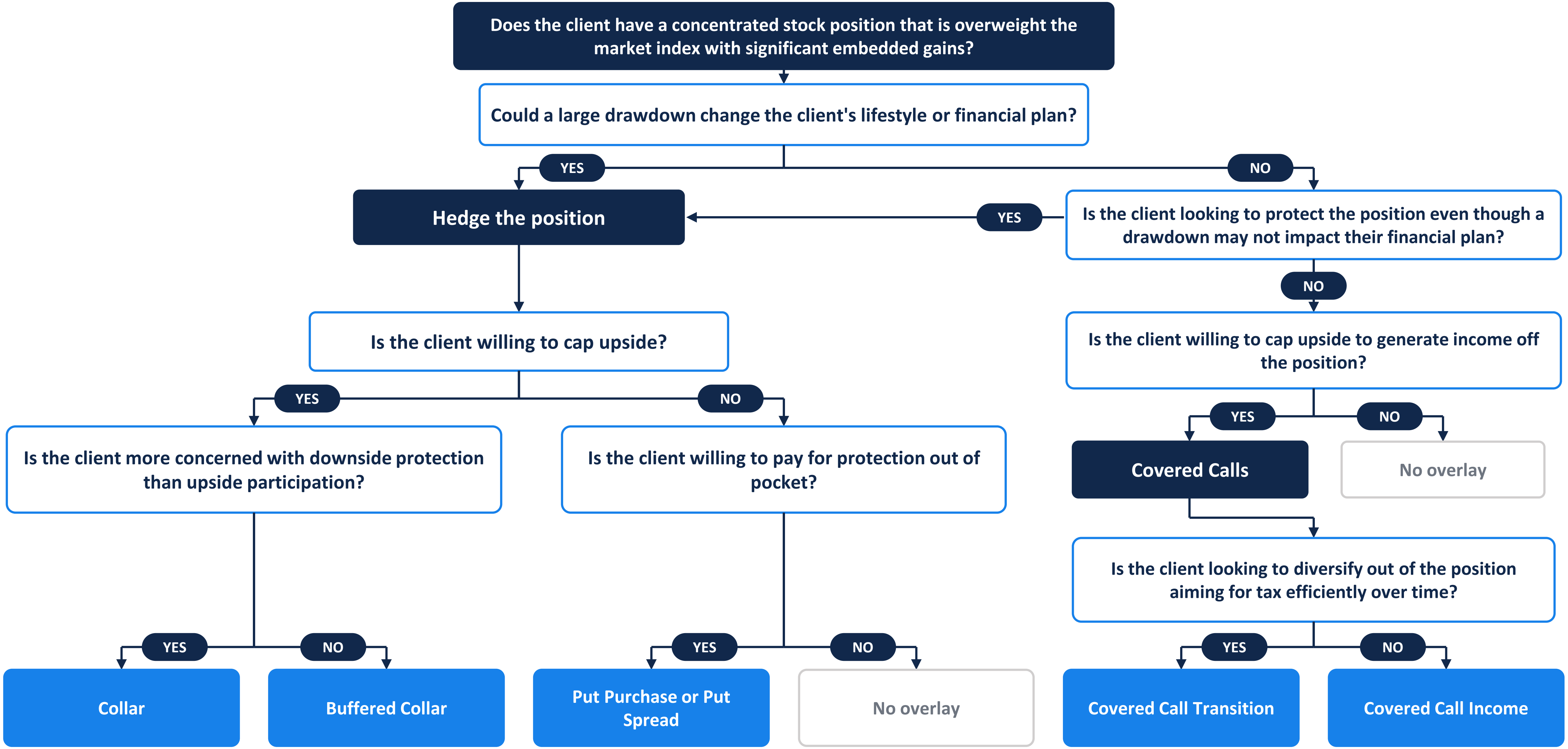
APTUS CAPITAL ADVISORS

Option Overlays Strategy Selection Process

Concentrated Stock Strategy Decision Tree



Covered Call Income Strategy

STRUCTURE **Long stock, short out-of-the-money call**

OBJECTIVE

Generate income off the position with the goal of retaining as many shares as possible.

CLIENT PROFILE

The client plans to keep the stock but wants to generate income off a position that is otherwise stagnant.

KEY CONSIDERATIONS

- The client generates income off the option position but equity position is still exposed to a significant drawdown.
- Gains above the option strike price are given up for the underlying equity. If the stock runs past the upside cap, we aim to buy the call back before expiration and either sell shares or use cash to cover the cost to close.
- A higher strike means less income but more upside participation.

NOT APPROPRIATE WHEN

The client is set on never selling shares or thinks the stock will outperform market expectations.

PAYOFF AT EXPIRATION

Illustrative only. Schematic, not drawn to scale.

UPSIDE	Capped at the strike
DOWNSIDE	Not protected
NET COST	Client receives premium

Covered Call Transition Strategy

STRUCTURE Long stock, short call at a price the client is willing to sell

OBJECTIVE

Sell the position down into strength, spreading the tax bill across years.

CLIENT PROFILE

The client has decided to diversify but does not want to sell all at once. They are comfortable selling if the stock reaches the upside cap. They know the position is too large, but they do not need protection right now.

KEY CONSIDERATIONS

- Client is willing to sell a stock as it goes up, so the calls drive the exit plan rather than focusing on just earning income.
- If the stock trades above the strike, we aim to buy the call back before expiration and sell the shares deliberately. Shares are not exercised unless the client specifies.
- The stock sets the pace of transition. If price stays below the strike the client retains the shares and premium collected.

NOT APPROPRIATE WHEN

The client's financial plan would be disrupted if the stock experienced a meaningful drawdown.

PAYOFF AT EXPIRATION

Illustrative only. Schematic, not drawn to scale.

UPSIDE	Capped at the strike
DOWNSIDE	Not protected
NET COST	Client receives premium

Collar Strategy

STRUCTURE Long stock, long put, short call

OBJECTIVE

Put a floor under the stock paid by capping the upside.

CLIENT PROFILE

A big drop would change this client's plan, and they do not want to pay out of pocket to prevent it. They will accept a ceiling on gains in exchange for a floor.

KEY CONSIDERATIONS

- Can be structured as costless or as a debit if the client prefers to pay some out of pocket for added upside.
- Gains above the option strike price are given up for the underlying equity. If the stock runs past the upside cap, we aim to buy the call back before expiration and either sell shares or use cash to cover the cost to close.
- The purchased put or floor holds until the options expire or the structure is reset.

NOT APPROPRIATE WHEN

The client will not accept a ceiling on gains or is looking to generate income off the position in addition to protection.

PAYOFF AT EXPIRATION

Illustrative only. Schematic, not drawn to scale.

UPSIDE	Capped at the strike
DOWNSIDE	Protected below the strike
NET COST	Can be structured for little or no cost

Buffered Collar Strategy

STRUCTURE Long stock, long put spread, short call

OBJECTIVE

Keep more upside than a standard collar by buying less downside protection.

CLIENT PROFILE

The client wants real protection against an ordinary drop but can live through a severe one. In exchange for taking that risk, they can get a higher cap.

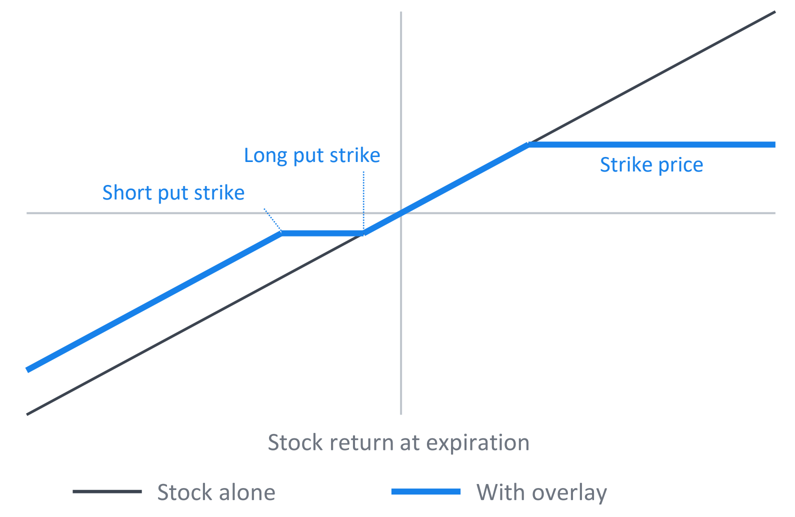
KEY CONSIDERATIONS

- Using a put spread instead of a plain put costs less, and that savings allows for a higher cap.
- Protection covers a set range. Below the bottom of that range the client is exposed to further decline.
- As with a standard collar, gains above the call strike are given up and we buy the call back before expiration.
- Strategy is only available in taxable accounts.

NOT APPROPRIATE WHEN

A severe drop is the biggest concern. In that case keep the full put rather than spreading it.

PAYOFF AT EXPIRATION



Illustrative only. Schematic, not drawn to scale.

UPSIDE	Capped, higher than a collar
DOWNSIDE	Protected over a set range
NET COST	Little or no cost

Put Spread Strategy

STRUCTURE Long stock, long put spread

OBJECTIVE

Buy protection over a set range of decline without giving away upside.

CLIENT PROFILE

The client will not give up upside and is willing to pay for protection but wants to spend less than a full put costs. They see an ordinary drop as the more likely risk.

KEY CONSIDERATIONS

- All of the upside is kept, less the premium paid.
- Protection only covers a set range. Below the lower strike the client is exposed to further decline.
- Strategy is only available in taxable accounts.

NOT APPROPRIATE WHEN

The premium costs more than they are willing to spend, or severe drop is biggest concern.

PAYOFF AT EXPIRATION

Illustrative only. Schematic, not drawn to scale.

UPSIDE	Kept in full
DOWNSIDE	Protected over a set range
NET COST	Client pays premium

Put Purchase Strategy

STRUCTURE Long stock, long put

OBJECTIVE

Put a hard floor under the stock with unlimited upside.

CLIENT PROFILE

A big drop would derail this client's plan, they still believe in the stock, and they would rather pay cash for protection than give up any gains.

KEY CONSIDERATIONS

- The most expensive structure.
- The floor holds until expiration, and there is no ceiling on gains.
- Cost rises with volatility and with time to expiration.

NOT APPROPRIATE WHEN

The client does not want to pay the premium or would rather cap gains than pay for protection.

PAYOFF AT EXPIRATION

Illustrative only. Schematic, not drawn to scale.

UPSIDE	Kept in full
DOWNSIDE	Protected below the strike
NET COST	Client pays the most here

Definitions

Covered call – A strategy where you own a stock and sell a call option on that same stock to collect extra income from the option premium.

Collar strategy – A strategy where you own a stock, buy a put option under the market, and sell a call option above the market to limit both downside loss and upside gain.

Buffered collar strategy – A version of a collar that uses a range of put options, so a certain band of losses is absorbed ("buffered") before you feel the full impact of a big market drop.

Put spread strategy – A strategy where you buy one protective put and sell another put at a lower price, creating a band of downside protection while reducing cost.

Put purchase strategy – A strategy where you simply buy put options on a stock you own to limit how much you can lose if the stock falls.

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