

THE INVESTOR'S POWER TOOL.



"Options are wonderfully powerful tools for managing risk. When used in a prudent, risk-controlled fashion, they can reduce portfolio volatility... A person who uses a powerful tool, whether it's a wrench or an option, should take steps to ensure the tool is used properly."

**Robert D. Arnott
President and CEO
First Quadrant
Pasadena, CA**

The Adjustable Solution.

First Quadrant invests about \$26 billion in assets and overlay programs for a variety of clients worldwide, including pension funds, endowments, foundations and other types of

investment funds. Arnott explains:

"We have three elements to our investment philosophy."

"The first is a pre-disposition toward contrarian investing. The markets don't reward comfort."

"Secondly, we're quantitative. We try objectively to take emotion out of the investment process."

"The third element is our use of multi-disciplinary techniques."

"Options are key tools in helping us implement our investment philosophy."

Responding To An Ever Changing Market.

Options allow you to adjust to market changes almost instantly. "In our Tactical Asset Allocation (TAA) program we adjust exposure to overpriced and underpriced assets. One of the beauties of options in TAA is that they give us a very direct way to have our asset allocation self-adjust to market movements."

"Our Tactical Option Program (TOP) is an option-based overlay strategy designed with the goal of adding incremental value to the underlying investment portfolio, particularly during the non-turbulent periods of the market cycle."

"And our analysis suggests that options often give us a big reduction in trading costs compared with trading in underlying markets."



The Growing Interest In Options.

The Chicago Board Options Exchange (CBOE) offers options on more than 1,200 equities and 40 stock indexes, including the S&P 500® (SPX™), S&P 100® (OEX®), Russell 2000® (RUT), Nasdaq 100® (NDX™) and Options on The Dow™ (DJX).

The growth in open interest at the CBOE is indicative of the many ways investors are using options.



www.cboe.com.



Options involve risk and are not suitable for all investors. Prior to buying and selling options, a person must receive a copy of *Characteristics and Risks of Standardized Options* which is available from The Options Clearing Corporation (OCC) by calling 1-800-OPTIONS or by writing to The OCC at 440 S. LaSalle St. 24th floor, Chicago, IL 60605. "Options on The Dow™" is a service mark of Dow Jones & Company, Inc. and has been licensed for certain purposes by The CBOE. CBOE's options based on the Dow Jones Averages are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such products. S&P 100® and S&P 500® are registered trademarks of the McGraw-Hill Companies, Inc. and are licensed for use by The CBOE. The Nasdaq 100® is a registered mark of The Nasdaq Stock Market, Inc. This mark is licensed for use by The CBOE in connection with the trading of options. Such options have not been passed on by Nasdaq as to their legality or suitability, and such options are not issued, endorsed, sold or promoted by Nasdaq. Nasdaq makes no warranties and bears no liability with respect to such options. The Russell 2000® Index is a registered trademark of Frank Russell Company. © 2001 Chicago Board Options Exchange. All Rights Reserved.