

# VIH Strategy: Volatility-Informed Hedging

## 1. What Is the VIH Strategy?

VIH stands for Volatility-Informed Hedging.

It is a rules-based strategy that:

- Invests in leveraged ETFs for growth (e.g., TQQQ, SOXL, TNA)
- Uses inverse leveraged ETFs for strategic hedging (e.g., SQQQ, SOXS, TZA)
- Keeps collateral in short-term U.S. Treasuries (T-Bills)

## 2. Why Use VIH?

- Capture upside from growth-oriented sectors
- Reduce drawdowns with dynamic hedging
- Preserve capital through conservative collateral management
- Avoid margin calls by not using borrowed money

## 3. How It Works

Core Portfolio:

- TQQQ (60%), hedged with SQQQ (20% of TQQQ)
- SOXL (20%), hedged with SOXS (20% of SOXL)
- TNA (20%), hedged with TZA (20% of TNA)

Hedges are maintained at ~20% of the core ETF exposure, adjusted based on volatility, momentum, and macro signals.

## 4. Conservative Collateral Management

- All positions are cash-secured using T-Bills
- Never more than 80% of collateral is used
- Keeps 20%+ buffer to reduce risk and volatility
- No leverage is used at the portfolio level

## 5. Long-Term Discipline

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- LEAPS (long-term options) used for put-selling to avoid early assignment
- In-the-money covered calls used to rebalance when assigned
- Allocations reviewed periodically, not daily

### **6. Ideal for Investors Who:**

- Understand the potential and risks of leveraged ETFs
- Seek high upside but prefer a hedged, capital-preserving approach
- Value transparency, rules-based logic, and risk discipline

### **7. Key Benefits**

- Growth-focused without reckless leverage
- Systematic hedging reduces drawdowns
- Capital efficiency through T-Bill collateral
- Adaptable to different market regimes