

# Parametric Overlay Solutions

## Strategy overview

### An operationally efficient approach to designed to improve portfolio outcomes

Parametric Overlay Solutions are a comprehensive range of highly customizable, risk-managed strategies that help institutional investors achieve policy objectives. Each overlay solution is designed to alleviate portfolio-specific shortfalls and inefficiencies. Common strategies include cash overlay, rebalancing overlay, transition overlay, and currency overlay. Others include liability-driven investing, cross-asset portfolio solutions, portable alpha, and portfolio completion.

Parametric Overlay Solutions are best suited for investors seeking a capital-efficient, cost-effective, and non-disruptive solution to the performance risk created by policy implementation shortfalls.

### Potential benefits

#### Return/cost improvement

- Overlay strategies offer increased expected returns, reduced tracking error, and lower transaction costs. These are achieved while providing greater liquidity and portfolio flexibility.

#### Risk management

- We provide enhanced risk controls, portfolio governance, and access to risk specialists. Our proprietary technology has been internally developed and is continually upgraded to mitigate program implementation risk.

#### Experience and scale

- We have over 30 years' experience in delivering overlay solutions and offer a high-touch, consultative approach, with a team experienced in structuring and executing overlay strategies.

Our core overlay strategies are designed to achieve the following:

#### Cash overlay



- > Eliminate cash drag on operating and manager cash balances
- > Improve liquidity and reduced transaction costs
- > Increase expected returns

#### Rebalancing overlay



- > Daily monitoring of portfolio allocations and thresholds
- > Prompt rebalancing of portfolio exposures
- > Reduced transaction costs and tracking error

#### Transition overlay



- > Reduction of performance risk through mitigation of exposure gaps
- > Added flexibility in manager terminations and new manager searches
- > Exposure throughout long-settled redemptions (e.g., hedge fund receivables)

#### Currency overlay



- > Mitigation of unintended currency risks
- > Ability to efficiently adjust currency exposure
- > Seamless integration with overlay program

### Portfolio Management Process

We partner with our clients to assess desired market exposures, determine appropriate tracking methodology, identify appropriate instruments, and determine trade timing – all within the framework of the investors' risk tolerance.

#### Data delivery

Client account data is delivered into and validated by our proprietary investment management system.

#### Analytics and evaluation

Custom overlay analytics are generated. Parametric's Overlay team evaluates and confirms analytics.

#### Implementation

Any overlay adjustments are executed after multiple verification checks, and a comprehensive overlay program report is published to a secure client portal.

There is no guarantee that intended benefits will be achieved. Investing in an overlay strategy involves risk. All investments are subject to loss.

## Investment philosophy

Parametric Overlay Solutions seek to add value through portfolio construction and the implementation of rules-based and transparent investment processes, focused on risk management, and structured to help clients achieve custom and unique outcomes.

Our overlay solutions are not active strategies that attempt to capture a market anomaly or inefficiency. We instead seek to address policy implementation challenges that occur in an institutional portfolio. As an extension of this investment philosophy, we maintain a high level of communication with clients to understand their goals and objectives and proactively contact clients when market developments present opportunities to improve program outcomes.

## Investment objectives

Parametric Overlay Solutions offer a comprehensive, custom overlay program designed to help investors achieve policy objectives through adherence to detailed program guidelines.

Broad overlay objectives include:

- > Best execution and exposure management with cost reduction
- > Increased expected portfolio returns, liquidity, and flexibility
- > Enhanced risk control during transitions and/or reallocations
- > Comprehensive daily monitoring of fund exposures
- > Reduced performance risk to policy benchmark

## Providing transparency when needed

Through a secure portal, Parametric provides clients with:

- > Detailed reporting of asset class and individual manager exposures, incorporating overlay positions to provide total fund exposures
- > A holistic portfolio management tool providing daily transparency across the entire fund
- > Access to timely fund information to aid in portfolio governance and informed investment decisions
- > Detailed performance metrics allowing overlay return attribution by asset class or overlay component
- > Customizable return analyses targeted to specific client and/or consultant needs



## Team leadership

**Ricky Fong, CFA**  
*Senior Portfolio Manager*

**Daniel Wamre, CFA**  
*Senior Portfolio Manager*

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#### About

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