



SONNET

S&P 500 PROTECTOR

S&P 500 Protector ("PRO") is a passively managed collar options strategy designed to capture S&P 500 upside to a maximum level ("cap") with downside protection over a specific time period. The upside cap and downside protection levels vary based on the model selected. Higher upside caps are associated with lower downside protection levels (more risk). PRO will purchase the maximum number of 100-share blocks of a chosen S&P 500 index security in each client account. A put option will be purchased at periodic intervals for downside protection. A call option will be sold at periodic intervals to offset some or all of the cost of the put option. Selling a call option caps upside participation on the S&P 500 index security. PRO seeks the highest cap available that covers the put protection cost for the duration of the options holding period. Excess cash will be allocated to a treasury security, a money market security, and/or cash. The return on the excess cash portion of the portfolio will vary over time and may be higher or lower than the return on the rest of the portfolio. PRO seeks upside participation to a cap on the S&P 500 while focusing on capital preservation with reduced volatility and drawdowns relative to the S&P 500. Multiple models are available with put protection levels that kick-in after initial index security declines of approximately 0%, 2.5%, or 5% from the purchase price (or basis price), gross of fees.

OBJECTIVES

S&P 500 Protector targets capped upside participation in the S&P 500 with limited downside exposure. PRO focuses on capital preservation with reduced volatility and drawdowns relative to the S&P 500.

PROCESS

S&P 500 Protector buys a S&P 500 index security and applies a collar options strategy by purchasing a put to limit downside and selling a call, which limits ("caps") upside. The purpose of selling a call is to pay for some or all of the put protection.

RISK MANAGEMENT

S&P 500 Protector manages risk by purchasing a put to reduce downside participation. Purchasing put options at periodic intervals to hedge against declines in portfolio holdings is the only risk management mechanism used in the portfolio.

RISK OF LOSS

As with any strategy, there is no guarantee that this strategy will be profitable or meet its objectives. Investors may own securities that lose a substantial portion of value or possibly drop to \$0 in value. Additional risks that may reduce overall returns include but are not limited to:

- 1) PRO may not collect as much premium as anticipated when selling options for income.
- 2) PRO may pay more for put protection than it receives in income from selling call options resulting in a net loss (debit) rather than a net gain (credit).
- 3) Anticipated dividends may be reduced or eliminated.
- 4) Securities may be called away prior to a dividend payment. There are no assurances that all anticipated dividends will be received since covered call options will be sold against positions. Thus, securities may be called away prior to ex-dividend dates and/or dividend payment dates.

MODELS

Three models are available with put protection levels that kick-in after initial index security declines of approximately 0%, 2.5%, or 5% from the purchase price (or basis price), gross of fees.