

Parametric Emerging Markets

Strategy Commentary

Market Review

Emerging market equities extended their positive momentum in the third quarter of 2020, with the MSCI Emerging Markets Index rising 9.56% for the period. Results were strongest in Asia, which helped buoy aggregate performance given the region's concentration within the Index. Performance was more mixed elsewhere, with EMEA delivering a modest gain, while Latin America posted a modest loss.

Within Asia, Taiwan was not only the top-performing market in the region, but also ranked number one overall with a 16.5% USD return. Aggregate results for the country were heavily influenced by a strong rally in the technology sector, and a 41.6% USD increase from main constituent, Taiwan Semiconductor Manufacturing Co., which benefited from news that rival, Intel, was considering outsourcing some chip production to the company. In China, results were also above average, with aggregate performance supported by a rally in a handful of consumer discretionary companies following better-than-expected Q2 results. E-commerce giant, Alibaba, reported a +34% jump in sales in the June-ending quarter as pent-up demand during the Covid lockdown and a shift in consumer buying habits from offline to online buoyed the company. Smaller rival, JD.com, also delivered top and bottom-line beats and was rewarded with a 29.0% USD rally over the period. In contrast, Thailand experienced significant weakness over the quarter, falling 14.1% in US dollar terms. In EMEA, GCC countries Saudi Arabia, Qatar, and U.A.E were the best-performing markets, delivering US-based investors a 9.3%, 7.5%, and 6.2% return, respectively. The easing of lockdown provisions and stabilization in oil prices have supported sentiment in the region. Contrary to strength there, Europe had its share of underperformers for the period. Turkey ended up being the worst-performing country in the third quarter, succumbing to a 5.2% decline from local equities and a hefty 11.2% fall in its currency. This left US-based investors with a total loss of nearly 16%, which was driven by concerns over higher inflation projections from the central bank and the headwind that would pose to further interest rate cuts. Hungary experienced similar equity weakness, declining 8.9% USD as the country grappled with a strong uptick in coronavirus cases, in addition to weaker 2020 growth projections and stronger inflation estimates from the central bank. In Latin America, strong performance from Argentina's sole technology constituent, Globant SA, helped offset significant declines in other sectors and propelled the country to a 6.7% USD return. Mexico was also up in US dollar terms, rising 4.6%. This was entirely due to the peso strengthening against the dollar, however, as local equities were flat over the quarter. For Brazil, impact from currency changes ended-up being the primary driver of results for US-based investors, too, but in the opposition direction. The country fell 3.3% USD, with the Brazilian real dropping 2.6% against the dollar.

In general, frontier market countries trailed emerging market countries during the quarter, with the MSCI Frontier Markets Index increasing 8.29%. The Index return was heavily influenced by underperformance from major constituents Kuwait, Vietnam, and Morocco.

Performance summary

	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	20 Year
Emerging Markets Equity Composite (gross)	5.01%	-12.88%	-5.71%	-3.16%	4.53%	0.93%	1.20%	9.33
Emerging Markets Equity Composite (net)	4.83%	-13.32%	-6.35%	-3.81%	3.80%	0.20%	0.47%	8.65
MSCI Emerging Markets Index (net dividends)	9.56%	-1.16%	10.54%	2.42%	8.97%	3.74%	2.50%	7.83

Source: Parametric and MSCI. Performance inception: 7/1/98. YTD returns as of 9/30/2020.

Performance is presented gross and net of advisory fees. Performance reflects the deduction of brokerage commissions and reinvestment of dividends and other earnings. Returns less than one year are not annualized. Past performance is not indicative of future results. This information is supplemental to the Emerging Markets Composite's GIPS® presentation contained on page 4. Please refer to the GIPS® presentation and disclosures for additional information. It is not possible to invest directly in an index; they are unmanaged and do not reflect the deduction of fees or expenses. All investments are subject to the risk of loss.

Strategy changes

- > We upgraded both Saudi Arabia and Thailand from tier 2 to tier 1 due to robust liquidity in both markets.
- > In addition, Turkey was moved from tier 3 to tier 2 in reaction to lasting improvements in accessibility.
- > Finally, we expanded the upside rebalance threshold for the Philippines and Colombia by 10% in light of persistently higher transaction costs in both markets.

TOTAL STRATEGY ASSETS (9/30/2020)

\$3.0 Billion (approx.)

VEHICLES AVAILABLE

Separate accounts
U.S./Non-U.S. Institutional vehicles

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Strategy attribution

- > An emphasis on diversification via a system of target country weights and systematic rebalancing back to these target weights detracted from relative performance during the quarter. The diversification targets consistently have the Strategy underweight larger countries and overweight smaller countries.
- > The emphasis on diversification at the sector level within each country also detracted from relative returns.
- > Finally, frontier countries included in the Strategy, but not in the Index, were a further headwind to relative performance, as our portfolio held larger positions to those frontier-market countries, which underperformed the Index.

Top contributors Q3 2020

Country	Emerging Markets Strategy		MSCI Emerging Markets Index		Attribution			
	Average weight	Total return	Average weight	Total return	Country Allocation Effect	Sector Allocation Effect	Security effect	Total effect
Brazil	5.14	-0.03	5.11	-3.32	0.02	-0.13	0.30	0.20
Saudi Arabia	2.89	15.88	2.60	9.33	0.00	0.20	0.00	0.19
Bangladesh	0.72	24.66	0.00	0.00	0.11	0.00	0.00	0.11
Bahrain	0.71	24.39	0.00	0.00	0.10	0.00	0.00	0.10
Russia	5.23	1.94	3.08	-4.72	-0.30	0.23	0.15	0.07

Top detractors Q3 2020

Country	Emerging Markets Strategy		MSCI Emerging Markets Index		Attribution			
	Average weight	Total return	Average weight	Total return	Country Allocation Effect	Sector Allocation Effect	Security effect	Total effect
China	19.13	8.48	41.63	12.50	-0.61	-0.78	0.02	-1.37
Taiwan	5.24	4.18	12.59	16.54	-0.49	-0.57	-0.07	-1.13
Chile	2.55	-3.01	0.56	-4.19	-0.29	0.05	-0.01	-0.26
Turkey	1.59	-13.40	0.37	-15.67	-0.22	0.05	-0.02	-0.19
India	5.25	14.22	8.14	14.95	-0.14	-0.03	0.00	-0.17

Top contributors past 12 months

Country	Emerging Markets Strategy		MSCI Emerging Markets Index		Attribution			
	Average weight	Total return	Average weight	Total return	Country Allocation Effect	Sector Allocation Effect	Security effect	Total effect
Brazil	5.45	-25.42	6.05	-32.49	0.43	0.03	0.55	1.01
Saudi Arabia	2.86	7.73	2.55	-2.87	0.09	0.24	0.07	0.40
India	5.63	3.08	8.36	0.54	0.25	0.17	-0.04	0.39
Russia	5.59	-2.71	3.55	-15.97	-0.49	0.62	0.17	0.29
Argentina	0.68	33.58	0.15	7.32	0.03	0.09	0.04	0.17

Top detractors past 12 months

Country	Emerging Markets Strategy		MSCI Emerging Markets Index		Attribution			
	Average weight	Total return	Average weight	Total return	Country Allocation Effect	Sector Allocation Effect	Security effect	Total effect
China	15.50	17.27	37.74	33.58	-4.56	-1.47	-0.77	-6.80
Taiwan	5.69	12.61	12.19	35.02	-1.30	-0.93	-0.11	-2.34
Chile	2.57	-35.03	0.68	-32.99	-0.90	-0.20	0.13	-0.97
Mexico	5.54	-19.68	2.05	-20.45	-1.00	0.05	-0.01	-0.96
South Africa	5.49	-20.92	4.13	-11.06	-0.25	-0.32	-0.36	-0.93

Source: Parametric and MSCI as of 9/30/20.

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The structure

Country allocations: Up to 50 developing countries, including frontier markets

Portfolio tiers: Countries are equally weighted within each of the model's four structured tiers.

Weights per country as follows:

Tier 1*	Tier II	Tier III	Tier IV
5.03%	2.52%	1.26%	0.63%

*China weighted at 20.13%

Systematic rebalance trigger: Determined by country-specific volatility and transaction costs

Balanced sectors: Robust investment process maintains appropriate market exposure to major economic sectors within each country

Transition countries: Countries with limited liquidity and no target weight, they are considered "best efforts". Holdings in these countries are maintained for diversification purposes. Countries are candidates for inclusion in Tier IV.

The results

Increased diversification: An engineered approach to avoid the severe country concentration of capitalization-weighted indices

Structural difference: Underweight to most of the largest capitalized countries and over weight to the smallest by design

Capitalize on volatility: Takes advantage of the high level of country-specific volatility and the low level of cross-correlation prevalent in emerging and frontier markets

Risk-adjusted return: By seeking to reduce total portfolio volatility, the strategy allows long-term exposure to the emerging markets asset class with consistent returns versus the benchmark

Portfolio composition:

Tier I

Brazil, China, India, Mexico, Russia, South Africa, South Korea, Taiwan, Thailand

Tier II

Chile, Indonesia, Malaysia, Philippines, Poland, Saudi Arabia

Tier III

Colombia, Greece, Kuwait, Peru, Qatar, Turkey, U.A.E., Vietnam

Tier IV

Argentina, Bangladesh, Croatia, Czech Republic, Egypt, Hungary, Jordan, Kazakhstan, Kenya, Mauritius, Morocco, Nigeria, Oman, Pakistan, Romania, Slovenia, Sri Lanka

Transition Countries: Bahrain, Botswana, Bulgaria, Estonia, Ghana, Latvia, Lebanon, Lithuania, Panama, Tunisia

*Limited to those A-Shares which are available through the Shanghai, and Shenzhen connect programs, and which are not represented on the Hong Kong exchange.

Leadership Team

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Disclosures

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Parametric Portfolio Associates LLC

**Emerging Markets Composite
Performance Presentation**

As of December 31, 2019

Period	Returns			3 Yr. Annualized Standard Deviation		Dispersion	Assets		
	Total Gross Return AWR	Total Net Return AWR	Index	Composite	Index	Internal Equal Wtd.	Number of Portfolios	Composite (MM)	Total Firm (MM)
2010	24.21%	23.32%	18.88%	-	-	0.56%	12	9,095	17,579
2011	-18.06%	-18.66%	-18.42%	24.61%	25.76%	0.96%	12	9,021	19,548
2012	20.63%	19.72%	18.22%	19.67%	21.50%	0.82%	12	12,535	63,431
2013	2.67%	1.87%	-2.60%	17.25%	19.04%	0.64%	13	14,662	80,896
2014	-2.91%	-3.66%	-2.19%	13.66%	15.00%	0.49%	12	14,863	94,545
2015	-15.42%	-16.08%	-14.92%	12.35%	14.06%	0.56%	10	10,315	99,248
2016	13.68%	12.80%	11.19%	13.92%	16.07%	0.73%	10	10,835	111,470
2017	28.49%	27.59%	37.28%	13.28%	15.35%	0.82%	9	11,539	137,760
2018	-12.88%	-13.46%	-14.58%	12.66%	14.60%	0.56%	7	6,902	122,628
2019	13.85%	13.10%	18.42%	11.64%	14.17%	0.48%	8	6,498	287,828

	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception*
Composite Gross	13.85%	8.42%	4.15%	2.90%	4.13%	10.73%
Composite Net	13.10%	7.69%	3.40%	2.15%	3.37%	10.06%
Benchmark	18.42%	11.57%	5.61%	3.26%	3.68%	8.33%

Index: MSCI EM

*Inception Date: 7/1/1998

N/A - Internal dispersion is not statistically meaningful for periods shorter than a year or for years in which five or fewer portfolios were included in the Composite for the full year.

Parametric Portfolio Associates LLC™ is an independent investment advisor registered under the Investment Advisers Act of 1940. Parametric Portfolio Associates LLC™ provides rules-based investment management services to institutional investors, individual clients and commingled investment vehicles, including Systematic Alpha and Income Strategies, Custom Core, Centralized Portfolio Management ("CPM"), Policy Implementation Overlay Service ("PIOS"), Customized Exposure Management ("CEM"), Volatility Risk Premium ("VRP"), and Systematic Alternative Risk Premia ("SARP"), Tax-Advantaged Bond Strategies (TABS), and Taxable Bond Strategies. The Firm has complied with the GIPS standards retroactive to January 1, 2000.

Prior to July 1, 2019, the firm included only the Parametric Investment & Overlay Strategies. On July 1, 2019, the firm was redefined to include the Parametric Custom Tax-Managed & Centralized Portfolio Management Strategies. On January 1, 2020, the firm was redefined to include the Tax-Advantaged Bond Strategies (TABS), and Taxable Bond Strategies previously managed by Eaton Vance Management, an investment affiliate of Parametric's parent company, Eaton Vance Corporation. For the purpose of complying with the GIPS standards, the Firm is defined and held out to the public as Parametric Portfolio Associates LLC™.

Parametric Portfolio Associates LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Parametric Portfolio Associates LLC has been independently verified for the periods January 1, 2000 to December 31, 2019.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Emerging Markets Composite has been examined for the periods January 1, 2000 to December 31, 2019. The verification and performance examination reports are available upon request.

The Emerging Markets Composite is comprised of all fully discretionary accounts that seek long-term capital appreciation by primarily investing in equity securities of companies located in emerging and frontier market countries. The investment process emphasizes broad exposure and diversification across countries, economic sectors and issuers.

The Emerging Markets Composite was created in December 2013 and the inception date is July 1998.

The Composite is compared to the MSCI Emerging Markets Index (the "Index"). The Index is broad-based and is a free float-adjusted market capitalization index, calculated total return and net of foreign withholding taxes that is designed to measure equity market performance in the global emerging markets. The Index is unmanaged and does not incur management fees, transaction costs or other expenses associated with separately managed accounts in this style. It is not possible to directly invest in an Index. For the period 7/1/98 - 12/31/98, the Index was calculated using gross dividends without consideration of taxes.

Performance results are expressed in U.S. dollars.

Portfolio returns reflect the reinvestment of dividend and interest income. Composite gross returns are after transaction costs, any foreign withholding taxes and other direct expenses, but before management fees, custody charges and other indirect expenses. Composite net returns are calculated by deducting the maximum management fee charged for each account from the gross performance returns.

The management fee schedule for Emerging Markets Composite portfolios is as follows: Separate Account: First \$150M: 0.65%; Next \$150M: 0.50%; Thereafter: 0.45%.

The dispersion of annual returns is measured by the equal-weighted standard deviation of portfolio returns within the Composite for the full year.

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

A list of composite descriptions is available upon request.

Performance presented prior to January 1, 2000 has been linked to compliant performance and is shown as supplemental information.

Past performance is not a guarantee of future results.