

Parametric Multifactor Strategies

STRATEGY OVERVIEW

Parametric Multifactor Strategies seek to provide a performance boost beyond equal-weighting of factors by monitoring and re-allocating exposure across target factors based on performance trends. The strategies offer investors the potential for lower implementation costs, reduced volatility, and outperformance through dynamic factor allocation across market cycles.

Investment approach

Parametric's Multifactor Strategies were introduced to diversify¹ away from the cyclicity risk of factor returns in a risk-controlled, liquid, and low-cost manner by trimming exposures when factor volatility increases or performance lags, and leaning into factors with more favorable risk-adjusted performance. To achieve this, we use an integrated optimization approach, which allocates risk across target factors, maximizing exposure to compensated risks, subject to constraints on sectors, beta and other non-target exposures, as well as limits on stock-level concentration and trade sizes. This approach seeks a liquid and tradable exposure appropriate for institutional-sized mandates.

Investment objective

Parametric has provided investors with exposure to equity factors for several decades. Our Multifactor Strategies are dynamically adjusted based on each factor's recent risk-adjusted performance, while limiting unintended bets in the portfolio.

Portfolios are constructed using an integrated optimization approach that:

- Delivers robust exposure to targeted factors
- Limits unintended bets
- Ensures liquidity and low cost

Parametric Factor Investing by the Numbers

\$304B

Systematic equity AUM, including
\$7B in factor strategies

20+ years

Experience in factor strategy research

8

Target factors

Information as of 06/30/2025.

¹ Diversification does not eliminate the risk of loss.

We offer a diversified portfolio of stocks with the following features:

Robust Factor Data

sourced from industry standard MSCI Barra equity factor models utilized by equity portfolio managers worldwide.

Integrated Optimization

evaluates multiple factors in tandem, delivering higher levels of exposure than blends of single-factor portfolios.

Risk Control

provides full market exposure with constraints limiting risk from non-target factors, sectors, countries and individual stocks.

Dynamic Factor Allocation

tilts toward factors with strong recent risk-adjusted performance, providing an incremental benefit above equal-weighting of factors.

There is no guarantee that the investment objectives will be met. All investments are subject to risk, including risk of loss.

Factor Contribution to Active Risk Is Dynamic

Factors can experience periods of underperformance, even when long-term performance is attractive. Parametric Multifactor Strategies seek to provide a performance boost beyond equal-weighting of factors by monitoring and re-allocating exposure across target factors based on performance trends, trimming exposures when factor volatility increases or performance lags, and leaning into factors with more favorable risk-adjusted performance.

Potential Benefits

DIVERSIFICATION

Less reliance on any one factor, sector, country or stock to drive excess returns may result in a smoother ride than more concentrated approaches.

TRANSPARENCY

A rules-based, quantitative investment process delivers a portfolio built from the ground up that seeks to capture factor premia that have been extensively validated by practitioners and academics.

RESPONSIVENESS

Systematizes and streamlines factor allocation investment decisions with continual monitoring and updating of exposures across multiple factors.

PRECISION

Parametric Multifactor Strategies provide targeted and calibrated factor risk exposures. Thoughtful portfolio construction delivers full market exposure while mitigating unintended portfolio risks.

Portfolio Management Leadership



BEN DAVIS, PHD
Global Head of Research



PAUL BOUCHEY, CFA
Managing Director, Research



JEFF WAGNER, CFA
Senior Investment Strategist

Why Parametric?

Parametric is an organization built from 30 years of problem solving via expertise, collaboration and client focus. Our solutions blend creativity and diligence to deliver the ideas and execution today's institutional investors need to solve their unique challenges.

130+

Global markets where we operate

\$608B+

Assets under management

204

Investment Professionals

Information as of 06/30/2025.

AUM includes overlay, fixed income, equity exposure and both discretionary and nondiscretionary assets of Parametric Portfolio Associates LLC. Please refer to the disclosures for additional information regarding the Firm.

DISCLOSURES

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The value of commodity investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, which may include weather, embargoes, tariffs, health, political, international and regulatory developments. Economic events and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause their value to fall. The use of derivatives can lead to losses or adverse movements in the price or value of the asset, index, rate, or instrument underlying a derivative due to failure of a counterparty or due to tax or regulatory constraints.

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