

ALPHA GENERATION A GUIDE FOR SMART OVERWRITING

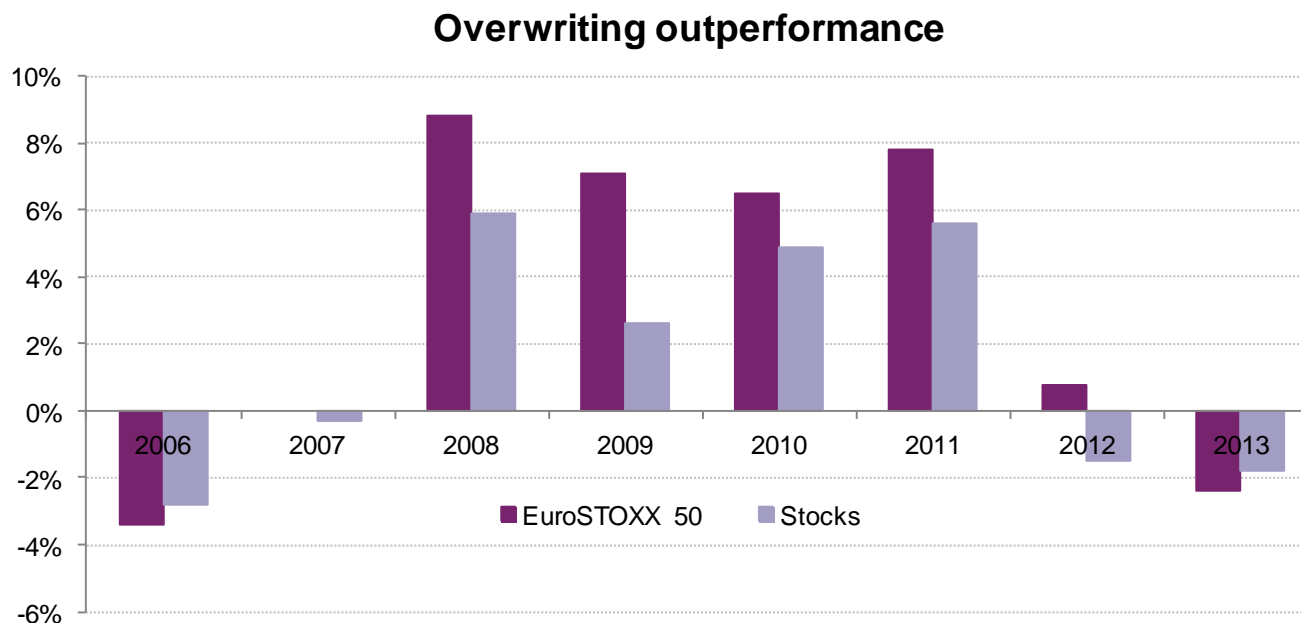
Global Equity Flow Engineering and Strategy

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OVERWRITING AT A GLANCE : A LONG TERM SOURCE OF ALPHA...

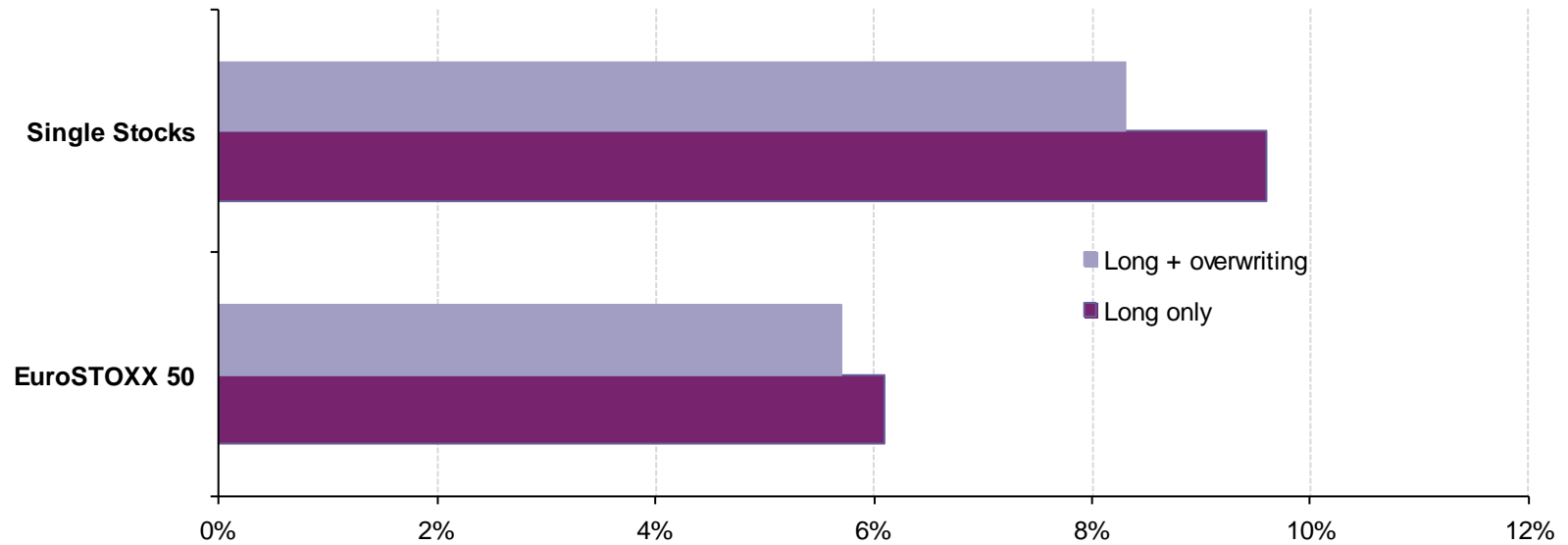


Source: SG Cross Asset Research, SG Global Engineering & Strategy

THE VALUE OF YOUR INVESTMENT MAY FLUCTUATE. THE FIGURES RELATING TO PAST PERFORMANCES AND SIMULATED PERFORMANCES REFER TO PAST PERIODS AND ARE NOT A RELIABLE INDICATOR OF FUTURE RESULTS. THIS ALSO APPLIES TO HISTORICAL MARKET DATA.

...THAT REDUCES THE VOLATILITY OF THE PORTFOLIO

Standard deviation of performance (2006-2013)

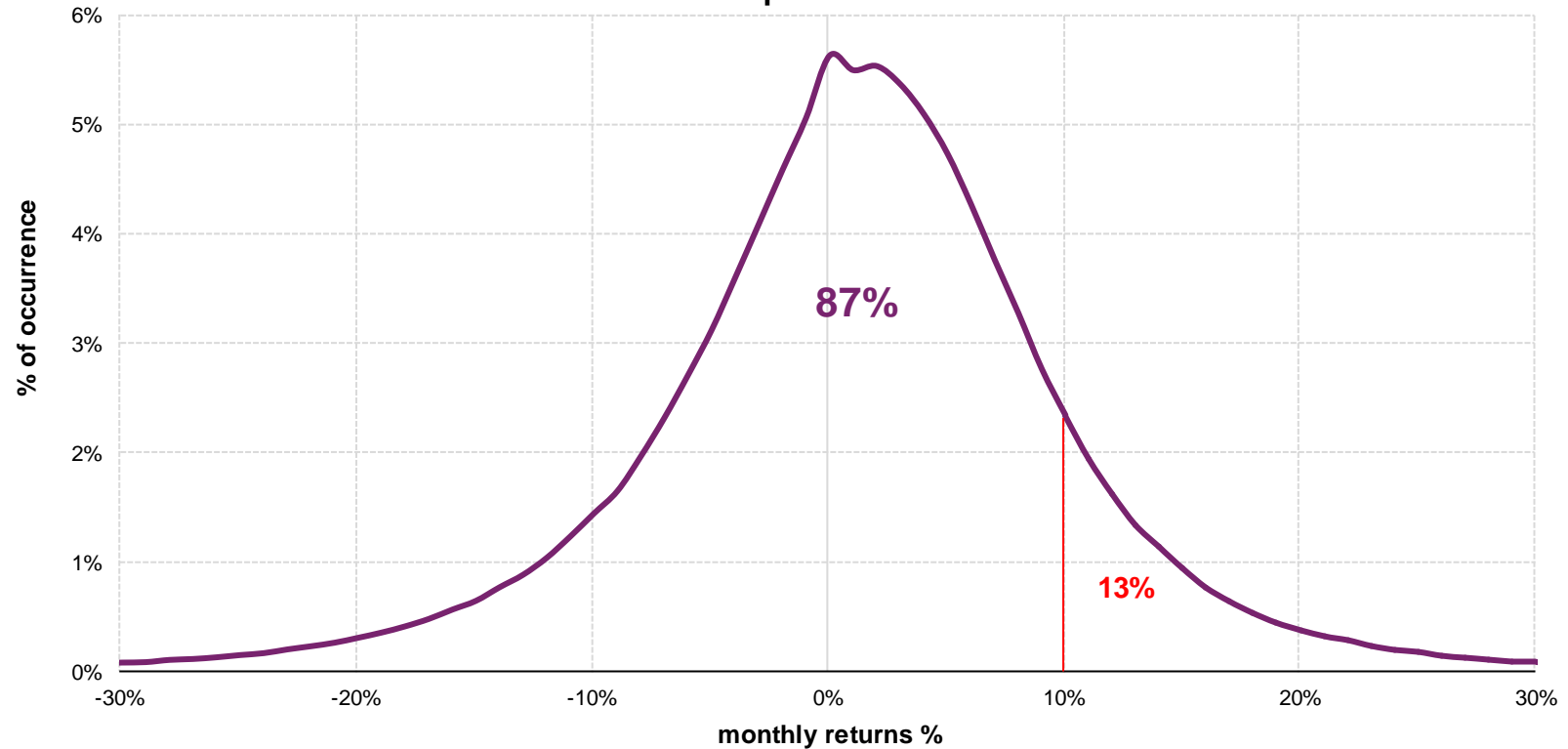


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WHAT IS INFLUENCING OVERWRITING PERFORMANCE?

Distribution of the monthly returns of the STOXX600 members over the 2000-2013 period

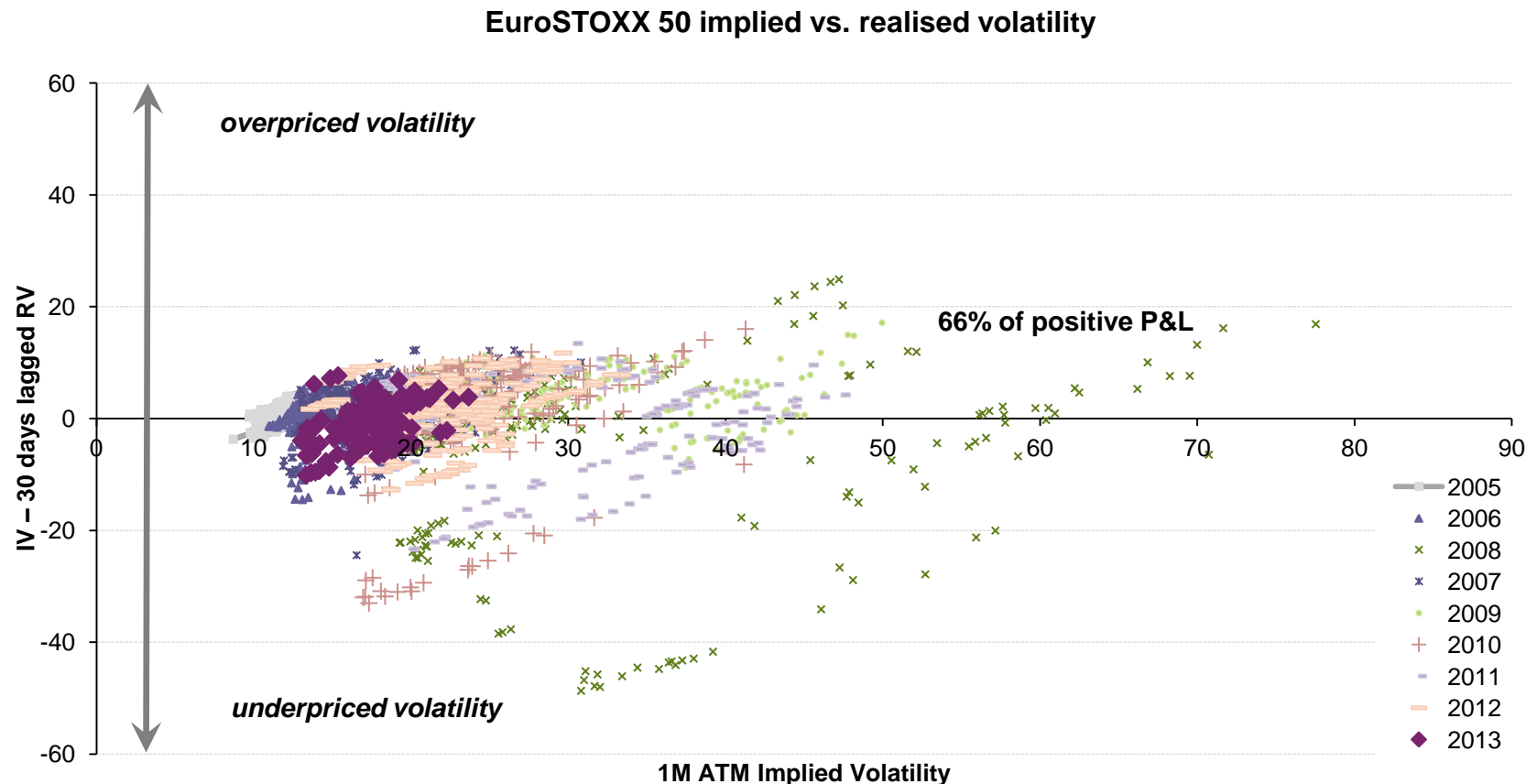


Source: Bloomberg, SG Global Engineering & Strategy

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WHAT IS INFLUENCING OVERWRITING PERFORMANCE?

"I'd be a bum on the street with a tin cup if the markets were efficient " - Warren Buffett

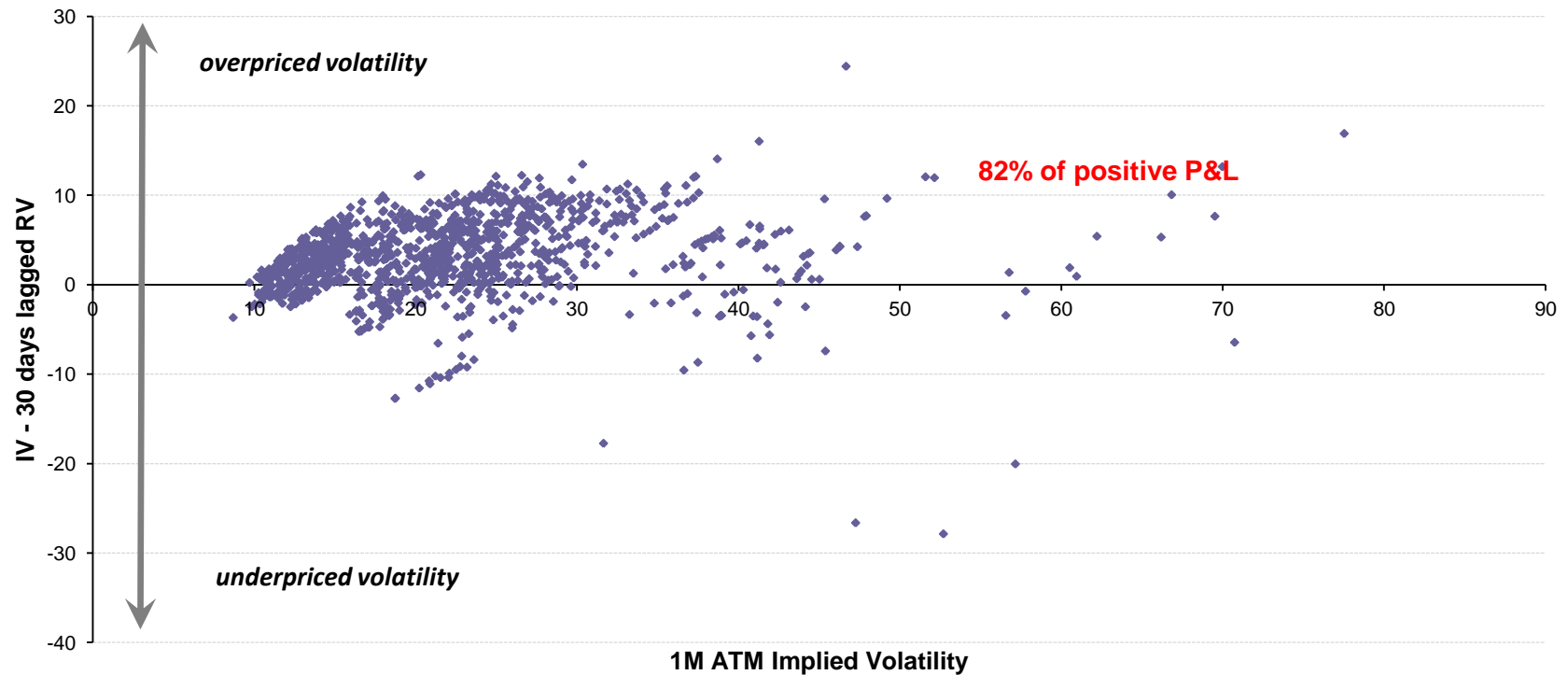


Source : SG Cross Asset/Derivatives, SG Global Engineering and Strategy

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WHAT IS INFLUENCING OVERWRITING PERFORMANCE?

EuroSTOXX 50 Implied vs. realised volatility when the market is up

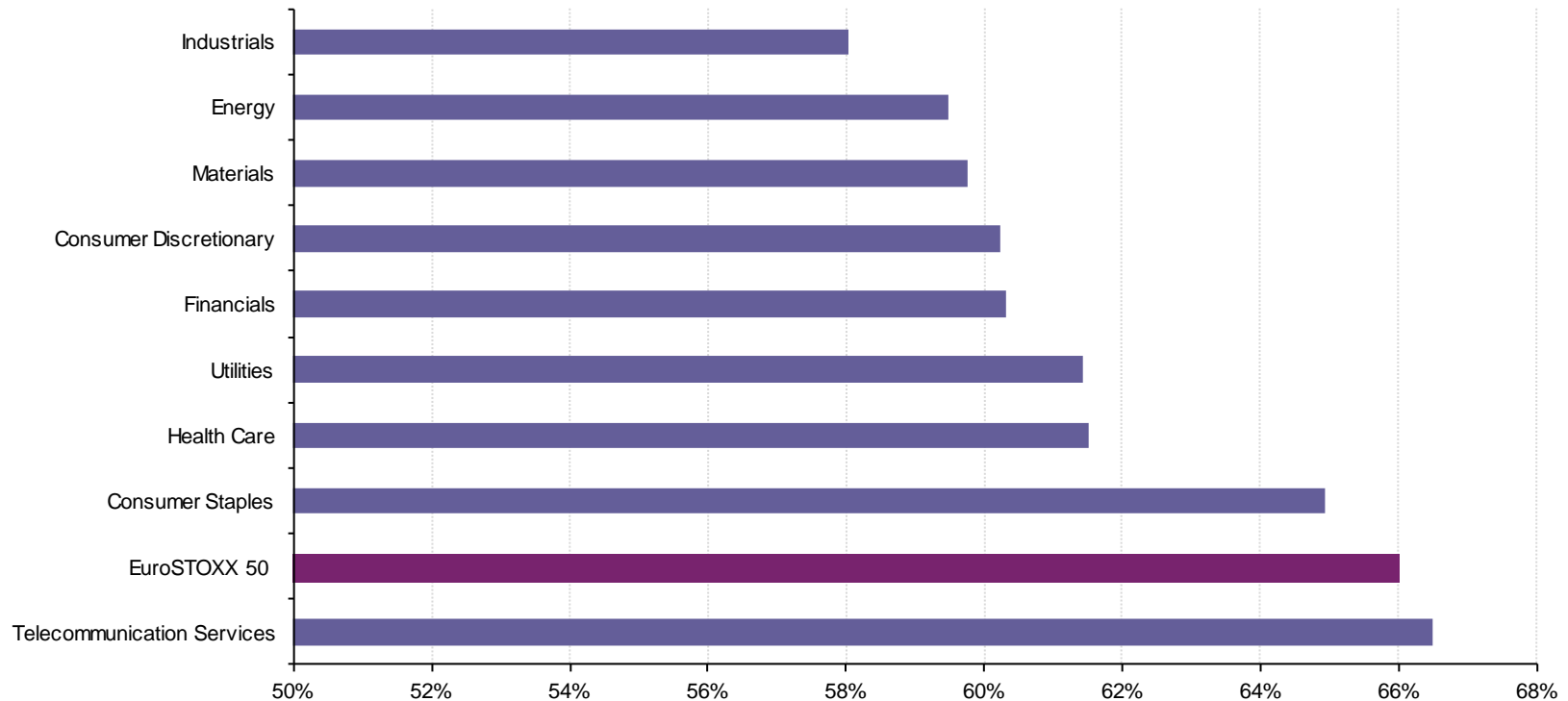


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WHAT IS INFLUENCING OVERWRITING PERFORMANCE?

When is implied volatility overpriced?



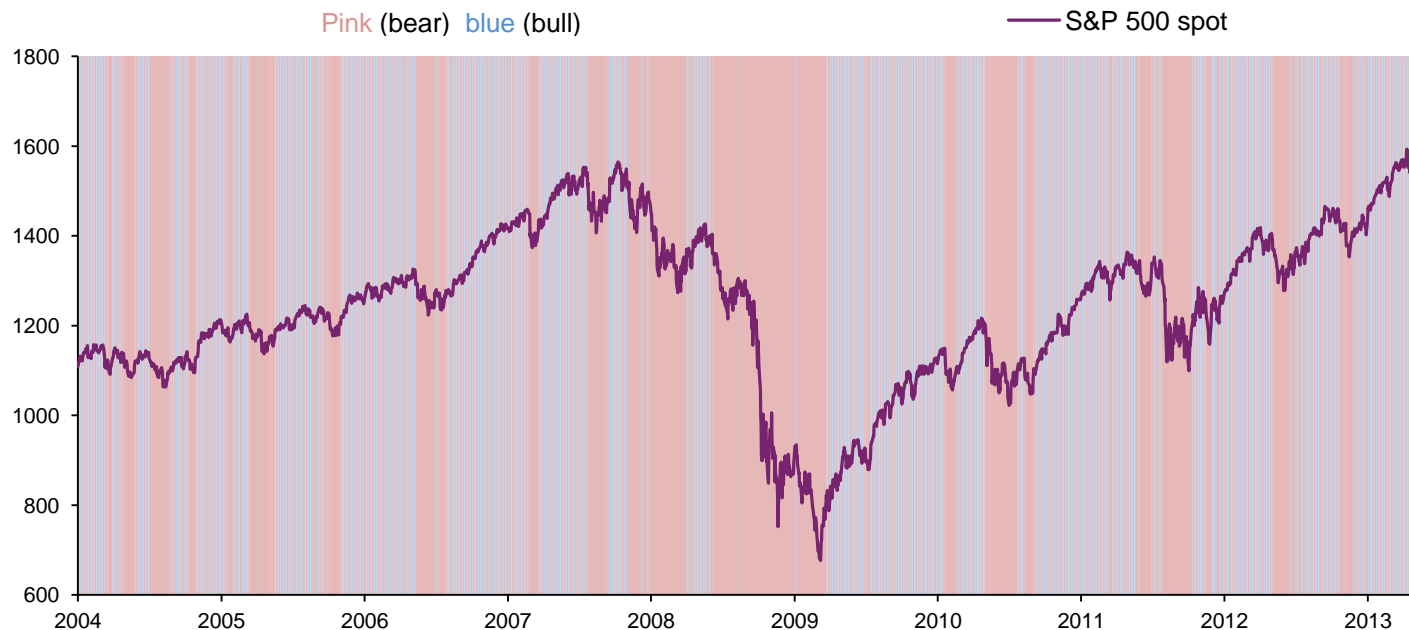
Source: SG Cross Asset Research, SG Global Engineering & Strategy, % of observations when lagged 1M realised IV ends below 1MATMIV, 2005-2013, current index

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AVOIDING THE TAIL RISK IN AN OVERWRITING STRATEGY

1. Index : use a momentum indicator

RSI30 signal with a threshold at 50 vs. S&P 500

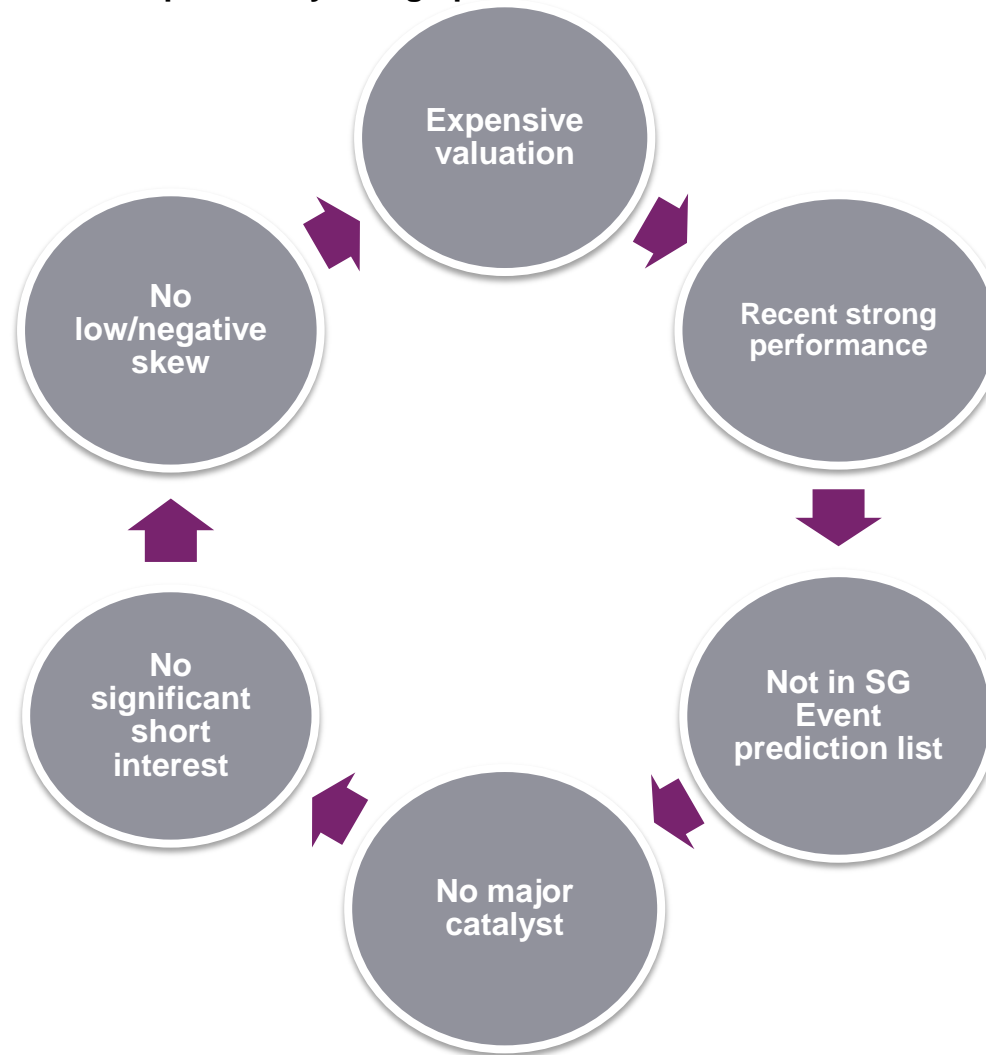


Source : SG Equity Derivatives Strategy

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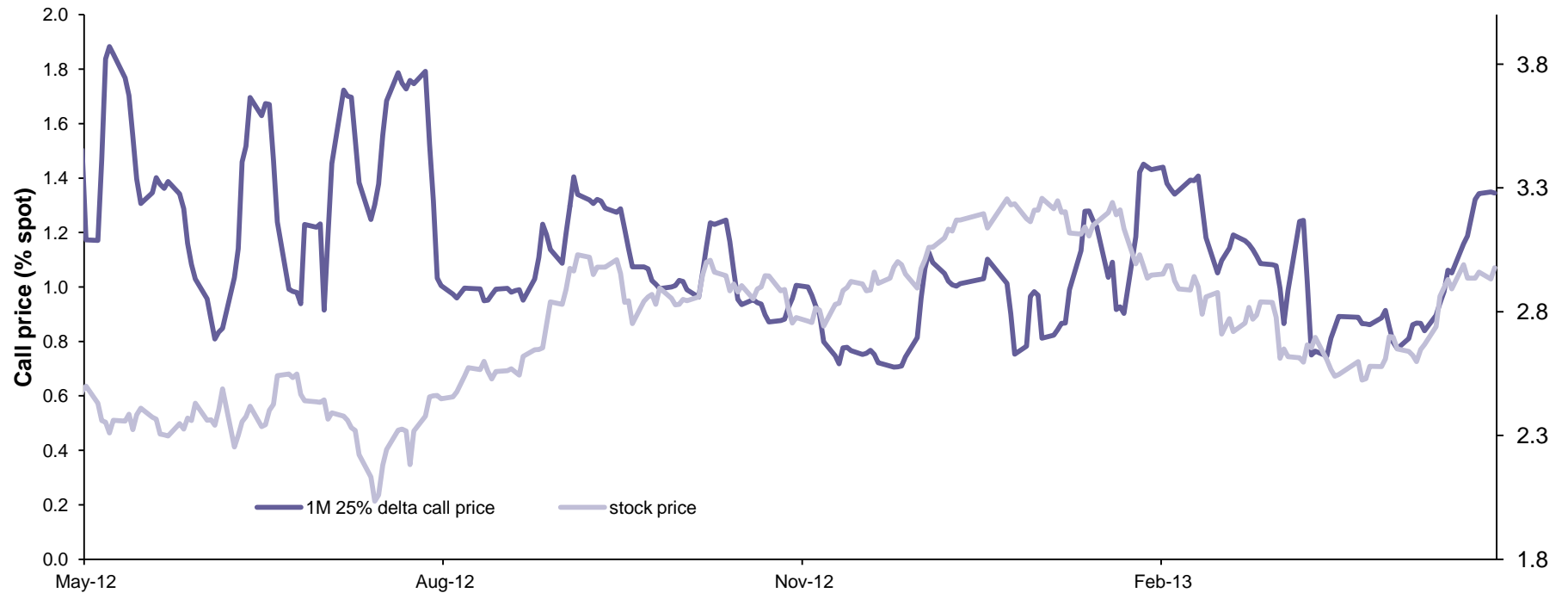
AVOIDING THE TAIL RISK IN AN OVERWRITING STRATEGY

2. Stocks : criteria to decrease the probability of big upward movers



THE VERY GOOD ...

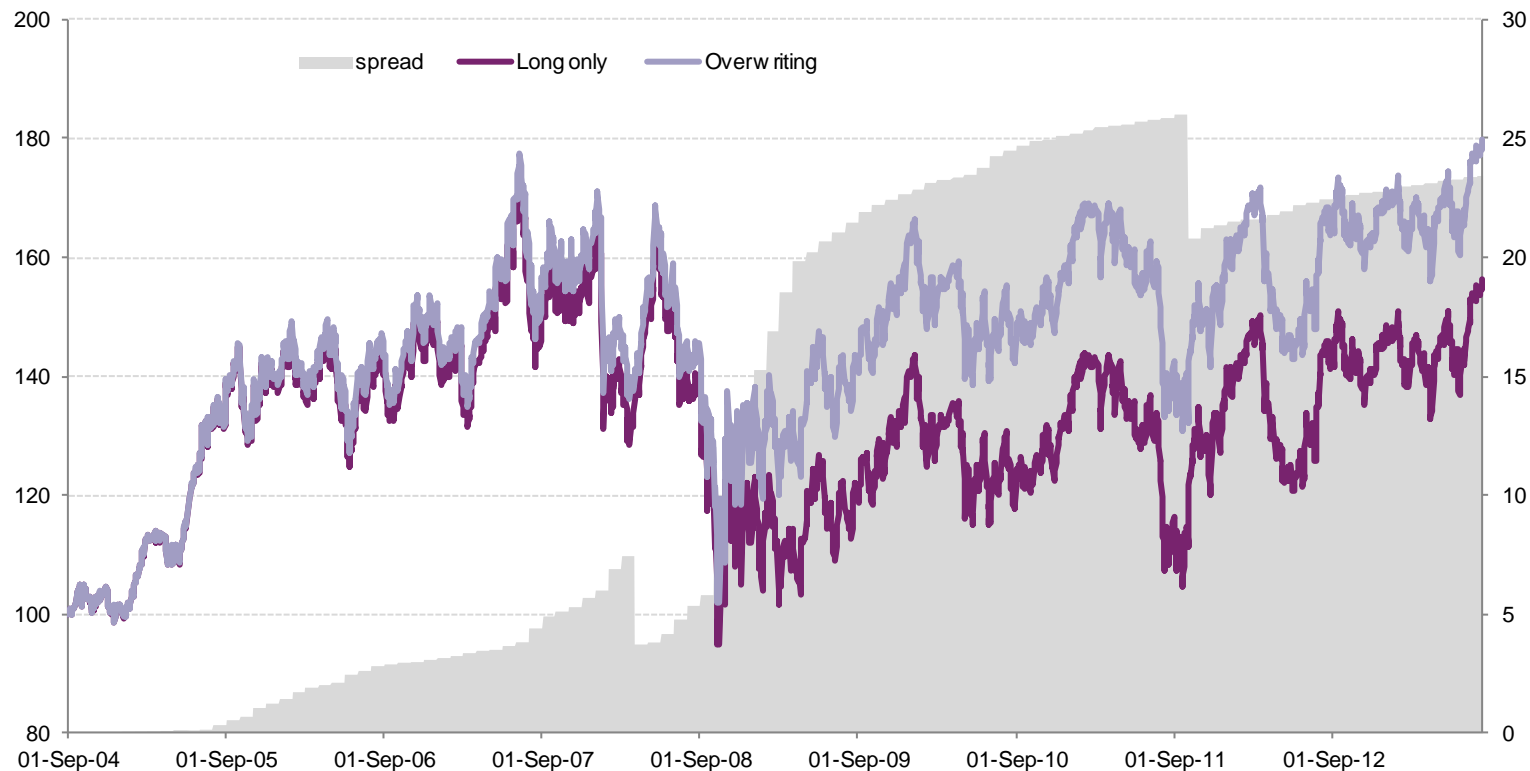
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Source: VolHub, SG Global Engineering & Strategy

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Total: invest €100 in 2004

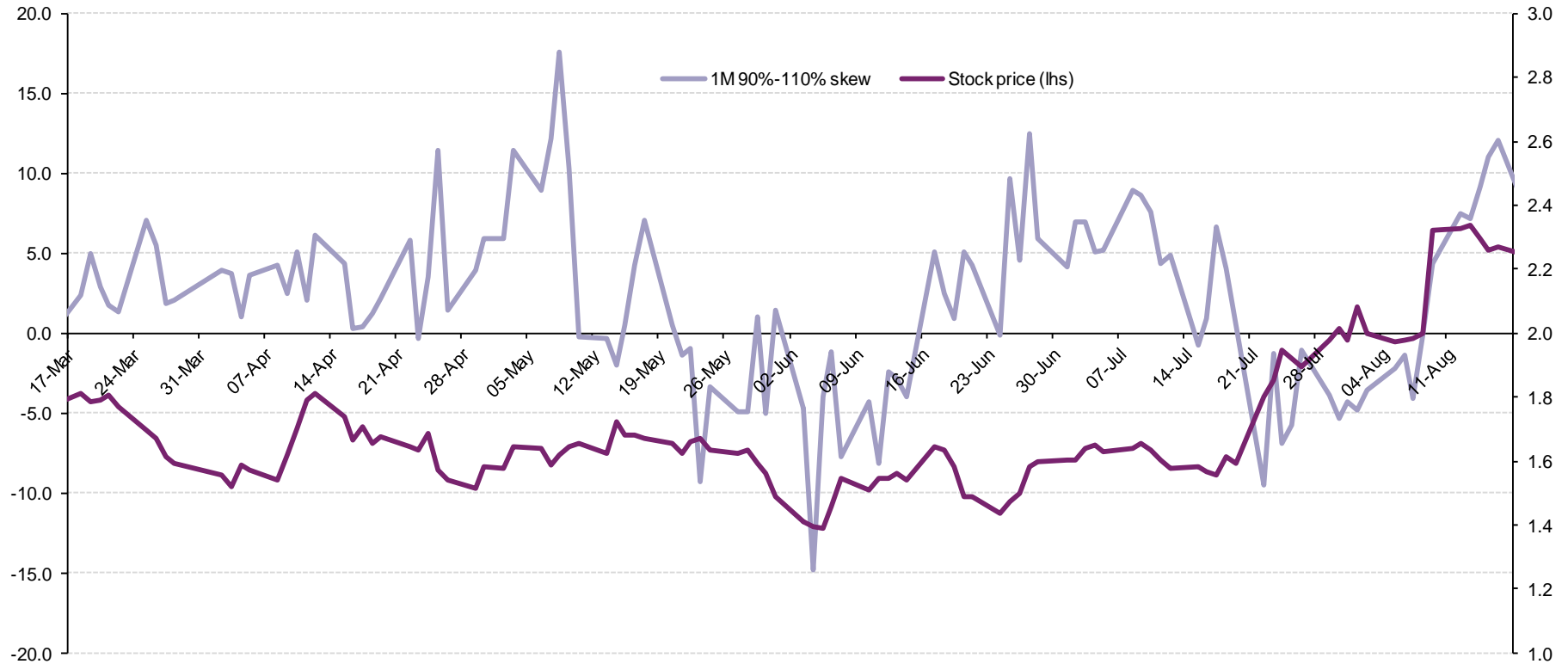


Source: SG Cross Asset Research, SG Global Engineering & Strategy

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... AND THE UGLY

KPN



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A matter of :

✓ Liquidity

✓ Strategy

✓ Opportunity

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