

Strategy Overview

Part of Vest's Target Financing strategies, **Synthetic Borrow™** offers an alternative way to access capital, by allowing investors to engage in an option strategy that replicates a loan (leveraging their investment portfolio) at competitive rates compared to traditional loans. Synthetic Borrow leverages the liquidity and pricing efficiency of the options market, providing potentially quicker and cheaper access to capital without the hassle of loan applications or liquidating assets.

Whether for personal expenses, emergency needs, or business purposes, Synthetic Borrow is designed to allow investors to access capital upfront to pursue their financial goals, without having to sacrifice their long-term investment strategy.

Why Synthetic Borrow?



Fixed Rates

Your rate terms stay the same from day one to payoff. No surprises, no hikes.



Competitive Rates

Borrow at attractive rates compared to traditional loans or margin.



Use it Your Way

Usage flexibility. You can fund a large purchase, seize a market opportunity, or more.



Your Portfolio Keeps Working

Keep your portfolio intact while you get the cash you need. No asset sales required to receive the upfront cash.



Potential Tax Efficiencies

Interest paid may potentially be tax deductible.*

*Each investor's tax situation is different. Vest does not provide tax advice, and any tax-related information provided by Vest is for informational purposes only. Please consult with a qualified tax professional regarding your individual circumstances.

Methodology

Utilizes a "short box spread" option strategy, combining a short call spread with a short put spread to secure a fixed payoff. Example shown below.

Investors receive cash upfront by collecting the net premium from the short box spread implementation.

At options expiration, the investor owes a higher cash value to close out the short box spread.

Box Spread Background

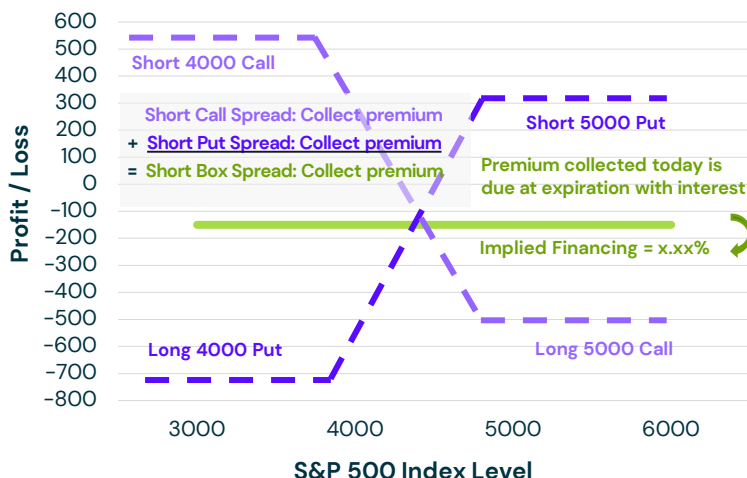
Box spreads are a well-established strategy used by investors for borrowing or lending.

On the right is a hypothetical payoff profile of a Box Spread strategy example that seeks to receive cash upfront for financial needs.

In the example on the right, a 1000-point box spread is constructed with a short call and long put at 4000 and a long call and short put at 5000. The legs of the spread generate a premium collected today that must be paid back at expiration with interest.

The chart is an illustrative example of mathematical principles of a short box spread and not indicative of the strategy's actual activity or performance.

1,000 Point Short Box Spread Trade Illustration



About Vest Financial

Vest seeks to deliver the benefits of derivatives with precise, outcome-driven solutions—bringing more certainty and clarity to portfolios. Vest's Target Outcome Investments® are designed to simplify derivative strategies into trusted, outcome-focused products, accessible through a broad range of investment solutions. As a leader in Target Buffer ETFs® and creators of over 300 innovative products, we oversee over \$58B+**. Combining derivatives expertise, practical execution, and trusted relationships, Vest is committed to making derivatives work for investors.

**As of December 31, 2025. \$49.6B assets under management, \$9.1B non-discretionary assets under supervision.

Risks and Considerations

Certain Key Risks:

Interest Rate and Liquidity Risk: Box spreads used in the Synthetic Borrow strategy have a fixed payoff at a future date, making them economically similar to zero-coupon bonds. A box spread consists of a synthetic long position coupled with an offsetting synthetic short position through a combination of options contracts on a reference asset at the same expiration date. The synthetic long position consists of (i) buying a call option and (ii) selling a put option, each on the same reference asset and each with the same strike price and expiration date. The synthetic short position consists of (i) buying a put option and (ii) selling a call option, each on the same reference asset and each with the same expiration date as the synthetic long but with a different strike price from the synthetic long. The difference between the strike prices of the synthetic long and the synthetic short determines the expiration value (or value at maturity) of the box spread. An important feature of the box spread construction process is that it seeks to eliminate market risk tied to price movements associated with the underlying options' reference asset. Once the box spread is initiated, its return from the initiation date through expiration is not expected to change due to price movements in the underlying options' reference assets. The value of the short box spread used in the strategy is subject to interest rate risks meaning that its mark-to-market value may fluctuate as interest rates and broader market conditions change. While the final payoff of the box spread is fixed, interim valuations can move in response to shifts in rates. The ability to purchase or sell box spreads effectively is dependent on the availability and willingness of other market participants to transact in box spreads at competitive prices. If one or more of the individual option positions that comprise a box spread are modified or closed separately prior to the option contract's expiration, then the box spread may no longer effectively eliminate risk tied to underlying reference asset's price movement and the return and characteristics related to the box spread will change, and the payoff amount owed by the client may be different than the fixed payoff at the original expiration date. This could cause the client to realize a higher implied borrowing rate than the amount that was in place at the original expiration date.

Market Risk: The amount of net premium, early repayment amount (if applicable), borrowing rate, and duration available will differ in future market conditions and there is no guarantee that the same terms will be available to any client seeking to utilize this strategy.

Margin and Repayment Risk: Short box spreads require margin approval and may require significant collateral. If the value of a client's collateral account falls below the minimum maintenance requirements set by the custodian, a margin call will be issued by the custodian, requiring the client to deposit additional cash or acceptable collateral to maintain the options trade. Failure to maintain adequate margin may result in the custodian's sale of some or all securities in the client's collateral account (securities unrelated to the options positions maintained as part of the strategy) to protect the options positions. Such liquidations may occur at unfavorable prices, resulting in potential losses and adverse tax consequences for the client. The advisor to the account must maintain margin in the account at all times to sufficiently collateralize the options positions. Margin amounts are determined by the custodian and must be monitored by the advisor to the account. In addition, at the time of expiration or early repayment, the client's options account must have sufficient cash to cover the repayment amount. Failure to maintain sufficient funds in the account when repayment obligations are due will result in the account having a liability, which the investor is still legally obligated to repay, and will accrue margin interest at the custodian's margin rates, which are subject to change. Vest will have no responsibility to monitor margin requirements or repayment amounts for any account and will have no responsibility for any losses to accounts caused by inadequate maintenance of margin or repayment amounts in client accounts. If a client chooses to extend the financing at the expiration date by rolling the short box spread over to a new term, the client will be subject to different terms (including with respect to margin requirements) based on market conditions and the option contracts available at that time.

Aggregate Margin Risk: When accounts are linked under an aggregate margin arrangement, collateral and margin requirements are calculated on a consolidated basis across all participating accounts. While this can increase borrowing capacity and efficiency, it also introduces additional cross account exposure risks. Losses or margin deficiencies in one account may impact the overall margin requirement of the aggregate relationship. This could result in margin calls or forced liquidations in other accounts within the aggregate, even if those accounts would not otherwise be subject to such calls on their own. If applicable to clients, advisors should carefully review these obligations, understand how margin is calculated, and be prepared to monitor margin performance across all accounts within the aggregate relationship.

Trading Risk: There is no guarantee that Vest will be able to execute a box spread transaction on any given day or at anticipated pricing levels. Market conditions, including volatility, liquidity constraints, or changes in interest rates, may prevent execution or result in execution at less favorable prices. Trading may be delayed, suspended, or otherwise restricted due to exchange-imposed halts, order imbalances, or operational issues. In certain market environments, it may not be possible to establish, adjust, or close a box spread position without incurring significant costs or losses.

Risks and Considerations

Tax Risk: Box spread trades on S&P 500 index options (SPX) are generally treated as Section 1256 contracts under the Internal Revenue Code. Section 1256 contracts are marked-to-market at year end (e.g., treat them as if they were sold at year end even if they are still being held), and gains or losses are treated as 60% long-term and 40% short-term capital gains or losses, regardless of holding period. The tax treatment of options strategies can be complex. Outcomes depend on the client's overall tax situation, other trading activity, other assets held and potential application of rules such as straddle provisions. Failure to properly report tax information, including a client's gains or losses relating to the strategy, can result not only in underpayment penalties and interest but may also subject the taxpayer to additional IRS scrutiny or audits. Because tax consequences depend on each client's individual circumstances, outcomes may differ significantly between clients, even if trades are identical. The foregoing is a description of certain tax-related risks that may apply to an investor engaging in the strategy but is not a fulsome explanation of all possible tax risks, tax considerations, or tax outcomes. Advisors and clients must consult their own tax professionals to determine actual tax consequences of the transaction.

Other Risks and Considerations:

There is no assurance that a separately managed account ("SMA") will achieve its investment objective. Accordingly, you can lose money investing in an SMA.

Fees associated with SMAs can be higher than mutual funds and ETFs that include manager, service, and advisory fees. Being able to withdraw cash from an SMA may be delayed due to the amount and type of positions to be sold. Withdrawals may negatively impact the SMA's performance.

Writing and buying options are speculative activities and entail investment exposures that are greater than their cost would suggest, meaning that a small investment in an option could have a substantial impact on performance. The use of call and put options can lead to losses because of adverse movements in the price or value of the underlying stock, index, or other asset, which may be magnified by certain features of the options. These risks are heightened when options are used to enhance a client's return or as a substitute for a position or security. When selling a call or put option, a client will receive a premium; however, this premium may not be enough to offset a loss incurred by the client if the price of the underlying asset is above or below, the strike price, respectively, by an amount equal to or greater than the premium. The value of an option may be adversely affected if the market for the option becomes less liquid or smaller and will be affected by changes in the value or yield of the option's underlying asset, an increase in interest rates, a change in the actual or perceived volatility of the stock market or the underlying asset and the remaining time to expiration.

A box spread is an options trading strategy that combines a long call and short put at one strike price with a short call and long put at a different strike price. Investors receive cash upfront by collecting the net premium from the option positions. At maturity, the investor owes a higher cash value inclusive of accrued interest. The strategy involves determining the combination of options designed to provide the amount of cash upfront desired by the investor and the desired timeframe for repayment. The resulting payoff resembles a fixed-income investment. Box spreads have historically provided institutional clients with an efficient alternative market to borrow and/or lend. However, although a short box spread may resemble a borrowing transaction, it is not a loan, and clients do not benefit from traditional lending protections such as negotiated repayment terms, collateral arrangements, or regulatory safeguards that typically apply to consumer or securities-based lending.

Writing a call or put option can lead to an assignment upon an exercise of a call or put option. In the case of a short call, an assignment can lead to a forced sale of the underlying security being held as collateral. Being short a put can lead to a forced purchase of the underlying security for which additional capital may have to be contributed by the account holder (i.e., "margin call"). Such involuntary sale and purchase transaction may occur at inopportune market times, which could result in losses to an account. The Synthetic Borrow strategy will use only European-style options. A European-style option may be exercised only during a specified period before the option expires. Every European-style option being traded at the date of this document is exercisable only on its expiration date.

In the case of an option purchase (long call or long put), a client's entire initial investment of premium can be lost. In the case of a covered option short sale (short call or short put), upside gains can be limited by the sale of a short call against an underlying stock position and a forced purchase of stock can occur in the case of a short cash covered put sale. In the case of a naked call or put sale (a call with no underlying stock position and a put with no cash to cover the possibility of a forced stock purchase) there is the risk of unlimited loss in the call position and substantial loss in the put position.

Options trading is not appropriate for all investors. Please refer to Characteristics and Risks of Standardized Options, also known as the options disclosure document (ODD), which discusses potential risks of options issued by the Options Clearing Corporation (OCC), which are typically listed on an exchange. Visit <https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document>.

Risks and Considerations

Other Risks and Considerations:

Options strategies that involve selling options contracts may lead to significant losses and the use of margin may amplify those losses. *Using Margin as part of an investment strategy can be very risky and is not appropriate for everyone.* Some of these strategies may expose you to losses that exceed your initial investment amount (i.e., you will owe money to your broker in addition to the investment loss). Before investing in a strategy that uses margin account, you and your client should fully understand that:

- You can lose more money than you have invested;
- You will be responsible for the full amount borrowed plus any commissions, fees, interest or other charges that you incur by trading or being on margin.
- You may have to deposit additional cash or securities in your account on short notice to cover market losses;
- You may be forced to sell some or all of your securities when falling stock prices reduce the value of your securities;
- Your account custodian may sell some or all of your securities without consulting you to fulfill any repayment or margin requirements;
- You are not entitled to choose which securities your account custodian sells in your accounts to fulfill any repayment or margin requirements;
- Your account custodian can increase its margin requirements at any time and is not required to provide you with advance notice; and
- You are not entitled to an extension of time on a margin call.

Any implied rates of borrowing provided by Vest prior to execution are illustrative and subject to market changes. Any rate shown is for informational purposes and does not represent actual performance, should not be interpreted as an indication of actual performance and is not a guarantee of future results. The actual borrow amount is subject to the custodian's margin requirements and may be higher or lower depending on the makeup of the portfolio, the size of option contracts, and current market conditions.

Straddles: The short box spread transaction may result in adverse tax consequences to the investor if the investor holds positions that are "offsetting" to either the puts or calls that comprise the short box spread. These adverse tax consequences include the recognition of gross gain on components of the short box spread transaction without the benefit of the losses on other components of the transaction and the resetting of holding period on other assets held by the investor. Offsetting positions held by an investor involving certain derivative instruments, such as options, as well as the investor's long and short positions in portfolio securities, may be considered to constitute "straddles" for U.S. federal income tax purposes. In general, straddles are subject to certain rules that may affect the amount, character and timing of the investor's gains and losses with respect to the straddle positions by requiring, among other things, that: (i) any loss realized on the disposition of one position of a straddle may not be recognized to the extent that there are unrealized gains with respect to the other positions in the straddle; (ii) the applicable holding period in straddle positions may be reset if the position has not attained a long-term holding period and does not begin until the straddle no longer exists (possibly resulting in a gain being treated as short-term rather than as long-term capital gain); (iii) the losses recognized with respect to certain straddle positions that are part of a mixed straddle and are non-Section 1256 Contracts be treated as 60% long-term and 40% short-term capital loss; (iv) losses recognized with respect to certain straddle positions that would otherwise constitute short-term capital losses be treated as long-term capital losses; and (v) the deduction of interest and carrying charges attributable to certain straddle positions may be deferred.

Investment advisory services are provided by Vest Financial LLC ("Vest"), an investment advisory firm registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, Vest is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

This summary is not intended to be tax or legal advice. This summary cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This summary is being used to support the promotion or marketing of the transactions herein. The taxpayer should consult an independent tax advisor.

Vest has entered into a contractual agreement with an affiliate, First Trust Portfolios L.P. ("First Trust"), to solicit investors in certain funds managed by Vest. In consideration of these services, First Trust receives a solicitation fee equal to 50% of the fee collected by Vest in connection with the strategy. In addition, since First Trust's affiliate, First Trust Capital Partners LLC, owns a controlling interest in Vest, First Trust will indirectly benefit from an increase in fees received by Vest. Since Vest's management fees are based upon a percentage of assets under management, the more assets under management, the higher fee income to both Vest and First Trust. In addition, due to such compensation, First Trust has an incentive to solicit strategies managed by Vest, resulting in a material conflict of interest which should be considered when making a decision to invest in an investment strategy managed by Vest. First Trust will not be involved in any provision of management services by Vest.

For additional information, please refer to Vest Financial LLC's form ADV Part 2A.