LIQUID OPTIONS STRATEGIES

Defined Outcome Strategies. Alternatives to Private Funds.

When the structural advantage shifts: a case for liquid, defined-outcome strategies.

> *"Liquidity is plentiful when you don't care about it and scarce when you need it most." – Howard Marks*[1]

[1]Source: Howard Marks, "Liquidity", Oaktree Capital Management Client Memo, March 25, 2015 - LINK

01 – AT A GLANCE

Private Markets Have Become the New Consensus.

Introducing defined outcome strategies with institutional execution. No fund obligation or lock-up.

Private credit and private equity have captured a decade of investors' attention on the promise of the illiquidity premium. Over the past ten years, that premium has compressed materially. The fees, lock-ups, and lack of transparency have not. In an environment where private credit funds have imposed redemption gates and private equity vintage years from 2021 are still working through elevated entry multiples, the case for liquid, defined-outcome alternatives have never been more important.

This paper examines three option-based strategies, built in-house, sized to the client's situation, and available within your existing advisory relationship at no additional fee. These option strategies have similar yield or upside objectives, without the fund commitment or lock-up.

01 / PRIVATE CREDIT

Private credit funds lend directly to leveraged companies, then leverage the fund itself, stacking risk. Exchanging liquidity and higher credit risk for higher yield potential.

ALTERNATIVE APPROACH

Conditional Income structures target a similar yield range with a defined outcome at inception and daily liquidity without the fee drag.

HIGH YIELD

Pre-defined

02 / PRIVATE EQUITY

Private equity buys companies using significant debt, locks capital for a decade or more, and reports quarterly estimated valuations rather than daily market prices.

ALTERNATIVE APPROACH

Option overlay strategies on broad-market stock indices, target asymmetric upside with daily liquidity, a defined cost, and no commitment period.

ASYMMETRIC UPSIDE

With liquidity

03 / DOWNSIDE PROTECTION

Structured notes offer defined outcomes but embed wrapper costs, unfavorable capital gains treatment, and inflexible exposure.

ALTERNATIVE APPROACH

We build equivalent exposures using listed options in-house directly into our portfolios. Eliminating the product layer and adjusting exposure tactically based on a proprietary signal framework.

RISK MANAGEMENT

Executed and managed in-house

02 – THE SHIFT

When Everyone Owns It, Who Gets the Premium?

The conditions that made private markets compelling in 2015 have changed.

In quality vintage years with skilled managers, private equity and private credit have generated returns that public equity and credit benchmarks did not match. That case is real, and not the focus of this paper. The question is whether the conditions that made it a reliable source of outperformance have changed, and what the structural costs of access require in exchange. When a strategy attracts over $2 trillion in new capital over a decade, the conditions that made it compelling in 2015 may not apply today. Private credit grew from approximately $500 billion in assets under management in 2015 to over $2.5 trillion by 2025, driven initially by institutional investors and increasingly by retail capital entering the market. Private equity followed a similar arc, with global buyout dry powder exceeding $1 trillion with a significant portion aging as funds struggled to deploy capital at attractive entry prices. Both asset classes attracted capital precisely because they outperformed public markets in a low-interest rate environment.[2]

That structural advantage is now under pressure from multiple directions. Capital crowding drove private equity to pay higher prices for acquisitions and private credit spreads tightened with increased competition for deals.[3] Interest rates rose, challenging the profitability of private equity sponsored companies and increasing the risk embedded in private credit loans.[4] The structural costs of accessing private markets, however, remain unchanged: management fees of 1.5 to 2.0%, managers receiving 20% performance fees (carried interest), lock-ups of 5 to 12 years, quarterly estimated marks rather than daily prices, and redemption gates.

Option-based strategies offer a different path. A yield-enhancing options strategy can target 8-12% conditional income with daily liquidity, a defined outcome at maturity, and no fund fee layer above execution. An equity option overlay strategy can provide the upside outperformance of a private equity allocation with tactical flexibility that a 10-year fund commitment cannot match.

The key requirement is execution capability. These are not retail products. They require deep quantitative expertise with tactical signals developed from institutional trading experience, precise execution, and ongoing risk management. That capability is what Lakewood brings, and it is included in your advisory relationship: no separate management fee, no carried interest, no product wrapper.

> *The structural costs of private markets have not compressed; the return potential may have. The fees, lock-ups, and lack of transparency are a product of the fund structure, not the underlying strategy.*

[2]Source: Statista, “The Private Credit Market Has Quadruples Since 2015”, April 16, 2026 - LINK. Bain & Company Global Private Equity Report, 2025 - LINK
[3]Source: McKinsey, “Buyout deals bounce back”, April, 3, 2025 - LINK
[4]Source: iCapital, “Alternatives Decoded – Private Credit”, Q4 2025 - LINK

03 - THREE STRATEGIES

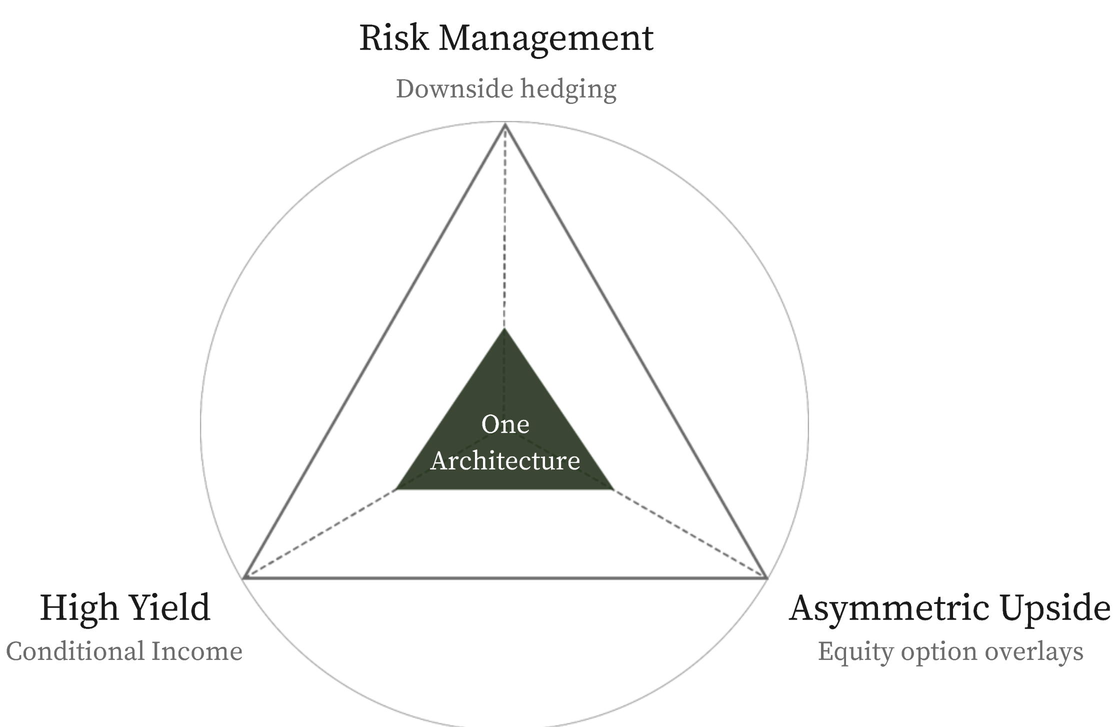
Three Strategies. One Architecture. No Fund Commitments.

Lakewood builds each strategy in-house, sized to the client's portfolio, and managed within a single coordinated architecture.

HOW IT WORKS

Each solution addresses a structural limitation of private markets directly: the income without the lock-up, the upside without the j-curve, the downside protection without the product wrapper costs. What changes across client situations are the entry point, the objective, and the sizing. What stays constant is the execution standard and the fact that all three operate within a single coordinated portfolio, managed by the same team that designs them.

> *These are not products selected from a menu. They are positions built around your portfolio, sized to your situation, and adjusted when conditions change. That is what separates execution from distribution.*



01 / CONDITIONAL INCOME

Conditional Income Strategies vs Private Credit.

THE STRATEGY

Conditional Income strategies target high yields with a defined outcome at inception, daily liquidity, and no fee drag layered on top. These strategies pay a conditional coupon if a reference asset, typically a major equity index, stays above a lower barrier level, observed quarterly, usually 20% to 30% below the index at entry. If the reference asset rises above its entry price, the strategy redeems, paying the coupon and full return of principal. If the reference asset falls below the lower barrier, no coupon is paid on that date. If the reference asset finishes below the lower barrier at maturity, the investor realizes a loss, receiving the cash value of the asset at the closing price.

The outcome is known before the trade is executed. A private credit fund targeting a similar yield does not offer a defined outcome. The return is subject to credit risk, manager risk, and sector risk.

Executing these structures requires more than platform access. Entry point, barrier level, tenor, and sizing are active decisions informed by live market conditions and quantitative signals developed from Lakewood's institutional derivatives trading backgrounds. We enter these positions tactically to capitalize on market opportunities when yields are enhanced and potential downside risk falls. That execution capability is built into the advisory relationship at no additional fee.

WORKING EXAMPLE

The investor receives 10% p.a. coupon if the index does not fall more than -20% from entry price.[5]

STOCK MARKET INDEX	DOWNSIDE BARRIER	NEVER BELOW BARRIER	BELOW BARRIER AT MATURITY
S&P 500	-20%	10%	-20%
REFERENCE FOR COUPON	BELOW CURRENT INDEX LEVEL	ANNUALIZED YIELD	ASSET VALUE AT MATURITY LEVEL

COMPARISON

ATTRIBUTE	Private Credit	Conditional Income Strategies
Target Income	✓ 8-12% in quality credit cycles	✓ 8-12% conditional, defined at trade
Outcome Defined	— No, depends on defaults, cycle	✓ Yes, fully at execution
Liquidity	— 3-7yr lock-up, quarterly gates	✓ Daily, execution costs apply
Fee Drag	— 1-2% management + 10-20% carry	✓ Underwriting and Execution costs
Tactical Flexibility	— Capital committed, limited exit	✓ Customize, adjust, roll, or exit

[5] Example is illustrative only. Annual coupon reflects market conditions as of June 2026 and is not a guarantee of future availability or return. Actual coupon levels, barrier thresholds, and terms vary based on market conditions at execution. Source: Lakewood Financial Group, based on indicative market pricing as of June 5, 2026. Past performance is not indicative of future results.

02 / ASYMMETRIC UPSIDE

Option Overlays vs Private Equity.

THE STRATEGY

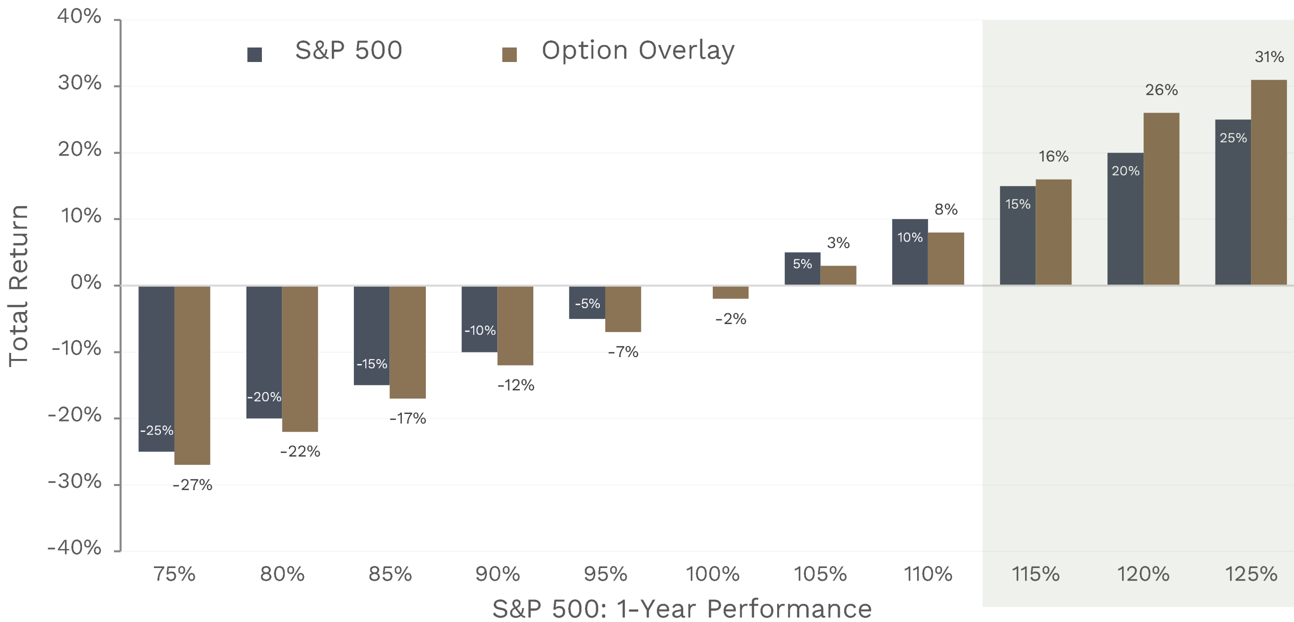
Options overlays provide asymmetric upside exposure with defined risk, no fund commitment, and no J-curve. The structure pairs a long equity position with a call spread overlay. Every term is set at inception: the upside potential and the cost (maximum loss). This strategy allows Lakewood to take advantage of market opportunities, using proprietary signals to enter these strategies.

Private equity buys companies using significant debt, locks investor capital for a decade, offers an estimated return subject to deal flow, manager selection, credit conditions, and a holding period the investor cannot control or exit. The structural costs remain: 1.5% to 2% management fees, 20% performance fees (carried interest), and administration fees. Private equity funds have structurally slow-moving investment cycles, introducing vintage and manager risk that is out of the investor's control.

Executing the overlay strategy requires active judgment at every step. Entry point, strike selection, and tenor are all informed by quantitative and macro signals developed from Lakewood's institutional derivatives trading backgrounds. That capability is built into the Lakewood advisory relationship at no additional fee.

WORKING EXAMPLE

The below illustrates a call spread overlay payoff, based on indicative market pricing as of June 5, 2026.[6] Below are illustrative outcomes across a range of 1-year stock market performance scenarios.



[6] This chart illustrates payoff structure mechanics and does not represent projected or expected results for any specific client or account. Example is hypothetical and illustrative only, based on indicative options pricing as of June 5, 2026. Actual strikes, premiums with bid/ask spread will vary based on market conditions at execution. The max loss of the option overlay is the premium paid. This is not a recommendation to purchase any specific security or to enter any specific options trade. Options involve substantial risk including the potential loss of principal. Past performance is not indicative of future results. Lakewood Financial Group, indicative pricing as of June 5, 2026

03 / DOWNSIDE PROTECTION

Put Spread Collars vs Structured Notes.

THE STRATEGY

A put spread collar is a three-part options structure applied directly on top of an existing equity position. The result is a bounded range: the investor participates in equity appreciation up to a cap, is protected from the first 10-20% of losses, and retains the underlying position throughout. No shares are sold. No taxable event is triggered on the underlying equity.

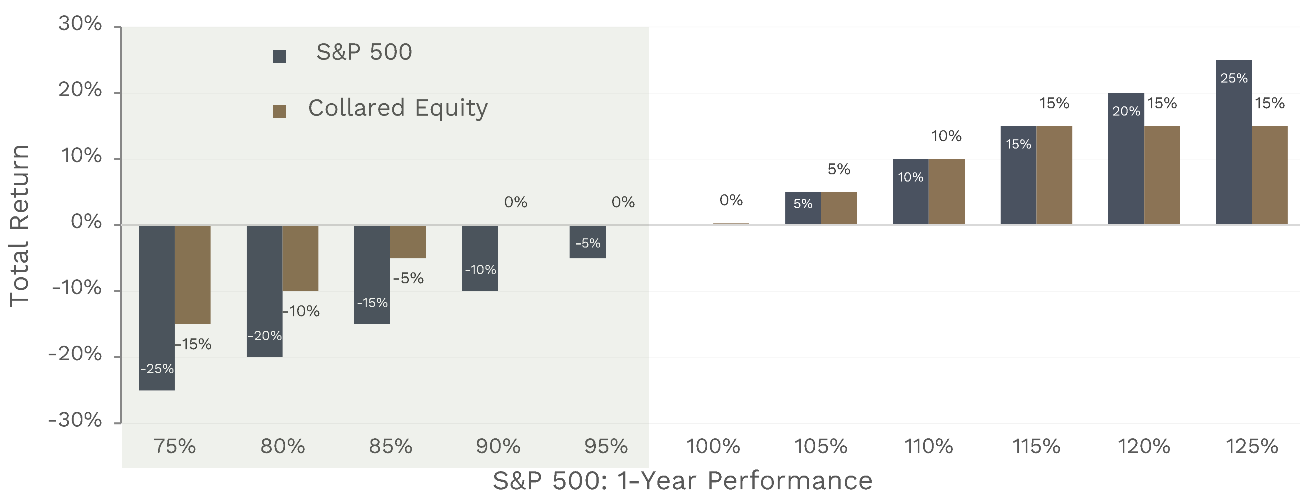
This structure is particularly effective for investors with concentrated single stock positions carrying significant embedded gains. This strategy addresses that problem directly. The underlying shares stay in place, the cost basis is preserved, and the protection is purchased as an options overlay that can be sized, rolled, and adjusted as the client's situation evolves.

Structured notes and annuities offer a similar defined downside protection with capped upside, typically wrapped in a 3-7 year maturity structure. These products introduce credit risk of the issuer, embedded fees for distribution, and poor tax treatment. At maturity, a structured note triggers a capital gain on the entire appreciation of the note. An annuity product may even be taxed at ordinary income rates. The investor loses control of their tax consequences. A put spread collar overlay triggers a gain or loss only on the options package itself, leaving the underlying equity's cost basis and holding period entirely intact until the investor elects to sell on their own timeline.

A put spread collar overlaid on an existing equity position hedges downside with no forced realization event, no product wrapper, and full control of the underlying position. That risk and tax management is not available in a structured product or annuity.

WORKING EXAMPLE

The below illustrates a put spread collar overlay payoff, based on indicative pricing as of June 5, 2026.[7] Below are illustrative outcomes across a range of 1-year stock market performance scenarios.



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7 This chart illustrates payoff structure mechanics and does not represent projected or expected results for any specific client or account. Example is hypothetical and illustrative only, based on indicative SPY options pricing as of June 5, 2026. Actual strikes, premiums with bid/ask spread will vary based on market conditions at execution. This is not a recommendation to purchase any specific security or to enter any specific options trade. Options involve substantial risk including the potential loss of principal. Past performance is not indicative of future results. Lakewood Financial Group, indicative pricing as of June 5, 2026

04 - IMPLEMENTATION

Differentiated Capability.

Lakewood's background in institutional derivatives informs the economics and execution.

The structural advantages described in this paper are only accessible if the execution capability exists to enter at the right time and the right size. That is what Lakewood provides, and it is built into your advisory relationship.

WHO THIS IS DESIGNED FOR

These strategies are most effective for investors with $1M or more in investable assets given the minimum size limitation of options contracts. Appropriate situations include:

- Investors currently allocated to private credit or private equity who are evaluating the structural trade-offs
- Investors in or near retirement who want yield-enhancement without multi-year lock-up risk
- Investors with significant equity exposure who would prefer hedging downside as much as capturing growth

PROPRIETARY SIGNALS & EXECUTION

Lakewood's entry and sizing decisions are informed by quantitative and macro signals developed from the partners' institutional derivatives trading backgrounds. The signals determine what strategy is appropriate, when to enter and when to exit. This is not a passive overlay applied on a set calendar schedule.

Retail and advisory platforms that wrap these strategies in a fund or product layer add a cost that compounds over time, eroding what the strategy was designed to deliver.

FLEXIBILITY BY DESIGN

When market opportunities present themselves, conditional income structures can be entered at meaningfully higher coupon levels. When a client's equity exposure grows beyond their risk capacity, a put spread collar can be applied without selling the underlying position. When a liquidity event occurs, short-term downside hedges can be applied on initial public equity capital investments based on the client's comfort, not a fund's.

That is what flexibility means in practice. Not a menu of products. A portfolio that adjusts as your situation evolves.

05 – ATTRIBUTES & RISK

A Rigorous Look at Both Sides of Options Strategies Executed In-house.

Option-based strategies require discipline, expertise, and ongoing risk management.

VOLATILITY DISTINCTION

Private market funds report quarterly estimated NAV. That "volatility smoothing" is a structural feature of quarterly NAV reporting, not a reflection of reduced economic risk in the underlying portfolio. Theoretically, the underlying companies in a private equity fund should experience the same economic volatility as public companies. Options structures reflect that volatility in real time, through daily marks.

ADVANTAGES & CONSTRAINTS

Structural Advantages	Constraints & Requirements
✓ Daily liquidity, positions can be managed or exited	— Requires options and portfolio margin approval
✓ Transparency, defined outcomes on observable assets	— Mark-to-market P&L introduces daily volatility
✓ No fee drag, No J-curve, only execution costs	— Active management required
✓ Low minimums, compared to top-tier private funds	— Suitability and sizing discipline
✓ Tactical, signals inform strategy design and timing	— Effectiveness depends on execution and signals

UNDERSTANDING THE RISKS

These strategies use options contracts that carry risks distinct from traditional equity or fixed income investing. Defined outcomes are fully known at execution. The conditional income structure can result in a meaningful unrealized loss in sharply falling markets. The option overlay in an asymmetric upside structure amplifies gains but does not reduce downside exposure. Daily mark-to-market pricing means daily volatility is fully visible in the account, unlike private market funds that report quarterly estimated marks.

Counterparty risk and execution risk apply. Option pricing reflects market-implied conditions at the time of execution and will vary based on volatility levels, interest rates, and time to maturity. Structures entered in high-volatility environments may carry different risk profiles than those entered in low-volatility environments. Lakewood evaluates suitability on a client-by-client basis before any allocation is made, and no position is entered without the client's specific understanding of the risks. Investors implementing collar strategies should be aware that IRC Section 1259 may treat certain collar configurations as constructive sales. Lakewood structures all collar positions to avoid this outcome and review specific circumstances with a client's tax advisor.

06 - YOUR TEAM AT LAKEWOOD

The Partners.

THE CONVERSATION WORTH HAVING

If you are currently evaluating existing investments or planning future allocations in private equity or private credit, the structural trade-offs in this paper are worth a conversation. We build these strategies in-house, sized to your portfolio, at no additional fee. We are ready to discuss implementing these strategies for you.

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FIDUCIARY OVERSIGHT

Fee-only. No commissions. Every recommendation is evaluated on its after-tax merit to your situation.

REGULATORY FRAMEWORK - MANAGED WITHIN THE STRATEGIES

Executing a put spread collar that achieves genuine tax efficiency requires precise structuring judgment. Under IRC Section 1259, a collar where the put and call strikes are set too close together can be treated as a constructive sale of the underlying position, accelerating the full embedded gain as if the shares had been sold today. Lakewood structures these positions specifically to avoid that outcome, maintaining meaningful economic exposure to both upside and downside while delivering the protection the client needs. That structuring discipline requires an advisor who understands both the derivatives and tax architecture simultaneously.

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