

## Parametric Portfolio Associates

1918 8th Avenue, Suite 3100  
Seattle, Washington 98101

Style: US Large Cap  
Sub-Style: Blend  
Firm AUM: \$226.4 billion  
Firm Strategy AUM: \$283.4 million

Year Founded: 1987  
GIMA Status: Approved  
Firm Ownership: Eaton Vance Corporation  
Professional-Staff: 89

## PRODUCT OVERVIEW

Parametric Portfolio Associates ("Parametric") Parametric Tax Managed KLD400 portfolios are designed to provide a pre-tax return similar to that of their respective benchmarks and enhance after-tax returns through a variety of tax management techniques. Portfolios are constructed by purchasing securities from the constituents of the FTSE KLD 400 Social Index that, as a diversified group, will seek to track the performance of the unmanaged index. Tax management techniques including tax-lot accounting and the management of capital gains are then applied to reduce the impact of taxes, enhancing after-tax return. The management of capital gains includes the matching of gains against losses and aggressively "harvesting" tax losses when available.

## TARGET PORTFOLIO CHARACTERISTICS

Number of stock holdings:	250 to 325
Average dividend yield:	Similar to/Below the S&P 500
P/E ratio:	Similar to/Above the S&P 500
Cash level over market cycle:	1 to 2%
Risk (standard deviation):	Similar to/Below the S&P 500
Average turnover rate:	25 to 30%
Use ADRs:	No
Capitalization:	Mega, Large, Medium and Small companies

## PORTFOLIO STATISTICS

	-----03/18-----	09/17	
	Parametric	Index***	Parametric
Number of stock holdings	299	—	300
Wtd avg dividend yield	1.7%	—	1.8%
Wtd avg P/E ratio <sup>1</sup>	20.14x	—	20.47x
Wtd avg portfolio beta	—	—	—
Mega capitalization +	42.9%	0.0%	0.0%
Large capitalization +	45.5%	0.0%	0.0%
Medium capitalization +	9.7%	0.0%	0.0%
Small capitalization +	1.8%	0.0%	0.0%
Micro capitalization +	0.0%	0.0%	0.0%

## PORTFOLIO'S EQUITY SECTOR WEIGHTINGS +

Sector	03/18	09/17	
	Parametric	Index***	Parametric
Energy	4.06	0.00	4.59
Materials	2.77	0.00	2.92
Industrials	11.40	0.00	10.68
Consumer Discretionary	12.08	0.00	13.17
Consumer Staples	7.32	0.00	8.50
Health Care	12.20	0.00	12.95
Financials	10.26	0.00	10.18
Information Technology	32.61	0.00	28.00
Telecomm Services	1.66	0.00	2.14
Utilities	1.35	0.00	1.71
Miscellaneous	3.65	0.00	0.00
REIT'S	0.00	0.00	4.35
Cash/Cash Equivalents	0.65	0.00	0.82

## PORTFOLIO'S TOP FIVE EQUITY HOLDINGS

	%
Microsoft Corporation	6.3
Facebook, Inc. Class A	3.2
Alphabet Inc. Class A	3.0
Alphabet Inc. Class C	3.0
Cisco Systems, Inc.	2.1

## % PROCESS BASED ON

- 0 Asset allocation - cash vs. stock
- 100 Industry or sector weighting
- 0 Stock Selection

\*\*\*Index : MSCI KLD 400 Social Gross

<sup>1</sup>The P/E used here is calculated by the harmonic mean.

<sup>2</sup>Total may not equal 100% due to rounding.

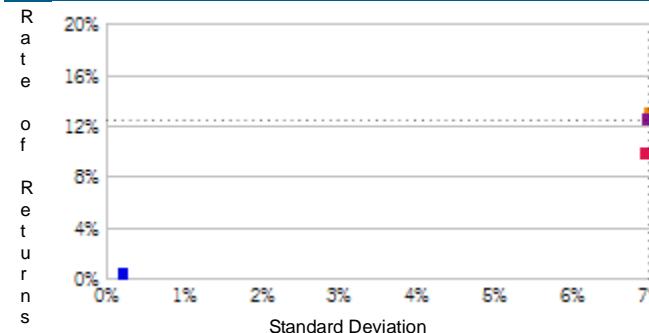
MANAGER'S INVESTMENT PROCESS		RISK CONSIDERATIONS	PORTFOLIO'S ALLOCATION HISTORY (%) *			
			03/18	12/17	09/17	06/17
• Parametric uses risk models and quantitative techniques to build a portfolio that is a representative sample or subset of the target benchmark.						
• Stocks are selected and combined into a portfolio based upon their contribution to the overall portfolio's risk profile relative to the assigned index.						
• Special care is taken to ensure the portfolio mirrors the index with regard to important factors - sector, style, yield, growth and capitalization are just a few.						
• Stocks are bought and sold within the portfolio as the underlying benchmark evolves and as opportunities for active tax management arise.						
• As cash is added or withdrawn, the portfolio is rebalanced and the effect on taxes explicitly considered.						

\*\*\*Index : MSCI KLD 400 Social Gross

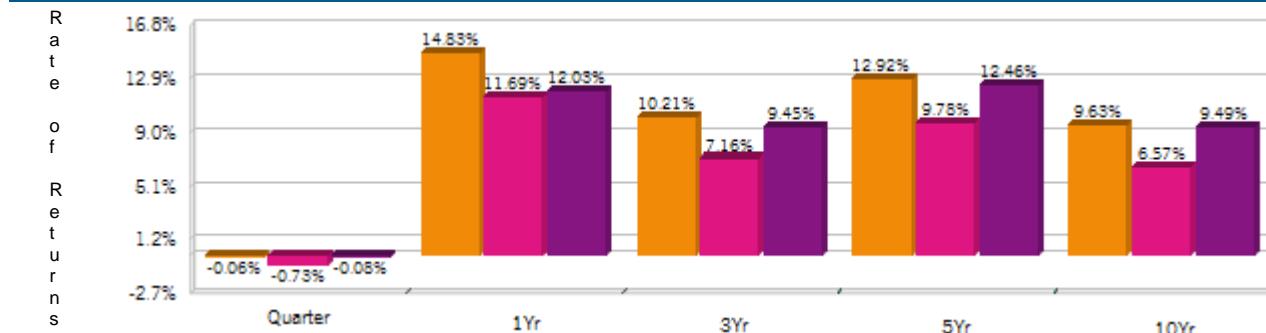
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## RISK/RETURN ANALYSIS - 5 YEARS ENDING 03/31/18



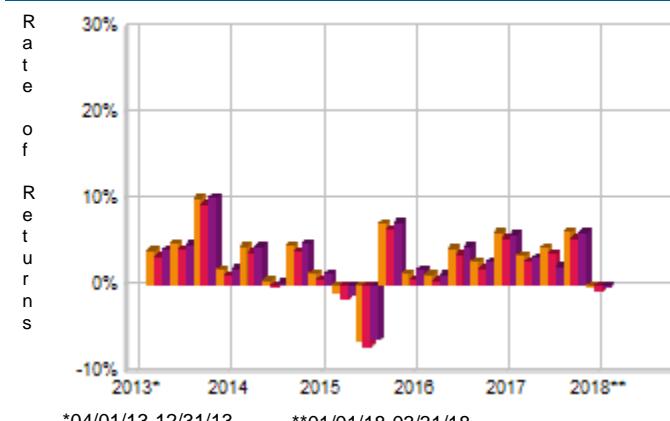
## AVERAGE ANNUAL TOTAL RETURN (%) - PERIODS ENDING 03/31/18



	STD	ROR
Parametric (Gross)	6.99	12.92
Parametric (Net)	6.96	9.78
MSCI KLD 400 Social Gross	6.98	12.46
90-Day T-Bills	0.21	0.31

	Annual Rates of Return (%)							10 Year - Ending 03/31/18				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Annual	Std. Dev.
Parametric (Gross)	-33.86	30.24	11.48	0.78	13.09	36.37	12.28	1.06	10.20	22.04	9.63	15.27
Parametric (Net)	-35.93	26.78	8.41	-1.98	9.92	32.69	9.10	-1.74	7.06	18.67	6.57	15.25
MSCI KLD 400 Social Gross	-34.94	31.73	11.89	1.60	13.23	36.18	12.38	0.96	10.91	18.82	9.49	15.57

## RISK VOLATILITY (%)



\*04/01/13-12/31/13

\*\*01/01/18-03/31/18

Number Of Up Qtrs. Down Qtrs.

Parametric (Gross)	17	3
Parametric (Net)	16	4
MSCI KLD 400 Social Gross	17	3

## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter1		Quarter2		Quarter3		Quarter4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2008	-9.24	-9.95	-3.79	-4.50	-4.25	-4.96	-20.89	-21.60
2009	-9.89	-10.60	16.01	15.30	16.08	15.37	7.33	6.62
2010	5.09	4.38	-11.58	-12.29	9.26	8.55	9.81	9.10
2011	3.85	3.13	1.50	0.80	-13.03	-13.67	9.93	9.22
2012	11.53	10.77	-3.94	-4.63	5.51	4.76	0.04	-0.68
2013	13.27	12.51	4.13	3.41	4.93	4.21	10.19	9.44
2014	1.91	1.16	4.61	3.86	0.61	-0.11	4.68	3.95
2015	1.46	0.72	-0.83	-1.54	-6.39	-7.04	7.30	6.59
2016	1.44	0.68	1.29	0.57	4.37	3.65	2.76	2.01
2017	6.21	5.47	3.49	2.76	4.49	3.77	6.25	5.51
2018	-0.06	-0.73						

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Select UMA

## PORTFOLIO'S RISK STATISTICS - PERIODS ENDING 03/31/18<sup>1,2</sup>

	3 Year	5 Year
Standard Deviation	7.59%	6.99%
Standard Deviation of Primary Benchmark	7.45%	6.98%
Sharpe Ratio	1.28	1.80
Sharpe Ratio of Primary Benchmark	1.20	1.74
Alpha	0.72%	0.56%
Beta	1.00	0.99
Downside Risk	0.28%	0.24%
R-Squared	0.97	0.98
Tracking Error	1.36%	1.07%
Information Ratio	0.56	0.43

1. Statistics are calculated using gross of fee performance only.  
2. MSCI KLD 400 Social Gross was used as the primary benchmark and the 90-Day T-Bills Index as the risk-free benchmark.

## PORTFOLIO DIVERSIFICATION - R<sup>2</sup>(INCEPTION THROUGH 12/14)+

R<sup>2</sup>  
Parametric vs. MSCI KLD 400 Social Gross 1.00

+Statistics are calculated using gross of fee performance only.

See important notes and disclosures pages for a discussion of the sources of the performance data used to calculate the performance results and related analyses shown above.

## IMPORTANT NOTES AND DISCLOSURES

### COMPOSITE DISCLOSURES

**Past performance is no guarantee of future results. Actual individual account results may differ from the performance shown in this profile. There is no guarantee that this investment strategy will work under all market conditions. Do not use this profile as the sole basis for your investment decisions.**

Performance results in this profile are calculated assuming reinvestment of dividends and income. Returns for more than one year are annualized and based on quarterly data. Returns for periods of less than a calendar year show the total return for the period and are not annualized.

**Sources of Performance Results and Other Data:** The performance data and certain other information for this strategy (including the data on page 1 of this profile) reflect the investment manager's results in managing Morgan Stanley program accounts, or the investment manager's results in managing accounts and investment products, in the same or a substantially similar investment discipline. (For periods through June 2012, the Fiduciary Services program operated through two channels - Morgan Stanley channel and the Smith Barney channel - and any performance and other data relating to Fiduciary Services accounts shown here for these periods is calculated using accounts in only one of the these channels.) This information for the investment manager is presented solely to provide information about accounts that were managed according to investment objectives and strategies the same or substantially similar to the corresponding investment discipline in the Select UMA program. Although the Fiduciary Services and Select UMA programs are both Morgan Stanley managed account programs, the performance results and other features of similar investment disciplines in the two programs may differ due to investment and operational differences. For example, the individual investment disciplines in the Select UMA accounts may contain fewer securities, which would lead to a more concentrated portfolio. The automatic rebalancing, wash sale loss and tax-harvesting features of the Select UMA program, which are not available in Fiduciary Services, also could cause differences in performance. Accordingly, the performance of the accounts in the Fiduciary Services program is not, and may differ significantly from, the performance of the accounts in the Select UMA program and should not be considered indicative of or a substitute for Select UMA performance. Similarly, performance results of the investment manager's composites may differ from those of Select UMA accounts managed in the same or a substantially similar investment discipline.

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For more information on the Focus List, Approved List, and Watch processes, please see the applicable Morgan Stanley ADV brochure ([www.ms.com/adv](http://www.ms.com/adv)). Your Financial Advisor or Private Wealth Advisor can provide on request a copy of a paper entitled "GIMA: At A Glance".

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The information about a representative account is for illustrative purposes only. Actual account holdings, performance and other data will vary depending on the size of an account, cash flows within an account, and restrictions on an account. Holdings are subject to change daily. The information in this profile is not a recommendation to buy, hold or sell securities.

Actual portfolio statistics may vary from target portfolio characteristics.

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## INDEX DESCRIPTIONS

### 90-Day T-Bills

The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of discount is the interest earned. T-bills are issued in denominations of \$10,000 auction and \$1,000 increments thereafter.

### MSCI KLD 400 Social Gross

The MSCI KLD 400 Social Index is a market capitalization-weighted Common Stock Index, consisting of 400 corporations that have passed multiple, broad-based social screens. The index is maintained by Kinder, Lydenberg, Domini & Co., Inc. and is intended to serve as a proxy and benchmark for the universe of stocks from which social investors might choose. The index was set at a value of 100 as of May 1, 1990. Since its inception, fewer than one change per month has been made in the DS1, primarily due to takeovers and acquisitions. (name changed from FTSE in July 2010.)

### S&P 500

The S&P 500 Total Return has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over \$5.58 trillion benchmarked, with index assets comprising approximately \$1.31 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

**Indices are unmanaged and have no expenses. You cannot invest directly in an index.**

## GLOSSARY OF TERMS

**Alpha** is a mathematical estimate of risk-adjusted return expected from a portfolio above and beyond the benchmark return at any point in time.

**American Depository Receipts (ADRs)** are receipts for shares of a foreign-based corporation held in the vault of a U.S. bank.

**Average Portfolio Beta** is a measure of the sensitivity of a benchmark or portfolio's rates of return to changes against a market return. The market return is the S&P 500 Index. It is the coefficient measuring a stock or a portfolio's relative volatility.

**Beta** is a measure of the sensitivity of a portfolio's rates of return to changes in the market return. It is the coefficient measuring a stock or a portfolio's relative volatility.

**Bottom-Up Stock Selection** Emphasis primarily on individual stock selection. Considerations of economic and industry factors are of secondary importance in the investment decision-making process.

**Capitalization** is defined as the following: Mega (Above \$100 billion), Large (\$12 to \$100 billion), Medium (\$2.5 - \$12 billion), Small (\$.50 - \$2.5 billion) and Micro (below \$.50 billion).

**Dividend** a portion of a company's profit paid to common and preferred shareholders.

**Downside Risk** is a measure of the risk associated with achieving a specific target return. This statistic separates portfolio volatility into downside risk and upside uncertainty. The downside considers all returns below the target return, while the upside considers all returns equal to or above the target return.

**Duration** is a measure of price sensitivity expressed in years.

**High Grade Corporate Bonds** corporate bonds from issuers with credit ratings of AA or AAA.

**Information Ratio** is a measure of the investment manager's skill to add active value against a given benchmark relative to how stable that active return has been. Essentially, the information ratio explains how significant a manager's alpha is. Therefore, the higher the information ratio, the more significant the alpha.

**Investment Grade Bonds** are those rated by Standard & Poor's AAA (highest rated), AA, A or BBB (or equivalent rating by other rating agencies or, in the case of securities not rated, by the investment manager).

**Price/Book Ratio (P/B)** weighted average of the stocks' price divided by book value per share. Book value per share is defined as common equity, including intangibles, divided by shares outstanding times the adjustment factor.

**Price/Cash Flow Ratio** a ratio used to compare a company's market value to its cash flow. It is calculated by dividing the company's market cap by the company's operating cash flow in the most recent fiscal year (or the most recent four fiscal quarters); or, equivalently, divide the per-share stock price by the per-share operating cash flow.

**Price/Earnings Ratio (P/E Ratio)** shows the multiple of earnings at which a stock sells. Determined by dividing current stock price by current earnings per share (adjusted for stock splits). Earnings per share for the P/E ratio are determined by dividing earnings for past 12 months by the number of common shares outstanding. The P/E ratio shown here is calculated by the harmonic mean.

**Price/Sales Ratio** determined by dividing current stock price by revenue per share (adjusted for stock splits). Revenue per share for the P/S ratio is determined by dividing revenue for past 12 months by number of shares outstanding.

**R2 (R-Squared)/Portfolio Diversification** indicates the proportion of a security's total variance that is benchmark-related or is explained by variations in the benchmark.

**Sharpe Ratio** measures the efficiency, or excess return per unit of volatility, of a manager's returns. It evaluates managers' performance on a volatility-adjusted basis.

**Standard Deviation** is a statistical measure of historical variability or spread of returns around a mathematical average return that was produced by the investment manager over a given measurement period. The higher the standard deviation, the greater the variability in the investment manager's returns relative to its average return.

**Top-Down/Economic Analysis** Emphasis primarily on macroeconomic trends as opposed to bottom-up stock selection.

**Tracking Error** represents the standard deviation of the difference between the performance of the investment strategy and the benchmark. This provides a historical measure of the variability of the investment strategy's returns relative to its benchmark.

**U.S. Treasury Bonds** a marketable, fixed interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually and the income that holders receive is only taxed at the federal level.

**Volatility** a measure of risk based on the standard deviation of the asset return. Volatility is a variable that appears in option pricing formulas, where it denotes the volatility of the underlying asset return from now to the expiration of the option. There are volatility indexes. Such as a scale of 1-9; a higher rating means higher risk.