

ENHANCED HEDGING OVERLAY STRATEGY

The Enhanced Trek Hedging Overlay Strategy uses Out-of-the-Money (OTM) Puts to help hedge equity portfolios against significant market declines during periods of stress. In addition, the strategy may incorporate put spreads, which involve purchasing a closer-priced Put and selling a further OTM Put to help offset costs. This structure may be considered following steep market declines, allowing for the potential to capture gains in put options during pullbacks while continuing to provide downside protection. The strategy seeks to address market uncertainty, limit losses in broad sell-offs, and support long-term planning in a tax-efficient manner. It is available within select Trek Financial equity models.

KEY BENEFITS

Market Uncertainty Mitigation: Provides risk management during extreme volatile market conditions (market shocks).

Portfolio Risk Management: Helps mitigate potential losses while retaining growth opportunities.

Long-Term Planning: Designed for individuals aiming to align portfolio risk with evolving financial objectives over time.

Flexibility in Protection: Allows for shifting from holding OTM Put options to using OTM Put spreads following significant market declines.

WHO MIGHT CONSIDER THE HEDGING OVERLAY STRATEGY



Investors with significant gains in their equity portfolios seeking protection



Individuals nearing retirement or achieving significant financial goals



Clients desiring stability and peace of mind



Those looking for a balanced risk-reward approach to equity investing

STRATEGY DETAILS

Hedging Allocation: Approximately 2-4% of the underlying portfolio is allocated to purchasing OTM put options

Management Approach: Options are actively managed to maximize hedging benefits while minimizing the time-decay of put options

Adding this strategy costs an additional 0.20%, applied to the management fee on the underlying hedged portfolio

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The goal of the TREK Hedging Overlay Strategy is to reduce market risk in certain select TREK investment models that exhibit a high correlation to broad market indices. When implemented, this strategy allocates a portion of the portfolio assets to the purchase of Out-Of-The-Money (OTM) Put Options on instruments designed to track the general performance of equity markets. During periods of elevated volatility or market decline, the strategy may instead utilize put spreads, an approach that involves purchasing one put option while simultaneously selling another put option at a lower strike price to potentially reduce the cost of protection.

Put Spreads reduce the cost of hedging but also limit the maximum potential protection compared to outright puts. Investors should understand that while this may improve efficiency, the protection provided is capped at the difference between the purchased and sold strike prices.

An OTM Put Option is a financial derivative that gives the holder the right, but not the obligation, to sell a specified amount of an underlying asset, such as the S&P 500 Index, at a predetermined price (known as a strike price) before the option expires. An OTM put option has a strike price that is lower than the current market price of the underlying asset.

There is a 20 basis point, or 0.20% annual fee for this strategy that will be added to the base model portfolio fee. Please review the fees for this strategy with your TREK advisor.

The factsheet is intended to provide an overview of the model strategy, and the presented information is not intended to replicate the actual performance of the model portfolios. Rather the factsheet is intended to provide a general framework to understand the concept, strategy, and allocation structure employed by TREK in managing the model portfolios.

An investor's personal goals, risk tolerance, income needs, portfolio size, asset allocation and securities preferences, income tax and estate planning strategy should be reviewed before committing to a specific investment program. Please consult with your financial advisor to discuss the appropriateness of any particular strategy prior to investing. All investments involve risk. Principal is subject to loss and actual returns may be negative. Returns are not guaranteed in any way and may vary widely from year to year. Trek 25-299