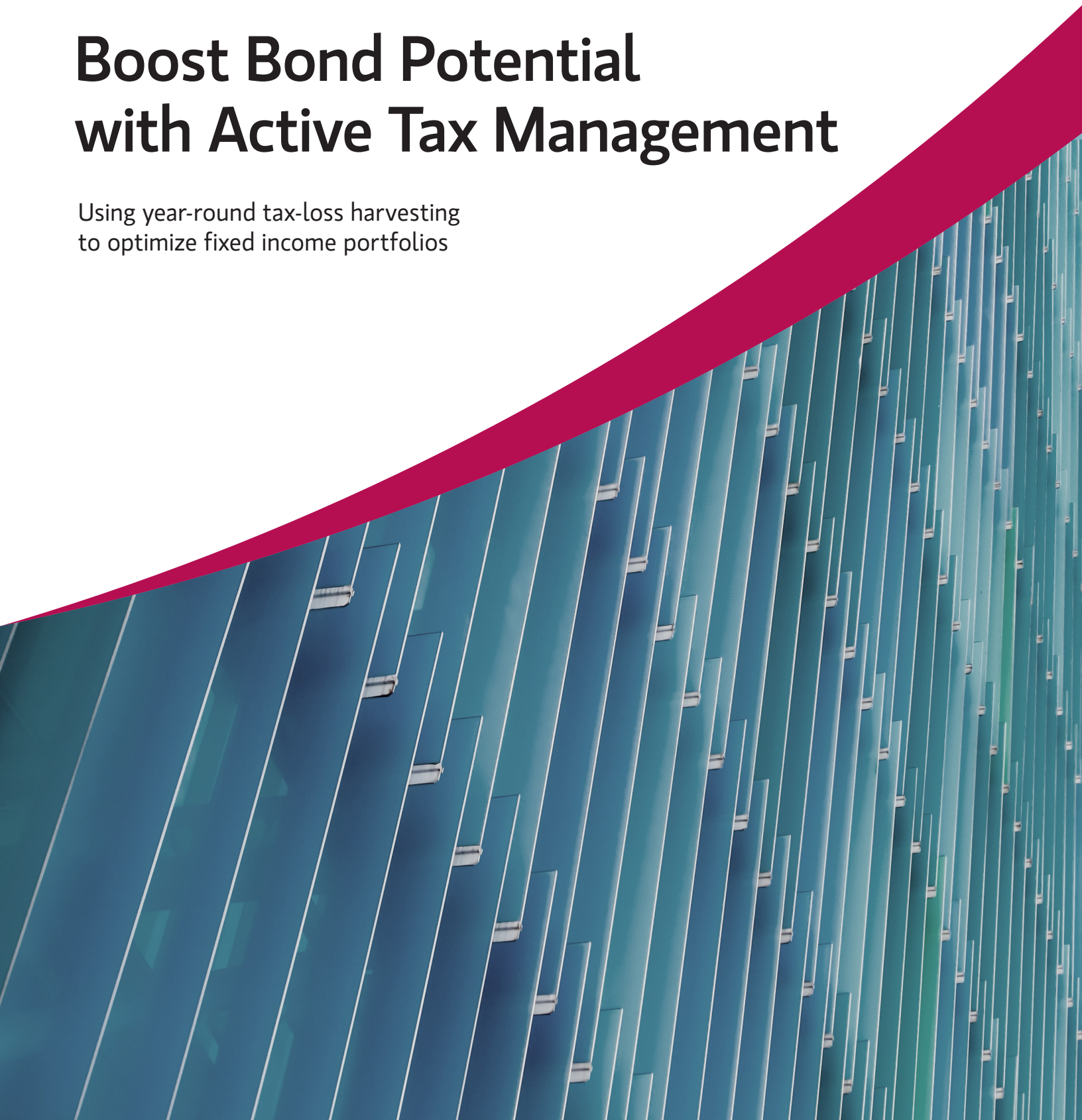




Boost Bond Potential with Active Tax Management

Using year-round tax-loss harvesting
to optimize fixed income portfolios



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.



Systematically harvest losses year-round

Many fixed income investors don't think about tax-loss harvesting until the end of the year. But yields rarely peak at that time. However, liquidity tends to worsen, issuance tends to drop, transaction costs tend to increase and potential tax alpha tends to fall. And if managers harvest losses manually, they often find themselves reinvesting proceeds from liquidated securities slower—potentially making clients miss out on market rebounds and reinvestment at lower yields.

That's why Parametric monitors bond portfolios throughout the year for losses to harvest, just as we do for SMAs in our Custom Core® Equity Strategy. We partner with you to find the right times to get portfolios back into the market, no matter the rate environment.



Step 1

Parametric portfolio managers work to fully invest the client's capital and align it to its duration, yield and credit quality targets.



Step 2

Parametric monitors the portfolio regularly for losses and undesirable changes in risk exposures.



Step 3

If fixed income markets experience losses, portfolio managers sell securities to realize tax losses and buy suitable replacements.

Third-party research has shown that tax management can add up to 30 bps in after-tax excess returns for fixed income portfolios.*

*Andrew Kalotay, "Tax-Efficient Trading of Municipal Bonds," *Financial Analysts Journal* 72, no. 1 (2016): 48–57. This study did not involve Parametric or its clients. There is no guarantee that a tax-management strategy will result in increased after-tax returns. Results will differ based on an individual investor's circumstances.

Opportunity in volatility

You aren't alone if you found 2023 challenging.

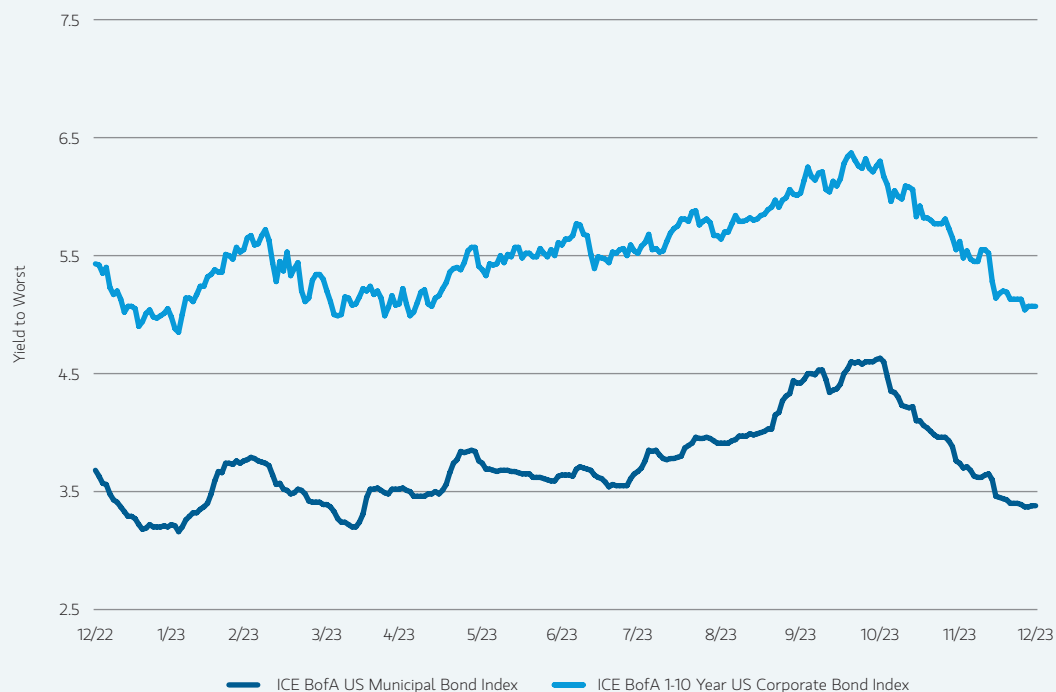
The US economy surprised investors and forecasters in 2023. Labor markets remained resilient, and GDP growth accelerated, all while inflation trended lower. These developments inspired the Fed to increase the overnight lending rate and push yields higher for most of the year before rates slid in the fourth quarter.

All this illustrates the advantages of year-round loss harvesting, compared with harvesting losses only at year's end. Both municipal and corporate yields peaked in October, then they moved sharply lower in November and December. This movement sent index performance into positive territory and erased potential tax losses for many investors.

Don't miss out on loss-harvesting opportunities. Preparing portfolios now to take advantage of volatility throughout the year may provide additional after-tax total return to fixed income investments. Historically, yield peaks did not occur in December, as seen in the exhibit below.

Index yield to worst (1/3/2023–12/29/2023)

Parametric's systematic approach ensures that investors can realize losses during rate peaks—when losses are typically highest—no matter when peaks occur.

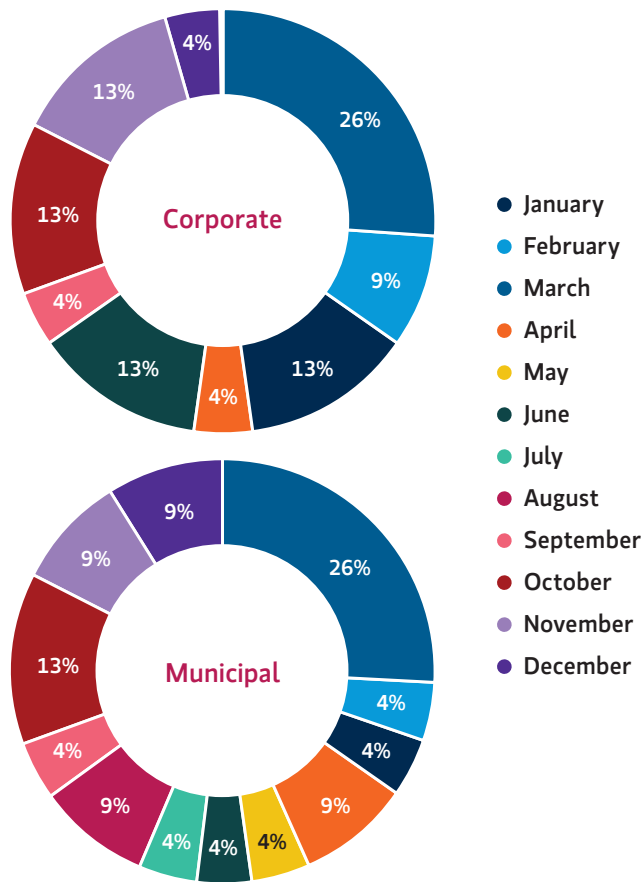


Source: Bloomberg, 12/31/2023. For illustrative purposes only. Not a recommendation to buy or sell any security. "Yield to worst" is defined as the measure of a bond's yield, assuming a bond may be called out of the market ahead of its final maturity date. It is not possible to invest directly in an index. Indexes are unmanaged and do not reflect the deduction of fees or expenses. **Past performance is not a guarantee of future results.**

For many investors, taxes are a larger drag on performance than fees or trading costs. That tax drag can prevent or delay their ability to meet their long-term investing goals. Luckily, taxes can also be the easiest “fee” for investors to reduce. Even a small reduction in current taxes can have large consequences for wealth accumulation over time. For example, an improvement of 0.5% per year in after-tax returns can result in a wealth difference of 50% after 30 years of distributions.¹

¹ Morgan Stanley Global Investment Committee, “Tax Efficiency: Getting to What You Need by Keeping More of What You Earn,” Morgan Stanley Investment Management, 2022.

Peak months for investment-grade bond yields (2001–2023)



Source: Bloomberg, 12/31/2023. For illustrative purposes only. Not a recommendation to buy or sell any security. “Peak month” is defined as the calendar month in which bond yields peak in a given year. This information is derived from the Bloomberg Municipal Bond Index and the Bloomberg US Corporate Bond Index. It is not possible to invest directly in an index. Indexes are unmanaged and do not reflect the deduction of fees or expenses. **Past performance is not a guarantee of future results.**

Throughout 2023’s heightened rate volatility, our advanced technology helped investors capitalize on volatility, seeking to improve their after-tax performance and generate losses.² Here’s what we made happen for our clients:

250K

Loss-harvesting trades

\$510M

Losses realized for clients

\$17B

Market value sold

-4.75%

Average loss realized on a holding basis

²Source: Parametric, 12/31/2023. The information is provided for illustrative purposes only. Values are aggregated across all municipal laddered strategies, managed municipal strategies and municipal total-return strategies. Only client positions with unverified cost basis were excluded from calculations. Loss calculation is based on the amortized book price minus the sell price, represents historical information and should not be construed as future results. Loss information illustrates the effect to a portfolio and is not representative of, and should not be construed as, performance. There is no assurance that tax-loss harvesting will continue in the future. There is no guarantee that any specific account may engage in tax-loss harvesting.

Make tax alpha reporting easier

Parametric's account-specific reporting helps you manage your fixed income SMAs hands-on. Our easy-to-understand account reports summarize tax-loss harvesting activity and measure potential taxes saved. Use our powerful technology to see the value of active tax-loss harvesting in fixed income portfolios.

For illustrative purposes only.



Investors and advisors rely on Parametric to harvest losses while maintaining desired risk profiles. We thoroughly analyze liquidity, yield and structure on a bond-by-bond basis, and we support our systematic construction and management processes with cutting-edge technology.

Increased scale and efficiency

Benefit from a streamlined process that eliminates the back-and-forth requests that historically slow down loss harvesting.

Optimized sales timing

Take advantage of ongoing loss-harvesting opportunities while avoiding wash-sale violations.

Reduced cash exposure

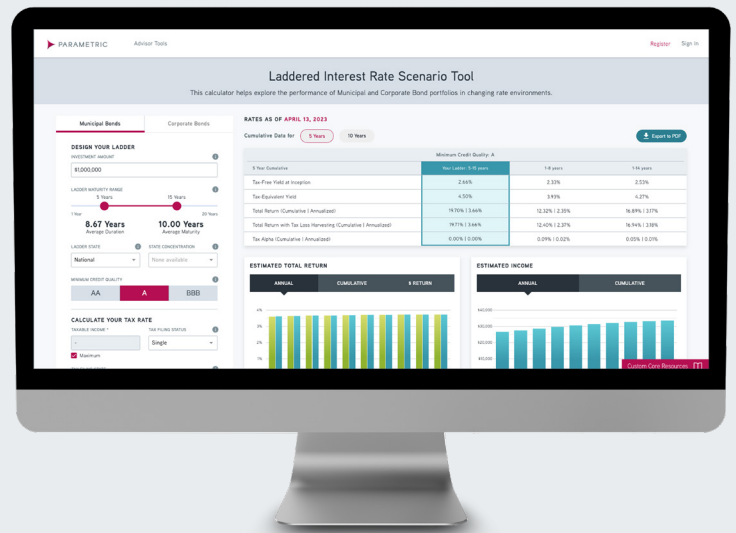
Return to the market faster with access to ready replacements and targeted reinvestment at potentially higher yields.

Minimized transaction costs

Improve liquidity through account aggregation to evaluate loss-harvesting opportunities.

Preview performance when rates rise and fall

Our Laddered Interest Rate Scenario Tool can help design an optimal portfolio based on investor goals, risk considerations and tax circumstances. Estimate how your portfolio will perform in different interest rate environments, including when you apply systematic year-round tax-loss harvesting in rising rate scenarios.



Visit parametricportfolio.com/ladders to see what ongoing tax-loss harvesting can do for your fixed income portfolio.

For illustrative purposes only.

Why Parametric Fixed Income?

Even in uncertain rate environments, fixed income exposure has always been a valuable source of diversification for investors. But the days of bond insurance, large dealer inventories and set-it-and-forget-it allocations are gone. Parametric's fixed income solutions make it easy to navigate complex markets while customizing exposures to fit each client's investment goals.

\$516.5B

Total firm AUM

\$153.1B

Fixed income AUM

31

Fixed income investment professionals

As of 3/31/24



Winner: 2023 US Markets Choice Award

Best Buy-Side Fixed Income Trading Desk

Markets Media Group's annual US Markets Choice Awards honor firms that are the "best of the best in capital markets trading and technology," including buy-side traders, sell-side execution desks, exchanges and trading platforms, incumbent technology providers and emerging fintech firms. The selection methodology factored in the opinions of market participants, including colleagues, customers and competitors. Winners were announced on May 3, 2023. For more information, visit <https://www.marketsmedia.com/2023-markets-choice-award-winners-announced/>.

Want to learn more about fixed income?

Investors: Contact your financial advisor.

Advisors: Contact your dedicated sales representative at 1 800 836 2414.

ABOUT

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Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline.

Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities.

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 (natural disasters, health crises, terrorism, conflicts, social unrest, etc.) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration and potential adverse effects (portfolio liquidity, etc.) 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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