

The Parametric Customization Difference

A Custom Beta Solution

Parametric has been unlocking the power of separately managed accounts for over 25 years. Because every portfolio is a customizable separate account, we can blend indexes, manage in-kind assets, or exclude individual, stocks, sectors, or industries to help investors efficiently manage risk in their portfolios.

Tax-Efficient Transitions

Parametric has over two decades of experience transitioning equity portfolios for investors who are seeking greater portfolio diversification with lower volatility, and to effectively manage tax cost.

CASE STUDY: Changing Managers

A client had a portfolio with an underperforming active manager, and their advisor wanted to transition the portfolio to an index-tracking portfolio without creating a big tax bill. Parametric ran a multi-scenario analysis to show several possible tracking error/tax cost solutions – including transitioning at a gain/loss match. The client moved forward with the gain/loss match scenario. The portfolio was run at a higher tracking error for the first year, and over the next three years, we managed the client's gain budget as we rebalanced the portfolio to reduce risk.

CASE STUDY: Low-Basis Securities

Parametric met with a multi-generation family that had, years earlier, contributed low-basis securities to an exchange fund. The family was now facing a large and inevitable taxable distribution. The objective was to create four new, diversified trust accounts while working to minimize the tax impact of selling the low-basis positions. In order to expedite the diversification process, and attempt to balance capital gains with losses in the account, the client decided on a program where Parametric sold approximately 5% of the concentrated portfolio each year in early January and re-invested the proceeds to increase diversification. Throughout the rest of the year we took advantage of loss harvesting opportunities as they became available.

Implementation

We efficiently implement investor-driven allocations or models. Separate account solutions can incorporate individual tax considerations and can use options, futures and other synthetic vehicles.

CASE STUDY: Separate Account Solutions

An RIA with a proprietary asset allocation implemented with ETFs and Mutual Funds asked Parametric to help identify indexes that would mirror the existing allocations. To meet this unique need, Parametric created a custom blend of benchmarks that provided similar equity exposure. Because these portfolios were to be implemented in separate accounts, Parametric was also able to tax manage the client portfolios to work to improve the clients' after-tax experience.

CASE STUDY: Custom MLP Strategy

A multi-family office approached Parametric about creating a custom MLP strategy that enabled passive, direct MLP ownership but which limited the number of K1s received. Parametric created a strategy that attempted to minimize tracking error relative to the Alerian MLP Index with no more than 10 holdings at any given time. In order to maximize diversification, duplicate share classes of the same partnership were excluded from consideration.

Responsible Investing

Investors can express their environmental, social or corporate governance views by utilizing screens or best-in-class selection to construct portfolios that reflect personal values.

CASE STUDY: Personal Values

An advisor asked Parametric for help designing a custom exposure that adhered to the values of a religious foundation. The investment guidelines were used to help select a set of screens that utilize MSCI's business involvement research. We created a custom global benchmark with a 45% allocation to international stocks, and a 55% allocation to U.S. stocks with an emphasis on small- and mid-caps. The final result was a low tracking error global portfolio with exclusionary screens based on alcohol, gambling, weapons, nuclear power, and tobacco in addition to a custom restriction list provided by the client.

CASE STUDY: Environmental Focus

We worked with an advisor to help them define their client's Environmental, Social and Governance (ESG) priorities, and to select corresponding metrics to create a broadly diversified, sector-neutral portfolio that eliminated fossil exposure. The portfolio was also designed to have moderate tracking error relative to the selected benchmark. The investor also selected a specialized responsible investing proxy voting policy in order to ensure ballots for their holdings were cast in support of favorable shareholder resolutions.

Factor Investing

Factor-based portfolios and other custom benchmark solutions can be designed to reflect investors' market views, or to provide exposure not available in standard indexes.

CASE STUDY: Custom Benchmarks

One way we help clients to create custom, factor-based exposures is by blending standard indexes. An advisor asked us to implement a custom small-cap value exposure across their client's U.S. equity portfolios. Parametric analyzed current value and small-cap indexes to find the combination of indexes that had the characteristics that matched the investor's desired exposures.

CASE STUDY: Factors and Taxes

An advisor asked us to help a client with an existing allocation to an actively managed fund that was focused on momentum, value, and profitability. The advisor requested that Parametric construct a tax-managed separate account that emphasized the same factors. We designed a strategy to replicate the client's existing exposure while providing tax efficiency.

*Tax-managed Custom Core™ strategies are offered by Parametric Custom Tax-Managed & Centralized Portfolio Management. Indexed Custom Core™ strategies are offered by Parametric Investment & Overlay Strategies.**

*Parametric is divided into two segments: Parametric Investment & Overlay Strategies and Parametric Custom Tax-Managed & Centralized Portfolio Management. For compliance with the Global Investment Performance Standards (GIPS®), the Firm is defined and held out to the public as Parametric Investment & Overlay Strategies. For a complete list and description of Parametric Investment & Overlay Strategies composites, please contact Parametric at 206.694.5575.

Disclosure

Parametric Portfolio Associates® LLC ("Parametric"), headquartered in Seattle, WA, is a leading global asset management firm, providing investment strategies and customized exposure management to institutions and individual investors around the world. Parametric offers a variety of rules-based, risk-controlled investment strategies, including alpha-seeking equity, alternative and options strategies, as well as implementation services, including customized equity, traditional overlay and centralized portfolio management. Parametric is registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment

Advisers Act of 1940. Parametric is a majority-owned subsidiary of Eaton Vance Corp. and offers these capabilities through investment centers in Seattle, WA, Minneapolis, MN and Westport, CT (home to Parametric subsidiary Parametric Risk Advisors LLC, an SEC-registered investment adviser).

This information is for illustrative purposes only and should not be considered investment advice or a recommendation to buy or sell any particular security. The investment strategies and opportunities identified by Parametric may not be suitable for all investors. Investing entails risks and there can be no assurance that Parametric will achieve profits or avoid incurring losses. Parametric does not provide legal, tax and/or

accounting advice or services. Clients should consult with their own tax or legal advisor prior to entering into any transaction or strategy described herein. 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.

Copyright ©2016, Parametric Portfolio Associates® LLC. All rights reserved. Parametric Portfolio Associates, Parametric with the iris flower logo and Custom Core are all trademarks registered or pending registration in the U.S. Patent and Trademark Office.