




## Laddered Fixed Income SMA


Tax-advantaged core exposure to the municipal and corporate bond markets

Step up to a **smarter approach**



Give your  
practice  
a leg up

Heightened credit concerns. Limited access. Technical and logistical complexity. Interest rate uncertainty. For these reasons and more, crafting and managing client-centric bond portfolios on your own can consume a good deal of your time.



# Trust the market leaders

Parametric's laddered SMAs make custom fixed income portfolios simple and scalable, helping you spend less time on legwork—and more time growing your practice.

With Parametric, **you gain access** to:



## Broad selection

We work with a large network of fixed income broker-dealers, offering your clients a wide array of both municipal and corporate bonds.



## Institutional buying power

Our size and scale allow us to buy and sell bonds at favorable prices on your clients' behalf.



## In-house credit oversight

Our team of experienced credit analysts selects and monitors investments, helping your clients reduce credit exposure risk in their portfolios.



## Systematic tax-loss harvesting

It's not just a Q4 activity. We constantly monitor portfolios to capture losses as they arise throughout the year.

# Why ladder with Parametric?

We're the industry pioneer and leader, **with over \$45 billion in assets** under management across fixed income portfolios.\* We can help you deliver the solutions your clients are looking for.

46

fixed income  
investment professionals

26

dedicated  
credit analysts

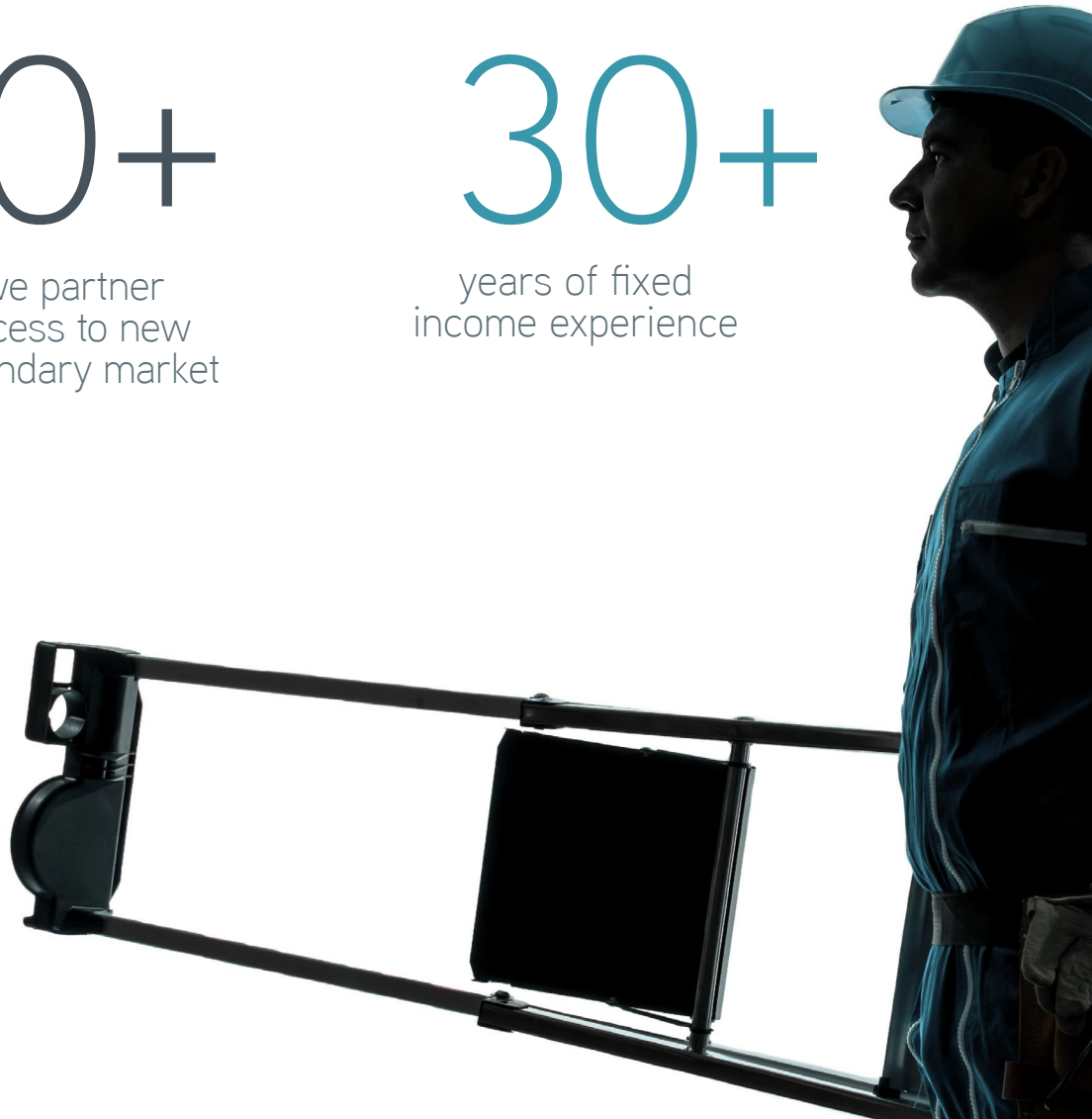
100+

broker-dealers we partner  
with to provide access to new  
issues and the secondary market

30+

years of fixed  
income experience

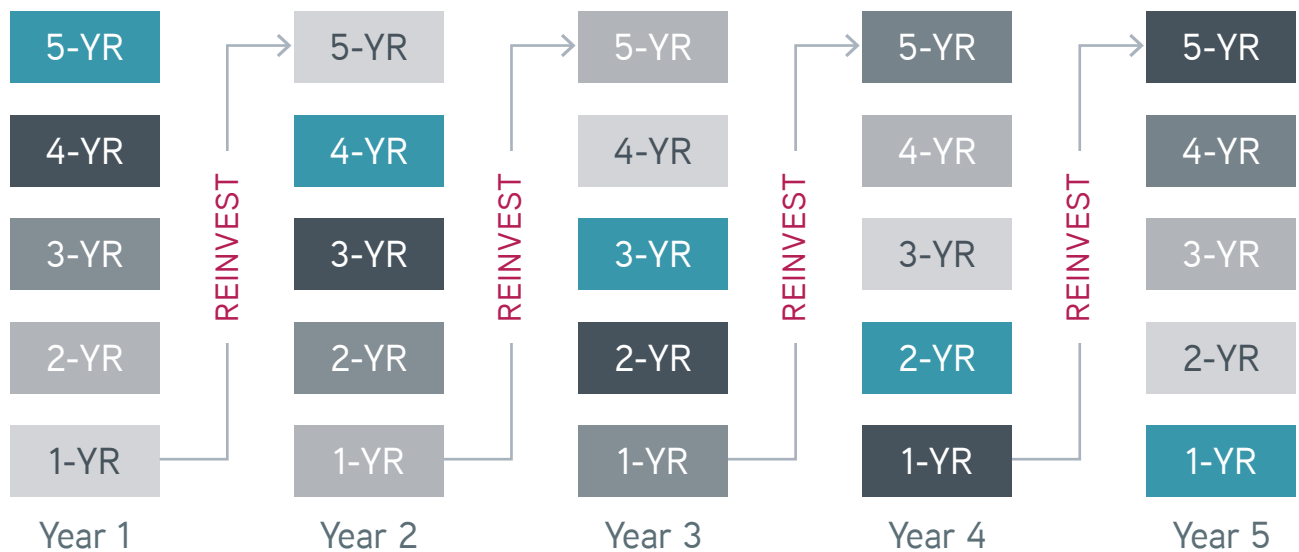
\*As of 6/30/2020



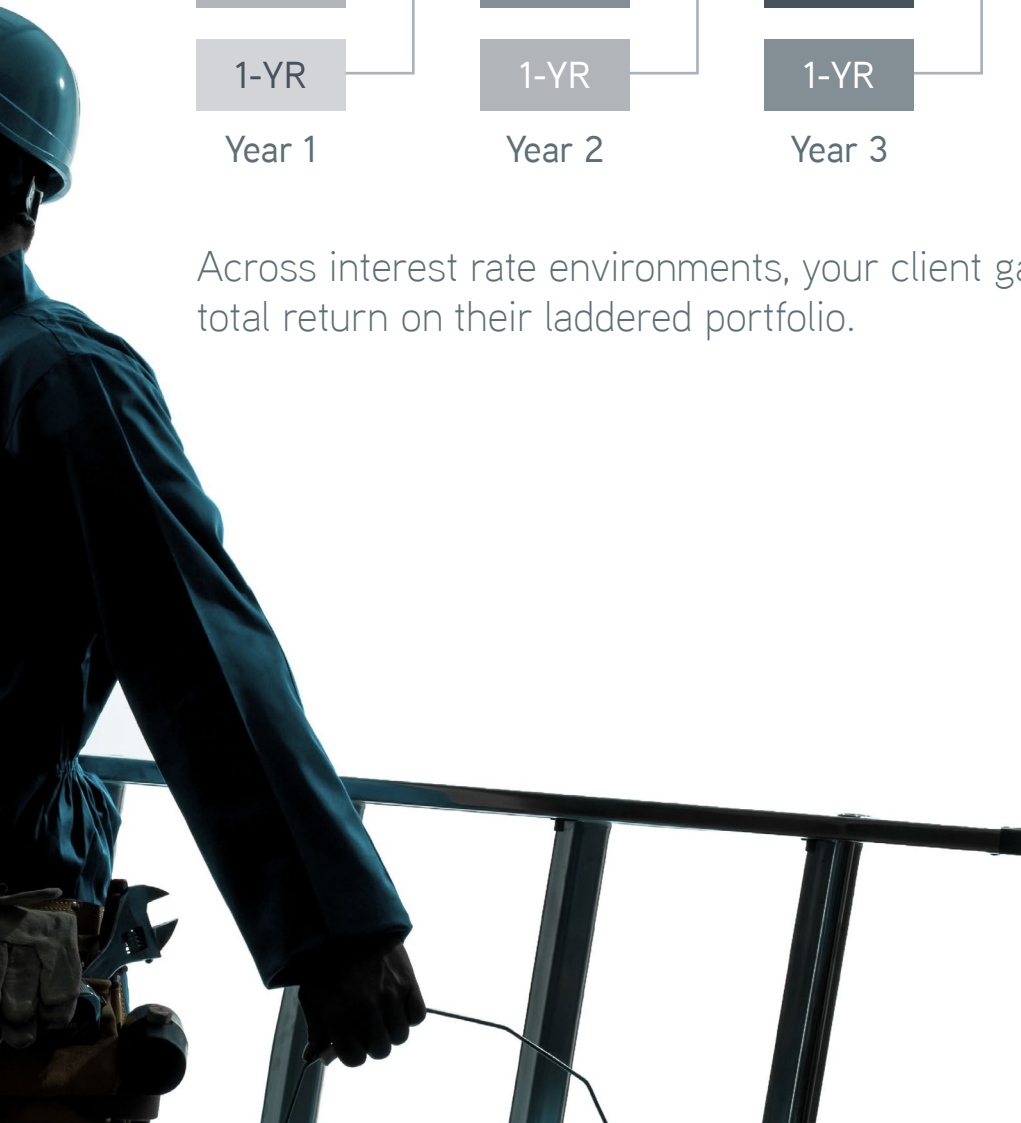


# How a ladder works

Parametric buys bonds with consecutive maturity dates within your client's specified range. As bonds mature at the bottom of the ladder, we reinvest the proceeds in **the most attractive bonds** available at the top of the ladder.



Across interest rate environments, your client gains a more consistent total return on their laddered portfolio.

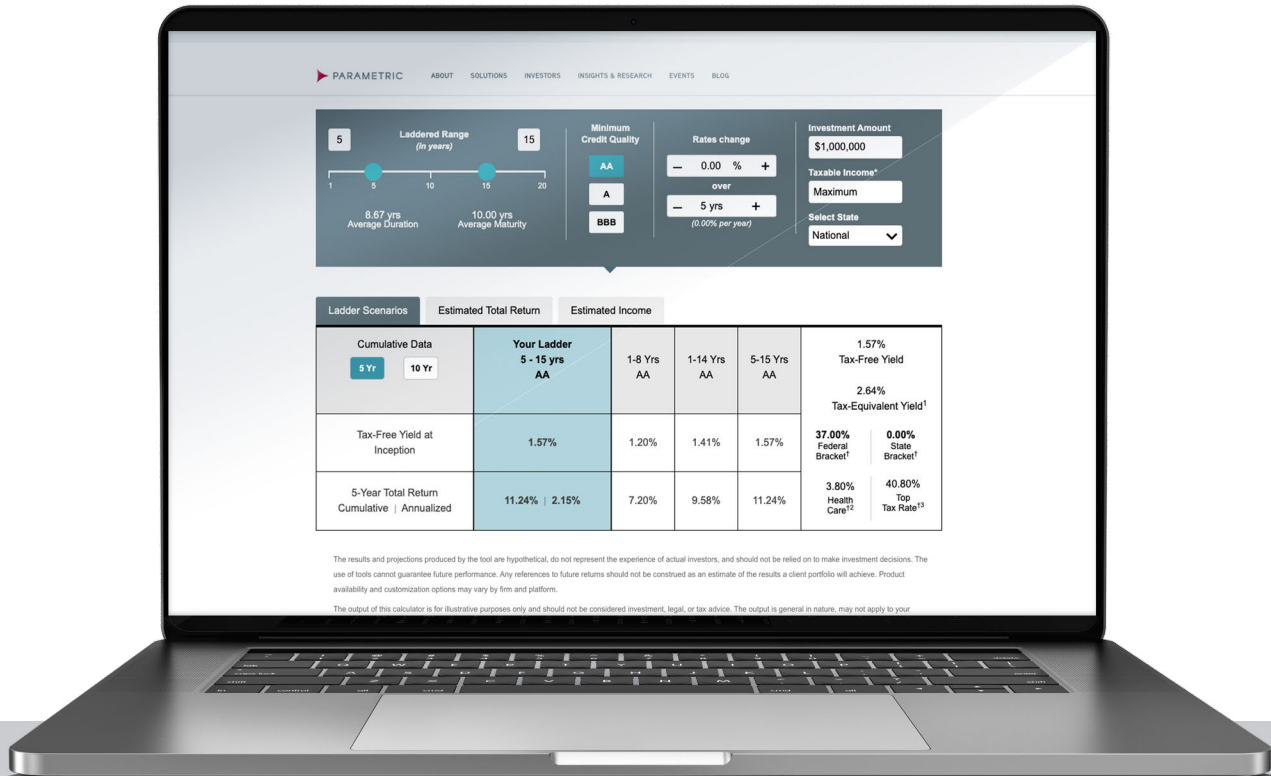




# A ladder for every investor

Parametric offers highly customized laddered SMAs designed to meet each client's unique objectives.

	Municipal ladders	Corporate ladders
<b>Duration/maturity</b>	1–20 years	1–10 years
<b>Credit quality</b>	Customized from BBB to AAA	Customized from BB- to AAA
<b>State</b>	<ul style="list-style-type: none"> <li>• National</li> <li>• State specific (100%)</li> <li>• State preference (50%)</li> <li>• Best efforts (20%)</li> </ul>	N/A
<b>Asset sectors</b>	<ul style="list-style-type: none"> <li>• Tax-free municipals</li> <li>• Taxable municipals</li> </ul>	<ul style="list-style-type: none"> <li>• Taxable corporate bonds</li> <li>• Government agency bonds</li> <li>• Treasuries</li> </ul>



How will **your clients' bond portfolios** perform in different interest rate environments?

Find out with our Laddered Investing Interest Rate Tool:

[parametricportfolio.com/IR-tool](https://parametricportfolio.com/IR-tool)

# The **value** of systematic tax-loss harvesting

For many investors, loss harvesting is an activity that doesn't come around until December. But losses can occur at any point during the year. And a bond may return to its original value before the investor gets the chance to capture and bank the loss for tax purposes.

That's why, just as we do for our Custom Core<sup>®</sup> equity SMAs, Parametric monitors your clients' bond portfolios throughout the year for opportunities to harvest losses. While doing so, we seek to maintain consistency of market exposures while avoiding wash sales and minimizing transaction costs.

With bonds, the value of tax-loss harvesting is influenced by the direction in which interest rates are moving. As you can see from the table on the following page, as rates rise, so does the potential value of systematic loss harvesting.





## One-year total return: one-to-10-year ladder

Rates up	Pretax	With tax benefit	Value added from systematic tax-loss harvesting
0.50%	-0.31%	0.42%	0.73%
0.75%	-1.34%	-0.19%	1.15%
1.00%	-2.35%	-0.79%	1.56%
1.50%	-4.32%	-1.96%	2.36%
2.00%	-6.23%	-3.09%	3.14%

Sources: Parametric, Bloomberg US General Obligation A Rated Muni BVAL Yield Curve as of 12/1/2019. The scenarios presented above are hypothetical and provided for illustrative purposes only. They do not reflect the experience of any investor and should not be relied on to make investment decisions. Each scenario reflects the performance of an equal-weighted laddered portfolio consisting of 10 bonds with consecutive maturity dates ranging from 1 to 10 years purchased on December 1, 2019. They assume a parallel yield-curve shift and short-term capital gains rate of 40.8%. The pretax and tax benefit returns are calculated using the weighted return of each bond. All losses are harvested in each scenario. This information does not reflect the impact of fees or expenses on a portfolio, which would reduce returns. All investments are subject to the risk of loss. Additional information is available upon request.

Parametric monitors your clients'  
bond portfolios throughout the  
year for opportunities

# Ladder responsibly

Whether your client chooses a municipal or corporate ladder, Parametric can provide you with **a full suite of customized ESG solutions** that align with their investing principles.

## Socially responsible municipals

Powered by the **Calvert Principles of Responsible Investing** and industry-leading ESG research, the strategy offers the opportunity to invest in municipal bonds that seek to make a positive impact on society.



### Environmental

#### Opportunities to invest in environmental projects

Clean/renewable energy, pollution control, clean water, sustainable waste



### Social

#### Opportunities to invest in local communities

Education, not-for-profit health care, public transportation, affordable housing

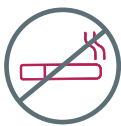


## Socially responsible corporates

We partner with recognized leaders in ESG-focused research, including MSCI and Sustainalytics, to offer you and your clients:

- » A full menu of corporate ESG screens.
- » The ability to customize the ESG focus to align clients' portfolios with their personal values.

### Top ESG screens



Tobacco



Adult Entertainment



Alcohol



Fossil fuel reserves




Firearms



# Make transitions **more transparent**

From start to finish, we make the portfolio transition process **clear and cost effective** for both you and your clients, helping you build custom bond ladders with confidence and ease.

## Transition the account



Client chooses to fund with securities or cash.



If client already has munis or taxable bonds, we identify which we'd keep, which we'd sell, and why.



We provide you with a comprehensive transition analysis.

## Design the exposure



**Municipal ladder**  
*(maturity range of 1–20 years)*



**Corporate ladder**  
*(maturity range of 1–10 years)*

## Customize the portfolio

### Municipal credit quality options include AA-, A-, or BBB

*(national BBB available at a maximum of 30%)<sup>1</sup>*

#### National

#### State specific

CA, MA, MI, MN, NJ, NY, OH, PA, TX

#### State preference

*(generally target 50% in state):*

AZ, CA, CO, CT, GA, MA, MD, MI, MN,  
MO, NC, NJ, NY, OH, OR, PA, TX, VA, UT

#### Best efforts

*(generally target 20% in state):*

FL, HI, IN, KY, LA, SC, TN

### Corporate credit quality options include A- or BBB-

*(BBB available at a maximum of 60%)<sup>1</sup>*

## Ongoing client service

Once the transition is complete, Parametric provides ongoing ladder management, including rigorous credit oversight. You'll have open access to our portfolio managers, who are available to conduct conference calls to answer questions, review performance, and discuss current opportunities.

<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 S&P® or Fitch (Baa or higher by Moody's) are considered to be investment-grade quality.

<sup>2</sup>State specific, state preference, and best efforts available in A- or above only. Information as of 3/31/2020.

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# Climb up to client-centric reporting and tools



The tax management and customization inherent in an SMA require detailed reporting for clients to truly understand their portfolio's construction and characteristics. We also offer tools to help you evaluate portfolio transitions, determine interest rates' effect on your clients' bond ladders, and more.

# Why Parametric?

Other firms can provide you with bond ladders. Parametric climbs higher, delivering **customized solutions** designed around your clients' objectives and values. Our fixed income approach is disciplined, systematic, and rules-based, so your clients get predictable maturities and an evenly weighted set of bonds across the yield curve.

## We believe in



Questioning the  
status quo



A disciplined,  
systematic approach



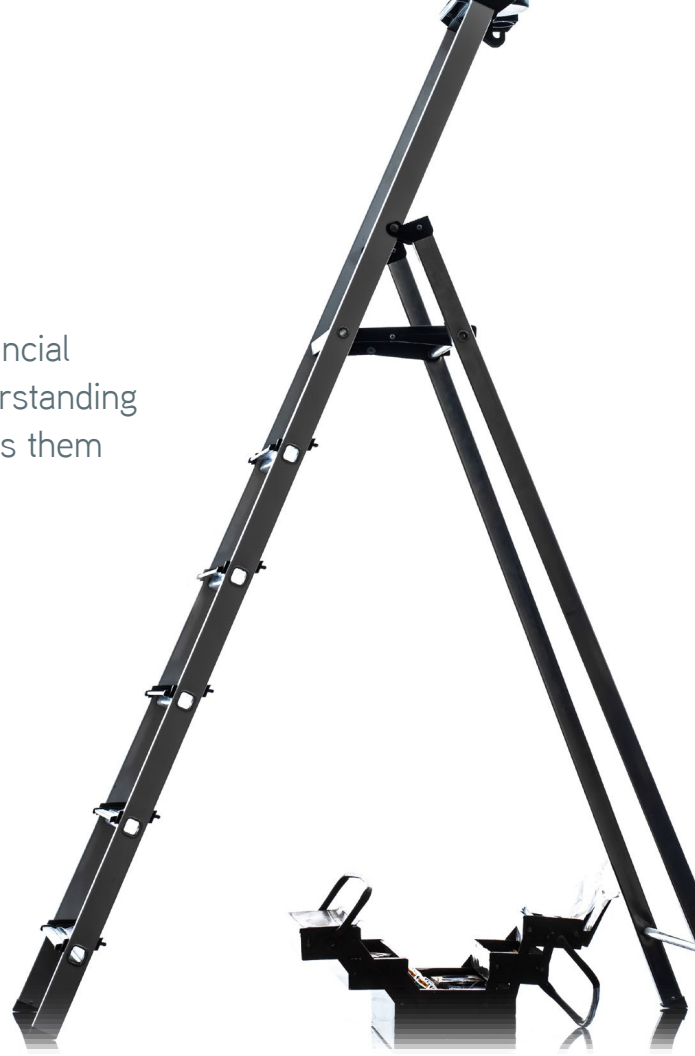
Genuine  
partnerships

# Ladder up

Our job is to help you do yours. We've worked with financial advisors for more than 30 years and have a deep understanding of the fixed income markets and how to help you access them more efficiently, more cost effectively, and more easily.

**For all your laddered portfolio needs,** contact your representative to discover how Parametric can help you and your clients **climb higher.**

Learn more at  
[parametricportfolio.com/fixed-income](http://parametricportfolio.com/fixed-income)



**PARAMETRIC**  
An Eaton Vance Company

## About

Parametric Portfolio Associates LLC (Parametric), headquartered in Seattle, is registered as an investment advisor with the 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 a wholly owned subsidiary of Eaton Vance Corp. and offers these capabilities through offices in Seattle, Boston, Minneapolis, New York City, and Westport, Connecticut.

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Fixed income securities, such as corporate and municipal bonds, are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may 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 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. Issuer defaults can impact the level of returns generated by debt securities. An unexpected default can reduce income and the capital value of a debt security. Furthermore, market expectations regarding economic conditions and the likely number of issuer defaults may impact the value of other debt securities.

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