MC AUREATE Outsized Position and Portfolio Hedging CRASH PROTECTION PROTOCOL (CPP)

Some investors might find themselves with a large position in a single stock, whether through association with or loyalty towards a particular company. Outsized or concentrated positions in a single stock can expose an investor to significant risk. Even blue chip stocks can lose their attractiveness abruptly, as occurred in the airline industry at the onset of the COVID-19 Pandemic. Price declines are especially devastating when so much of your portfolio relies on the performance of a single stock. MC Aureate's option protection strategy mitigates this risk .

Significant Declines in Airline Stock Prices in Early 2020

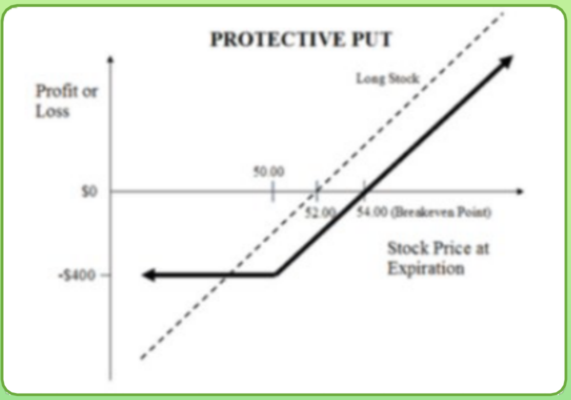
Finding Proxies for Your Stock

Many investors with outsized single stock positions may be unable to trade their stock. MC Aureate's strategy subverts such constraints by finding proxies for your stock and using these to hedge your position. Exchange Traded Funds (ETFs) allow investors to exchange an individual stock for shares in a pooled fund of many stocks of companies in similar situations. These protect the investor from volatility in the price of their original stock. If the original stock should drop in value, the investor is protected through holding the value of the diversified fund. An application of this is shown through using the QQQ ETF, a portfolio of the largest non-financial stocks on the NASDAQ, to hedge an outsized position in Microsoft, which represents 9.5% of the index. The enclosed graph shows the superior returns achieved through an investment in QQQ versus investment in solely Microsoft stock. QQQ, represented by the blue line, has outperformed Microsoft with lower volatility over the past 6 months.

QQQ Performance vs Microsoft (Last 6 months)

Use of Options for Value Protection

MC Aureate's option protection strategy further mitigates the downside risk of an outsized single stock position by purchasing out of the money put options on the stock. Out of the money put options, for which the strike price is below that of the stock, are affordable as they have lower premiums. Put options grant the invest or the right to sell stock at a particular specified price for a fixed period of time. Through purchasing put options, the investor is protected from sudden and significant declines of the stock that they hold. Regardless of the size of the decline in the price of the investor's stock, they will still receive the agreed-upon price for the stock as outlined in the put option contract. The value of the stock is thus capped at a particular minimum value, reducing the extent to which the investor will suffer from price declines. This is shown in the enclosed graph. Further, in times of significant stock declines, the investor can reinvest returns from put options into the market. This "buy low" tactic will help the investor capture more of the market gains when the downturn subsides and create a more diverse portfolio, as revenues generated from put options can be used to purchase other stocks.



Protective Put Option Limits Losses During Stock Price Declines

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