



Data-Driven Insights, Better Outcomes

# Booster Overlay Option Strategy Examples

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[www.Volworks.com](http://www.Volworks.com)





# Booster Overlay Option Strategy

## Description

The strategy (long stock + 1x2 call spread) is designed to boost returns for stocks or ETFs as they appreciate. It is considered an overlay strategy, as the investor must own the stock when implementing it.

While investors and advisors often use it as an “equity repair strategy” after a stock has declined in price, Volworks expands the use cases and recommends it as a core strategy for most investors.

## Use Cases

- 1. Statistically Favorable Strategy:** This is Volworks most popular use case. We recommend and implement the booster strategy for clients across their holdings. We run a proprietary screen daily on stocks and ETFs, identifying the optimal strikes and expirations that historically have outperformed a long-only position.
- 2. Repair Strategy:** This is a common use case for many investors. It is implemented after a stock has declined and the investor wants to lower the breakeven price to recoup the losses.
- 3. Exit Strategy:** The strategy can be structured to sell a stock at a “target price” without the stock reaching that price at expiration.

## Structures

- The typical structure is long stock or ETF plus a 1x2 call spread where the options expire on the same date. We buy one call and sell two calls with a higher strike price for zero-cost or a small credit.
- It's similar to a covered call from a margin, risk, and suitability perspective.
- Volworks primarily uses listed options for these strategies. However, we can use CBOE FLEX® Options or OTC if appropriate for the investor.

## Highlights & Key Takeaways

- The booster strategy is one of the best and surprisingly underutilized options strategies to boost the returns of stock and/or ETF positions.
- Many of our clients implement the booster strategy across their holdings once they understand our approach.

## Reasons for Using the Strategy

- Investors can gain a statistical edge by selecting the optimal strikes and expiration using Volworks proprietary Contextual Expiration Returns™.
- Almost all trades have a positive PnL during the trade, regardless of the stock movement, and can be unwound at any time.
- Usually structured with a credit providing a downside buffer, thereby lowering the breakeven price of owning the stock or ETF.
- Can be implemented on any stock or ETF that has listed options.
- There is typically no margin or cash required to implement the strategy.
- Trades can be executed in most brokerage margin accounts an/or retirement accounts for additional tax benefits.
- Investor retains the dividend during the trade.

## Reasons for Not Using the Strategy

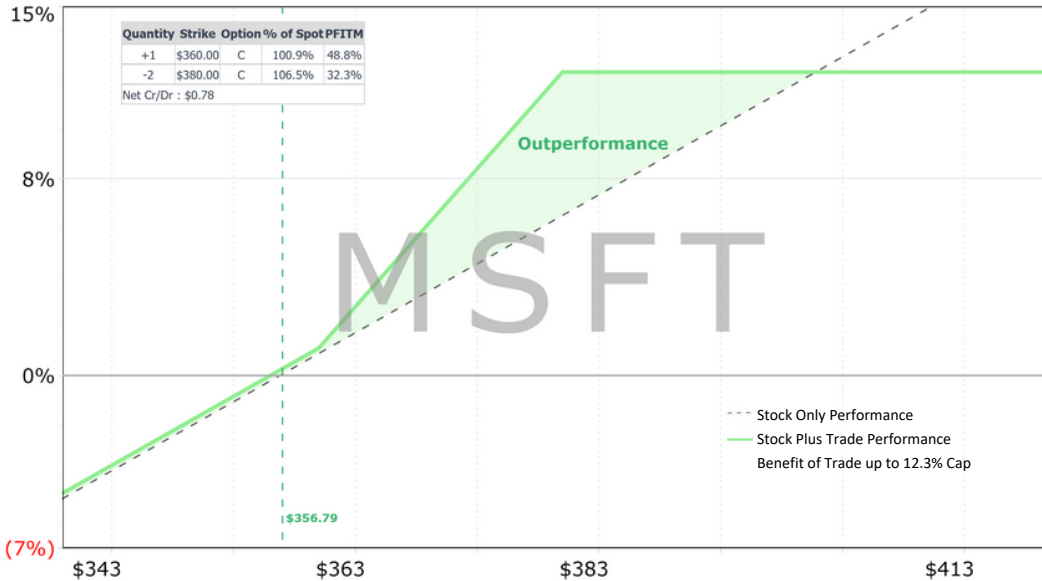
- Investor believes there is a high likelihood that the stock will appreciate above the booster cap.
- The investor is skeptical and/or doesn't normally use options.
- Can realize a taxable gain at expiration if short options are assigned.



# Microsoft Booster Overlay Option Strategy

## MSFT Booster Payoff Analysis | MSFT: \$356.79 | Nov 06, 2023\*

#	Expiration Date	Days to Expiration	Max Return %	Annualized Max Return %	Price to Boost	Price to Boost %	Price Cap	Prob. Stock Return > Max Return	CER (10YR Median)
1	2/16/24	102	12.3%	44.1%	\$360	100.9%	\$400.78	18.9%	4%



## MSFT - (1 Year)



This chart is a payoff chart for the option strategy in the title. It displays key metrics in the table on top and the options used to generate the payoff. The dashed line shows the PnL for a long-only position in the stock. The strategy's relative performance is shown using green and red shading for relative performance vs. a long stock position.

\*Strategy pricing and related statistics based on indicative pricing on 11/6/2023

# Amazon Booster Overlay Option Strategy

## AMZN Booster Payoff Analysis | AMZN: \$140.30 | Nov 06, 2023\*



## AMZN - (1 Year)



This chart is a payoff chart for the option strategy in the title. It displays key metrics in the table on top and the options used to generate the payoff. The dashed line shows the PnL for a long-only position in the stock. The strategy's relative performance is shown using green and red shading for relative performance vs. a long stock position.

\*Strategy pricing and related statistics based on indicative pricing on 11/6/2023