

PIM 1 option income portfolio

Portfolio objective:

To provide income and capital appreciation with less volatility than the S&P 500.

This strategy offers investors:

An equity portfolio:

The *PIM 1 Strategy* selects equities from well established, historically dividend-paying companies. We utilize a philosophy that focuses on finding companies that we believe are fundamentally sound, have consistently paid dividends, operate in generally defensive businesses, and have shown the ability to raise their dividends. In addition to the above criteria, we utilize an option strategy called "Covered Call Writing." Covered Call Writing is either the purchase of stock and the sale of a call option, or the sale of a call option covered by underlying shares currently held by an investor. Generally, one call option is written for every 100 shares of stock owned. The writer receives cash for selling the call but will be obligated to sell the stock at the call's strike price if assigned, thereby capping further upside stock price participation above the strike price of the option.

Please see the Chicago Board Options Exchange - The Options Institute® piece entitled *Why Trade Options?* for an explanation on covered call writing. Available at the following link: www.cboe.com/optionsinstitute/optionsbasics/why_trade_options/

Example holdings:

Accounts utilizing this strategy require sufficient capital to keep the position balanced and diversified. To match the call contract sizes, stocks are generally purchased in round lots of 100 shares which effectively creates minimum position sizes. For example, a stock with a

share price of \$150 per share would have a minimum position size of \$15,000 for 100 shares. To diversify across multiple industries, such an account might look to hold 25 companies +/- @20,000 (average) per position and have a total account size of approximately \$500,000.

Capital gain potential:

The portfolio seeks to achieve price appreciation from the stocks held. However, the main objective of the strategy remains income generation.

Cash flow potential:

The portfolio seeks cash flow from dividends, dividend increases and the sale of covered calls. 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 when writing an option on a stock with a low cost basis, there are 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 option transactions.

Moderation of volatility on equity returns:

A secondary objective of this strategy is to grow the portfolio over time with less volatility than the S&P 500. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency

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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

fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility.

The portfolio is diversified across several industry sectors and is invested in a range of companies. The strategy does not seek to employ the use of margin or leverage.

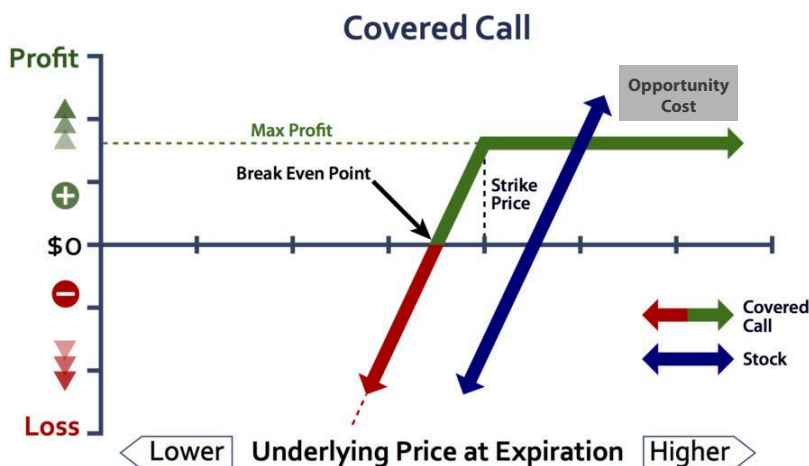
Who should consider using the PIM 1 option income as part of their overall portfolio strategy?

- Growth Investors looking to potentially reduce some market volatility.
- Investors looking to generate cash flow.
- Investors who are neutral to moderately bullish regarding longer-term equity market returns.
- Investors looking to invest in companies who have shown the ability to consistently raise their dividends.

Account operations and cost:

Wells Fargo Advisors “PIM” clients receive:

- Detailed **QUARTERLY REPORTS** that measure your portfolio’s performance against established benchmarks. You also receive **MONTHLY** account statements (when there is account activity) and Internet access to your portfolio.
- In lieu of traditional trade-based commissions for each transaction executed through Wells Fargo Advisors, you pay a quarterly fee (automatically deducted from your account) based on your PIM assets.
- Client fees are reported separately and in many cases can be tax deductible.
- A **YEAR END REPORT** is provided detailing transactions for tax purposes and record keeping.



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." This document is available from Michael Gorton at Wells Fargo Advisors at 770 Tamalpais Drive, Suite 400, Corte Madera, CA 94925, 415-257-2508 or the Options Clearing Corporation, 125 S. Franklin Street, Suite 1200, Chicago, Illinois 60606. Please read it carefully before investing. Supporting documentation is available upon request.

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All investing involves risk, including loss of principal.

Dividends are not guaranteed and are subject to change and/or elimination.

Wells Fargo Advisors is not a tax or legal advisor.

Fees for the PIM program include advisory services, performance measurement, transaction costs, custody services and trading. Fees are based on the assets in the account and are assessed quarterly. There is a minimum fee of \$250 per calendar quarter to maintain this type of account. The fees do not cover the fees and expenses of any underlying packaged product used in your portfolio. Advisory programs are not designed for excessively traded or inactive accounts, and are not appropriate for investors. During periods of lower trading activity, your costs might be lower if our compensation was based on commissions. Please carefully review the advisory disclosure document for a full description of our services, including fees and expenses. The minimum account size for this program is \$50,000.

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