



Parametric™

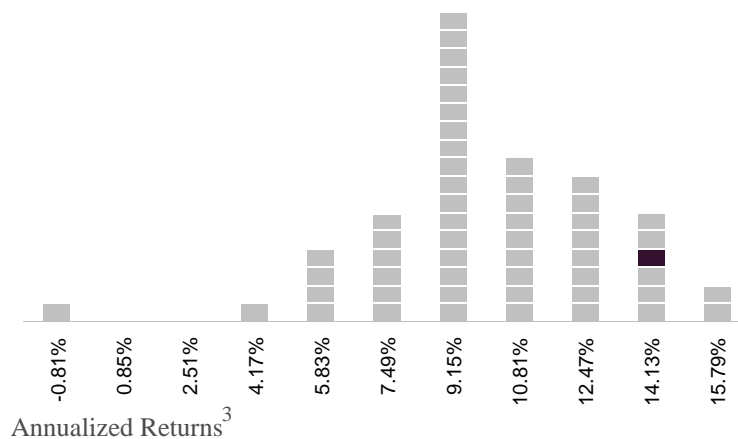
Leaders in Structured Portfolio Management

PARAMETRIC'S STRUCTURED EMERGING MARKETS STRATEGY

Data from a recent study of active emerging market fund managers reveals that Parametric's Structured Emerging Markets Strategy has performed well relative to its peers, especially on a risk-adjusted basis.¹ Indeed, the Eaton Vance's Tax-Managed Emerging Markets Fund (EITEX) sub-advised by Parametric*—which returned 12.9% on an annualized, net-of-fee basis over a 10-year period ending on 12/31/2008—outperformed 49 of 53 active funds with a 10-year track record while exhibiting the lowest level of volatility.² This success is indicative of the Strategy's focus on consistent, repeatable investment performance to which diversification, risk management, and cost awareness are paramount. ▶▶

RESEARCH BRIEF
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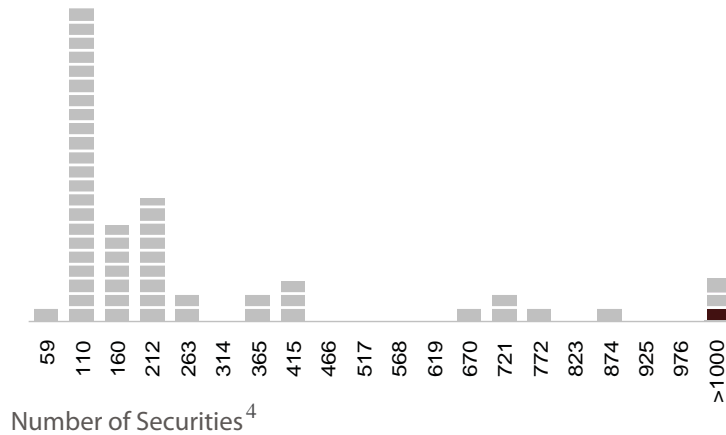


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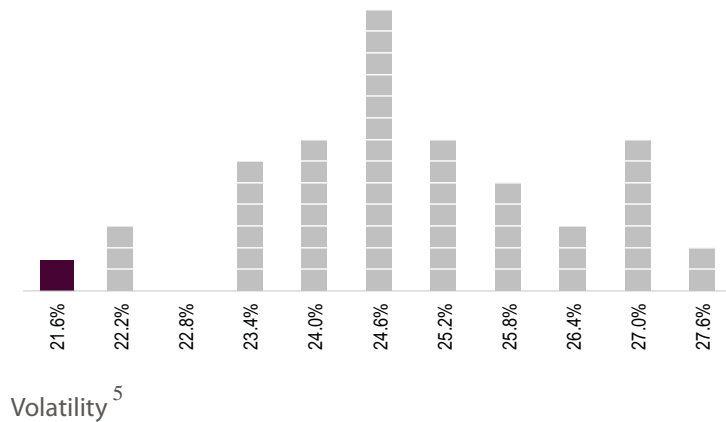
▶▶ INCREASED DIVERSIFICATION

The Strategy's goal to provide long-term, diversified exposure while employing systematic rebalancing techniques is designed to help reduce portfolio concentration risk. With over 1,600 emerging and frontier market securities spread across more than 40 countries, the Strategy provides a significant degree of company security diversification relative to its peers. In contrast, the average active manager in the group holds 154 securities.



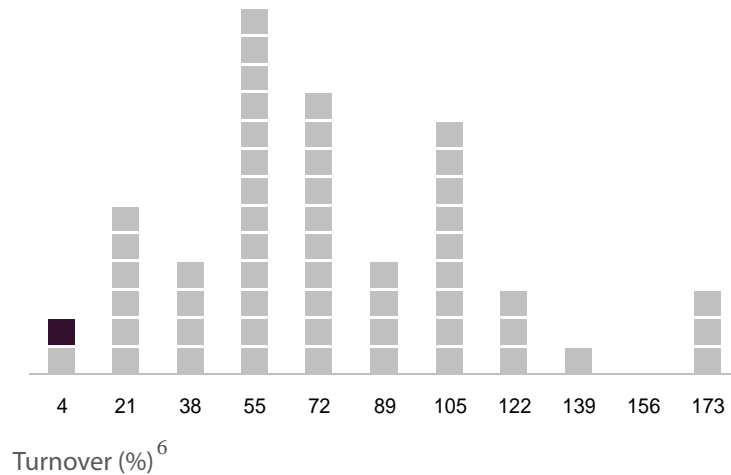
▶▶ ACTIVE RISK MANAGEMENT

Related to concentration risk, emerging and frontier markets are characterized by high levels of volatility. While Parametric seeks to limit performance erosion by reducing overall volatility through diversification, it also endeavors to reduce portfolio volatility by rebalancing in a systematic fashion. The Strategy is designed to capture a rebalancing premium by exploiting the low levels of between country cross-correlation prevalent in emerging markets. The Strategy demonstrated the lowest level of annualized volatility compared to its peers during the 10-year period.



▶ MINDFUL COST STEWARDSHIP

Cost management is especially important in emerging and frontier markets where commissions, fees and bid ask spreads are considerably higher even before factoring in other costs, such as local taxes, market impact and slippage from currency executions. As per the Pittman, Kirk and Dillon study cited above, a portfolio turnover of 100% under these circumstances can erode as much as 2.8% of the portfolio’s value on average. Parametric’s cost-conscious investment approach resulted in an annual turnover of only 4% during 2008; lower than all but one of its peers.



▶ CONCLUSION

Aside from illustrating relative outperformance, this peer comparison underscores Parametric’s commitment to diversification, volatility management, and cost-conscious investment in the emerging markets, which is essential to the Strategy’s success. This success also extends to the Strategy’s performance relative to the MSCI Emerging Markets Index (Net Dividends), which it has outperformed on a gross-of-fee basis in each of the last 10 years.⁷ This success also extends to the Strategy’s performance relative to the MSCI Emerging Markets Index (Net Dividends), which it has consistently outperformed on a gross-of-fee basis in each of the last 10 years. During this time period ending on 12/31/08, the Index returned 9% in annualized terms, compared to 14% for the Strategy, gross of fees.⁸

1. Pittman SD., Kirk M and Dillon BP., 2009, A 10-Year Examination of Active Investment in Emerging Markets, a Parametric White Paper. 2. Emerging markets active fund data was obtained from Morningstar, Inc. where there were 54 comparable funds with a 10-year track record as of 12/31/2008. 3. Source: Morningstar, Inc. Annualized returns reflect net-of-fee data for 54 comparable funds over a 10-year period ending on 12/31/2008. 4. Source: eVestment Alliance. Fund diversification data reflects holdings as 12/31/2008. 5. Source: Morningstar, Inc. Annualized volatility figures reflect standard deviation data for 54 emerging markets funds over a 10-year period ending on 12/31/2008. 6. Source: Morningstar, Inc. According to Morningstar, turnover is "computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets." The turnover data presented above reflects a one-year time period ending on 12/31/2008. 7. Sources: Eaton Vance and MSCI Emerging Markets Index. 8. The Strategy refers to the composite return of all accounts at Parametric which employ the emerging markets strategy. Gross-of-fee performance for 10 years ending 12/31/08 was 14%, net of fees 12.8%. EITEX is a mutual fund that is included in the composite. It returned 12.9% over this period net of fees. This information is for illustrative purposes only, is subject to change at any time and should not be considered investment advice or a recommendation to buy or sell any particular security. The information is based upon the total assets of all fee-paying discretionary accounts comprising the Structured Emerging Markets Master Composite as of 12/31/2008. Gross returns for the Composite are calculated in U.S. dollars, include the reinvestment of distributions, and are after transaction costs, any foreign withholding taxes and other direct expenses, but before management fees, custody charges and other indirect expenses. Such fees and expenses would reduce the results shown. MSCI Emerging Markets Index "Net Dividends" is defined as: This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI Barra uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates. It is not possible to directly invest in an Index. Past performance does not predict future results.

DISCLOSURES

Parametric is an industry-leading provider of structured portfolio management, headquartered in Seattle, Washington. Parametric and its affiliate, Parametric Risk Advisors, offer a variety of structured portfolio solutions, including customized core equity portfolios (U.S., Non-U.S., global Tax-Managed Core™), options strategies (DeltaShift™), emerging markets (Structured Emerging Markets™), and overlay portfolio management (OverlayOne™).

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