

STRUCTURED FOR SUCCESS.

Investment
Engineering
From
Parametric



SPECIALIZING IN STRUCTURE

/ Who we are

Parametric is a global asset management firm offering a broad range of strategies, each engineered to achieve the right blend of risk, cost, and return. We have been applying our structured portfolio management approach since we opened our doors in 1987.

Our capabilities span U.S. and non-U.S. markets, as well as traditional and specialty asset classes. We manage money for institutions and individuals around the world. Investors can access our products through a number of investment structures, including separate accounts, mutual funds, and other pooled vehicles.

Parametric is a subsidiary of Eaton Vance Corporation, one of the world's most dynamic global asset management companies.

IT'S TOUGH OUT THERE.

Investors face a harsh environment. Markets are uncertain, sentiment can shift quickly, and volatility dampens growth. Unintended exposures often sneak into portfolios, while costs and inflation erode returns.

Just as dangerous is the siren song of easy performance: what worked last year, the cult of manager personality, skewed headlines, and investment fads. The marketplace is crowded with firms that peddle hope while ignoring important realities.

We understand the challenges facing investors, and we address them head on by providing practical solutions to hard problems—solutions that focus on portfolio structure, risk control, and minimizing investment costs.

DEFINING OUR STYLE

WHAT WE MEAN BY STRUCTURED PORTFOLIO MANAGEMENT

Structured portfolio management is scientific, mathematical and pragmatic. It's driven by concrete ideas and quantifiable tests. It's free of tactics and forecasts that inevitably disappoint. It is investment engineering.

WHAT WE DON'T MEAN BY STRUCTURED PORTFOLIO MANAGEMENT

Structured portfolio management does not mean structured finance, structured notes, or structured products. It does not rely on esoteric synthetic instruments or involve counterparty risk. And there are no black boxes containing complex, opaque bets across securities and markets.

THE ELEMENTS OF STRUCTURE

At Parametric, structure is the backbone of who we are and everything we do. All of our investment strategies reflect the characteristics of our well-engineered approach:

RULES-BASED, TRANSPARENT PROCESSES	Decisions are based on tested rules and guidelines rather than human judgment.
EXPLICIT PERFORMANCE TARGETS	Portfolios are built to capture the performance of a well-defined asset class or market segment.
RISK CONTROL	Risks, such as volatility and tracking error, are precisely measured and managed.
CUSTOMIZATION	Investment objectives incorporate specific diversification needs, tax requirements, income goals, and investor preferences.
IMPLEMENTATION FOCUS	Efficiency and accuracy are imperative. We minimize costs of all types, we adhere to policy guidelines, and we deliver unparalleled client service.

CONTROLLING THE CONTROLLABLE

/ Our Philosophy

Many asset managers choose to focus exclusively on predicting return. Yet the history of markets and investing reveals that predictive insight is rare and fleeting, and misguided forecasts can derail an investment program.

We don't rely on market pundits or star stock pickers at Parametric. We employ creative, thoughtful professionals who approach the markets with a healthy dose of humility. We believe in focusing first and foremost on what we can control—most notably, risk and costs.

We base this philosophy on some long-term observations:

CAPITAL MARKETS ARE TOUGH TO BEAT.

Tactical, judgment-driven approaches to finding inefficiencies often fall short of expectations. Investors are well served by strategies that respect the efficacy of the markets.

RISK MATTERS.

Risk control can help avoid painful surprises and ensure that an investment program is maintained during difficult periods.

COST MATTERS.

Transaction & implementation costs can mean the difference between success and failure. In particular, if the portfolio pays taxes, tax efficiency is paramount.

To us, these observations are not debatable; they're foundational. And they led us to structured portfolio management.

APPLYING THE ELEMENTS OF STRUCTURE

/ Our Product Offerings

Our investment solutions have developed over time. Since our founding in 1987, we've innovated in three main areas. Each body of work has translated into a distinct group of strategies with significant assets under management.

STRUCTURED ACTIVE

STRUCTURED TRACKING

STRUCTURED OPTIONS

All of our product offerings are grounded in the elements of structure, so they share a common foundation. But, as you'll see, they express our discipline in very different ways.

OUR PRODUCT OFFERINGS:

STRUCTURED ACTIVE

/ Engineering Better Long-Term Core Portfolios

Our Structured Active portfolios borrow from both active and passive approaches—and improve on them. Through thoughtful portfolio construction, we seek to generate more consistent alpha than other styles of active management. At the same time, we provide less-volatile exposure to an asset class than many passive offerings.

The concept: long-term portfolio growth can be enhanced by enforcing diversification and exploiting combinations of volatility and correlation. Instead of being dependent on repeated tactical insights into valuations or market directions, Structured Active relies on a rules-based, transparent process.

The goal of our Structured Active products is to outperform their relevant benchmarks with less risk. To achieve that goal, we:

AVOID CONCENTRATIONS INHERENT IN MANY INDEXES.

Concentrations increase volatility and downside risk. For example, in the late 1990s, technology stocks grew from 10% to 25% of the world's market capitalization, then collapsed to 10% over the next two years.

REDUCE FRICTION.

In setting rebalancing targets, we manage implicit and explicit trading costs.

EXPLOIT VOLATILITY THROUGH SYSTEMATIC REBALANCING.

Rebalancing to target weights avoids concentrations. It also takes advantage of the natural volatility of assets by selling when prices go up and buying when prices go down.

A Powerful Platform

The Structured Active strategy can be applied across markets and asset classes. The underlying principles of diversifying and rebalancing are the same:

> STRUCTURED EQUITY

We offer equity portfolios managed against a number of benchmarks, including emerging markets, developed international, and global indexes. We rebalance away from concentrations at the country, sector, and style level, and into areas where weights have fallen below our targets.

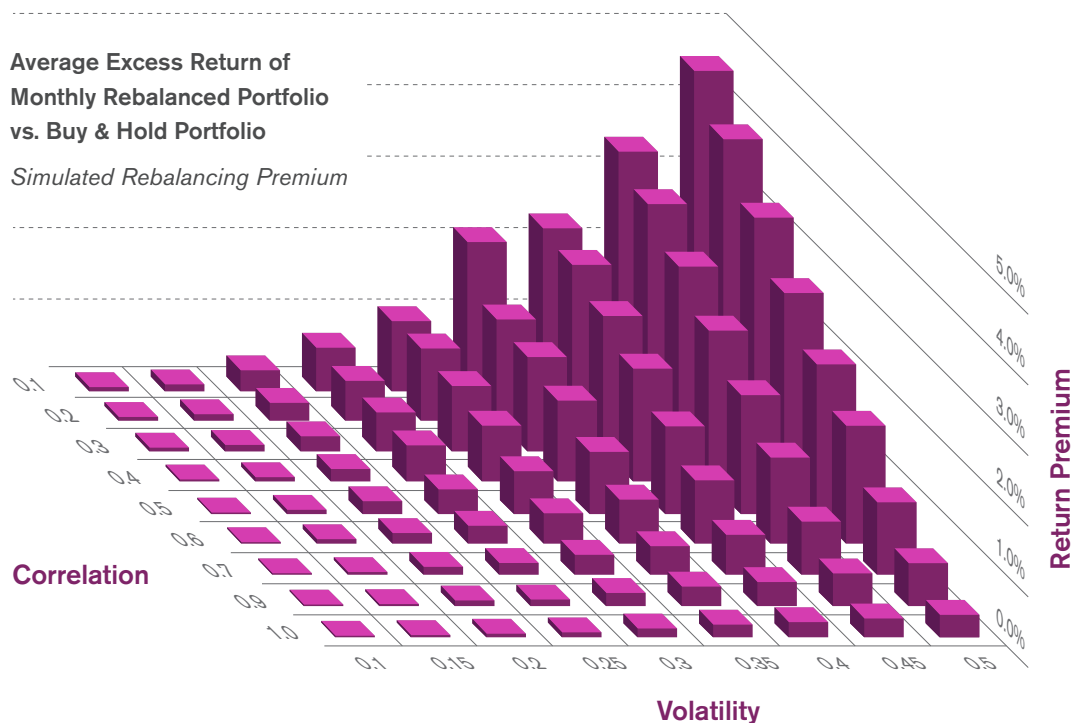
> STRUCTURED COMMODITY

Major commodity benchmarks and many active strategies are heavily concentrated in a relatively small subset of securities. We emphasize underrepresented commodities, providing broad exposure to the asset class and a potential complement to less diversified mandates.

> STRUCTURED CURRENCY

Our strategy invests in a global basket of currency forwards, seeking to produce excess return while defending against potential weakening of the U.S. dollar.

DIVERSIFYING AND REBALANCING TO CREATE ALPHA



Takeaway: *Rebalancing Alpha* increases as volatility increases and as correlation decreases.

Note: Simulation based on 20 assets over 360 months, with returns generated by a lognormal distribution. For each simulation, correlation and volatility are assumed equal for all assets.

OUR PRODUCT OFFERINGS:

STRUCTURED TRACKING

/ Engineering Customized, Client-Specified Portfolios

Our Structured Tracking capability takes value-added implementation to a higher level. We build true separate accounts that target an equity index, custom universe, or even a group of outside managers and funds. Every portfolio tracks an explicit objective while addressing factors that are unique to the investor, such as taxes, social values, or diversification needs.

Clients come to us with an investment objective, and we implement it precisely and cost-effectively. We don't render an opinion

on the choice of benchmark; that decision is the client's to make. We simply provide the desired exposure in a highly customizable separate account. The value we bring is managing the trade-off between relative risk, or tracking error, and the benefit we're creating, such as tax efficiency.

Our Structured Tracking product suite includes index-based strategies and overlay portfolio management for Unified Managed Accounts.

Overlay Portfolio Management

OverlayOne™ applies our expertise to Unified Managed Accounts. We receive model portfolios from other asset managers and deliver customized client portfolios while closely tracking the managers' model holdings. We add value through account consolidation, and where appropriate, tax management.

Index-Based Strategies

Index mutual funds and ETFs may generate index-tracking returns with low turnover. But, as commingled vehicles, they're inflexible. They cannot accommodate an investor's taxes, and they do not allow for customization.

We offer compelling alternatives that make your beta work harder for you.

> TAX-MANAGED CORE™

Tax-Managed Core portfolios (TMC) are equity separate accounts that target a client-designated benchmark. They seek to provide the consistent performance and diversification of passive investing with active tax management and customization. We created our first TMC portfolio in 1992, and we currently offer a full range of U.S., non-U.S., and global equity TMC mandates.

> CUSTOM INDEX

We build index-based equity portfolios when standard index choices won't do. They are as varied as the individual needs of our clients. Some investors focus on environmental, social, and governance factors. Others are interested in targeting alternative or non-capitalization-weighted indexes. Whatever the mandate might be, we construct a portfolio designed to meet our client's goals.

BENCHMARK FLEXIBILITY

Parametric builds tax-efficient, separate accounts that can be benchmarked to virtually any standard or customized index. Examples include:

Target Exposure	Example Index
Large Cap US	S&P 500®, Russell 1000®
Broad Cap US	Russell 3000®
International Equity	MSCI EAFE, MSCI World
Fundamental	FTSE RAFI, Enhanced RAFI
Style	Value/Growth, Small/Large, Defensive/Dynamic
Dividend-Focused	WisdomTree®, Dividend Achievers™, Dividend Tilt
Specialty Indexes	Alerian MLP, NASDAQ OMX Green Economy®
SRI/ESG	MSCI ESG, KLD Analytics, IW Financial

OUR PRODUCT OFFERINGS:

STRUCTURED OPTIONS

/ Engineering a Better Risk-Return Profile

Volatile markets can create heartburn for investors. Asset values may swing uncontrollably while expenses and liabilities remain fixed. Worst case, an investor may be forced to liquidate holdings at depressed prices in order to meet these obligations.

We work to turn volatility from an enemy into a friend. We offer a range of option overlay programs designed just for that purpose.

Our Structured Options strategies alter the risk-return profile of existing investments, with the goal of increasing yield, boosting total return, reducing downside exposure or all of the above. We apply transparent, rules-based methodologies that we can implement in very customized ways.

Know Your Options

All of our strategies take advantage of the difference between the implied and realized volatility of equity options. We primarily use listed options, and there is no leverage, credit exposure, or counterparty risk involved.

> DELTASHIFT™

DeltaShift is an actively managed call writing program for clients who hold individual stocks or diversified equity portfolios, either passively or actively managed.

> PARAHEDGE™

ParaHedge combines our index call writing process with systematic put spread buying to convert “long” equity into “hedged” equity.

> OPTION ABSOLUTE RETURN STRATEGY (OARS)™

This approach entails buying and selling equity-index options in an effort to deliver consistent, positive returns that aren't correlated with most traditional asset classes.

The Value Proposition

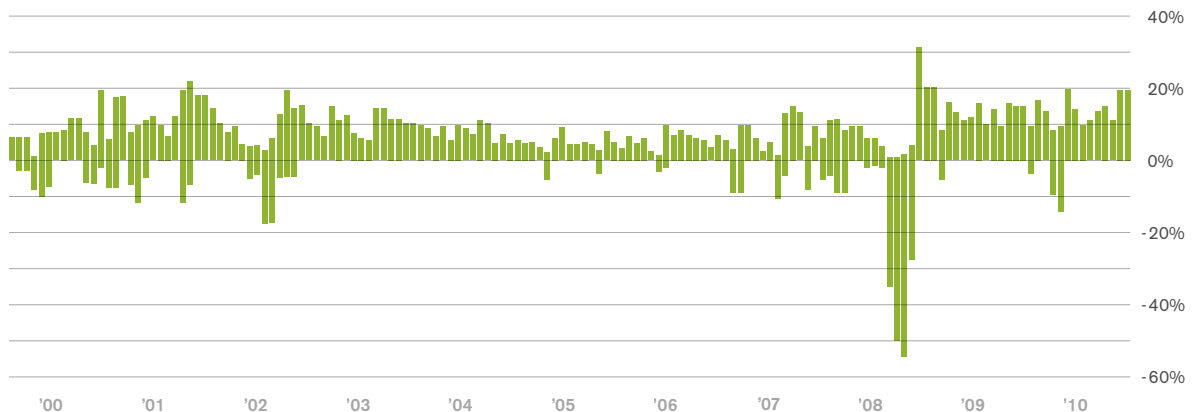
Equity options are persistently mispriced, creating arbitrage opportunities. These mispricings stem from a general imbalance in supply versus demand for equity options.

This imbalance can be seen in the long-term relationship between implied and realized volatility. Implied volatility is the expected volatility of the underlying stock or index, based on the market price of the option. Realized volatility is the actual volatility of the underlying security. Historically, implied volatility has generally exceeded realized volatility.

IMPLIED VS. REALIZED VOLATILITY

Equity and index option market pricing inefficiencies exist and are persistent.

VIX Index less 30-Day S&P 500 Historical Volatility



Source: Bloomberg and Parametric. This data is for illustrative purposes only. Each stock will have a different historical volatility and observed, implied volatility set. This illustration is not intended to reflect the result of any client. Any historical results presented herein should not and cannot be viewed as an indicator of future performance. The hypothetical security shown is used for illustrative purposes only.

HARNESSING UNIQUE STRENGTHS

/ The Parametric Edge

Structured portfolio management is a different style of investing and it takes a different kind of company to do it well.

INNOVATIVE THINKING

We employ investment engineers and PhDs who relish the idea of finding better solutions to investment problems. They focus on applying science and math to uncover the most direct, friction-free path to the desired result.

SERIOUS TECHNOLOGY

If you're touting high levels of customization, precise risk control, and meticulous implementation, you'd better have the technology to back it up. And we do. We invest heavily in technology and have created a proprietary platform unrivaled in quality, speed, and scalability.

A HISTORY OF GROWTH

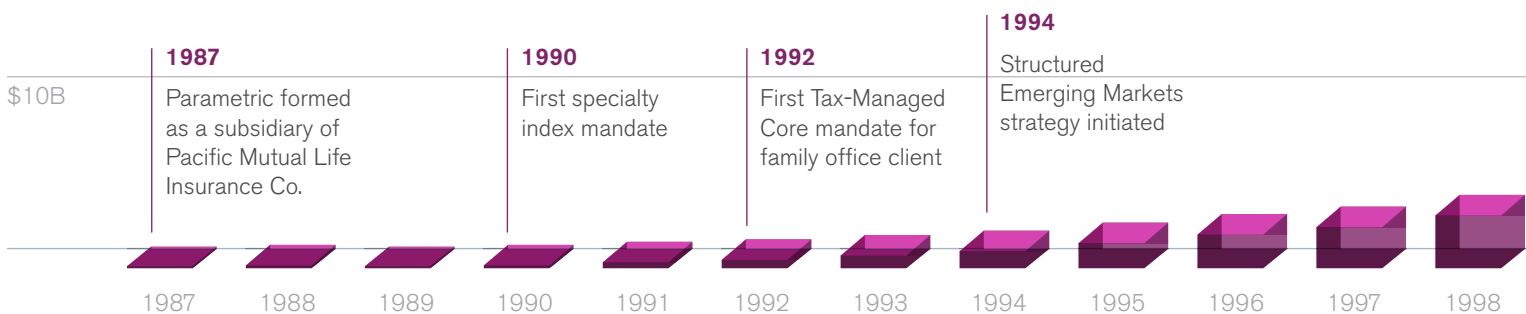
/ Company Timeline

ASSETS UNDER MANAGEMENT

\$40B

\$30B

\$20B

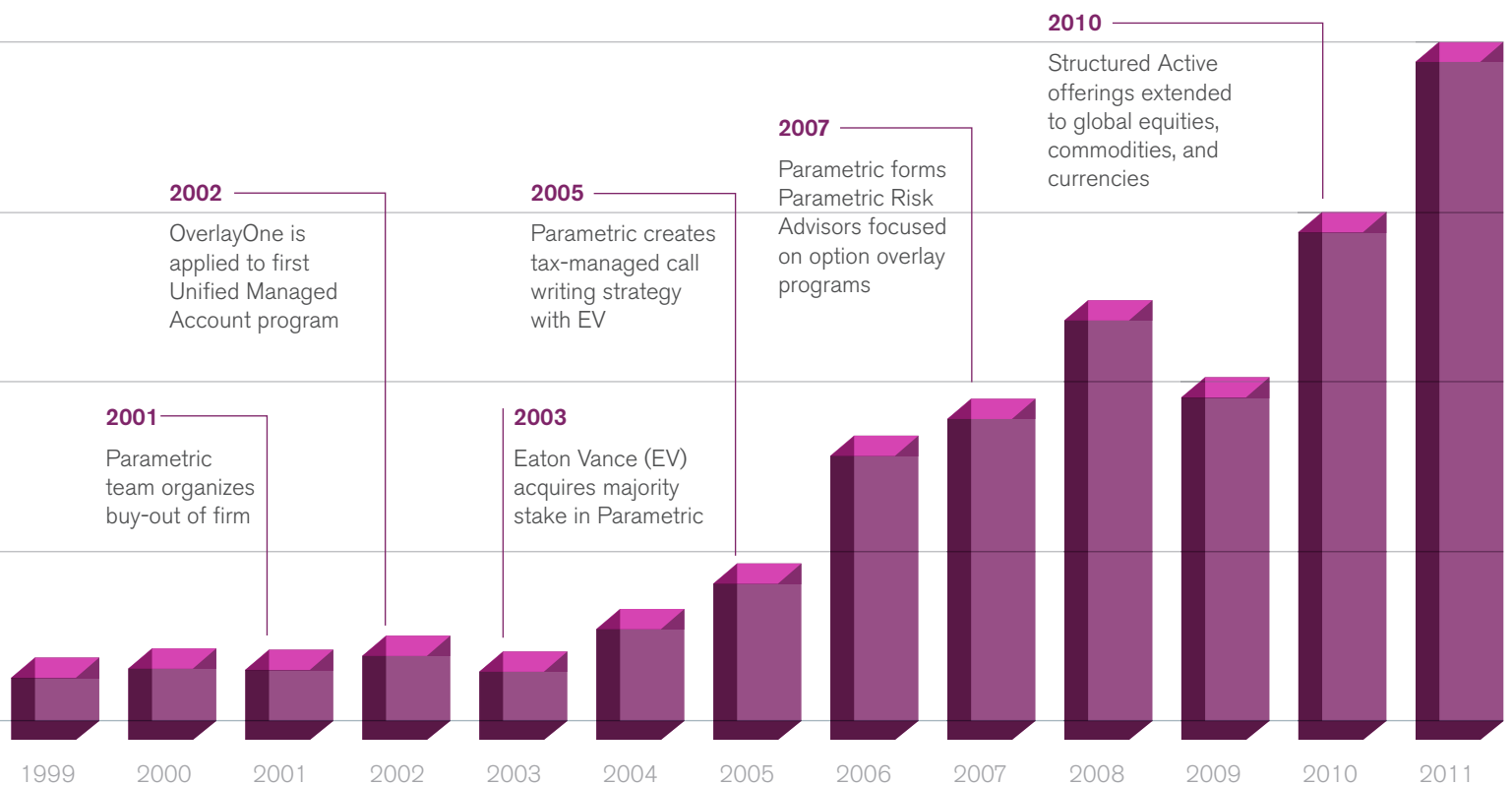


PARTNERSHIPS WITH CLIENTS

Our most successful relationships are those where our clients see us as partners rather than vendors. They rely on us for help and advice, frequently lobbing “What if?” questions our way. Some of our best ideas come from these interactions. As one investor described it, “Our next problem will likely be Parametric's next product.”

STABILITY AND CONSISTENCY

The members of our senior management team have worked together for years. They perpetuate our philosophy and culture, and are committed to the long-term success of our clients and our firm.



OUR BUSINESS IS ENGINEERING INVESTMENT SUCCESS STORIES

The realities of investing are sobering—markets are turbulent, risk is frequently punished, and returns are hard to predict.

We offer practical solutions for overcoming these challenges. Solutions that add value through intelligent portfolio structure and attention to detail. Solutions that provide the exposures and return characteristics investors want, without unpleasant surprises.

More and more, we see the investment industry embracing our way of thinking. Global market events have put an enormous premium on transparency and risk control, two cornerstones of our approach.

If our views about the markets and investing resonate with you, we would like to start a dialogue.

Parametric is an industry-leading provider of structured portfolio management, headquartered in Seattle, Washington. We offer a broad set of solutions—quantitative, rules-based approaches aimed at risk-managed outperformance, customized market capture strategies and options/hedging strategies designed to tailor a portfolio's risk/return profile.

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Parametric Portfolio Associates ("Parametric") is a Seattle, Washington-based investment management firm providing separately managed accounts for high net worth investors with an emphasis on customized portfolios and risk management. Eaton Vance owns a majority interest in Parametric.

All accounts included in each Composite are fully discretionary and include only those accounts funded with cash and free from client-directed investment restrictions. Because Parametric manages each account to reflect client-specific characteristics, accounts funded with securities and/or subject to restrictions will experience varying performance. Individual client after-tax experience will vary according to each client's unique tax circumstances. In particular, it has been assumed that the client has, or will have sufficient capital gains from sources outside of this portfolio to fully offset any net capital losses realized, and any resulting tax benefit has been included in Parametric's computation of after-tax performance. Past performance does not predict future results.



Parametric™
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We welcome your inquiries. For access to our research, product and general information, please contact us:

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