



# ELITE WEALTH MANAGEMENT

## Dynamic ETF Option Strategy

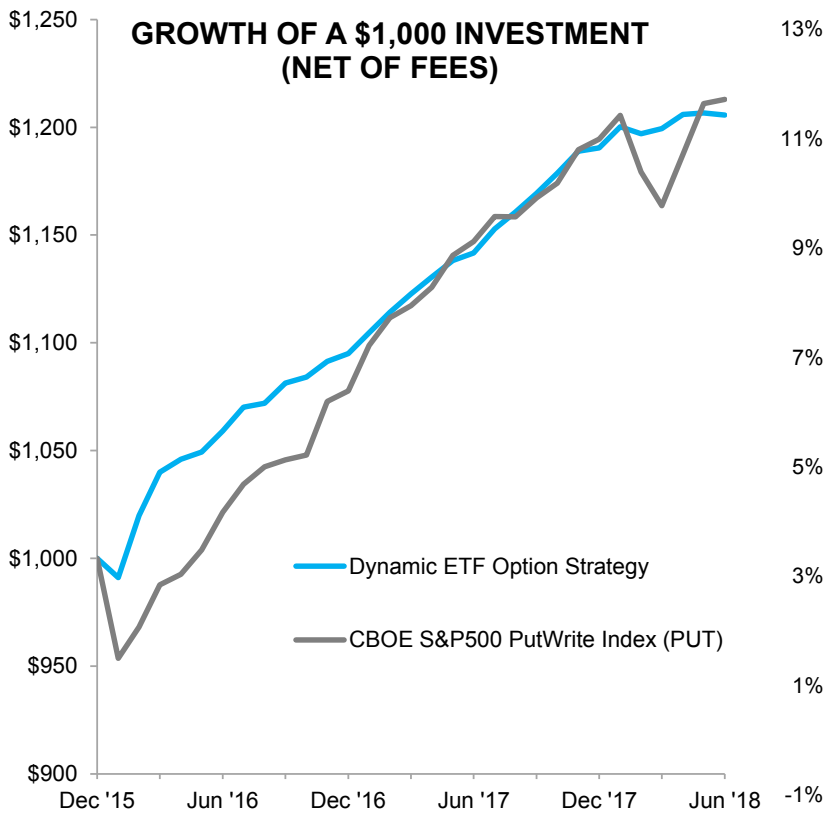
June 2018

**INVESTMENT OBJECTIVE:** The Dynamic ETF Option Strategy (“DEOS”) targets capital appreciation along with income generation. The strategy is designed to take advantage of variances in volatility across the entire spectrum of market conditions in order to target generating a continuous income stream. This strategy seeks to track or outperform the performance of the CBOE S&P 500 PutWrite Index (PUT).

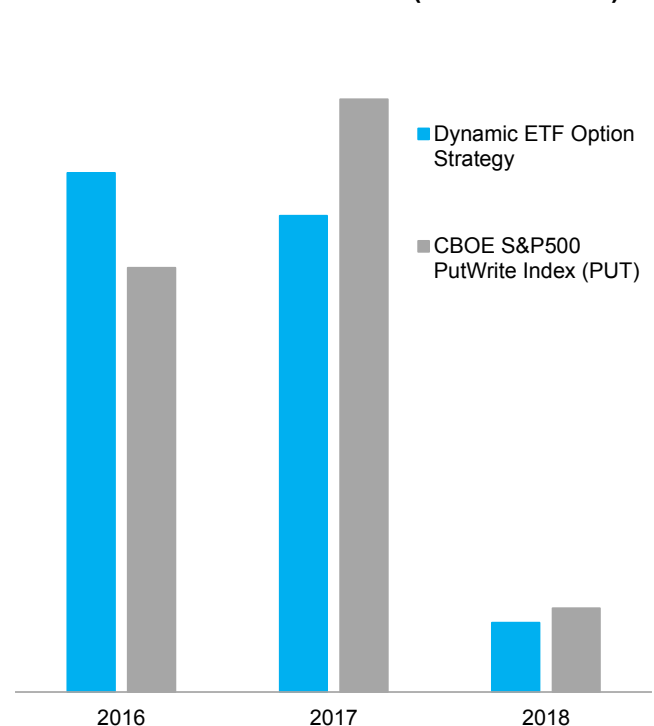
**INVESTMENT APPROACH:** The strategy embodies the idea of selling put options against cash and collecting premium to potentially produce an income stream for the portfolio. The strategy involves selling out-of-the-money puts collecting premiums as long as the ETF price of the underlying remains above the put strike price at expiration. ETFs may be assigned at lower prices compared to their trading prices when their options are sold. The put options are used as a tool to acquire an ETF at a lower and pre-established price, which is the strike price of the option. Covered calls are used as a tool to exit assigned ETFs and generate income in the interim. This strategy is designed for a long-term investor looking to generate profits from the collection of premium and/or to go long ETF positions at lower prices compared to their current trading prices. The strategy can only be implemented for taxable accounts; IRA accounts cannot utilize this strategy given the nature of put selling.

### STRATEGY STRENGTHS

- Put writing strategy is designed to seek profits by ongoing collection of premium.
- Assignment through put writing, if it occurs, purchases the underlying ETF at a lower price than its market price when the position was initially placed.
- Can be a way of generating additional portfolio income.
- Selling options can generate yield in a bull market, stagnant market and within a range of heightened volatility.
- Option writing may potentially reduce both extreme positive and negative monthly returns in exchange for more consistent monthly returns.



### DEOS ANNUAL RETURN (NET OF FEES)



The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. There is a \$60,000 minimum account size required for inclusion in the strategy. New funds or accounts are added to the strategy upon the first full month of investment and closed funds or accounts are removed from the composite upon the last full month of investment. **Past performance is no guarantee of future results. Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided net of 1% management fees basis, reflecting the deduction of investment management fees, as well as brokerage or other commissions and costs. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses and is not based on actual advisory client assets. Index performance does include the reinvestment of dividends and other distributions.** The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars. Please see the Dynamic ETF Option Strategy Disclosures for additional strategy performance information.

**Past performance is not indicative of future results.** Please refer to the Disclosure section for additional information.



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June 2018

### MONTHLY PERFORMANCE (NET OF FEES)

| Year | Jan    | Feb    | Mar   | Apr   | May   | Jun    | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | YTD  |       |        |
|------|--------|--------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|------|-------|--------|
|      |        |        |       |       |       |        |       |       |       |       |       |       | DEOS | PUT   |        |
| 2018 | 0.82%  | -0.27% | 0.20% | 0.55% | 0.05% | -0.08% |       |       |       |       |       |       |      | 1.27% | 1.53%  |
| 2017 | 0.88%  | 0.86%  | 0.76% | 0.70% | 0.68% | 0.31%  | 0.98% | 0.67% | 0.75% | 0.80% | 0.87% | 0.13% |      | 8.72% | 10.85% |
| 2016 | -0.89% | 2.90%  | 1.97% | 0.58% | 0.32% | 0.93%  | 1.05% | 0.17% | 0.87% | 0.25% | 0.68% | 0.33% |      | 9.50% | 7.77%  |

### DEOS PERFORMANCE STATISTICS (NET OF FEES)

|                                    |       |                            |           |
|------------------------------------|-------|----------------------------|-----------|
| Standard Deviation (Monthly):      | 0.66% | June Return:               | -0.08%    |
| Standard Deviation (Annualized):   | 2.29% | YTD Return:*               | 1.27%     |
| Downside Deviation (Monthly):**    | 0.24% | Average Monthly Return:    | 0.63%     |
| Downside Deviation (Annualized):** | 0.83% | Highest Month:             | 2.90%     |
| Sharpe Ratio (Monthly):**          | 0.57  | Lowest Month:              | -0.89%    |
| Sharpe Ratio (Annualized):**       | 1.99  | % of Positive Months:      | 90.00%    |
| Sortino Ratio (Monthly):**         | 1.56  | Maximum Drawdown:          | -0.89%    |
| Sortino Ratio (Annualized):**      | 5.39  | Longest Winning Streak:    | 24 Months |
| Alpha (Monthly):***                | 0.26% | Longest Losing Streak:     | 1 Month   |
| Alpha (Annualized):***             | 3.15% |                            |           |
| Beta:***                           | 0.29  | Compounded Monthly Return: | 0.63%     |
| Correlation Coefficient:***        | 0.61  | Compounded Annual Return:  | 7.77%     |
| R-squared:***                      | 0.38  | Cumulative Return:         | 20.56%    |

\*YTD Through June 2018 \*\*Based on Risk Free Rate (RFR) at 3.0% \*\*\*Calculated Against PUT Index

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Since no two clients are alike, Elite integrates wealth management, family office, estate planning, and philanthropic services into one complete, personal solution for every unique individual and/or family we serve. As an independent firm, our actions will always reflect your best interests and serve your investment needs.

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June 2018

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The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. There is an \$60,000 minimum account size required for inclusion in the strategy. New funds or accounts are added to the strategy upon the first full month of investment and closed funds or accounts are removed from the composite upon the last full month of investment. **Past performance is no guarantee of future results. Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided net of 1% management fees basis, reflecting the deduction of investment management fees, as well as brokerage or other commissions. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses and is not based on actual advisory client assets. Index performance does include the reinvestment of dividends and other distributions.** The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars.

**Dynamic ETF Option Strategy ("DEOS") Risk Disclosure Statement:** All investments include a risk of loss that clients should be prepared to bear. The principal risks of the Elite Wealth Management strategies are disclosed in the publicly available Form ADV Part 2A. Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options in your account. If you are interested in margin lending (a loan to purchase securities that is secured or collateralized by securities in your account) or option trading, please visit <http://www.optionsclearing.com/about/publications/character-risks.jsp> to read the Options Disclosure Document titled "Characteristics and Risks of Standardized Options", or call the Interactive Brokers, LLC ("IB") office @ 1-877-442-2757 for a current copy, before considering any option transaction. Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. ETFs may trade for less than their net asset value. Statistics Definitions can be viewed at <http://elitewm.com/analytics>. **Sources:** Yahoo Finance, Hedge Connection, Chicago Board of Exchange.

**SEE IMPORTANT DISCLOSURE STATEMENT:** <http://elitewm.com/wp-content/EWM-Options-Risk-Disclosure>

**Put Option:** A put option allows the purchasing investor to require the writing investor to purchase the underlying security, currency or other asset at the specified exercise price. Purchasing and writing (i.e. selling) put options are highly specialized activities and entail significant risks. The risk involved in writing a put option include the possible decreases in the value of the underlying asset caused by declining stock prices, rising interest rates or other factors. If this occurred, the option could be exercised and the client would be required to purchase the underlying security, currency or other asset at a price higher than its current market value. If a put option purchased by a client were permitted to expire without being sold or exercised, the client would lose the entire premium it paid for the option.

**Call Option:** A call option allows the purchasing investor, for a premium, to purchase from the selling investor the right to buy the underlying security, currency or other asset at the exercise price. Purchasing and writing (i.e. selling) call options are highly specialized activities and entail significant risks. The risks involved in writing a call option include possible increases in the market value of the underlying asset caused by rising stock prices, declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security, currency or other asset would then be sold by the client at a lower price than its current market value. If a call option purchased by the client were permitted to expire without being sold or exercised, the client would lose the entire premium it paid for the option.