

Introduction – Accepting Exposure

Welcome to Framework Investing’s Accepting Exposure mini-course. I’m Erik Kobayashi-Solomon, the author of *The Intelligent Option Investor* and Framework Investing’s Director of Research and Content.

This mini-course ties together everything you have learned in our previous mini-courses to show you how to invest intelligently by using option strategies that generate a fee from accepting exposure – selling options, in other words.

In the context of our Option Investment Strategy Map, we are going to concentrate on these three sections – the ones that purely accept exposure: downside exposure, upside exposure, and both up- and downside exposure.

There are a few hybrid strategies on the Map that involve simultaneous gaining and accepting exposure. We will cover these in the Gaining Exposure mini-course

This course is split into three sections. In the first section, we discuss the essence of what we call “bond replacement” investments. Bond replacements are strategies like cash-secured puts and covered calls that express a bullish investment opinion by accepting downside exposure.

In the second section, we dig into the nitty-gritty of the tactics involved in implementing a bond replacement investment and strategic issues of how to allocate bond replacement investments in a portfolio.

In the last section, we look at bearish option selling strategies.

By the end of this mini-course, you will have a very sound grasp of the strategies and tactics and the risks and rewards of selling options, and will understand how to successfully integrate these types of investments into your portfolio.

We think of this mini-course as capstone content of our full option seminar. This mini-course will tie together what you have learned about option pricing, leverage, and market mechanics in the context of accepting exposure.

We’ll get started by talking about the similarity between buying bonds and selling options.