



# Custom Equity and Fixed Income SMAs

Scalable | Cost effective | Tax efficient



Better together



# It's all about choice

Some clients are tax sensitive. Others may seek to align their portfolio with their social or environmental values. Still others might want a tilt to certain equity factors or to bonds in specific states. Many may want all three and more. How can you provide them with market-like exposures while still satisfying their desire to customize?

To help advisors meet these and other investor challenges, Parametric offers a suite of separately managed accounts across both equities and fixed income. Our Custom Core® equity and laddered bond solutions are designed to be **simple and scalable**, helping you spend less time on legwork—and more time growing your business.

## Advisor challenge

## Customized SMA solution

Fee pressure	»	Generally lower fees than active managers
Trend from active to passive	»	Potential benefits over ETFs—highly customizable and tax efficient
Time to research individual bonds	»	Professional credit analysis and oversight
Municipal bond markup disclosure	»	Institutional buying power

# Why Parametric Custom Core?

Custom Core equity is a tax-managed SMA you can customize to achieve the precise market exposures your clients seek. They gain the consistent performance and diversification of index-based vehicles in a **flexible, personalized portfolio**. You get:



Transparent, rules-based methodologies, so you'll always understand the analysis behind the investments.



Portfolios you can tailor to meet just about any passive mandate, in an uncomplicated way that helps you scale your practice.



Robust technology, in-depth reporting, and human expertise, with open access to our senior investment strategists.



The confidence of working with the industry pioneer and leader, with over \$107 billion in AUM\* in Custom Core equity alone.

\* As of 6/30/2020



# How it works



Choose from more than 100 benchmark indexes, including:

- » S&P 500®
- » Russell 3000®
- » MSCI EAFE<sup>SM</sup>
- » Calvert US Large-Cap Core Responsible Index

- » Tax management
- » ESG screens and integration
- » Sector, industry, and security exclusions, including to avoid portfolio overconcentration
- » Ability to blend indexes

- » Year-round tax-loss harvesting
- » Wash-sale avoidance
- » Before- and after-tax reporting
- » Tax-lot and holding-period management



# What makes a Custom Core SMA more flexible than an ETF?

ETFs that track indexes are naturally tax efficient, but they're also pretty rigid. By definition, they must hold every name in the specified index, and at their predefined weights.

A Custom Core equity SMA, however, offers greater freedom around what names can be held and at what allocations. It also gives an investor **full control over the underlying securities**.

This flexibility helps your clients capitalize on powerful tax-management techniques, such as gain deferral and security-level tax-loss harvesting, that aren't possible in an ETF. It also means they can customize a portfolio around their ESG principles and factors and even include option overlays.



## ETF

## Custom Core equity SMA

### Tax management

Can't distribute capital losses,  
limited charitable gifting

Continuous tax-loss harvesting,  
tax-efficient withdrawals,  
charitable gifting

### Customization

Offers exposure to  
preexisting indexes only

Large breadth of indexes,  
flexible exposures, factor tilts,  
responsible investing

### Transitions

Can fund only with cash

Can transition existing securities,  
multiple risk and tax solution options,  
avoids concentration risks, ongoing  
tax-efficient transitioning

### Charitable giving and estate planning

Can gift only entire shares

Can gift individual securities.  
Also offers tax-efficient way to  
withdraw cash.

Flexibility helps your clients capitalize  
on powerful tax-management techniques  
that aren't possible in an ETF.

# Why Parametric fixed income ladders?

Heightened credit concerns. Limited access. Technical and logistical complexity. Interest rate uncertainty. For these reasons and more, crafting and managing **client-centric bond portfolios** on your own can consume a good deal of your time. With Parametric's laddered SMAs, **you gain access to:**



## Broad selection

We work with a large network of fixed income broker-dealers, offering your clients a wide array of both municipal and corporate bonds.



## Institutional buying power

With over \$45 billion in AUM\* across fixed income portfolios, we have the size and scale to buy and sell bonds at favorable prices on your clients' behalf.

\* As of 6/30/2020.







### In-house credit oversight

Our team of experienced credit analysts selects and monitors investments, helping your clients reduce credit exposure risk in their portfolios.



### Systematic tax-loss harvesting

It's not just a Q4 activity. We constantly monitor portfolios to capture and bank losses as they arise throughout the year.



### ESG filters

For corporate ladders, Parametric can provide you with a full suite of customized ESG solutions. For municipals, we leverage Calvert research to align ladders with your clients' investing principles.



### Client-centric reporting and tools

The tax management and customization inherent in an SMA require detailed reporting. We also offer tools to help you evaluate portfolio transitions, determine interest rates' effect on your clients' bond ladders, and more.

# A ladder for every investor

Parametric offers highly customized laddered SMAs designed to meet each client's unique objectives. From start to finish, we make the portfolio transition process **clear and cost effective** for both you and your clients, helping you build custom bond ladders with confidence and ease.

## Transition the account

Client chooses to fund with securities or cash.



If client already has munis or taxable bonds, we identify which we'd keep, which we'd sell, and why.



We provide you with a comprehensive transition analysis.

## Design the exposure



**Municipal ladder**  
(maturity range of 1-20 years)



**Corporate ladder**  
(maturity range of 1-10 years)

## Customize the portfolio

**Municipal credit quality options include AA-, A-, or BBB**

*(national BBB available at a maximum of 30%)<sup>1</sup>*

**Corporate credit quality options include A- or BBB-**

*(BBB available at a maximum of 60%)<sup>1</sup>*

**National**

**State specific**

CA, MA, MI, MN, NJ, NY, OH, PA, TX

**State preference**

*(generally target 50% in state):*

AZ, CA, CO, CT, GA, MA, MD, MI, MN, MO, NC, NJ, NY, OH, OR, PA, TX, VA, UT

**Best efforts**

*(generally target 20% in state):*

FL, HI, IN, KY, LA, SC, TN

## Ongoing client service

Once the transition is complete, Parametric provides ongoing ladder management, including rigorous credit oversight. You'll have open access to our portfolio managers, who are available to conduct conference calls to answer questions, review performance, and discuss current opportunities.

<sup>1</sup>Ratings are based on Moody's, S&P®, or Fitch, as applicable. Credit ratings are based largely on the ratings agency's investment analysis at the time of rating, and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. The rating assigned to a security by a ratings agency does not necessarily reflect its assessment of the volatility of a security's market value or of the liquidity of an investment in the security. If securities are rated differently by the ratings agencies, the higher rating is applied. Ratings of BBB or higher by S&P® or Fitch (Baa or higher by Moody's) are considered to be investment-grade quality.

<sup>2</sup>State specific, state preference, and best efforts available in A- or above only. Information as of 3/31/2020.

# Why Parametric?

Other firms can provide you with core equity and fixed income SMAs. Parametric goes further, helping you deliver **truly customized solutions** designed around your clients' objectives and values.

We believe in



Questioning the  
status quo



A disciplined,  
systematic approach



Genuine  
partnerships

# Let's work together

Our job is to help you do yours. We've worked with financial advisors for more than 30 years and have a deep understanding of the equity and fixed income markets and how to help you access them more efficiently, more cost effectively, and more easily.

For all **your SMA needs**, contact your representative to discover how Parametric can help you and your clients **do better together**.



**PARAMETRIC**  
An Eaton Vance Company

## About

Parametric Portfolio Associates LLC (Parametric), headquartered in Seattle, is registered as an investment advisor with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Parametric is a leading global asset management firm providing investment strategies and customized exposure management directly to institutional investors and indirectly to individual investors through financial intermediaries. Parametric offers a variety of rules-based investment strategies, including alpha-seeking equity, fixed-income, alternative, and options strategies. Parametric also offers implementation services, including customized equity, traditional overlay, and centralized portfolio management. Parametric is a wholly owned subsidiary of Eaton Vance Corp. and offers these capabilities through offices in Seattle, Boston, Minneapolis, New York City, and Westport, Connecticut.

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