Parametric

Parametric Risk-Managed Put Selling (RPS)

STRATEGY OVERVIEW

Parametric offers Risk Managed Put Selling, a thoughtfully designed, rules-based option overlay strategy that seeks to generate tax-friendly option premiums with low volatility and defined risk.

Many clients and advisors may wish to enhance returns on underlying portfolio assets such as municipal bonds, other fixed income, cash, or equities. Parametric's Risk Managed Put Selling program seeks to enhance returns when the S&P 500® Index is moderately down, flat or up.

How does RPS work?

The components of RPS include:

1. Client's existing underlying investment portfolio made up of any marginable security (bonds, stock, cash, etc.)
2. S&P 500® Index put option spreads sold using underlying portfolio assets as collateral
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 put spreads on the S&P 500® Index. A put spread is composed of selling a put option and buying a put option with a lower strike price than that of the sold put. Both transactions are done at the same maturity date and for the same number of contracts. This structure allows for the collection of upfront premiums and a well-defined maximum downside.

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

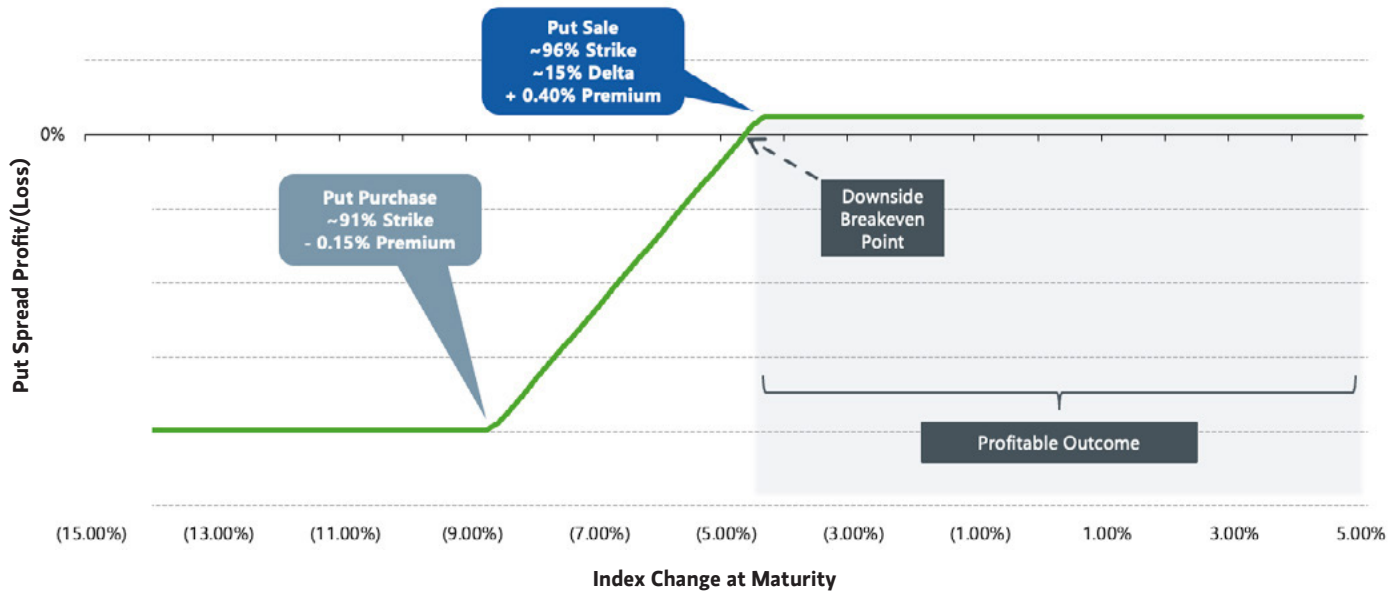
Equity options have historically traded above their theoretical fair value because of an embedded "volatility risk premium" (VRP). Accessing the VRP via put selling may introduce diversification benefits.

RISK MANAGEMENT

The strategy adheres to pre-defined risk limits, setting a maximum potential loss for any 28-day period.

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 Disclosures for additional information.

Illustrative Written Put Spread



Source: Parametric 02/20/25. Example trade represents the last trade 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. Individual put option spread positions generally will be entered into with respect to 1/12th of the portfolio for the 5% implementation. 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 spread selling?

Below are some of the key attributes of RPS alongside some of the potential benefits:

	DESCRIPTION	POTENTIAL BENEFIT
EXCHANGE-TRADED	Options are exchange-traded.	Low trading costs; virtually no counterparty risk; transparent pricing and valuation.
DYNAMIC STRIKE SELECTION	Written put option spreads 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	28-day maturities, staggered across multiple tranches each month.	Allows for potentially higher yield than longer-dated options; improved diversification.
DEFINED RISK MANAGEMENT	Risk exposure is defined upfront.	Establishes a well-defined limit on potential loss during any 28-day period.

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.

35+

years of experience, with an average portfolio manager tenure of 10+ years

$25Bn

in assets under management in options solutions

200+

unique underlying tickers[1]

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

Source: Parametric. Information as of 06/30/2026.

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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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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