Parametric Custom Portfolio Call Writing

STRATEGY OVERVIEW

Parametric offers Custom Portfolio Call Writing, a thoughtfully designed, rules-based call-writing program that seeks to enhance income and reduce risk in conjunction with a diversified equity portfolio.

Many clients and advisors expect near- to medium-term equity market returns to be moderately up, flat or down. Given these expectations for muted equity market returns, many market participants may be looking for ways to increase income and reduce risk with respect to their existing equity portfolios.

How does Custom Portfolio Call Writing work?

At the onset of a new program, Parametric runs a customized correlation analysis to ensure that the index underlying the calls written has a high correlation to the client's existing diversified equity portfolio. The strategy is then built to include the following components:

1. Client's underlying broadly diversified equity portfolio (existing manager retains control of assets)
2. Index call options sold against a portion of or all of the portfolio
3. A short-term cash reserve composed of accrued option premiums

Ongoing management of the strategy includes repeated selling of multiple tranches of short-dated index call options. When selling a call option, a premium is collected up front in exchange for giving away some upside. Unlike traditional call writing, a key goal of Custom Portfolio Call Writing is to maintain substantial (but not all) upside participation. This is done through option selection, daily monitoring and active management of the positions based on the market environment.

What are the potential benefits of call writing?

INCOME ENHANCEMENT

Investors receive an upfront premium when selling call options. This may serve to increase the yield on an existing equity portfolio when the market is moderately up, flat or down.

REDUCE EQUITY VOLATILITY

Call selling may deliver positive returns when the market is moderately up, flat or down, potentially creating a buffer against losses in the underlying portfolio.

DIVERSIFICATION

Equity options have historically traded above their theoretical fair value because of an embedded "volatility risk premium" (VRP). Accessing the VRP via call selling may introduce diversification benefits.

ENHANCE RETURNS

Our strategy seeks to enhance returns when equity markets are moderately up, flat or down.

Effective August 15, 2025 the strategy changed its name from Portfolio DeltaShift to Custom Portfolio Call Writing.

What is Parametric's approach to call selling?

Custom Portfolio Call Writing is an intelligently designed call selling strategy that uses a proprietary risk-based methodology to select the options sold. Key to Parametric's approach is selling multiple tranches of shorter-dated call options. There are two primary reasons for doing this:

- Repeated selling of shorter-dated options typically generates **more upfront gross premium** than selling fewer longer-dated options.
- When paired with Parametric's rules-based active management approach, multiple tranches of shorter-dated options may allow for **greater total return** than traditional approaches to call writing.

Below are some additional attributes and potential benefits of the strategy.

	DESCRIPTION	POTENTIAL BENEFIT
EXCHANGE-TRADED	Options are exchange-traded.	Low trading costs; virtually no counterparty risk; transparent pricing and valuation.
DYNAMIC STRIKE SELECTION	Written call options are out-of-the-money at initiation, using a proprietary methodology for strike price selection that adapts to changing market conditions.	More stable risk-return profile across market regimes, as strikes are a function of volatility.
SHORT MATURITY AND LADDERED EXPIRATIONS	One-week to four-month maturities, staggered across multiple tranches.	Allows for potentially higher yield than longer-dated options and improved diversification.
RISK MANAGEMENT RULES	Positions are monitored in real time; may repurchase positions prior to expiration using a rules-based approach to strategy design and portfolio management.	Improves predictability of investor outcomes and reduces likelihood of "surprises"; locks in profits or minimizes losses.

The information presented represents how the investment team generally applies its investment process under normal market conditions.
All investments are subject to risk, including risk of loss.

Why Parametric?

Parametric is a trusted fiduciary that has been designing and managing custom options-based solutions for over three decades with a dedicated and stable team.

30+	$19Bn+	200+
years of experience managing custom options	assets under management in options solutions	unique underlying tickers[1]

[1] Underlying ticker refers to the stock, ETF, or index that an option contract is based on.

Source: Parametric. Information as of 06/30/25.

IMPORTANT DISCLOSURES

Parametric Portfolio Associates® LLC ("Parametric"), headquartered in Seattle, is registered as an investment adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Parametric is a leading global asset management firm, providing investment strategies and customized exposure management directly to institutional investors and indirectly to individual investors through financial intermediaries. Parametric offers a variety of rules-based investment strategies, including alpha-seeking equity, fixed income, alternative and options strategies. Parametric also offers implementation services, including customized equity, traditional overlay and centralized portfolio management. Parametric is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley, and offers these capabilities through offices located in Seattle, Boston, Minneapolis, New York City, and Westport, Connecticut. This material may not be forwarded or reproduced, in whole or in part, without the written consent of Parametric. Parametric and its affiliates are not responsible for its use by other parties.

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Investing entails risks and there can be no assurance that Parametric will achieve profits or avoid incurring losses. The underlying portfolio of securities will materially impact each particular client's total return experience. There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required.

For important information about the investment managers, please refer to Form ADV Part 2.

The effectiveness of the option strategy depends on a general imbalance of natural buyers over natural sellers of index options. This imbalance could decrease or be eliminated, which could have an adverse effect. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even well-conceived and well-executed options programs may be adversely affected by market behavior or unexpected events. Successful options strategies may require the anticipation of future movements in securities prices, interest rates and other economic factors. No assurances can be given that the judgment of Parametric in this respect will be correct.

Options are not suitable for all investors and carry additional risks. Investors must ensure that they have read and understood the current options risk disclosure document before entering into any options transactions. In addition, investors should consult with a tax, legal or financial advisor prior to contemplating any derivative transactions. The options risk disclosure document can be accessed at the following web address: https://www.theocc.com/ Company-Information/Documents-and-Archives/Options-Disclosure-Document.

Selling uncovered call options exposes the seller to unlimited loss should the index appreciate. Participation in the program does not protect the portfolio from downside risk. The investor retains full downside exposure to the portfolio. The downside protection afforded by call writing is limited to the amount of the premium received less the costs incurred to settle index options. The strategy provides a hedge only to the extent of those net premiums received. The loss for the investor could be the current value of the portfolio less the net premium received from the call options. Portfolio holdings may need to be sold to generate cash to settle call options. The sale of portfolio holdings may produce tax consequences for U.S. taxpayers. Prior to implementing the Custom Call Writing program, you should discuss with your personal tax advisor how selling index call options and any potential sales of portfolio holdings will affect your tax situation. Parametric does not provide tax advice. There is no assurance that the revenue received from the program will exceed the fees and expenses paid. If a secondary market in options becomes unavailable and prevents a closing transaction, the option writer's obligation would remain until expiration or assignment.

Parametric is headquartered at 800 Fifth Avenue, Suite 2800, Seattle, WA 98104. For more information regarding Parametric and its investment strategies, or to request a copy of Parametric's Form ADV, please contact us at 206.694.5500 or visit our website, www.parametricportfolio.com. The Westport office is located at 518 Riverside Avenue, Westport, CT 06880.

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