

Re-think your options

See how options strategies can set your practice apart

BlackRock



BlackRock | SpiderRock Advisors

Getting started

**How option strategies can
set your practice apart**

Our team

Client solutions

1 Manage concentrated stock

2 Generate higher income

3 Manage portfolio risk

Appendix: options education

The best advisors are first-movers

Conventional advisors

Forward thinking advisors

1990s

Fee-based advisory

“Commissions pay the bills.”



“I want to align my interests with my clients’ interests.”

2000s

ETFs

“Indexing means average.”



“ETFs deliver strong returns, low fees and allow me to control client taxes.”

Today
Options

“Options are complex and risky.”



“Professionally managed option strategies help me deliver better client outcomes.”

Options: three ways to help high net-worth clients

1. Manage concentrated stock

Help manage the risk of your clients' concentrated stock positions with highly customizable approaches, including tax-neutral liquidations.

2. Generate more income

Generate income on existing equities, fixed income or cash, modifying your clients' risk profiles in alignment with their investment goals.

3. Manage portfolio risk

Provide downside protection for equity portfolios to limit losses when markets are down and help transition tax-locked portfolios.

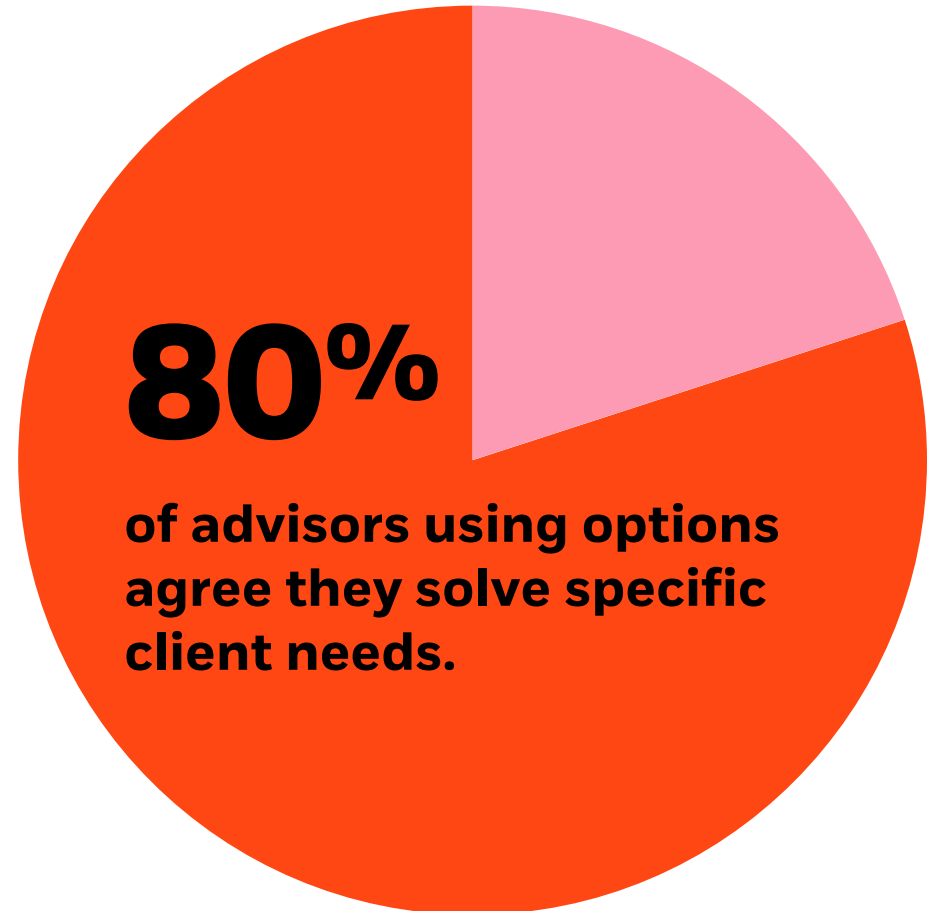
Delivered as overlays, they do not require liquidating or changing existing holdings.

Benefits to your practice

Option strategies can be...

- ☒ ...designed to **deliver a range of outcomes**
- ☒ ...**quick-to-implement** and time efficient
- ☒ ...utilized in all **market environments**
- ☒ ...**highly tax-efficient**

And option strategies **do not require new capital.**



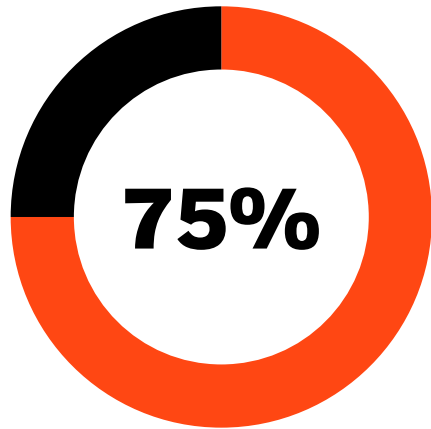
*Source: Cerulli Associates, Financial Advisors, 2017

SET YOUR PRACTICE APART

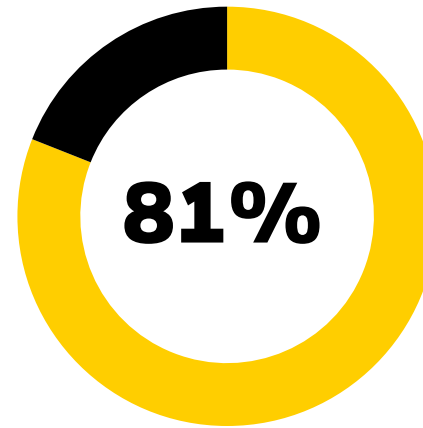
Find a partner to implement options

While the potential benefits of options may be easy to understand, implementing options strategies requires expertise and constant monitoring.

Cerulli survey of advisors on the use of option strategies



of previous option users say it was too time-consuming*



of advisors do not feel comfortable using options*

To manage options, don't go at it alone.

*Source: Cerulli Associates, Financial Advisors, 2017

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OUR TEAM

SpiderRock Advisors, now part of BlackRock

Founded in 2013, SpiderRock Advisors (SRA) brings comprehensive options expertise and technology to deliver actively managed customized option overlays.

The power of actively managed option overlays

Manage for risk-adjusted returns

We seek to enhance returns, both before and after taxes, on a risk-adjusted basis. Our PMs actively manage option strategies based on their risk and reward traits to maintain consistent risk management.

Institutional scale and execution

Our proprietary technology analyzes all securities, including their volatility surfaces. Options fair market values are assessed to optimize the options' premium per unit of risk.

Tax-efficiency

Our strategies seek to maximize tax-efficiency when selecting options and rebalancing. We seek to reduce assignment risk and tax friction for liquidating low-basis positions.



**Eric
Metz,
CFA**

CIO and Head of
SpiderRock Advisors



**Fred
Sloneker**

Deputy CIO, Chief
Quantitative Strategist

55+

Options professionals¹

20

Years experience managing option
portfolios by each senior PM¹

¹ Source: BlackRock, as of 6/30/2025

Customized, tax-efficient option overlays delivered at scale

Designed for you

Option overlays **work with existing holdings**

Customization delivered at scale through powerful technology

Easy to use

Fully integrated with **all major custodians including Schwab, Fidelity and Pershing**

Daily account **liquidity and full transparency**

Full service

Custom proposals, performance reporting, and operational support

Partnership on **education and implementation**

Having a partner with the experience, the knowledge, and the tools make it easier to use option strategies effectively.

Have you talked to your clients about their concentrated stock?

What may be holding your clients back:

Overly optimistic

My stock will keep on going up.



Fear of taxes

If I sell, I will have to pay capital gains tax.



Strong emotions

I inherited this stock. It's part of my family's legacy.



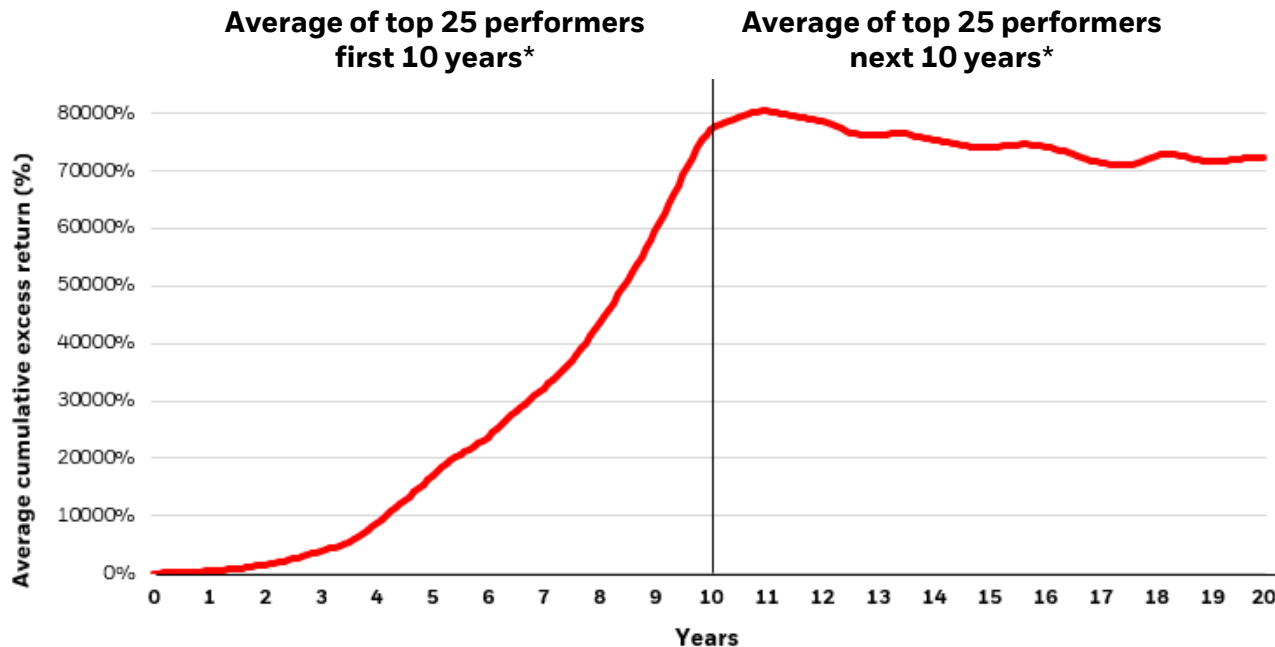
Understanding and addressing these concerns can help you better serve clients

The good, the bad, and the ugly of concentrated stock

What starts off good...

...can end up bad...

...or even worse.



Over the past 38 years

43%

**of the stocks in the
Russell 3000 went down**

by at least 50%



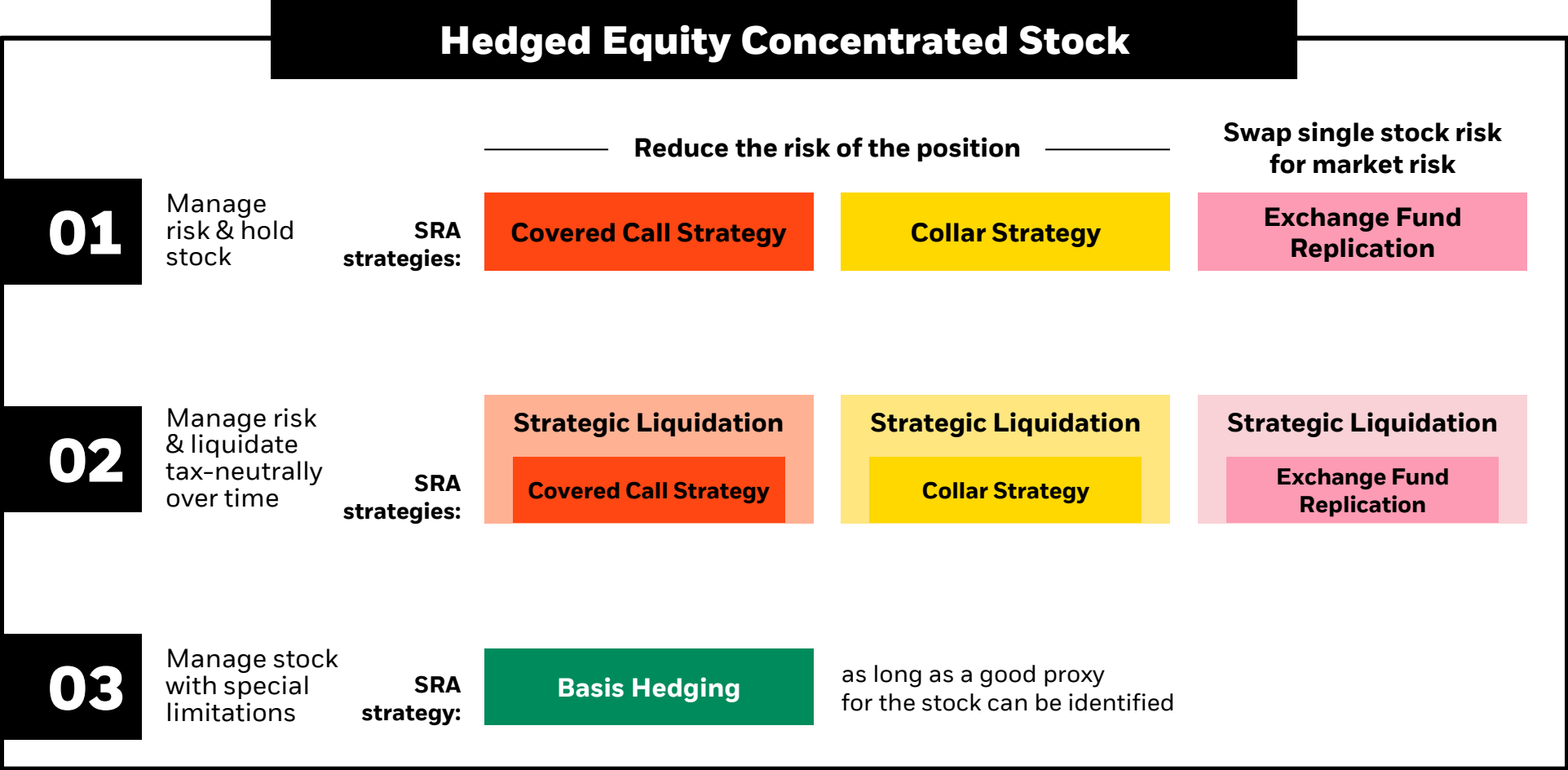
and never recovered[†]

*For the full dataset, we averaged the 20-year return paths of the top 25 performers in the index during the 1987–2024 period. On each date in a series of month-end “analysis dates” starting from January 1997 and ending in May 2013, we selected the top 25 best performing securities over the 10-year period prior to that analysis date and then calculated their excess returns over the next 10 years. All securities had a complete 20-year history. We averaged the cumulative excess returns of these 25 securities on each analysis date (gross of fees/expenses) and then averaged those over analysis dates. †Data used from January 1987 through March 2025. The data includes all companies listed in the Russell 3000® Index, except for those with non-continuous return histories, approximately 9% of the data. End dates may correspond to bankruptcy, termination, delisting, acquisitions/mergers, or the end of the study period. The Russell 3000® Index was used due to the size and scope of its holdings. The timeframe reflects the longest historical performance based on MSCI data at the time of analysis. Investment fees may reduce investment returns. Past performance is not indicative of future results. Indexes are unmanaged and cannot be invested into directly.

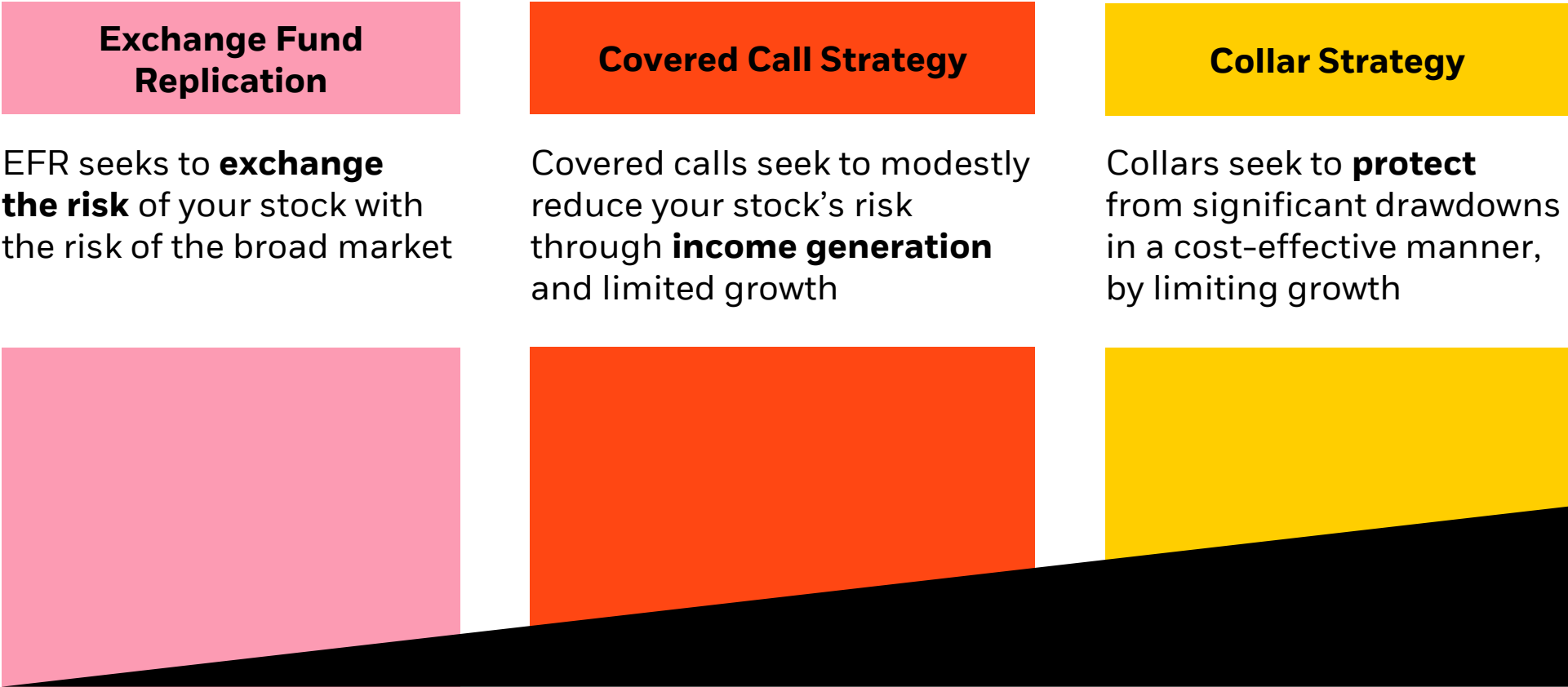
Source: Aperio, MSCI

BlackRock's concentrated stock solutions

We design tax-efficient custom options overlay strategies tailored to the client's needs and the specific stock idiosyncrasies.



Spectrum of solutions



Risk replacement

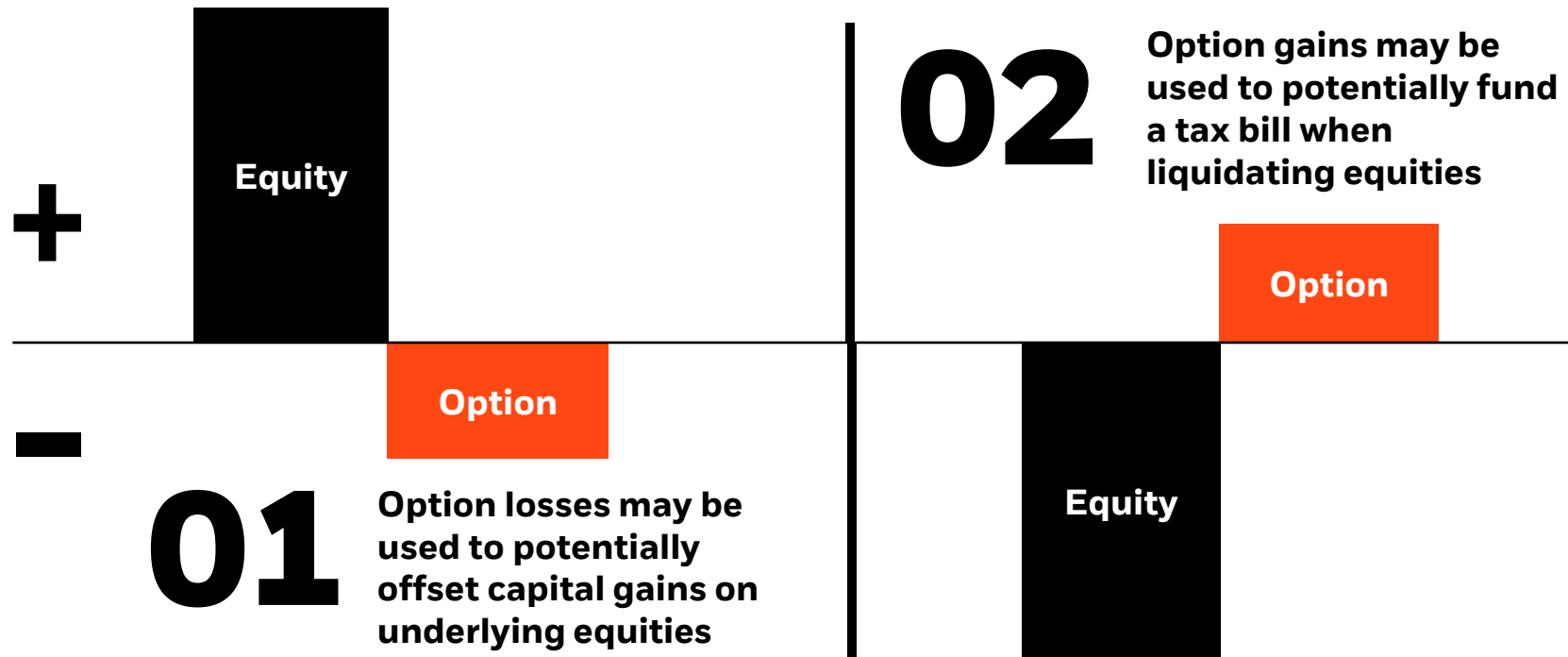
Risk reduction

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Liquidate tax-neutrally over time

Strategic Liquidation is a tax-loss harvesting feature that enables concentrated stock and other portfolio holdings to be liquidated tax-efficiently.



When do we rebalance a strategy?*

- To maintain target risk exposure set by the strategy
- To reduce the risk of early assignment
- Opportunistically

*Rebalancing is inclusive of, but not limited to these factors. Subject to change. Subject to customization within a mandate.

Manage a stock with special limitations

For investors who are subject to special restrictions on their concentrated stock position, BlackRock can help.

What is basis hedging?

Basis hedging is a strategy designed for investments subject to special limitations on trading. It involves using options on a security that has a high historical correlation to the security the client wishes to hedge.

Common client scenarios

- Mutual funds (non-optionable)
- Securities that don't have liquid options
- Restrictions on hedging employee sponsored stock*
- Recent IPOs
- Foreign stocks
- Rule 10b-5(1)



What is basis risk?

Basis risk is created by the use of an imperfect hedge — the risk is that the hedge and the underlying instrument will not perform similarly, even though past returns have been highly correlated.

This can happen due to several factors, including company-specific risk and tracking error with mutual funds and ETFs.

*Restricted stock may require additional collateral for basis hedging strategy. Due to some companies corporate governance policies, restricted stock may not be able to use basis hedging. Advisors should consult with their client on specific limitations for restricted stock.

Are obstacles in the way of solving your clients' income needs?

Income goals

Diversify sources of income

Obtain more income from equities

Strategically deploy a cash windfall

Rebalance a portfolio overweight to cash or fixed income

Need to achieve a set income goal

Obstacles

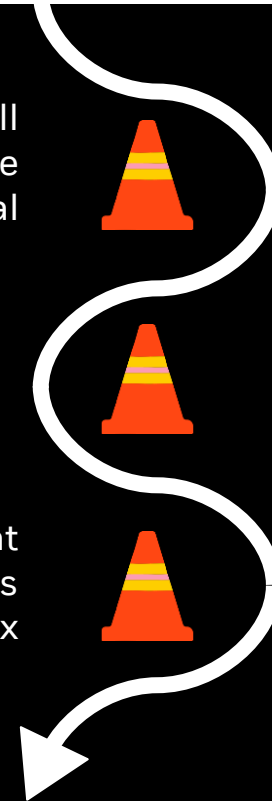
No appetite to sell
existing portfolio to raise
new capital



Avoid traditional
investments
with unattractive
risk/return profiles



Avoid sales that
trigger capital gains
tax



Options may provide a unique source of income

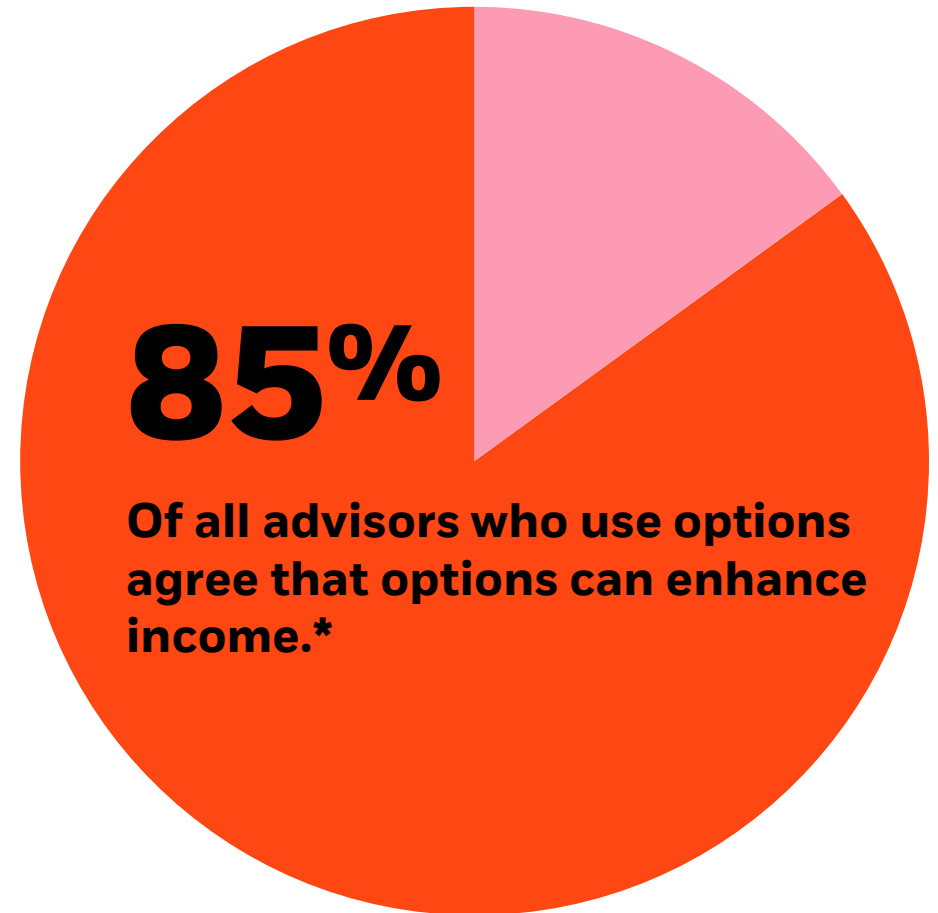
Whether your client is sitting on too much cash, fixed income or equities, options can be used as a new way to generate income.

Call writing strategies can be collateralized by

- ✓ Stocks
- ✓ Equity ETFs
- ✓ Equity mutuals funds
- ✓ Third-party equity SMAs

Put writing strategies can be collateralized by

- ✓ Cash
- ✓ Third-party fixed income SMAs
- ✓ Client held fixed income



*Source: Cerulli Associates, Financial Advisors, 2017

Three strategies for income generation

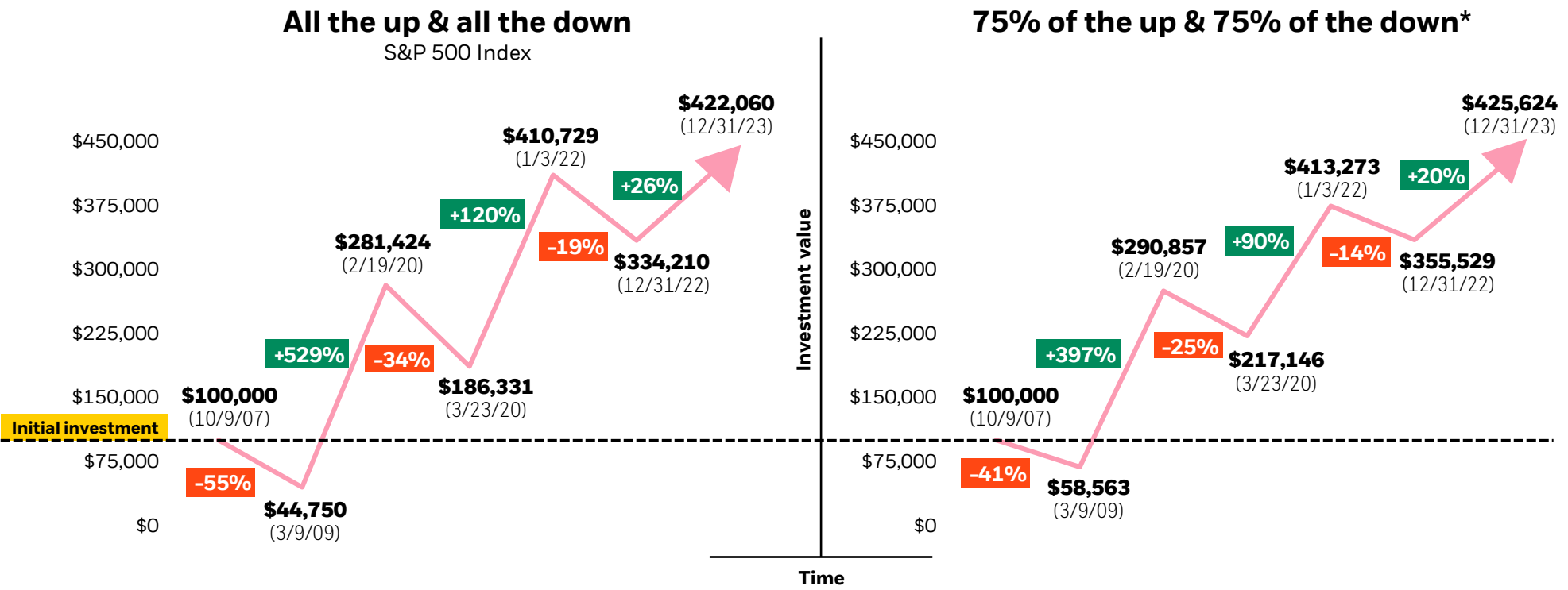
BlackRock offers three strategies for income generation, whether the underlying portfolio is equity, fixed income or cash. We work with you to help determine which will be the most effective strategy for your client.

	Generate income from an equity portfolio		Generate income from a fixed income or cash portfolio
SRA strategies	Managed Index Income	Opportunistic Yield Enhancement	Index Put Income
Client goals	More income from equities	More income from equities	More income from fixed income and/or cash holdings
	Some risk reduction	Some risk reduction	Add some equity exposure
Approach	Equity index call writing strategy using S&P 500 options	Equity call writing strategy using individual stocks broad-based options aligned with the underlying portfolio	A diversified equity index put writing strategy
Trade-offs	Creates an income stream in exchange for reduced upside in equities	Creates an income stream in exchange for reduced upside in equities	Creates an income stream in exchange for some of the potential downside risk in equities

Delivered as overlays, the strategies do not require liquidating so no taxable event is triggered on the existing portfolio.

Win more by losing less

Taking on more equity risk doesn't always lead to higher returns.



Source: Morningstar as of 12/31/23. *The chart illustrates the performance of bull and bear markets, measured by peaks and troughs, and the corresponding value of a hypothetical \$100,000 invested into the S&P 500. The black line shows the overall trajectory, while the green and orange markers indicate the performance during each bull or bear market. The right side of the chart mirrors the left chart with a hypothetical investment or portfolio that captured 75% of each bull and bear market return of the S&P 500 when benchmarked to that index. Returns shown are based on the S&P 500 index only. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Are large capital gains getting in the way of reducing your client's equity risk?



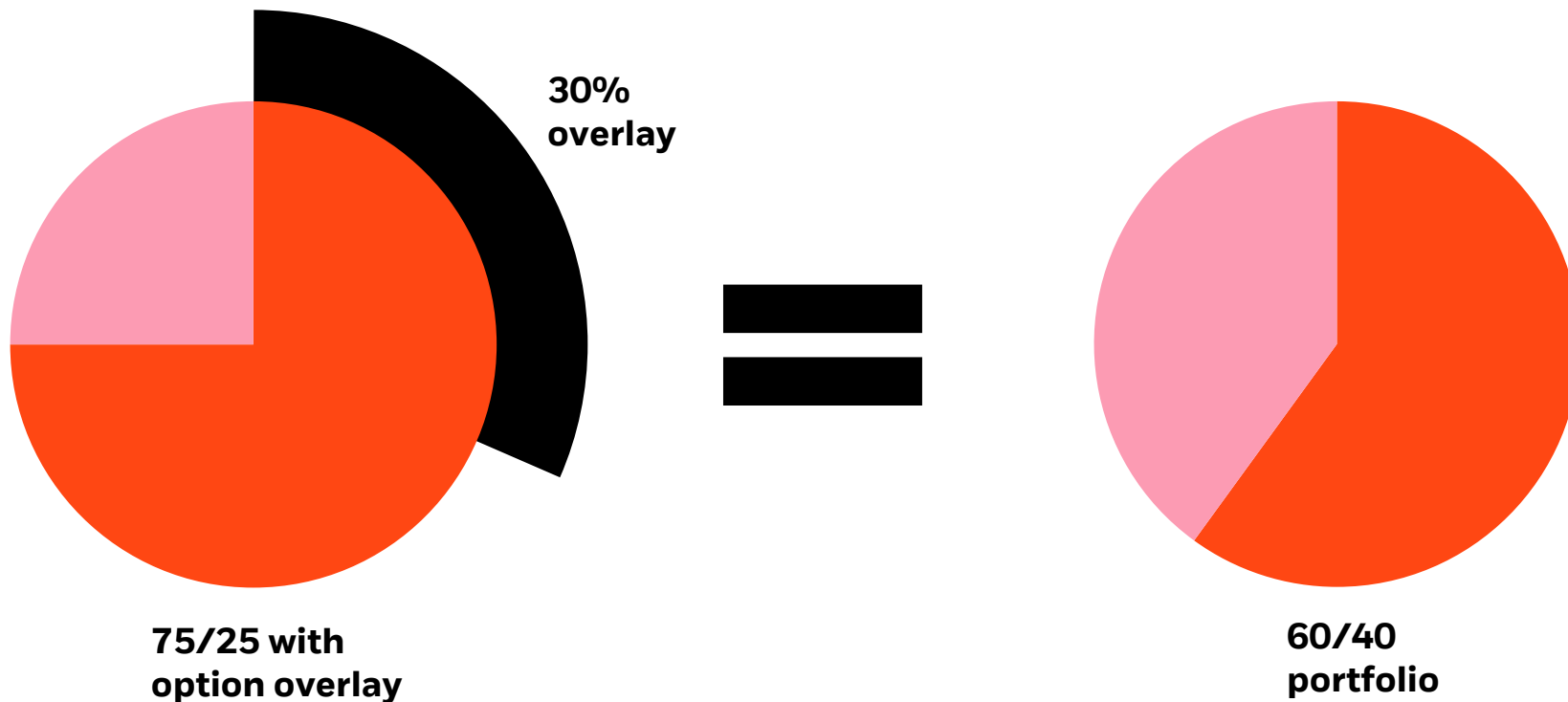
Client is aware of the additional equity risk in their portfolio, but does not want to sell holdings to raise capital for new investments and to pay a gains tax bill on their equities.

Market moves have shifted the client's overall asset allocation, but rebalancing means selling holdings and paying a gains tax bill.

Solve these client concerns to retain and grow your relationships.

Find balance without rebalancing

Option overlays may offer the benefit of rebalancing without incurring the capital gains of selling one fund to buy another.



BlackRock seeks to achieve similar market exposure without altering clients existing holdings or triggering a tax bill.

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BlackRock offers 3 levels of risk reduction

We work with you to help determine which will be the most effective strategy for your client.

Loss Reduction:	Low	Medium	High
	Income offset	Protective band	Downside floor
	<ul style="list-style-type: none">• Generate income by selling call options. Losses in the portfolio are reduced by the amount of the income.• Most effective if the underlying portfolio moves within a modest range.	<ul style="list-style-type: none">• Buffer losses within a set band. Full loss participation outside the band and limited upside.• Most effective if the underlying portfolio experiences significant but not extreme losses, e.g., -5% to -20%.	<ul style="list-style-type: none">• Sets a maximum loss level in return for establishing a maximum gain level.• Most effective if the underlying portfolio experiences large downside losses, e.g., steeper than -10%.
SRA strategies:	Managed Index Income strategy	Put Spread Collar strategy	Index Collar strategy

These are overlays, so they do not require any changes to the existing portfolio and no taxable event is triggered on the underlying portfolio.

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SpiderRock Advisors platform availability

Contact your BlackRock representative at **1-877-ASK-1BLK** or click [here](#) to view the availability guide.

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Important Notes

Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns. Actual investment outcomes may vary. There is no guarantee that these investments strategies will work under all market conditions or are suitable for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. No representation is being made that any account, product or strategy will or is likely to achieve profits.

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Options involve risk and are not suitable for all investors. There is no guarantee that any investment strategy illustrated will be successful or achieve any particular level of results.

This material is not intended to be relied upon as a forecast, research or investment advice and is not a recommendation or offer or solicitation to buy or sell any securities or to adopt any investment strategy.

Since basis hedging uses options on a proxy asset, idiosyncratic risk on individual stocks may not be hedged. There is also tracking error risk as the proxy asset may not track with the underlying asset, despite previous calculations of historical correlation.

Due to the complexity of tax law, not every single taxpayer will face the situations described herein exactly as calculated or stated; i.e., the examples and calculations are intended to be representative of some but not all taxpayers. Since each investor's situation may be different in terms of income tax, estate tax, and asset allocation, there may be situations in which the recommendations would not apply. Please discuss any individual situation with tax and investment advisors first before proceeding. Taxpayers paying lower tax rates than those assumed or without taxable income would earn smaller tax benefits from tax-advantaged indexing or even none at all compared to those described.

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