Parametric

# Parametric Custom Call Writing

**STRATEGY OVERVIEW**

Parametric offers Custom Call Writing, a thoughtfully designed, rules-based covered call writing program that seeks to enhance total returns on concentrated stock positions.

Many clients find themselves holding concentrated stock positions over time. Whether this stock is acquired through inheritance, generous compensation packages, or thanks to thriving equity markets and well-timed investments, professionally managed covered-call writing can be a natural pairing to aid in managing the risk associated with a concentrated position.

## How does a covered call work?

A covered call is a combination of owning shares of a stock and selling (or writing) call options against those shares.

- If the stock's market price is below the strike price on the maturity date, the option generally expires worthless, and the seller keeps both the premium and the stock.
- If the stock price is above the strike price on or before the maturity date, the option is exercised, and the call option writer is obliged to sell the fixed number of shares at the strike price.

## What are the potential benefits of call writing?

### RISK REDUCTION

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

### INCOME ENHANCEMENT

Investors receive an upfront premium when selling call options. This may serve to increase the yield on an existing concentrated stock position when the stock price is up moderately, flat or down.

### DIVERSIFICATION

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

### STRATEGIC LIQUIDATION

If desired, call selling offers flexibility to liquidate stock over time while minimizing capital gains tax implications.

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.

## What is Parametric's approach to call selling?

Custom Call Writing is an intelligently designed covered call selling strategy that utilizes 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:

- Selling of repeated shorter-dated options typically generates **more upfront gross premium** than fewer longer-dated options.
- When paired with Parametric's rules-based approach, multiple tranches of shorter-dated options may allow for **greater upside potential in the underlying stock** 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 & LADDERED EXPIRATIONS** | 1 to 4-month maturities, staggered across multiple tranches. | Allows for potentially **higher yield** than longer-dated options; 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. |
| **OPTIONAL STRATEGIC LIQUIDATION** | Ability to slowly sell down concentrated stock over time if desired. | **Disciplined** approach to liquidating stock; capital gains taxes may be covered with option profits or offset by option 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.

**35+**
years of experience managing custom options

**$25Bn**
Assets under management in options solutions

**200+**
Unique underlying tickers[1]

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

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


**IMPORTANT DISCLOSURES**

Parametric Portfolio Associates® LLC ("Parametric"), headquartered in Seattle, is registered as an investment advisor 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 a 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 US taxpayers. Prior to implementing the Parametric 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 206.694.5575 or visit our website, www.parametricportfolio.com. The Westport office is located at 518 Riverside Avenue, Westport, Connecticut 06880.

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