Optimizing Your Concentrated Equity Position

Balancing Risk Mitigation, Income Generation, and Strategic Diversification

Custom options strategies designed to protect your wealth and generate systematic income.
income.

Who Are We?

We are serious in our profession, that's why we are SEBI registered.

Sampadha is a SEBI Registered Research Analyst and Investment Adviser run by 3 capital 3 capital market experienced people with over combined expertise of 70 years.

70+

YEARS OF COMBINED EXPERTISE

The Elephant in the Room

THE REALITY

Your single stock holding represents a significant engine of your wealth but introduces concentrated risk. 90% of a client's wealth might be in 10% of their holdings, leading to uncompensated volatility.

CONCENTRATION RISK

Having a disproportionate amount of wealth in a single stock exposes the portfolio to severe concentration risk. If the company faces a downturn — sector rotation, regulatory issues, or poor earnings — the overall portfolio value drops significantly.

THE GOAL

Transition from a 'hold and hope' mentality to a structured risk-management and income-generation approach without triggering massive immediate tax massive immediate tax events.

1. The Covered Call Strategy Income Generation

THE MECHANISM

Sell out-of-the-money call options against your existing shares. We sell call options on your existing shares with a strike price slightly above the current market price.

THE CASH FLOW

Collect immediate, upfront cash premiums to boost your portfolio's yield.

THE CUSHION

Generated premium provides a minor downside buffer if the stock price drops.

RETURNS

You collect an immediate cash premium. This acts as a cash-flow stream or a buffer against minor price drops.

RISKS & TRADE-OFFS

You cap your upside. If the stock rallies significantly past the strike price, your shares will be called away at the agreed-upon price, causing you to miss out on runaway gains.

Best For: When you are neutral to slightly bullish and want to generate income.

2. The Collar Strategy

Downside Protection + Income

THE MECHANISM

Buy a protective put option while simultaneously selling a covered call option. We buy an out-of-the-money (OTM) protective put to lock in a floor price, and simultaneously sell an out-of-the-money (OTM) call to fund the cost of the put.

ZERO-COST STRUCTURE

Structure the trade so call premiums fully fund the cost of the put options.

THE FLOOR

Establishes an absolute minimum value for your stock, defending against catastrophic crashes.

THE CEILING

Caps maximum upside to a predetermined level to pay for your insurance policy.

RETURNS & RISKS

Net cost can often be 0 (a 'zero-cost collar'). You retain modest upside up to the call strike. You cap the maximum growth of the stock, and you forfeit the capital below the put strike (which is protected).

BEST FOR: Protecting a massive unrealized gain from a severe market crash while giving up a little upside.

Asymmetric Return Profile: What to Expect

Stock Trades Flat to Moderately Higher

Best-case outcome. You keep 100% of your stock shares, pocket the maximized call premiums, and the protective puts expire harmlessly.

Stock Surges Significantly Upward

Your unprotected shares capture 100% of the upside. The covered call shares are sold at your profit target (the strike price), systematically locking in gains.

Stock Faces a Severe Correction

The generated call premiums soften the blow on your total portfolio, while the protective puts kick in to halt losses on the covered portion.

The Reality of Concentration Risk

Uncompensated Risk

Individual stocks face specific regulatory, earnings, and sector risks that diversification eliminates.

The Volatility Tax

50% → 100%

A 50% drop requires a 100% gain just to break even on your principal.

Opportunity Cost

Capital tied up in one asset misses out on compound growth in other sectors.

The Illusion of Safety

Historical data shows even dominant blue-chip companies experience prolonged drawdowns.

The Challenge

Outperforming markets comes with uncompensated volatility and potential sudden downswings.

The Outcome

Systematic wealth preservation without triggering immediate, massive capital gains taxes.

Your Challenges and Our Solutions

- ✓ Strike Selection
- ✓ Strike Rotation
- ✓ Expiry Selection
- ✓ Trade Entry Timing
- ✓ Trade Exit Timing
- ✓ Multiple Lots Execution Challenges
- ✓ Trade and Positions Monitoring
- ✓ Decision Making Speed
- ✓ Execution Speed Without Biases
- ✓ Income Tax Treatment
- ✓ Expiry Rollover Challenges

Connect With Us

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Sampadha — SEBI Registered Research Analyst & Investment Adviser

Disclaimers

- ⓘ Market Risks: Investments are subject to market risks; read all documents carefully.
- ⓘ No Guarantees: Past performance does not guarantee future results, and no assured returns are provided.
- ⓘ Liability: Sampadha is not responsible for losses, and clients must use their own judgment and take full responsibility for trading decisions.
- ⓘ Restriction: Services are for selected clients; third-party use of reports is prohibited.