INVESTOR PRESENTATION

# SPX Defensive Carry (SDC)

## SPX option premium harvesting with delta + vega hedging

**Designed for capital preservation under a hard -10% stop-loss mandate**

| 2026 annualized return | Mature-regime Sharpe | Mature-regime max drawdown | Mature-regime volatility |
|---|---|---|---|
| **13.9%** | **4.32** | **-2.0%** | **3.1%** |
| CAGR • YTD 11.9% to Nov 13 | vs S&P 0.79 | vs S&P -9.07% | vs S&P 14.32% |

2026 YTD CAGR 13.86%. Mature regime since Feb 2: 14.66% CAGR and 11.22% total return. 2023–2025 are development history.

Confidential. For discussion only. Not an offer or solicitation. Past performance does not guarantee future results.

# Executive summary

SPX Defensive Carry (SDC): risk-controlled SPX option premium harvesting with delta + vega hedging.

**2026 annualized return**

**13.9%**

CAGR • YTD 11.9% to Nov 13

**Mature-regime volatility**

**3.1%**

vs S&P 14.3%

**Mature-regime max drawdown**

**-2.0%**

vs S&P -9.1%

**Mature-regime Sharpe**

**4.32**

vs S&P 0.79

## Investment thesis

- Structural return source: sell SPX option protection and harvest volatility / insurance premium.
- Risk is the product: delta + vega hedging target lower exposure to direction and volatility repricing.
- Hard drawdown discipline: designed for capital preservation under a -10% stop-loss mandate.

## Why 2026 onward is the sales case

- 2023–2025 are development / experimental history, not the primary fundraising period.
- The mature regime began after delta and vega hedging were added to the process.
- Mature regime: 14.66% CAGR and 11.22% total return, with lower volatility and drawdown than the S&P.

**2026 YTD through October: SDC 10.60% vs average hedge fund 5.42%**
**Same month-end. HFRI Composite industry proxy (estimated). SDC latest YTD: 11.92% to Nov 13.**

Sources: SDC workbook; The Full FX/HFR (Nov. 11, 2026). Confidential. For discussion only. Past performance does not guarantee future results.

# The investment proposition

A low-beta absolute-return strategy built around risk-adjusted compounding, not equity-market direction.

### 1. Structural return source

Sell SPX option protection and collect premium rather than forecast the next market move.

### 2. Risk is the product

Delta and vega hedging reduce exposure to market direction and volatility repricing.

### 3. Hard drawdown discipline

The strategy is managed for a -10% stop-loss mandate; realized current-regime max drawdown is -2.01%.

**2026 annualized CAGR**

**13.9%**

YTD 11.9% through Nov 13

**Sharpe multiple**

**5.5×**

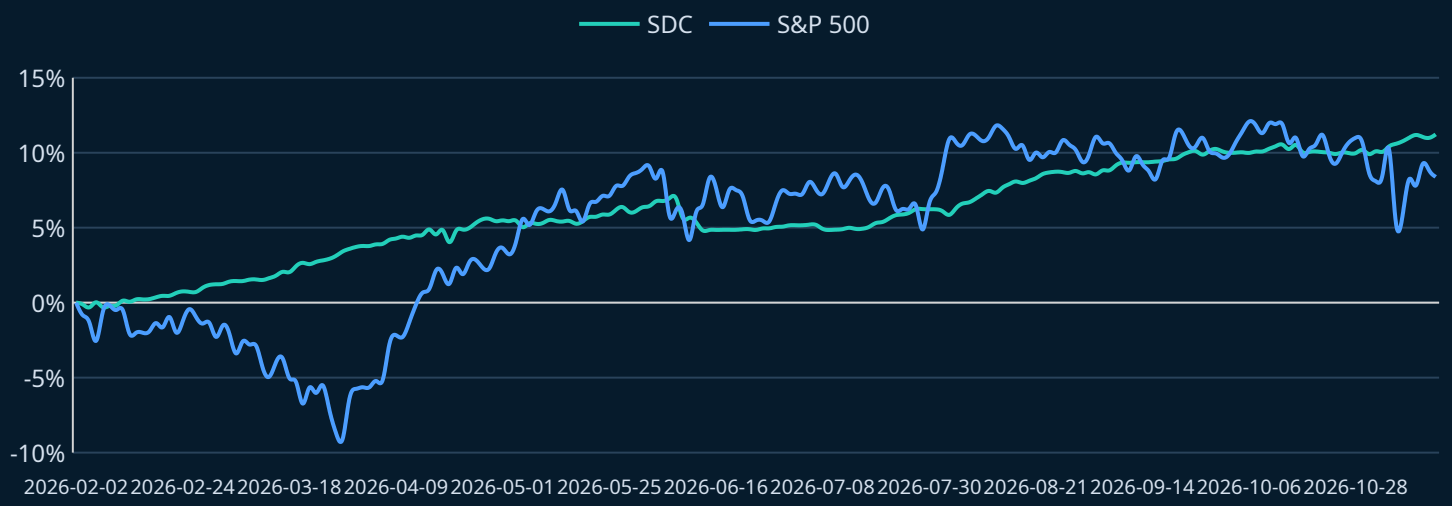
SDC vs S&P 500

**Drawdown reduction**

**78%**

vs S&P 500

**Current regime cumulative return**

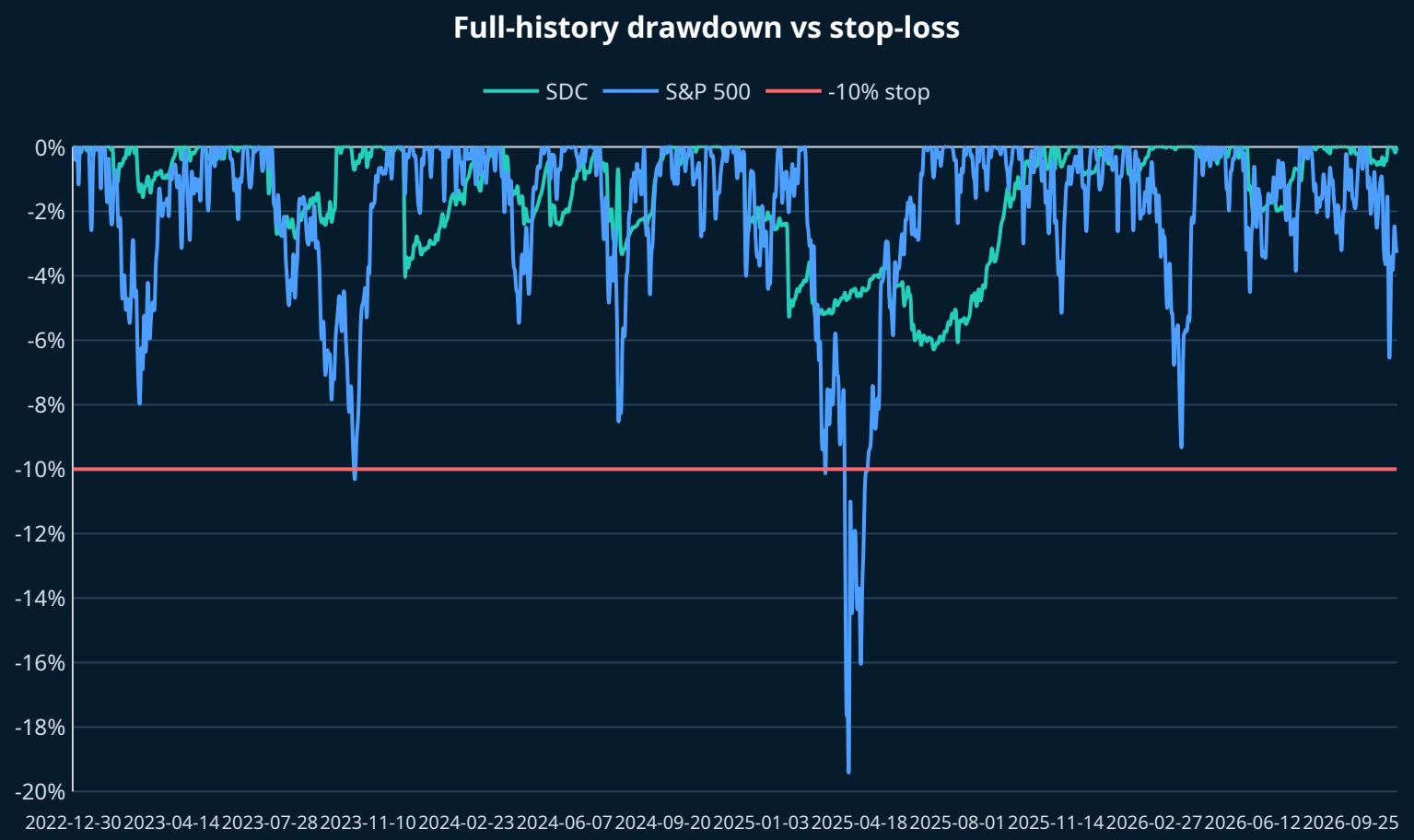



**2026 YTD to Oct 31: SDC 10.60% vs industry 5.42% (HFRI estimate)**

Sources: internal SDC workbook; S&P 500: FRED/SPDJI; The Full FX/HFR (Nov. 11, 2026). Comparison uses October month-end. Past performance does not guarantee future results.

# A -10% stop-loss changes the benchmark

Passive S&P exposure is not a feasible comparator if the mandate forces liquidation when drawdown crosses -10%.




Daily adjusted drawdowns include every observed peak and trough through November 13, 2026.

**First S&P breach**

**Oct 27, 2023**

drawdown -10.3%

**Full S&P max DD**

**-18.9%**

well below the -10% mandate

**Full SDC max DD**

**-6.3%**

no -10% breach observed

**Once a passive S&P position is stopped out, re-entry becomes a market-timing decision — exactly the behavior this strategy is designed to avoid.**

Source: internal drawdown analysis. Strategy paper argues market timing requires being right both on exit and re-entry.

# Structural edge: sell insurance, do not predict direction

The conceptual foundation is option-premium harvesting around the volatility risk premium.

### Market timing is fragile

Market timing is difficult: it requires being right twice —both on entry and on exit — and missing a few major up days can materially damage long-run returns.

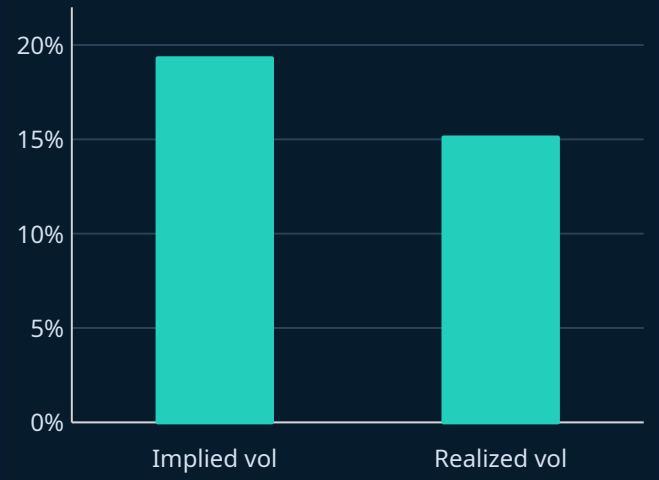
### Protection has a persistent buyer

Investors pay for downside insurance through put options. Selling that protection can monetize the premium paid for risk transfer — provided tail risk is actively controlled.

### Trade the second moment

Rather than forecast the first moment of price direction, the strategy focuses on volatility behavior, including volatility clustering and implied-versus-realized pricing.

### Historical volatility example




**Historical vol premium**

**4.2%**

19.3% implied vs 15.1% realized

### What we are monetizing

The economic engine is closer to underwriting financial insurance than taking a directional view on whether SPX rises or falls tomorrow.

### What makes it investable

The premium itself is not enough. The value proposition is premium harvesting plus a hedging and stop-loss framework that constrains tail exposure.

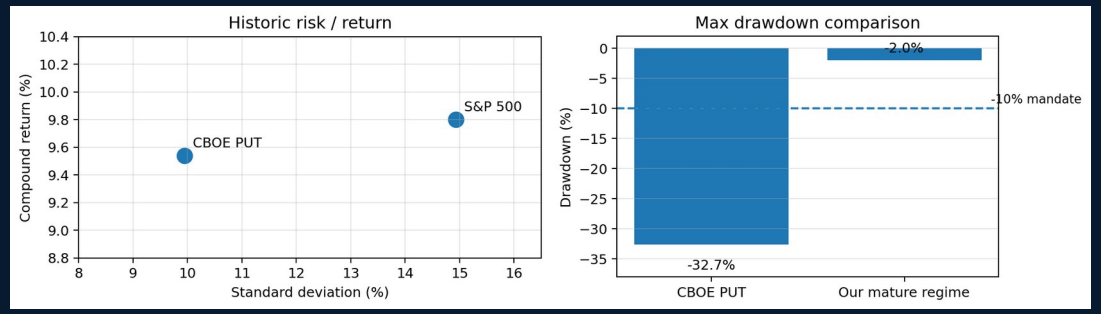
Source: Haksun Li strategy paper; volatility figures cited there from CBOE/VIX history (1990–2018). Historical relationships may not persist.

# Put-writing validates the premium concept — but not the risk budget

CBOE historical evidence supports option premium harvesting, while also showing why an additional risk overlay is essential.

| 1986–2018 | CBOE PUT | S&P 500 |
|---|---|---|
| **Compound return** | 9.54% | 9.80% |
| **Standard deviation** | 9.95% | 14.93% |
| **Sharpe ratio** | 0.65 | 0.49 |

The PUT index delivered a similar long-term compound return with lower volatility and a higher Sharpe ratio than the S&P 500 in the historical study.




**PUT max drawdown**

far beyond our -10% mandate

**Our mature-regime max DD**

**-2.0%**

Feb 2–Nov 13, 2026

## Historical return and volatility

## Risk overlay and the -10% drawdown mandate

## Our differentiation

We are not simply running a naked put-write index. The strategy combines premium harvesting with delta hedging, vega hedging, sizing and a hard drawdown discipline.

Historical PUT/S&P figures are reproduced from the user-supplied strategy paper, which cites CBOE/Bloomberg. Benchmark strategy is not the SDC strategy.

# Current strategy architecture

The mature process separates the return engine from the risk engine.

### 1 Sell SPX option premium

Harvest compensation paid for financial insurance.

### 2 Delta hedge

Reduce first-order directional exposure to SPX.

### 3 Vega hedge

Reduce sensitivity to large implied-volatility repricing.

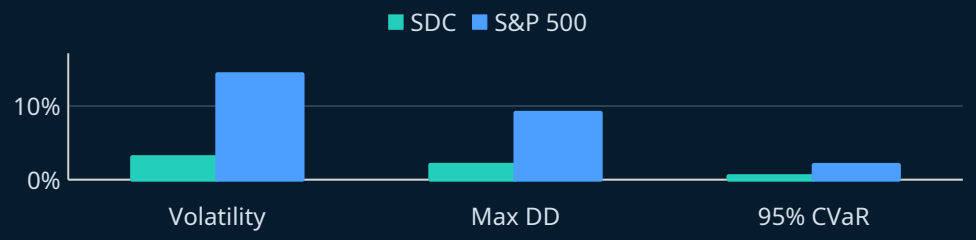
### 4 Dynamic sizing

Scale exposures to risk budget and current conditions.

### 5 Hard stop-loss

Portfolio-level -10% mandate limits unacceptable path risk.

## Observed current-regime risk




### Observed outcome

The mature regime has realized lower volatility, shallower drawdown and smaller tail losses than the S&P 500 while still producing double-digit cumulative return.

Strategy mechanics are conceptual. Actual hedge ratios, strike selection, maturities and sizing rules are proprietary and subject to change.

# From experimentation to a mature regime

The fundraising product is the post-2026-02-01 process; earlier history documents research, learning and risk-control development.

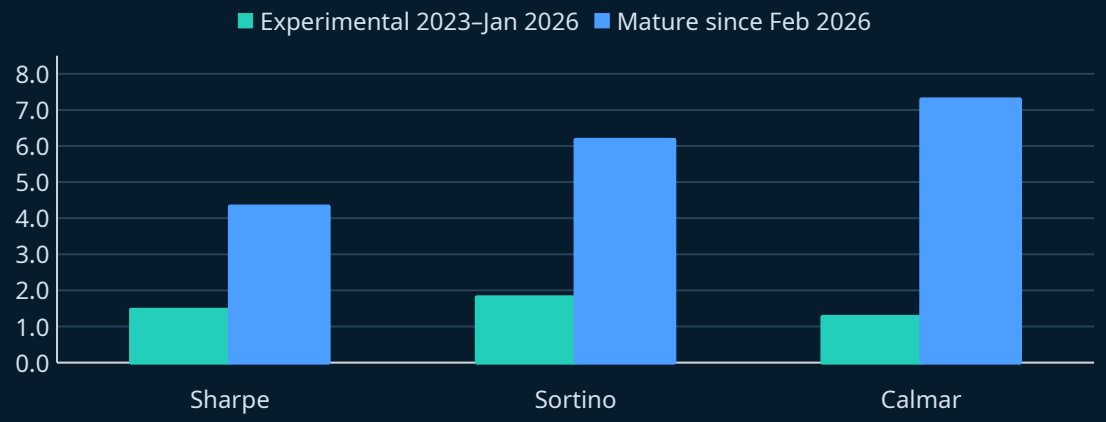
**2023** — Pilot / experimental
Initial option framework

**2024** — Iteration
Risk rules refined

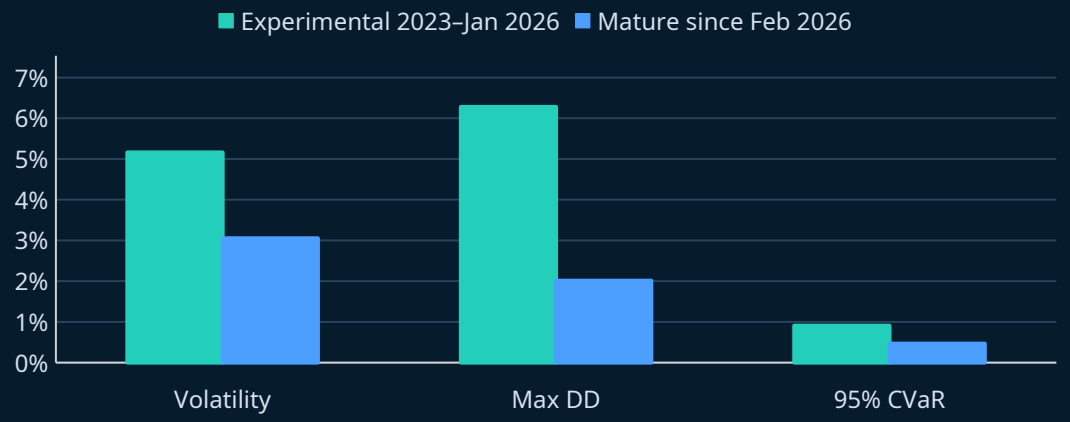
**2025** — Development
Execution + structure improved

**2026-02-01** — Mature regime
Delta + vega hedging

## Risk-adjusted ratios improved




## Risk compressed

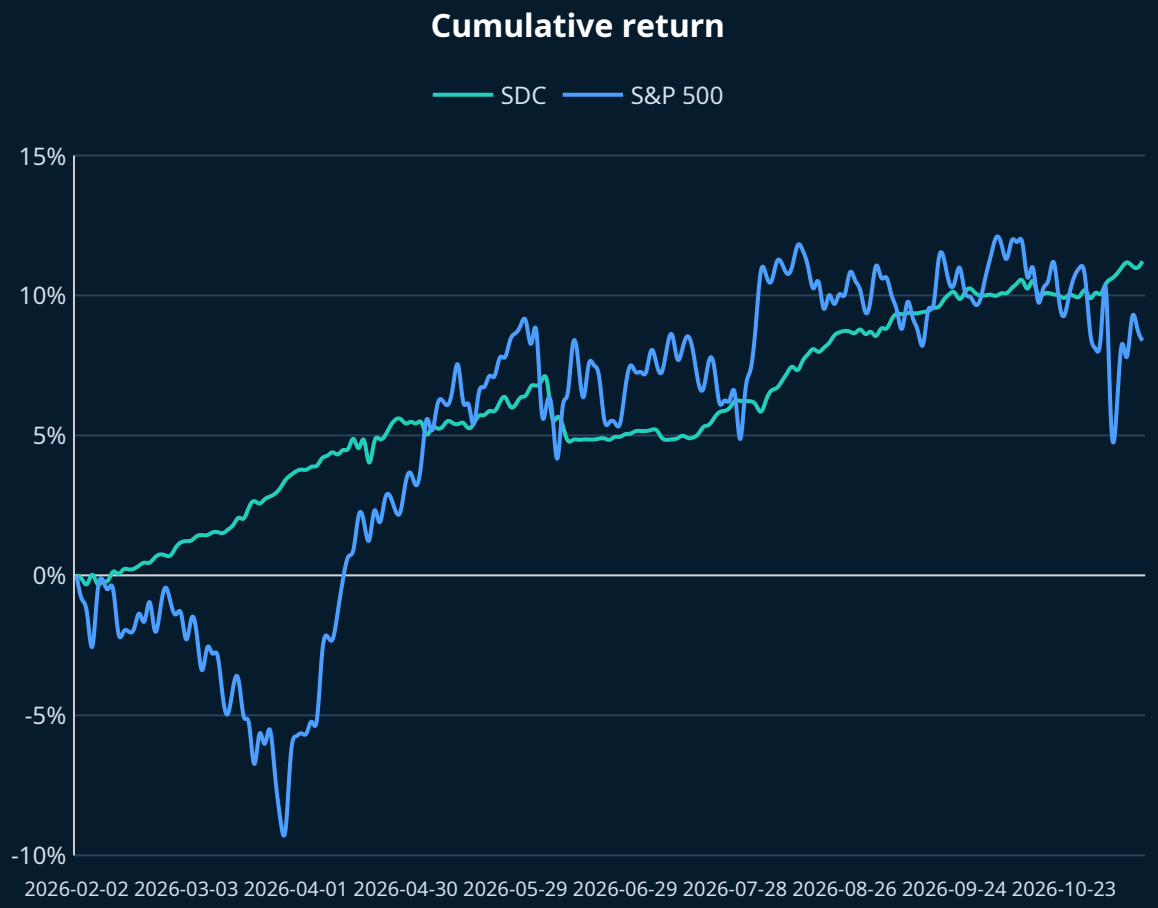


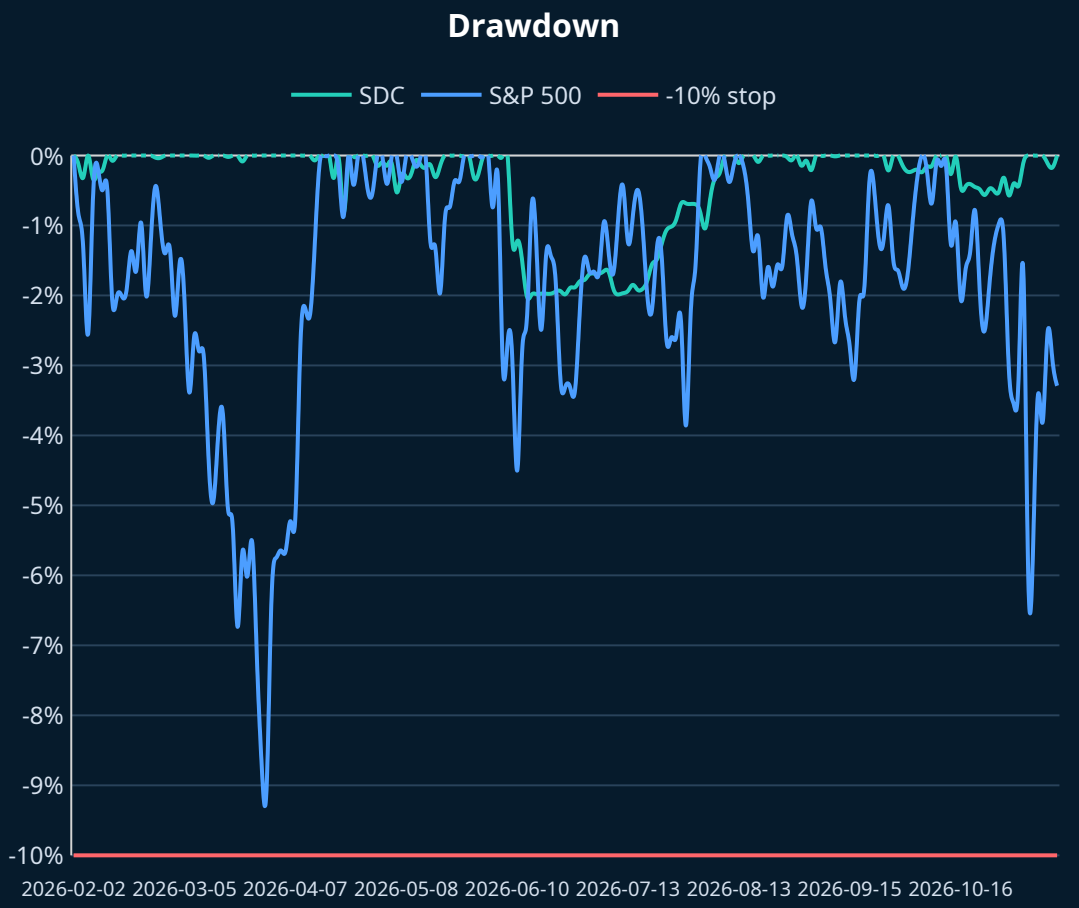

**Sharpe increased 3.0× while max drawdown fell 68%.**

Pre/post comparison uses adjusted SDC returns. Strategy change described by the manager as addition of delta and vega hedging.

# Current regime: competitive return with a much smoother path

Mature regime: Feb 2–Nov 13, 2026. Both drawdown series use this same period. Calendar 2026 annualized return is shown separately.




**SDC returned 11.2% vs S&P 8.4%, while max drawdown was -2.0% vs -9.1%.**

Source: internal SDC track record; S&P 500 closes from FRED/SPDJI. Historical performance is not indicative of future results.

# Current-regime statistics: the risk-adjusted case is the headline

2026 YTD annualized return: 13.86%. Mature regime below: 14.66% CAGR with lower realized risk than S&P.

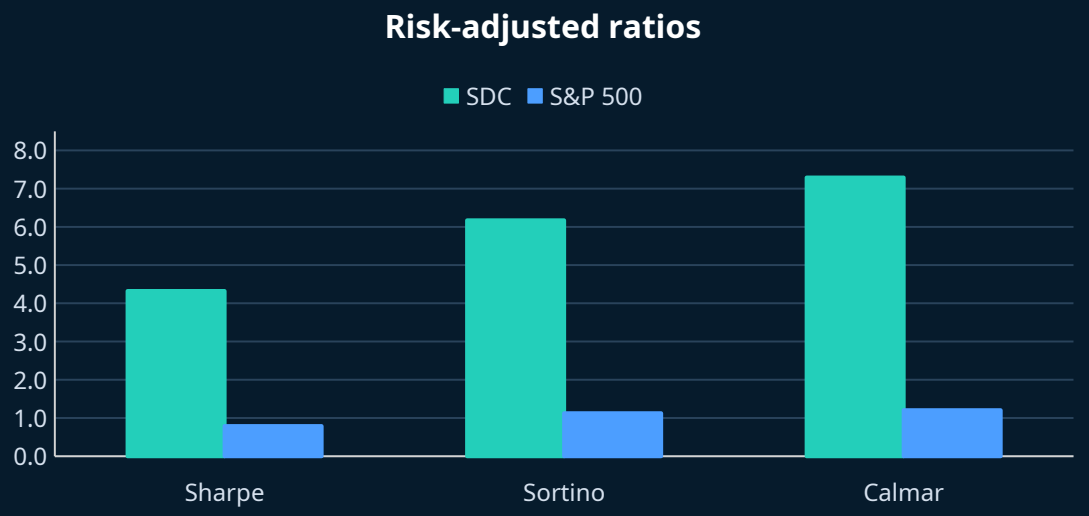
**Annualized return (CAGR)**
**14.7%**
S&P 10.9%

**Total return**
**11.2%**
S&P 8.4%

**Annualized volatility**
**3.1%**
S&P 14.3%

**Max drawdown**
**-2.0%**
S&P -9.1%

| Metric | SPX Defensive Carry (SDC) | S&P 500 |
|---|---|---|
| **Sharpe** | 4.32 | 0.79 |
| **Sortino** | 6.17 | 1.12 |
| **Calmar** | 7.29 | 1.20 |
| **Downside deviation** | 2.1% | 10.0% |
| **Worst day** | -1.2% | -4.4% |
| **95% CVaR** | -0.5% | -2.0% |
| **Positive days** | 71.1% | 50.5% |




**Risk-adjusted performance is the product — not maximum market beta.**

Source: internal SDC track record; S&P 500 closes from FRED/SPDJI. Historical performance is not indicative of future results.

# Risk efficiency: substantially more return per unit of risk

This is the core allocator argument for the mature regime.

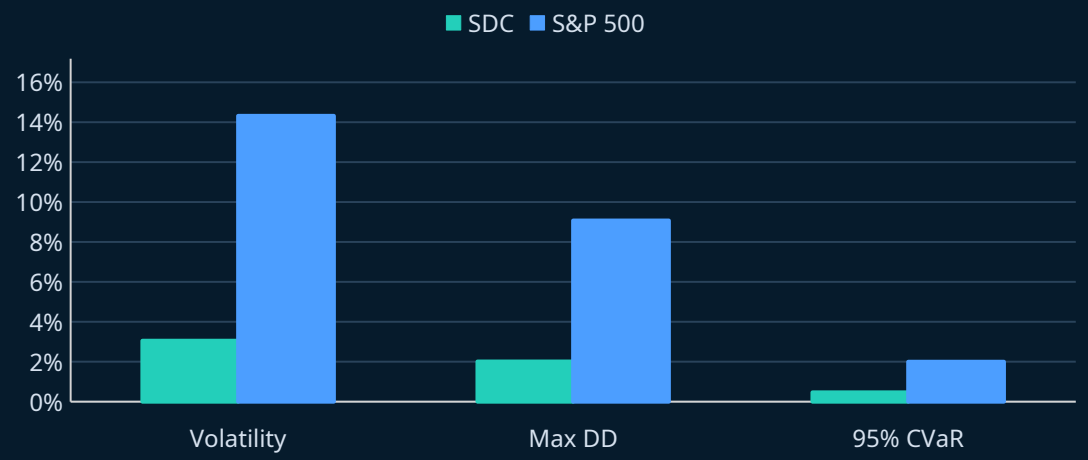
**Volatility reduction**
**79%**
3.05% vs 14.32%

**Drawdown reduction**
**78%**
2.01% vs 9.07%

**Sharpe multiple**
**5.5×**
4.32 vs 0.79

**Calmar multiple**
**6.1×**
7.29 vs 1.20

## Mature-regime risk measures




### Allocator interpretation

If the portfolio has a finite drawdown budget, the strategy has historically used that budget much more efficiently than passive equity exposure.

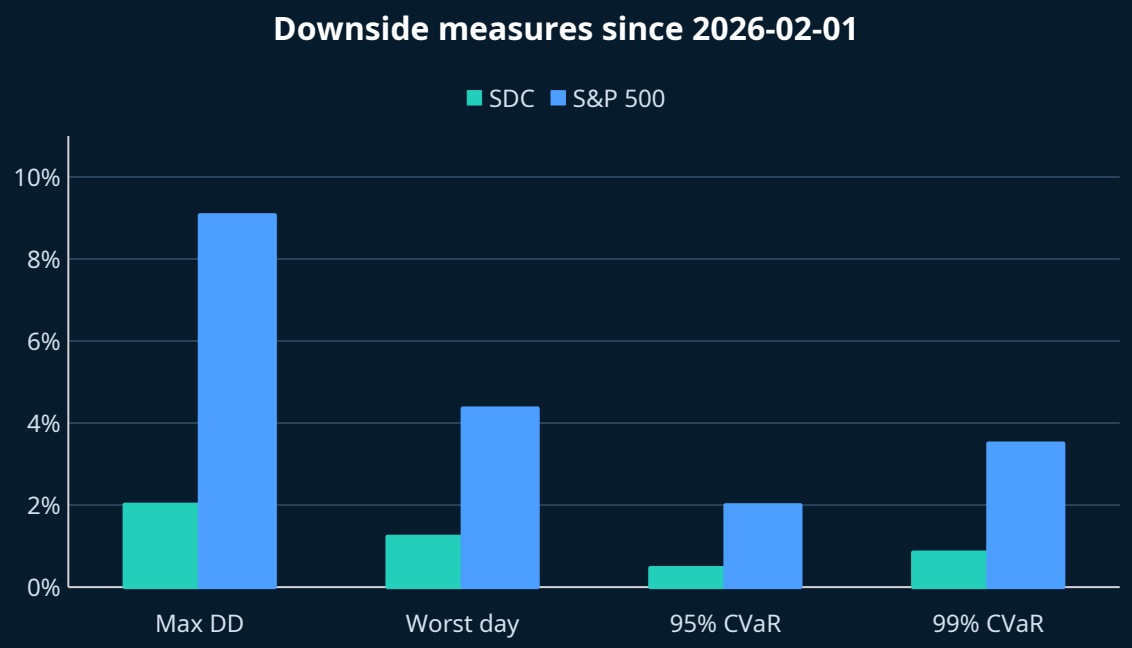
### Compounding advantage

Lower drawdown reduces the probability of forced de-risking and preserves capital to continue compounding through stressed markets.

Source: internal SDC track record; S&P 500 closes from FRED/SPDJI. Historical performance is not indicative of future results.

# Tail-risk profile: the stop-loss buffer is the strategic asset

The mature regime has stayed well inside the -10% portfolio stop while the S&P came close to consuming the entire budget.




**SDC stop buffer**

**8.0 pts**

distance from max DD to -10%

**S&P stop buffer**

**0.9 pts**

nearly exhausted

### Why this matters

A stop-loss rule is path-dependent. A strategy that avoids deep drawdowns can remain invested while a higher-beta alternative may be forced to liquidate before the rebound.

### Current-regime observation

Positive days: 71.1% for SDC vs 50.5% for S&P.

Source: internal SDC track record; S&P 500 closes from FRED/SPDJI. Historical performance is not indicative of future results.

# Current regime: near-zero market beta

Observed post-change returns have shown little dependence on S&P direction.

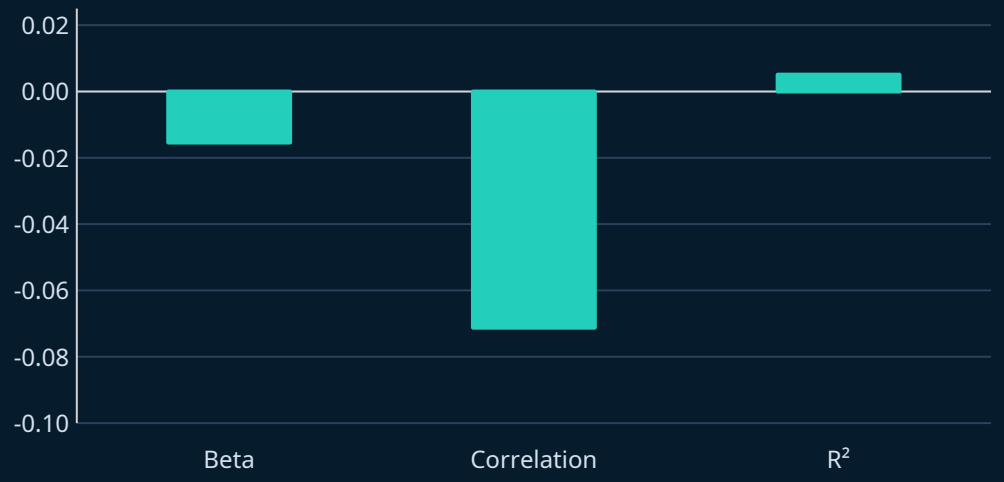
**Beta vs S&P**
**-0.02**
matched trading intervals

**Correlation**
**-0.07**
daily matched intervals

**R-squared**
**0.5%**
variance explained by S&P

**Annualized alpha**
**13.8%**
0% risk-free assumption

## Observed market sensitivity




### Interpretation

The low/negative beta is consistent with the strategy objective of hedging directional exposure rather than being a disguised long-equity portfolio.

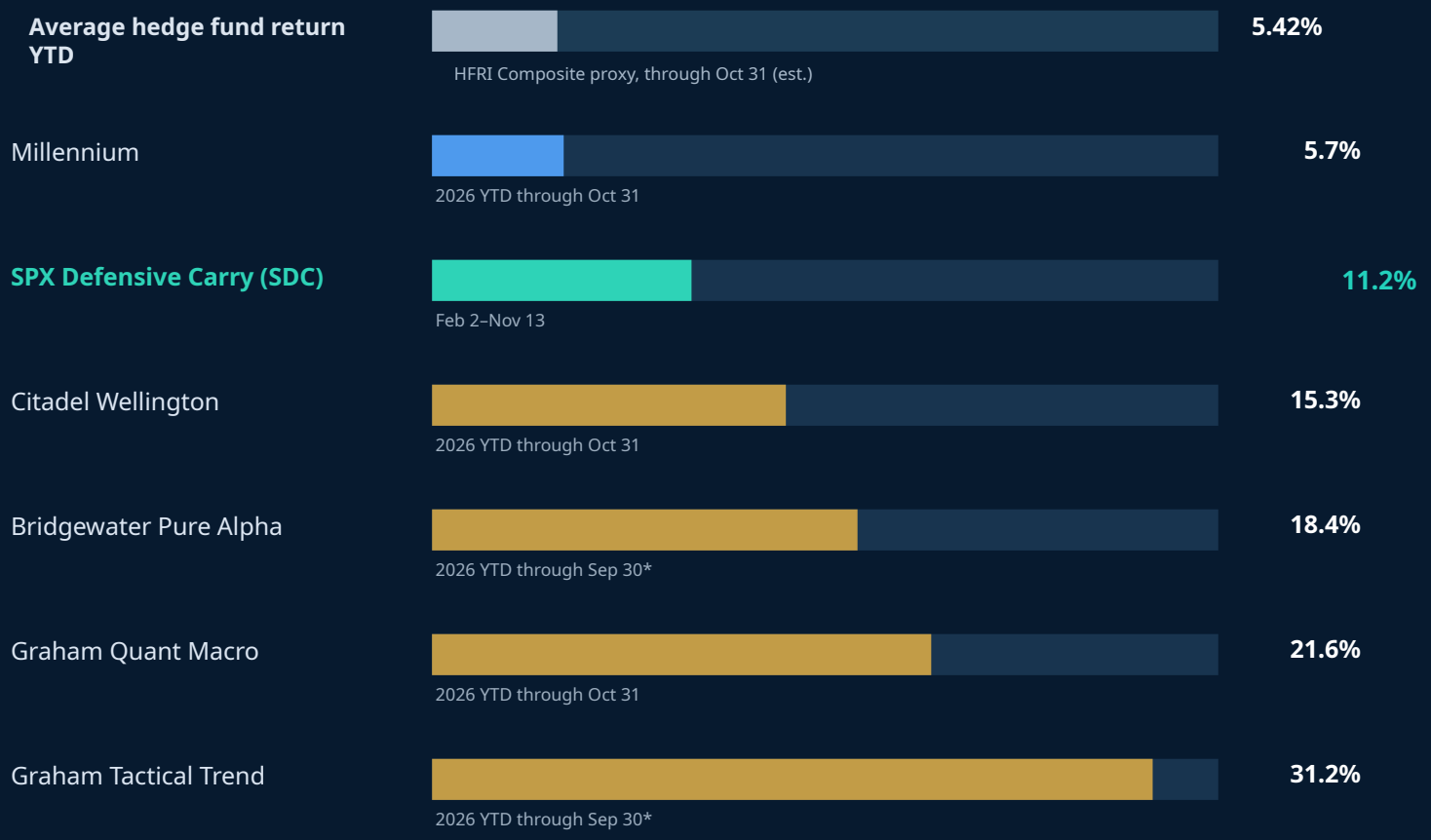
### Portfolio role

This is best viewed as a diversifying absolute-return sleeve. The objective is not to maximize equity capture, but to deliver a smoother, lower-beta path of returns.

Beta/correlation are realized statistics over a short current-regime sample and may vary materially in future periods.

# 2026 peer context: competitive headline return, differentiated by realized risk

Latest verified public reports as of November 14, 2026. Each fund shows its own reporting period.




**Periods and strategies differ. Peer drawdown and volatility data are unavailable in these reports, so this is return context rather than a risk-adjusted ranking.**

Sources: FT (Nov. 2026), Hedgeweek (Nov. 4), Reuters (Oct. 2), The Full FX/HFR (Nov. 11). *Latest verified result is September.

# Headline return is not the allocator metric under a hard stop

A 20% return with a 20% drawdown is not investable for a portfolio that must stop at -10%.

## LONG S&P 500

- Current-regime return: 8.4%
- Current-regime max DD: -9.1%
- Full-history max DD: -18.9%
- First -10% breach: Oct 27, 2023

**Problem: once stopped out, the investor must decide when to re-enter — turning passive investing into market timing.**

## SPX DEFENSIVE CARRY

- Current-regime return: 11.2%
- Current-regime max DD: -2.0%
- Full-history max DD: -6.3%
- No observed -10% breach in the track record

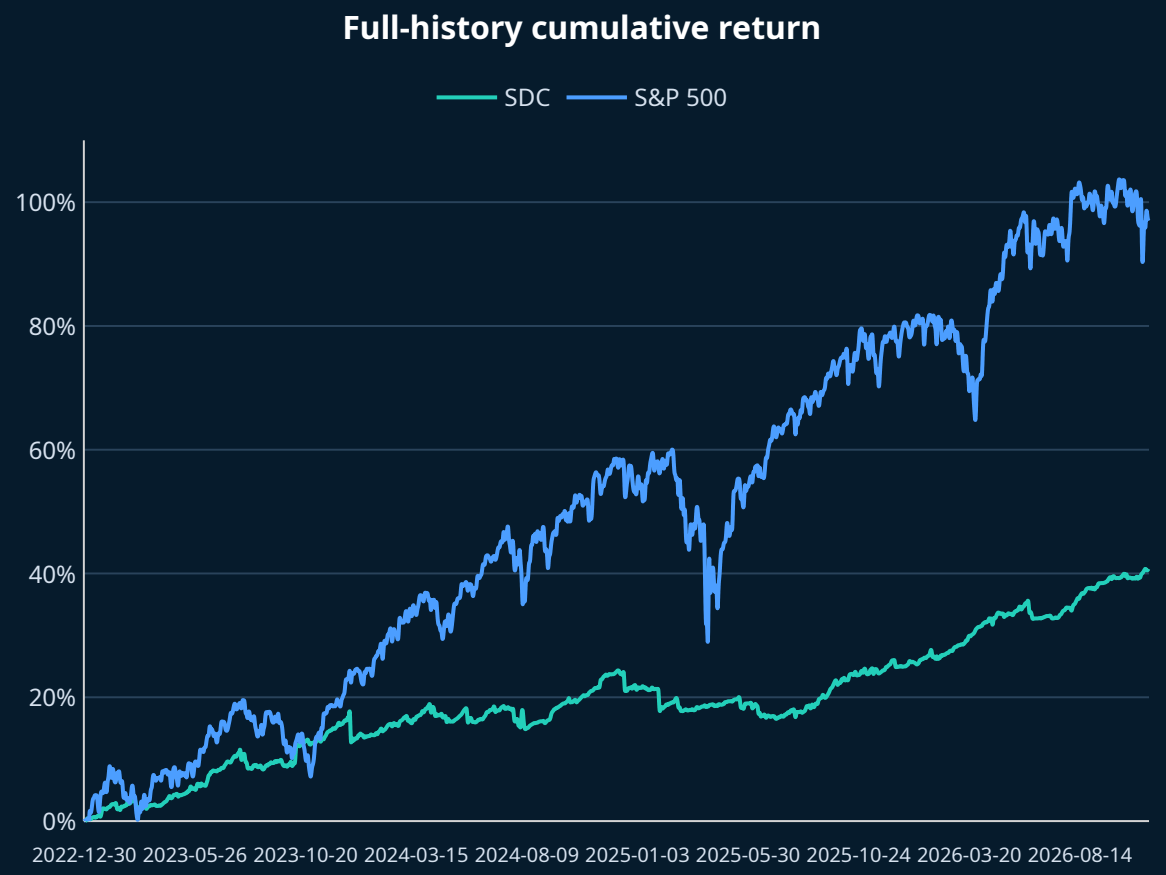
**Objective: earn an attractive premium-driven return while preserving enough risk budget to stay invested.**

**Under this mandate, "safer" means a substantially lower realized probability of hitting the forced-liquidation threshold — not a guarantee against loss.**

Source: internal SDC track record; S&P 500 closes from FRED/SPDJI. Historical performance is not indicative of future results.

# Full history is development evidence — not the primary sales period

Even during the experimental years, realized drawdowns remained lower than S&P; the current regime improved the profile further.




| Metric | NAV full history | S&P 500 |
|---|---|---|
| **Total return** | 40.8% | 96.9% |
| **CAGR** | 9.2% | 19.1% |
| **Volatility** | 4.8% | 14.8% |
| **Sharpe** | 1.81 | 1.26 |
| **Max drawdown** | -6.3% | -18.9% |

### How to present 2023–2025

These years demonstrate that the concept survived multiple regimes while the system was still being developed. They should not be read as the final form of the strategy.

### How to present 2026 onward

This is the current production design after delta and vega hedging. Investor conversations should center on this regime and its substantially stronger risk-adjusted statistics.

Full-history adjusted statistics exclude the known capital-flow/data discontinuity in 2025 and the 2026-02-02 capital injection.

# Scalability is supported by deep SPX liquidity

The strategy trades one of the world's deepest listed index-derivatives markets.

**SPX Q1 2026 ADV**

**4.9M**

contracts per day

**March 2026 SPX ADV**

**5.4M**

record monthly average

**Q1 index options ADV**

**6.1M**

contracts per day

**Q1 market-wide options ADV**

**68.6M**

contracts per day

### Why this matters

Deep listed liquidity supports execution, hedging and capacity far better than niche OTC or single-name strategies. It also reduces dependence on a small set of counterparties.

### Scalability still requires discipline

Capacity depends on strike/tenor mix, hedge turnover, market impact, capital requirements and stress conditions. Fundraising should scale in measured steps with live slippage monitoring.

### Persistent economic demand

The strategy paper frames option selling as financial insurance: there is recurring demand from investors seeking protection, creating an economic reason for premium to exist.

Source: Cboe, "State of the Options Industry: Q1 2026" and March 2026 volume highlights. Liquidity can deteriorate during stress.

# Founder / portfolio manager

The strategy combines quantitative trading, mathematical finance and artificial intelligence experience.

## Haksun Li, Ph.D.

Quantitative trader / researcher / academic

- Quantitative trader / analyst with multiple investment banks
- Worked in New York, Tokyo, London, and Singapore
- Former vice dean, Big Data Finance and Investment Institute at Fudan University
- Teaching roles at multiple universities

EDUCATION

### University of Chicago

B.S. and M.S. in pure and financial mathematics

### University of Michigan, Ann Arbor

M.S. and Ph.D. in Artificial Intelligence

### Investment philosophy

Apply quantitative methods to a structural market risk premium while treating drawdown control as a first-class design constraint.

Biographical details are taken from the user-supplied strategy paper.

# Investor fit and due diligence

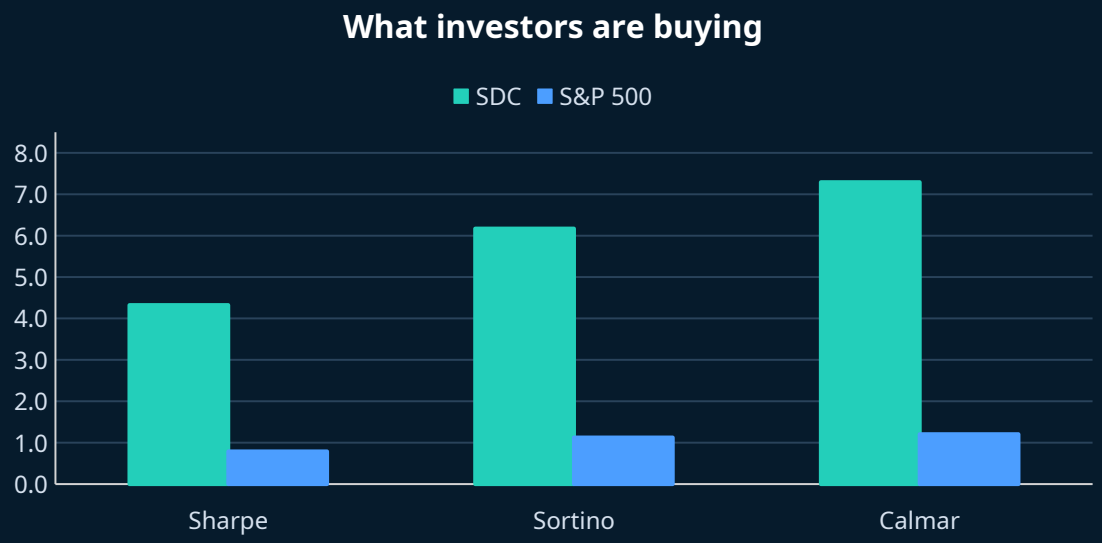
The strongest fundraising message is a transparent, auditable low-drawdown process — not a promise of outsized returns.

**BEST FIT**

- ✓ Family offices prioritizing capital preservation
- ✓ Investors with hard drawdown / stop-loss limits
- ✓ Portfolios already carrying substantial equity beta
- ✓ Allocators seeking a diversifying absolute-return sleeve

**INVESTOR DD PACKAGE**

- Daily NAV + cash-flow reconciliation
- Broker/custodian statements
- Monthly risk report: DD, beta, delta, vega
- Stress tests + position limits
- Capacity and slippage monitoring




**Positioning statement**

A mature, hedged SPX option-premium strategy designed to deliver attractive absolute returns with materially lower realized volatility and drawdown than passive equity exposure.

**Next step: investor DD pack + live monthly reporting + phased capital scaling.**

Source: internal SDC track record; S&P 500 closes from FRED/SPDJI. Historical performance is not indicative of future results.

# Appendix: methodology, sources and risk notes

The fundraising case is strongest when every claim can be independently underwritten.

| | |
|---|---|
| **Current regime** | “Since 2026-02-01” is measured from the first observed reporting date in the file: 2026-02-02 through 2026-11-13. |
| **Capital flow** | The HK$2m injection on 2026-02-02 is excluded from SDC return calculations. |
| **Historical data issue** | 2025-05-30 to 2025-06-03 adjusted SDC returns are excluded from full-history statistics because NAV/Total crossed zero, consistent with a capital-flow/accounting discontinuity. |
| **Risk-free rate** | Sharpe and regression alpha use a 0% risk-free rate in the analysis. |
| **Peer comparison** | Millennium 5.7%, Citadel Wellington 15.3% and Graham Quant Macro 21.6%: YTD through Oct. 31. Bridgewater Pure Alpha 18.4% and Graham Tactical Trend 31.16%: through Sep. 30, the latest verified public results. |
| **Risk disclosure** | Option selling can incur rapid and nonlinear losses, especially in gaps and volatility shocks. Hedging and stop-losses reduce but do not eliminate risk. Historical results do not guarantee future performance. |
| **KEY SOURCES** | Internal SDC/NAV workbook and strategy paper; FRED/SPDJI; FT (Nov. 2026); Hedgeweek (Nov. 4, 2026); Reuters (Oct. 2, 2026); Cboe Q1 / March 2026 reports. Public peer results checked Nov. 14. URLs in slide notes. |

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