

Parametric TABS Total Return Portfolios

STRATEGY OVERVIEW | April 2024

Investment objective

An actively managed high-quality investment strategy focused on after-tax total return and capital preservation.

INVESTMENT PHILOSOPHY

- We believe a process of systematic sector selection, security selection, and portfolio construction can potentially outperform, on a risk-adjusted basis, more aggressive strategies involving credit risk or market timing

INVESTMENT PROCESS

- Employs a quantitative investment process to systematically determine asset allocation based on after-tax relative value
- Seeks to add value by buying bonds on the institutional bid side while attempting to sell on the retail offered side
- Seeks to add value by adjusting positioning along the yield curve to benefit from yield curve forecasts
- Employs year-round tax loss harvesting to generate tax alpha and elevate after-tax return potential

RISK MANAGEMENT

- All key credit, portfolio management, and trading roles are filled by highly seasoned and experienced municipal market professionals
- All credits are systematically analyzed and Parametric's credit research process is applied

Why Total Return?

MATURITY OPTIONS

- Limited
- Intermediate
- Long

FEATURES

- **Flexibility to "Crossover":** Investment team can initiate a crossover trade into taxable U.S. government and/or agency securities at times when municipal bonds become overvalued
- **Relative Value Trading:** Actively exploit inefficiencies in the municipal market by offering bonds out for sale
- **Tax Loss Harvesting:** Continuous monitoring to harvest losses to lessen impact of capital gains taxes on portfolio returns

Transition of existing portfolios

- Portfolios incepted with in-kind bonds will be transitioned to client selected strategy

Additional highlights

- Minimum investment: \$250,000
- No bonds subject to the alternative minimum tax
- National mandate available only
- Minimum credit quality: AA-

¹ 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 Standard and Poor's or Fitch (Baa or higher by Moody's) are considered to be investment-grade quality.

² State-Specific, State Preference and State – Best Efforts available in A- min only. UT includes reciprocal states.

³ Responsible Investing and Tax-Loss Harvesting customization will vary by firm and platform.

Tools

TRANSITION ANALYSIS REPORT

For clients with existing municipal portfolios, Parametric can provide a detailed analysis of current holdings and how they would be transitioned to Total Return portfolios.

SAMPLE PORTFOLIO REPORT

Get client personalized reports detailing the investment of new cash or review of existing bond holdings. The reports display details on structure, credit breakdown and sample purchases.

Team Leadership

Jonathan Rocafort, CFA

Head of Fixed Income Solutions

Brian Barney, CFA

Managing Director, Portfolio Management and Trading

Nisha Patel, CFA

Managing Director, SMA Portfolio Management

Issac Kuo, CFA

Managing Director, Portfolio Management and Head of Quantitative Research

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An imbalance in supply and demand in the municipal market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. There generally is limited public information about municipal issuers. As interest rates rise, the value of certain income investments is likely to decline. Longer-term

bonds typically are more sensitive to interest-rate changes than shorter-term bonds. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of nonpayment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments.

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.

Investment strategies that seek to enhance after-tax performance may be unable to fully realize strategic gains or harvest losses due to various factors. Market conditions may limit the ability to generate tax losses. Tax-loss harvesting involves the risks that the new investment could perform worse than the original investment and that transaction costs could offset the tax benefit. Also, a tax managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. Prospective investors should consult with a tax or legal advisor before making any investment decision.

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