PORTABLE YIELD STRATEGY (PYS)

OBJECTIVE

Seeks to provide a steady level of incremental income through a rules-based, mathematical process of selling dynamically positioned index-based call and put spreads, requiring no initial funding by the client. Client posts collateral to cover maximum loss potential required by broker and cash to settle any losing trades.

- Use of spreads has an objective of a maximum risk budget of 4% on outstanding positions
- Returns can be ported to any asset or beta source

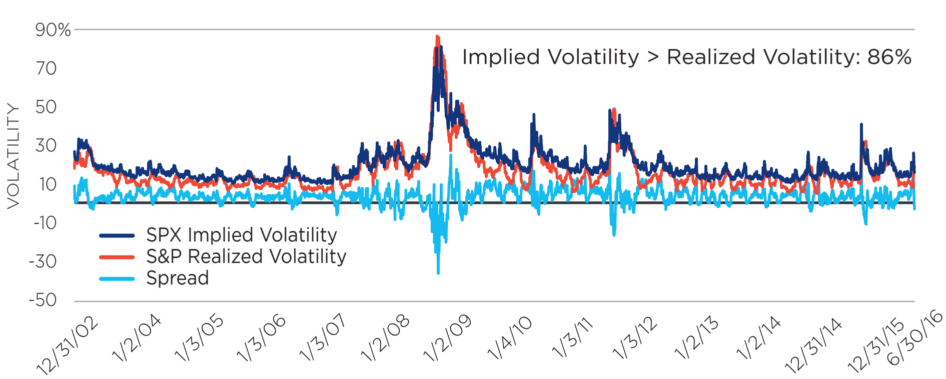
STRATEGY BENEFITS

- Seeks to enhance total return through income generation
- Current holdings or allocations do not need to change (can overlay on any marginable asset)
- Offers an alternative to increasing the risk profile of the asset allocation to attain cash flow
- Return stream is independent of the beta source

PHILOSOPHY

Rampart seeks to exploit option pricing inefficiencies that exist and are persistent. When implied volatility exceeds realized volatility, a scenario that has historically occurred 86.0% of the time, it makes sense to sell volatility. Rampart strives to capture this inefficiency through the use and positioning of short-dated credit option spreads.

SPX Implied Volatility (VIX) versus S&P 500® Realized Volatility
Daily Data: December 2002–June 2016



Data source: Bloomberg, CBOE, Rampart. ©2016, Rampart Investment Management Company, LLC. **Past performance does not guarantee future results.**

PORTFOLIO MANAGEMENT

Warun Kumar
Senior Managing Director and Portfolio Manager
Chief Investment Officer

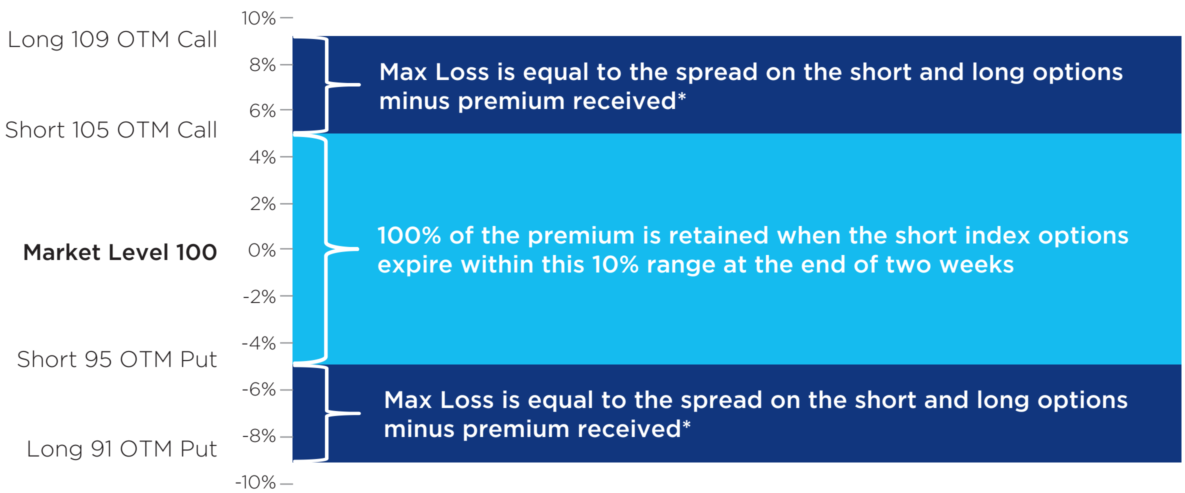
Michael Davis
Portfolio Manager

Brendan Finneran, CMT
Portfolio Manager

Robert F. Hofeman, Jr.
Portfolio Manager

EXECUTING THE STRATEGY

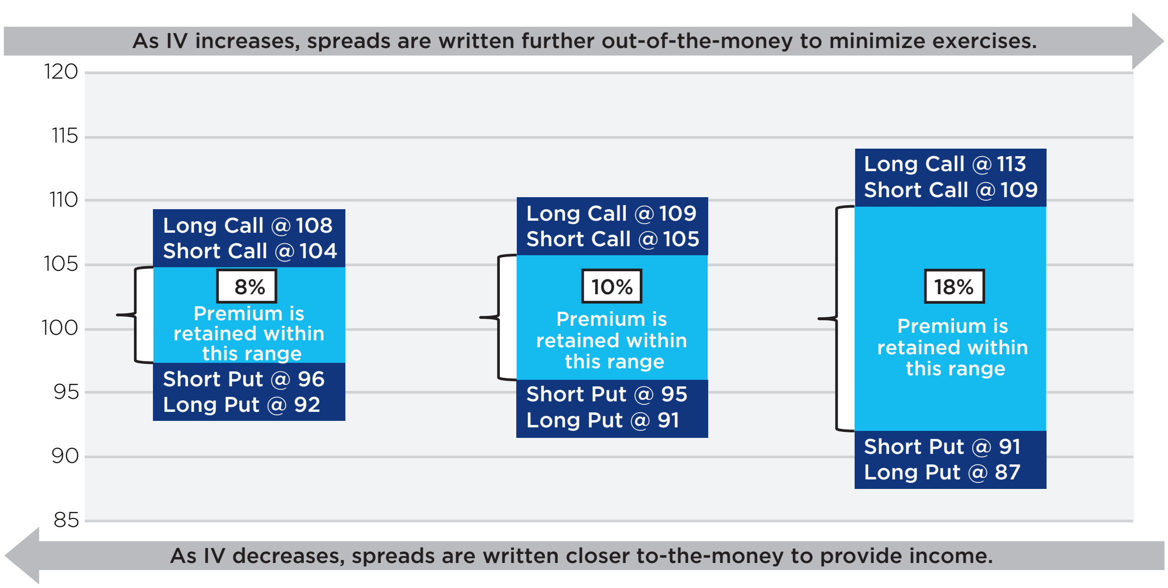
- In seeking an incremental annual return, Rampart will typically write two-week, out-of-the-money (OTM) put and call spreads on the S&P 500.
- The following is an example of OTM put and call spreads, assuming a moderate level of volatility in the market (as represented in the Managing Volatility exhibit below). In this example, the PYS strategy writes 5% out-of-the-money call and put spreads and maintains the 4% spread in each "leg."



*Only one side (put or call spread) may result in a loss at expiration

MANAGING VOLATILITY

- Implied volatility (IV) reflects the investor's expectation of the market experiencing changes in value over a short period of time.
- PYS sells spread options as far OTM as possible to reduce exercise risk while generating the income objective.



INVESTMENT PROCESS

STEP ONE:	STEP TWO:	STEP THREE: At expiration:
▪ Client provides notional portfolio (a fraction of this portfolio is used for collateral) ▪ Rampart volatility evaluation is conducted	▪ PYS trades are executed based on Rampart's proprietary evaluation	▪ New option spreads are sold to generate the premium ▪ Losses that occur from a short strike settling in-the-money will need to be funded by the client ▪ Rampart investment team may choose to close out the current spread trades early and "roll" to new spreads

RAMPART FEE SCHEDULE — PORTABLE YIELD STRATEGY

For stated fees and minimum account size requirements, contact Rampart Investment Management for a copy of its Form ADV Part 2A. Fees and minimum account sizes are negotiable.

GLOSSARY OF KEY TERMS

- **Call** – an option contract that gives the buyer the right to purchase the specified shares of the underlying stock or index at the given strike price. This creates an obligation to sell for the seller.
- **Implied volatility** – the estimated volatility of a security's price which is used by option traders to price an option, based on a particular option-pricing model.
- **In-the-money** – for a call option, when the strike price is below the market price of the underlying asset. For a put option, when the strike price is above the market price of an underlying asset.
- **Long contract** – a position in options in which you have purchased a contract.
- **Notional** – the value of an asset expressed in dollars used to construct derivative transactions.
- **Option spreads** – an option position that is constructed of equal number of options of same class (calls or puts) and underlying asset but differ in either strike price or expiration.
- **Out-of-the-money** – for a call option, when the strike price is above the market price of the underlying asset. For a put option, when the strike price is below the market price of an underlying asset.
- **Premium** – the amount of money the buyer pays and the seller receives to engage in an option transaction.
- **Put** – an option contract that gives the buyer the right to sell the specified shares of the underlying stock or index at the given strike price. This creates an obligation to purchase for the seller.
- **Realized volatility** – the actual fluctuation of an underlying security's price, either up or down.
- **Short contract** – a position in options in which you have written (sold) a contract.
- **Strike (exercise) price** – the stated price per share for which and underlying stock may be purchased (call) or sold (put) by the long option holder.
- **Volatility** – the tendency of the underlying security's market price to fluctuate up or down.

RISK CONSIDERATIONS

Options trading is not suitable for all investors. This fact sheet must be preceded or accompanied by the "Characteristics and Risks of Standardized Options" which is also available at www.cboe.com/Resources/Intro.aspx.

- If the SPX index becomes more volatile, causing more of the short calls and puts to settle in-the-money, there may be a negative impact on performance.
- If liquidity and pricing transparency in the weekly expirations diminish on out-of-the-money strikes, there may be a negative impact on performance.
- Transaction costs may be significant in multi-leg options strategies, including spreads, as they involve multiple commission charges.
- If the underlying portfolio is either highly positively correlated or highly negatively correlated with the S&P 500® Index, there may be times when the losses experienced in the underlying portfolio are exacerbated by the PYS overlay.
- If the S&P 500-listed options become unavailable to trade, Rampart may be unable to implement the strategy.
- Margin requirements for option writers are complicated and not the same for each type of underlying security. They are subject to change and can vary from brokerage firm to brokerage firm. As they have significant impact to the risk/reward profiles of each trade, writers of options (whether they be calls or puts alone or as part of multiple position strategies such as spreads, straddles, or strangles) should determine the applicable margin requirements from their brokerage firms and be sure that they are able to meet those requirements in case the market turns against them.
- There is no assurance that Rampart Investment Management will be successful in implementing the Portable Yield Strategy (e.g., identifying or exploiting option pricing inefficiencies).

Supporting documentation for any claims (including claims made on behalf of options programs or the options expertise of sales persons), comparison, recommendations, statistics, or other technical data, will be supplied upon request.

INVESTMENT AND INSURANCE PRODUCTS:

Are not FDIC or any other Government Agency Insured • Are not Bank Guaranteed • May Lose Value

Located in Boston, Massachusetts, **Rampart Investment Management** is a registered investment adviser that offers specialized investment services to a broad spectrum of institutional, high net worth, and mutual fund clients. Since its inception in 1983, the company has continuously expanded and enhanced its computer modeling and analytical infrastructure to capitalize on opportunities in the financial markets on behalf of its clients.

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