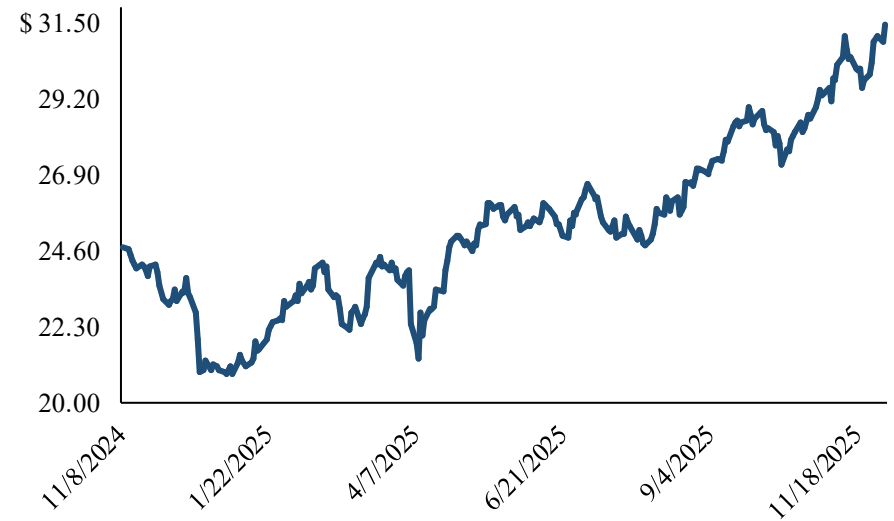


iShares Latin America 40 ETF | One-Year Price Chart



Position Details

- iShares Latin America 40 ETF | ILF
- Underlying Price: \$30.99
- Bull Call Spread
- Expiration Date: June 18, 2026

Index Derivatives Sector

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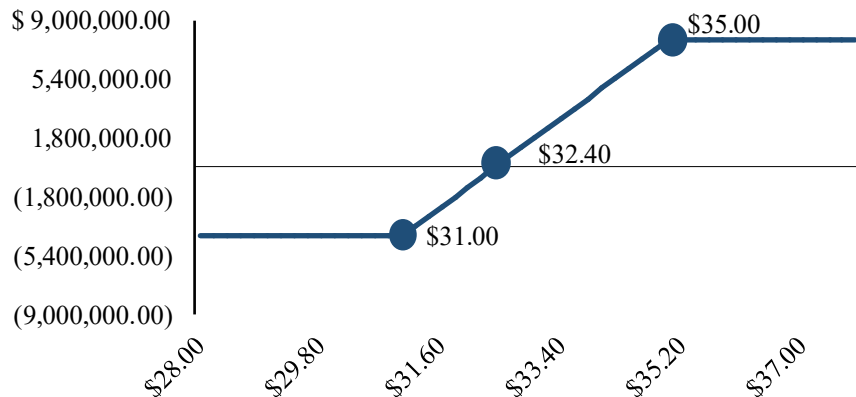
I. Product & Position Overview

Product & Position Overview

Product Description

- **iShares Latin America 40 ETF**
 - The iShares Latin America 40 ETF seeks to track the investment results of an index composed of 40.00 of the largest Latin American equities. It provides exposure to companies across the region and reflects the performance of major Latin American markets
 - Heaviest Sector Weightings:
 - Financials (41.01%), Materials (20.75%), Consumer Staples (10.30%), Energy (9.80%), Utilities (5.02%)
 - Largest Constituents:
 - Brazil (60.07%), Mexico (24.58%), Chile (7.91%)
 - Nu Holdings Ltd (11.81%), Petrobras (8.90%), Vale ADR (8.23%), Itaú Holding ADR (7.49%), Grupo Mexico (4.91%)

Payoff Diagram



Trade Breakdown

- **Bull Call Spread**
 - The trade strategy will allow the Sector to capitalize on bullish price movements in the iShares Latin America 40 ETF
- **Setup**
 - We Buy – 30.00 k ATM \$31.00 Calls | ILF
 - We Sell – 30.00 k OTM \$35.00 Calls | ILF
 - Max Profit: \$7,800,000.00
 - Max Loss: (\$4,200,000.00)
- **Expiration**
 - June 18, 2026

Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
 - **\$35.00 / \$33.75 / \$31.00**
 - Breakeven – \$32.40
- **Methodology**
 - The Sector will look to capitalize on a 12.94% bullish movement in the iShares Latin America 40 ETF to achieve maximum profit
- **Hedge Strategy**
 - The Sector will explore the possibility of reverse trading out of the position in the case of bearish price movement



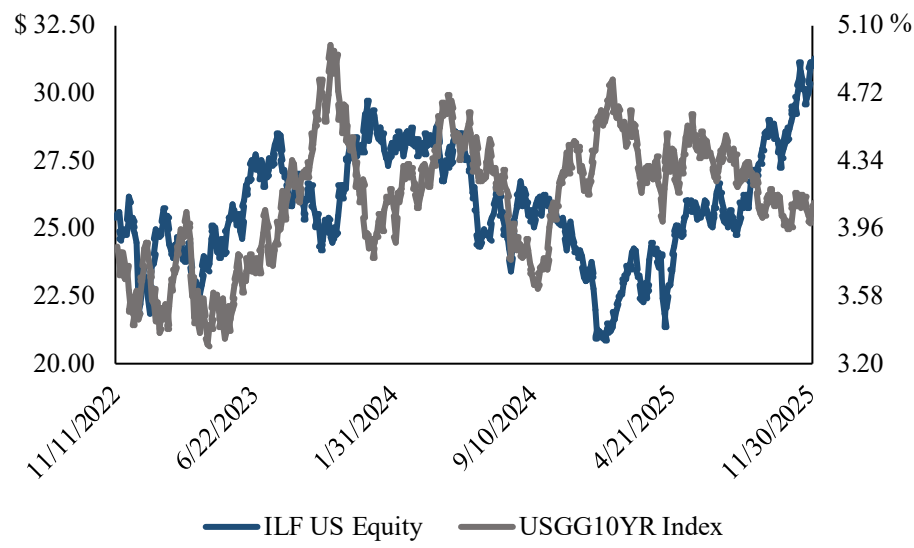
II. Macroeconomic Thesis

Macroeconomic Thesis

Macroeconomic Summary

- Dovish Fed and Softer Dollar Ignite Emerging-Market Upside**
 - With a weaker USD and declining U.S. bond yields, export-driven Latin American nations' currencies should appreciate, and equities should draw foreign investment as U.S. investors shift from low-yield assets into growth-oriented Latin American equities
 - The Trump administration continues to pressure the Fed toward a dovish stance and is expected to appoint a dovish chair to succeed Jerome Powell in May, leading the Sector to forecast three 25.00 bps rate cuts and growing expectations of a fourth by expiration
- Brazil Anchors Its Low-Cost Energy & Mineral Competitiveness**
 - Petrobras maintains one of the lowest production cost structures globally, breaking even near \$28.00 per bbl, anchoring its strength in energy even if Brent crude prices push near ~\$55.00 per bbl
 - The EU-IDB initiative is expected to unlock a €120.00 mm and \$100.00 mm loan to support lithium, copper, and rare-earth processing projects across Brazil, Argentina, Chile, and Bolivia. Rio Tinto is developing a \$2.50 bn project to extract and process battery-grade lithium in Argentina's Salta Province, inside the Lithium Triangle
- Portfolio Leaders Signal Latin America's Next Growth Wave**
 - Brazil's fintech presence is accelerating globally, led by NuBank's push for a U.S. National Bank Charter and newly granted full permissions in Mexico. With a valuation above \$80.00 bn and over 122.00 mm customers, NuBank is now one of the world's largest and fastest scaling digital challenger banks heading into 2026
 - Mining giant Vale ADR impressed buyers with its 3Q2025 report, prompting Jefferies to raise its buy signal to \$15.00 as the company posted a 28.57% y/y earnings per share increase. Additionally, the company saw its credit rating raised to IG by both S&P and Fitch

iShares Latin America 40 ETF vs U.S. 10-Year Yield | Three-Year Chart



Market Pros & Cons

- U.S. continues to roll back tariffs, Latin American trade volume increases
- Latin American presidential elections continue to shift to the right
- Trump's threats to replace President Maduro ignite further conflict
- Mounting fiscal deficit hurts Latin American currencies, growth agenda



III. Risk Analysis

Risk Analysis

Directional & Magnitude Risk

- **Delta Analysis**

- The Delta for this trade is 0.2790
- For every \$1.00 change in the price of the underlying asset, the strategy will gain or lose \$0.2790 in value
- With the lower strike ATM and the upper strike OTM, Delta starts relatively high and rises until the price nears the upper strike, where it then falls. To profit, the Sector needs a strong upward movement in the underlying as expiration approaches

- **Gamma Analysis**

- The Gamma value for this trade is 0.0195
- Gamma is low in this trade, meaning that a \$1.00 move in the underlying asset won't greatly affect Delta, moving it 0.0195. Gamma will continue to decelerate as the option nears max profit

Implied Volatility Risk

- **Vega Analysis**

- This trade has a Vega of 0.0214
- The implied volatility of this trade is 21.00%
- For every 100.00 bps change in implied volatility, the contract's price is expected to increase or decrease by \$0.0214
- This contract is heavily reliant on IV, needing a near 13.00% 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 small upward changes and limit volatility

Time Risk

- **Theta Analysis**

- The Theta for this trade is (0.0015)
- This trade experiences a loss of \$0.0015 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, diminishing the chances of landing in the money. Theta will continue to decrease as the time to expiration decreases

Interest Rate Risk

- **Rho Analysis**

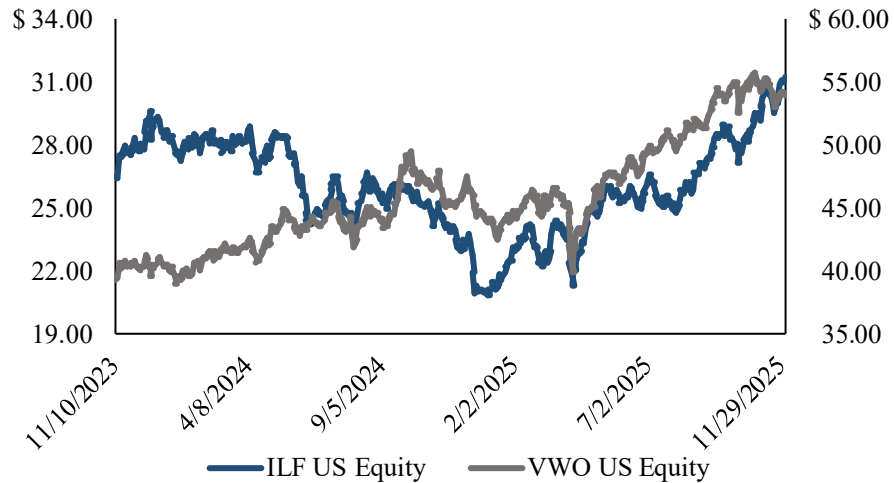
- The Rho in this contract is 0.0406
- For every 100.00 bps change in the risk-free interest rate, the value of the contract is expected to gain or lose \$0.0406 in value
- The duration of this trade will likely include five Federal Reserve monetary policy meetings, where the Sector expects ~75.00 bps of cuts. The outcome of these meetings and any changes or holds to the interest rate will play a role in our profits



IV. Technical Bias & Fair Value

Technical Bias & Fair Value

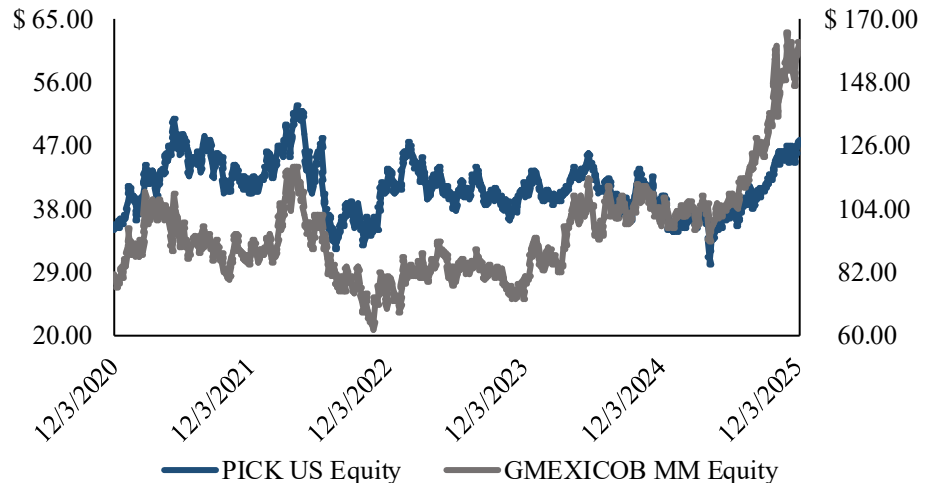
iShares Latin America 40 ETF vs Emerging Markets ETF | Two-Year Chart



Monte Carlo

	Long Call	Short Call
Value	\$5.4041	\$2.5410

Grupo México Spot Price vs PICK US Equity Index | Five-Year Chart



Synopsis

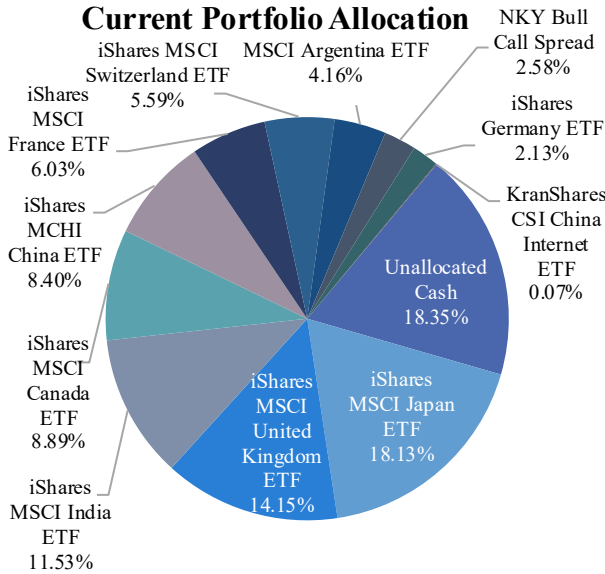
- As of recently, Latin American markets started to outperform the broader Emerging Markets ETF, despite trailing valuations, as they benefit more from a Federal Reserve rate-cutting cycle. With a more risk-on global environment, investors look to countries like Brazil and Mexico for higher real yields. With a dovish BCB and Fed, we will see a decline in real yields, shifting consumer investment from Latin American bonds to equities
- Grupo México is shown closely trailing the global benchmark for most of the period, until it recently began outperforming the index over the past year, despite ongoing trailing valuations. Grupo México is one of the largest copper producers in the world, benefiting from bullish price movements in Copper. The Sector expects this trend to continue into 2026, amidst supply constraints, growing demand, and ever-evolving AI expansion



V. Capital Allocation

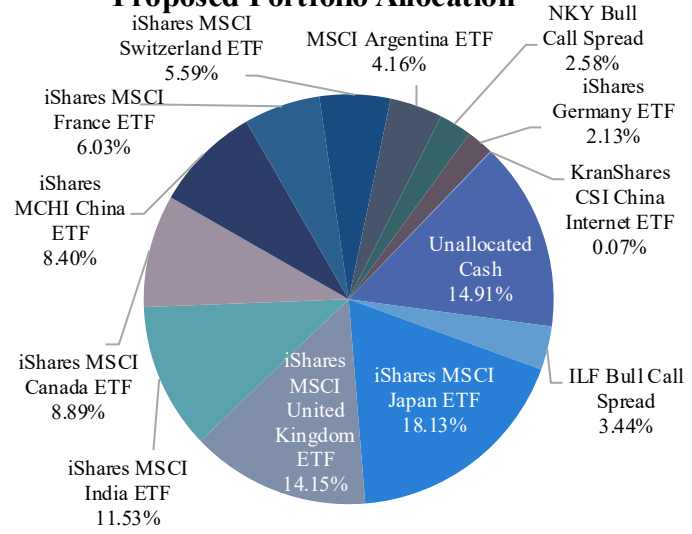
Capital Allocation

Current Portfolio Allocation

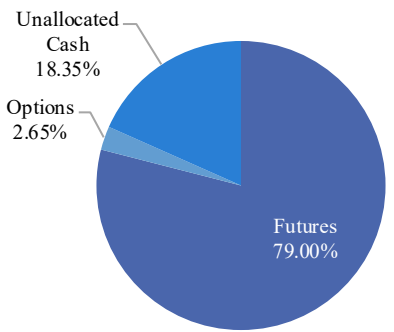


Transaction Summary		
Ticker	Position Change	
	Contracts	Allocation
iShares MSCI Japan ETF	0	\$0.00
iShares MSCI U.K. ETF	0	\$0.00
iShares MSCI India ETF	0	\$0.00
iShares MSCI Canada ETF	0	\$0.00
iShares MCHI China ETF	0	\$0.00
iShares MSCI France ETF	0	\$0.00
iShares MSCI Switzerland ETF	0	\$0.00
Global x MSCI Argentina ETF	0	\$0.00
NKY Bull Call Spread	0	\$0.00
iShares Germany ETF	0	\$0.00
KranShares CSI China Internet ETF	0	\$0.00
KraneShares CSI China I. ETF	0	\$0.00
ILF Bull Call Spread	+3000	\$4,200,000.00
Allocation Change		\$4,200,000.00

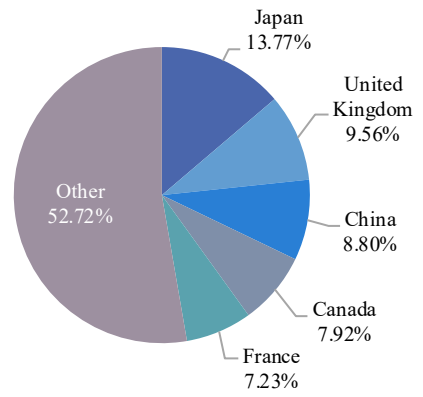
Proposed Portfolio Allocation



Current Position Allocation



Benchmark Allocation



Proposed Position Allocation

