

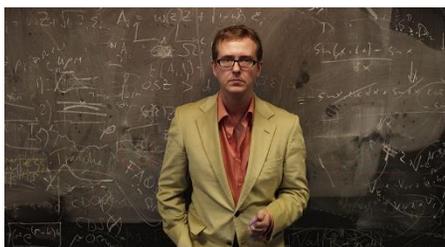
Option Fundamentals for Professionals

Online Seminar Syllabus

A Rigorous Yet Intuitive Understanding of Options

Options are simple, directional instruments that share many characteristics with financial instruments that we deal with every day of our lives.

But too often math professor “quants” and celebrity floor traders present options in a way that makes it very hard to see their inherent simplicity and directionality.



Paul Wilmott, PhD



The Najarian Brothers

Financial professionals that need to get up to speed quickly with options are faced with working through 500-page textbooks chalked full of mathematical proofs and phrases like “heteroskedasticity” or suffering through a badly written get-rich-quick scheme book scribbled out by an ex-floor trader.

Our online seminar is different. We offer a rigorous grounding in options in an intuitive way. Our “mini-courses” cover the **development of option markets**, **option market mechanics**, **option prices and pricing**, **volatility**, and **leverage**—all in brief video lessons and topical reading assignments.

Who Are Our Courses For?

We serve the needs of financial professionals and students aspiring to build a successful career in the financial world. Previous clients have included fund analysts, third-party research analysts, hedge and pension fund managers, Chief Investment Officers of family offices, RIAs, professors of accountancy, and high net worth private investors managing personal portfolios.

In a world in which commissions and fees for plain vanilla stock transactions are razor thin, investment banks have cut staff as they increasingly turn to algorithmic matching engines and trading programs to fill client orders. However, the options market remains a world in which financial institutions can differentiate themselves through personalized customer service.

The business opportunities options present also create risk for the firms dealing in them. Professionals possessing a fundamental understanding of options set themselves apart during a job search and distinguish themselves among their professional peers.

How it Works

Our online training courses offer busy professionals an engaging, efficient, and practical way to learn how options and option markets work in the real world. Courses may be taken on an a-la-carte basis or together as a full seminar.

Video presentations are brief (around 5 minutes long), articles and reading assignments are curated to amplify the course content, and quizzes and case studies require you to have thought carefully about the lesson’s content and make it your own. In short, our courses set you on the path to mastery!

Options Fundamentals for Professionals Online Seminar

Introduction to Options Course (10 lessons)

Introductory

- What is an Option
- Options in Their Historical Context
- Arbitrage in the Ancient World
- Options in Daily Life
- The Development of Modern Derivatives
- The Development of the Listed Option Market
- The OTC Option Market
- How Goldman Sachs Lost \$1.2 Billion of Libya's Money
- Comparison of Options to Stocks (and Futures)
- Different Option Perspectives

You may not realize it, but you are already using options all the time.

Options are ancient financial tools that helped build the very foundation of our modern, global economy. This course explains that, far from being mysterious “black-box” weapons of mass destruction, options are useful tools we are accustomed to using every day. We also compare several different types of options to common financial tools and explain the perspectives of various option players.

No matter your view of options going in, after completing this course, your appreciation for and understanding of them is guaranteed to deepen.

View Online

Structured Products

When Buffett talks about “weapons of financial mass destruction” this is one of the things he’s talking about.

04:32

Option Basics Course (11 lessons)

Introductory

- Stock Ranges of Exposure
- Option Ranges of Exposure
- Primer on “Short” Investments
- Moneyness and Position Descriptions
- Complex Positions and Overlays
- The Intelligent Option Investor Excerpt
- Effective Buy / Effective Sell Prices
- Put-Call Parity
- Hockey Stick Diagrams Part I
- Hockey Stick Diagrams Part II
- Perspectives: Option Visualization

Go from jargon to an intuitive understanding of option positions!

Most of the option world represents options as either mathematical equations or hockey stick figures. Framework prefers to depict options as “ranges of exposure” that allow an investor to see the similarities between options and other instruments such as stocks and bonds. This course and allows for a more intuitive analysis of investment positions and intro-duces inescapable option terminology.

In the interest of completeness, we also offer an overview of how to read the “hockey stick” diagrams that are found in most option books and introduce the oldest method for pricing options: Put-Call Parity.

View Online

Hockey Stick Diagrams

04:11

Options Fundamentals for Professionals Online Seminar

Option Market Mechanics Course (9 lessons)

Intermediate

- Stock Option Expiration & Settlement
- Index Option Expiration & Settlement
- Strike Price Intervals
- Measuring Option Transaction Activity
- Market Makers
- A Market Maker's Take on High-Frequency Traders
- High-Frequency Traders' Perspective
- Option Market Dynamics
- FLEX Options

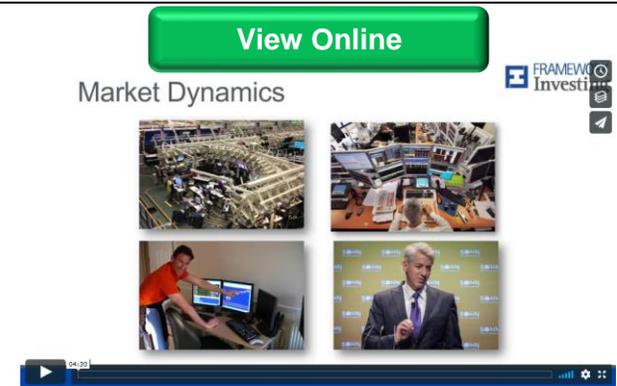
To successfully navigate in a different world, you need an understanding of how that world works.

Some of the fundamental characteristics of options, such as the existence of expirations and strike prices, mean that the mechanics of option transactions can seem complex to a stock or fund investor.

This course leads you through important issues related to the mechanics of the option expiration, settlement, and liquidity, and offers perspective on the influence of market makers, hedge funds and other large institutional investors, and high frequency trading firms on options markets.

View Online

Market Dynamics



The video player shows a grid of four images: a large trading floor, a person at a computer, a person in a suit speaking, and another person at a computer. The player includes a play button, a progress bar, and a 'FRAMEWORK Investing' logo in the top right corner.

Option Prices and Pricing Course (14 Lessons)

Intermediate

- Pricing screen set-up & "Last Price"
- The Bid-Ask Spread in Action
- Visualizing Option Prices
- Intuition of Option Pricing Models
- Option Prices & The BSM Cone
- Drift and Dividends
- BSM Cone Probabilities
- Delta – the Handiest "Greek"
- Volatility and the Rules of Option Pricing
- Implied Volatility
- Finding the "Right" Volatility
- Option Pricing Dynamics
- Time Decay
- Strengths and Weaknesses of the BSM

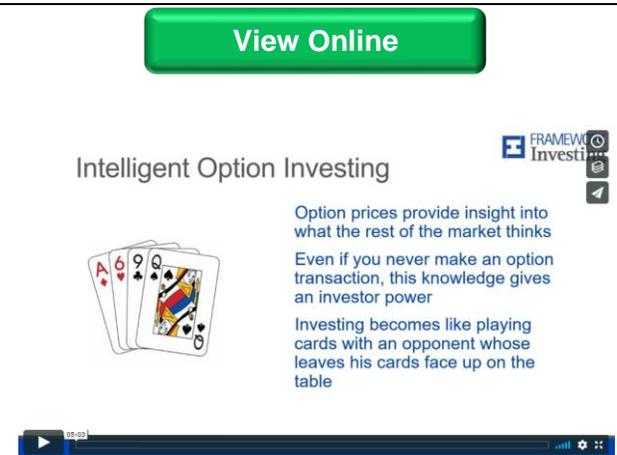
Looking to impress your boss or interviewer? After finishing this course, you'll be able to do it.

Even experienced portfolio managers have trouble making sense of an option price display, let alone having an intuitive, immediate grasp of what moves option prices. That's a shame! An option pricing screen contains a wealth of information helpful even to investors that never transact a single contract.

In this course, we show you how to efficiently glean information from an option pricing screen and use a unique, intuitive, and visual way to teach you how option pricing models work. Within a few brief lessons, you will understand concepts that usually require reading hundreds of pages of dense mathematical equations. What's more, you'll clearly see how the unreasonable simplifying assumptions underlying pricing models offer opportunities to intelligent investors.

View Online

Intelligent Option Investing



The video player shows an image of four playing cards (Ace of Spades, Six of Hearts, Nine of Clubs, Queen of Diamonds) and a man in a suit speaking. The player includes a play button, a progress bar, and a 'FRAMEWORK Investing' logo in the top right corner.

Option prices provide insight into what the rest of the market thinks
 Even if you never make an option transaction, this knowledge gives an investor power
 Investing becomes like playing cards with an opponent whose leaves his cards face up on the table

Options Fundamentals for Professionals Online Seminar

Advanced Option Pricing: Understanding and Using the Greeks Course (8 lessons)

Advanced

- Computational Pricing Models
- Introduction to The Greeks
- Delving into Delta Probabilities
- Delving into Delta Derivatives
- Delta Probabilities and Gamma Risk
- Anatomy of an Institutional Option Transaction
- Institutional Option Case Study: Ackman & Target
- Rho, Vega, and Theta

Hedging is one of the most common uses of options, and we teach you the nitty gritty of that skill here.

Option pricing dynamics are important to understand for an investor who has a directional view. “Inventoryers” without a directional view must use mathematical tools to manage the risk of holding an inventory of options temporarily – these tools are the “Greeks” that are often discussed in option trading circles.

In this course, we delve more into on Greek in particular – Delta. Delta is the most important Greek for directional investors, and “Delta hedging” bears directly on how OTC and FLEX market trades are executed on behalf of institutional investors.

View Online

Lambda

5%

Lambda = $\frac{50\%}{5\%} = 10$

50% Option

5% Stock

ATM Call Option

Stock Price = \$20 / share

Call Option Price = \$1.00

Assume Stock Price rises to \$21 / share

Delta of 0.50 implies Call Option price of \$1.50

“Levered 10 times”

Understanding Volatility Course (10 lessons)

Advanced

- Checking our Intuition about Volatility
- Four Types of Volatility
- A Typical View of Volatility
- Pricing Volatility in a Certain World
- Finding “Mispriced” Volatility
- Option Investment Strategy Map
- The Volatility Surface
- VIX Basics
- VIX Futures
- Dispersion / Correlation Trading

Volatility is the one thing anyone working with options must understand.

Everyone has heard the term “volatility” and many investors think they understand what it means. Few actually do. In this mini-course, we uncover the mysteries of volatility from a unique perspective – that of a directional investor.

This course also walks through some more advanced topics (Volatility Surface, Dispersion Trading) and explains the myriad reasons why simple-minded plans to buy VIX futures to hedge against a market decline are misguided.

View Online

Two Views of Volatility

Shows nominal value of implied volatility at different strikes and tenors

Shows translation of implied volatility values into future price predictions

Options Fundamentals for Professionals Online Seminar

Understanding Leverage Course (16 lessons)

Advanced

- The Three Types of Leverage
- The Mechanics of Investing Leverage
- Overleverage
- Option Leverage – Accepting Exposure
- Overleverage and AIG
- What Went Wrong at AIG
- Different Types of Margin Accounts
- Option Leverage – Gaining Exposure
- Levered vs Unlevered Returns
- “Immediate Realized Loss”
- Framework for Measuring Leverage
- ITM Option Leverage Position
- OTM and Hybrid Leverage Positions
- Levered ETFs
- Lambda Leverage & Notional Exposure
- Buffett’s Alpha

Misunderstanding and mismanaging leverage has provided the impetus for the spectacular downfall of even the most knowledgeable investors.

In reality, options are not levered instruments any more than stocks are. However, it is relatively easier to implement a levered strategy with options than it is with stocks. Understanding what leverage is, how it can be measured, and how it can be managed is a vital topic for anyone using options to execute an investment strategy.

This course starts by offering a general definition of leverage that applies to different contexts, investigate the mechanics of leverage in an investing context, and show how leverage manifests itself in an options context. We draw a real-life example from AIG and its OTC option contracts, see how investing leverage using options is fundamentally different from leverage generated with other instruments, then build a framework for measuring, managing, and achieving investing success by learning from the master of levered investing.

[View Online](#)

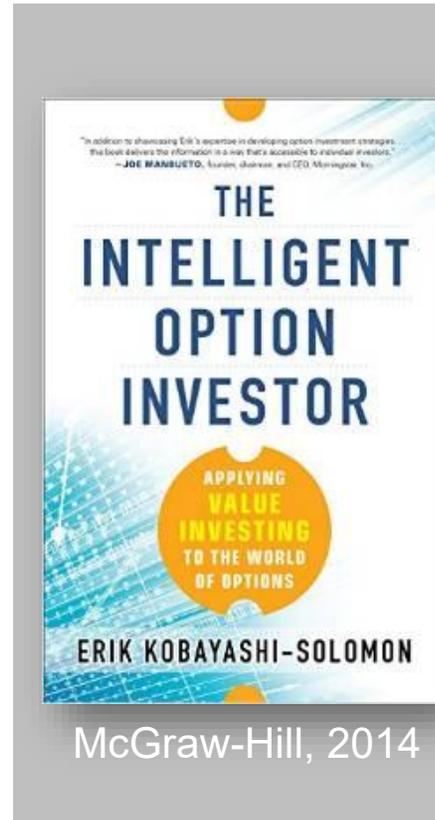
Unlevered vs Levered Returns





Erik Kobayashi-Solomon has worked on Wall Street since 1997 and is the co-founder of Framework Investing, a firm specializing in providing institutional caliber investment training to organizations and individuals. A contributor to Forbes and an adjunct professor at Temple University, he has also appeared on television and radio, and has been quoted in print media across the globe. A popular speaker, he has been asked to present at the University of Chicago, Northwestern University, and the New York Society of Security Analysts, among others.

The architect of the World Bank's standard valuation model for emerging market private equity investments, he has served as the director of research for one hedge fund and as the risk manager of another, worked as the head of listed derivative operations for Morgan Stanley in Tokyo, as Morningstar's Market Strategist, and as director of research of YCharts.



What Others are Saying

"Erik's training and methodology is second to none!"
Franco D., Hedge fund manager

"Your excellent training program provided a framework that made using options a practical, return-generating investment tool in my family office's portfolio."
Joe M., CIO Family Office

"Framework's classes have made a significant difference in how I view the world of investing..."
Sheila C., Registered Investment Advisor

"[Your training] has helped me discern twice as many investing opportunities."
Evan B., Pension fund manager

For more information about Framework Investing's **Options Fundamentals for Professionals** seminar, please contact us at +1 646.801.2464 or at info@FrameworkInvesting.com