volworks®

Data-Driven Insights, Better Outcomes

Booster Strategy Description & Examples

Booster Outperformance

Stock Price
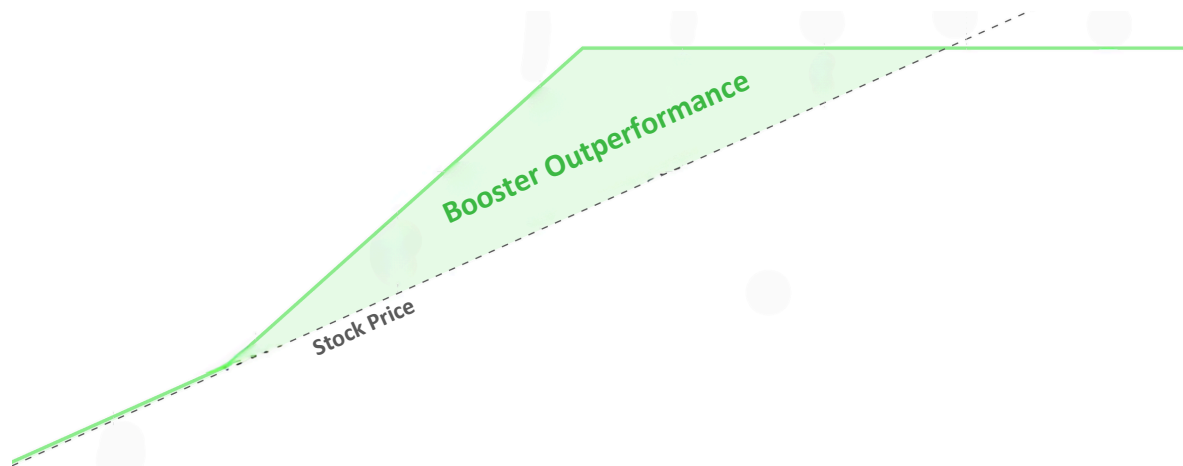
August 12th, 2024

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Company Background

Volworks® is a wealthtech and advisory research/consulting firm specializing in helping investors and advisors make better data-driven decisions for their equity and ETF investments. The Volworks platform was initially developed to help Volworks Founder manage equity portfolios for a family office client. While the initial focus was on using options strategies to improve outcomes, the platform has evolved into a leading equity analytics platform in addition to its powerful options capabilities, used daily by the Volworks team.

Our team has extensive experience in options trading, asset management, and software development. Volworks Founder Victor Viner previously led two SEC Registered Investment Advisory firms as CEO & CIO, including Volaris, a multibillion-dollar options-based firm with proprietary technology later acquired by Credit Suisse.

QQQ & MSFT Booster Trades Overview

The QQQ and MSFT trades in this document were generated from the Volworks analytics and option strategies platform. The pricing of the trades uses indicative pricing from the time each trade was analyzed. We generated 2 trades for each symbol. The "mildly bullish" trades are structured so that they begin to outperform the symbol from the time of the trade. The "very bullish" trades are structured so that they begin to outperform the symbol after the symbol appreciates approximately 5%. These trades are for illustrative purposes and are not meant to be an offer to buy or sell securities or recommendations for any investor.

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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. The strategy is appropriate for most investors, even those who have not used options in the past.

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. However, there are situations where the stock's dividend is used to effectively raise the trade's max return. Trades are typically structured for 45-180 days to expiration.

- 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.

- The strategy does not add additional risk to the underlying position.

Assumptions

1. Investor owns the stock or ETF before the trade.

2. Investor is willing to sell the stock or ETF if the short calls are assigned.

3. Investor understands that they retain full downside exposure during the trade.

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 or for zero-cost. Structuring with a credit lowers 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 and/or retirement accounts for potential tax benefits.

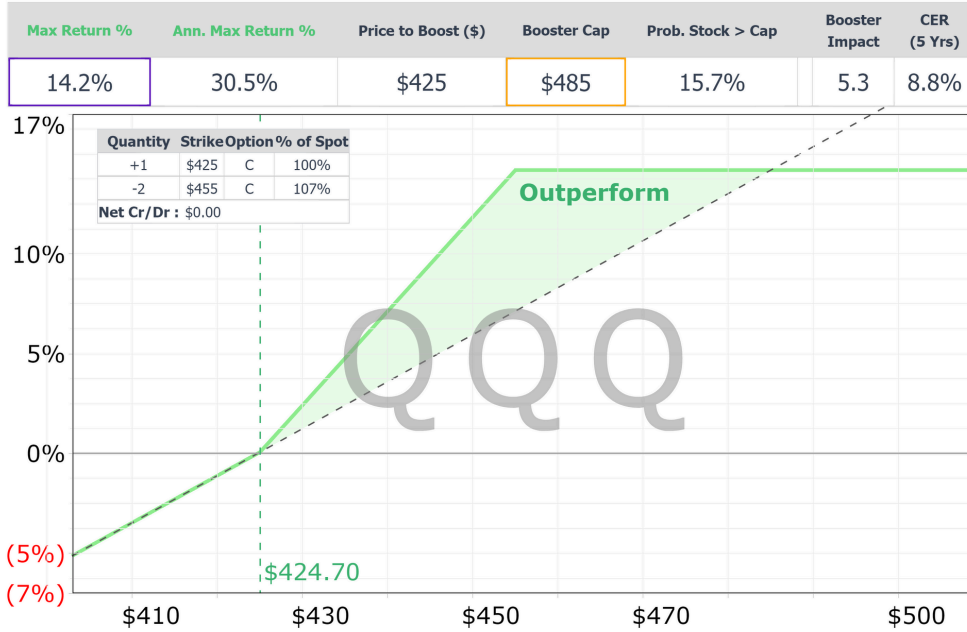- Investor retains the dividend during the trade.

Reasons for Not Using the Strategy

- Investor believes there is a high likelihood that the stock will appreciate above the booster cap and is not willing to cap their maximum return.

- Can realize an unwanted taxable gain if short options are assigned.

QQQ Booster Overlay Option Strategy

QQQ $424.70 | Booster | 170 Days to 10/18/24 Exp
Trade date 04/30/24

Max Return %	Ann. Max Return %	Price to Boost ($)	Booster Cap	Prob. Stock > Cap	Booster Impact	CER (5 Yrs)
14.2%	30.5%	$425	$485	15.7%	5.3	8.8%

Quantity	Strike	Option	% of Spot
+1	$425	C	100%
-2	$455	C	107%
Net Cr/Dr : $0.00			

Outperform

QQQ

$424.70

Payoff: Strategy vs Stock

	Return		$ PnL	
Stock Price	Booster	Stock	Booster	Stock
$380	(10.5%)	(10.5%)	($44.70)	($44.70)
$405	(4.6%)	(4.6%)	($19.70)	($19.70)
$424.7	0%	0%	$0.00	$0.00
$425	0.1%	0.1%	$0.30	$0.30
$435	4.8%	2.4%	$20.30	$10.30
$445	9.5%	4.8%	$40.30	$20.30
$455	14.2%	7.1%	$60.30	$30.30
$485	14.2%	14.2%	$60.30	$60.30
$510	14.2%	20.1%	$60.30	$85.30
$535	14.2%	26.0%	$60.30	$110.30

QQQ $424.70 | 1 Year Price & Performance with Booster Trade

$485.00 **Booster Cap**

$449.34 **All Time High**

$425.00

Outperform

14.2%

VOLWORKS INSIGHTS

This trade is appropriate for investors with a "mildly bullish" view on QQQ for the next **6** months. We like this trade as the maximum return of **14.2%** is well above the **5-year** median return of **8.8%** for the same time period, and the cap is **7.9%** above the QQQ's all-time high of **$449.34**. Additionally, the probability that QQQ is above the cap of **$485** is **15.7%**. The only downside of this trade is potentially not participating in any upside above **$485** at expiration.

QQQ Booster Overlay Option Strategy

QQQ $424.70 | Booster | 170 Days to 10/18/24 Exp
Trade date 04/30/24

Max Return %	Ann. Max Return %	Price to Boost ($)	Booster Cap	Prob. Stock > Cap	Booster Impact	CER (5 Yrs)
16.6%	35.5%	$445	$495	11.5%	2.9	8.8%

Quantity	Strike	Option	% of Spot
+1	$445	C	105%
-2	$470	C	111%
Net Cr/Dr :	$0.00		

Outperform

$424.70

Payoff: Strategy vs Stock

Stock Price	Return		$ PnL	
	Booster	**Stock**	**Booster**	**Stock**
$380	(10.5%)	(10.5%)	($44.70)	($44.70)
$405	(4.6%)	(4.6%)	($19.70)	($19.70)
$424.7	0%	0%	$0.00	$0.00
$445	4.8%	4.8%	$20.30	$20.30
$455	9.5%	7.1%	$40.30	$30.30
$460	11.8%	8.3%	$50.30	$35.30
$470	16.6%	10.7%	$70.30	$45.30
$495	16.6%	16.6%	$70.30	$70.30
$520	16.6%	22.4%	$70.30	$95.30
$545	16.6%	28.3%	$70.30	$120.30

QQQ $424.70 | 1 Year Price & Performance with Booster Trade

$495.00 Booster Cap

16.6%

$449.34 All Time High

Outperform

$445.00

VOLWORKS INSIGHTS

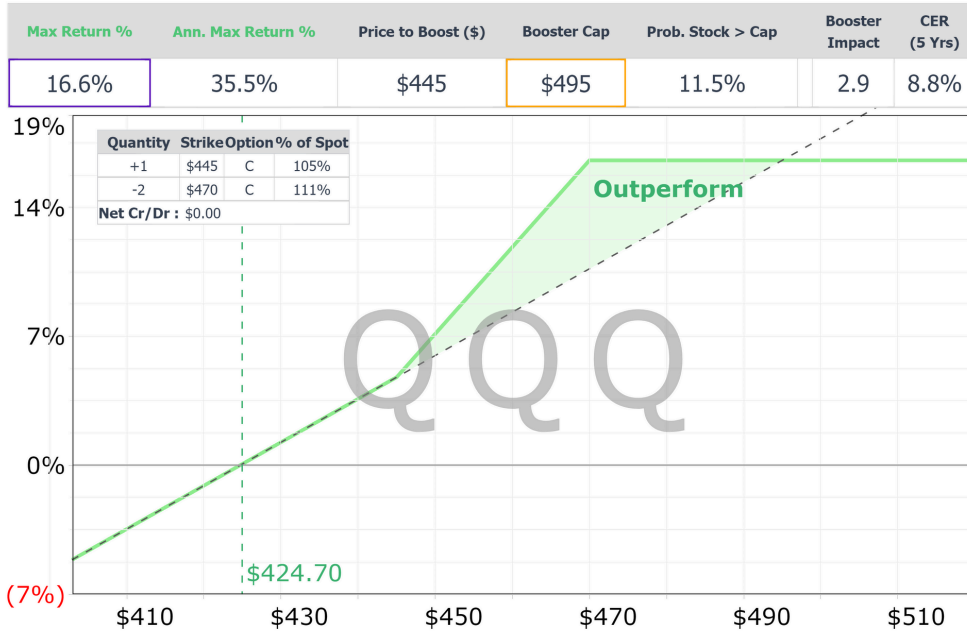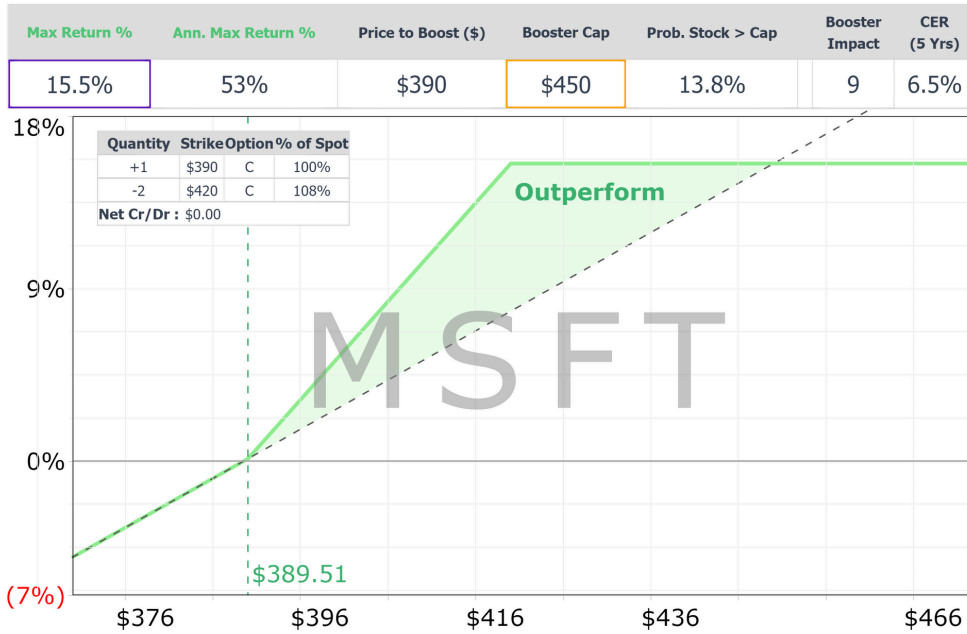We refer to trades like this as opportunistic Boosters, as QQQ needs to appreciate **5%** before the Booster outperforms the stock. This trade is appropriate for investors with a "very bullish" view on QQQ for the next **6** months. We like this trade as the maximum return of **16.6%** is well above the **5-year** median return of **8.8%** for the same time period, and the cap is **10.2%** above the QQQ's all-time high of **$449.34**. Additionally, the probability that QQQ is above the cap of **$495** is **11.5%**. The only downside of this trade is potentially not participating in any upside above **$495** at expiration.

MSFT Booster Overlay Option Strategy

MSFT $389.51 | Booster | 107 Days to 08/16/24 Exp
Trade date 04/30/24

Max Return %	Ann. Max Return %	Price to Boost ($)	Booster Cap	Prob. Stock > Cap	Booster Impact	CER (5 Yrs)
15.5%	53%	$390	$450	13.8%	9	6.5%

Quantity	Strike	Option	% of Spot
+1	$390	C	100%
-2	$420	C	108%
Net Cr/Dr :	$0.00		

Payoff diagram labeled "Outperform" with MSFT watermark, x-axis $376 to $466, y-axis (7%) to 18%, marker at $389.51

Payoff: Strategy vs Stock

	Return		$ PnL	
Stock Price	**Booster**	**Stock**	**Booster**	**Stock**
$350	(10.1%)	(10.1%)	($39.51)	($39.51)
$370	(5.0%)	(5.0%)	($19.51)	($19.51)
$389.51	0%	0%	$0.00	$0.00
$390	0.1%	0.1%	$0.49	$0.49
$400	5.3%	2.7%	$20.49	$10.49
$410	10.4%	5.3%	$40.49	$20.49
$420	15.5%	7.8%	$60.49	$30.49
$450	15.5%	15.5%	$60.49	$60.49
$475	15.5%	21.9%	$60.49	$85.49
$495	15.5%	27.1%	$60.49	$105.49

MSFT $389.51 | 1 Year Price & Performance with Booster Trade

Chart showing MSFT price Apr'23 to Apr'24 with Booster Cap $450.00, All Time High $430.82, $390.00 levels, Outperform region, 15.5% marker. Left axis $270-$495, right axis (12%)-61%.
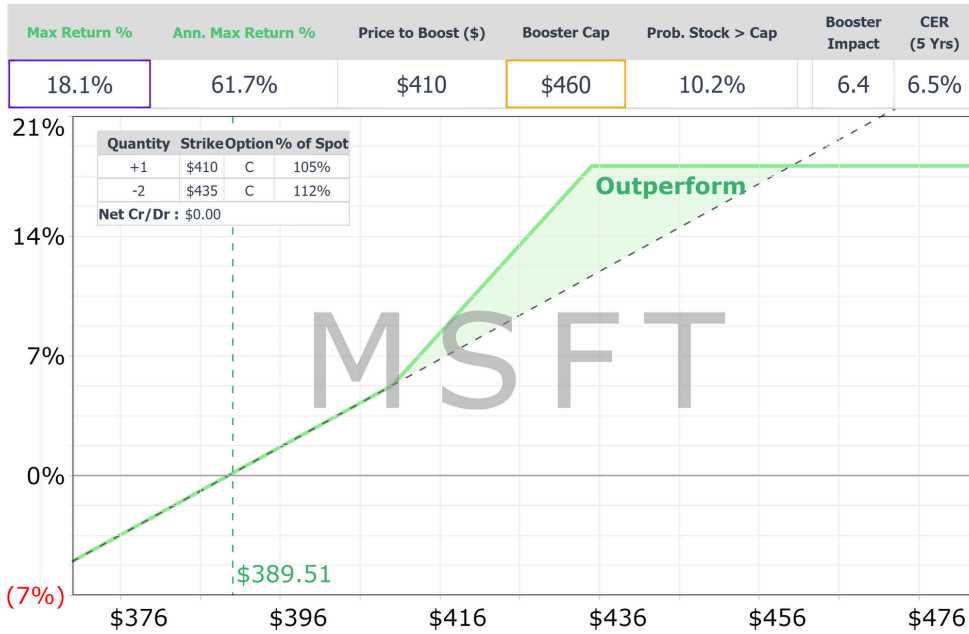
VOLWORKS INSIGHTS

This trade is appropriate for investors with a "mildly bullish" view on MSFT for the next **3-4** months. We like this trade as the maximum return of **15.5%** is well above the **5-year** median return of **6.5%** for the same time period, and the cap is **4.5%** above MSFT's all-time high of **$430.82**. Additionally, the probability that MFST is above the cap of **$450** is **13.8%**. The only downside of this trade is potentially not participating in any upside above **$450** at expiration.

MSFT Booster Overlay Option Strategy

MSFT $389.51 | Booster | 107 Days to 08/16/24 Exp
Trade date 04/30/24

Max Return %	Ann. Max Return %	Price to Boost ($)	Booster Cap	Prob. Stock > Cap	Booster Impact	CER (5 Yrs)
18.1%	61.7%	$410	$460	10.2%	6.4	6.5%

Quantity	Strike	Option	% of Spot
+1	$410	C	105%
-2	$435	C	112%
Net Cr/Dr :	$0.00		

Outperform

MSFT

$389.51

21% / 14% / 7% / 0% / (7%)

$376 $396 $416 $436 $456 $476

Payoff: Strategy vs Stock

	Return		$ PnL	
Stock Price	Booster	Stock	Booster	Stock
$350	(10.1%)	(10.1%)	($39.51)	($39.51)
$370	(5.0%)	(5.0%)	($19.51)	($19.51)
$389.51	0%	0%	$0.00	$0.00
$410	5.3%	5.3%	$20.49	$20.49
$420	10.4%	7.8%	$40.49	$30.49
$425	13.0%	9.1%	$50.49	$35.49
$435	18.1%	11.7%	$70.49	$45.49
$460	18.1%	18.1%	$70.49	$70.49
$485	18.1%	24.5%	$70.49	$95.49
$505	18.1%	29.7%	$70.49	$115.49

MSFT $389.51 | 1 Year Price & Performance with Booster Trade

$460.00 **Booster Cap** — 18.1%

$430.82 **All Time High**

Outperform

$410.00

$506 / $480 / $420 / $360 / $300 / $270

65% / 56% / 37% / 17% / (2%) / (12%)

Apr'23 Jul'23 Oct'23 Jan'24 Apr'24

VOLWORKS INSIGHTS

We refer to trades like this as opportunistic Boosters, as MSFT needs to appreciate **5%** before the Booster outperforms the stock. This trade is appropriate for investors with a "very bullish" view on MSFT for the next **3-4** months. We like this trade as the maximum return of **18.1%** is well above the **5-year** median return of **6.5%** for the same time period, and the cap is **6.8%** above MSFT's all-time high of **$430.82**. Additionally, the probability that MSFT is above the cap of **$460** is **10.2%**. The only downside of this trade is potentially not participating in any upside above **$460** at expiration.

Glossary of Terms

% Move To Boost Return: The percent move from the current stock price to the price the trade starts to boost the strategy return.

% of Spot: The percent the strike is of the spot price; e.g. 108% means the strike is 8% above the spot price.

Ann. Max Return %: The Booster Max Return, annualized.

Booster Cap: Above this price at expiration, owning the stock outperforms the Booster trade.

Booster Impact Metric: Proprietary metric which measures the amount the Max Return exceeds the sum of % to Boost Return and the CER™ for the given DTE. It measures the benefit of a Booster Trade compared to the stocks CER.

Booster Max Return: The maximum return possible for the Booster listed.

Contextual Expiration Returns™ (CER): The Contextual Expiration Return™ (CER) shows the median and/or mean returns of the past 5 and/or 10 years for a given number of days to the listed option's expiration dates (DTE). For example, from today (4/23/24), there are 115 days until the August Monthly expiration (8/15/24). Our platform calculates the returns starting from the date that is 115 days prior to each of the August Monthly expirations for the past 10 years. Then, we calculate the mean, median, standard deviation, and other statistics for our reports.

Days To Expiration: Calendar days remaining until expiration for the analyzed trade. Weekly expirations are denoted by (w).

Expiration Date: Date of the option expiration.

Max Return %: The maximum % return of all trades.

Price: Price of the Symbol when the report was generated.

Price To Boost: The price above which at expiration the trade boosts the strategy return. This is at the long call strike.

Prob. Stock > Cap: The implied probability from the options market that the Symbol Price will be higher than the strategy cap at expiration.

Strategy Debit or Credit: The amount we receive (Credit) or pay out (Debit) to put on the Booster trade.

Strike: Strike price of the option(s) in the trade.

Symbol: The stock or ETF being analyzed in the report.