

## Parametric Portfolio Associates

1918 8th Avenue, Suite 3100  
Seattle, Washington 98101

Style: US Multi Asset  
Sub-Style: US Multi Asset Income  
Firm AUM: \$226.4 billion  
Firm Strategy AUM: \$72.6 million

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

### PRODUCT OVERVIEW

Parametric Portfolio Associates ("Parametric") Parametric Enhanced Income Tax-Adv is a unique separately managed account strategy with an income-oriented approach. It offers exposure to both equity and fixed income securities by investing in closed-end funds (CEFs). The strategy seeks to provide a high level of current income with capital appreciation as a secondary objective.

### TARGET PORTFOLIO CHARACTERISTICS

Number of stock holdings:	40 to 60
Average dividend yield:	Above the S&P 500
P/E ratio:	—
Cash level over market cycle:	0 to 2%
Risk (standard deviation):	Similar to the S&P 500
Average turnover rate:	40 to 60%
Number of bond holdings:	0
Average maturity:	—
Average credit quality:	—
Use ADRs:	No
Capitalization:	—

### PORTFOLIO'S EQUITY SECTOR WEIGHTINGS \*

	-----03/18-----	09/17
Sector	Parametric	Index*** Parametric
Energy	0.00	5.74 0.00
Materials	0.00	2.86 0.00
Industrials	0.00	10.21 0.00
Consumer Discretionary	0.00	12.67 0.00
Consumer Staples	0.00	7.65 0.00
Health Care	0.00	13.71 0.00
Financials	98.10	14.73 97.56
Information Technology	0.00	24.87 0.00
Telecomm Services	0.00	1.92 0.00
Utilities	0.00	2.86 0.00
Miscellaneous	0.00	0.00 0.81
REIT'S	0.00	2.78 0.00
Cash/Cash Equivalents	1.90	0.00 1.63

### PORTFOLIO STATISTICS

	-----03/18-----	09/17
	Parametric	Index*** Parametric
Number of stock holdings	61	505 60
Wtd avg dividend yield	—	2.0% —
SEC Yield	—	— —
Wtd avg P/E ratio <sup>1</sup>	—	22.30x —
Wtd avg portfolio beta	—	— —
Mega capitalization +	0.0%	48.7% 0.0%
Large capitalization +	0.0%	47.0% 0.0%
Medium capitalization +	7.6%	4.3% 0.0%
Small capitalization +	67.7%	0.0% 0.0%
Micro capitalization +	24.7%	0.0% 0.0%
Number of bond holdings	—	— —
Avg maturity	—	— —
Avg credit quality	—	— —

### PORTFOLIO'S TOP FIVE EQUITY HOLDINGS

	%
Nuveen AMT-Free Quality Municipal Income Fund of Benef Interest	8.1
Nuveen Quality Municipal Income Fund of Benef.Interest	7.4
Alpine Total Dynamic Dividend Fund	6.2
BlackRock Enhanced Equity Dividend Trust	6.2
AllianzGI NFJ Dividend Interest & Premium Strategy Fund	4.8

### % PROCESS BASED ON

0	Asset allocation
0	Industry or sector weighting
0	Stock Selection
0	Duration Management
0	Yield Curve Management
0	Sector Selection
0	Bond Selection

### MANAGER'S INVESTMENT STRATEGY

- ☒ Top-down / portfolio structures based on economic trends  
☐ Bottom-up / portfolio structure based on individual securities

\*\*\*Index : S&P 500

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

\*Total may not equal 100% due to rounding.

## MANAGER'S INVESTMENT PROCESS

- Invests in income-focused closed-end funds.
- Purchases closed-end funds at a discount to NAV.
- Uses an approach that is quantitative and is diversified by asset class, investment strategy, and fund manager.
- Structures the portfolio using a target asset allocation, quantitative ranking methodology, and well-defined rebalancing parameters
- Seeks closed-end funds that have a high distribution rate, are trading at a discount to NAV, have historically displayed growing or stable income distributions and trade with sufficient volume to provide liquidity.
- Filters out concentrated equity and single-state municipal bond funds, lower income funds (< 4% current distribution rate), excessive leverage funds (> 40%), illiquid funds (< \$650,000 average volume over the previous 20 days), micro funds (<\$200 million market capitalization), and new funds (those inception within 12 months with a premium > -10%).

## RISK CONSIDERATIONS

Investing in securities entails risks, including: Equity portfolios are subject to the basic stock market risk that a particular security, or securities in general, may decrease in value. Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. There is no assurance that the private guarantors or insurers will meet their obligations. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

## PORTFOLIO'S ALLOCATION HISTORY (%) \*

	03/18	12/17	09/17	06/17
Closed End Funds	98	97	98	98
Cash/Cash Equivalents	2	3	2	2

## FIXED INCOME SECTOR DISTRIBUTION (%) \*

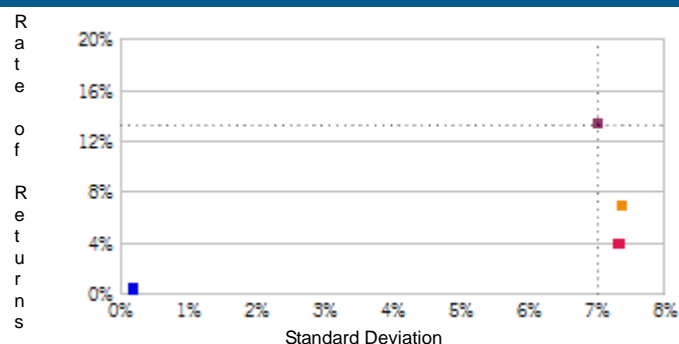
	03/18	12/17	09/17	06/17
Closed End Funds	98.12	97.47	98.37	97.86
Cash/Cash Equivalents	1.88	2.53	1.63	2.14

\*\*\*Index : S&amp;P 500

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

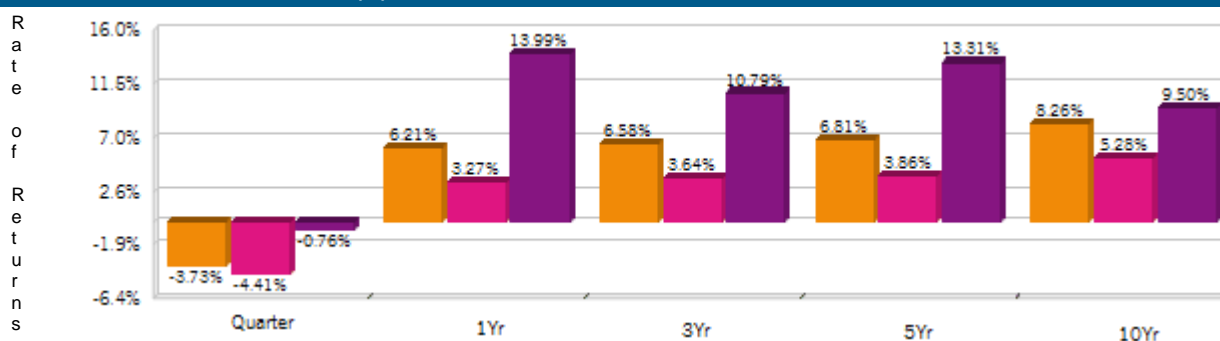
\*Total may not equal 100% due to rounding.

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



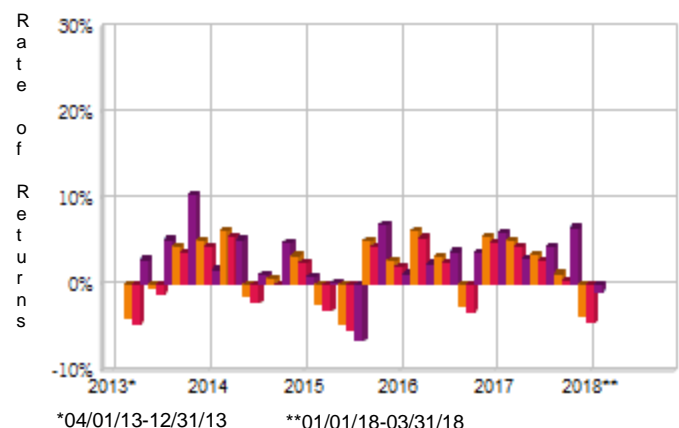
	STD	ROR
Parametric (Gross)	7.38	6.81
Parametric (Net)	7.35	3.86
S&P 500	7.03	13.31
90-Day T-Bills	0.21	0.31

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



INVESTMENT RESULTS	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)	-29.51	51.99	12.12	5.13	17.94	6.89	10.95	1.28	10.18	16.51	8.26	14.86
Parametric (Net)	-31.03	47.94	9.07	2.23	14.74	3.97	7.88	-1.49	7.10	13.32	5.28	14.80
S&P 500	-30.43	26.46	15.06	2.11	16.00	32.41	13.69	1.41	11.96	21.83	9.50	15.93

## RISK VOLATILITY (%)



	Number Of	Up Qtrs.	Down
Parametric (Gross)	13	7	
Parametric (Net)	12	8	
S&P 500	18	2	

## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter1		Quarter2		Quarter3		Quarter4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2008			0.14	-0.53	-20.70	-21.28	-11.23	-11.91
2009	-2.21	-2.87	24.37	23.58	19.79	19.01	4.32	3.56
2010	6.38	5.63	-3.60	-4.27	10.89	10.15	-1.40	-2.08
2011	3.84	3.11	3.38	2.67	-7.88	-8.54	6.31	5.59
2012	8.60	7.88	1.20	0.50	7.34	6.60	-0.02	-0.73
2013	6.77	6.06	-3.88	-4.54	-0.35	-1.06	4.51	3.80
2014	5.13	4.40	6.32	5.59	-1.40	-2.10	0.67	-0.03
2015	3.37	2.65	-2.29	-2.98	-4.59	-5.26	5.10	4.40
2016	2.89	2.15	6.26	5.53	3.24	2.53	-2.39	-3.10
2017	5.61	4.89	5.21	4.49	3.54	2.82	1.28	0.56
2018	-3.73	-4.41						

Related

Select UMA

PORTFOLIO'S RISK STATISTICS - ENDING 03/31/18 <sup>1 2</sup>	PERIODS	
	3 Year	5 Year
Standard Deviation	7.84%	7.38%
Standard Deviation of Primary Benchmark	7.50%	7.03%
Sharpe Ratio	0.78	0.88
Sharpe Ratio of Primary Benchmark	1.37	1.85
Alpha	-1.12%	-0.69%
Beta	0.72	0.58
Downside Risk	5.66%	6.90%
R-Squared	0.47	0.30
Tracking Error	6.07%	6.86%
Information Ratio	-0.69	-0.95

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

	R <sup>2</sup>
Parametric vs. S&P 500	0.60

+Statistics are calculated using gross of fee performance only.

1. Statistics are calculated using gross of fee performance only.  
 2. S&P 500 was used as the primary benchmark and the 90-Day T-Bills Index as the risk-free benchmark.

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.

Past performance is no guarantee of future results. This profile is not complete without the pages, which contain important notes, including disclosures about the composite, index descriptions and a glossary of terms. Information shown is as of March 31, 2018, unless otherwise noted. All data are subject to change.

## 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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Global Investment Manager Analysis ("GIMA") uses two methods to evaluate investment products in applicable advisory programs. In general, strategies that have passed a more thorough evaluation may be placed on the "Focus List", while strategies that have passed through a different and less comprehensive evaluation process may be placed on the "Approved List". Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either evaluation process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

GIMA has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved". The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" on the cover page.

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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The portfolio may, at times, invest in exchange-traded funds (ETFs), which are a form of equity security in seeking to maintain continued full exposure to the broad equity market.

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*Sources of information*

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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.

### 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 Depositary 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.