FRANKLIN TEMPLETON

Nimble where it matters | Unparalleled in our ability to customize | Guided by long-term value creation

Franklin Managed Options Strategies

Managed Call Selling
Stocks and Exchange Traded Funds

Q1 2025

6717

Gateway to investment specialists

$1.6 Trillion Assets under management[1]

75+ Years of active management experience

150+ Countries with investors

1,600+ Investment professionals

Our Investment Capabilities (USD Billion)

Equity $620.0
Emerging/Frontier
Global
Preferred/Convertibles
Sector
Shariah
Single Country Equity
Thematic
US Equity

Fixed Income $469.5
Bank Loans
Corporate Credit
Currencies
Government
Multi-Sector
Municipals
Securitised
Sustainable Bonds

Alternatives $248.8
Alternative Credit
Digital Assets
Hedged Strategies
Private Equity
Real Estate
Secondaries
Venture Capital

Multi-Asset $174.0
Balanced
Income
Managed Volatility
Model Portfolios
Target Date
Target Risk
Target Volatility

Our Investment Managers	Asset Classes			
Franklin Templeton (1947)	●	●	●	●
Alcentra (2002)			●	
Benefit Street Partners (2008)			●	
Brandywine Global (1986)	●	●		
Clarion Partners (1982)			●	
ClearBridge Investments (2005)	●			
Lexington Partners (1994)			●	
Martin Currie (1881)	●			
Putnam Investments (1937)	●			
Royce Investment Partners (1972)	●			
Western Asset (1971)		●		

Complemented by innovations in Sustainable and Impact investing, ETFs, Custom Indexing, Frontier Risk Alternatives, and others

1. AUM is in USD as of March 31, 2025. Total AUM of $1.6 Trillion includes $63.4 Billion in cash management that is not represented here.

Franklin Managed Options Strategies (“Franklin MOST”)

Franklin Managed Options Strategies

Meet the team

Brad Berggren

Co-Chief Investment Officer
Franklin Managed Options Strategies, LLC

Brad joined Franklin Templeton in May of 2023 as part of its acquisition of volScout, LLC where he served as a Co-Founder and Managing Partner. Previously, he was a Managing Director of Alaia Capital/m+ funds (acquired by Axio Financial/iCapital) and a Managing Partner of Finance IQ.

From 2002-2016, Brad was the Founder, CEO and CIO of Parametric Risk Advisors (and its predecessor company, Managed Risk Advisors, which was acquired by Parametric and Eaton Vance), an investment management business that specializes in separate account management of options-based strategies and development of investment strategies/products for prominent tax- exempt institutions and ultra-high net worth families.

Prior to founding Managed Risk Advisors, Brad was a founding member, Managing Director and COO of Bank of America's Equity Financial Products business which oversaw listed and OTC equity derivatives and convertible bond origination and trading.

Brad holds a Bachelor of Arts in History and Political Science from the University of Vermont.

Jonathan Orseck

Co-Chief Investment Officer
Franklin Managed Options Strategies, LLC

Jon was a partner and COO of Parametric Risk Advisors (and its predecessor company which was acquired by Parametric/Eaton Vance) from 2006 through 2020. From 2016 through 2020, Jon led the division and led Portfolio Management and Trading for Parametric's liquid alternative strategies. Prior to Parametric, Jon held senior roles in derivatives at Bank of America in NYC, Morgan Stanley, Royal Bank of Canada and Kidder Peabody.

Jon graduated from the University of Pennsylvania with a B.S. in Computer Science and earned a Masters in Business Administration from New York University Stern School of Business.

Franklin Managed Options Strategies

Meet the team

Roger Weber

Chief Technology Officer
Franklin Managed Options Strategies, LLC

Roger was the CTO of Parametric Risk Advisors from 2007 through 2018. Roger developed the market-leading technology platform used to manage derivative based SMAs and funds. Prior to joining Parametric, Roger was an Engineering Manager with BEA (acquired by Oracle) on the award-winning WebLogic Workshop product line.

Roger earned a B.S. in Computer Science from DeVry Institute.

Will Bergen

VP, Client Portfolio Manager
Franklin Managed Options Strategies, LLC

Will worked for Parametric from 2015-2021 where he was a member of the Portfolio Management team responsible for the firm’s option overlay strategies. In that role, Will supported the team’s sales, marketing, and operational efforts. More recently, Will held a role with the financial technology firm Mirador in their management consulting group. Will previously worked in the Investment Bank at the Royal Bank of Scotland and for a consulting division of Aon Hewitt.

Will graduated from Gettysburg College with a B.A. in Political Science.

Jake Kelly

Head Trader
Franklin Managed Options Strategies, LLC

Jake joined Franklin Managed Options Strategies, LLC in 2024. He oversees trading and operations for the firm’s suite of option overlay strategies. Prior to joining Franklin, Jake was a trader for Cardinal Capital Management where he traded small and mid-cap equities. Jake previously worked for Bourgeon Capital Management and Bank of America, in similar capacities. Jake also served in the United States Marine Corps prior to pursuing his degree.

Jake graduated from the University of Connecticut with a B.S. in Financial Management.

What is a Call Option?

What is a Call Option?

Definition

An equity call option gives the buyer the right, but not the obligation, to buy the underlying stock or ETF[1] on, or in some cases before[2], a pre-determined date (the "expiration date") for a pre-determined price (the "strike price").

Call Option

Buyer / Seller	Maximum potential gain	Maximum potential loss
Buyer	Unlimited	Upfront premium paid
Seller	Upfront premium received	Unlimited

The maximum potential gain vs. maximum potential loss illustrates the asymmetric payoff profile of options

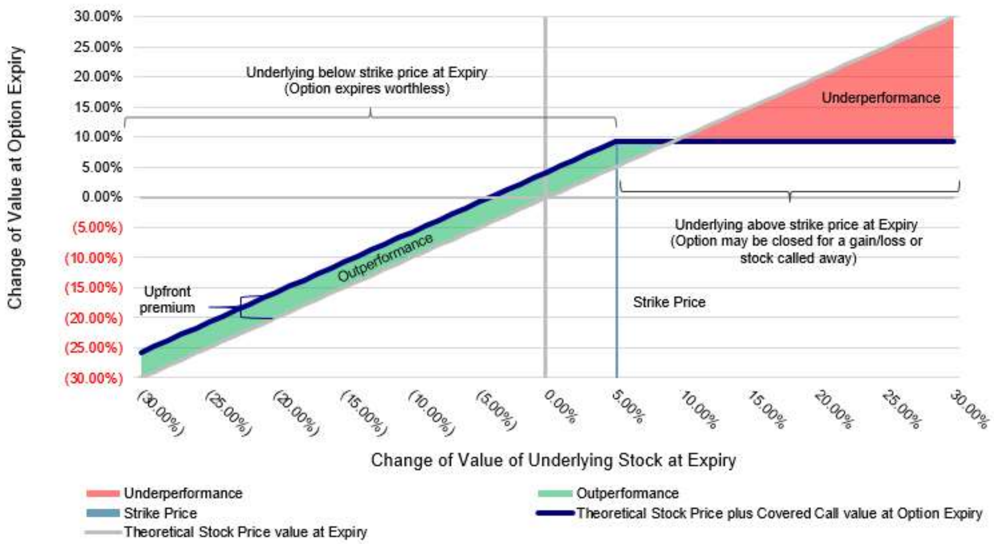
1. In the case of a cash settled index call option, the buyer is entitled to the positive value, if any, of the underlying index price minus the strike price.
2. Equity and ETF options are typically American style, meaning they can be exercised at Any time during the term of the option. Index options are typically European style, meaning they can only be exercise at Expiry of the option.

What is a Call Option?

“Covered Call” Definition

A covered call (“Covered Call”) is when an investor sells a call option on a stock or ETF they already own. It is described as “covered” because no matter how high the stock or ETF goes, the call obligation is completely covered by the stock or ETF the investor owns.

Theoretical Stock Price plus Covered Call value at Option Expiry



Source: FT-MOST 5/23/23

Theoretical Call Option	
Underlying stock:	XYZ Stock
Option Term:	3 Month
Risk Free rate:	2.875%
Underlying dividend:	0.00%
Implied volatility:	30.00%
Option Strike Price:	105.00%
Option Premium %:	4.200%

Call Option Outcomes At Expiry

	Option ***Not*** Exercised	Option ***Is*** Exercised
Underlying Price at Expiry	Below the strike price	Above the strike price
Buyer Result	*Loss*	*Gain*
Seller Result	*Gain*	*Loss*

For illustrative purposes only.
Source: Franklin Managed Options Strategies, 5/23/23.

Managed Call Selling

What it is and who its for

Managed Call Selling
Definition

FRANKLIN TEMPLETON

An investor selling a single covered call, if the position is held until the option expiry, will have a payoff profile similar to that illustrated above. For an investor with the objective of selling their stock at the strike price, this may be an effective strategy.

However, many concentrated stock holders have longer term goals and objectifies <u>and may prefer not to sell their shares at the strike price.</u>

Managed Call Selling is an investment strategy where Franklin Managed Options Strategies, acting as a fiduciary asset manager for the investor in a separately managed account, sells a series of covered call options and actively manages the risk by attempting to buy-to-close call options that may be at risk of exercise.

Managed Call Selling attempts to provide the cash flow benefits of a covered call strategy and simultaneously attempts to reduce the risk of the investor's shares being called away.

Managed Call Selling

Overview

A unique and innovative approach to managed options investing

A customizable risk, return, and diversification solution
Throughout market cycles, options overlay solutions have the potential to enhance cash flow or mitigate downside risk while maintaining potential upside performance.

Rigorous, rules-based approach
Solutions adhere to a transparent, rules-based investment process, designed with strict guardrails to attempt to deliver cashflow enhancement and total return while managing risk through minimizing the effect of directional movements in the underlying equity.

Deep industry experience
Over 30 years of option experience, having helped create today's "risk-managed" options asset management business, along with designing and implementing industry leading research technology and strategies.

Managed Call Selling

Investment opportunity

Franklin Managed Options Strategies applies a strategic approach to Managed Call Selling, utilizing short-dated options to help investors meet their long-term goals. We adhere to a rules-based and transparent investment process, with the goal of delivering targeted outcomes and reducing volatility.

Holders of concentrated equity positions and diversified equity portfolios are inherently owners of equity volatility. Call option selling has the potential to monetize equity volatility while generating excess cashflow.

Select features

Seeks to generate incremental cash flow and/or increase total return

We strive to maintain attractive risk-adjusted performance throughout varying market environments

Rules-based risk management

Goal to maintain partial, continued upside performance in underlying asset during time of underlying appreciation

Cash management correlations

Potential outperformance when underlying assets are flat, decline, or modestly rise (may offset some need for liquidation to meet client cash needs); potential underperformance when underlying asset is significantly appreciating

Minimal disruption to asset allocation

Typically implemented as an option overlay; no changes are generally required to the underlying securities or portfolio

Managed Call Selling

Who's it for?

Clients use covered call selling for different reasons, in pursuit of varying objectives including, but not limited to:

- Holders of low basis stock or core ETF positions, who rely on dividend income, and are looking for additional cash flow
- Clients with long standing ties to concentrated stock positions who prefer not to diversify
- Individuals who would like to systematically sell stock at specific price points
- Those with concentrated stock who feel they would like to systematically diversify

The flexibility of Franklin MOST's proprietary Managed Call Selling implementation and technology platform allow our team to deliver a unique, individualized experience to clients at scale. Franklin MOST can accommodate each of the client scenarios listed above, while delivering a customized approach tailored to specific client needs.

Managed Call Selling

Rules-based, Systematic Implementation with Robust Risk Controls

Managed Call Selling

Transparency and risk management

How we choose options to sell

Risk-based option selection

- **Exchange traded options only:** Counterparty credit risk (premium payment only) limited to the Option Clearing Corporation ("OCC")
- **Laddered portfolio, sell calls once per week with an expiry of 5 weeks on 20% of the program size:** We attempt to diversify the portfolio to reduce the risk of any one option's outcome
- **Strike prices selected such that at time of sale, options have between a 15%–20% probability of being in-the-money at expiry:** No options sold when overall market volatility is excessively high or excessively low

How we manage the risk of the options we sold

Simple and transparent real-time risk management

- **Option position closed during first 3 weeks after sale of option):** if the probability of the underlying Price At eXpiry ("PAX")[1] is greater than 70% for 2 consecutive days
- **Option position closed (during the last 2 weeks prior to expiry):** if the PAX is greater than 70%
- **Option position closed (during the last 3 days prior to expiry):** if the PAX is greater than 30%
- **Option position closed (at any time):** if it would be rational for the call option buyer to exercise the option before the option's maturity to capture the soon to be paid dividend

Rules based strategy may result in consistent outcomes

Explainable and transparent performance

- **We sell options that we expect will end up in the money between 1 in 5, and 1 in 6 times:** we believe roughly 80%+ of the time the options will be profitable
- **Our strict risk management rules attempt to cut losses quickly:** we differ from our competition in that we focus our attention on cutting losses quickly the ~ 20% of the time we believe options will end up in the money

Experience matters

The Franklin MOST team has been specializing in managing risk-controlled option portfolios for nearly 20 years. Risk management is the DNA of our firm.

1. Statistical probability of Price at Expiry equals Black Scholes N(d2), taking into account the current underlying price, the option strike price, the assumed volatility, the time remaining to expiry and the assumed dividend yield. It represents the probability that the stock price will be at, or above, the strike price at the expiry of the option.

Managed call selling

Thoughtful portfolio construction: A laddered portfolio

We expect the stock price to go above the call option strike price, also referred to as “in-the-money” for some of the call options we sell—selling multiple call options with different expiries and strike prices may help diversify the risk.

- We attempt to diversify and mitigate the date/time/price specific risk of 100% of the portfolio being exposed to a single option expiry.
- Building the portfolio with multiple smaller pieces or trades, commonly referred to as “Tranching”, may help to reduce that date/time/price specific risk.

Franklin Managed Option Strategies Tranching

Week 1 Sell 5 week option 20% of portfolio	5 weeks	**Week 6** Sell 5 week option 20% of portfolio	5 weeks	**Week 11** etc.
Week 2 Sell 5 week option 20% of portfolio	5 weeks	**Week 7** Sell 5 week option 20% of portfolio	5 weeks	**Week 12** etc.
Week 3 Sell 5 week option 20% of portfolio	5 weeks	**Week 8** Sell 5 week option 20% of portfolio	5 weeks	**Week 13** etc.
Week 4 Sell 5 week option 20% of portfolio	5 weeks	**Week 9** Sell 5 week option 20% of portfolio	5 weeks	**Week 14** etc.
Week 5 Sell 5 week option 20% of portfolio	5 weeks	**Week 10** Sell 5 week option 20% of portfolio	5 weeks	**Week 15** etc.

Strategy minimums and requirements

- ≥ $1,000,000
- ≥ 500 shares
- Weekly option expiries or liquidity sufficient for FLEX options

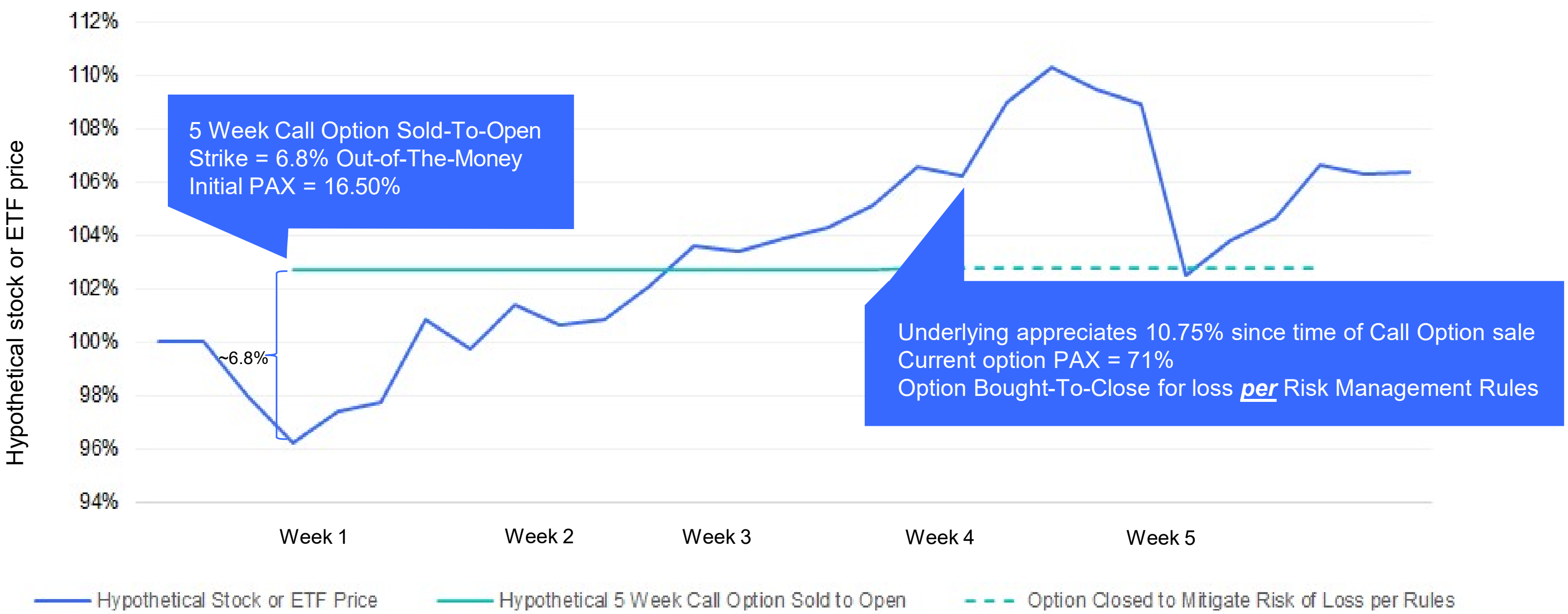
Managed Call Selling

Thoughtful portfolio construction: Mitigating losses

What happens when, as expected, options do end up in-the-money approximately 20%, or more of the time?

- When the risk vs. reward profile according to our rules is no longer favorable to the client, we attempt to cut the losses quickly while they are still relatively small
- With well defined rules and responses, options going in-the-money are not to be feared, they are a known, expected part of a program and the small losses are realized allowing the portfolio to continue to appreciate

Hypothetical call selling risk management with underlying stock or ETF price path example



Source: Franklin Managed Options Strategies.
The above chart is for illustrative and discussion purposes only. The hypothetical chart is an example that is intended to help illustrate one of Franklin Managed Options Strategies' risk management rules. This example may not be relied upon as investment advice or recommendations or any guarantee that the investment process will achieve its investment objective. Actual strike prices in the Franklin Managed Options Strategies Call Selling program may differ.

Managed Call Selling

Customization at scale

Our default Managed Call Selling implementation seeks to:

1 | generate excess free cash flow in down, flat and moderately rising markets;

2 | maintain partial upside equity participation; and

3 | minimize the likelihood of any shares being called away

At the same time, our proprietary portfolio management platform allows clients to customize their portfolio and experience. Some examples include:

Target stock sales

Client may identify quantity and price at which they would be willing to sell shares.

- Sell 5,000 shares at $110 or higher
  Sell 5,000 shares at $120 or higher
- Sell 5,000 shares each quarter at $100 or higher

Stock or strike level limits

Minimum strike price

- No call options sales with strike price lower than $110

Minimum stock price

- No call options sales with stock below $85

Periodic

Freeze new option sales (continue risk management of open options).

- Client believes earnings announcement next month will be particularly good and instructs Franklin MOST not to sell any new options over earning announcement date but to continue to close any existing options as they normally would

Rules-based, systematic call selling with ability to customize to clients' specific needs

Managed call selling

Transparency and risk management

A risk-managed solution

The case for risk management

- An option's value at expiry (that is not closed prior to expiry) is 100% the result of the level of the underlying asset at expiry
- A long-dated, losing option can overwhelm a portfolio and may not accurately represent the potential results of managing a diversified portfolio of shorter-dated, risk-managed options. It also may result in share sales or the need to borrow money against stock (incur margin debit)
- The upfront premium received for the sale of a call option is the **revenue component** of a call selling program; the potential option losses from market movements, the **liability component** of option selling, can be multiples of the upfront, fixed premium received

Utilizing short-dated options to help investors meet their long-term goals

- No investors have an infinite investment time horizon. Many have significantly shorter investment time horizons (maybe 3 years)
- We incorporate common sense guardrails to minimize the effect of the underlying asset's directional movements
- We don't just focus on long-term results, but also attempt to minimize the impact of short-term drawdowns

The Franklin Managed Options Strategies solution

- Thoughtful portfolio construction and risk management paradigm
- Option selection is risk-based targeting PAX with VIX (including when not to sell options)
- Multiple tranches diversify time specific risk and re-index to changing prices and volatility
- Risk management rules attempt to close losing positions before they have significant negative effect on portfolio
- Tranching and risk management result in portfolio rebalancing no less than weekly (and often inter-weekly)

Appendix

Franklin Managed Options Strategies

General Strategy Management:

The Franklin Managed Options Strategies Managed Call Selling strategy is provided by Franklin Managed Options Strategies, LLC (“Franklin MOST”), an affiliate of Franklin Templeton, and an investment advisor registered under the United States Securities and Exchange Commission Investment Advisers Act of 1940.

Franklin Managed Options Strategies may rely on the investment objectives described in the call selling strategy investment management agreement and communicated to the client until such time as it shall receive written notice of the modification, alteration, or amendment of such investment objective.

When determining which options to sell and/or repurchase, Franklin Managed Options Strategies will consider factors including (but not limited to) option liquidity, maturity, volatility, interest rates, underlying dividends, and time to maturity.

Fees:

The fee paid to Franklin Managed Options Strategies is separate from and does not include the costs of stock and option commissions, clearing member trade agreement fees, exchange fees, dealer spreads (which are embedded in pricing) and other costs associated with the purchase or sale of securities, custodian fees, interest, taxes, and other portfolio expenses, which shall be the sole responsibility of client and shall be paid to parties other than Franklin Managed Options Strategies. The custodian of the client account will debit the account for payments of any such fees payable to other parties.

Management fees will reduce the rate of return on any account or portfolio.

Tax Implications:

Selling call options, and any potential asset sales required to satisfy call option settlements, may have both intended and unintended tax consequences for the investors. Investors are encouraged to seek the guidance of their own independent tax advisor prior to implementing a call selling program. Under no circumstance is Franklin Managed Options Strategies offering tax advice.

Franklin Templeton, its affiliates, and its employees are not in the business of providing tax or legal advice to taxpayers. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties or complying with any applicable tax laws or regulations. Tax-related statements, if any, may have been written in connection with the “promotion or marketing” of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

Franklin Managed Options Strategies (*continued*)

What are the Risks?

All investments are subject to certain risks, including possible loss of principal. There is no guarantee or assurance that the Managed Call Selling strategy will achieve its investment objective.

In a stock or ETF call sale, the seller receives an upfront premium in exchange for the obligation to sell a fixed number of stock or ETF shares on, or in some cases before, a specified time (option expiration) for a specified price (option strike price). The maximum loss is unlimited (it may be limited and/or offset by gains in the stock or ETF if it is a covered call).

Risk of Loss /Opportunity Cost:

In a stock or ETF call sale, there exists the risk that:

a) some, or all, of the client's stock or ETF shares may be sold (including the obligation to deliver stock or ETF shares even if the client does not own them);

b) the client's stock or ETF, if they own the underlying security, may be capped and/or materially limited.

Call selling may also result in the sale of some, or all, of the underlying shares or ETFs or equities owned by the client, or alternatively the requirement of cash being contributed to the account to satisfy account obligations related to buying-to-close call options.

No Guarantee of Performance:

Regardless of the appreciation or depreciation of the strategy's underlying security or securities, the call selling strategy may underperform a portfolio that is otherwise identical to the underlying securities or equities owned by the client but did not engage in the call selling strategy. The call selling strategy may underperform a portfolio that could be created by selling the equities owned by the client and re-investing the proceeds. There is no guarantee that the call selling strategy will be profitable on a gross or net of fees basis.

Call selling programs may result in losses during periods in which the underlying security or securities declines.

Liquidity:

There is no guarantee a secondary market in options will be liquid. If Franklin Managed Option Strategies is unable to close positions prior to expiry the risk management techniques described herein may not be implemented as described resulting in outsized losses or resulting in the sale of collateral shares.

Franklin Managed Options Strategies (*continued*)

Not a hedge:

Investors selling call options have a maximum profit limited to the value of the premium received. Beyond the premium received, investors retain all the risk of the underlying portfolios and could suffer a loss of 100% of their equity holdings.

Unlimited loss:

Investors selling call options accept the potential for unlimited loss as call options have no maximum value, or the risk of their shares being called away. For investors selling covered calls, their loss may be realized in the form of opportunity cost, with the possibility of their shares or ETFs being called away (and sold) at prices far below the market price of those shares or ETFs at the time of exercise.

Options and Derivatives risk:

Franklin MOST offers no guarantee that Franklin MOST, or any of the strategies illustrated herein, will be successful or meet their intended objectives. Market movements or events, both foreseen and unforeseen, may render any strategy unsuccessful and may result in unforeseen losses. Franklin MOST makes no representations regarding its ability to predict such movements.

The risk of the absence of a liquid secondary market related to any investment or strategy exists and such an absence of liquidity can result in significant loss. Client may be forced to liquidate collateral assets to raise cash to settle derivative positions.

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 any options transactions. In addition, investors should consult with a tax, legal and/or financial advisor prior to contemplating any derivative transactions. The options risk disclosure document can be accessed at the following web address:

For risks relating to options, please refer to the "Characteristics and Risks of Standardized Options" which is available upon request from Franklin Managed Options Strategies or at https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document.

Important Information

These materials are being provided as a general overview of the management team and philosophy and presented for illustrative and informational purposes only. It does not purport to address all of the legal, tax, financial or other considerations relevant to investors.

The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents, or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your financial professional or contact your sponsor firm.

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This presentation contains certain performance and statistical information. There is no assurance that employment of any of the strategies will result in the intended targets being achieved.

Past performance is not an indicator or a guarantee of future performance.

The performance of an individual portfolio may differ from that of a benchmark, representative account or composite included herein for various reasons, including but not limited to, the objectives, limitations or investment strategies of a particular portfolio.

Franklin Templeton is not undertaking to provide impartial advice. Franklin Templeton has a financial interest.

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