

New: Systematic option sell strategies on the SMI and Euro Stoxx 50

Vontobel Enhanced Indices

Generate additional risk-adjusted yield with transparent option strategies

Platforms & Services

September 2020

Table of contents

What are Vontobel Enhanced strategies?	3
Benefit 1: Reduced timing risk	4
Benefit 2: Stable income	5
Vontobel Enhanced Indices – methodology	7
Enhanced covered call strategy	9
Enhanced put write strategy	12
At a glance	15
Product details	18

What are Vontobel Enhanced strategies?



- **Option sale strategies** on the Swiss Market Index and Euro Stoxx 50 Index
- **Transparent and systematic option sales** on indices generate **premium income** that go toward the index
- **Daily selling** (writing) of options



Benefits

Timing risk
is reduced by daily
option sales

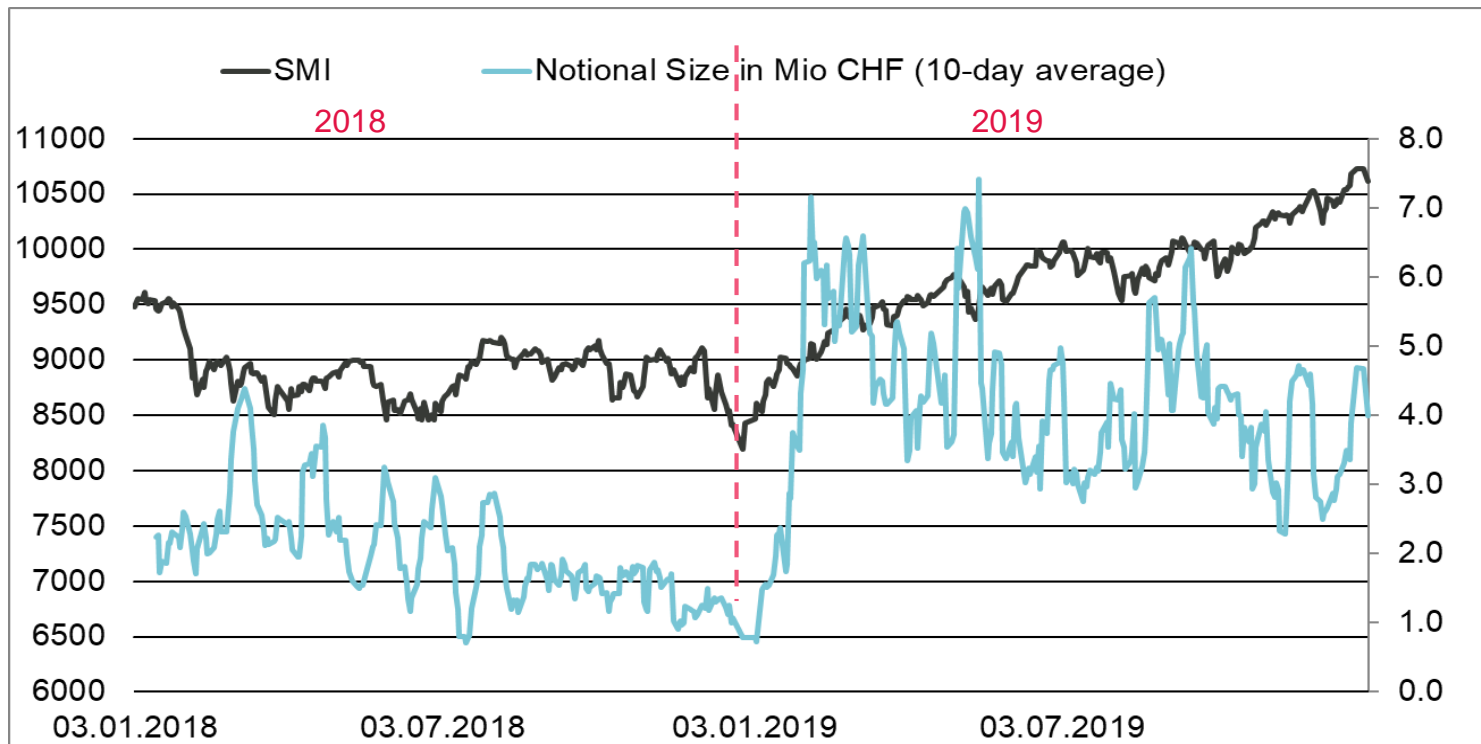
**Constant premium
income** regardless of
market conditions

Transparency
The systematic
approach avoids
emotionality and
irrationality

Benefit 1: Reduced timing risk

→ In risk-off phases, investors trade less even though this is exactly the environment in which higher premiums can be earned.

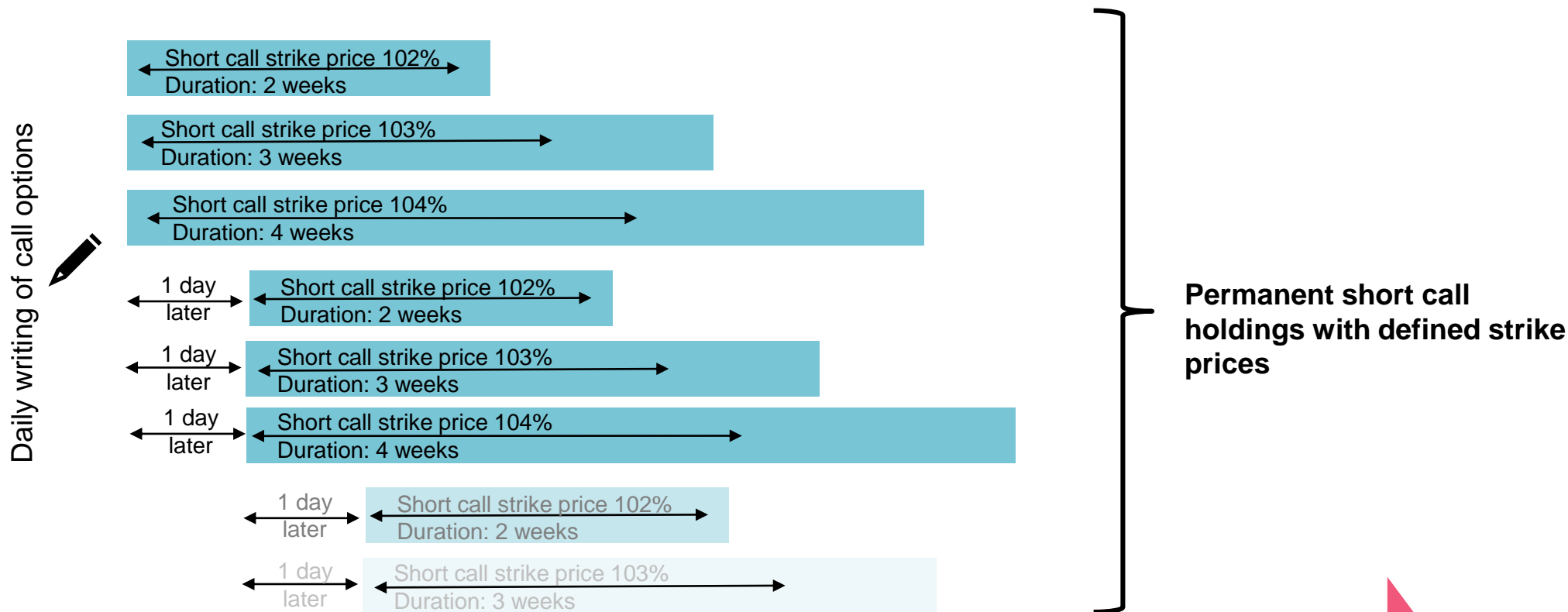
Traded yield products on equities (only WM) on deritrade in 2018 and 2019 (examples)



→ **Systematic, daily** selling is emotionless and reduces timing risk. In the Enhanced Indices strategy, options are sold regularly regardless of market sentiment

Benefit 2: Continuous income

Rollover illustrated using covered call strategy

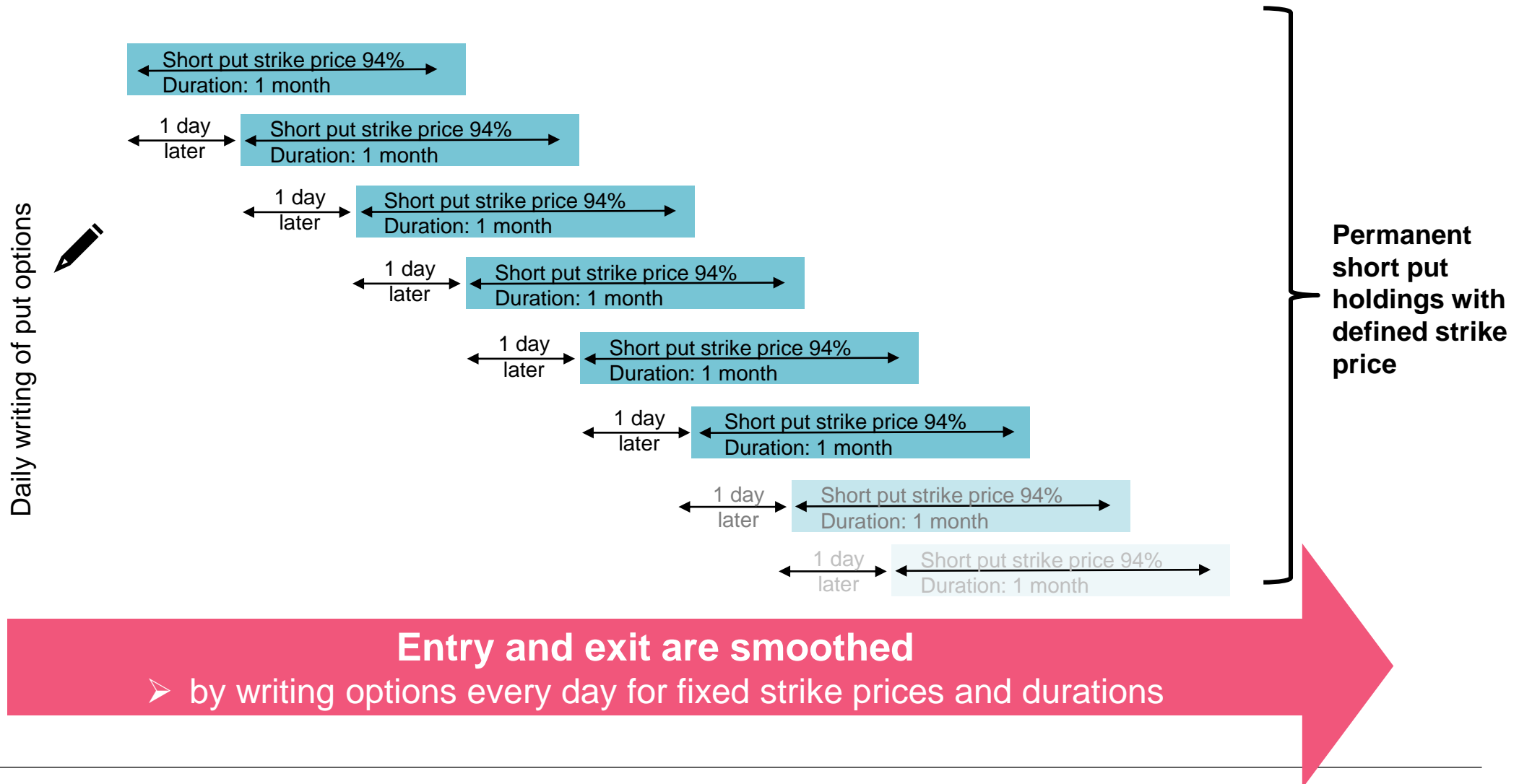


Entry and exit are smoothed

➤ by writing three options a day for different strike prices and durations

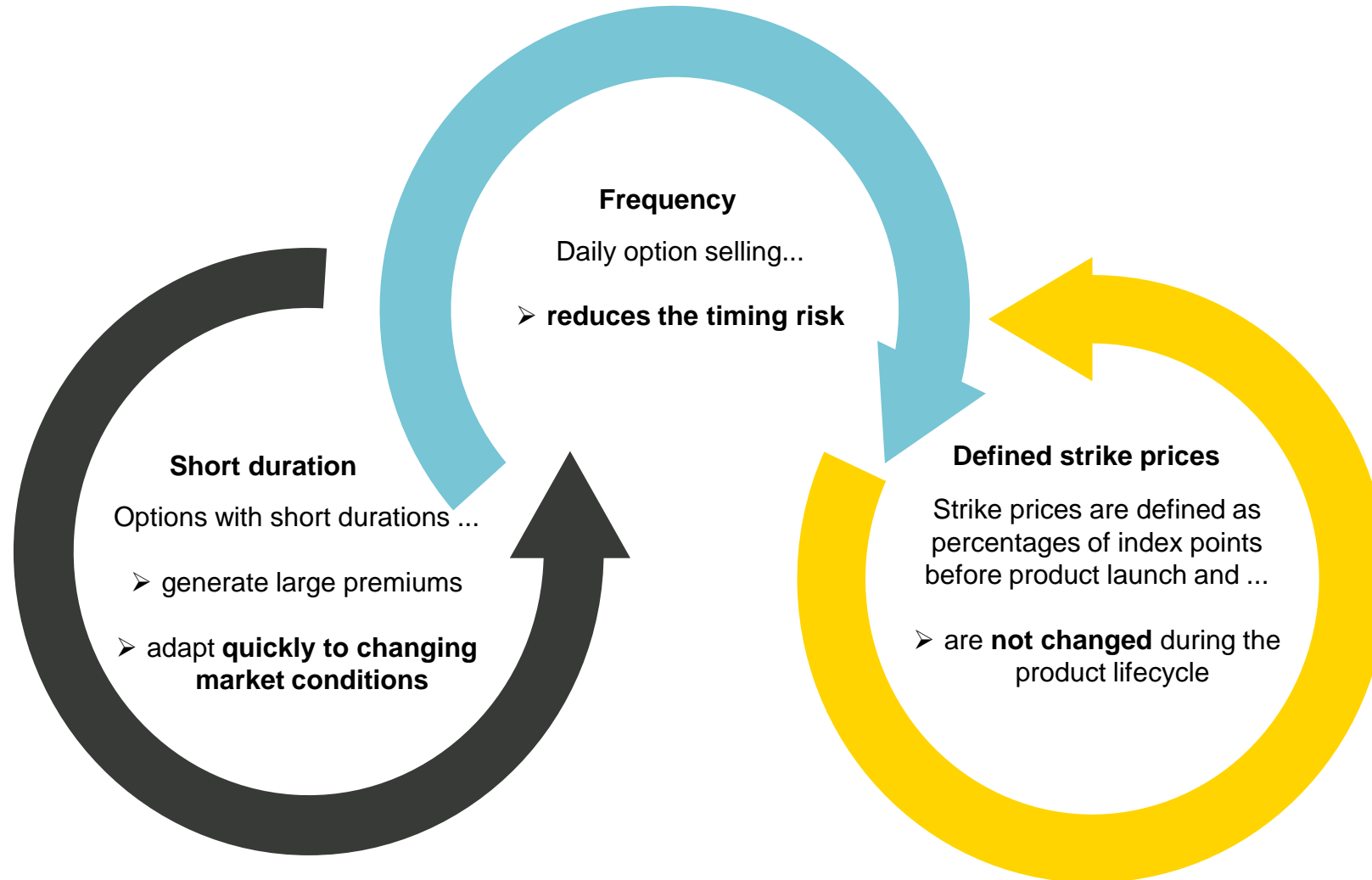
Benefit 2: Continuous income

Rollover illustrated using put write strategy



Vontobel Enhanced Indices – methodology

Three core elements of Vontobel Enhanced strategies



Two option strategies for different needs

Enhanced covered call strategy



Long position in the index
Sale of call options



Additional yield and higher Sharpe ratio

Enhanced put write strategy



No position in the index
Sale of put options



Yield well above market rate with reduced equity market risk due to OTM strike prices

Enhanced covered call strategy

Long position in the index plus daily sale of three calls on the index
→ **Objective: to increase long-term yields while absorbing impact of down phases**

Position in the index

The covered call strategy has a position in the underlying index. Additional income from selling call options on the underlying index.

Market expectation

Moderately rising or flat markets

Markets rise

The long position in the index rises. The call options generate premiums while the investors participate in the rising index up to the strike price. There is an underperformance risk when markets are rising quickly, but it is somewhat contained by the different strike prices and durations.

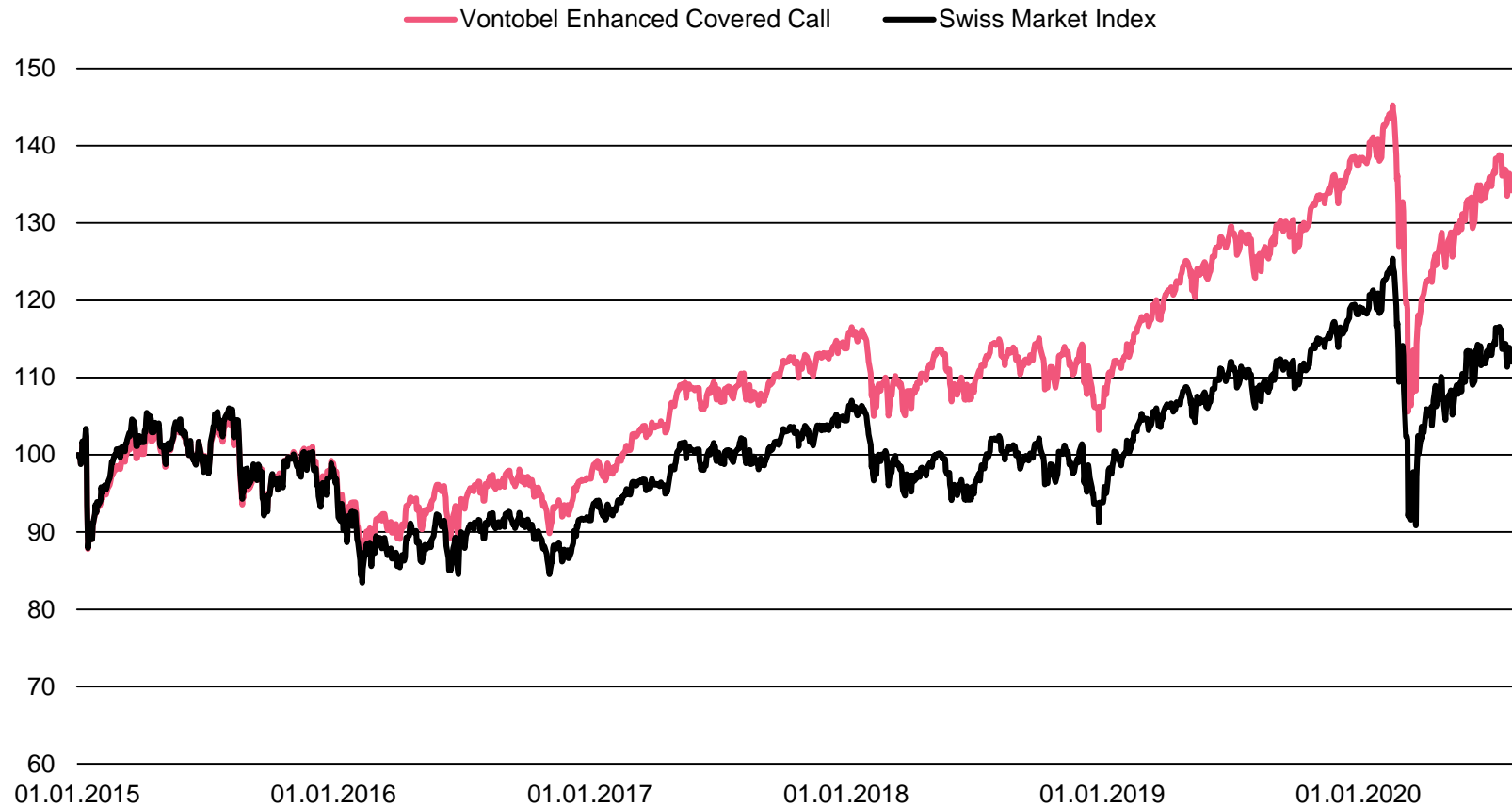
Markets fall

The index long position loses when prices fall. The premiums generated from writing options cannot necessarily offset this loss. However, implied volatility does rise when prices fall, driving up premium income. This reduces the potential downside.

Enhanced covered call strategy on the Swiss Market Index

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Enhanced covered call strategy on the SMI vs. direct investment (CHF)



→ Covered call strategy outperforms direct investments in flat markets

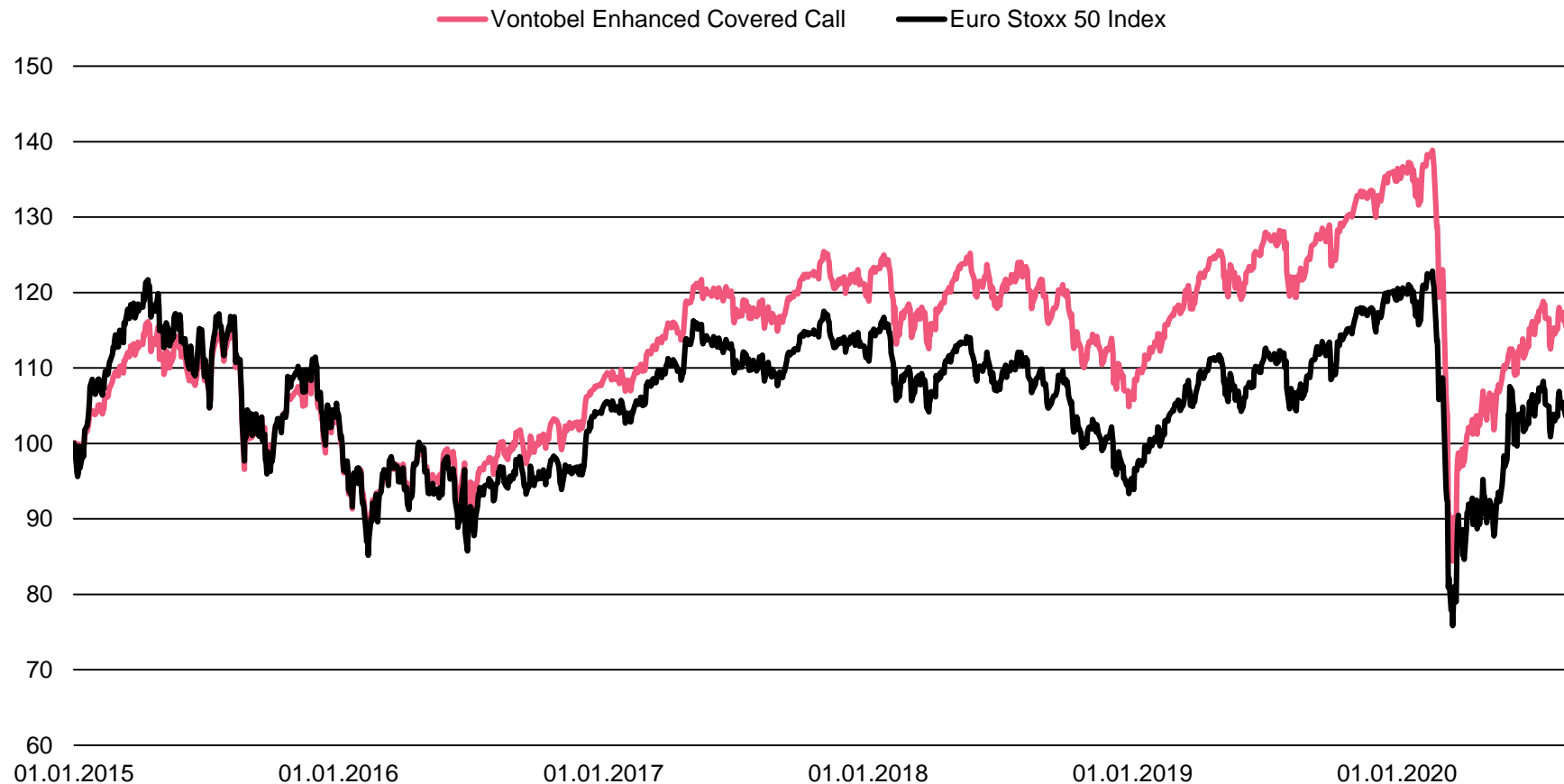
Source: Bloomberg, August 31, 2020

Note: Past performance and simulations are not reliable indicators of future performance.

Enhanced covered call strategy on the Euro Stoxx 50

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Enhanced covered call strategy on the Euro Stoxx 50 vs. direct investment (EUR)



→ Covered call strategy outperforms direct investments in flat markets

Source: Bloomberg, August 31, 2020

Note: Past performance and simulations are not reliable indicators of future performance.

Enhanced put write strategy

No position in the index but daily sale of a put option on the index
→ **Objective: to earn regular premium income with equity exposure by selling options**

No position in the index

Income from selling put options on the underlying index.

Market expectation

Moderately falling, flat or moderately rising markets

Markets rise

The put option generates premiums and expires without exercised.

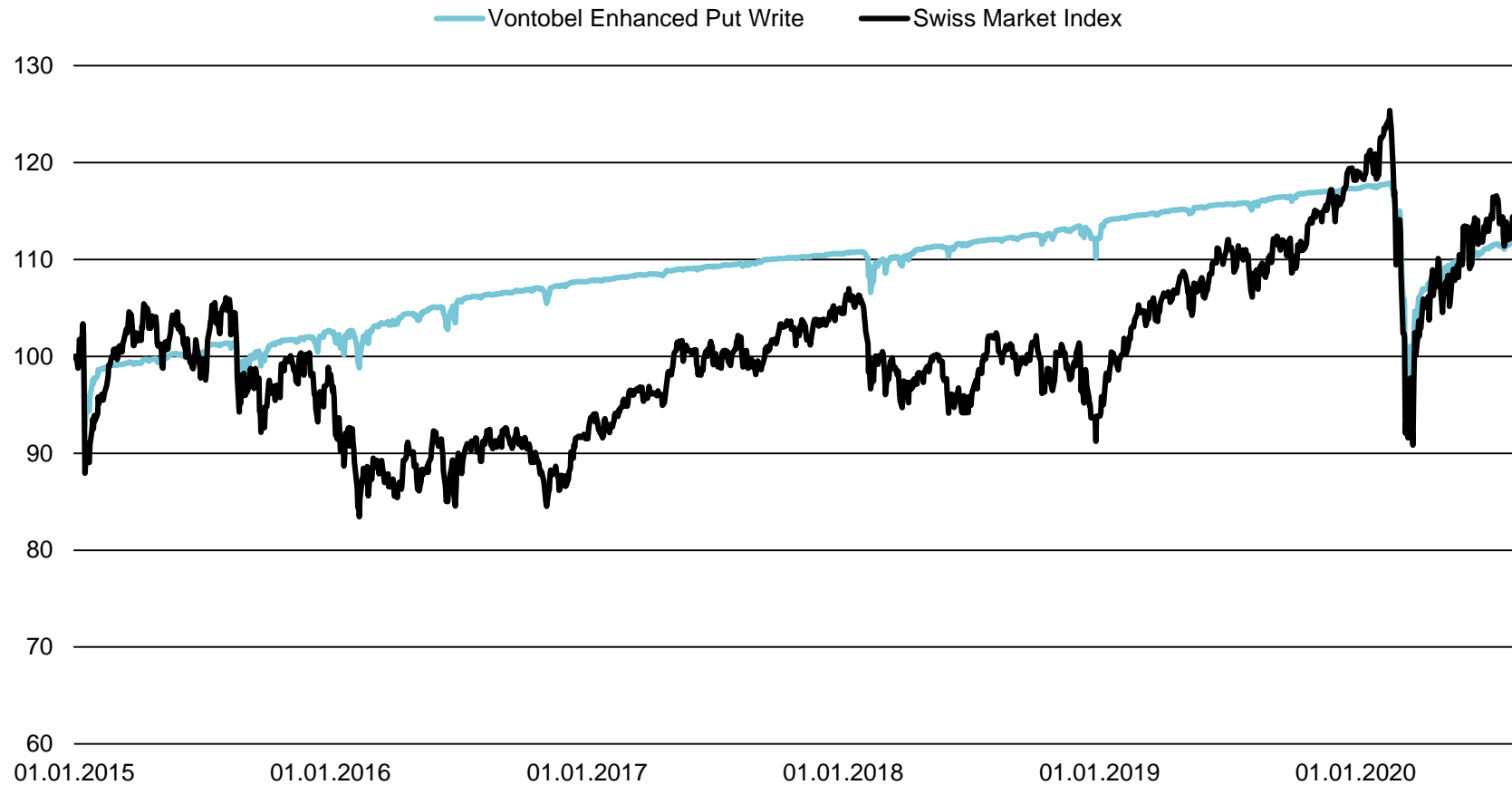
Markets fall

Falling markets tend to increase implied volatility, causing option premiums to rise. The strategy is particularly effective when markets are flat or falling slightly over an extended period of time. Abrupt corrections can result in price losses, though.

Enhanced put write strategy on the Swiss Market Index

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Enhanced put write strategy on the SMI vs. direct investment (CHF)



→ Enhanced put write strategy outperforms direct investments in flat or slightly falling markets

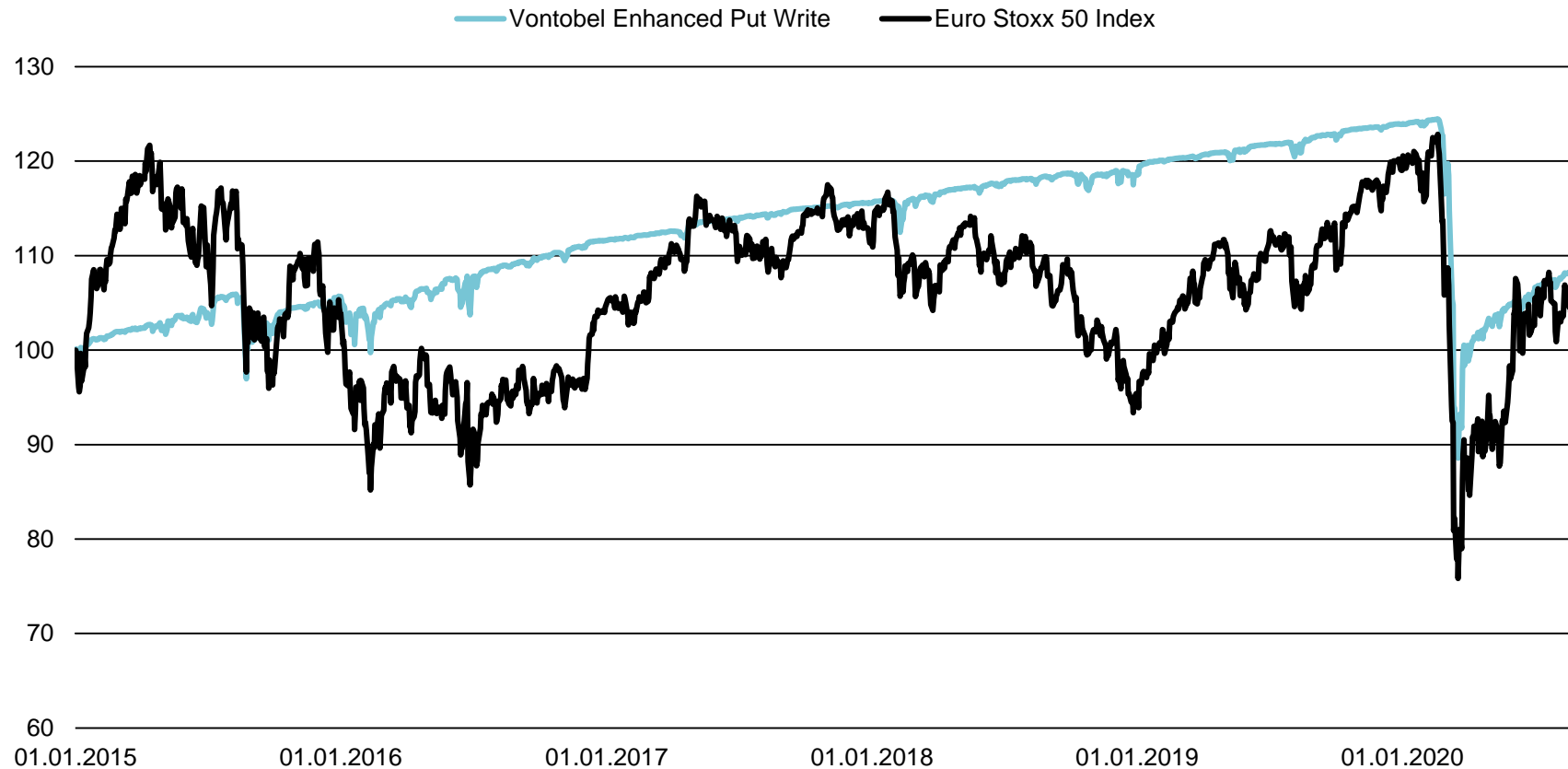
Source: Bloomberg, August 31, 2020

Note: Past performance and simulations are not reliable indicators of future performance.

Enhanced put write strategy on the Euro Stoxx 50

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Enhanced put write strategy on the Euro Stoxx 50 vs. direct investment (EUR)



→ Enhanced put write strategy outperforms direct investments in flat or slightly falling markets

Source: Bloomberg, August 31, 2020

Note: Past performance and simulations are not reliable indicators of future performance.

At a glance – methodology

Vontobel Enhanced strategies on Euro Stoxx 50 or SMI

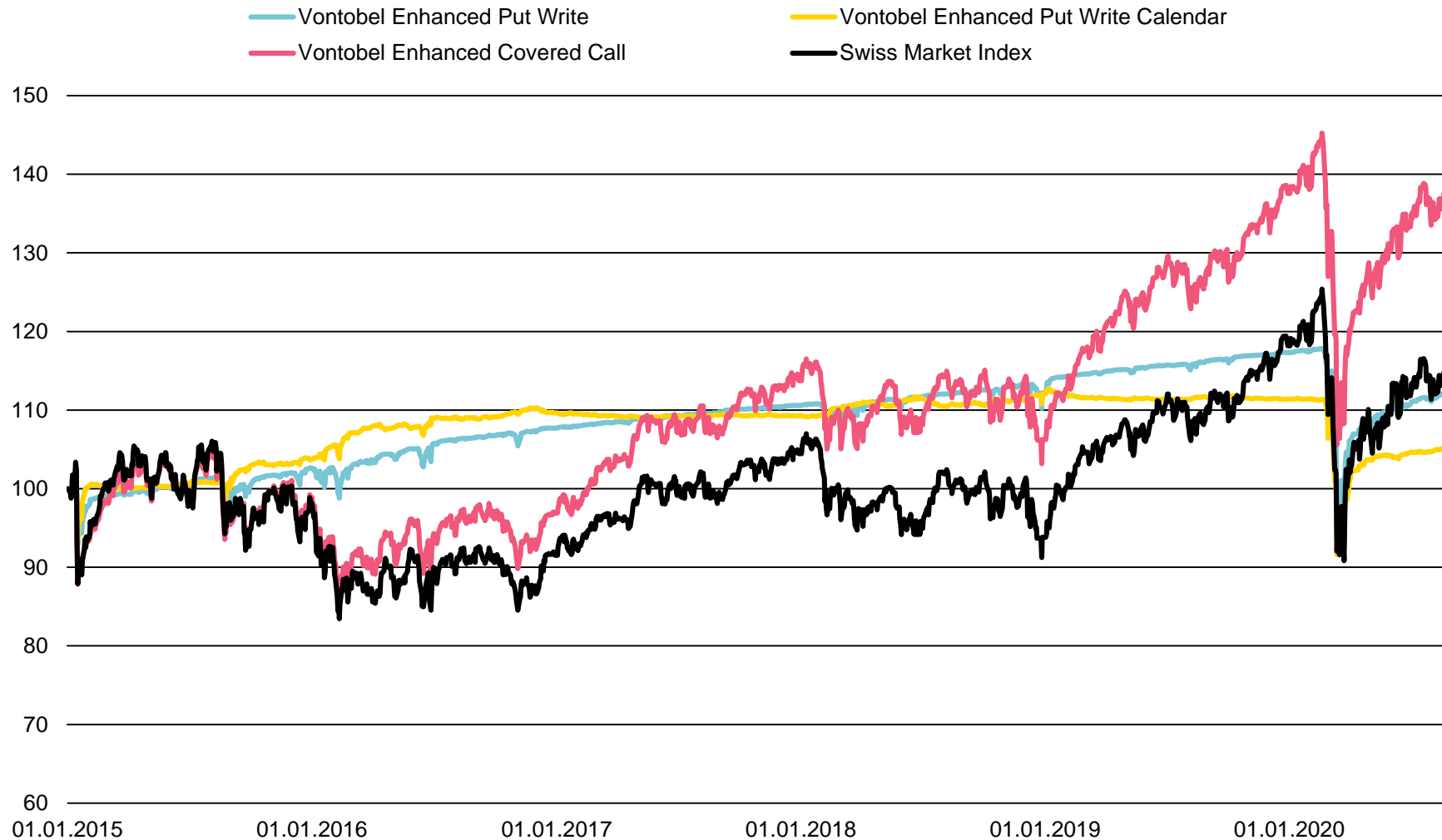
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	Enhanced covered call strategy	Enhanced put write strategy	Enhanced put write calendar strategy
Approach	<ul style="list-style-type: none"> • Long position in underlying index • Sell three call options a day <ul style="list-style-type: none"> • Short call 102%, 2 weeks • Short call 103%, 3 weeks • Short call 104%, 4 weeks 	<ul style="list-style-type: none"> • No position in underlying index • Sell one put option a day <ul style="list-style-type: none"> • Short put 94% • Duration: 1 month 	<ul style="list-style-type: none"> • Refinement of conventional put write strategy • Sell options with barriers each day, strike price 100%, barrier 90%, duration of 1 month • Buy put option, strike price 100%, duration of 1 year
Features	<ul style="list-style-type: none"> • Delta higher than with put write • Closer to an equity investment 	<ul style="list-style-type: none"> • Delta lower than with covered call • Closer to a bond investment 	Absorbs some of the impact of long market down phases
Income	Option premiums from selling call options daily, along with the long position, go toward the index	Option premiums from selling put options daily go toward the index	Option premiums from selling barrier products daily go toward the index
Market expectation	Somewhat rising markets or flat markets	Flat, slightly rising or slightly falling markets with elevated volatility	Flat or slightly rising markets with elevated volatility with protection against large market corrections

At a glance – performance

Vontobel Enhanced strategies on SMI

Strategies on the Swiss Market Index compared (CHF)



Source: Bloomberg, August 31, 2020

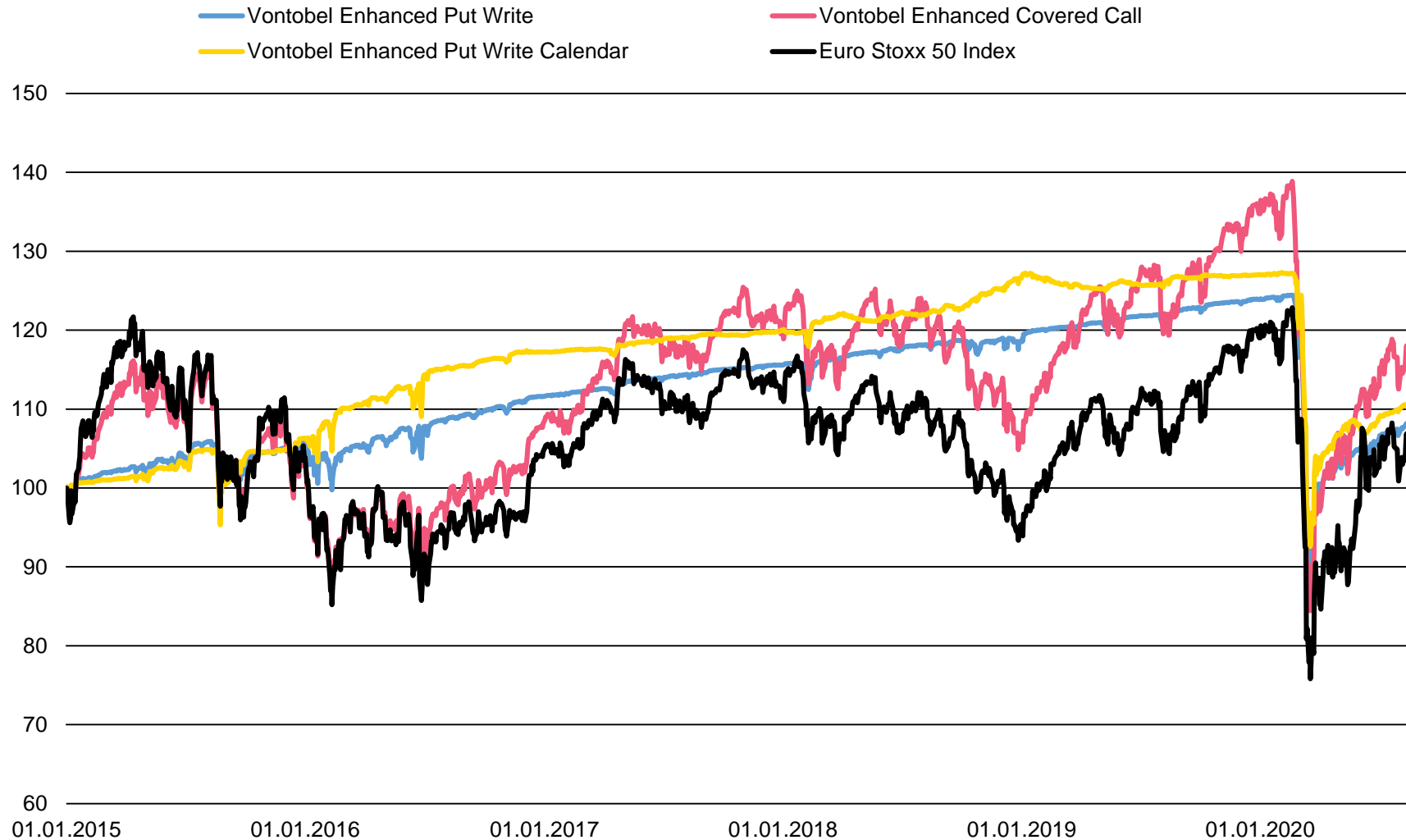
Note: Past performance and simulations are not reliable indicators of future performance.

At a glance – performance

Vontobel Enhanced strategies on Euro Stoxx 50

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Strategies on the Euro Stoxx 50 compared (EUR)



Source: Bloomberg, August 31, 2020

Note: Past performance and simulations are not reliable indicators of future performance.

Product details – Vontobel Enhanced Indices

3 strategies with 2 tranches each

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	ENHANCED COVERED CALL		ENHANCED PUT WRITE		ENHANCED PUT WRITE CALENDAR	
	ENHACSVT	ENHACEVT	ENHAPSVT	ENHAPEVT	ENHASCVT	ENHAECVT
Underlying	Swiss Market Index	Euro Stoxx 50 index	Swiss Market Index	Euro Stoxx 50 index	Swiss Market Index	Euro Stoxx 50 index
Strategy	Long index, short calls	Long index, short calls	Short put strike price 94%	Short put strike price 94%	Short DIP, long put	Short DIP, long put
SSPA product type	Tracker Certificate (1300)	Tracker Certificate (1300)	Tracker Certificate (1300)	Tracker Certificate (1300)	Tracker Certificate (1300)	Tracker Certificate (1300)
Product currency	CHF	EUR	CHF	EUR	CHF	EUR
ISIN	CH0553372522	CH0553372563	CH0553372506	CH0553372548	CH0553372514	CH0553372555

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