



**JULEX** CAPITAL

**LARGE CAP PLUS STRATEGY**

40 Grove Street, Suite 140, Wellesley, MA 02482

Phone: 781-489-5398

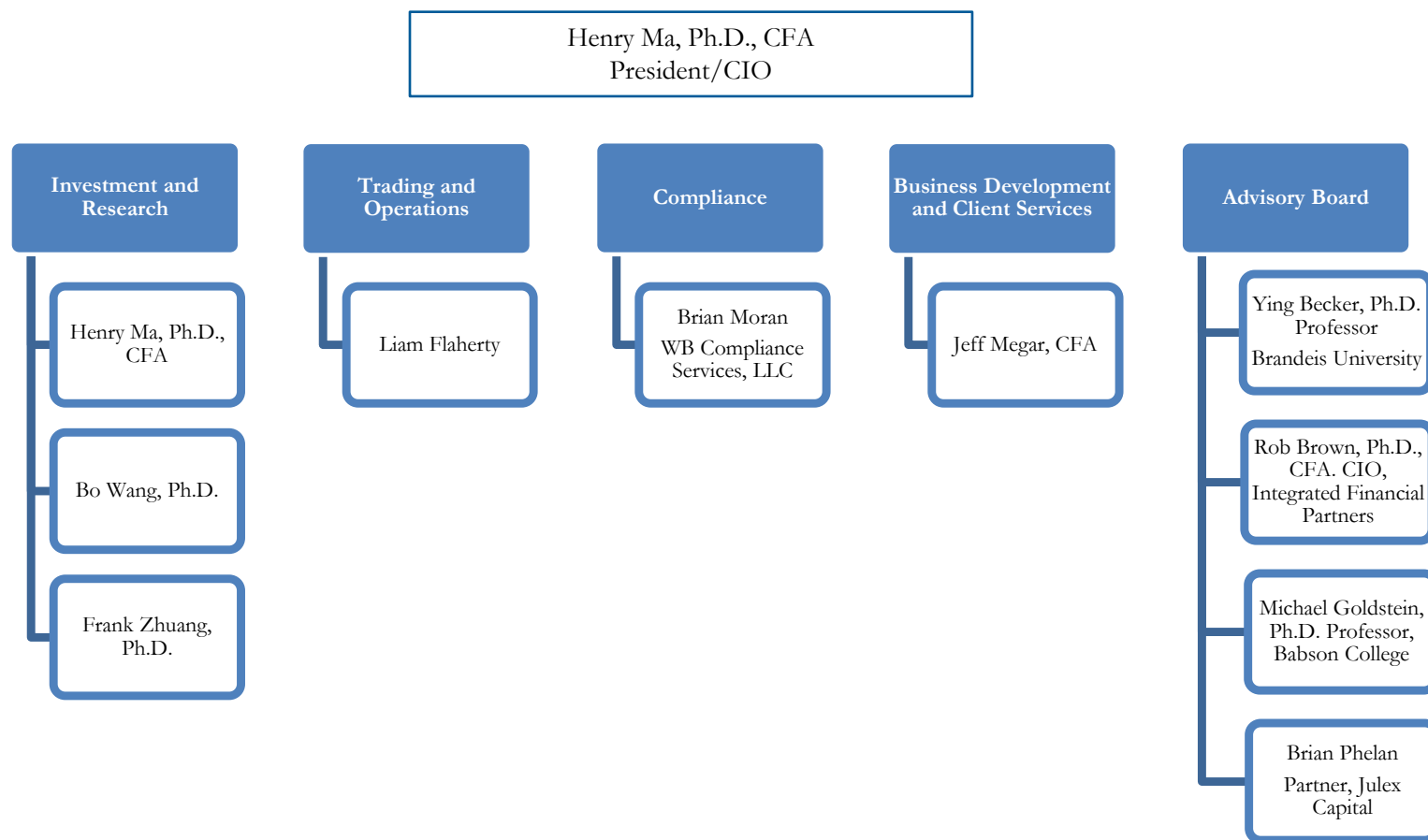
Email: [info@julexcapital.com](mailto:info@julexcapital.com)

Web: [www.julexcapital.com](http://www.julexcapital.com)

# Firm Overview

## Firm

- Employee-owned, established 2012
- Model driven, rules-based investment process
- Specializes in tactical asset allocation, quantitative equity, and option overlay



# Investment Team Background

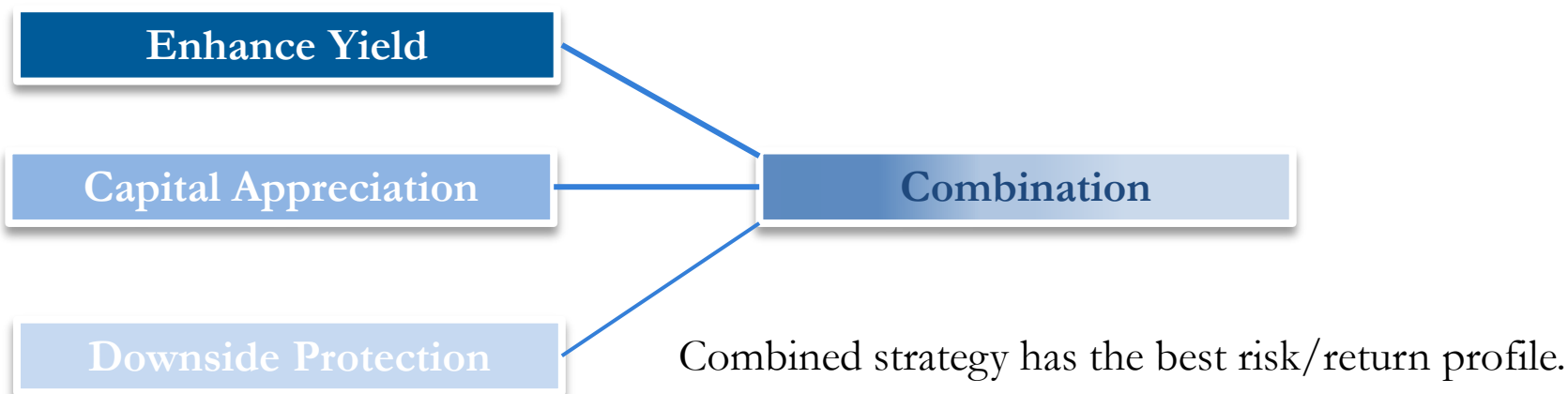
Team	Role	Experience	Education
Henry Ma Ph.D., CFA	President Chief Investment Officer	Geode Capital – Hedge Fund Manager Loomis Sayles – Director of Quantitative Research Fortis Investments - Director of Quantitative Research Sun Life Financial– Portfolio Manager	Ph.D. Economics – Boston University BA, MA – Peking University
Liam Flaherty	Trading/PM and Operations	MFS Investments - Independent Contractor MassMutual - Internship	BS – Babson College
Bo Wang Ph.D.	Research		Ph.D. Economics – Boston College BA – Renmin University of China
Frank Zhuang Ph.D.	Research	Ericsson – Senior Engineer Nortel, Alcatel/Lucent - Senior Research Scientist	Ph.D. Electric Engineering – University of Maryland MS – West Virginia University
Jeffrey Megar CFA	Managing Director, Marketing & Business Development	State Street Global Advisors – Senior Portfolio Manager Fortis Investments – Senior Portfolio Manager Cypress Tree Investment Management	MBA – Northeastern University BA – Framingham State University

## Large Cap Plus Strategy Highlights

- S&P 500 Index ETF (ex. SPY) as collateral
- Uses S&P 500 Index options offering liquidity and transparency
- Three option strategies to enhance performance of the S&P 500 Index ETF
  - Enhanced Yield strategy to generate income
  - Capital Appreciation strategy to capture market upside
  - Downside Protection strategy to defend against market downturns
- Outperform S&P 500 Index
  - 4-5% annual alpha above S&P 500
  - Similar risk profile to S&P 500
  - Higher Sharpe Ratio than S&P 500
  - Consistent alpha with high information ratio
  - Potential distribution yield 8 -10% ( stock dividend +option gains) on average

## Why Use Option Strategies?

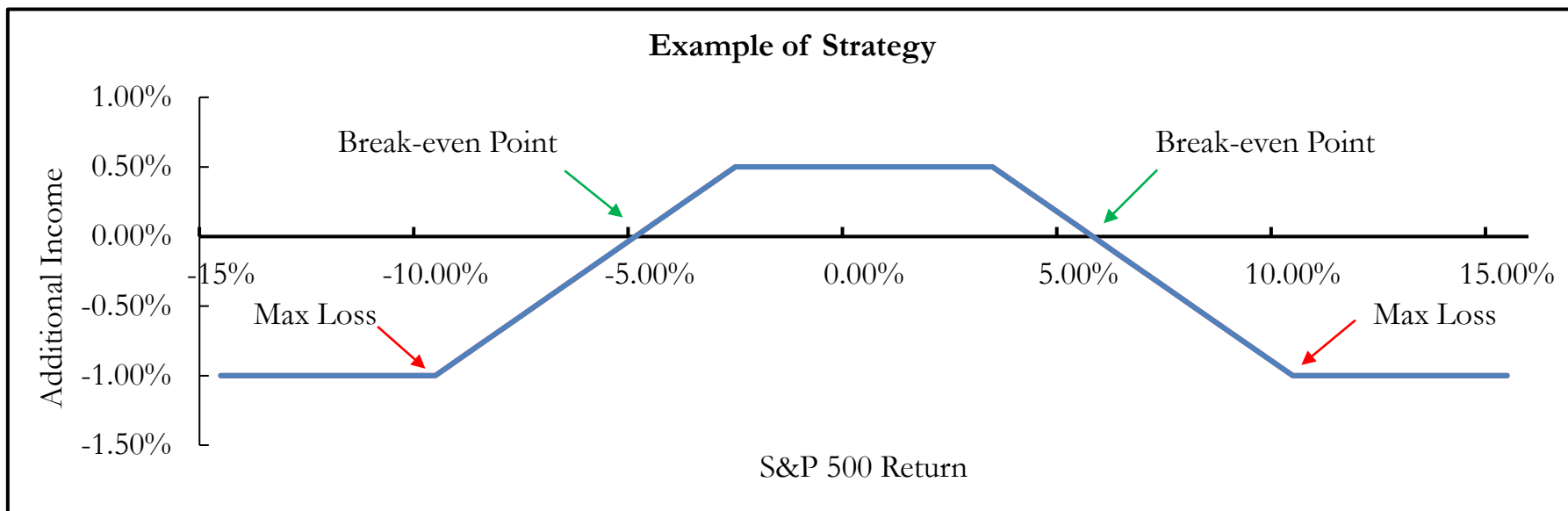
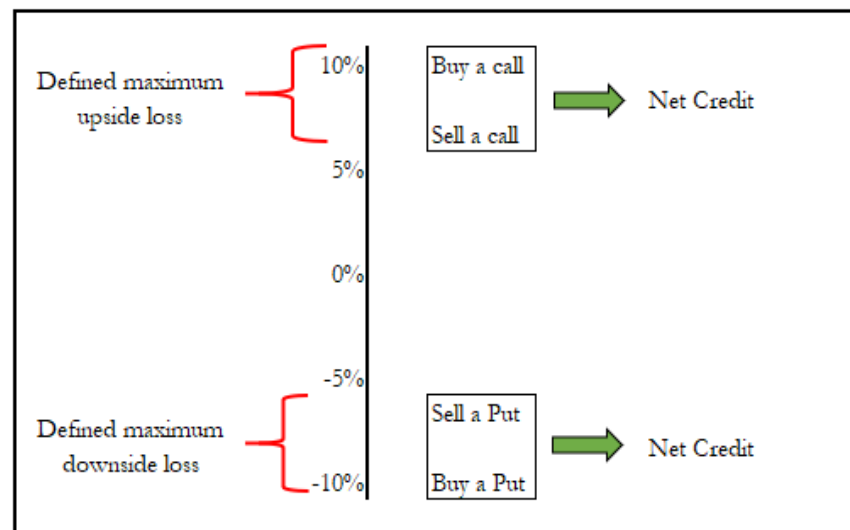
- Option strategies can enhance returns or reduce risks of existing assets.
- They do not require additional investments beyond the collateral.
- They use the value of the existing account to collateralize the strategies
- Option strategies can be tax-sensitive
  - 60% long-term capital gains/40% short-term capital gains



# Enhanced Yield Option Strategy

**Objective:** Provide tax-advantaged incremental income (target 2-3% on any marginable asset (equity, fixed income, cash)).

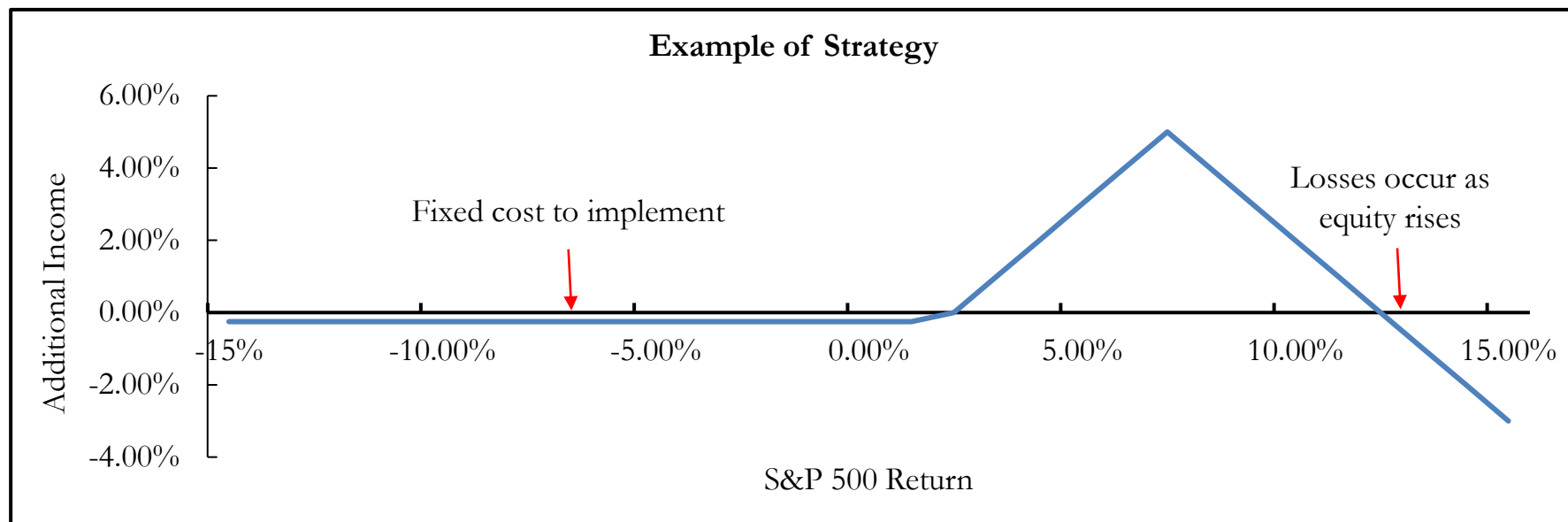
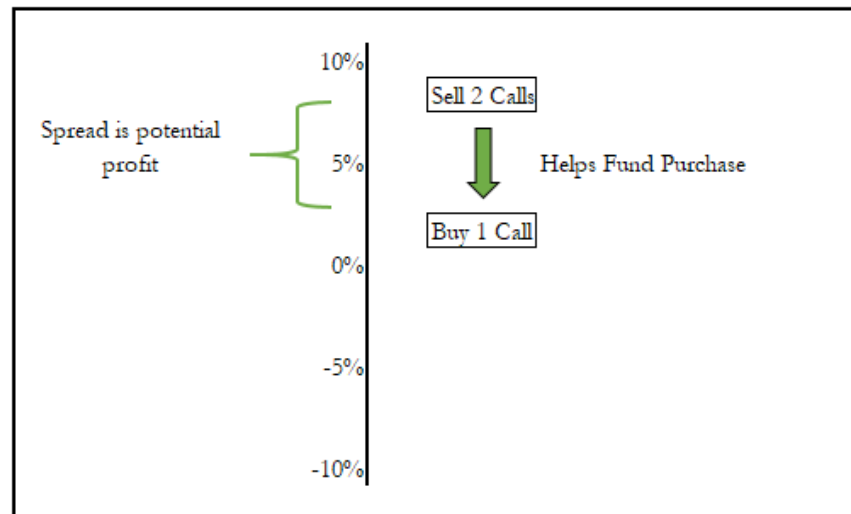
**Attributes:** Defined weekly downside risk and expected average annual net yield of 3%, taxed at 60% long-term and 40% short-term capital gains.



# Capital Appreciation Option Strategy

**Objective:** Add incremental returns in upward trending markets.

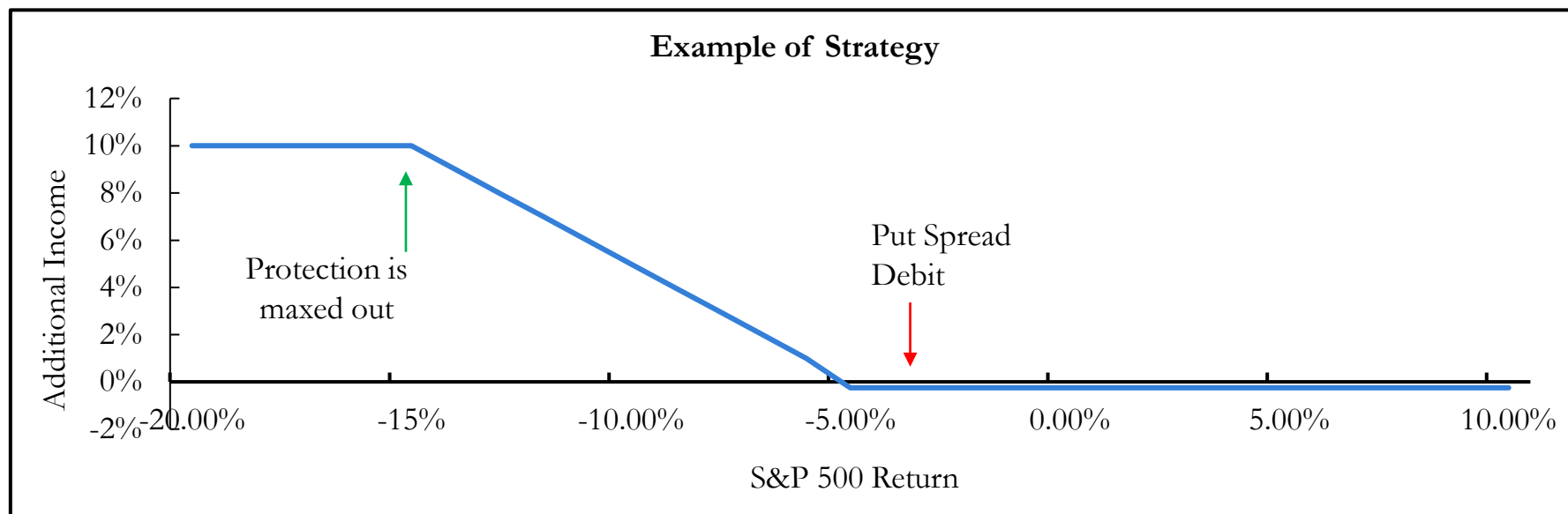
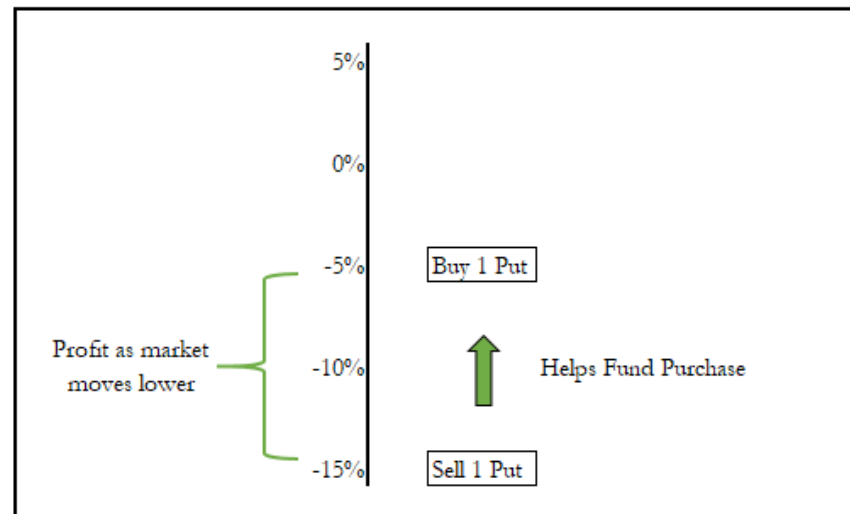
**Attributes:** Risk is only to the upside. Returns are tax advantaged.



# Downside Protection Option Strategy

**Objective:** Offer incremental protection of equity portfolios in downward trending markets.

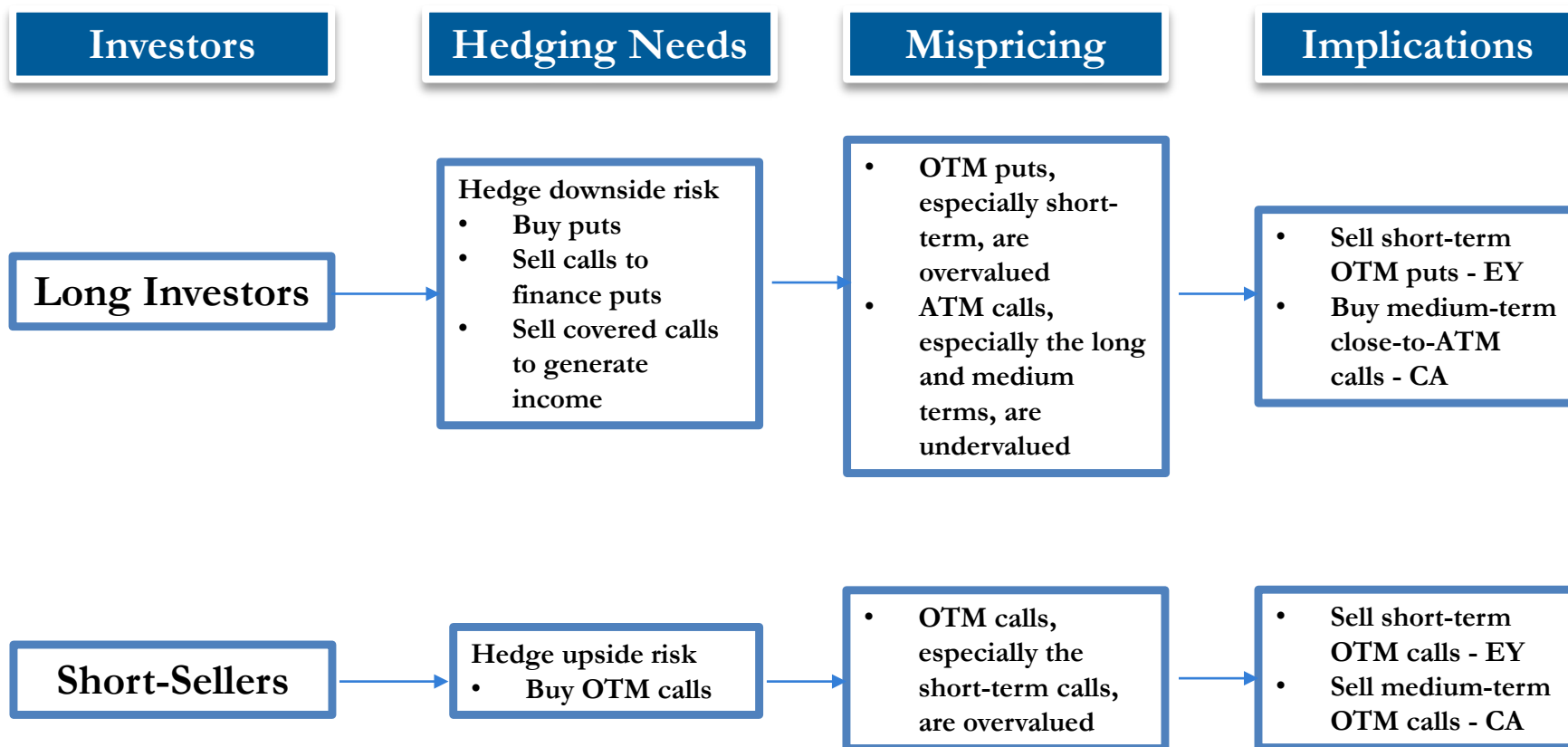
**Attributes:** Preserves Capital. Returns are tax advantaged.





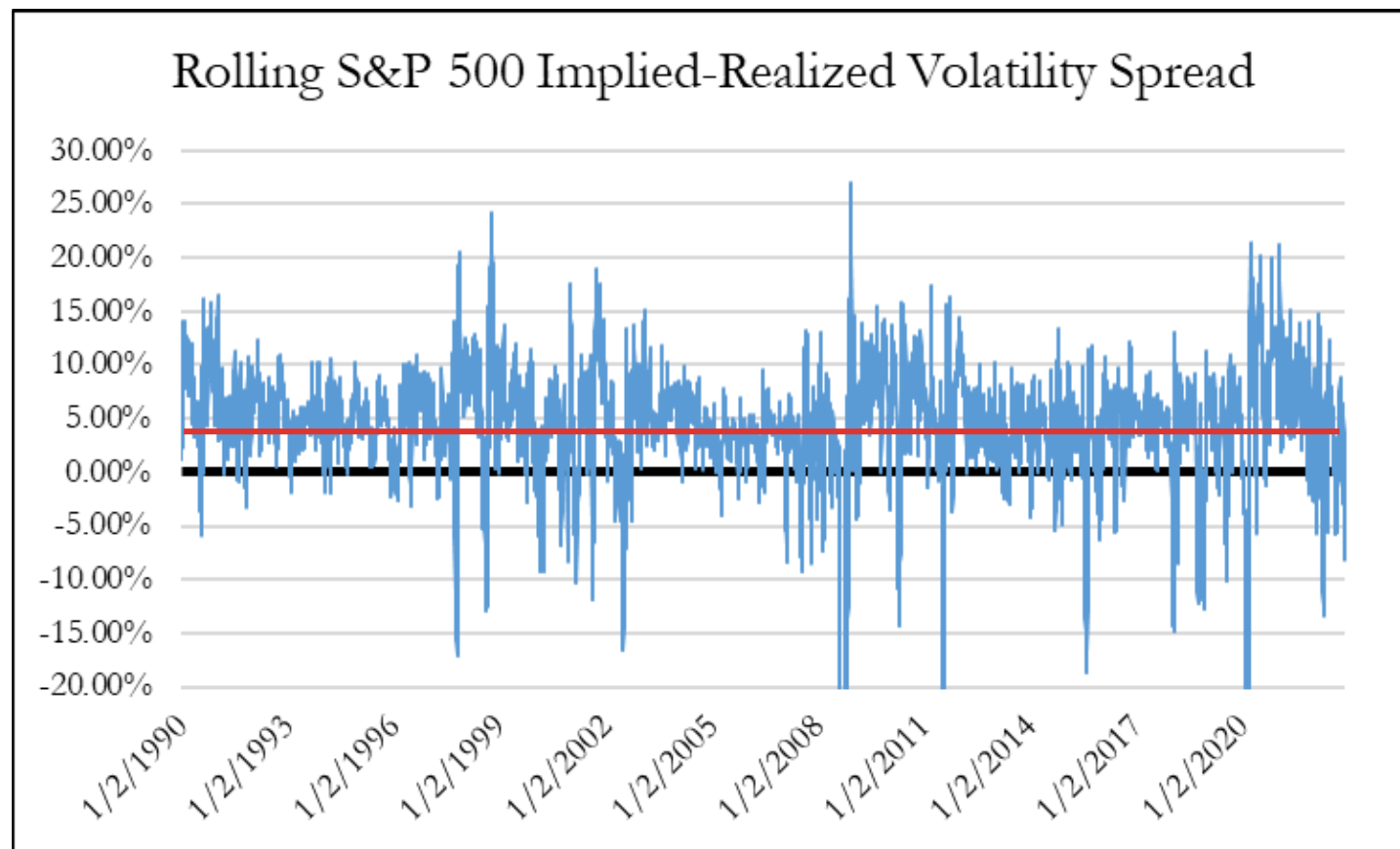
# Why Option Strategies Make Sense?

- Option mispricing due to hedging needs



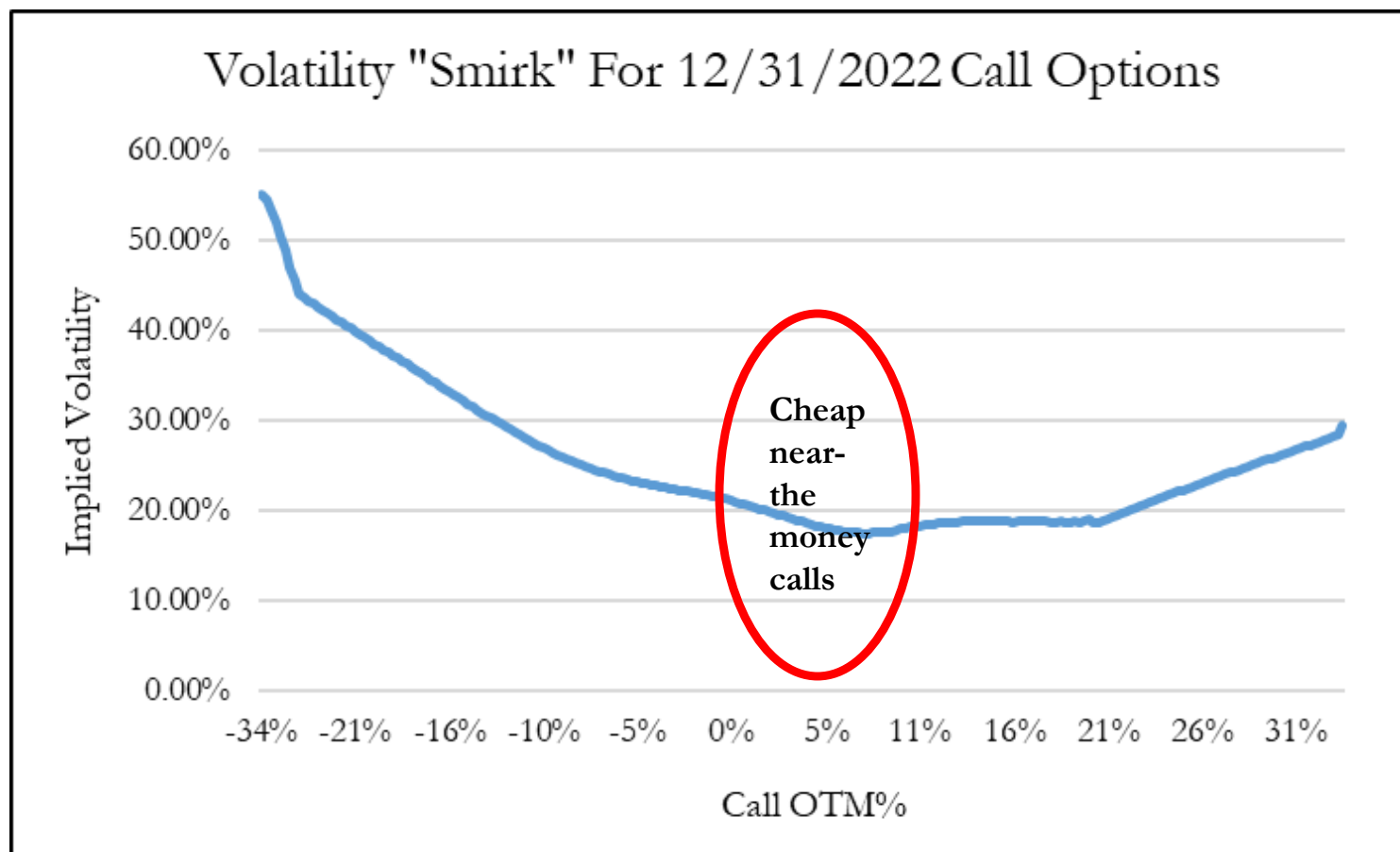
# Why Does EY Make Money?

– Implied volatility > realized volatility



- Goal is to harvest this systemic market bias
  - “Net short volatility, with a cap on potential losses”
  - There is a consistent ~4% annual spread over the last 30 years
  - Recall EY is expected to deliver ~3% annually over the long run

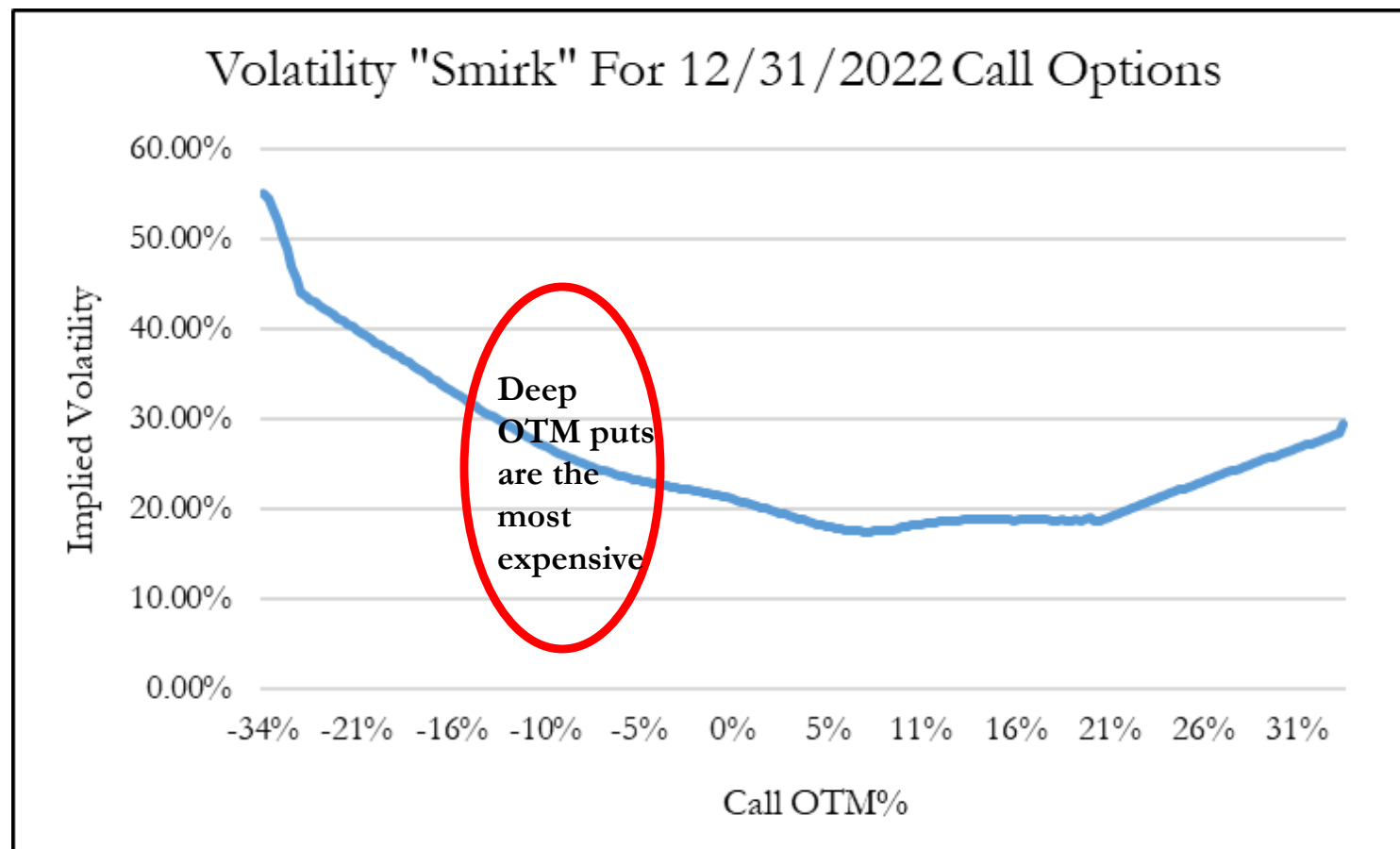
## - Option markets price in more downside than upside



- Since the 80's, people have overpaid for downside protection
  - “People are more fearful than greedy”
  - Consistent “skew” in options market
  - Theoretically, a 5% OTM and 5% ITM option should have the same IV

# Why Is DO a Less Expensive Hedge?

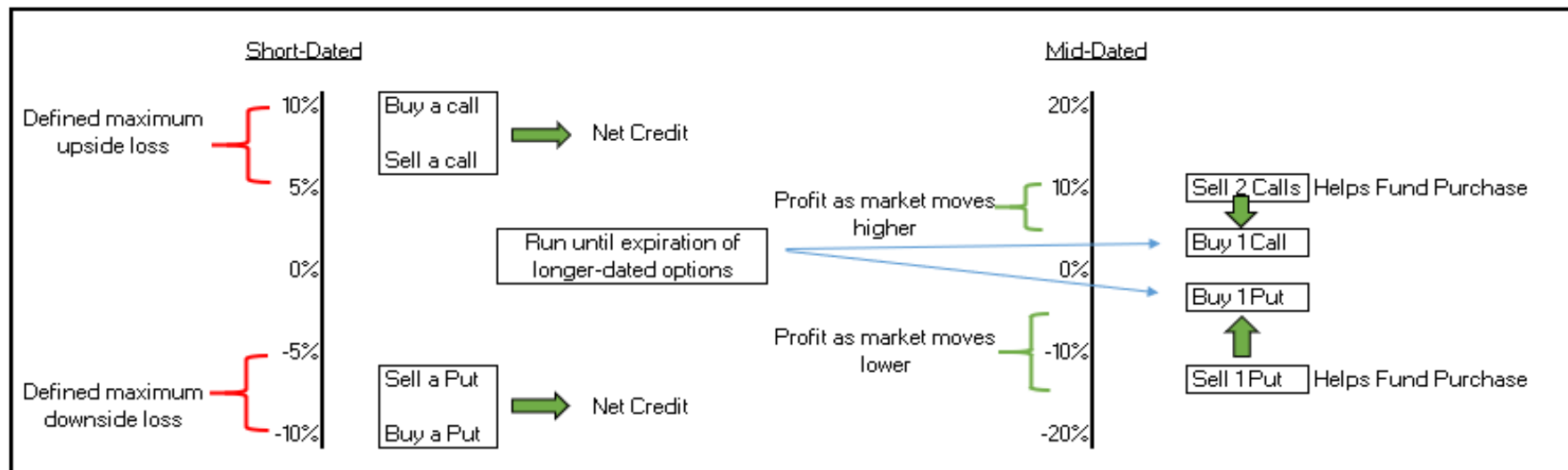
- Deep out-of-the-money puts are the most expensively-priced



- Investors overpay for protection against large event risks
- The implied vol of deep OTM options is a lot bigger than those close to the money

## Combine three overlays to take advantage of different market environment

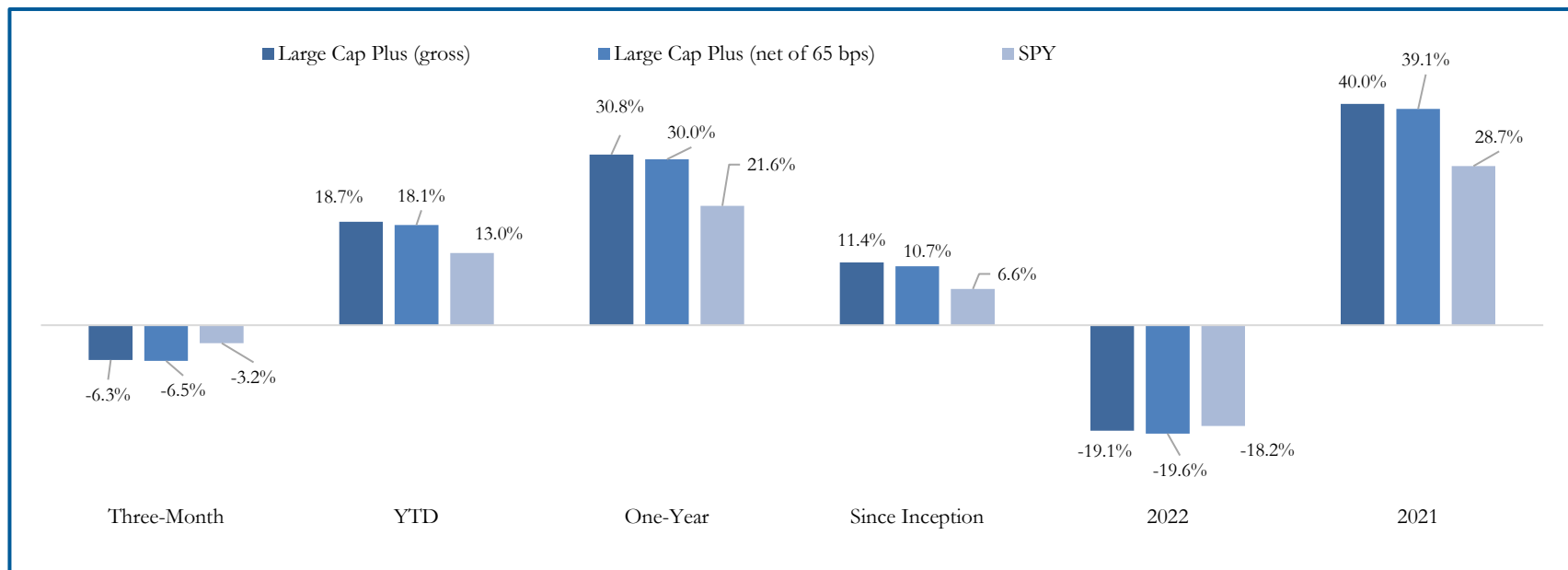
- “Raging bull” - Capital Appreciation (CA)
- Normal market – Enhanced Yield (EY)
- “Roaring bear” – Defensive Overlay Protection (DO)



# Example Portfolio

Holdings	Market Value Portfolio Weights	Notional Value Portfolio Weights	Overlay Strategies
SPDR S&P 500 ETF TRUST	96.07%		
XSP 18AUG23 415 P	0.01%	48.04%	EY
XSP 18AUG23 442 P	-0.18%	-48.04%	EY
XSP 18AUG23 464 C	0.00%	-48.04%	EY
XSP 18AUG23 476 C	0.00%	48.04%	EY
XSP 25AUG23 406 P	0.02%	48.04%	EY
XSP 25AUG23 433 P	-0.13%	-48.04%	EY
XSP 25AUG23 459 C	-0.03%	-48.04%	EY
XSP 25AUG23 470 C	0.00%	48.04%	EY
XSP 29SEP23 377 P	-0.14%	-96.07%	DO
XSP 29SEP23 422 P	0.67%	96.07%	DO
XSP 29SEP23 448 C	1.67%	96.07%	CA
XSP 29SEP23 485 C	-0.04%	-192.14%	CA
Cash	2.09%		

# Large Cap Plus Live Composite Performance

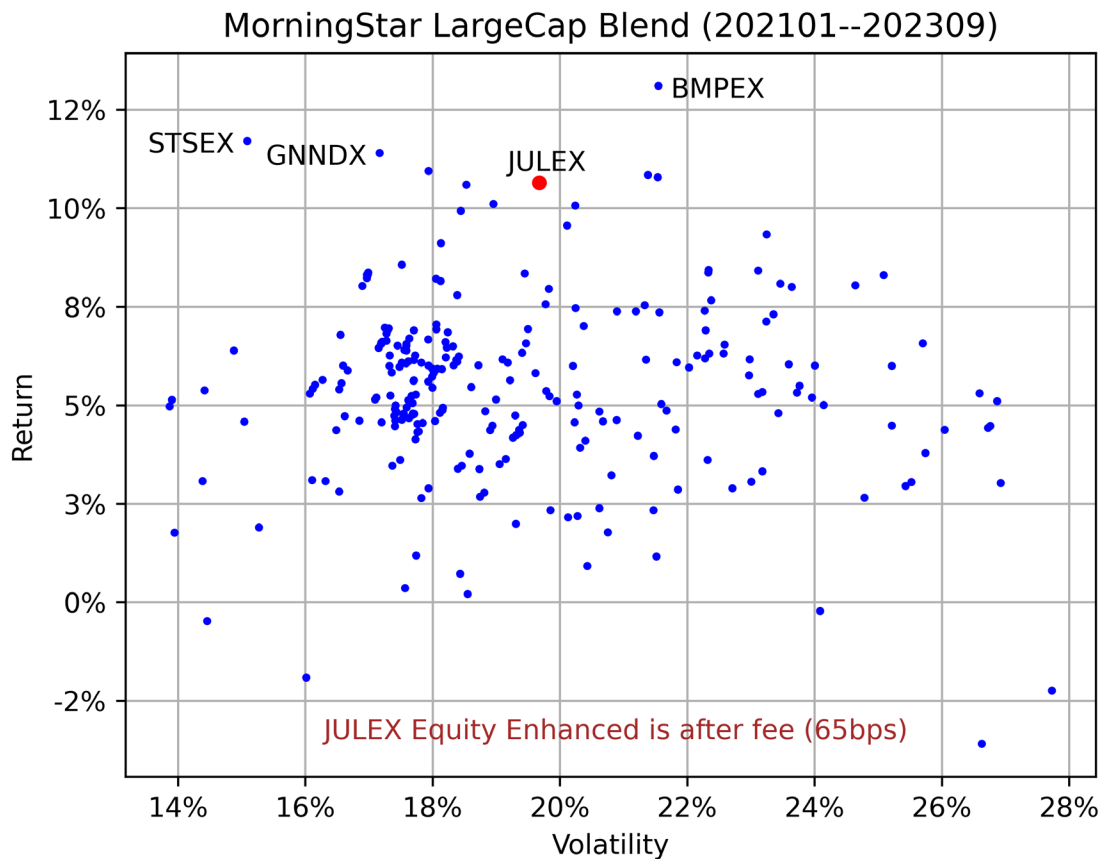


For Information Only January 2021 – September 2023	Large Cap Plus (Gross)	Large Cap Plus (Net 0.65%)	S&P 500 Index ETF (SPY)
<b>Annualized Return</b>	11.36%	10.64%	6.56%
<b>Standard Deviation</b>	19.68%	19.68%	17.42%
<b>Sharpe Ratio (risk free rate = 0)</b>	0.47	0.43	0.25
<b>Max Drawdown</b>	-26.57%	-26.94%	-23.93%
<b>Tracking Error</b>	7.33%		
<b>Information Ratio</b>	0.65		

- As of September 30, 2023. Inception date: January 1, 2021. The numbers shown above are unaudited returns.
- Past performance is not an indication of future returns. You must do your own due diligence and consult a professional investment advisor before making any investment decisions.
- Data Source: FactSet, Julex Capital Management

# Performance Relative to Peers

Large Cap Plus relative to Morningstar's Large Cap Blend Category (1/1/2021 – 9/30/2023)

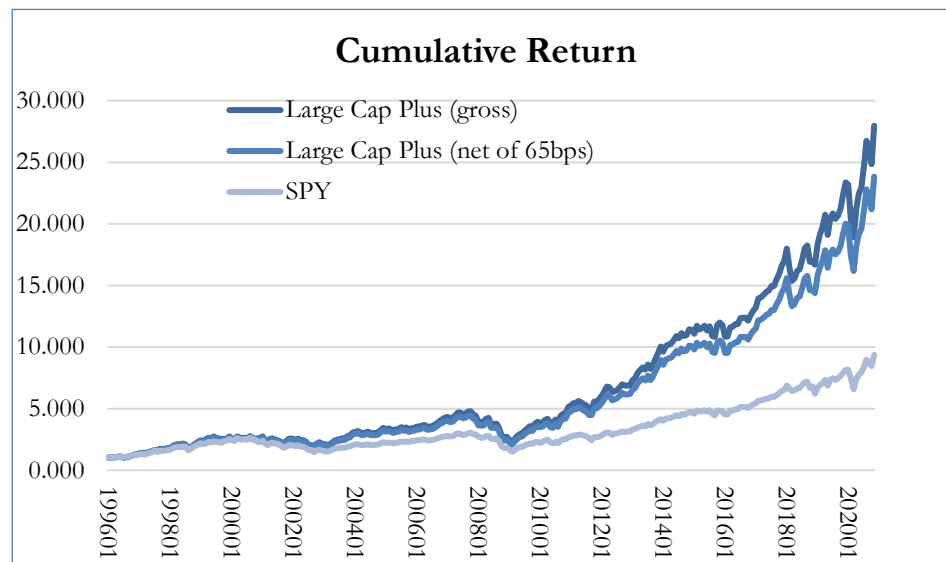


\* Assumes 0.65% annualized fee. Data Source: Morningstar



# Large Cap Plus Hypothetical Back Test Performance

Jan. 1996 – December 2020	Large Cap Plus (Gross)	Large Cap Plus (Net 0.65%)	S&P 500 Index ETF (SPY)
Annualized Return	14.55%	13.82%	9.52%
Standard Deviation	17.10%	17.10%	15.29%
Sharpe Ratio (risk-free rate = 0)	0.85	0.81	0.62
Information Ratio	0.90	0.77	
Maximum Drawdown	-52.94%	-53.37%	-50.92%



Note: (1) Before January 2007, EY was traded once a month due to lack of data.  
 (2) The back test performance results shown on this slide are HYPOTHETICAL and are gross returns before investment management fees unless otherwise noted. Please see Disclosure for more information.  
 Data Source: FactSet, Julex Capital Management

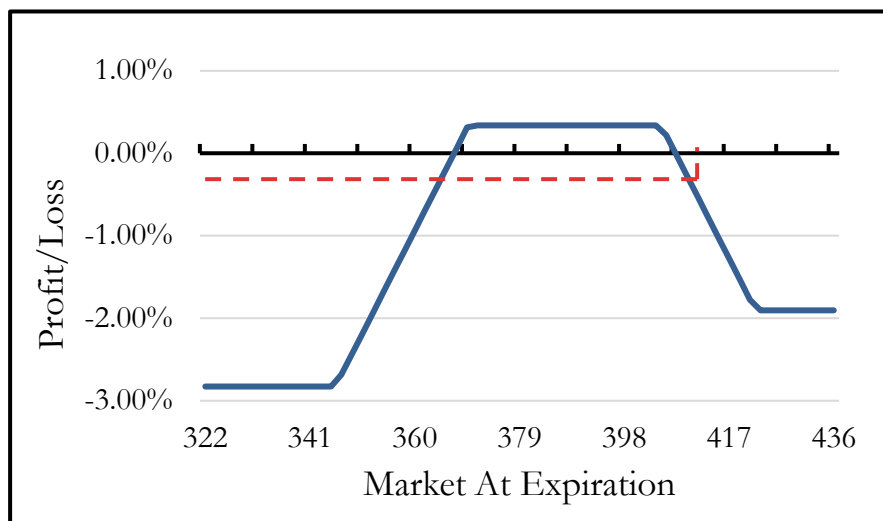
Year	Large Cap Plus (Gross)	Large Cap Plus (Net 0.65%)	S&P 500 Index ETF (SPY)
1996	28.2%	27.4%	22.9%
1997	38.9%	38.1%	33.4%
1998	30.7%	29.9%	28.6%
1999	17.5%	16.7%	21.0%
2000	-3.5%	-4.1%	-9.1%
2001	-2.2%	-2.9%	-11.9%
2002	-15.7%	-16.2%	-22.1%
2003	40.0%	39.2%	28.7%
2004	12.8%	12.1%	10.9%
2005	-0.1%	-0.7%	4.9%
2006	24.5%	23.7%	15.8%
2007	3.7%	3.1%	5.5%
2008	-38.9%	-39.3%	-37.0%
2009	45.0%	44.1%	26.5%
2010	30.5%	29.7%	15.1%
2011	12.7%	12.0%	2.0%
2012	19.5%	18.8%	16.0%
2013	45.3%	44.4%	31.7%
2014	13.4%	12.6%	13.5%
2015	3.5%	2.8%	1.2%
2016	9.9%	9.2%	12.0%
2017	31.4%	30.6%	21.7%
2018	-1.9%	-2.6%	-4.6%
2019	40.0%	39.1%	31.2%
2020	27.9%	27.1%	19.1%

# APPENDIX

# Enhance Yield Live Example

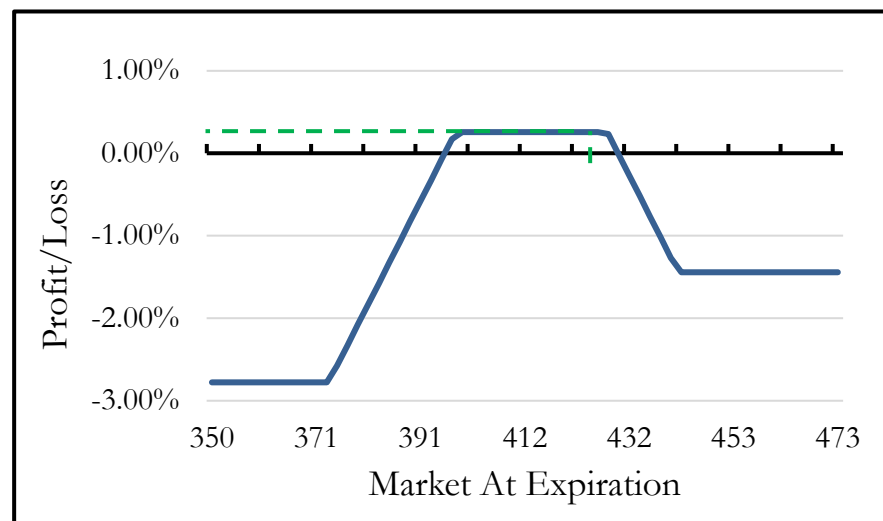
## Negative Example

- On 7/15/2022 with SPY at 385.31...
  - B 422 Call (1.0 delta, -1bp)
  - S 405 Call (10.4 delta, +9bp)
  - S 370 Put (-20.1 delta, +29bp)
  - B 346 Put (-3.2 delta, -4bp)
- On 7/29/2022 SPY finishes at 413.03
  - Loss of 71bps



## Positive Example

- On 7/29/2022 with SPY at 411.72...
  - B 442 Call (1.0 delta, -1bp)
  - S 428 Call (10.0 delta, +7bp)
  - S 398 Put (-19.7 delta, +23bp)
  - B 373 Put (-2.8 delta, -3bp)
- On 8/12/2022 SPY finishes at 427.79
  - Profit of 26bps



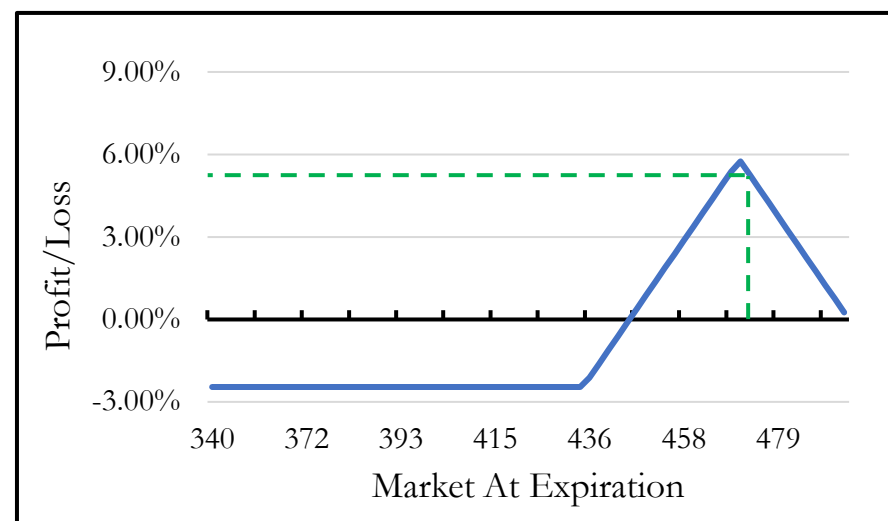
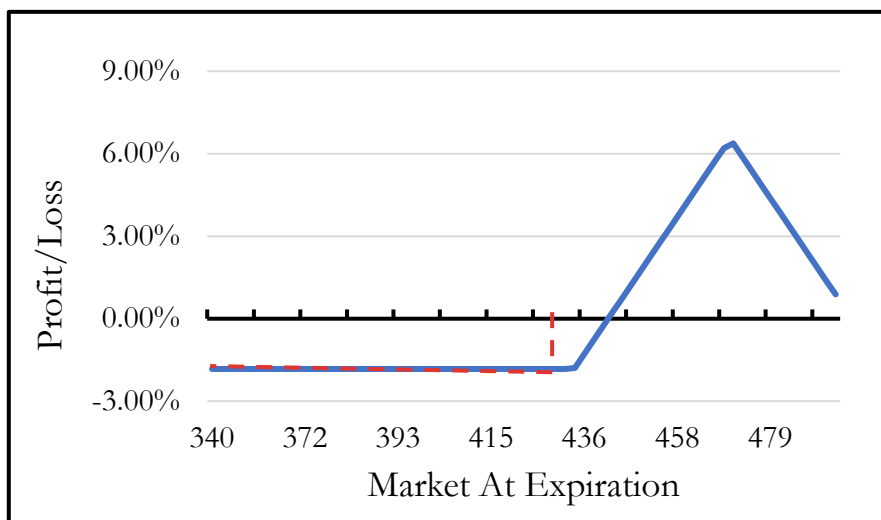
# Capital Appreciation Live Example

## Negative Example

- On 6/30/2021 with SPY at 429.86...
  - S 470 Call (4.7 delta, 10bpbp)
  - B 434 Call (43.2 delta, -204bp)
- On 9/30/2021 SPY finishes at 430.75
  - Loss of 1.83%

## Positive Example

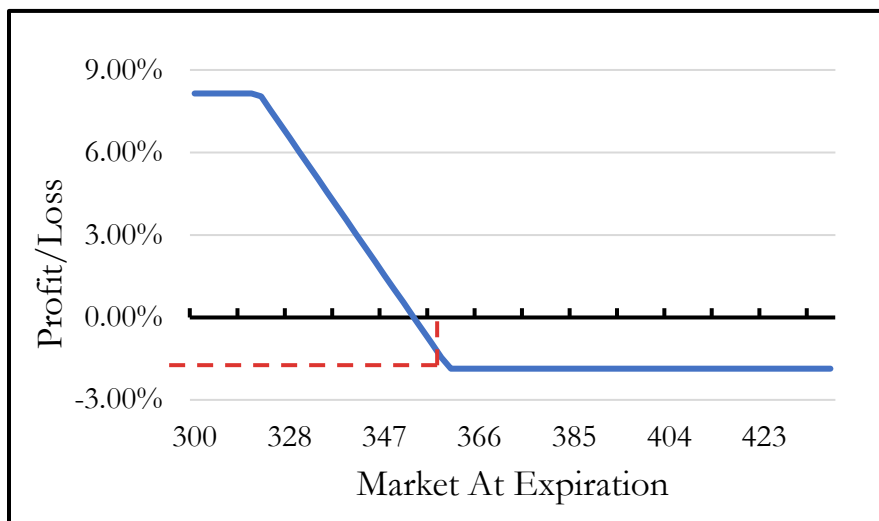
- On 10/1/2021 with SPY at 434.96...
  - S 476 Call (7.7 delta, 22bp)
  - B 440 Call (46.3 delta, -289bp)
- On 12/31/2021 SPY finishes at 476.62
  - Profit of 5.67%



# Downside Protection Live Example

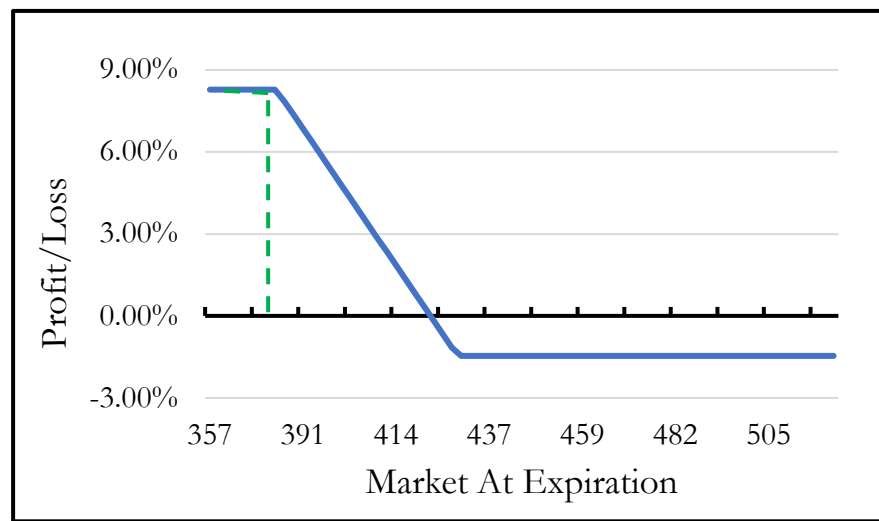
## Negative Example

- On 7/1/2022 with SPY at 379.31...
  - B 360 Put (-32.2 delta, -313bp)
  - S 322 Put (-13.2 delta, +113bp)
- On 9/30/2022 SPY finishes at 357.18
  - Loss of 1.25%



## Positive Example

- On 4/1/2022 with SPY at 452.51...
  - B 429 Put (-31.5 delta, -232bp)
  - S 385 Put (-11.7 delta, +87bp)
- On 6/30/2022 SPY finishes at 377.25
  - Profit of 8.27%



## Disclosures

This information in this presentation is for the purpose of information exchange. This is not a solicitation or offer to buy or sell any security. You must do your own due diligence and consult a professional investment advisor before making any investment decisions. The use of a proprietary technique, model or algorithm does not guarantee any specific or profitable results. **Past performance is not indicative of future returns.** The performance data presented are gross returns, unless otherwise noted. The risk of loss in trading securities can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. All information posted is believed to come from reliable sources. We do not warrant the accuracy or completeness of information made available and therefore will not be liable for any losses incurred.

The back test performance shown is HYPOTHETICAL. It is based on the back tests of historical data. Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the presentation of hypothetical performance results and all of which can adversely affect actual trading results.

The composition of a benchmark index may not reflect the manner in which a Julex portfolio is constructed in relation to expected or achieved returns, investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error targets, all of which are subject to change over time.

No representation or warranty is made to the reasonableness of the assumptions made or that all assumptions used to construct the performance provided have been stated or fully considered.

Please see the “Characteristics and Risks of Standardized Options,” available at [www.cboe.com/Resources/Intro.aspx](http://www.cboe.com/Resources/Intro.aspx)

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# Risk Considerations

- There are several factors to take into consideration when evaluating the risks of options strategies:
  - If the S&P 500® Index becomes more volatile, causing more of the short calls and puts to settle in-the-money, there will be a negative impact on performance.
  - If liquidity and pricing transparency in the weekly expirations diminish, there could be negative impact on performance. In extreme situations, we may be unable to implement the strategy.
  - Transaction costs could be significant in multi-leg options strategies, including spreads, as they involve multiple commission charges.
  - Margin requirements for option writers are complicated and not the same for each type of underlying security. They are subject to change and can vary from brokerage firm to brokerage firm. As they have significant impact to the risk/reward profiles of each trade, writers of options (whether they be calls or puts alone or as part of multiple position strategies such as spreads, straddles, or strangles) should determine the applicable margin requirements from their brokerage firms and be sure that they are able to meet those requirements in case the market turns against them.
  - Taxable clients should consult a tax adviser to determine how options transactions and any sales of underlying stock will affect their tax situation. Tax-exempt investors should ensure that counsel is comfortable that the strategy is allowed and, if not, what steps need to be implemented to amend the plan document.
  - The investor should also confer with their custodian to ensure the full understanding of the options settlement process and collateralization requirements.