

Option Fundamentals for Professionals

Online Seminar Syllabus

Gain a Rigorous, 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 – an Oxford Quant (By Niccolò Caranti)



Celebrity Floor Traders (By Eye Captain from Washington, DC, USA - Flickr)

Financial pros and serious investors 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)

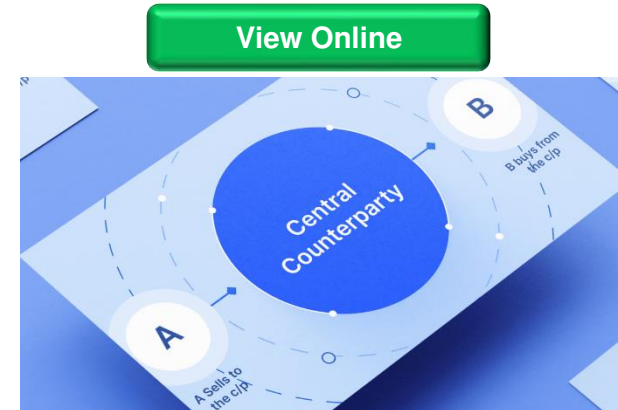
Fundamental

- 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

Empower yourself with an understanding of the versatility and flexibility that options provide intelligent investors and appreciate their role as a keystone financial instrument.

You are curious about options but may be hesitant to delve in because of their reputation for being complex and opaque. This course will de-mystify options, show you the key historical developments that have made them so popular, and allow you to see them for what they are: powerful, flexible, standard tools of modern investing.

See how options stack up against other financial instruments and learn what specific features make options particularly safe and useful. As you progress, expect your understanding and confidence to deepen. Elevate your financial game and embrace options as your portfolio's strategic ally.



Option Basics Course (11 lessons)

Fundamental

- 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

Embark on a journey from the darkness of complex jargon and arcane diagrams to the light of a clear understanding of how an intelligent investor can tailor his or her investment exposure with options.

The cornerstone of this course is our unique way of visualizing option positions. Despite what cable TV pundits might lead you to believe, any option position—even multi-leg, "complex" positions—can be conceived of simply as a "range of exposure" that is intuitively similar to the way people think of stocks.

This course will allow you to develop your intuition about options, demystify option jargon, decipher legacy "hockey stick" diagrams, and show you how to use the oldest method for pricing options using "put-call parity." Gain confidence and insight into your investment decisions with us!



Options Fundamentals for Professionals Online Seminar

Option Market Mechanics Course (9 lessons)

Intermediate

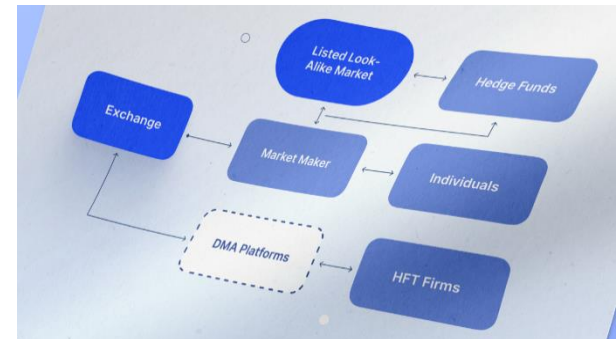
- Stock Option Expiration & Settlement
- Index Option Expiration & Settlement
- Strike Price Intervals
- Measuring Option Transaction Activity
- Market Makers
- A Market Maker's Take on High-Frequency Traders
- High-Frequency Traders' Perspective
- Option Market Dynamics
- FLEX Options

We bet this course will save you money by keeping you from making expensive mistakes! Take it if you want a clear-eyed overview about how option markets work in the real world.

Options are easy to understand but some of their fundamental characteristics—expiration dates and strike prices, specifically—mean that the mechanics of option transactions can seem confusing to a stock or fund investor.

What does a market maker do? How do hedge funds, institutional investors, and high-frequency trading firms affect option markets? Elevate your understanding to make confident investment decisions in this dynamic environment.

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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

Even if you never transact a single option contract, taking this course will be worth your while. Option pricing displays offer an intelligent investor a wealth of information about the market's expectations for future asset prices.

The fact is, though, that even seasoned portfolio managers struggle with option price displays, missing out on crucial insights.

Fear not! Our course empowers you with an intuitive understanding of how option prices are calculated and how those prices relate to investing ranges of exposures in an unforgettable, visual way. Say goodbye to dense equations—our concise lessons distill complex concepts into easily digestible insights. Plus, you'll uncover opportunities hidden within pricing model assumptions, giving you an edge as a savvy investor. Don't just survive—you can thrive in the world of options with us!

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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

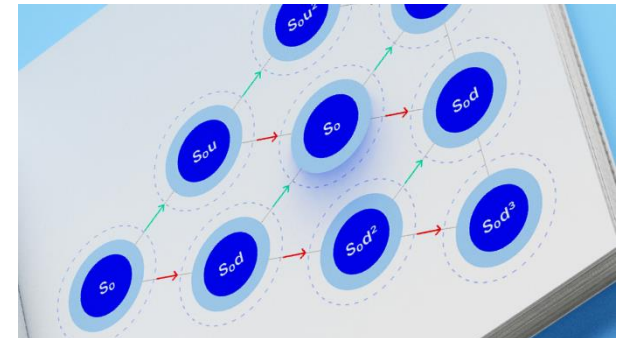
You are a sell-side or buy-side and need to understand the nitty-gritty of option pricing and how institutional option transactions are executed. This course is for you.

Option pricing dynamics are important to understand for an investor who has a directional view. “Inventories” 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 one 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.

This course is focused on institutional trading, but it offers depth and insight to anyone who wants to understand how option trading and hedging works.

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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

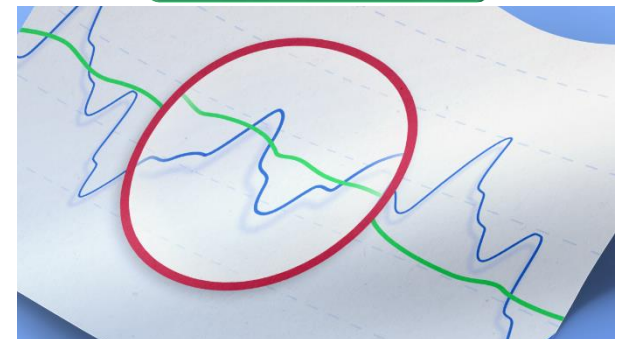
Gain mastery in options trading by unlocking the secrets of volatility, the single biggest factor affecting option prices.

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.

Elevate your trading prowess and navigate markets confidently with our customer-centric approach.

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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

Warren Buffett once famously quipped, “When you combine ignorance and leverage, you get some pretty interesting results.” By “interesting,” Buffett meant “tragic.”

Mismanaging leverage has arguably been the root cause of every great financial tragedy, from the implosion of Bering’s Bank to the 2008 Financial Crisis.

Options, contrary to common belief, aren’t inherently leveraged. However, it is easier to use leverage when trading options and many people trade them without realizing they are using levered strategies. This course unveils the true nature of leverage, empowering you to wield it effectively in your investment endeavors.

Explore leverage across various contexts, demystify its mechanics in investing, and delve into its nuances within options trading. Using real-world examples like AIG’s disastrous option selling strategy, you will see how option leverage differs fundamentally from leverage in other instruments. Gain insights into measuring, managing, and ultimately achieving investment success through the lens of levered investing masters. Unlock the secrets to prudent investment strategies that mitigate risks and maximize returns.





THE WORLD BANK

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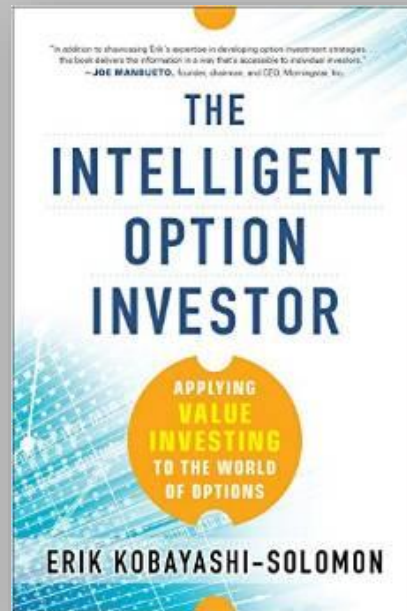
Morgan Stanley



Forbes

MORNINGSTAR

FRAMEWORK Investing



McGraw-Hill, 2014

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

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.

