

Active Covered Calls Strategy Available to Clients of Zalayet, Adler & Suba Private Wealth Management Group of Wells Fargo Advisors

Many investors take a buy-and-hold approach to stock purchases, intending to exchange periodic fluctuations in value for growth potential over time. Other investors look for opportunities to capitalize on those fluctuations, generating income from the sale of stock options as well as the stock itself.

The Active Covered Calls Strategy, available to clients of Zalayet, Adler & Suba Private Wealth Management Group, combines the key components of these two strategies. It gives investors the potential to earn income from option sales in the short-term while retaining the underlying stock for the long-term.

Investment Direction

In an attempt to reduce the risk inherent in individual stock investments, the Active Covered Calls Strategy invests in exchange traded funds (ETFs) that represent a broad universe of domestic and international stocks.

Hypothetical Example

Assume that you own 100 shares of an ETF, that it's valued at \$150 per share, and that Zalayet, Adler & Suba Private Wealth Management Group is assuming that the price per share will rise. You would like to earn income on the ETF while you're waiting, so you elect to participate in the Active Covered Calls Strategy. Transaction costs are material to a covered call strategy and may be significant, but within a PIM portfolio, these costs are included in your annual advisory fee. All costs should be considered before utilizing this strategy.

The stock and option prices shown are hypothetical and are for illustrative purposes only.

Zalayet, Adler & Suba Private Wealth Management Group sells a 90-day call on your shares with a strike price of \$155 per share. (That is, Zalayet, Adler & Suba Private Wealth Management Group sells another investor the option to purchase your shares for \$155 per share anytime within the next 90 days.) You receive a premium of \$3 per share on the transaction.

Within the next 90 days, one of three events will happen:

| Scenario | Result |
|---|---|
| The ETF does not reach the strike price at expiration | <ul style="list-style-type: none">• You have earned income from the premium• You still own the underlying ETF• The maximum loss is limited, however the value of the ETF can still fall to zero |
| The ETF value surpasses the strike price prior to expiration, but not by an amount high enough for assignment | <ul style="list-style-type: none">• Zalayet, Adler & Suba Private Wealth Management Group "rolls" the option on your behalf (that is, it buys the right to extend the expiration date and increase the strike price on the existing option)• You may pay more to roll the option than you earned from the premium on the original sale• You still own the underlying ETF• The maximum loss is limited, however the value of the ETF can still fall to zero |
| The ETF value at expiration is above the strike price and the option is assigned | <ul style="list-style-type: none">• The underlying ETF is sold to the investor who purchased the option to buy it at the strike price• You no longer own the underlying ETF |

Outcome

As a participant in the Active Covered Calls Strategy, you may earn income from the sale of options and retain the underlying ETF until Zalayet, Adler & Suba Private Wealth Management Group recommends removing it from your portfolio. To help ensure that the ETF is not sold to the investor who holds the option of purchasing it, and to preserve future growth opportunities, Zalayet, Adler & Suba Private Wealth Management

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

Group monitors the market throughout the trading day, striving to buy back options before they reach the strike price or rolling them if the ETF value nears or surpasses the strike price. Should this occur, your net premium gain may be reduced or negated by the cost of buying back or rolling options. The costs of retaining the ETF shares may exceed the net premium received.

Next Steps

To learn more about the Active Covered Calls Strategy, please contact Eddie Zalayet, CFP®, Managing Director - Investment Officer. Mr. Zalayet has been with Wells Fargo Advisors since 1997, and is among a select number of professionals who have met the firm's qualifications to provide Private Investment Management services to clients.

Key Terms

- **Call:** The right (or "option") to buy a stock at a predetermined price
- **Exchange Traded Fund (ETF):** A security that tracks an index, a commodity, or a related group of assets like an index fund, but trades like a stock on an exchange
- **Premium:** The amount paid to the seller of an option
- **Strike Price:** The price at which an investor can exercise an option to buy (or sell) a stock

Communication

Wells Fargo Advisors provides you with written progress evaluations on a quarterly basis. These evaluations will include a comparison of your portfolio to an index as well as a review of your asset allocation and historical performance. In addition, you will receive a monthly statement and a 1099 statement at the end of the year. You will have direct access to me should you have any questions or concerns. By maintaining open communication, I believe I may be able to help you avoid reflexive or reactive decisions during downward market cycles.

Eddie Zalayet, CFP®

Managing Director – Investment Officer

PIM Portfolio Manager

Zalayet, Adler & Suba Private Wealth Management Group

555 California Street, Suite 2300, San Francisco, CA 94104

(800) 634-4965 (415) 395-2735 Fax: (415) 291-8657

eddie.zalayet@wfadvisors.com

CA Insurance #0C39522

www.zasprivatewealthmanagement.com

Exchange Traded Funds are subject to risks similar to those of stocks. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

The covered call is a strategy in which an investor writes a call option contract while at the same time owning an equivalent number of shares of the underlying stock. A covered call writer foregoes participation in any increase in the stock price above the call exercise price and continues to bear the downside risk of stock ownership if the stock price decreases more than the premium received.

Keep in mind that if the stock price falls, you are still a stock owner, and are subject to the full loss of your stock investment, reduced only by the credit from the sale of the Call. Covered Call Selling is not a protective strategy. Also, keep in mind writing an option on a stock with a low cost basis, there are tax consequences to consider upon assignment.

Options involve risk and are not appropriate for all investors. Before opening an option position, a person must receive a copy of "Characteristics and Risks of Standardized Options." Please read it carefully before investing. Enclosed is a copy of this brochure.

Supporting documentation for any claims, comparison, recommendations, statistics or other technical data will be supplied upon request.

Because of the importance of tax considerations to all options transactions, investors considering options should consult with their tax advisor to evaluate how taxes can affect the outcome of contemplated options transactions.

The PIM program is not designed for excessively traded or inactive accounts, and may not be appropriate for all investors. Please carefully review the Wells Fargo Advisors advisory disclosure document for a full description of our services. The minimum account size for this program is \$50,000.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company. CAR-0423-03419