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March 13, 2024

Nasdaq

The Value of Utilizing Options-Based Strategies

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Disclosure:

NEOS Investments, LLC

Seeking High Monthly Income & Tax Efficiency – Know Your Options

March 2024

Please see disclosures at the end of the presentation

About NEOS Investments

NEOS is a global asset manager that utilizes quantitative approaches to deliver yield enhanced and risk mitigated investment solutions

1. Enhanced solutions for traditional and emerging asset classes
2. Decades of experience developing and managing yield enhancement and risk mitigation strategies
3. Data-first approach to creating innovative and purposeful investment solutions

NEOS leaders have proven track records of success in today's financial markets

The Value of Utilizing Options-Based Strategies

A unique and liquid way to navigate the challenges of our current markets, while aiming to deliver outcomes desired by investors such as income generation, downside hedging, and strong risk-adjusted returns.

Income Generation

Investors may increase the income generating potential of their portfolios through call and put writing

Lower Correlation

Options-based solutions may be less sensitive to traditional market risk factors such as credit, duration, inflation, and commodity risk

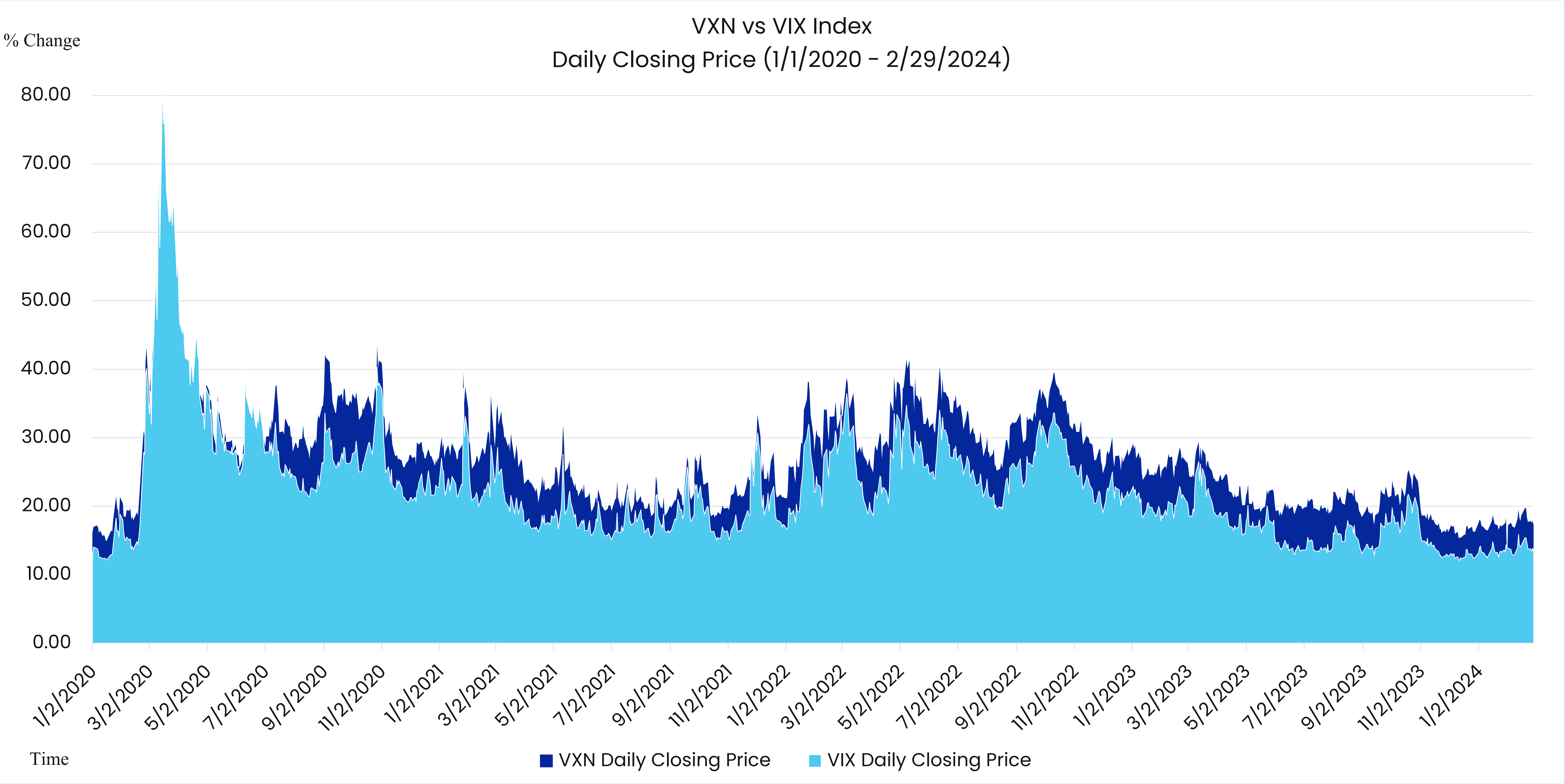
Enhanced Tax Efficiency

Index options are classified as Section 1256 contracts, which are subject to lower 60/40 tax rates

Downside Hedging

Options-based strategies, like protective puts, may offer risk mitigation in falling markets

Harnessing Nasdaq-100 Index (NDX) Volatility



Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations, or an invitation or inducement to trade a particular financial instrument or to engage in an investment activity. There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Current options-based products are lacking

Many **current options-based products only provide a one-dimensional solution** such as income generation or downside protection via passive management.

Current State	Next Evolution

One-dimensional

Most options-based products only offer one potential benefit (i.e., income generation or downside hedge, rather than both)

Passively Managed

Passively managed strategies may be more sensitive to rapidly changing market conditions

Multi-dimensional

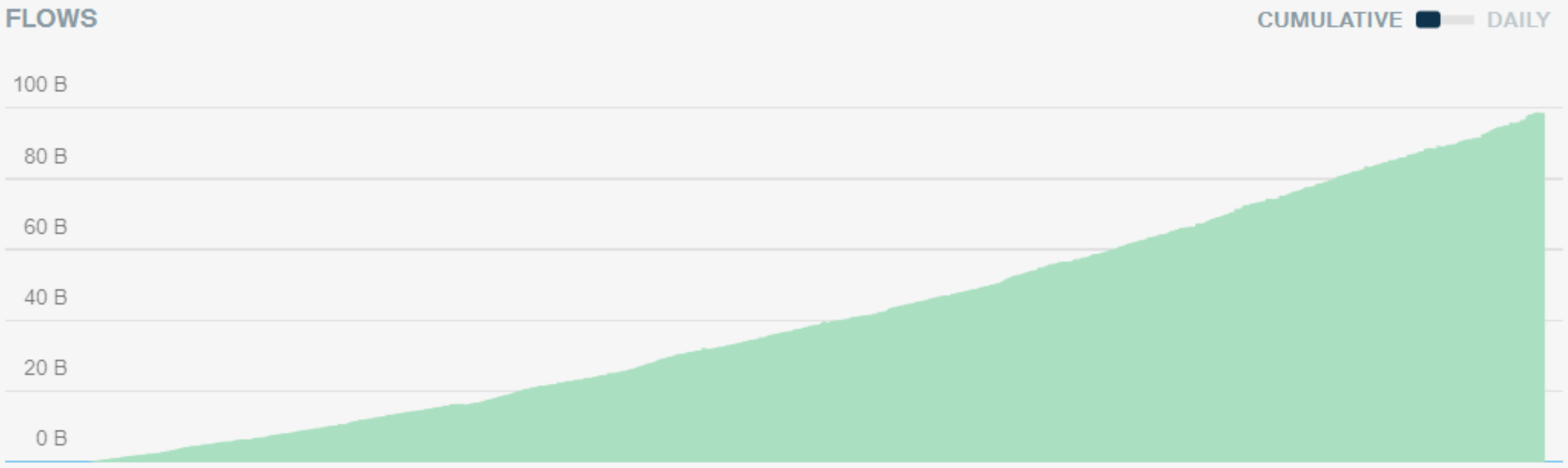
NEOS options-based solutions are designed to generate income, mitigate risk/volatility AND offer compelling total returns in tax efficient product offerings

Actively Managed

A data-driven approach utilizing systematic, rules-based active management aims to enhance investor outcomes throughout different market cycles

Flows Into Options-Based ETFs Are Growing Quickly

ETF Central Aggregate Data of 368 Funds (as of 3/7/2024)



	1M	3M	YTD	1Y	3Y
Perf.	+2.31%	+7.04%	+4.46%	+16.87%	+19.31%
Flows	+$3.99B	+$11.02B	+$9.06B	+$42.72B	+$98.64B

Source: https://www.etfcentral.com/segments/options-strategies

Reasons why we believe it has grown so quickly

Traditional 60/40 portfolios are becoming more and more obsolete

Investors need strategies that can play defense and offense, while also pursuing higher yields

Options-based funds may reduce the complexity of trading options while aiming to provide numerous benefits

Pairing Tax Efficiency with Income Generation

Pursuing tax efficient monthly income from multiple sources may allow investors to seek high net after-tax yields from income-focused investments

Harvesting Losses

- Harvesting portfolio losses may allow a portion of monthly distributions to be classified as "Return of Capital" (RoC)
- RoC distributions are not taxable in the year they're received
- RoC is not classified as realized income nor profits

Index Option Contracts

- Classified as Section 1256 contracts
- Many other option securities (i.e., equity linked notes, ETF options, FLEX options, swaps, and more) are subject to ordinary income tax rates
- Section 1256 products are subject to special 60% long-term / 40% short-term tax treatment

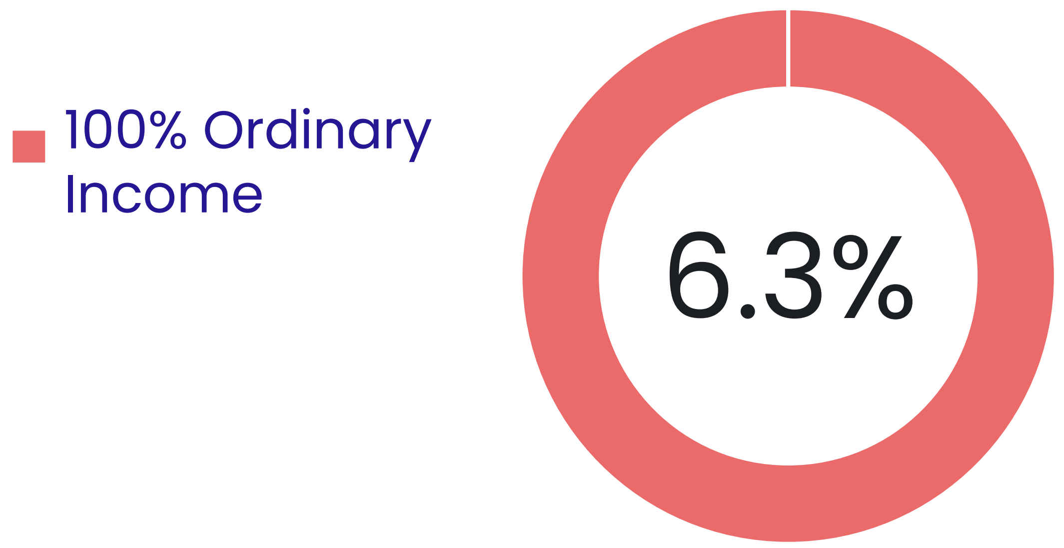
Tax Efficient Exposures

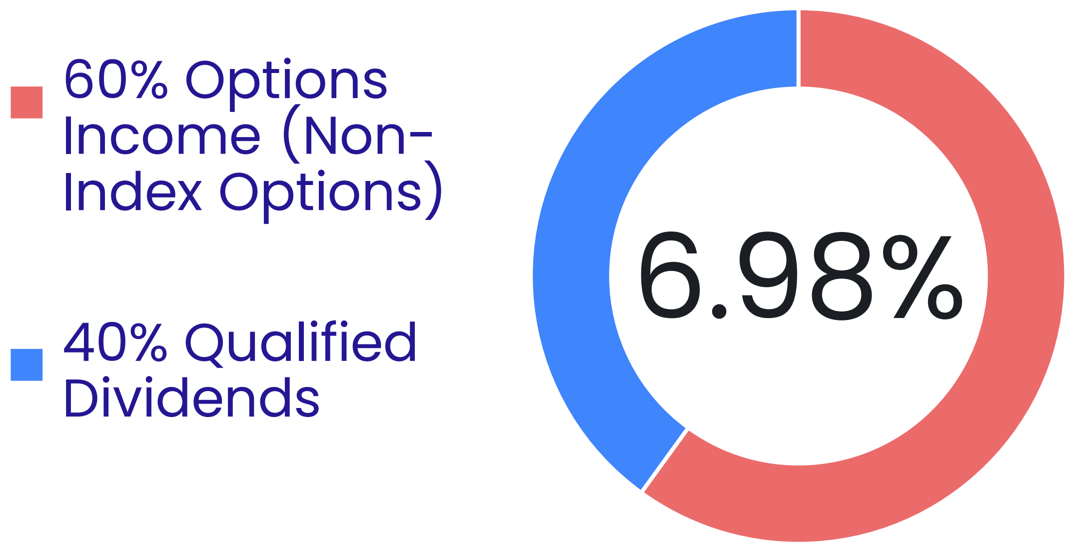
- Equity dividends
  - Treated as qualified dividend income (QDI)
  - QDI tax rates range from 0-20% (per 2023 guidelines) based on an investor's tax bracket
- T-Bill interest payments
  - T-Bills are exempt from state and local taxes

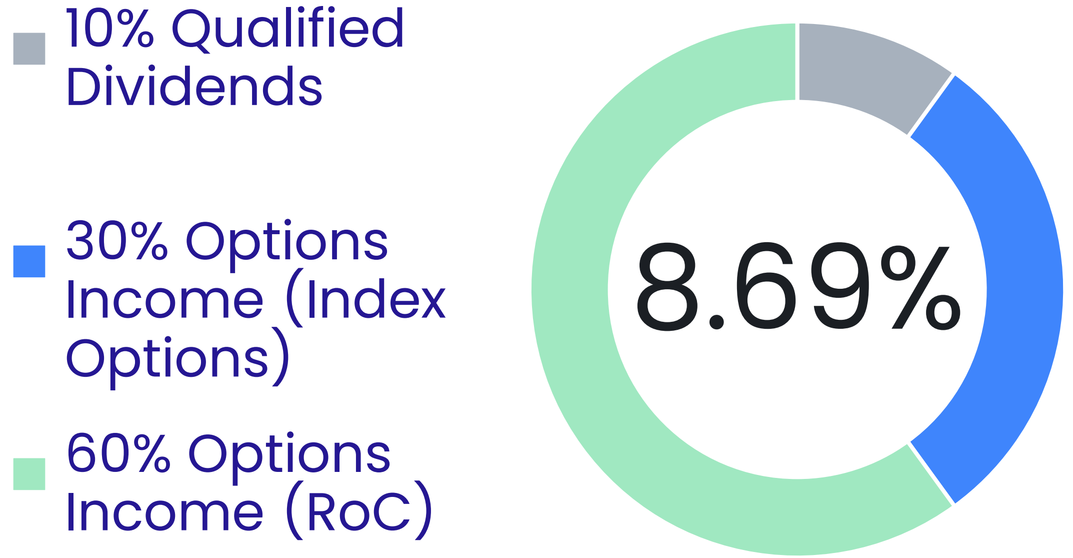
The Yield You See Isn't Always the Yield You Get

We believe ***understanding net after-tax yield is crucial*** when evaluating income-focused strategies, especially those utilizing options overlays.

Assuming a pre-tax 10% distribution yield for each hypothetical portfolio,
after-tax yield is shown in each pie chart based on the tax classifications of the different securities







Ordinary Income Portfolio **(Examples below)**	**Tax Rate**
REITs	37%
Fixed Income Payments	
Options Income (Non-Index Options)	

Equity Income Portfolio: **(Slight Tax Efficiency)**	**Tax Rate**
Options Income (Non-Index Options)	37%
Qualified Dividends	20%

Equity Income Portfolio* **(Tax Efficient)**	**Tax Rate**
Options Income (Index Options)	27% (60% LT / 40% ST)
Qualified Dividends	20%
Return of Capital (RoC)	Tax Deferred

**In this portfolio, 60% of the distribution was offset via portfolio losses which allowed this portion of the distribution to be classified as a "Return of Capital" (RoC). RoC is non-taxable in the year it's received because it's not considered as realized income nor profits. Over time RoC may reduce an investors cost basis in a fund and upon the sale of shares they may be taxed at long term rate (20%).*
For illustrative purposes only. This hypothetical scenario does not reflect the experience of any investor and should not be relied on for investment decisions. NEOS ETFs may incorporate tax loss harvesting within their portfolios to maximize realization of losses to offset gains when applicable. Market conditions may limit the ability to generate tax losses.

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