



# Land of AHS

Alternative Hedging Strategies



Covered Write  ing Strikes

Prescription: SlingshotHedge®



Covered  
Write ⚡ ing



To Slingshot Hedge

From Covered Write

Bridge

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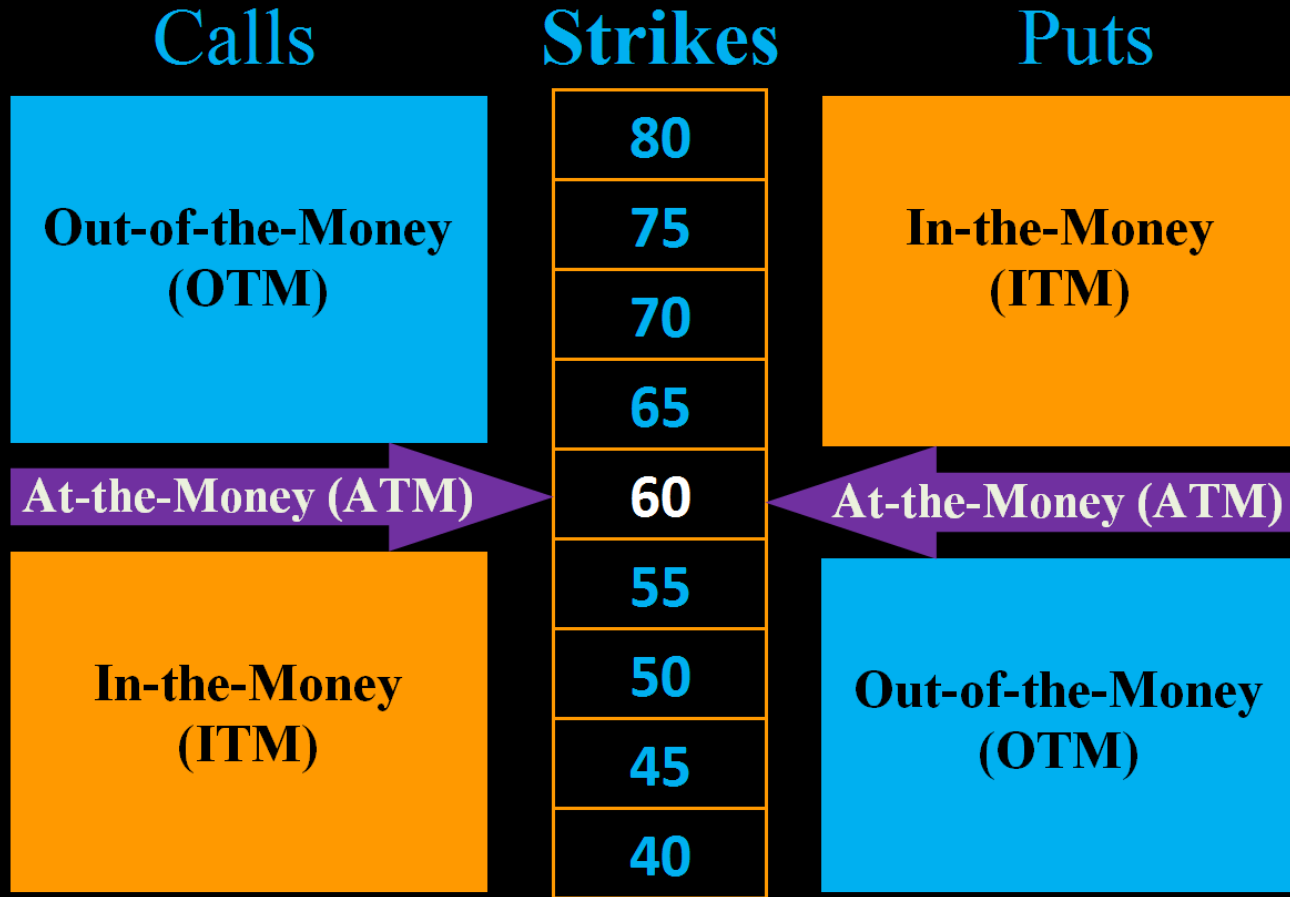
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# Moneyness



\$Stock Price	Value: Stock	Value: 55 Put	Value: 60 Call	Value: 65 Call	Value: 60/65 Call V	G/(L): (2)-55 Puts	G/(L): (3)-60 Calls	G/(L): (4)-60 Calls	G/(L): +3-65 Calls	G/(L): +4-65 Calls	G/(L): (3)-60/65 Call V	G/(L): (4)-60/65 Call V	G/(L): Stock	G/(L): Write↗ing	G/(L): SsHedge	Write↗ing C/F	SsHedge C/F	Stock RISK	Stock RoR	Write↗ing RISK	Write↗ing RoR	SsHedge RISK	SsHedge RoR	SsHedge Capital	% Return on Initial Capital	\$Stock Price
80	\$16,000	\$0	\$2,000	\$1,500	\$500	(\$270)	(\$5,400)	(\$7,200)	\$4,320	\$5,760	(\$1,080)	(\$1,440)	\$4,240	\$3,160	\$2,530	(\$1,500)	(\$2,000)	\$16,000	38.0%	\$14,500	27.8%	\$3,000	538.3%	\$14,000	22.1%	80
79	\$15,800	\$0	\$1,900	\$1,400	\$500	(\$270)	(\$5,100)	(\$6,800)	\$4,020	\$5,360	(\$1,080)	(\$1,440)	\$4,040	\$2,960	\$2,330	(\$1,500)	(\$2,000)	\$15,800	36.2%	\$14,300	26.1%	\$2,800	495.7%	\$13,800	20.3%	79
78	\$15,600	\$0	\$1,800	\$1,300	\$500	(\$270)	(\$4,800)	(\$6,400)	\$3,720	\$4,960	(\$1,080)	(\$1,440)	\$3,840	\$2,760	\$2,130	(\$1,500)	(\$2,000)	\$15,600	34.4%	\$14,100	24.3%	\$2,600	453.2%	\$13,600	18.6%	78
77	\$15,400	\$0	\$1,700	\$1,200	\$500	(\$270)	(\$4,500)	(\$6,000)	\$3,420	\$4,560	(\$1,080)	(\$1,440)	\$3,640	\$2,560	\$1,930	(\$1,500)	(\$2,000)	\$15,400	32.6%	\$13,900	22.5%	\$2,400	410.6%	\$13,400	16.8%	77
76	\$15,200	\$0	\$1,600	\$1,100	\$500	(\$270)	(\$4,200)	(\$5,600)	\$3,120	\$4,160	(\$1,080)	(\$1,440)	\$3,440	\$2,360	\$1,730	(\$1,500)	(\$2,000)	\$15,200	30.8%	\$13,700	20.8%	\$2,200	368.1%	\$13,200	15.1%	76
75	\$15,000	\$0	\$1,500	\$1,000	\$500	(\$270)	(\$3,900)	(\$5,200)	\$2,820	\$3,760	(\$1,080)	(\$1,440)	\$3,240	\$2,160	\$1,530	(\$1,500)	(\$2,000)	\$15,000	29.0%	\$13,500	19.0%	\$2,000	325.5%	\$13,000	13.3%	75
74	\$14,800	\$0	\$1,400	\$900	\$500	(\$270)	(\$3,600)	(\$4,800)	\$2,520	\$3,360	(\$1,080)	(\$1,440)	\$3,040	\$1,960	\$1,330	(\$1,500)	(\$2,000)	\$14,800	27.2%	\$13,300	17.3%	\$1,800	283.0%	\$12,800	11.6%	74
73	\$14,600	\$0	\$1,300	\$800	\$500	(\$270)	(\$3,300)	(\$4,400)	\$2,220	\$2,960	(\$1,080)	(\$1,440)	\$2,840	\$1,760	\$1,130	(\$1,500)	(\$2,000)	\$14,600	25.4%	\$13,100	15.5%	\$1,600	240.4%	\$12,600	9.9%	73
72	\$14,400	\$0	\$1,200	\$700	\$500	(\$270)	(\$3,000)	(\$4,000)	\$1,920	\$2,560	(\$1,080)	(\$1,440)	\$2,640	\$1,560	\$930	(\$1,500)	(\$2,000)	\$14,400	23.7%	\$12,900	13.7%	\$1,400	197.9%	\$12,400	8.1%	72
71	\$14,200	\$0	\$1,100	\$600	\$500	(\$270)	(\$2,700)	(\$3,600)	\$1,620	\$2,160	(\$1,080)	(\$1,440)	\$2,440	\$1,360	\$730	(\$1,500)	(\$2,000)	\$14,200	21.9%	\$12,700	12.0%	\$1,200	155.3%	\$12,200	6.4%	71
70	\$14,000	\$0	\$1,000	\$500	\$500	(\$270)	(\$2,400)	(\$3,200)	\$1,320	\$1,760	(\$1,080)	(\$1,440)	\$2,240	\$1,160	\$530	(\$1,500)	(\$2,000)	\$14,000	20.1%	\$12,500	10.2%	\$1,000	112.8%	\$12,000	4.6%	70
69	\$13,800	\$0	\$900	\$400	\$500	(\$270)	(\$2,100)	(\$2,800)	\$1,020	\$1,360	(\$1,080)	(\$1,440)	\$2,040	\$960	\$330	(\$1,500)	(\$2,000)	\$13,800	18.3%	\$12,300	8.5%	\$800	70.2%	\$11,800	2.9%	69
68	\$13,600	\$0	\$800	\$300	\$500	(\$270)	(\$1,800)	(\$2,400)	\$720	\$960	(\$1,080)	(\$1,440)	\$1,840	\$760	\$130	(\$1,500)	(\$2,000)	\$13,600	16.5%	\$12,100	6.7%	\$600	27.7%	\$11,600	1.1%	68
67	\$13,400	\$0	\$700	\$200	\$500	(\$270)	(\$1,500)	(\$2,000)	\$420	\$560	(\$1,080)	(\$1,440)	\$1,640	\$560	(\$70)	(\$1,500)	(\$2,000)	\$13,400	14.7%	\$11,900	4.9%	\$400	(14.9%)	\$11,400	(0.6%)	67
66	\$13,200	\$0	\$600	\$100	\$500	(\$270)	(\$1,200)	(\$1,600)	\$120	\$160	(\$1,080)	(\$1,440)	\$1,440	\$360	(\$270)	(\$1,500)	(\$2,000)	\$13,200	12.9%	\$11,700	3.2%	\$200	(57.4%)	\$11,200	(2.4%)	66
65	\$13,000	\$0	\$500	\$0	\$500	(\$270)	(\$900)	(\$1,200)	(\$180)	(\$240)	(\$1,080)	(\$1,440)	\$1,240	\$160	(\$470)	(\$1,500)	(\$2,000)	\$13,000	11.1%	\$11,500	1.4%	\$0	(100.0%)	\$11,000	(4.1%)	65
64	\$12,800	\$0	\$400	\$0	\$400	(\$270)	(\$600)	(\$800)	(\$180)	(\$240)	(\$780)	(\$1,040)	\$1,040	\$260	(\$270)	(\$1,200)	(\$1,600)	\$12,800	9.3%	\$11,600	2.3%	\$200	(57.4%)	\$11,200	(2.4%)	64
63	\$12,600	\$0	\$300	\$0	\$300	(\$270)	(\$300)	(\$400)	(\$180)	(\$240)	(\$480)	(\$640)	\$840	\$360	(\$70)	(\$900)	(\$1,200)	\$12,600	7.5%	\$11,700	3.2%	\$400	(14.9%)	\$11,400	(0.6%)	63
62	\$12,400	\$0	\$200	\$0	\$200	(\$270)	\$0	\$0	(\$180)	(\$240)	(\$180)	(\$240)	\$640	\$460	\$130	(\$600)	(\$800)	\$12,400	5.7%	\$11,800	4.0%	\$600	27.7%	\$11,600	1.1%	62
61	\$12,200	\$0	\$100	\$0	\$100	(\$270)	\$300	\$400	(\$180)	(\$240)	\$120	\$160	\$440	\$560	\$330	(\$300)	(\$400)	\$12,200	3.9%	\$11,900	4.9%	\$800	70.2%	\$11,800	2.9%	61
60	\$12,000	\$0	\$0	\$0	\$0	(\$270)	\$600	\$800	(\$180)	(\$240)	\$420	\$560	\$240	\$660	\$530	\$0	\$0	\$12,000	2.2%	\$12,000	5.8%	\$1,000	112.8%	\$12,000	4.6%	60
59	\$11,800	\$0	\$0	\$0	\$0	(\$270)	\$600	\$800	(\$180)	(\$240)	\$420	\$560	\$40	\$460	\$330	\$0	\$0	\$11,800	0.4%	\$11,800	4.0%	\$800	70.2%	\$11,800	2.9%	59
58	\$11,600	\$0	\$0	\$0	\$0	(\$270)	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$160)	\$260	\$130	\$0	\$0	\$11,600	(1.4%)	\$11,600	2.3%	\$600	27.7%	\$11,600	1.1%	58
57	\$11,400	\$0	\$0	\$0	\$0	(\$270)	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$360)	\$60	(\$70)	\$0	\$0	\$11,400	(3.2%)	\$11,400	0.5%	\$400	(14.9%)	\$11,400	(0.6%)	57
56	\$11,200	\$0	\$0	\$0	\$0	(\$270)	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$560)	(\$140)	(\$270)	\$0	\$0	\$11,200	(5.0%)	\$11,200	(1.2%)	\$200	(57.4%)	\$11,200	(2.4%)	56
55	\$11,000	\$0	\$0	\$0	\$0	(\$270)	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$760)	(\$340)	(\$470)	\$0	\$0	\$11,000	(6.8%)	\$11,000	(3.0%)	\$0	(100.0%)	\$11,000	(4.1%)	55
54	\$10,800	\$100	\$0	\$0	\$0	(\$70)	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$960)	(\$540)	(\$470)	\$0	\$200	\$10,800	(8.6%)	\$10,800	(4.8%)	\$0	(100.0%)	\$11,000	(4.1%)	54
53	\$10,600	\$200	\$0	\$0	\$0	\$130	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$1,160)	(\$740)	(\$470)	\$0	\$400	\$10,600	(10.4%)	\$10,600	(6.5%)	\$0	(100.0%)	\$11,000	(4.1%)	53
52	\$10,400	\$300	\$0	\$0	\$0	\$330	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$1,360)	(\$940)	(\$470)	\$0	\$600	\$10,400	(12.2%)	\$10,400	(8.3%)	\$0	(100.0%)	\$11,000	(4.1%)	52
51	\$10,200	\$400	\$0	\$0	\$0	\$530	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$1,560)	(\$1,140)	(\$470)	\$0	\$800	\$10,200	(14.0%)	\$10,200	(10.0%)	\$0	(100.0%)	\$11,000	(4.1%)	51
50	\$10,000	\$500	\$0	\$0	\$0	\$730	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$1,760)	(\$1,340)	(\$470)	\$0	\$1,000	\$10,000	(15.8%)	\$10,000	(11.8%)	\$0	(100.0%)	\$11,000	(4.1%)	50
49	\$9,800	\$600	\$0	\$0	\$0	\$930	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$1,960)	(\$1,540)	(\$470)	\$0	\$1,200	\$9,800	(17.6%)	\$9,800	(13.6%)	\$0	(100.0%)	\$11,000	(4.1%)	49
48	\$9,600	\$700	\$0	\$0	\$0	\$1,130	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$2,160)	(\$1,740)	(\$470)	\$0	\$1,400	\$9,600	(19.4%)	\$9,600	(15.3%)	\$0	(100.0%)	\$11,000	(4.1%)	48
47	\$9,400	\$800	\$0	\$0	\$0	\$1,330	\$600	\$800	(\$180)	(\$240)	\$420	\$560	(\$2,360)	(\$1,940)	(\$470)	\$0	\$1,600	\$9,400	(21.1%)	\$9,400	(17.1%)	\$0	(100.0%)	\$11,000	(4.1%)	47

## Comparing Strategies:

Step1: **Stock** versus a **Covered Write** or **(Buy-Write)**

Step 2: **Covered Write** versus a **Covered WriteNing Bolt**

Step 3: **Covered WriteNing Bolt** versus a **SlingshotHedge**



### Trade Prices:

Stock: Bought 200 shares @ \$58.80

60 Calls: **(Sold Short)** @\$2.00 **(2 with the Covered Write)** (3 with Covered Write ✓ing) (4 with SlingshotHedge)

65 Calls: Bought @ \$0.60 (3 with Covered Write ✓ing) (4 with SlingshotHedge)

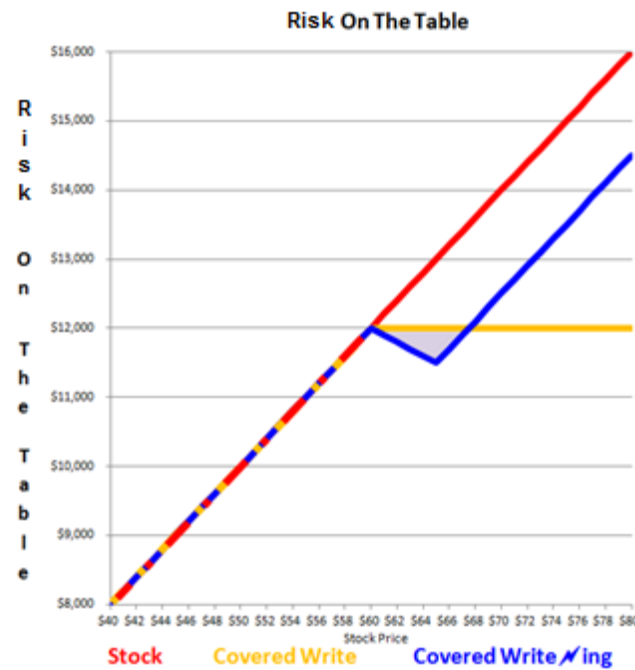
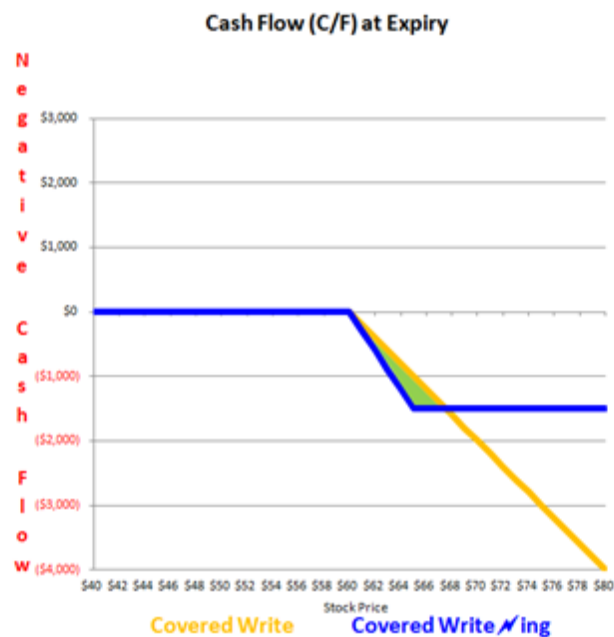
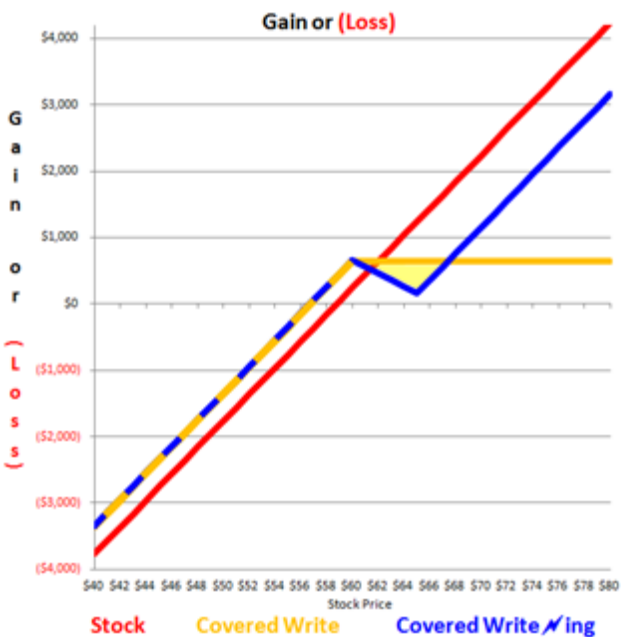
55 Puts: Bought @ \$1.35 (2 with SlingshotHedge)

## Trade Prices:

Stock: Bought 200 shares @ \$58.80

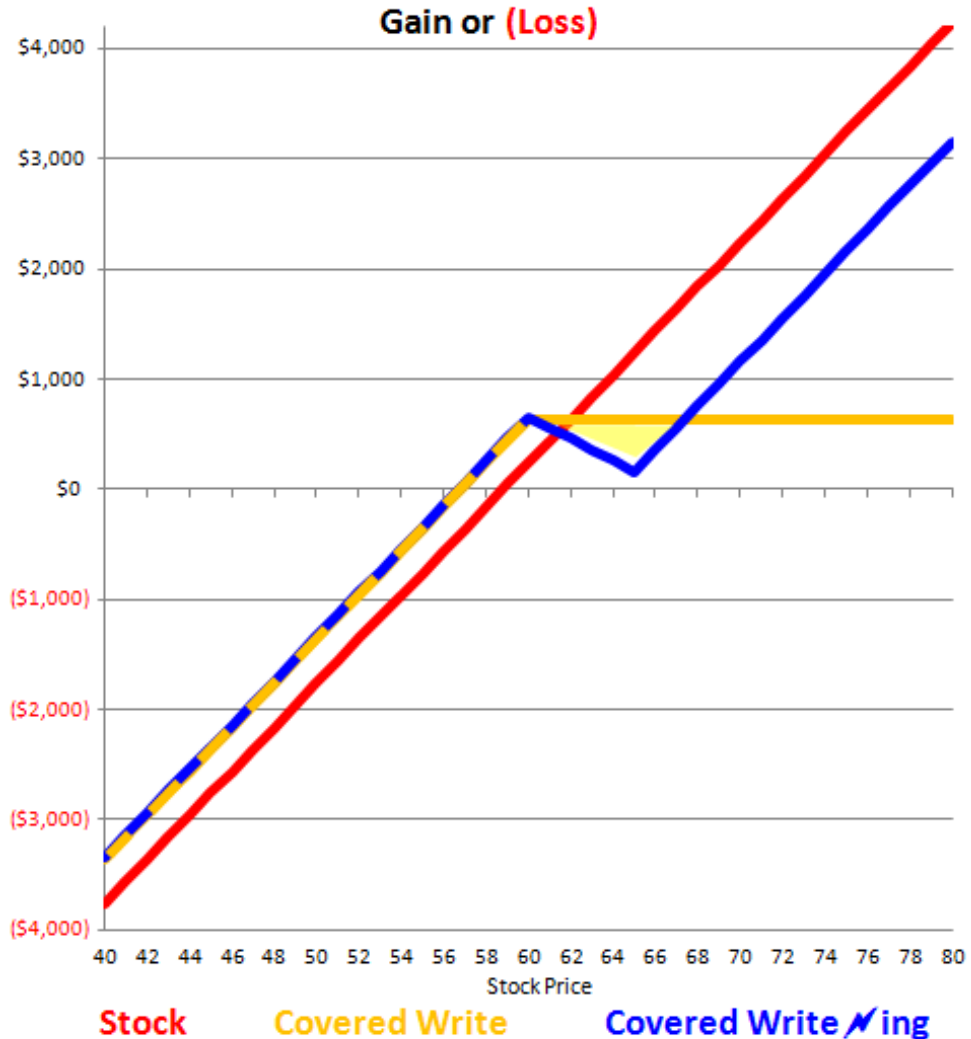
60 Calls: (Sold Short) @\$2.00 (2 with the Covered Write) (3 with Covered Write  $\nearrow$ ing)

65 Calls: Bought @ \$0.60 (3 with Covered Write  $\nearrow$ ing)





Gain or (Loss)



Stock Price	G(L): Stock	G(L): Covered Write	G(L): Write with Bolt Hedge
80	\$4,240	\$640	\$3,160
79	\$4,040	\$640	\$2,960
78	\$3,840	\$640	\$2,760
77	\$3,640	\$640	\$2,560
76	\$3,440	\$640	\$2,360
75	\$3,240	\$640	\$2,160
74	\$3,040	\$640	\$1,960
73	\$2,840	\$640	\$1,760
72	\$2,640	\$640	\$1,560
71	\$2,440	\$640	\$1,360
70	\$2,240	\$640	\$1,160
69	\$2,040	\$640	\$960
68	\$1,840	\$640	\$760
67	\$1,640	\$640	\$560
66	\$1,440	\$640	\$360
65	\$1,240	\$640	\$160
64	\$1,040	\$640	\$260
63	\$840	\$640	\$360
62	\$640	\$640	\$460
61	\$440	\$640	\$560
60	\$240	\$640	\$660
59	\$40	\$440	\$460
58	(\$160)	\$240	\$260
57	(\$360)	\$40	\$60
56	(\$560)	(\$160)	(\$140)
55	(\$760)	(\$360)	(\$340)
54	(\$960)	(\$560)	(\$540)
53	(\$1,160)	(\$760)	(\$740)
52	(\$1,360)	(\$960)	(\$940)
51	(\$1,560)	(\$1,160)	(\$1,140)
50	(\$1,760)	(\$1,360)	(\$1,340)
49	(\$1,960)	(\$1,560)	(\$1,540)
48	(\$2,160)	(\$1,760)	(\$1,740)
47	(\$2,360)	(\$1,960)	(\$1,940)
46	(\$2,560)	(\$2,160)	(\$2,140)
45	(\$2,760)	(\$2,360)	(\$2,340)
44	(\$2,960)	(\$2,560)	(\$2,540)
43	(\$3,160)	(\$2,760)	(\$2,740)
42	(\$3,360)	(\$2,960)	(\$2,940)
41	(\$3,560)	(\$3,160)	(\$3,140)
40	(\$3,760)	(\$3,360)	(\$3,340)

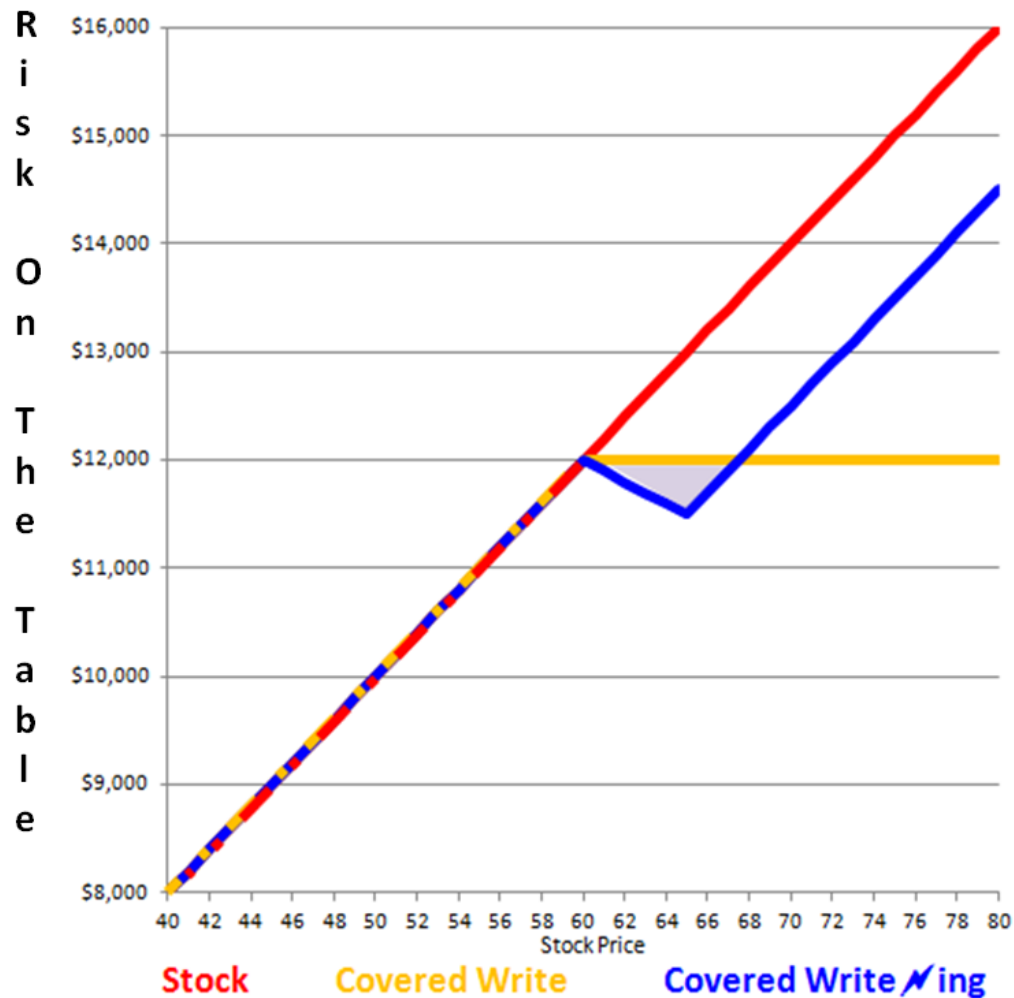
## Gain or (Loss)

The Covered Write with Bolt Hedge outperforms the Covered Write at every stock price except for the area highlighted in Yellow.

The Stock outperforms to the upside with the Write with Bolt Hedge a close second.

To the downside, the hedges basically tie in this case.

# Risk On The Table



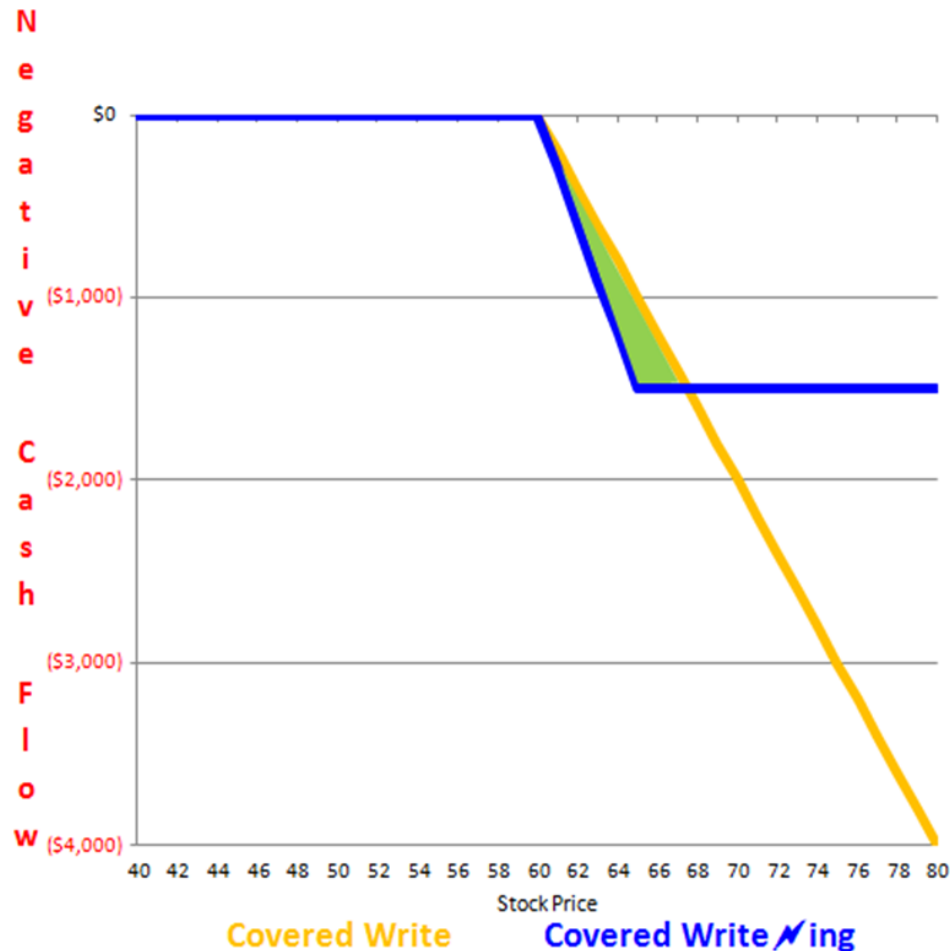
Stock Price	Stock RISK	Stock RoR	Covered Write RISK	Covered Write RoR	Write with a call option RISK	Write with a call option RoR	Stock Price
80	\$16,000	38.0%	\$12,000	5.6%	\$14,500	27.8%	80
79	\$15,800	36.2%	\$12,000	5.6%	\$14,300	26.1%	79
78	\$15,600	34.4%	\$12,000	5.6%	\$14,100	24.3%	78
77	\$15,400	32.6%	\$12,000	5.6%	\$13,900	22.5%	77
76	\$15,200	30.8%	\$12,000	5.6%	\$13,700	20.8%	76
75	\$15,000	29.0%	\$12,000	5.6%	\$13,500	19.0%	75
74	\$14,800	27.2%	\$12,000	5.6%	\$13,300	17.3%	74
73	\$14,600	25.4%	\$12,000	5.6%	\$13,100	15.5%	73
72	\$14,400	23.7%	\$12,000	5.6%	\$12,900	13.7%	72
71	\$14,200	21.9%	\$12,000	5.6%	\$12,700	12.0%	71
70	\$14,000	20.1%	\$12,000	5.6%	\$12,500	10.2%	70
69	\$13,800	18.3%	\$12,000	5.6%	\$12,300	8.5%	69
68	\$13,600	16.5%	\$12,000	5.6%	\$12,100	6.7%	68
67	\$13,400	14.7%	\$12,000	5.6%	\$11,900	4.9%	67
66	\$13,200	12.9%	\$12,000	5.6%	\$11,700	3.2%	66
65	\$13,000	11.1%	\$12,000	5.6%	\$11,500	1.4%	65
64	\$12,800	9.3%	\$12,000	5.6%	\$11,600	2.3%	64
63	\$12,600	7.5%	\$12,000	5.6%	\$11,700	3.2%	63
62	\$12,400	5.7%	\$12,000	5.6%	\$11,800	4.0%	62
61	\$12,200	3.9%	\$12,000	5.6%	\$11,900	4.9%	61
60	\$12,000	2.2%	\$12,000	5.6%	\$12,000	5.8%	60
59	\$11,800	0.4%	\$11,800	3.9%	\$11,800	4.0%	59
58	\$11,600	(1.4%)	\$11,600	2.1%	\$11,600	2.3%	58
57	\$11,400	(3.2%)	\$11,400	0.4%	\$11,400	0.5%	57
56	\$11,200	(5.0%)	\$11,200	(1.4%)	\$11,200	(1.2%)	56
55	\$11,000	(6.8%)	\$11,000	(3.2%)	\$11,000	(3.0%)	55
54	\$10,800	(8.6%)	\$10,800	(4.9%)	\$10,800	(4.8%)	54
53	\$10,600	(10.4%)	\$10,600	(6.7%)	\$10,600	(6.5%)	53
52	\$10,400	(12.2%)	\$10,400	(8.5%)	\$10,400	(8.3%)	52
51	\$10,200	(14.0%)	\$10,200	(10.2%)	\$10,200	(10.0%)	51
50	\$10,000	(15.8%)	\$10,000	(12.0%)	\$10,000	(11.8%)	50
49	\$9,800	(17.6%)	\$9,800	(13.7%)	\$9,800	(13.6%)	49
48	\$9,600	(19.4%)	\$9,600	(15.5%)	\$9,600	(15.3%)	48
47	\$9,400	(21.1%)	\$9,400	(17.3%)	\$9,400	(17.1%)	47
46	\$9,200	(22.9%)	\$9,200	(19.0%)	\$9,200	(18.8%)	46
45	\$9,000	(24.7%)	\$9,000	(20.8%)	\$9,000	(20.6%)	45
44	\$8,800	(26.5%)	\$8,800	(22.5%)	\$8,800	(22.4%)	44
43	\$8,600	(28.3%)	\$8,600	(24.3%)	\$8,600	(24.1%)	43
42	\$8,400	(30.1%)	\$8,400	(26.1%)	\$8,400	(25.9%)	42
41	\$8,200	(31.9%)	\$8,200	(27.8%)	\$8,200	(27.6%)	41
40	\$8,000	(33.7%)	\$8,000	(29.6%)	\$8,000	(29.4%)	40

Gain or (Loss)



\$stock Price	G/(L): Stock	G/(L): Covered Write	G/(L): Write with RISK	Stock RoR	Covered Write RoR	Write with RISK	\$stock Price
60	\$240	\$640	\$660	2.2%	5.6%	5.8%	60
59	\$40	\$440	\$460	0.4%	3.9%	4.0%	59
58	(\$160)	\$240	\$260	(1.4%)	2.1%	2.3%	58
57	(\$360)	\$40	\$60	(3.2%)	0.4%	0.5%	57
56	(\$560)	(\$160)	(\$140)	(5.0%)	(1.4%)	(1.2%)	56
55	(\$760)	(\$360)	(\$340)	(6.8%)	(3.2%)	(3.0%)	55
54	(\$960)	(\$560)	(\$540)	(8.6%)	(4.9%)	(4.8%)	54
53	(\$1,160)	(\$760)	(\$740)	(10.4%)	(6.7%)	(6.5%)	53
52	(\$1,360)	(\$960)	(\$940)	(12.2%)	(8.5%)	(8.3%)	52
51	(\$1,560)	(\$1,160)	(\$1,140)	(14.0%)	(10.2%)	(10.0%)	51
50	(\$1,760)	(\$1,360)	(\$1,340)	(15.8%)	(12.0%)	(11.8%)	50
49	(\$1,960)	(\$1,560)	(\$1,540)	(17.6%)	(13.7%)	(13.6%)	49
48	(\$2,160)	(\$1,760)	(\$1,740)	(19.4%)	(15.5%)	(15.3%)	48
47	(\$2,360)	(\$1,960)	(\$1,940)	(21.1%)	(17.3%)	(17.1%)	47
46	(\$2,560)	(\$2,160)	(\$2,140)	(22.9%)	(19.0%)	(18.8%)	46
45	(\$2,760)	(\$2,360)	(\$2,340)	(24.7%)	(20.8%)	(20.6%)	45
44	(\$2,960)	(\$2,560)	(\$2,540)	(26.5%)	(22.5%)	(22.4%)	44
43	(\$3,160)	(\$2,760)	(\$2,740)	(28.3%)	(24.3%)	(24.1%)	43
42	(\$3,360)	(\$2,960)	(\$2,940)	(30.1%)	(26.1%)	(25.9%)	42
41	(\$3,560)	(\$3,160)	(\$3,140)	(31.9%)	(27.8%)	(27.6%)	41
40	(\$3,760)	(\$3,360)	(\$3,340)	(33.7%)	(29.6%)	(29.4%)	40

# Cash Flow (C/F) at Expiry



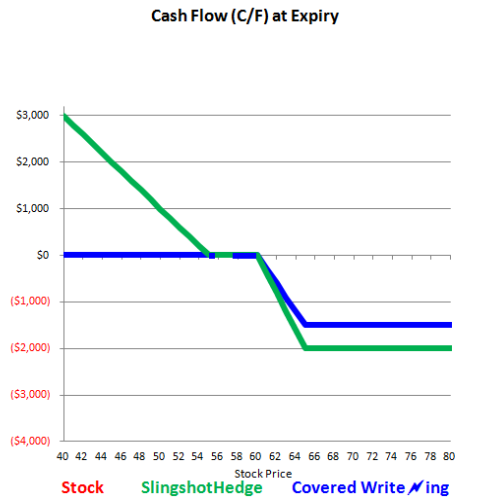
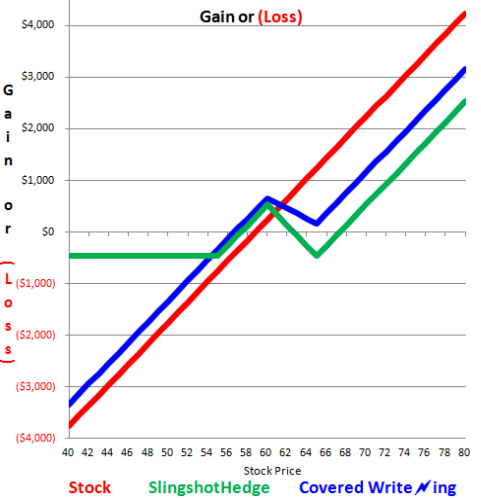
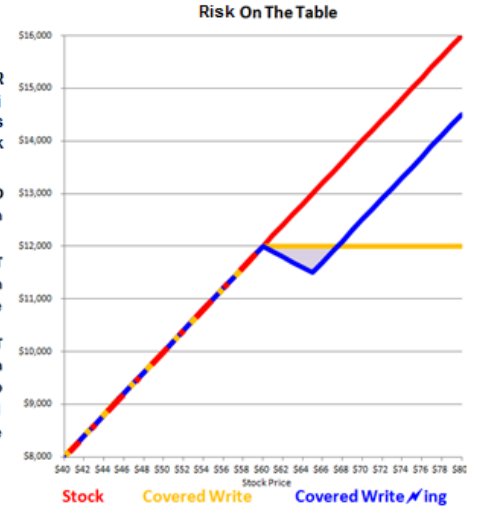
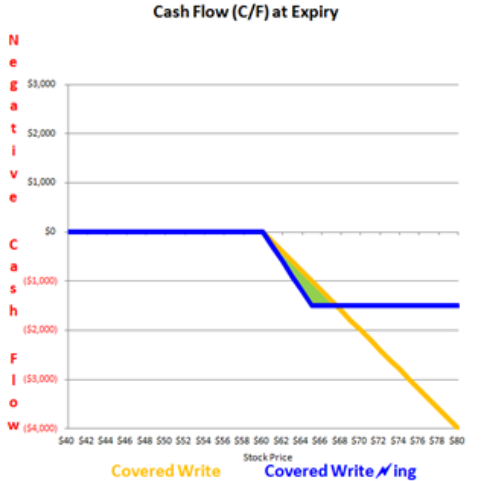
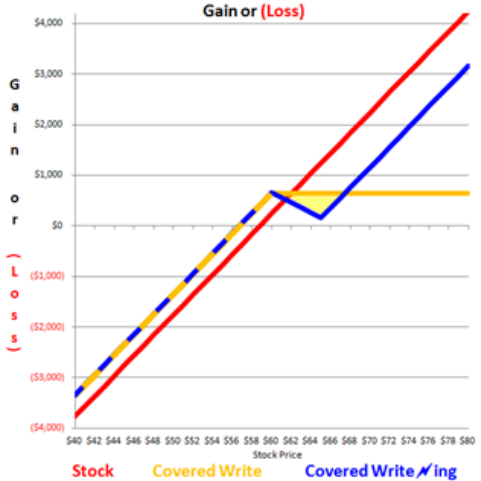
Stock Price	G/(L): Stock	Covered Write C/F	Write with C/F
80	\$4,240	(\$4,000)	(\$1,500)
79	\$4,040	(\$3,800)	(\$1,500)
78	\$3,840	(\$3,600)	(\$1,500)
77	\$3,640	(\$3,400)	(\$1,500)
76	\$3,440	(\$3,200)	(\$1,500)
75	\$3,240	(\$3,000)	(\$1,500)
74	\$3,040	(\$2,800)	(\$1,500)
73	\$2,840	(\$2,600)	(\$1,500)
72	\$2,640	(\$2,400)	(\$1,500)
71	\$2,440	(\$2,200)	(\$1,500)
70	\$2,240	(\$2,000)	(\$1,500)
69	\$2,040	(\$1,800)	(\$1,500)
68	\$1,840	(\$1,600)	(\$1,500)
67	\$1,640	(\$1,400)	(\$1,500)
66	\$1,440	(\$1,200)	(\$1,500)
65	\$1,240	(\$1,000)	(\$1,500)
64	\$1,040	(\$800)	(\$1,200)
63	\$840	(\$600)	(\$900)
62	\$640	(\$400)	(\$600)
61	\$440	(\$200)	(\$300)
60	\$240	\$0	\$0
59	\$40	\$0	\$0
58	(\$160)	\$0	\$0

# Plotting:

Comparison between:  
**Stock**,  
**Covered Write**,  
and  
**Covered Write**ing



Comparison between:  
**Stock**,  
**Covered Write**ing  
and  
**SlingshotHedge**.



Trade Prices:

Stock: Bought 200 shares @ \$58.80

60 Calls: (Sold Short) @\$2.00

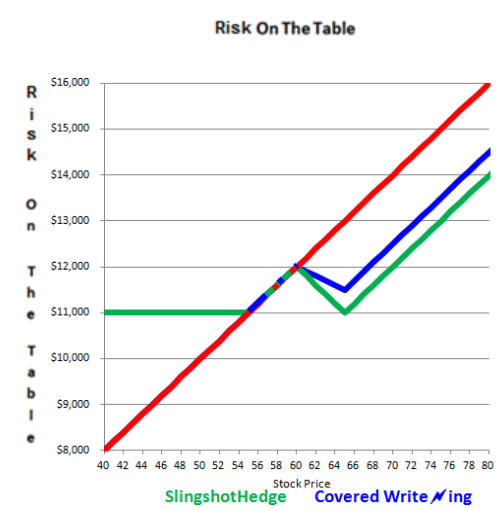
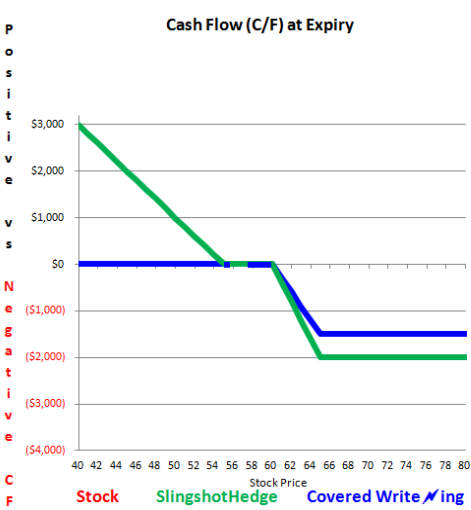
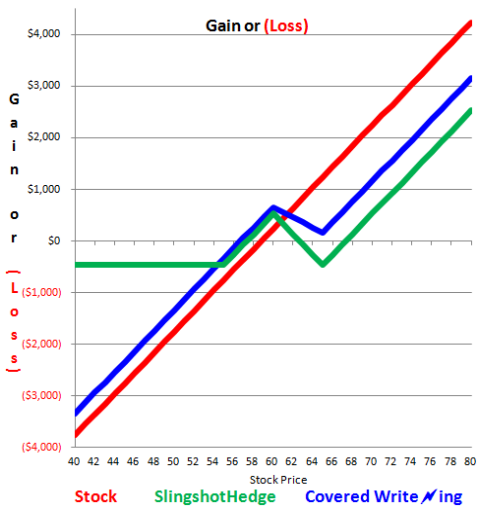
65 Calls: Bought @ \$0.60

55 Puts: Bought @ \$1.35

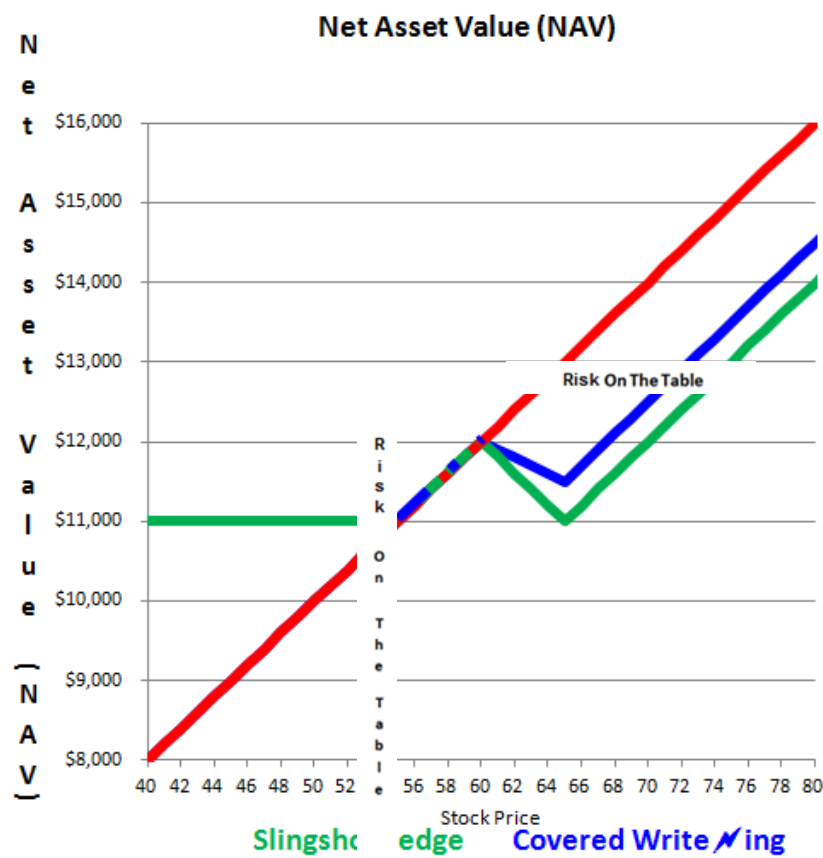
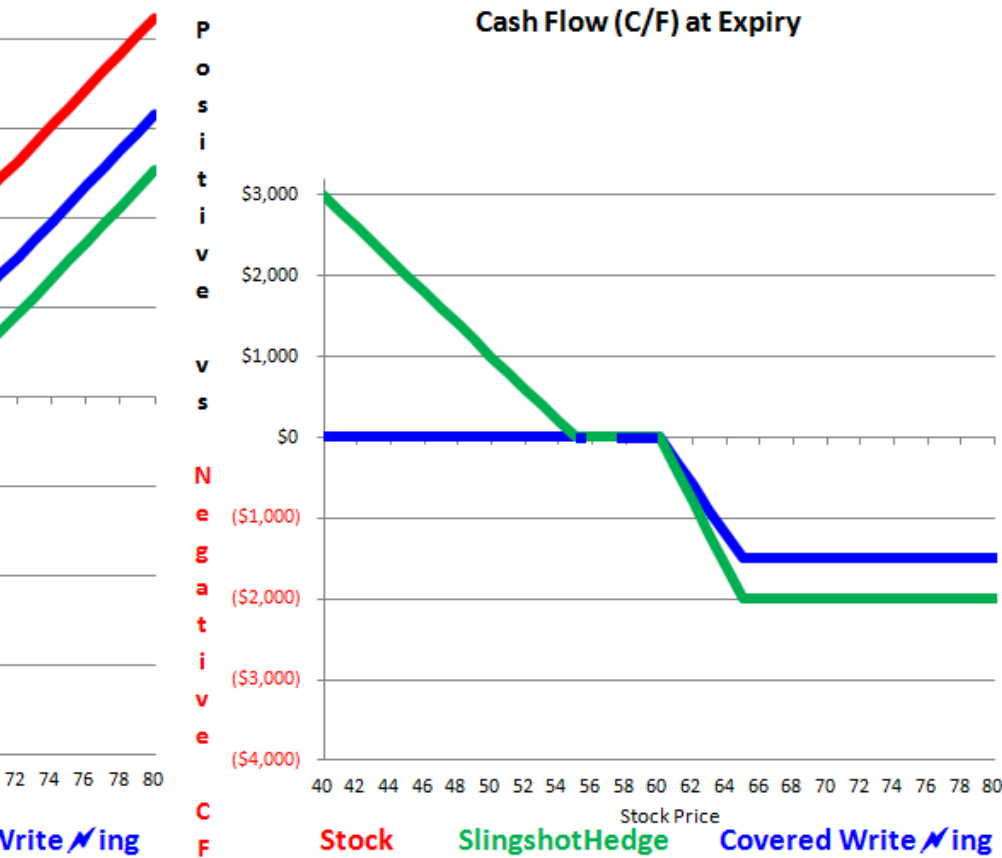
(3 with Covered Writeing) (4 with SlingshotHedge)  
(3 with Covered Writeing) (4 with SlingshotHedge)  
(2 with SlingshotHedge)



Comparison  
between:  
**Stock,**  
**Covered**  
**Writeing**  
and  
**SlingshotHedge.**



Need Tabulars like in Slides 8, 9, 10 and 11.





\$Stock Price	Value: 55 Put	Value: 60 Call	Value: 65 Call	Value: 60/65 Call V	G(L): (2)-55 Puts	G(L): (4)-60 Calls	G(L): +4-65 Calls	G(L): (4)-60/65 Call V
80	\$0	\$2,000	\$1,500	\$500	(\$270)	(\$7,200)	\$5,760	(\$1,440)
79	\$0	\$1,900	\$1,400	\$500	(\$270)	(\$6,800)	\$5,360	(\$1,440)
78	\$0	\$1,800	\$1,300	\$500	(\$270)	(\$6,400)	\$4,960	(\$1,440)
77	\$0	\$1,700	\$1,200	\$500	(\$270)	(\$6,000)	\$4,560	(\$1,440)
76	\$0	\$1,600	\$1,100	\$500	(\$270)	(\$5,600)	\$4,160	(\$1,440)
75	\$0	\$1,500	\$1,000	\$500	(\$270)	(\$5,200)	\$3,760	(\$1,440)
74	\$0	\$1,400	\$900	\$500	(\$270)	(\$4,800)	\$3,360	(\$1,440)
73	\$0	\$1,300	\$800	\$500	(\$270)	(\$4,400)	\$2,960	(\$1,440)
72	\$0	\$1,200	\$700	\$500	(\$270)	(\$4,000)	\$2,560	(\$1,440)
71	\$0	\$1,100	\$600	\$500	(\$270)	(\$3,600)	\$2,160	(\$1,440)
70	\$0	\$1,000	\$500	\$500	(\$270)	(\$3,200)	\$1,760	(\$1,440)
69	\$0	\$900	\$400	\$500	(\$270)	(\$2,800)	\$1,360	(\$1,440)
68	\$0	\$800	\$300	\$500	(\$270)	(\$2,400)	\$960	(\$1,440)
67	\$0	\$700	\$200	\$500	(\$270)	(\$2,000)	\$560	(\$1,440)
66	\$0	\$600	\$100	\$500	(\$270)	(\$1,600)	\$160	(\$1,440)
65	\$0	\$500	\$0	\$500	(\$270)	(\$1,200)	(\$240)	(\$1,440)
64	\$0	\$400	\$0	\$400	(\$270)	(\$800)	(\$240)	(\$1,040)
63	\$0	\$300	\$0	\$300	(\$270)	(\$400)	(\$240)	(\$640)
62	\$0	\$200	\$0	\$200	(\$270)	\$0	(\$240)	(\$240)
61	\$0	\$100	\$0	\$100	(\$270)	\$400	(\$240)	\$160
60	\$0	\$0	\$0	\$0	(\$270)	\$800	(\$240)	\$560
59	\$0	\$0	\$0	\$0	(\$270)	\$800	(\$240)	\$560
58	\$0	\$0	\$0	\$0	(\$270)	\$800	(\$240)	\$560
57	\$0	\$0	\$0	\$0	(\$270)	\$800	(\$240)	\$560
56	\$0	\$0	\$0	\$0	(\$270)	\$800	(\$240)	\$560
55	\$0	\$0	\$0	\$0	(\$270)	\$800	(\$240)	\$560
54	\$100	\$0	\$0	\$0	(\$70)	\$800	(\$240)	\$560
53	\$200	\$0	\$0	\$0	\$130	\$800	(\$240)	\$560
52	\$300	\$0	\$0	\$0	\$330	\$800	(\$240)	\$560
51	\$400	\$0	\$0	\$0	\$530	\$800	(\$240)	\$560
50	\$500	\$0	\$0	\$0	\$730	\$800	(\$240)	\$560
49	\$600	\$0	\$0	\$0	\$930	\$800	(\$240)	\$560
48	\$700	\$0	\$0	\$0	\$1,130	\$800	(\$240)	\$560
47	\$800	\$0	\$0	\$0	\$1,330	\$800	(\$240)	\$560
46	\$900	\$0	\$0	\$0	\$1,530	\$800	(\$240)	\$560
45	\$1,000	\$0	\$0	\$0	\$1,730	\$800	(\$240)	\$560
44	\$1,100	\$0	\$0	\$0	\$1,930	\$800	(\$240)	\$560
43	\$1,200	\$0	\$0	\$0	\$2,130	\$800	(\$240)	\$560
42	\$1,300	\$0	\$0	\$0	\$2,330	\$800	(\$240)	\$560
41	\$1,400	\$0	\$0	\$0	\$2,530	\$800	(\$240)	\$560
40	\$1,500	\$0	\$0	\$0	\$2,730	\$800	(\$240)	\$560

## Trade Prices:

Stock: Bought 200 shares @ \$58.80

60 Calls: **(Sold Short)** @ \$2.00

(3 with Covered Write ~~ing~~) (4 with SlingshotHedge)

65 Calls: Bought @ \$0.60

(3 with Covered Write ~~ing~~) (4 with SlingshotHedge)

55 Puts: Bought @ \$1.35

(2 with SlingshotHedge)

# Total Hedge Transaction Executed for a

## \$290 Credit:

**\$800 (4 x \$200)** Proceeds from Shorting 4 \* 60 Calls  
minus

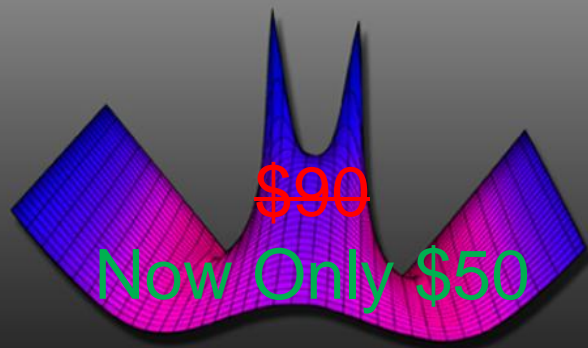
**\$240 (4 x \$60)** Paid for the 4 \* 65 Calls  
minus

**\$270 (2 x \$135)** Paid for the 2 \* 55 Puts

# OPTIONS TRADING: THE HIDDEN REALITY

RISK DOCTOR GUIDE  
TO POSITION ADJUSTMENT AND HEDGING

Charles M. Cottle



- **OPTIONS: PERCEPTION AND DECEPTION**  
and
- **COULDA WOULD SHOULD**  
revised and expanded

## Fair Value Equations Including Banking<sup>3</sup>

As stated in Chapter 1, the Conversion/Reversal is a forward value because it represents interest or interest less dividend flows until expiration. Though there are different considerations for equities and futures and also between models, only equities (stocks or shares) have dividends, and indexes have stocks that are part of their valuation.

The Black-Scholes fair value equations are as follows:

For equity options:  $k + c = u + p + i - d$ , where;

$k$  – the strike

$p$  – the put

$c$  – the call

$u$  – the underlying

$i$  – the interest amount  $d$  – the dividend.

$i = \text{cash flow} \times \frac{\text{days left}}{365} \times \text{interest rate}$ <sup>4</sup>

Notice the difference of no  $d$  (dividends) in the futures options, and that the interest component is a positive or negative value on either side of the equal sign ( $=$ ). The ' $i$ ' and the ' $d$ ' are nontransparent<sup>5</sup> variables that are accounted for differently depending on which model is used.

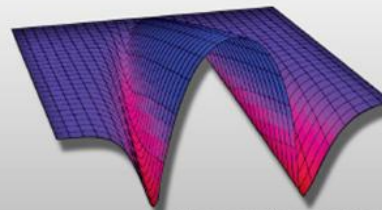
<sup>3</sup> **Banking** is a term that describes the flows of cash from interest and dividends.

<sup>4</sup> **365 Days in a Year**

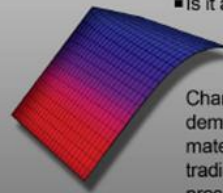
Some entities prefer to use 360 days in their calculations.

<sup>5</sup> **Non-Transparency**

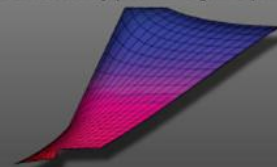
A nontransparent value is one that has other income or expenses associated with it and is not currently visible (e.g., if you buy stock today and hold it for one year the cost is greater than the purchase price today because you are either forgoing the interest—implicit interest—on the money you paid, or you have to borrow money to buy it with and pay interest on that. Of course, if you receive dividends, your cost is reduced to some extent).



- Is a credit spread better than a debit spread?
- Do I need to sell naked options to be short premium?
- Is it always better to risk less to make more?

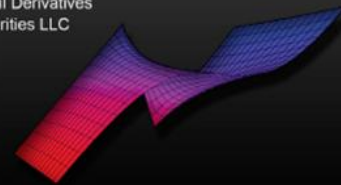


Charles Cottle, trader, teacher and coach demystifies the options landscape by presenting material previously available only to proprietary trading firms. For the electronic trader, Cottle presents the tools necessary for putting together a long term and consistently profitable game plan.




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JOSEPH SELLITO  
Director, Retail Derivatives  
E\*Trade Securities LLC



A	B	C	D	E	F	G
Stock Price	Price to Buy Back (2) 60 Calls	Shares to Liquidate	Dilution Percentage	Covered Write's Cost to Buy Lost Shares	Price to unwind the Write by Buying Back the (3) 60 Calls or going thru Double Exercise.	Price to unwind the Slingshot by Buying Back the (4) 60 Calls or going thru Double Exercise.
\$100	(\$8,000)	(80)	40%	(\$20,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$99	(\$7,800)	(79)	39%	(\$19,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$98	(\$7,600)	(78)	39%	(\$19,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$97	(\$7,400)	(76)	38%	(\$19,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$96	(\$7,200)	(75)	38%	(\$19,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$95	(\$7,000)	(74)	37%	(\$19,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$94	(\$6,800)	(72)	36%	(\$18,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$93	(\$6,600)	(71)	35%	(\$18,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$92	(\$6,400)	(70)	35%	(\$18,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$91	(\$6,200)	(68)	34%	(\$18,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$90	(\$6,000)	(67)	33%	(\$18,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$89	(\$5,800)	(65)	33%	(\$17,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$88	(\$5,600)	(64)	32%	(\$17,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$87	(\$5,400)	(62)	31%	(\$17,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$86	(\$5,200)	(60)	30%	(\$17,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$85	(\$5,000)	(59)	29%	(\$17,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$84	(\$4,800)	(57)	29%	(\$16,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$83	(\$4,600)	(55)	28%	(\$16,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$82	(\$4,400)	(54)	27%	(\$16,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$81	(\$4,200)	(52)	26%	(\$16,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$80	(\$4,000)	(50)	25%	(\$16,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$79	(\$3,800)	(48)	24%	(\$15,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$78	(\$3,600)	(46)	23%	(\$15,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$77	(\$3,400)	(44)	22%	(\$15,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$76	(\$3,200)	(42)	21%	(\$15,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$75	(\$3,000)	(40)	20%	(\$15,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$74	(\$2,800)	(38)	19%	(\$14,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$73	(\$2,600)	(36)	18%	(\$14,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$72	(\$2,400)	(33)	17%	(\$14,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$71	(\$2,200)	(31)	15%	(\$14,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$70	(\$2,000)	(29)	14%	(\$14,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$69	(\$1,800)	(26)	13%	(\$13,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$68	(\$1,600)	(24)	12%	(\$13,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$67	(\$1,400)	(21)	10%	(\$13,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$66	(\$1,200)	(18)	9%	(\$13,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$65	(\$1,000)	(15)	8%	(\$13,000)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$64	(\$800)	(13)	6%	(\$12,800)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$63	(\$600)	(10)	5%	(\$12,600)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$62	(\$400)	(6)	3%	(\$12,400)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$61	(\$200)	(3)	2%	(\$12,200)	Assignment / Exercise (1500)	Assignment / Exercise (2000)
\$60.01	\$0	0	0%	(\$12,001)	Assignment / Exercise (1500)	Assignment / Exercise (2000)

Exercise / Assignment Scenarios based on Stock Price in Column A... (200 Shares).		
Covered Write Long 200 Shares / Short (2) 60 Calls. Assigned Stock trades at \$12,000.		
Covered Write <del>ing</del> : Short (3) 60 Calls / Long 3*65 Calls		
SlingshotHedge: Short (4) 60 Calls / Long 4*65 Calls / Long 2*55 Puts.		
<b>Column B...</b> ... is the price to cover (buy back) the (2) Short Calls at their ITM (in-the-money) value: Stock price (Column A) minus \$60 (the contract strike price).	<b>Column C...</b> ... is how many shares needed to liquidate in order to raise enough money to pay for the ITM value: Stock minus Strike.	<b>Column D...</b> ... shows the stock dilution percentage caused by Writing (2) 60 calls. It's like dilution as a result of a Reverse Stock Split.
<b>Column E -- Covered Write's...</b> ... cost of buying 200 shares at the various market prices (Column A). This of course is only necessary for the person wanting to replace the delivered shares with new shares. IRAs and 401(k)s must do so within a day or face losing the tax exempt status. After the proceeds of \$12,000 (from the assigned 200 Shares at the call contract strike of \$60), one must pay the cost to replace the missing stock at whatever the current market price would be. For example, at \$100 that would mean paying \$20,000. (Subtract the assigned price of \$12,000 and it is equal to the (\$8,000) Loss on the Calls in Column B.		\$12,000 worth of stock at \$60 per share is equal 200 shares and at \$100 per share is 120 shares.
<b>Column F...</b> ... is the price to liquidate the the Write <del>ing</del> 's expiring options. Above \$65 we would go through the Assignment / Exercise process with the 3 Long 65s offsetting (3 Short) 60s for a fixed (\$5) Loss x 300 Shares = (\$1,500) Loss (Buying Stock @ 65 and Selling @ 60).  Between 60.01 and 65, we would cover the (3) Short 60 Calls at the ITM value where the 65s become worthless. The proceeds of the Assigned Calls would be \$18,000. Then subtract the cost of paying for the stock at \$63, for example, \$18,900, for a (\$900) Loss.		<b>Column F...</b> ... is the price to liquidate the the Slingshot's expiring options. Above \$65 we would go through the Assignment / Exercise process with the 4 Long 65s offsetting (4 Short) 60s for a fixed (\$5) Loss x 400 Shares = (\$2,000) Loss (Buying @ 65 and Selling @ 60).  Between 60.01 and 65, we would cover the (4) Short 60 Calls at the ITM value where the 65s become worthless. The proceeds of the Assigned Calls would be \$24,000. Then subtract the cost of paying for the stock at \$64, for example, \$25,600, for a (\$1,600) Loss.
Below 60, all the calls are worthless and further down, below 55 we would Exercise 2*55 Puts or Sell for the ITM amount. Could even accumulate more shares with the positive Cash Flow from the puts.		
<div style="text-align: right;">    <b>RISK DOCTOR</b> </div>		





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# Options Trading Testimonials

“We are great at mathematics but lack your kind of expertise and we are trying to merge both for an automated Market Maker platform acting in milliseconds and exposing OTC options in a new type of electronic market place. We have everything related to our work finished after 9 years of research and development and are left with some bits and pieces. Your knowledge is absolutely the best I have ever come in touch with related to options and especially its hidden realities.”

*by Dejan Shabacker, Chief Quantitative Analyst  
Stock Robotics AB  
SWEDEN*

“Charles Cottle’s book is required reading for the serious options trader. You’ll never look at options the same way again. Learn to think like a seasoned floor trader. Options Trading: Three Dimensional.”

*by Joseph Sellito, Director, Retail Derivatives, E\*Trade Securities LLC (at time of Book release) Now at Susquehanna*

“Charles Cottle, aka the Risk Doctor, is one of the smartest folks in the business. I wish there were more people in our industry as smart as you. It would make my job a lot easier”.

*by Alex Jacobson, Vice President, Education, International Securities Exchange (ISE) . Now at Schwab*



# Options Trading Testimonials (cont.)

“Studying with Charles is a lot like learning from your father: He’ll challenge you constantly, always telling you what you *need* to hear, and all the while you’ll never question whether he’s holding anything back or his commitment to your ultimate success. Short of training on an actual trading floor, there’s simply no better way to learn, and few, if any, more qualified to teach.”

*by John D., RiskDoctor Coaching Clinic student*

Charles, I must confess, you are awesome. The light bulb has gone on for me and I am humbled and grateful. Thanks for sharing your hard work and knowledge with us.

*by Manny E., MA*

“I am in the process of reading your book that I found very interesting and surely the best book I have ever had on options. It is exactly what I was searching for; it is so far from the Hull and others “full of formulas” books I have been through . I take so much pleasure while reading it and sometimes so much pain when I realize the mistakes I was doing while trading.”

*by Anthony S., FRANCE*

“Charles, Just want you to know these RDCC sessions are fantastic! Continually illuminating! Thanks!”

*by Dr. Murray W., New York*



# Options Trading Testimonials (cont.)

“Charles I am at [competitor's event]: It is in events like these that my Respect & Admiration for you Escalates. I become aware, once again, of how far you have taken us. I feel a sense of gratitude for all your efforts.

Thank you Charles. Henry”

*by Henry Olivares de Lachica*

Hi Charles, I just want to let you know I think your book is great. It has already helped me adjust a trade, albeit simplistically, to capture profit, so in that respect it has paid for itself. Though I first started reading about options sometime back, I did not really start to get an education in them until recently. Your book was a BIG step forward, very enlightening. At some point I would like to take your seminars, but before doing that, I want to work through your book several times and use the material on your forums to get a better understanding of the concepts you present. Thanks for the great site and book.

*by Charles W, Pennsylvania*

Charles, Your book, Options Trading: The Hidden Reality”, is a book that will accompany me to the heavens some day (hopefully!). I do not exaggerate when I say that the book is an “Options Talmud”. It adds to the inner, the core understanding of the very financial concept in general, not to the usual “whats and whens”, but to the very elusive hows and most importantly – whys.

*by Alex C, Nevada, TSAASF Attendee*



# Options Trading Testimonials (cont.)

I sincerely enjoyed this primer on synthetics and am finally getting how the knowledge could be beneficial. Thanks so much for sharing it with people!

*by Daren D, Illinois*

I am going through RD2 and up through hour No. 12. I thought I was moderately educated on options but this has improved my knowledge 10 fold. Perhaps add another zero on that. GREAT INFO.

*by Greg D, RD2 Customer*

‘Since I have been a derivatives trader, there is no one who has given me as many ideas about trading concepts as the author of Options: Perception and Deception. Besides teaching me new ways to scrutinize positions and her risk profiles, Charles Cottle taught me how to learn from the markets. This book provides the reader with deep insights into options trading. It is exciting, inspiring, and far from being dry.’

*by Olaf Pilz, West Deutsche Landesbank, Dusseldorf*

‘Charles explains strategies and risk in ways that most traders today have never imagined. If you’re managing an options position by deltas, gammas, vegas, and thetas alone, Charles shows that imperfections in the models hide certain risks. A trader must understand his or her position beyond the popular measures of risk’.

*by Thomas R Preston, thinkorswim.com*



# YouTube Video Links: Interviews with the Trading Empress

## Trader - made \$41 million profit in 3 years option trading

Karen the Super Trader made \$105M. Interviewed by Tom Sosnoff of Tasty Trade -- May 31<sup>st</sup>, 2012 (24:55)

## OPTION TRADER makes \$105MM PROFIT in the NDX, SPX & RUT - Her STORY Uncovered

Interviewed by Tom Sosnoff of Tasty Trade -- October 16<sup>th</sup>, 2012 (51:37)