

# Parametric U.S. Treasury Ladder

## Strategy overview

### Investment objective

To seek predictable income and capital preservation from high-quality U.S. Treasuries.

### Treasury laddered investment approach

Treasury laddered bond portfolios are constructed with the goal of maintaining principal protection and producing predictable cash flows— which are especially beneficial during environments of volatile interest rates and credit stress. Professional, customized management can offer important potential benefits to bond investors.

### Why managed Treasury ladders?

#### Client customization

- |                                |  |
|--------------------------------|--|
| <b>Duration</b>                | <ul style="list-style-type: none"><li>• 1-12 month</li><li>• 1-24 month</li><li>• 1-5 year</li></ul>                       |
| <b>Maturing bond principal</b> | <ul style="list-style-type: none"><li>• Investors may choose to reinvest maturing bond principal or receive cash</li></ul> |
| <b>Minimum investment</b>      | <ul style="list-style-type: none"><li>• Minimum investment of \$100,000</li></ul>  |

#### How does a laddered portfolio work?

A laddered portfolio equally weights Treasuries by maturities. Proceeds of maturing Treasuries are generally reinvested into longer maturities, potentially at higher yields. Alternatively, clients can choose to take proceeds in cash.

#### What are the potential benefits?

- The ladder structure may provide the opportunity to increase returns in rising interest rate scenarios. Even maturities provide stable annual income.
- **Principle Protection:** Seek to minimize the impact of interest rate risk by systematically reinvesting proceeds of maturing bonds—often at potentially higher yields.

### Tools for transition

#### Transition analysis report

For clients with existing portfolios, Parametric can provide a detailed analysis of current holdings and how they would be transitioned to a Parametric U.S. Treasury Ladder SMA.

#### Sample portfolio report

A personalized report detailing the holdings and structure breakdown of a hypothetical Parametric U.S. Treasury Ladder SMA.

### Team leadership

**Jonathan Rocafort, CFA**  
Head of Fixed Income Solutions

**Bernard Scozzafava**  
Director, Quantitative Research and Portfolio Management

**Nisha Patel, CFA**  
Managing Director, SMA Portfolio Management

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There is no assurance that a separately managed account (“SMA”) will achieve its investment objective. SMAs are subject to market risk, which is the possibility that the market values of the securities in an account will decline and that the value of the securities may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in an SMA.

Although certain U.S. Government-sponsored agencies (such as the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association) may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury. U.S. Treasury securities generally have a lower return than other obligations because of their higher credit quality and market liquidity.

As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, the portfolio manager may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return.

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