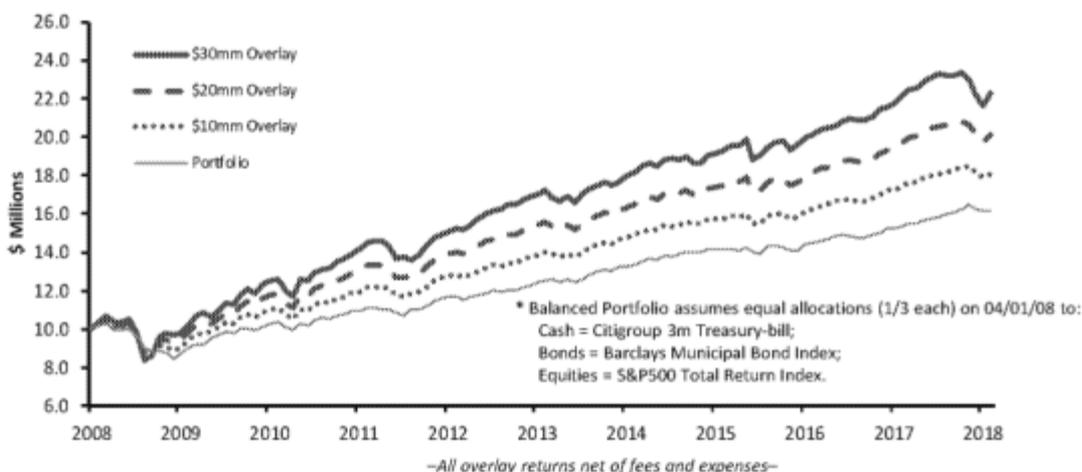


## IMPACT OF CYES OVERLAY SIZING ON BALANCED PORTFOLIO\*

- ▶ 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.

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