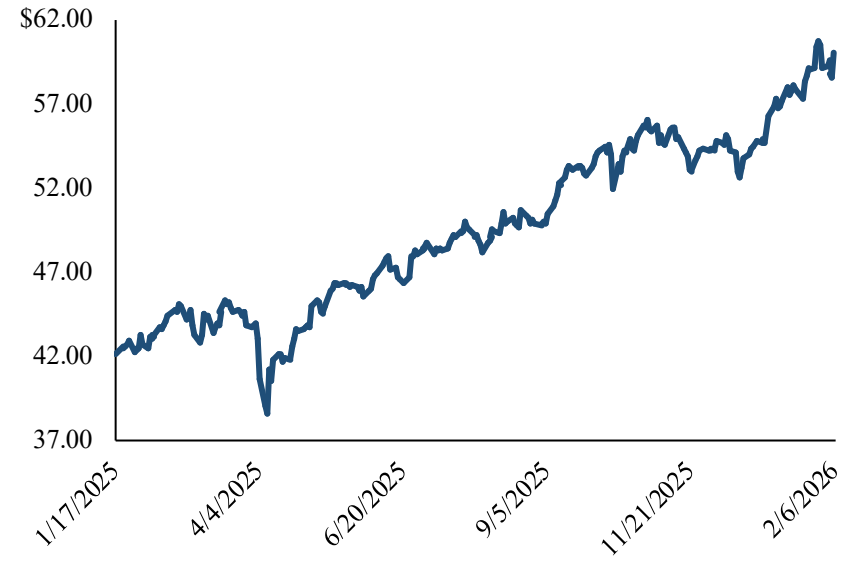


iShares MSCI Emerging Markets ETF | One-Year Price Chart



Index Derivatives Sector

Associate
Lucas Carpi
lucasvcarpi@gmail.com

Associate
Danny Kozak
dann kozak6@gmail.com

Analyst
Gabe Henneman
gabe.henneman@gmail.com

Analyst
Tim Spinoso
timmy.spinoso@gmail.com

President
Cole Woolard
colewoolard05@gmail.com

Vice President
Alex Micca
alexmicca04@gmail.com

Chief Investment Officer
Michael McGinley
michaelmcgin3@gmail.com



Position Details

- iShares MSCI Emerging Markets ETF | EEM
- Underlying Price: \$60.63
- Bull Call Spread
- Expiration Date: September 30, 2026

Table of Contents

- I. Product & Position Overview
- II. Macroeconomic Thesis
- III. Risk Analysis
- IV. Technical Bias & Fair Value
- V. Capital Allocation



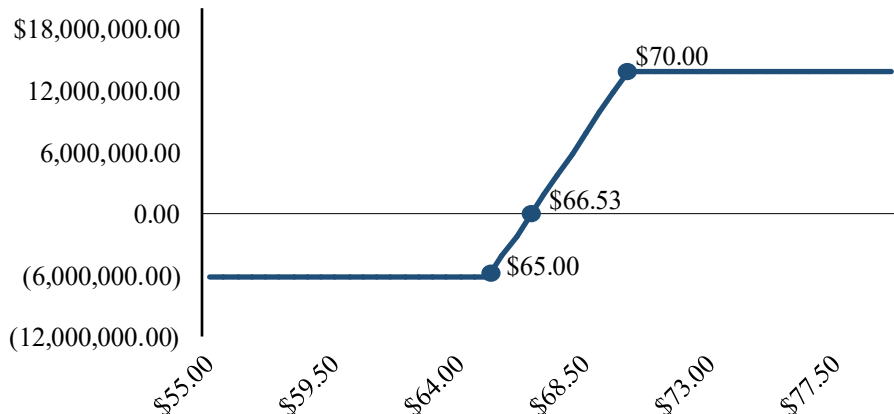
I. Product & Position Overview

Product & Position Overview

Product Description

- **iShares MSCI Emerging Markets ETF**
 - The iShares MSCI Emerging Markets ETF seeks to track the investment results of ~1.25 k large and mid-cap equities across global emerging markets. It mainly provides exposure to emerging market equities primarily in China, Taiwan, India
 - Heaviest Sector Weightings
 - Technology (30.37%), Financials (21.16%), Consumer Discretionary (11.41%), Communication Services (8.88%)
 - Largest Constituents
 - China (27.55%), Taiwan (20.55%), India (15.25%), South Korea (13.29%), Brazil (4.31%), South Africa (3.80%)
 - TSMC (12.54%), Samsung (4.71%), Tencent (4.50%), Alibaba (3.36%), SK Hynix (2.91%), HDFC Bank (1.07%)

Payoff Diagram



Trade Breakdown

- **Bull Call Spread**
 - The trade strategy will allow the Sector to capitalize on bullish price movements in the iShares MSCI Emerging Markets ETF
- **Setup**
 - We Buy – 4.00 k OTM \$65.00 Calls | EEM
 - We Sell – 4.00 k OTM \$70.00 Calls | EEM
 - Max Profit: \$13,880,000.00
 - Max Loss: (\$6,120,000.00)
- **Expiration**
 - September 30, 2026

Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
 - **\$70.00 / \$67.50 / \$65.00**
 - Breakeven – \$66.53
- **Methodology**
 - The Sector will look to benefit off a 15.45% bullish movement in the Emerging Markets ETF to achieve maximum profit
- **Hedge Strategy**
 - The Sector will consider reverse trading out of the position in the case of a large bearish movement in the underlying



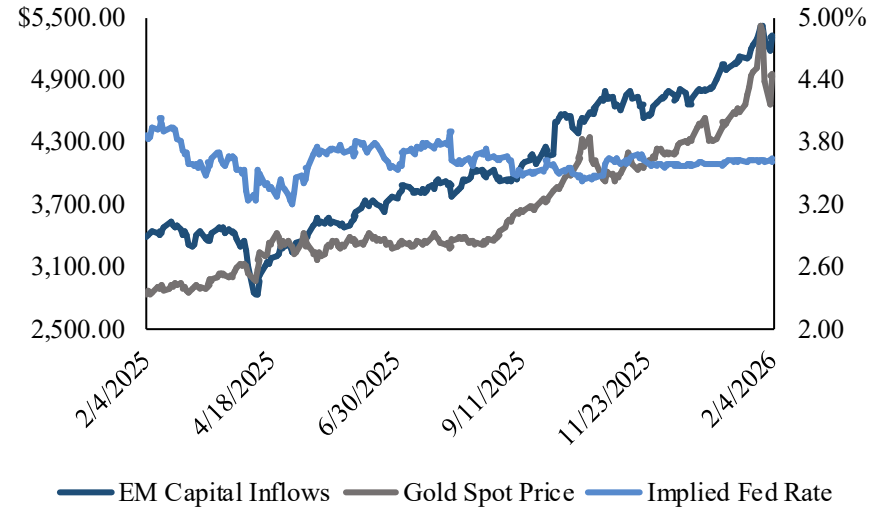
II. Macroeconomic Thesis

Macroeconomic Thesis

Macroeconomic Summary

- **Trade Integration and Financial Strength Drive India’s Economy**
 - India has recently secured trade agreements with the EU and the U.S., significantly reducing tariffs, and strengthening economic ties. These agreements include commitments to significant investment into the emerging market and establish the world’s largest free trade zone between India and the EU
 - The banking sector saw a record quarterly profit of ₹52,603.00 crore in fiscal year 3Q2026, led by the State Bank of India reporting its highest quarterly profit ever, signaling a rebound in financials as loan growth is expected to accelerate to ~13.00%
- **China’s Tech and Auto Growth Drive Global Expansion**
 - Chinese automakers’ global market share has increased to 23.60%, with global sales up ~800.00% in the past five years. Foreign sales have surged 1,300.00%, exceeding 474.00 k units
 - Tencent is expanding its data centers in the Middle East to grow its cloud business, increasing competition with U.S. companies
 - China's "AI+ Manufacturing" initiative boosts Alibaba, with Alibaba Cloud set to benefit from over 50.00 k new factories
- **AI Compute Demand Locks In Leading-Edge Capacity at TSMC**
 - New production line reservations support TSMC’s 36.80% y/y revenue growth, and set the stage for further growth into 2026. Increased production demand has also driven capital expenditures up 25.00% y/y, reaching an estimated \$56.00 bn y/y
 - TSMC’s N2 chip implementation in new APPL products in September is expected to drive strong demand with 95.00 mm units projected to be launched in fall of 2026. The chip will deliver roughly 15.00% higher performance than current chips

EM Inflows and Gold Spot Price vs. Fed Implied Rate | One-Year Chart



Market Pros & Cons

- Right-leaning political shift favors economic growth in Latin America
- Strong materials performance supports emerging markets in 2026
- China-Taiwan tensions escalate, increasing pressure on Asian markets
- Continued investor rotation out of tech weighs on ETF performance



III. Risk Analysis

Risk Analysis

Directional & Magnitude Risk

- **Delta Analysis**

- The Delta on this trade is 0.160
- For every \$1.00 change in the price of the underlying asset, the strategy will gain or lose \$0.160 in value
- With both strikes OTM, the Delta is low as the trade will rely on volatility to carry it. In order to profit, the Sector needs a strong upward movement in the underlying as expiration approaches

- **Gamma Analysis**

- The Gamma for this trade is 0.008
- Gamma is low in this trade, meaning a \$1.00 move in the underlying asset won't greatly affect Delta, moving it 0.008. Gamma will decrease as the option continues to move near its upper strike

Implied Volatility Risk

- **Vega Analysis**

- This trade has a Vega of 0.038
- The implied volatility of this trade is 20.00%
- For every 100.00 bps change in implied volatility, the contract's price is expected to rise or fall by \$0.038
- This contract is heavily reliant on IV, needing a 15.45% move in the price of the underlying, and Vega is directionally affecting the option as it nears the breakeven point, before lessening as we hope to maintain upwards momentum and slow volatility

Time Risk

- **Theta Analysis**

- The Theta for this contract is (0.001)
 - This trade experiences a loss of \$0.001 for every one-day change in the time until expiration. Time decay will accelerate in magnitude as the expiration date approaches
- Theta is negative as time decay reduces the trade's daily value, lowering the likelihood of landing in the money. Theta will continue to decrease as the time until expiration decreases

Interest Rate Risk

- **Rho Analysis**

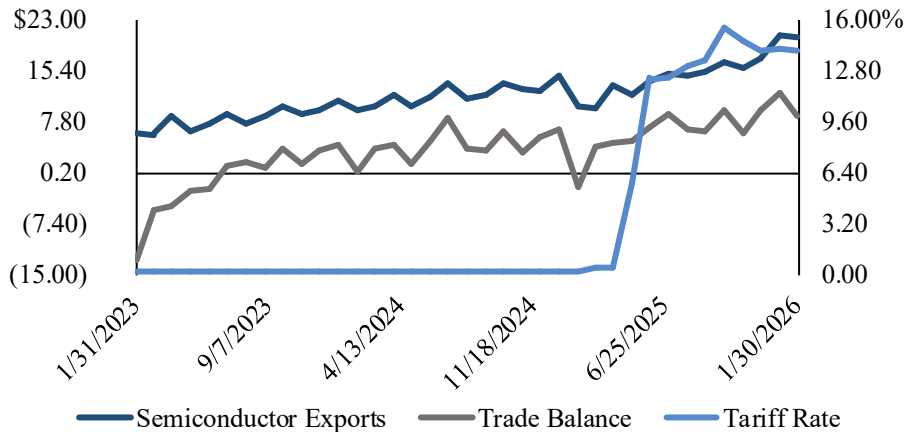
- The Rho in this trade is 0.054
- For every 100.00 bps change in the risk-free interest rate, the value of the contract is expected to gain or lose \$0.054 in value
- The duration of this trade will include five Federal Reserve monetary policy meetings, where the Sector expects 75.00 bps of cuts. The outcome of these meetings and any changes or holds to the interest rate will play a role in the profits of the trade



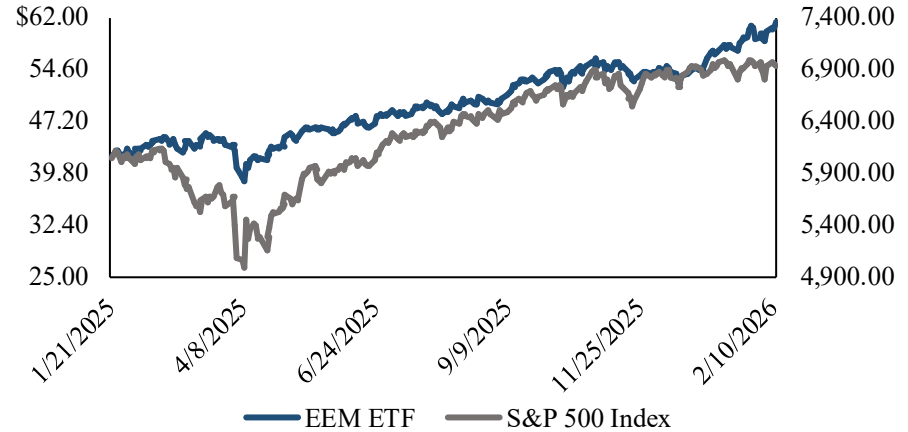
IV. Technical Bias & Fair Value

Technical Bias & Fair Value

South Korean Exports vs. Effective Tariff Rate | Three-Year Chart



EEM ETF vs. S&P 500 Index | One-Year Chart



Monte Carlo

	Long Call	Short Call
Value	\$9.0062	\$5.4363

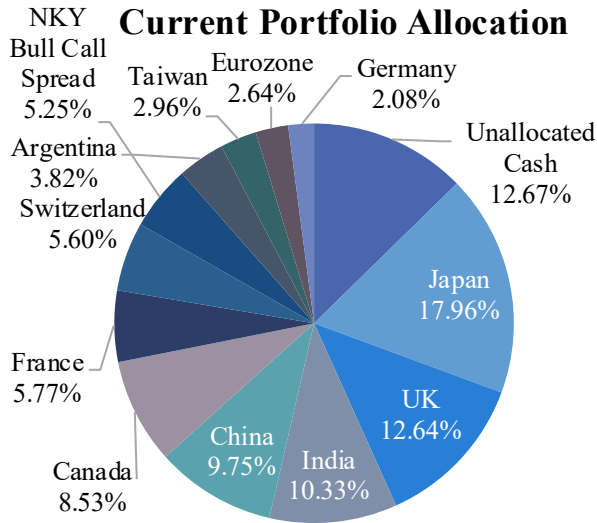
Synopsis

- South Korea's export driven economy has maintained growing exports despite being hindered slightly by a U.S. tariff, showing resilience in the trade market. Within the nations trade, semiconductor exports have grown substantially, contributing to South Korea's trade surplus. Looking ahead to 2026, the Sector remains optimistic, with expectations that the economy will continue to show strength and stability despite ongoing tariff concerns
- In 2025 we saw the EEM ETF return approximately 25.00% greater returns than the S&P 500 Index, with the ETF outpacing the index. Despite this growth, EEM has a P/E ratio of 18.84, noticeably lower than the index's P/E ratio of 29.82, making EEM an extremely attractive buying opportunity for investors. The Sector expects the emerging markets bull run to continue, positioning our trade to move into the money and generate profit

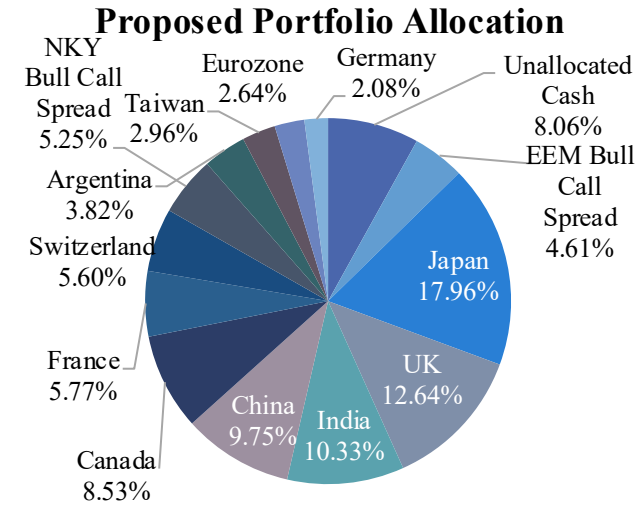


V. Capital Allocation

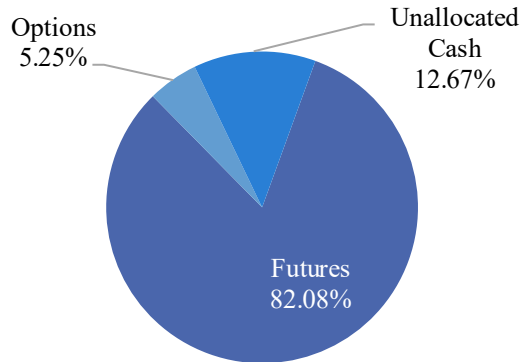
Capital Allocation



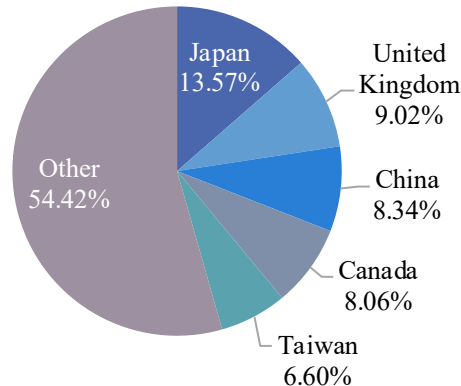
Transaction Summary		
Ticker	Position Change	
	Contracts	Allocation
iShares MSCI Japan ETF	0	\$0.00
iShares MSCI UK ETF	0	\$0.00
iShares MSCI India ETF	0	\$0.00
iShares MCHI China ETF	0	\$0.00
MSCI Canada ETF	0	\$0.00
iShares MSCI France ETF	0	\$0.00
MSCI Switzerland ETF	0	\$0.00
NKY Bull Call Spread	0	\$0.00
MSCI Argentina ETF	0	\$0.00
MSCI Taiwan ETF	0	\$0.00
MSCI Eurozone ETF	0	\$0.00
iShares Germany ETF	0	\$0.00
EEM Bull Call Spread	+4000	\$6,120,000.00
Allocation Change		\$6,120,000.00



Current Position Allocation



Benchmark Allocation



Proposed Position Allocation

