jurisdiction of SEC as the issuer and guarantor for listed options contracts.

DISCLAIMERS

Trading commissions associated with multi-leg strategies are generally higher than those for single-leg strategies.

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Options strategies are not suitable for all investors | Past results are not indicative of future performance
 Before implementing the strategy, client must review the Options Clearing Corporation (OCC) publication, linked here:
<http://www.optionsclearing.com/about/publications/character-risks.jsp>