



DIVERSITY EQUITY INCLUSION

2022–2023 Report



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Introduction

At Parametric, our core values guide the firm and our work, including our commitment to diversity, equity, and inclusion (DEI). This commitment starts at the top and requires the contributions of all employees. Through our core value of inclusive culture, we expect everyone at Parametric—no matter their level or position—to play an active role in creating a culture in which people of all backgrounds and identities feel a sense of belonging and are empowered to do their best work.

This report shows our ongoing commitment to transparency and accountability on our DEI journey, and we are pleased to highlight the major strides taken across our business while maintaining our dedication to the work ahead.

We continue to deliver on our strategy to support, develop, and advance our workforce and contribute to meaningful change in society. Highlights include:

- » Expanding our Women’s Mentoring Circles to nearly 100 participants
- » Launching the disAbility employee networking group (ENG) and holding our first event focused on disability in the workplace
- » Launching the Family ENG and hosting our first “Bring Your Family to Work Day” event
- » Launching internal training focusing on allyship to establish a shared understanding of how to support and advocate for our colleagues
- » Further developing our fellowship programs with the University of Washington and University of Minnesota

We invite you to read about our DEI progress as we continue to hold ourselves accountable to the commitments we’ve made. This is a long-term strategy and a conversation we’ll continue to have with our employees, clients, communities, and the larger world as we seek tangible ways to dismantle biases and build a culture that supports workforce diversity and belonging.



Megan Duffy

Diversity and Inclusion
Program Manager

**Tom Lee**

Co-President and
Chief Investment Officer

**Ranjit Kapila**

Co-President and
Chief Operating Officer

A letter from our co-presidents

At Parametric our value proposition is based on transparency, ensuring that investors know exactly what's in their portfolio and how it's performing. Whether through meeting an institution's pension obligations to its retirees, optimizing charitable-giving plans, aligning investments with investors' environmental or social values, or any number of other customizations, Parametric strives to help investors build portfolios around what's important to them.

We take a similar approach to diversity, equity, and inclusion. We want to be open about the ambitious goals we've set for ourselves and forthright about our performance against those goals, whether we meet them or not. We believe DEI should be reflected not just in how we hire but also in the culture our people experience every day, the opportunities we create in the communities in which we live and work, and the ways in which we conduct business with our clients.

Our second DEI report shows the progress we're making toward reaching those goals. While we're proud of our accomplishments and encouraged by the momentum, we acknowledge that our work is far from done. There's still progress to be made, and we invite you to join us as we continue the journey.



About Parametric

Mission

To partner with advisors, institutions, and consultants to build portfolios focused on what's important to them and their clients.

Vision

We're leaders in custom and systematic investment strategies, helping our clients access efficient market exposures, solve implementation challenges, and design portfolios that respond to their evolving needs.

800+

employees

7

locations

\$475.1B+

assets under
management

30+

years in
business

As of 12/31/2023

Core values



INTEGRITY

We deal fairly and forthrightly with clients, colleagues, and business partners. We adhere to our code of ethics, industry standards of conduct, and applicable law.



INNOVATION

We avoid complacency; we view change as opportunity. We embrace technology as a strategic tool for improving investment results.



INCLUSIVE CULTURE

We expect everyone at Parametric—no matter their level or position—to play an active role in creating an inclusive culture, where people of all backgrounds and identities feel a sense of belonging and are empowered to do their best work.



TEAMWORK

We value cooperation, respect, and commitment by and to our employees. We seek an environment where the best ideas win.



EFFICIENCY

Implementation and execution are key to our performance. We continually seek to improve accuracy, reliability, and responsiveness.



CLIENT FOCUS

Our products target a market need or solve a client problem. We listen to clients, advisors, and each other. We aim to meet or exceed expectations.



STRATEGY

Pursuing our DEI goals

Parametric is a place where everyone contributes. Making space for our employees to be their authentic selves lets us all benefit from more thoughtful ideas, resulting in more innovative investment solutions. Our DEI strategy is designed to drive meaningful change. It informs the way we engage with and support our employees as well as how we serve advisors, investors, and the diverse communities in which we operate and live.

DEI mission

We aspire to be an industry leader in our representation of a truly diverse and inclusive workforce to reflect the communities in which we live and work.

Accountability

Senior leadership teams take actions to improve diversity, equity, and inclusion.

We drive ownership and accountability of DEI progress across all levels of the organization. Our executive committee acts to improve diversity and representation and to champion a culture of inclusion and belonging.

Advancement

We support all employees along their career journeys.

Increasing opportunity and investing in the development of employees from underrepresented groups are key parts of our strategy. From onboarding to promotion, we offer mentoring and programs to support all employees along their career journeys.

Culture

We aim to foster an atmosphere of inclusion and belonging.

We celebrate the different cultures, perspectives, and identities reflected in our workforce through connections and learning opportunities, creating a sense of belonging while empowering our employees throughout their careers.

Representation

We boost representation through targeted recruitment, development, and retention.

A diverse workforce brings diversity of thought and enhances our ability to build innovative solutions for our clients. We're committed to improving representation through targeted recruitment, development, and retention of our employees at all levels and in all divisions.



ACCOUNTABILITY

Setting the tone at the top

One of the most important building blocks of DEI is what takes place within our walls. That includes what we do at a policy and procedural level, as well as each individual's commitment to fostering a culture of inclusion. One significant driver of this is the partnership of executive committee members and dedicated DEI champions for each department who drive engagement and hold each other accountable to making measurable progress.



Leadership engagement

Firmwide and in each business area, our senior leadership and managers shape strategies and key metrics to improve representation, support the retention and advancement of underrepresented employees, and drive inclusion and belonging.



DEI reviews

Our human resources department and DEI office lead annual firmwide, divisional, and regional diversity reviews in which we evaluate and track each division's commitments and efforts.



DEI council

Composed of employees at all levels, our DEI council works closely with department leaders to advance our objectives and champion a culture of inclusion and belonging. Every business and department has active council members tasked with addressing the needs of their employees.



Being on the DEI Council has allowed me to contribute directly to DEI initiatives while meeting colleagues across the firm who are passionate about making a difference. One key initiative was to align DEI Champs with each department to amplify and champion DEI programs, ENG events, and inclusive learning opportunities within their teams. This enables us to make **tangible progress toward creating a more inclusive culture at Parametric.**



Gary Hale

Vice President
Employee Experience Manager



Performance

Year-end evaluations assess each employee's performance, conduct, and contributions to our culture and reflect feedback from managers, direct reports, and peers.



Data and analytics

We regularly review representation, hiring, promotion, attrition, compensation, and other key data, using it to identify gaps, shape our strategy and goals, and evaluate progress.



Policies

Parametric is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley, and follows Morgan Stanley's code of conduct, nondiscrimination, and antiharassment policies. Our diversity and inclusion policies set the tone for our culture and guide employee conduct and action.



ADVANCEMENT

Creating development opportunities

Creating change means evolving our culture, which in turn means providing programs, mentorship, and other ways for our people to grow, connect, and share their experiences. The connections we build through employee networking groups (ENGs), mentoring circles, and other programs benefit us all, either directly or indirectly, by continuously expanding our inclusive culture.

Mentoring circles

Through surveys and other feedback, we learned that employees identifying as women at Parametric needed a different approach to career development and networking—and often just a way to share their experiences of being a woman in the finance industry. In this program, women at all levels are placed in a cohort with two mentors for six monthly guided sessions. They discuss topics such as career advancement, work-life balance, communication, and allyship.

The goal is to help women at the firm develop professionally and personally and to help mentors become **active allies**.

Technology & Operations Connect Program

With so many employees joining the Tech & Ops team in recent years, many of them remotely onboarded or full-time remote, we created a mentoring program tailored to the needs of our largest-growing team. This program aims to promote career development and technical skill sharing and to provide opportunities to grow a network, learn the functions of different teams, and foster our inclusive culture.



The Women’s Mentoring Circle was a great opportunity to spark **meaningful and impactful conversations with individuals at all levels of the company**. What I value most are the relationships cultivated within my group. Developing genuine relationships with people I would have never encountered has been my greatest achievement through my mentoring journey.



Yvonne Xiong
Administrative Assistant



CULTURE

Fostering inclusion at work

Parametric celebrates the different cultures, perspectives, and identities of our workforce, creating an environment where everyone contributes, has a voice, and just plain belongs. Opportunities for connection and inclusion begin with onboarding and continue through the support and dedication of our ENGs. By facilitating connections and discussions on allyship, bias, career progression, and more, our ENGs create meaningful change at a grassroots level.

Making It Real

Parametric's *Making It Real* training is an internally developed program that outlines how employees can take intentional and practical action supporting diversity, equity, and inclusion. Participants discuss inclusive practices and develop individual plans committing to actions and behaviors that will increase inclusion and belonging. Plans are reviewed and adjusted quarterly to increase accountability and impact.

Allyship at Work

In 2023, Parametric launched the Allyship at Work training program, developed by [Lean In](#). This workshop is designed to help us recognize privilege and positional power and learn what specific actions we can take to show up as allies. While the majority of employees see themselves as allies, [research shows](#) that relatively few are taking basic allyship actions. By introducing this training, we are doing our part to change that.

Employee networking groups

Launched in 2021, ENGs serve as networks for colleagues to connect with one another, learn and develop professionally, and promote diversity and inclusion. Parametric ENGs include:



disAbility

One of our newest ENGs, disAbility network is a resource for employees to discuss opportunities, key issues, and challenges while also raising awareness of people with disabilities to the wider Morgan Stanley community. The word *disability* often brings to mind physical and emotional challenges; the capitalized *A* in *disAbility* serves to refocus that mindset and recognize the abilities inherent to facing those challenges.

Mosaic

The Mosaic Multicultural Group supports and engages the multiple ethnic identities and cultures that constitute our workforce. Whether it's events to celebrate Black History Month, Hispanic Heritage Month, and Indigenous Peoples' Day or book clubs and roundtable conversations with guest speakers, Mosaic offers opportunities for our employees to learn about the many cultures and backgrounds represented at Parametric.



Living with a disability, I've had experiences that shine a light on biases people have—conscious and unconscious—related to the disability community. **We created an ENG to help remove biases and break down barriers at work.** Our goal is to shift mindsets regarding disability, including confronting unconscious biases, acknowledging the different lived experiences of others, and creating a world where everyone has equal opportunities, regardless of ability or identity.



Stacey Messer

Director, Platform
Solution Management

Evolve

We recognize that DEI isn't always about race, gender, or ethnicity. Sometimes it's about experience—and that's where Evolve comes in. This group strives to create a more inclusive environment for employees who may be early in their careers, offering programs intended to support growth and development. This year Evolve hosted the Strengths Workshop + Mastermind Goal event, focused on developing internal relationships to support a stronger organizational culture. By holding these types of relevant discussions, we can help young professionals navigate career questions and create a space where networking is encouraged.

Pride+

Pride+ fosters an inclusive and supportive working environment where LGBTQIA+ employees, along with their allies, feel a sense of community and opportunity. Programs have included awareness-raising events timed with National Coming Out Day on October 11 and volunteering as application readers for Point Foundation scholarships. Ongoing discussions revolve around everyday actions we can take to create a more inclusive culture, such as normalizing pronoun use and examining norms or behaviors to help create a foundation for gender inclusion.



We brought in a facilitator to talk about the Clifton Strengths Finder Assessment and how to channel personal strengths into career growth and development. We talked about improving strengths instead of overcoming weaknesses to excel in the workplace. It was a great workshop to emphasize how **showing up authentically brings out our best.**



Betsy Craig

Associate Product Manager

Families

The Families ENG provides support, resources, and educational and networking opportunities to working parents, families, and caregivers. Parametric believes *work-life integration* isn't just a catchphrase; it's a goal all of us seek to fulfill in a thousand different ways on an everyday basis. Families focuses on a broad range of topics such as elder care, adoption, work-life integration, and stress management.

Women's Leadership Exchange

Committed to empowering and developing women at all levels of our business, WLE aims to amplify the stories and experiences of women at Parametric and in our [industry at large](#). The group hosts an ambitious series of events, including firmwide town halls during Women's History Month, a "Women Who Lead" monthly spotlight, and other workshops and trainings.



Our ENGs serve as a foundation to create a more diverse and inclusive culture at Parametric. As we look ahead, we hope to build on our momentum to create more groups for underrepresented employees in the workplace, specifically our veteran population. Along with our current ENGs, these communities will help further understanding of the specific needs of underrepresented employees and will improve our ability to recruit and retain diverse talent.



The Women's Leadership Exchange has created a **powerful place for women to connect and support one another** in our personal and professional journeys. I'm proud to be a part of this network of diverse and talented women who continually challenge themselves to learn and grow with humor and joy.



Jaylene Howard

Executive Director
Consultant Relations



REPRESENTATION

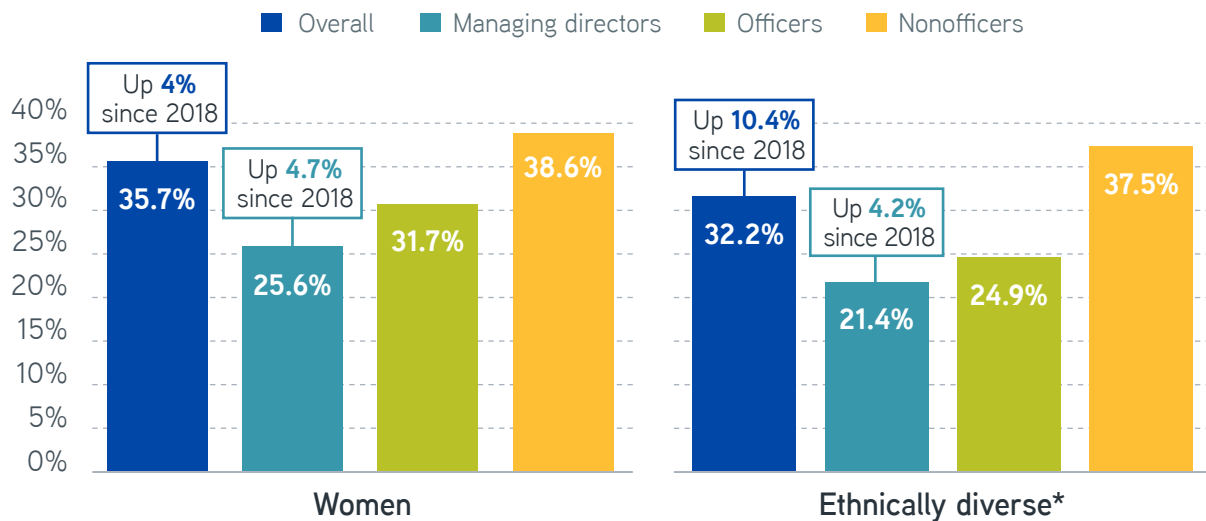
Investing in the talent pipeline

Volunteering time and expertise. Raising awareness. Providing financial support and donations. In 2023, our goals remained the same: boosting employee engagement and making a meaningful impact. The following pages describe the initiatives we undertook in the communities in which we live and work.

Tracking our progress

The Consumer Financial Protection Bureau released a report in January 2022 that found that, while gender, racial, and ethnic diversity in the financial services industry is roughly comparable to that of the wider employed US labor force, it tends to diminish beyond entry-level positions. DEI in the industry has also remained static over the past several years, according to the report. Many firms and institutions across the industry publish no data about DEI efforts on websites or in annual reports. Unfortunately, that lack of transparency runs across nearly all industries. This is something Parametric seeks to change—not just for ourselves but for the industry at large.

Diversity at Parametric in 2023



*Ethnically diverse only captures those located in US offices and includes American Indian or Alaskan Native, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and those of two or more races. Gender includes global statistics; ethnicity is US only.

ETHNICITY AND RACE

- 0.5%** American Indian/Alaska Native
- 3.7%** Black and African American
- 19.5%** Asian
- 4.4%** Hispanic and Latino
- 0.2%** Native Hawaiian/Pacific Islander
- 3.8%** Two or more races

Girls Who Invest

[Girls Who Invest \(GWI\)](#) is dedicated to increasing the number of women in portfolio management and executive leadership in the asset management industry by creating a pipeline of talented and motivated young women who are prepared to succeed in the industry. We have partnered with GWI to onboard two interns into our Responsible Investment teams to do our part to further develop the pipeline of women into the industry.

Apprenti

In 2022, we began partnering with [Apprenti](#), an organization that creates alternative pathways for underrepresented tech talent and helps organizations address digital skills shortages through apprenticeships. Apprenti fills a critical gap in the market by placing well-trained, early-career talent with organizations that provide full-time, on-the-job training and development opportunities in technology roles. Through our partnership, we have onboarded two full-time apprentices on our technology teams.

Women in Tech Regatta

Each year, Seattle's [Women in Tech Regatta](#) hosts a gathering to connect women in tech with mentors, peers, and resources. Parametric is a featured sponsor, and our technologists participate in panel discussions and keynotes, sharing their experiences and perspective on topics such as self-awareness at work, gaslighting, and combating imposter syndrome.



Parametric Fellowship for Quantitative Investment Talent

We've partnered with the University of Washington and the University of Minnesota to support two high-achieving, underrepresented candidates' pursuit of master's degrees in quantitative finance. The [program](#), which offers tuition assistance and a stipend for living expenses, elevates our commitment to diversity, equity, and inclusion in the profession. In 2023, Parametric was proud to welcome our first two fellowship recipients as full-time employees upon graduation.

Rainier Scholars

[Rainier Scholars](#) started with the belief that all students deserve an equal opportunity to excel academically and become thriving community and workplace leaders. The organization offers a pathway to college graduation and career success for underrepresented students of color. Our partnership provides Parametric employees with the opportunity to give back to their local communities through mentorship, scholarships, and providing resources to students.

Point Foundation

Founded in 2001, [Point Foundation](#) helps promising LGBTQ students achieve their full academic and leadership potential—despite the obstacles often put before them. Parametric became a sponsor of the Community College Program, which covers tuition or other education-related expenses for students, as well as coaching to prepare them for the transition to a four-year institution. Of the current class, 58% are the first in their families to attend college and 69% identify as people of color or multiracial.

Volunteer time off

Parametric is committed to supporting employees who want to make a difference in their community by volunteering their time and expertise to help create positive change. To help them do so, we offer eight hours of volunteer time off per year. Employees can use it to volunteer with a 501(c)(3) nonprofit organization or local initiative, support a social cause that's of personal interest to them, or participate in company-sponsored events that may fall during the workday.



Philanthropy

Parametric is committed to giving back to our local communities. Our approach is rooted in creating significant and meaningful impact for people in the communities where we live and work, both by collaborating long-term with leading nonprofit organizations and by mobilizing our employees to leverage their collective talents to help make the world a better place.

Our programs

Global Volunteer Month

June is Global Volunteer Month, when employees across Parametric demonstrate our deep, long-standing commitment to serving our communities. Hundreds of employees participate in projects across the US to address children's health, food insecurity, homelessness, education, and people with disabilities.

Annual Appeal

All US employees' charitable gifts are eligible for corporate matching. The matching program enables employees to stretch their financial support for the organizations they care about. The firm will match 100% for donations to the Morgan Stanley Foundation, which is dedicated to giving children a healthy start to live, and 25% for those to any other public US 501(c)(3), up to \$4,000.

Volunteer Incentive Program

All full-time permanent US employees can apply to receive grants for as many as two nonprofit organizations each year by logging volunteer hours.



ESG

Encouraging DEI at public companies

When does a lack of diversity on a public company's board become not just a moral failure but also a financial one? The following pages describe our efforts to nudge corporations to do better—and to help shareholders do the same.

Parametric offers investors (both institutions and individuals) the ability to customize their portfolios in any number of ways. One common customization involves tailoring a portfolio around the investor’s environmental, social, and governance (ESG) principles. We can customize their equity, fixed income, or derivative allocations according to the investor’s ESG preferences—avoiding companies embroiled in human trafficking controversies, for example, or investing in companies with a high percentage of women board members.



Diversity is a large—and growing—part of the ESG picture

Our practice also incorporates active ownership—helping investors use their shareholder rights to change business practices they disagree with. Clients often entrust us to vote their assets according to our proxy-voting guidelines and to engage with companies to encourage better business behavior.

CASE STUDY

New leadership driving renewed DEI reporting focus

We engaged with a global manufacturing company to disclose EEO-1 data. After changing its CEO in 2021, the company noted a renewed focus on DEI practices, including leadership diversity targets. It expects near-term progress as executive search firms continue to offer excellent prospects. We’re pleased to note the company’s substantial 2030 company-wide leadership diversity targets: at least 40% women and at least 30% racial or ethnic minorities. However, the company doesn’t disclose EEO-1 data. The company noted issues in EEO-1 data, including imperfect job classifications, that have discouraged it from disclosing the data in the past. We stressed that EEO-1 data is a reasonable first step in workforce diversity disclosure and that companies are welcome to expand on their disclosures. We expect to engage with the company again this year if it doesn’t disclose EEO-1 data.

Whether investors incorporate ESG at the portfolio level, rely on our active-ownership efforts, or both, diversity is a large—and growing—part of the ESG picture. Our clients increasingly want to know if the boards of the companies they invest in are making conscious efforts to change their composition by seeking to make their boards and leadership both gender and racially diverse. This makes sense. The skills required to lead companies successfully are distributed widely throughout the population, and the absence of diverse representation may signal a need for improved recruitment and retention practices.



Investors want to know if companies are seeking out women and people of color to serve as leaders and board members.

Put another way, to more and more investors, the lack of diversity at the leadership level at a public company is no longer simply an opportunity for improvement. It's a failure of corporate governance.

In 2020, Parametric wrote letters to the boards and nominating chairs of 144 Russell 3000[®] companies without women on their boards. We continued this initiative through 2022, when we sent letters to the remaining 27 companies from our original 2020 engagement that still didn't have women on their boards. During engagement meetings we also asked companies to strive for greater board composition and workforce diversity in race, ethnicity, sexual orientation, age, religion, and able-bodiedness.

CASE STUDY

Making the case for EEO-1 data disclosure

We engaged with a global medical device and software company to disclose EEO-1 data. The company hasn't disclosed EEO-1 data, in part because it believes such disclosure may make it appear too US-centric, a concern we've heard from other companies with significant non-US operations. The company was also hesitant to be an outlier in disclosing EEO-1 data and preferred to wait for industry-peer disclosure. We encouraged the company either to disclose EEO-1 data and track and disclose diversity metrics in other markets in which it operates or to clearly explain that the US data doesn't reflect its non-US operations, rather than not reporting its US data. We expect to engage with the company again this year if it doesn't disclose EEO-1 data.



This campaign benefited from pressure by other investors, as well as from society's rising focus on diversity. As of December 31, 2022, the average gender diversity of corporate directors in the index was 28.4%, a slight increase from the 26% who held seats in June 2021. While we're still seeing progress, that progress actually slowed in 2022, so there's clearly more work to be done.

We also looked into company diversity below the board level. The Equal Employment Opportunity Commission requires companies with at least 100 US employees to provide US-based employee data by job category, race, and gender on an annual basis. We believe this data is helpful to shareholders looking to measure, compare, and engage with companies on diversity.

We continued our initial 2021 push in 2022 for workforce diversity disclosures by reaching out to 100 S&P 500[®] companies that don't disclose EEO-1 data. While current employee categories may not be ideal, standardized reporting allows for more accurate workforce diversity comparison among companies. Because companies already compile and report EEO-1 data, public disclosure of the data is easy and inexpensive. There was a slow uptake when investors started asking for EEO-1 data in 2010. Now more than 50% of S&P 500[®] companies disclose this data, with more than 100 additional S&P 500[®] companies starting to disclose it in 2022.



PAY TRANSPARENCY

Committing to equity

Parametric's compensation programs are designed to attract and retain top talent and deliver pay for sustained performance in support of the firm's culture and core values. The firm has a pay-for-performance compensation philosophy and rewards employees for achieving both financial and nonfinancial goals.

Attracting, retaining, and advancing diverse talent is a priority, and our policies and practices, including those on pay, reflect and promote that commitment. Our compensation programs are competitive within our industry and help ensure equitable rewards for all employees through:

- » Robust practices to support fair and consistent compensation and help ensure that reward decisions are based on merit
- » Ongoing review of compensation decisions, including at the points of hire, promotion, and mobility
- » Regular assessment of our rewards structure to help ensure equity for all employees

Commitment to ongoing reviews and assessment

The firm regularly reviews employee compensation and adjusts it when warranted. Select regional policies prohibit the solicitation or use of previous compensation history, which helps minimize the risk of perpetuating pay inequities when an employee is hired. We conduct market analyses to ensure pay in each location, job level, and function is competitive. These practices help ensure equity in pay across the firm.





Pay practices

Compensation decisions consider a variety of performance factors and are made in the context of industry compensation levels and structures. Compensation managers use employee performance dashboards and tools and receive training to assist them when making compensation decisions.

Performance factors influencing those decisions include:



Absolute and relative performance in an individual role, supervisory capacity, or both



Conduct and adherence to the firm's core values and other policies and procedures, including any related discipline



Performance feedback elicited through the firm's performance evaluation processes



Market and competitive factors



For more information

Parametric is committed to DEI and welcomes questions and feedback about our efforts. To learn more, please [visit the DEI section of our website](#) or [contact us](#).

About

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Disclosures

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An environmental, social, and governance (“ESG”) or “responsible” investment strategy limits the types and number of investment opportunities available to the investor, and as a result, the investor’s portfolio may underperform other investment strategies that do not have an ESG focus. The ESG investment strategy may result in investments in securities or industry sectors that underperform the market as a whole or underperform other strategies that apply ESG standards. An issuer’s ESG performance or the investment adviser’s assessment of such performance may change over time, which could cause the investor to temporarily hold securities that do not comply with the investor’s responsible investment criteria. In evaluating an investment, the investment advisor is dependent upon information and data that may be incomplete, inaccurate, or unavailable, which could adversely affect the analysis of the ESG factors relevant to a particular investment. Successful application of the investor’s responsible investment strategy will depend on the investment adviser’s skill in properly identifying and analyzing material ESG issues. There is no assurance strategies that incorporate ESG factors will result in more favorable investment performance.

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