

# Parametric Commodity Strategy

## STRATEGY OVERVIEW

Parametric's Commodity Strategy uses a unique portfolio construction process that seeks to provide greater diversification<sup>1</sup> than traditional commodity benchmarks. The strategy may meet investors' needs by seeking to efficiently and consistently capturing the diversification and inflation-fighting goals of the commodity asset class without incurring the return risks of fundamental active management or the concentration risks of mainstream commodity indexes.

### Investment Objective

The Parametric Commodity Strategy seeks to:

- Outperform the Bloomberg Commodity Index over a full market cycle (3-5 years), while demonstrating 90-95% of the index volatility
- Provide greater diversification than traditional commodity benchmarks by using intelligent design and rules-based implementation
- Participate in the positive attributes and long-term growth of the asset class on a consistent and repeatable basis without the return risk of an active fundamental approach

### Parametric Commodity By the Numbers



**\$2Bn+**  
commodity AUM<sup>2</sup>



**25+**  
years of providing commodity exposure

### Investment Approach

Parametric employs an investment approach that relies on thoughtful portfolio construction as a source of return and does not rely on market forecasts to do this. We seek to avoid concentrations that occur in mainstream commodity indices by investing across multiple commodity types and sectors, including a material allocation to non-index commodities. The result is a diversified, consistent and long-only exposure that seeks to deliver the strategic benefits of the asset class. Institutional investors have access to a variety of investment vehicles designed to support their plan's objectives and risk tolerance.

### Potential Benefits

#### DIVERSIFICATION

Investment process maintains diversification across commodity types and sectors and provides exposure to commodities not traditionally included in most indexes

#### EXPOSURE

Long-only strategy lets investors fully capture the characteristics of the commodity asset class

#### INFLATION MITIGATION

Commodities have historically provided investors with a hedge against inflation

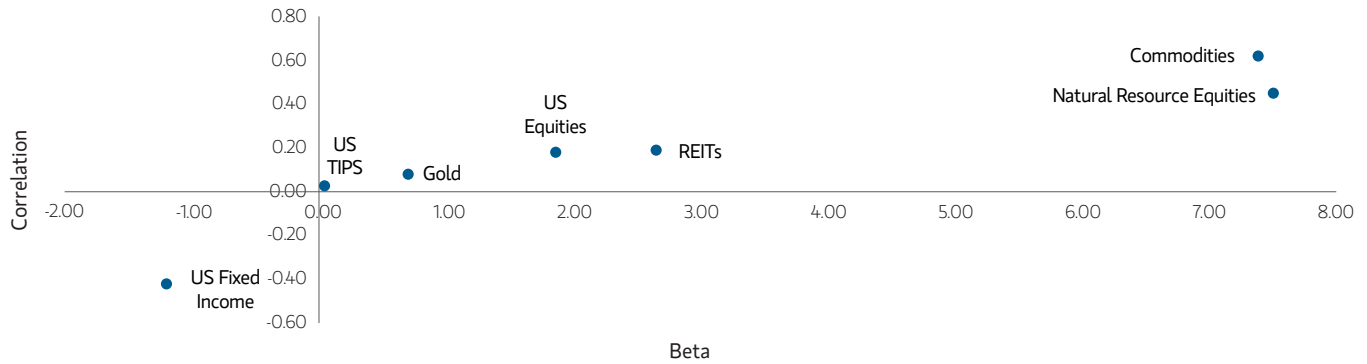
#### TRANSPARENCY

The Commodity Strategy uses a systematic, rules-based methodology to avoid human bias

<sup>1</sup> Diversification does not eliminate the risk of loss.

<sup>2</sup> Information as of 12/31/2024. AUM includes both discretionary and nondiscretionary assets of Parametric Portfolio Associates LLC (the "Firm").

## Correlation with Inflation: Commodities vs. Select Asset Classes (Jan. 2005 to Dec. 2024)



Source: Parametric, Bloomberg, S&P Dow Jones, MSCI, and FTSE Russell as of 12/31/2024. Timeframe selected based on data availability of all inputs used. For illustrative purposes only. Past performance is not indicative of future results. All investments are subject to loss. Commodity returns are represented by the Bloomberg Commodity Index. US Equity returns are represented by the MSCI USA Gross Total Return Index. Natural Resource Equity returns are represented by the S&P North American Natural Resources Sector Index. US TIPS returns are represented by the Bloomberg US Treasury Inflation Notes TR Index. Gold returns are represented by the Bloomberg Gold Subindex Total Return. US Fixed Income returns are represented by the Bloomberg US Aggregate Total Return Value. REITs returns are represented by the FTSE Nareit US Real Estate Index. It is not possible to invest directly in an index. They are unmanaged and do not reflect the deduction of fees and other expenses.

### Investment Process

Parametric utilizes an engineered and disciplined approach that seeks to exploit the unique characteristics of the commodity asset class.

#### Reweight

- Diversification is increased through reweighting the portfolio
- Commodity futures are split into tiers by liquidity, and contracts are equally weighted in each tier
- Upstream and similar commodities are scaled down a tier to avoid concentration

#### Rebalance

- Positions are rebalanced monthly to target weights as contracts are rolled
- Rebalancing also occurs when portfolio weights breach a predetermined band

#### Curve

- Balance inflation sensitivity with higher roll costs
- Minimize impact from passive congestion in the market

#### Collateral

- Short-dated U.S. Treasury instruments
- Avoids risky investments

The information represents how the investment team generally applies their investment processes under normal market conditions. Diversification does not eliminate the risk of loss. All investments are subject to risk.

### Portfolio Management Leadership



**GREGORY J. LIEBL, CFA**  
Director, Investment Strategy



**ADAM SWINNEY, CFA**  
Investment Strategist

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## 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

\$574Bn+

Assets under management<sup>1</sup>

198

Investment Professionals

Information as of 12/31/2024.

<sup>1</sup> 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

Parametric Portfolio Associates® LLC ("Parametric"), headquartered in Seattle, is registered as an investment advisor with the U.S. 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 part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley, and offers these capabilities through offices located in Seattle, Boston, Minneapolis, New York City, and Westport, Connecticut.

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Parametric is located at 800 Fifth Avenue, Suite 2800, Seattle, WA 98104. For more information regarding Parametric and its investment strategies, including a list of composites, or to request a copy of Parametric's Form ADV, contact us at 206 694-5500 or visit [www.parametricportfolio.com](http://www.parametricportfolio.com).

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