



# GYROSCOPE CAPITAL

— MANAGEMENT GROUP —

## *Dividend Income Strategy*



A **gyroscope** (from Greek γῦρος *gûros*, "circle" and σκοπέω *skopéō*, "to look") is a spinning wheel or disc in which the axis of rotation is free to assume any orientation. When rotating, the orientation of this axis is unaffected by tilting or rotation of the mounting, according to the conservation of angular momentum.

I. Firm Introduction

II. Covered Call Strategy

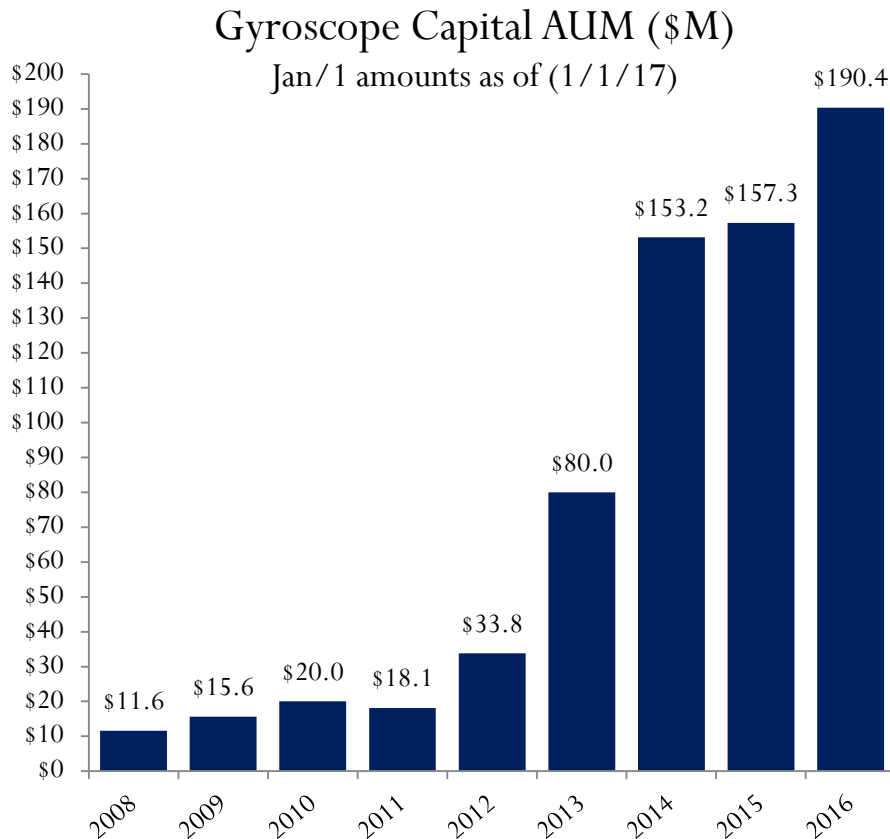
III. The Process

IV. Portfolio Performance

Appendix A: Performance in Varying Market Conditions

Appendix B: What is the CBOE Buy-Write Index?

Gyroscope Capital Management Group, LLC is an option-centric advisory firm offering equity portfolios for current income and risk mitigation to institutional clients.



## History

- Founded in 2006 as an affiliate of Moors & Cabot, Inc.

## Location

- Naples, Florida

## Ownership

- 100% Employee owned

## Assets

- \$190.4M AUM as of 12/31/2016



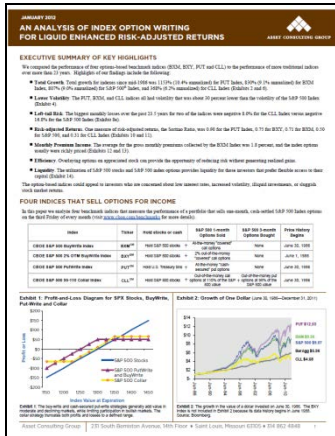
As option specialists, Gyroscope Capital believes there is significant value to be added to the portfolio management process through an active option writing and trading strategy. While many large-cap equity portfolio managers write covered calls on a limited portion of the stocks within the portfolios they manage, few specialize in managing equity portfolios specifically constructed to compliment a covered-call writing strategy. Through thoughtful research, disciplined trading and dedicated team asset management, Gyroscope Capital offers compelling portfolios for institutional investors and financial advisors.

The goal of Gyroscope Capital's Dividend Income Portfolio is to generate 5-7% in annual income from dividends and call premiums to reduce downside risk and overall volatility while providing large cap, value-oriented equity exposure.

- Provide an attractive alternative to fixed-income and other alternative investments, which provide relatively less total return, offer a less attractive risk/return profile, and/or are exposed to interest rate increases
- Reduce price volatility via a diversified portfolio of quality U.S. large capitalization stocks in order to preserve and grow invested principal
- Analyze and select securities based on earnings growth, price performance, dividend growth and relative valuation

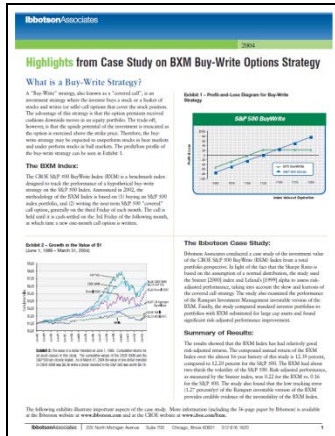
The Chicago Board Options Exchange (CBOE) website references five different studies\* which confirm that a passive covered call strategy can provide superior risk-adjusted returns compared to a long-only equity strategy.

- Each study covers a different time period, ranging from 16 to 26 years.
- Every study concluded that the CBOE BuyWrite Index (a widely used proxy for Covered Call Strategies) achieved roughly the same annualized return as the S&P 500 over the long term, but at substantially lower risk (28-33% lower average standard deviation)



**EXECUTIVE SUMMARY OF KEY HIGHLIGHTS**

- As measured by performance of the active covered call index (CBOE BuyWrite Index) vs. the performance of the Russell 2000 index over 27 years, the CBOE BuyWrite Index (CBOE BWI) outperformed the Russell 2000 index by 1.1% (1.1% vs. 0.0% annualized) for the CBOE BuyWrite Index (CBOE BWI) and 0.7% (0.7% vs. 0.0% annualized) for the CBOE BuyWrite Index (CBOE BWI).
- Low Volatility:** The CBOE BuyWrite Index (CBOE BWI) had a lower average standard deviation than the Russell 2000 index (1.1% vs. 1.5% annualized).
- Low Beta:** The CBOE BuyWrite Index (CBOE BWI) had a lower average beta than the Russell 2000 index (0.71 vs. 1.00).
- Low Correlation:** The CBOE BuyWrite Index (CBOE BWI) had a lower average correlation with the Russell 2000 index (0.12 vs. 0.70).
- Low Drawdown:** The CBOE BuyWrite Index (CBOE BWI) had a lower average maximum drawdown than the Russell 2000 index (11.1% vs. 20.0%).
- Low Volatility:** The CBOE BuyWrite Index (CBOE BWI) had a lower average standard deviation than the Russell 2000 index (1.1% vs. 1.5% annualized).
- Low Beta:** The CBOE BuyWrite Index (CBOE BWI) had a lower average beta than the Russell 2000 index (0.71 vs. 1.00).
- Low Correlation:** The CBOE BuyWrite Index (CBOE BWI) had a lower average correlation with the Russell 2000 index (0.12 vs. 0.70).
- Low Drawdown:** The CBOE BuyWrite Index (CBOE BWI) had a lower average maximum drawdown than the Russell 2000 index (11.1% vs. 20.0%).



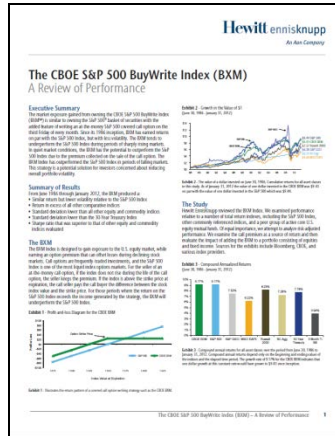
**Highlights from Case Study on BXIM Buy-Write Options Strategy**

**What is a Buy-Write Strategy?**

A "Buy-Write" strategy also known as a "covered call" is an investment strategy where the investor buys a stock or basket of stocks and writes or sells call options that cover the stock position. The strategy of selling call options against a long position in a stock or basket of stocks is a classic strategy that has been used for many years. The strategy is designed to provide a steady stream of income from the call options and to reduce the volatility of the stock position. The strategy is also designed to provide a steady stream of income from the call options and to reduce the volatility of the stock position.

**Key Findings:**

- The CBOE BuyWrite Index (CBOE BWI) has a lower average standard deviation than the S&P 500 index (1.1% vs. 1.5% annualized).
- The CBOE BuyWrite Index (CBOE BWI) has a lower average beta than the S&P 500 index (0.71 vs. 1.00).
- The CBOE BuyWrite Index (CBOE BWI) has a lower average correlation with the S&P 500 index (0.12 vs. 0.70).
- The CBOE BuyWrite Index (CBOE BWI) has a lower average maximum drawdown than the S&P 500 index (11.1% vs. 20.0%).



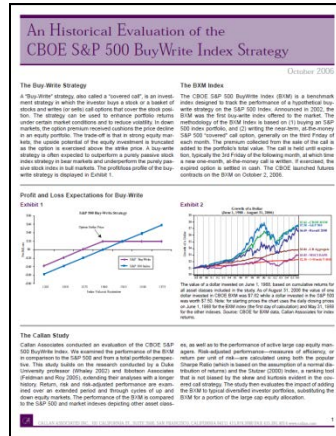
**The CBOE S&P 500 BuyWrite Index (BXIM) A Review of Performance**

**Executive Summary:**

The CBOE S&P 500 BuyWrite Index (BXIM) is a benchmark index that tracks the performance of a portfolio of S&P 500 stocks and call options. The index is designed to provide a steady stream of income from the call options and to reduce the volatility of the stock position. The index is also designed to provide a steady stream of income from the call options and to reduce the volatility of the stock position.

**Key Findings:**

- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average standard deviation than the S&P 500 index (1.1% vs. 1.5% annualized).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average beta than the S&P 500 index (0.71 vs. 1.00).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average correlation with the S&P 500 index (0.12 vs. 0.70).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average maximum drawdown than the S&P 500 index (11.1% vs. 20.0%).



**An Historical Evaluation of the CBOE S&P 500 BuyWrite Index Strategy**

**The Buy-Write Strategy:**

A "buy-write" strategy also called a "covered call" is an investment strategy where the investor buys a stock or basket of stocks and writes or sells call options that cover the stock position. The strategy is designed to provide a steady stream of income from the call options and to reduce the volatility of the stock position. The strategy is also designed to provide a steady stream of income from the call options and to reduce the volatility of the stock position.

**Key Findings:**

- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average standard deviation than the S&P 500 index (1.1% vs. 1.5% annualized).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average beta than the S&P 500 index (0.71 vs. 1.00).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average correlation with the S&P 500 index (0.12 vs. 0.70).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average maximum drawdown than the S&P 500 index (11.1% vs. 20.0%).



**Capturing the volatility premium through call overwriting**

**Executive Summary:**

Systematic call overwriting strategies are valuable tools in the investment toolbox. They can provide income, reduce the volatility of returns, and provide a steady stream of income from the call options. The strategy is also designed to provide a steady stream of income from the call options and to reduce the volatility of the stock position.

**Key Findings:**

- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average standard deviation than the S&P 500 index (1.1% vs. 1.5% annualized).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average beta than the S&P 500 index (0.71 vs. 1.00).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average correlation with the S&P 500 index (0.12 vs. 0.70).
- The CBOE S&P 500 BuyWrite Index (BXIM) has a lower average maximum drawdown than the S&P 500 index (11.1% vs. 20.0%).

**Asset Consulting Group**  
Published January 2012

**Ibbotson Associates**  
Published September 2004

**Hewitt Ennisknupp**  
Published 2012

**Callan Associates**  
Published October 2006

**Russell Investments**  
Published July 2012

\*These studies and additional research publications can be found on the CBOE website; <http://www.cboe.com/micro/buywrite/>

## Portfolio Construction Criteria



US Securities > \$9B Market Capitalization



Yield > S&P 500 Average Yield at purchase – 10%



Dividend Growth Rate  $\geq$  0% over past 5 years



~200 – 240 Companies

## Factor Weighting Process

PEG  
Ratio

Price to  
Free Cash  
Flow  
Ratio

Price to  
Sales

Gross  
Profits to  
Assets

Total  
Asset  
Turnover

## Investment Committee Selects 20 Companies

- Must allocate to all of the 10 *original* GICS Sectors (Real Estate allocation is discretionary)
- $\pm$  5 percentage points of each sector weight of the S&P 500
- At least one stock in each sector
- Annualized option premium consideration



### Equity Holding Criteria

All positions are re-assessed when:

- The rolling 12-month performance versus its GICS sector declines by  $\geq 15\%$
- The Weighted Score declines
- The Investment Committee recommends a more attractive replacement

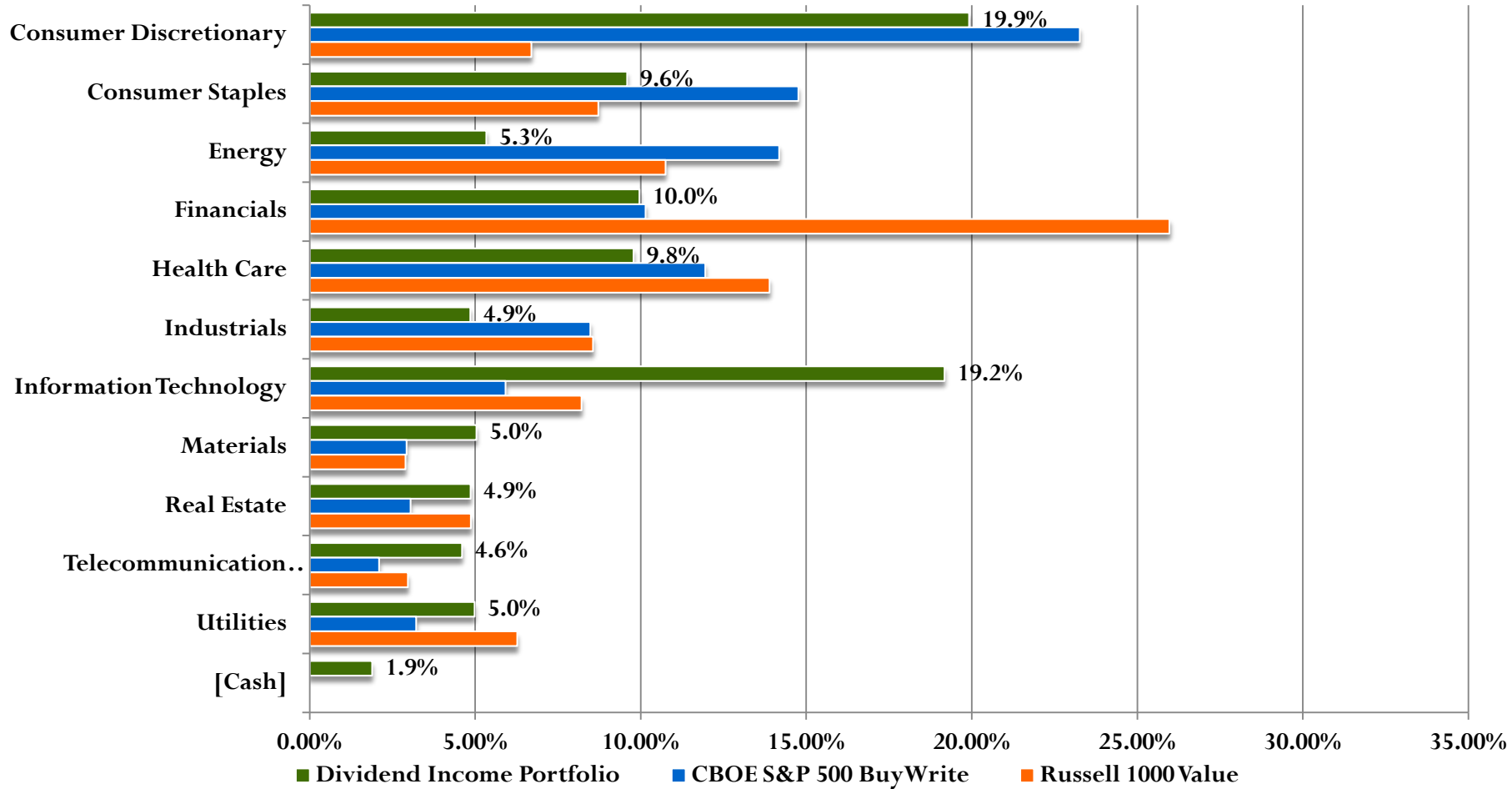
### Option Income

Maximize portfolio income while limiting risk by:

- Writing calls on average for 17-19 positions
- Targeting a time horizon of 2-6 months
- Seeking a strike price of 5-25% above the current stock price
- Targeting an annual premium of 3% or greater for the portfolio

# Sample Portfolio Sector Weights

As of 9/30/2017

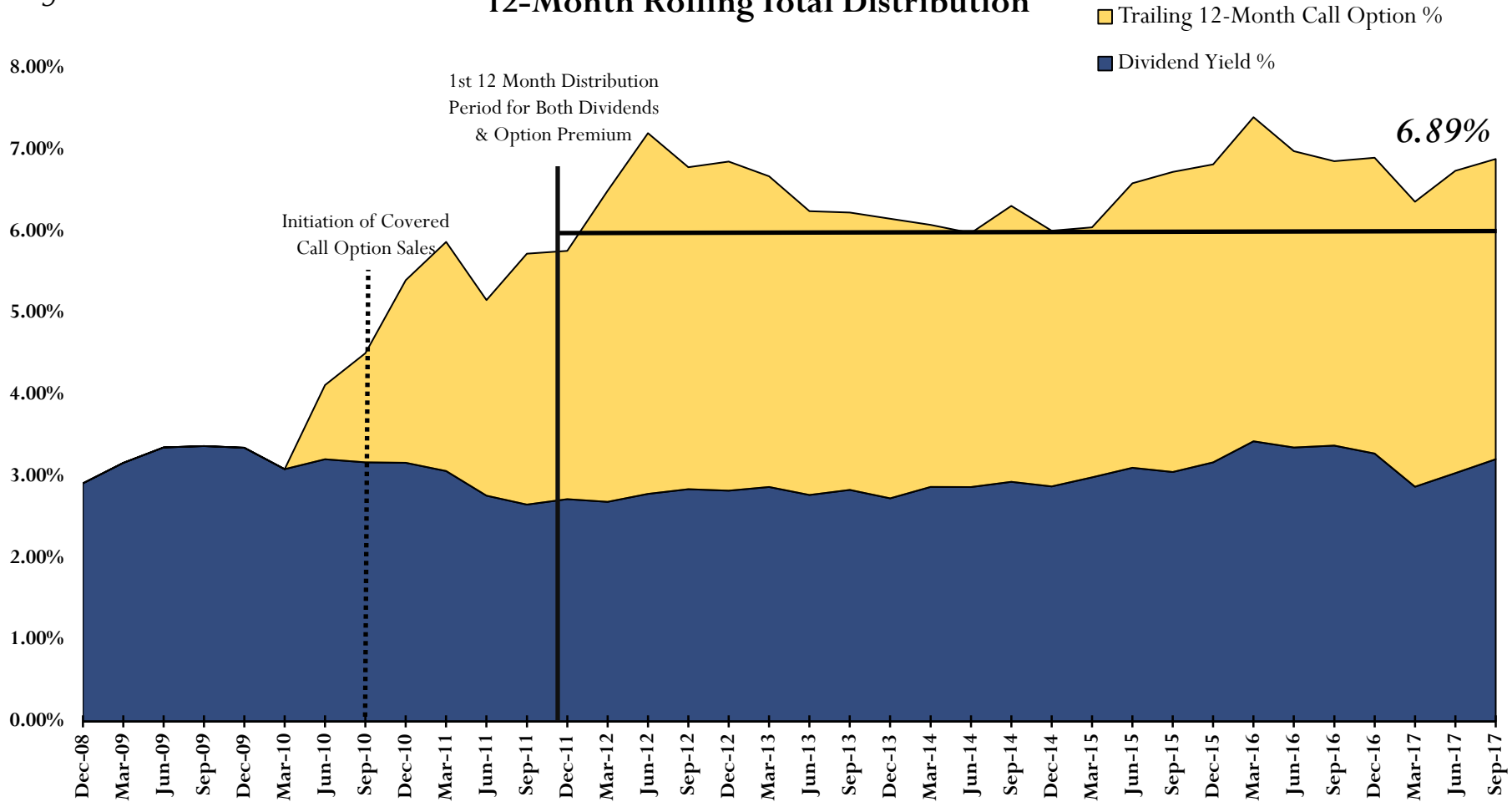


This sample portfolio is representative of a client's account on 9/30/2017 but may not reflect each client's account. In addition, each client may have slight variations in holding percentages and option overlay securities depending on the date of their initial investment and features such as reinvestment of dividends, etc. The information supplied on this page is supplemental to the compliant presentation. Past performance is not indicative of future results.

# 12-Month Rolling Income Distribution

As of 9/30/2017

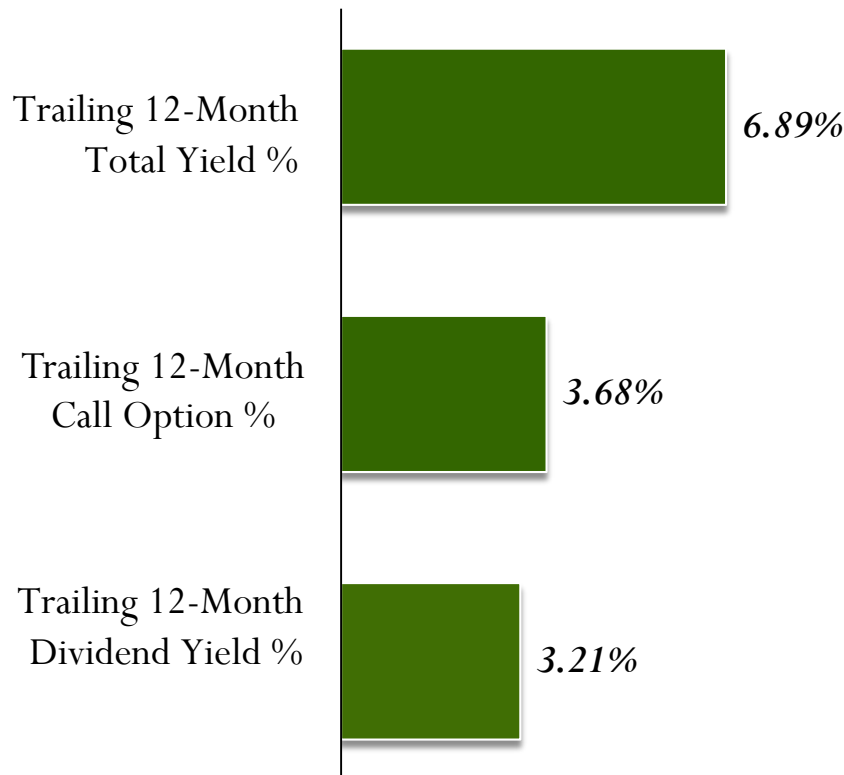
## 12-Month Rolling Total Distribution



The income represented in this graph is generated on a monthly basis versus the starting monthly balance. Supplemental to the compliant presentation. Past performance is not indicative of future returns.

Gyroscope Capital *actively manages* the Covered Call Option overlay, capturing more option premium when opportunities arise.

**Total Portfolio Yield**  
9/30/2016



**9/30/2017\***

Median Market Cap.	\$39.37B
3-Year Portfolio Beta (vs. S&P 500)	0.95
P/E Ratio (LTM)	17.80
Number of Long Positions	20
Turnover	115.88%

The information supplied on this page is supplemental to the compliant presentation. Past performance is not indicative of future results.

\* Represents the average of the composite; individual accounts may have different characteristics than the composite

## Annual Returns

	2007 <sup>^</sup>	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gyroscope (Gross of Fees)	-2.57%	-21.58%	10.28%	7.28%	5.12%	3.79%	26.78%	13.68%	-3.17%	11.95%
Gyroscope (Net of Fees) <sup>†</sup>	-2.81%	-22.36%	9.18%	6.21%	4.07%	2.76%	25.52%	12.52%	-4.13%	10.43%
Buy Write (BXM)	2.38%	-28.65%	25.91%	5.86%	5.72%	5.20%	13.26%	5.64%	5.24%	7.07%

<sup>^</sup>Does not cover the full year. Investment period begins on 10/01/07.

<sup>†</sup> Net highest bundled fee assumes all accounts are wrap accounts and are charged the highest applicable fee; this total fee is inclusive of Gyroscope Capital's sub-advisory fee.

## Annualized Returns (as of 9/30/2017)

	Since Inception	1 Year	3 Year	5 Year	10 Year
Gyroscope (Gross of Fees)	5.45%	14.62%	7.98%	10.80%	5.45%
Gyroscope (Net of Fees) <sup>†</sup>	4.31%	12.84%	6.61%	9.52%	4.31%
Buy Write (BXM)	4.84%	12.84%	7.10%	7.64%	4.84%

The information supplied on this page is supplemental to the compliant presentation. Past performance is not indicative of future results.



***Michael J. Egan, CFP® CIMA® - Investment Manager***

Mr. Egan is Founder and President of Gyroscope Capital. His principal duties include advising financial advisors and their wealthy clients regarding investment management. Prior to Gyroscope Capital, Mr. Egan founded and managed the Corporate and Executive Services Group at Legg Mason and structured and executed swap and derivative transactions totaling over \$8 billion for Fortune 50 companies at American Express/Lehman Brothers.

Mr. Egan holds a Bachelor of Arts degree in Economics from the College of William and Mary, a Masters degree in Economics from New York University, and an MBA from Duke University. He is also a graduate of the London School of Economics and Political Science General Course Program.



***Robert M. Carr - Portfolio Manager, Investment Committee***

Mr. Carr joined Gyroscope Capital in 2008 to assist in management of the Option Portfolios and development of Gyroscope Capital's advisory hedging solutions. Mr. Carr's primary responsibilities are the development and implementation of hedging, diversification, portfolio management and other wealth enhancement and protection strategies for clients and Financial Advisors. Prior to Gyroscope Capital, Mr. Carr was employed with Creative Touch Interiors where he worked as a commercial project estimator, overseeing such projects such as the Miami Dolphins Stadium Renovation and High Point Towers in Ft Myers, FL.

Mr. Carr holds a Bachelor of Science degree in Chemical Engineering from the University of Florida and an MBA from Florida Gulf Coast University.



***Sarah H. Wolf - Investment Committee***

Ms. Wolf joined Gyroscope Capital in 2005 as Vice President of Wealth Management. Her responsibilities include coordinating all of Gyroscope Capital's services for individual and corporate clients. Prior to joining Gyroscope Capital, Ms. Wolf was employed with Legg Mason's Equity Hedge Group in 1997 as Director of Client Services.

Ms. Wolf holds a Bachelor of Arts degree from Washington College and has completed the Hansard Scholars Programme in Parliamentary and Public Policy Studies at the London School of Economics.



***Anthony L. Cirillo – Assistant Portfolio Manager, Investment Committee***

Mr. Cirillo joined Gyroscope Capital in 2016 to assist with the analysis, administration and security selection for the firm's large capitalization portfolios. His principal duties include preparation of materials for the Investment Committee, monitoring and maintenance of client accounts, and research on securities. Prior to joining Gyroscope Capital, Mr. Cirillo was employed with the private-equity firm SK2 Capital, where he worked as an Investment Analyst.

Mr. Cirillo holds a Bachelor of Science degree in Finance from Florida Gulf Coast University and has passed the level three examination of the CFA® Program.



***Katherine R. Kelliher – Chief Compliance Officer***

Ms. Kelliher has been serving as Gyroscope Capital's Chief Compliance Officer since March of 2016. Ms. Kelliher also works for the Compliance Department at Moors & Cabot, an affiliated firm based in Boston, MA. Prior to Gyroscope Capital and Moors & Cabot, Ms. Kelliher worked at Metlife where she was the Regional Compliance Coordinator for the New England region. She has also worked for Canaccord Genuity Inc., a Canadian Investment Bank, as well as Morgan Stanley.

Ms. Kelliher received a Bachelor of Arts degree from Stonehill College in Economics. She is an active in various charitable organizations in the Boston area.



***Mary T. Hackney , CFA® - Investment Committee***

Ms. Hackney is an independent consultant contracted by Gyroscope to serve on the GCMG Investment Committee. From 1999 to 2009, Ms. Hackney was the Chief Administrative Officer of a Florida high-net-worth family office, overseeing public and private financial securities investments and reporting, as well as legal, accounting and risk management activities. During the preceding 18 years, Ms. Hackney worked within various divisions of Merrill Lynch and A.G. Edwards & Sons, providing services including stock brokerage, client service and private client portfolio management.

Ms. Hackney earned the Chartered Financial Analyst (CFA®) designation in 2003.

Gyroscope Capital Management Group, LLC, an SEC registered investment advisor, does business as Gyroscope Capital Management Group. Gyroscope Capital Management Group, LLC is an Independent Investment Advisory Affiliate of Moors & Cabot. Investment Advisor Representative's may be dually registered with Moors & Cabot.

Prospective clients and other interested parties can obtain a copy of the Compliant Presentation for the Dividend Income Portfolio by contacting Robert Carr by phone at 1-866-459-9998 or by email at rcarr@moorscabot.com.

Gyroscope Capital Management Group, LLC ("GCMG") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. GCMG has been independently verified for the periods 10/1/2007 to 12/31/2016.

**Large Cap Dividend Income Composite** includes all portfolios that invest in large cap dividend paying equities with covered call sales and for comparison purposes is measured against the S&P 500 CBOE BuyWrite Index (BXM). The minimum account size for this composite is \$100 thousand. The Large Cap Dividend Income Composite was created September 10, 2007.

The S&P 500 CBOE BuyWrite Index is a hypothetical index in consideration of a portfolio owning the S&P 500 and selling a 1 month covered call just above the prevailing index value (i.e. slightly out of the money). The call is held until expiration and cash settled at which time a new one-month, near-the-money call is written.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Returns are a composite of accounts invested in the Dividend Income Strategy. To be included in the composite, a client's portfolio must have at least 70% of the account value invested in the Strategy. Return calculations use accrual basis accounting. Portfolio return calculations and valuations are based on trade settlement date. The Investment Committee has executed sales of call options ("Covered Calls") on the stocks held in the Portfolio to enhance income and total returns in the Portfolio since May 15, 2010. Prior to this date, covered call sales were not employed in 70% or more of the portfolios which constitute the composite.

No leverage or short positions have been used in this composite. The use of derivatives in this composite is limited to the sale (and subsequent repurchase) of covered call options to generate additional premium income.

The CBOE S&P 500 BuyWrite Index is an appropriate benchmark for the Dividend Income Portfolio Composite. The Dividend Income portfolio contains the common shares issued by large capitalization U.S. - based companies, or the American Depository Receipts (ADRs issued by U.S. depository banks) representing ownership in a non U.S. company. Benchmark performance for the portfolio is calculated using daily cash flows and the geometric mean of monthly returns.

The U.S. Dollar is the currency used to express performance.

Annual Composite Performance Results							
Year End	Total Firm Assets (millions)	Composite Assets (USD) (millions)	Number of Accounts	Pure Gross	Net Highest Bundled Fee <sup>^</sup>	Net Model Composite Fee	S&P 500 Buy-Write Index
2016	190.5	87.86	192	11.95%	10.43%	11.39%	7.07%
2015	157.3	72.4	161	-3.17%	-4.13%	-3.65%	5.24%
2014	153.2	66.0	128	13.68%	12.55%	13.12%	5.64%
2013	80.0	40.0	86	26.78%	25.52%	26.15%	13.26%
2012	33.8	16.8	45	3.79%	2.76%	3.27%	5.20%
2011	18.1	2.6	8	5.12%	4.07%	4.59%	5.72%
2010	20.0	1.31	3	7.28%	6.21%	6.74%	5.86%
2009	15.6	0.74	2	10.28%	9.18%	9.73%	25.90%
2008	11.6	0.16	1	-21.58%	-22.36%	-21.97%	-28.65%
2007*	2.2	0.21	1	-2.57%	-2.81%	-2.69%	2.37%

For the year 2007, performance is from 10/1/2007 to 12/31/2007.

Performance is examined by Ashland Partners & Company LLP in addition to the GIPS audit. Reports are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Dividend Income Composite has been examined for the periods 10/1/2007 to 6/30/2016. The verification and performance examination reports are available upon request.

The portfolios' value may diminish at any time due to adverse market conditions. Past performance is not indicative of future returns.

Returns are presented gross and net of fees and include the reinvestment of all income. Gross returns are shown as supplemental information and are stated gross of all fees for separately managed accounts (but not transaction costs) and gross of all fees for wrap accounts; net returns are expressed in two different formats 1. Gross Fees minus the highest bundled fee for each period. The highest bundled fee is 100 bps from 10/1/2007 to 3/31/2016. From 3/31/2016 onward, the highest bundled fee is 150 bps 2. Gross Fees minus the advisory fee most applicable to a majority of accounts 50 bps. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions this fee includes investment management, portfolio monitoring, and in some cases, custodial services. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The investment management fee schedule for separately managed clients is between 35 to 150 bps. Actual investment advisory fees incurred by clients may vary.



Options trading is not suitable for all investors. Contact Gyroscope Capital Management Group, LLC (“GCMG”) at 999 Vanderbilt Beach Road Suite 102, Naples, FL 34108 or visit <http://www.cboe.com/Resources/Intro.aspx> for a current options disclosure documents, “Characteristics and Risks of Standardized Options.” This document discusses potential risks with options issued by the Options Clearing Corporation (“OCC”), which are typically listed on an exchange.

Gyroscope Capital Management Group (GCMG) is an SEC registered investment adviser located in Naples, FL and affiliated with Moors & Cabot, Inc (a registered broker-dealer). GCMG only transacts business in states where it is properly registered or in compliance with applicable state regulations. Individualized responses that involve actual or contemplated securities transactions or the rendering of personal investment advice for compensation will not be made absent compliance with all applicable investment adviser regulation requirements. Please contact the sender if there are any questions.

Illustrations used in this document are hypothetical. The results achieved by individual clients will vary and will depend on a number of factors including the particular underlying investments and their dividend yield, option market liquidity, interest rate levels, implied volatilities, and the client’s expressed return and risk parameters at the time the service is initiated and during the term. Investors should carefully consider executing any trade using options and be aware of all the risks, including, but not limited to, receiving back less value than they invested. Past performance is not a guarantee of future returns.

The information contained herein has been prepared from sources believed to be reliable, but is not guaranteed and is not a complete summary of all available data. Options may not be suitable for all investors and there are significant risks inherent in the use of options, even when options are used for hedging purposes. GCMG does not provide legal, tax or accounting advice and the information contained herein should not be construed as such. This marketing piece is not intended for the giving of investment advice to any single investor or group of investors and no investor should rely upon or make any investment decisions based solely upon the contents of the piece. Clients should confer with a professional prior to investing.

Taxes, fees and commissions do have a direct and material impact on the options strategies, may reduce the effectiveness of some strategies, and may result in the investor not achieving his or her investment objectives. The examples presented above do not take into account the tax consequences or the impact on holding period. Investors should always seek professional tax advice before engaging in any of these strategies. Under new tax laws, certain in-the-money covered call writes are deemed “unqualified” and carry certain tax consequences. You should consult your financial or tax advisor for more information. GCMG does not provide tax advice.

This illustration of potential cash flow from a covered call option writing program is not based on an actual portfolio. Covered call option cash flow for any portfolio will vary depending on actual portfolio positions, option premium received, individual stock price volatility, and general stock market volatility. Positions covered by call options may be called away, creating realized capital gains or losses. There can be no guarantee that the owner of the call option will not exercise prior to GCMG’s attempt to repurchase a sold option. Cash flow is not guaranteed over any period. More information may be found on GCMG’s Form ADV.

If the price of the stock declines by an amount greater than the premium received the position will have point-for-point loss. Therefore, this strategy should not be employed if you believe the price will decline considerably in value.

If the price of the stock increases by an amount greater than the strike price, the investor will forgo any price appreciation above the strike price. Therefore, this strategy should not be employed if you believe the price will increase considerably in value.



## Gyroscope Capital Management Group, LLC

999 Vanderbilt Beach Road

Suite 102

Naples, Florida 34108

Phone 866.459.9998

Fax 239.790.0928

[marketing@gyroscopicapital.com](mailto:marketing@gyroscopicapital.com)

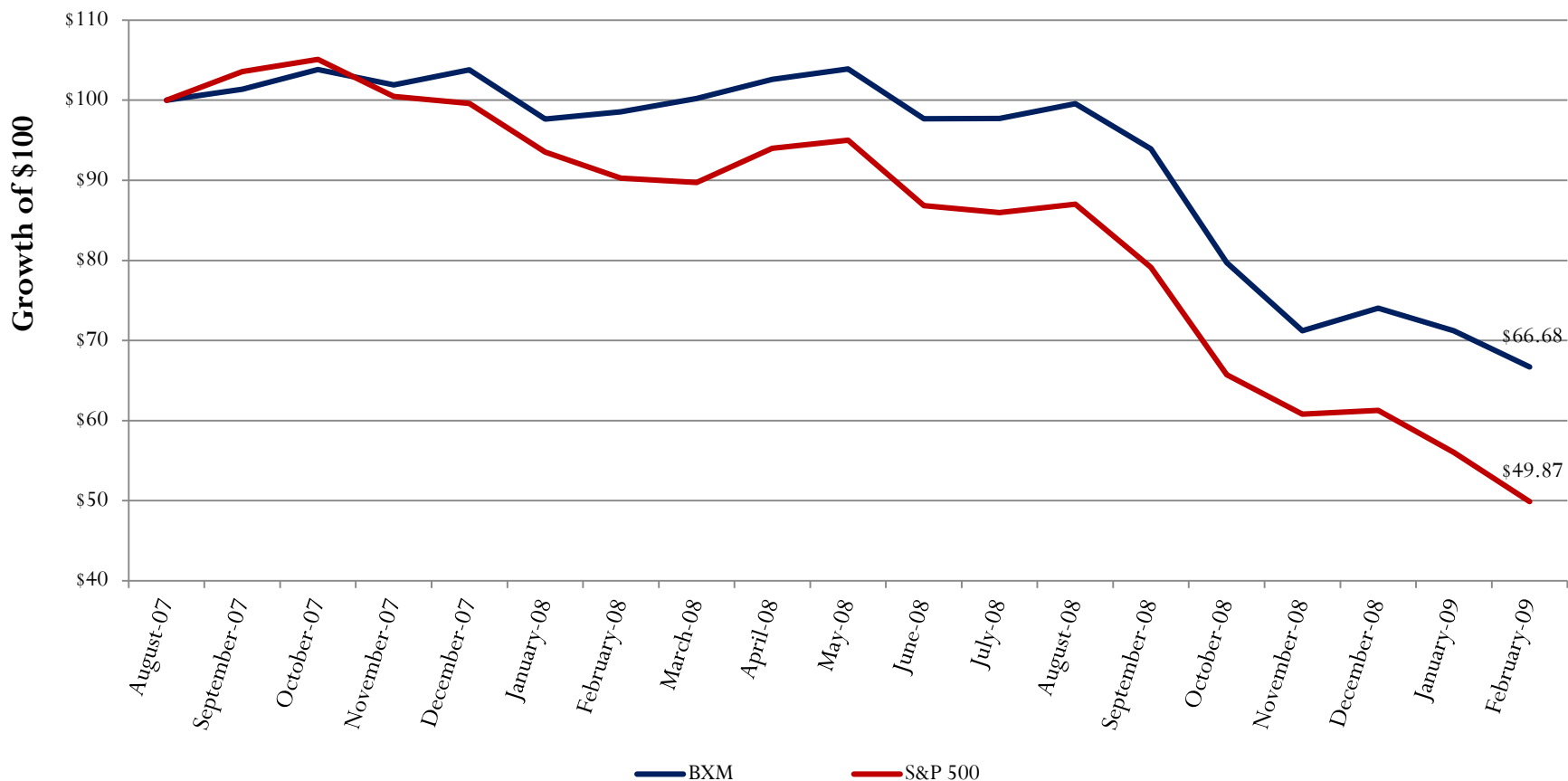
[www.gyroscopicapital.com](http://www.gyroscopicapital.com)

Over longer investment horizons, Covered Call Overlay Portfolios may deliver returns in line with equities, but with lower volatility. However, relative performance during periods of varying market conditions can differ markedly from broad market indices.

- **Flat/Sideways Markets** – Covered Call Portfolios should perform in line with or outperform broad market indices.
- **Sharply Declining Markets** – Covered Call Portfolios tend to outperform broad market indices during declining markets as call premiums provide limited downside protection.
- **Sharply Advancing Markets** – Covered Call Portfolios tend to lag during sharp equity market advances. The degree to which Covered Call Portfolios trail broad market indices is directly dependent upon the speed of equity market advances.

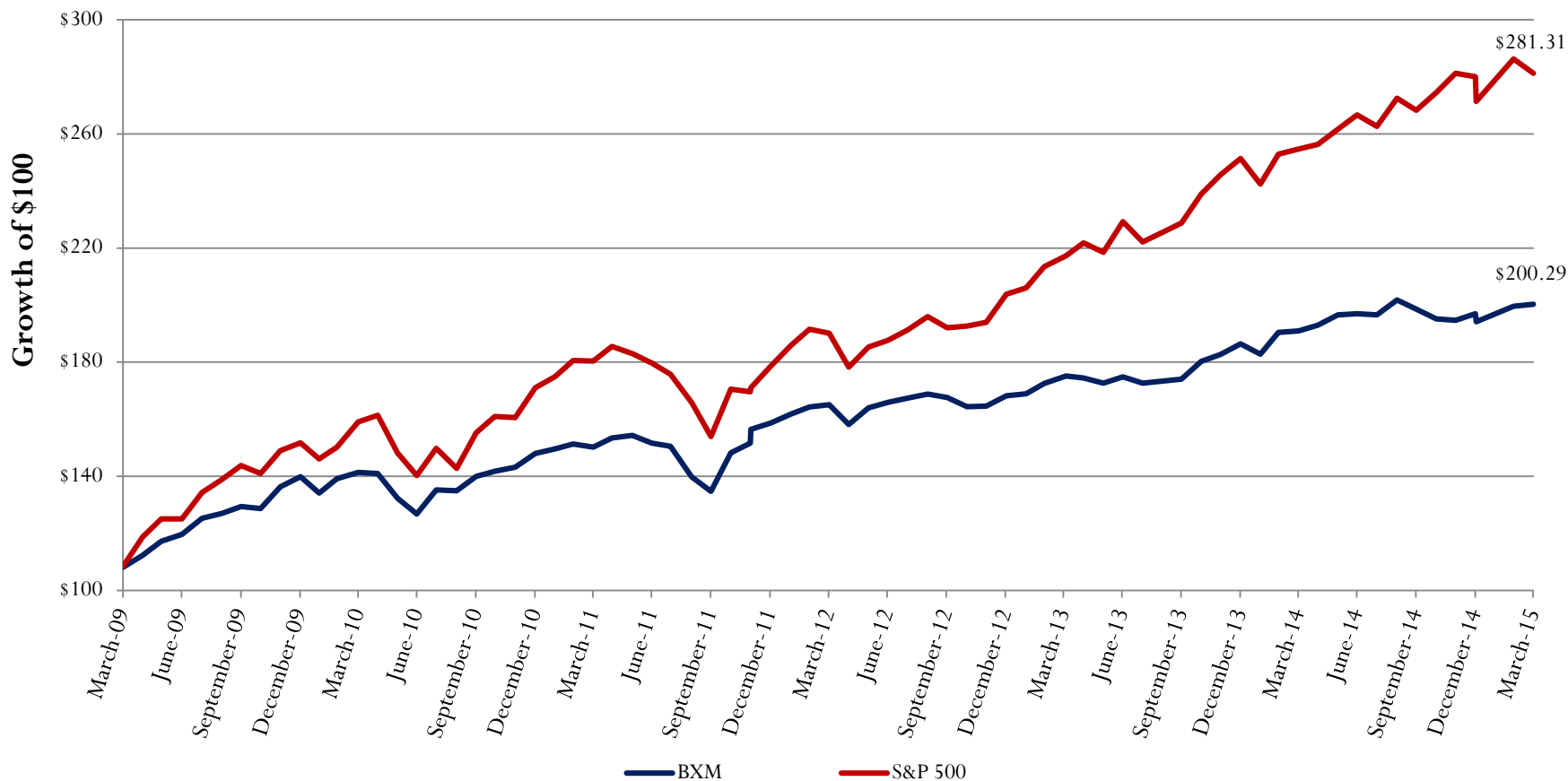
The graph below depicts the growth of \$100 invested in the BXM Index and the S&P 500 Index during a Sharply Declining Market from August 1<sup>st</sup> 2007 through February 2009 .

### Performance in a Sharply Declining Market



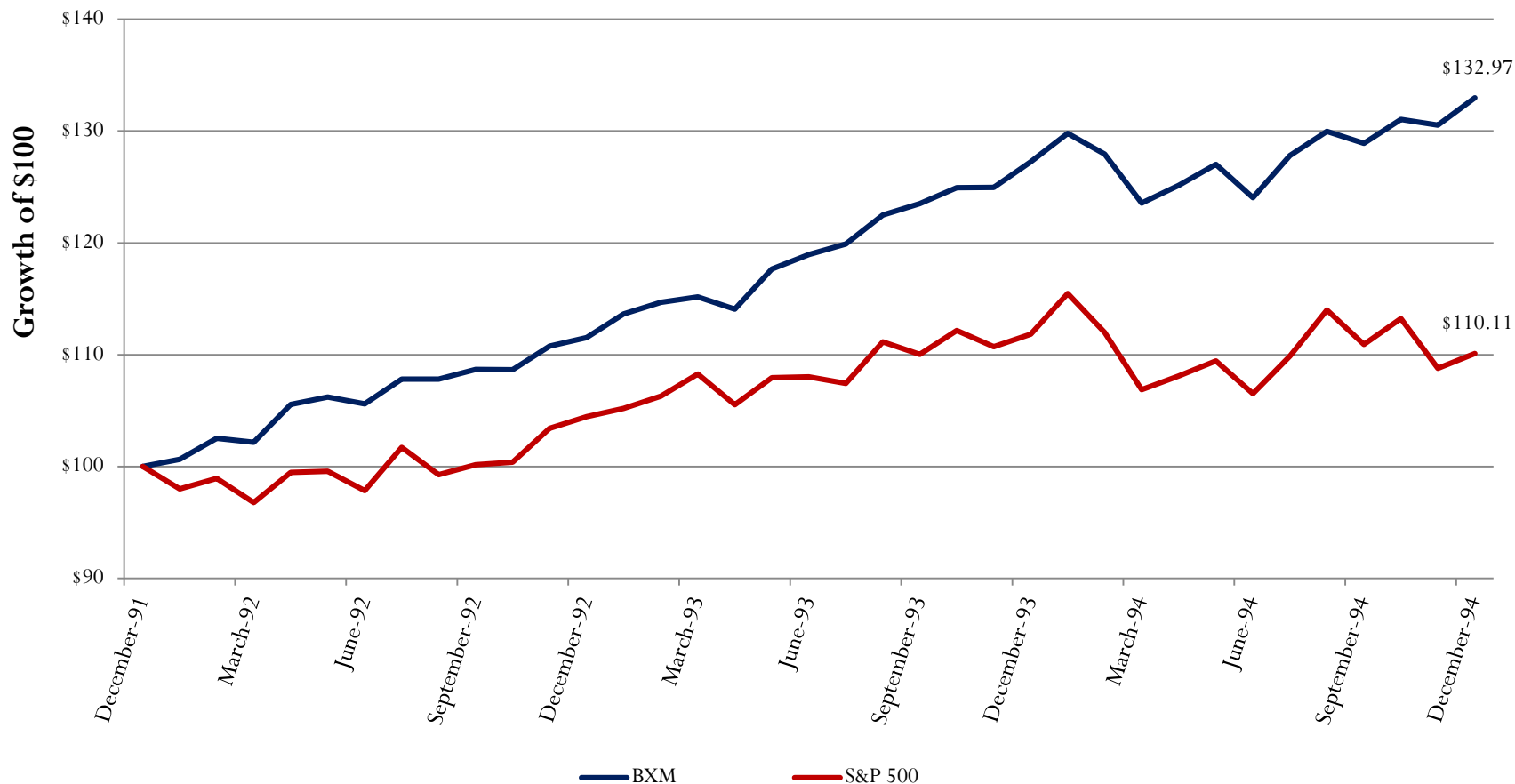
The graph below depicts the growth of \$100 invested in the BXM Index and the S&P 500 Index during the subsequent market reversal from March 1<sup>st</sup>, 2009 through March 2015.

## Performance in a Sharply Advancing Market



The graph below depicts the growth of \$100 invested in the BXM Index and the S&P 500 Index during a Flat Market from December 1<sup>st</sup> 1991 through December 1994.

**Performance in a Flat Market**



S&P 500	CBOE Buy-Write (BXM)
<p><b>Description</b></p> <ul style="list-style-type: none"> <li>• 500 Stocks, Market-Value Weighted</li> <li>• Chosen for market size, liquidity, financial viability and sector representation</li> </ul> <p><b>Benchmark Relevance</b></p> <ul style="list-style-type: none"> <li>• The most widely recognized and used proxy for U.S. large capitalization stocks</li> </ul> <p><b>Constituent Inclusion Criteria</b></p> <ul style="list-style-type: none"> <li>• U.S. Companies</li> <li>• Market Cap &gt; \$4 billion</li> <li>• Public Float &gt; 50%</li> <li>• Four Consecutive Quarters of Positive Earnings</li> <li>• Adequate Liquidity</li> <li>• Sector Representation</li> </ul>	<p><b>Description</b></p> <ul style="list-style-type: none"> <li>• Passive buy-write index</li> <li>• Owns the S&amp;P 500 index</li> <li>• Sells near-term index options</li> </ul> <p><b>Benchmark Relevance</b></p> <ul style="list-style-type: none"> <li>• More comparable risk, providing for a more relevant comparison</li> </ul> <p><b>Specific Criteria</b></p> <ul style="list-style-type: none"> <li>• Owns S&amp;P 500</li> <li>• Options with one month expiration</li> <li>• Strike prices at or near the money</li> <li>• Cash settlement at expiration</li> <li>• Performance data from 1986</li> <li>• Does not incorporate transaction expenses</li> </ul>