

# Parametric Managed Preferred Portfolios

STRATEGY OVERVIEW | 2024

## INVESTMENT OBJECTIVE

Seek to improve upon the attractive qualities offered by preferred securities through active portfolio management with a focus on after tax returns

## INVESTMENT PHILOSOPHY

- Seek to maximize income and preserve capital

## INVESTMENT PROCESS

- Securities selected on variables including, but not limited to, credit fundamentals, liquidity, and call features
- Value added portfolio management leveraging institutional trading capabilities, relative value opportunities and fundamental credit research
- Limited to a maximum position of 10% in securities rated B- or lower

## ACTIVE MANAGEMENT

- Add value through active management with efficient trading in an inefficient market

## WHY PARAMETRIC PREFERRED SECURITIES?

- High After-Tax Yields: Qualified dividend income (QDI) is taxed at lower rates than ordinary income, preferred securities offer some of the highest after-tax yields in the fixed income markets today.
- Total Return Potential: Preferreds can offer a compelling total return opportunity versus alternatives in fixed income.
- Flexible SMA Approach: Parametric relies on advanced technology, expert credit analysis, and year-ongoing active tax management to help investors gain an edge in inefficient and fragmented bond markets.

## Portfolio Options

### \$25 PREFERRED

\$25 Par QDI Preferreds

- Minimum Investment: \$75,000
- Exchange traded
- Fixed for life rate securities

### MANAGED PREFERRED

\$1000 Par QDI Preferreds

- Minimum Investment: \$250,000
- Fixed-to-variable rate securities carry a fixed coupon until the first call date, after which they pay a coupon based on an underlying index and a fixed spread.
- Preferred and hybrid securities have equity-like features, such as deep subordination, deferrable coupons, and long—if not perpetual—maturities. Due to these characteristics, securities may satisfy regulatory capital requirements or receive partial equity credit from ratings agencies.

### NRC PREFERRED

\$1000 Par Non-QDI Hybrids

- Minimum Investment: \$250,000
- Fixed-to-variable rate securities carry a fixed coupon until the first call date, after which they pay a coupon based on an underlying index and a fixed spread.
- Preferred and hybrid securities have equity-like features, such as deep subordination, deferrable coupons, and long—if not perpetual—maturities. Due to these characteristics, securities may satisfy regulatory capital requirements or receive partial equity credit from ratings agencies.
- Avoids withholding tax for non-resident clients (NRC)

## Additional Highlights

- U.S. portfolios invest entirely in QDI-paying securities to improve after-tax income.
- Investment approach seeks to add value through relative value trades, primary market access and top-down positioning.
- Combines top-down and bottom up analysis that drives security selection.
- Customization available to restrict portfolios on credit rating, sector or issuer.\*

\*Customization available on CES Only.

<sup>1</sup> 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.

## Parametric Difference



### PERSONALIZED PORTFOLIOS

A wide range of customization options allows for a targeted allocation to match each individual client's risk-and-return profile.



### ADVANCED TECHNOLOGY

Parametric's proprietary technology efficiently identifies the most attractive securities and optimizes the overall bond investing process.



### TAX EFFICIENCY

We aim for enhanced after-tax returns through our differentiated year-round tax-loss harvesting, which focuses on minimizing transaction costs and cash drag.



### EXCEPTIONAL CLIENT SERVICE

Direct access to the portfolio management team helps keep investors and advisors connected and on top of market insights and recommendations.

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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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