Parametric

Parametric Dynamic Put Selling (DPS)

Strategy Overview

Parametric offers Dynamic Put Selling, a thoughtfully designed, rules-based options overlay strategy that seeks to generate tax-efficient option premiums with a disciplined risk management process.

Many clients and advisors may wish to enhance returns on underlying portfolio assets such as municipal bonds, taxable fixed income, cash or other high-quality liquid assets. Parametric's Dynamic Put Selling (DPS) strategy seeks to enhance returns when the S&P 500® Index is moderately down, flat or up, while maintaining continuous exposure to short-dated option premiums.

How does DPS work?

The components of DPS include:

- Client's existing underlying collateral portfolio consisting of cash, US Treasury bills or other high-quality fixed income instruments.
- Short positions in S&P 500® Index put options, fully collateralized by the underlying assets.
- A short-term cash reserve composed of accrued option premiums.

Ongoing management of the strategy includes the repeated sale of multiple tranches of short-dated S&P 500® Index put options. Put options are selected using a dynamic, volatility-based strike selection methodology. They may be held until expiration or repurchased before maturity in a rules-based manner if a significant portion of the options' value has been realized. This systematic approach seeks to generate recurring option premiums while continuously re-indexing option strikes to prevailing market conditions.

What are the potential benefits of put writing?

RETURN ENHANCEMENT
Put selling may deliver positive returns when the market is up, flat or moderately down.

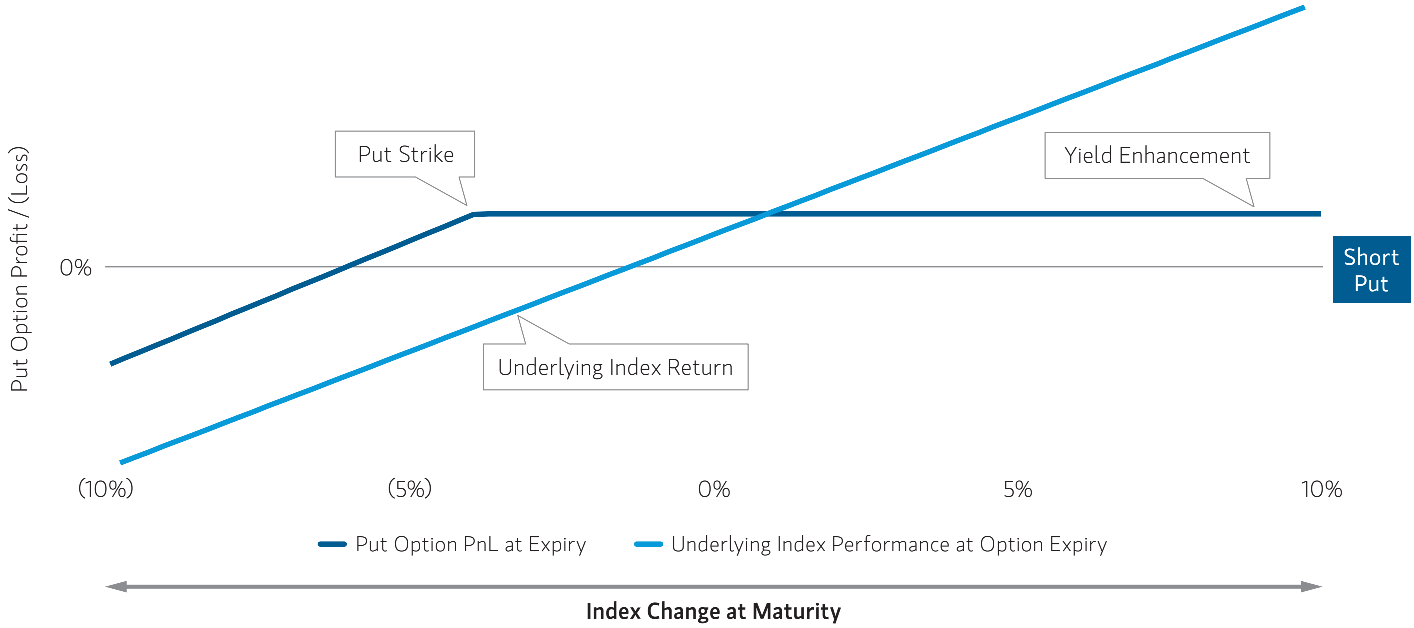
INCOME ENHANCEMENT
The strategy seeks to produce consistent tax-friendly premium income, after fees, in addition to the return of the collateral asset.

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

RISK MANAGEMENT
The strategy employs a rules-based, fully collateralized approach with disciplined position sizing, diversification across strikes and expirations and continuous monitoring of option exposures.

Opinions offered constitute our judgement. There is no guarantee that the strategy will be successful. Investing in an options strategy involves risk. Diversification does not eliminate the risk of loss. Please refer to the Important Disclosures for additional information.

Illustrative Written Put Option Mechanics



Source: Parametric Portfolio Associates LLC as of (2/20/2025). Example trade represents the last put sale with 28 days to expiration entered in the previous calendar year. The example trade is for illustrative purposes only to show the strategy's general trade mechanics. The example should not be viewed as an indicator of future premiums received. There is no guarantee that Parametric will realize gains or avoid losses. All investments are subject to loss

What is Parametric's approach to put selling?

Below are some of the key attributes of DPS alongside some of the potential benefits

	DESCRIPTION	POTENTIAL BENEFIT
EXCHANGE-TRADED	Options are exchange-traded.	**Low trading costs**; limited counterparty risk; **transparent** pricing and valuation
INDEX OPTIONS	Options are Section 1256 index options.	Results in **60% long-term capital gains** and 40% short-term capital gains **tax treatment**, regardless of holding period
DYNAMIC STRIKE SELECTION	Written put 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	Seven- to 28-day maturities, staggered across multiple tranches each month, with over 300 options written per year.	Allows for potentially **higher yield** than longer-dated options; improved **diversification**
RISK MANAGEMENT	Positions are monitored in real time; may repurchase positions expiration using a rules-based approach to strategy design and portfolio management.	Improves **predictability** of investor outcomes; locks in potential profits or minimizes losses.

Risks: Since the client doesn't own the underlying index, there is potential that the client's underlying portfolio may decrease in value while the index against which the puts are written appreciates, causing the client to lose money on both the underlying portfolio and the option overlay. Taxable investors must consult with their tax advisors regarding tax implications (straddles, etc.). There is no guarantee that the investment objectives will be met. All investments are subject to risk, including the 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+	$21Bn+	200+
years of experience, with an average portfolio manager tenure of 10+ years	in 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 3/31/2026.

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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Charts, graphs and other visual presentations and text information were derived from internal, proprietary and/or service vendor technology sources and/or may have been extracted from other firm data bases. As a result, the tabulation of certain reports may not precisely match other published data. Data may have originated from various sources including, but not limited to, Bloomberg, MSCI/Barra, FactSet, and/or other systems and programs. Parametric makes no representation or endorsement concerning the accuracy or propriety of information received from any other third party.

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 Parametric DeltaShift 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 206.694.5575 or visit our website, www.parametricportfolio.com. The Westport office is located at 518 Riverside Avenue, Westport, CT 06880.

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