




## 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.

56

fixed income  
investment professionals

32

dedicated  
credit analysts

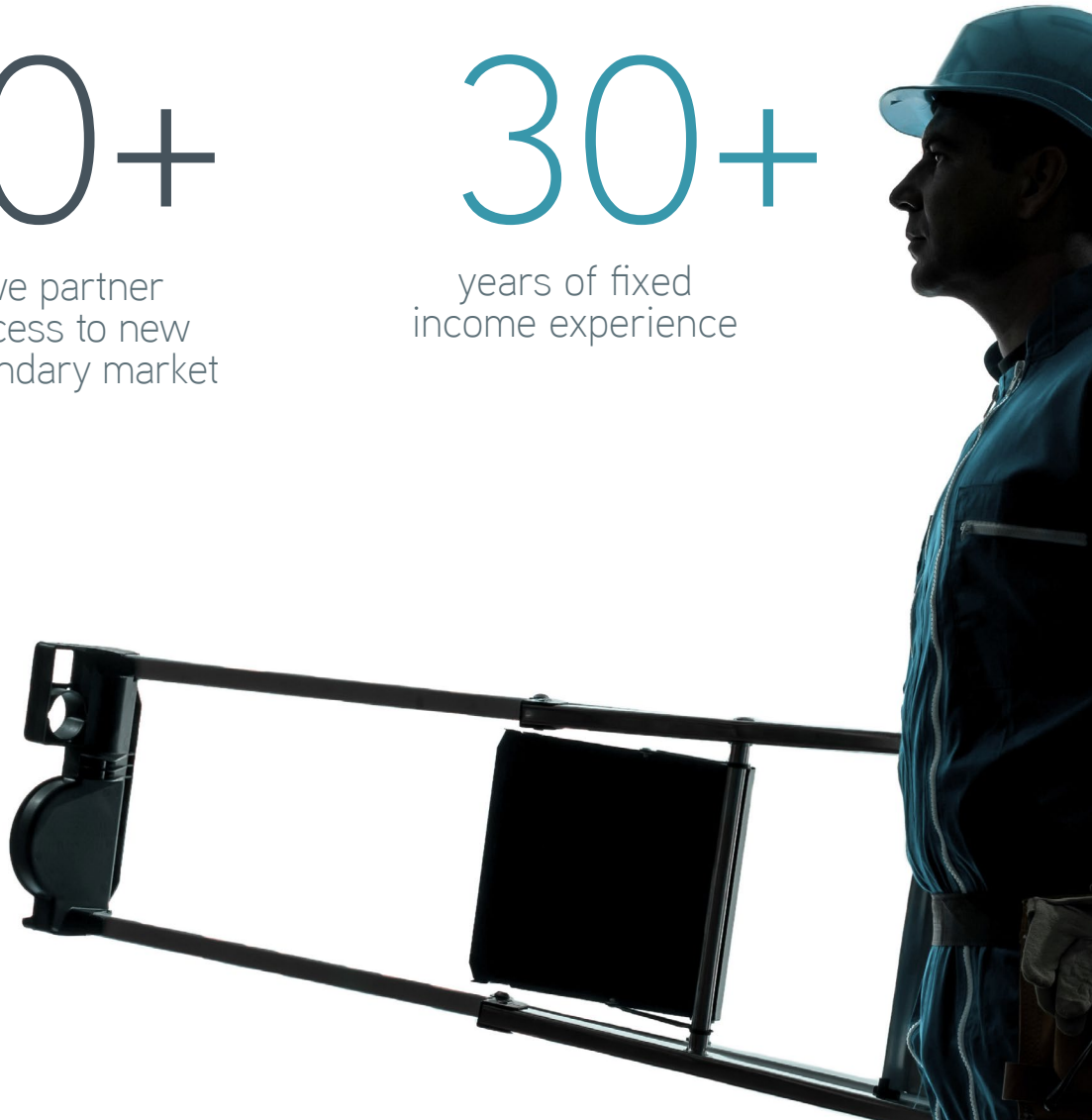
100+

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

30+

years of fixed  
income experience

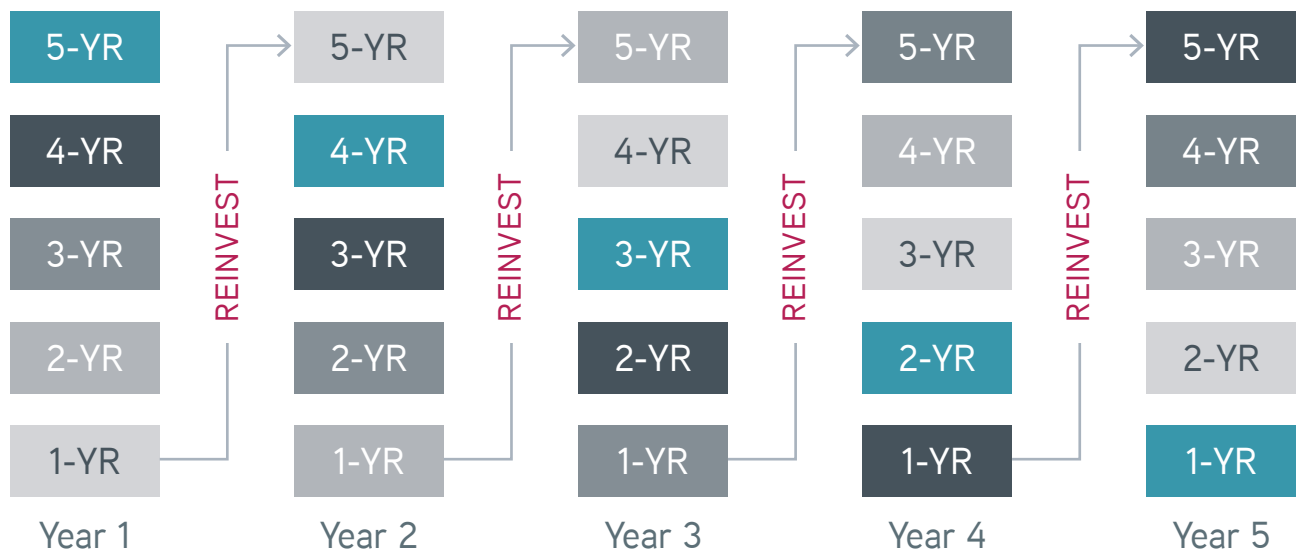
\*As of 12/31/2022



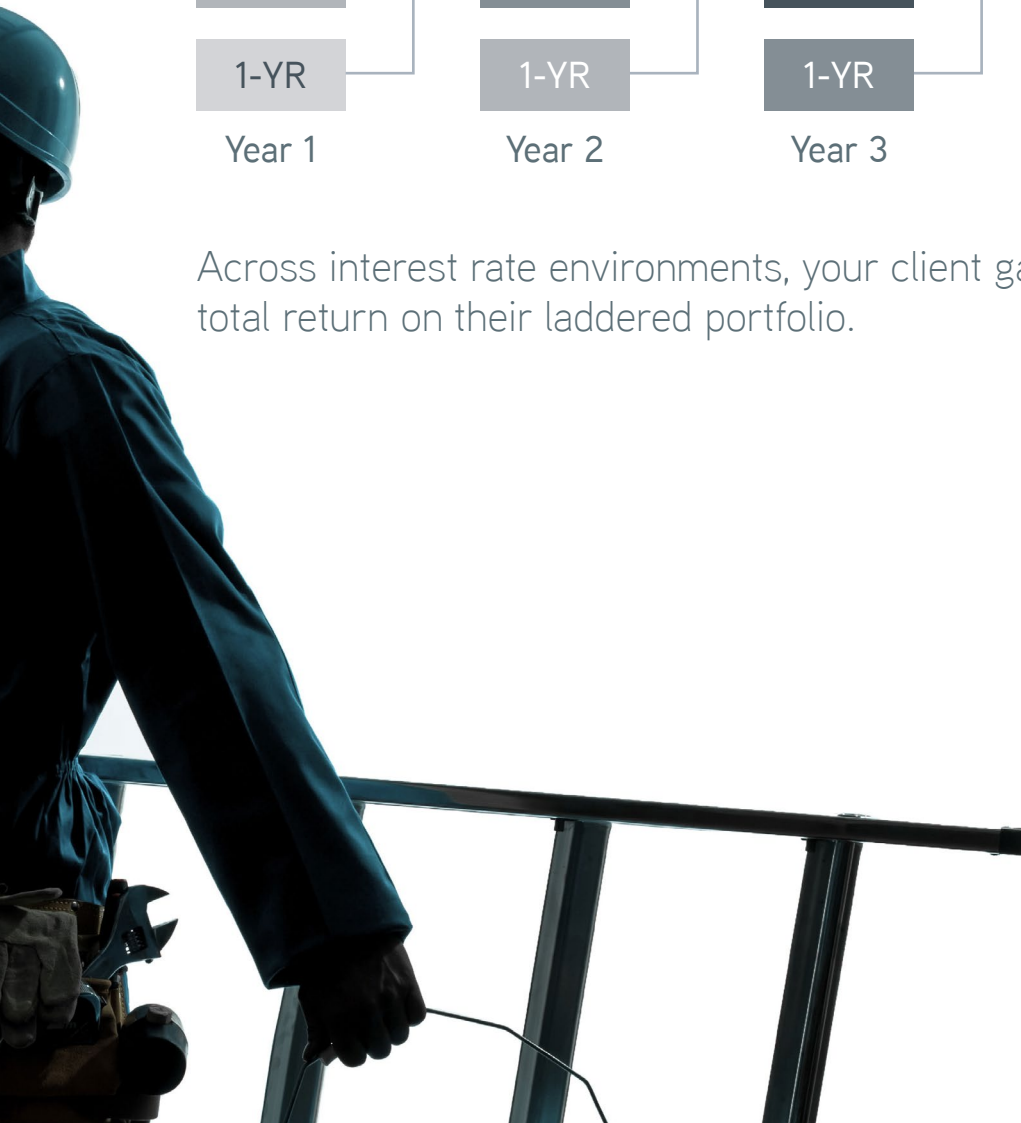


# How a ladder works

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.

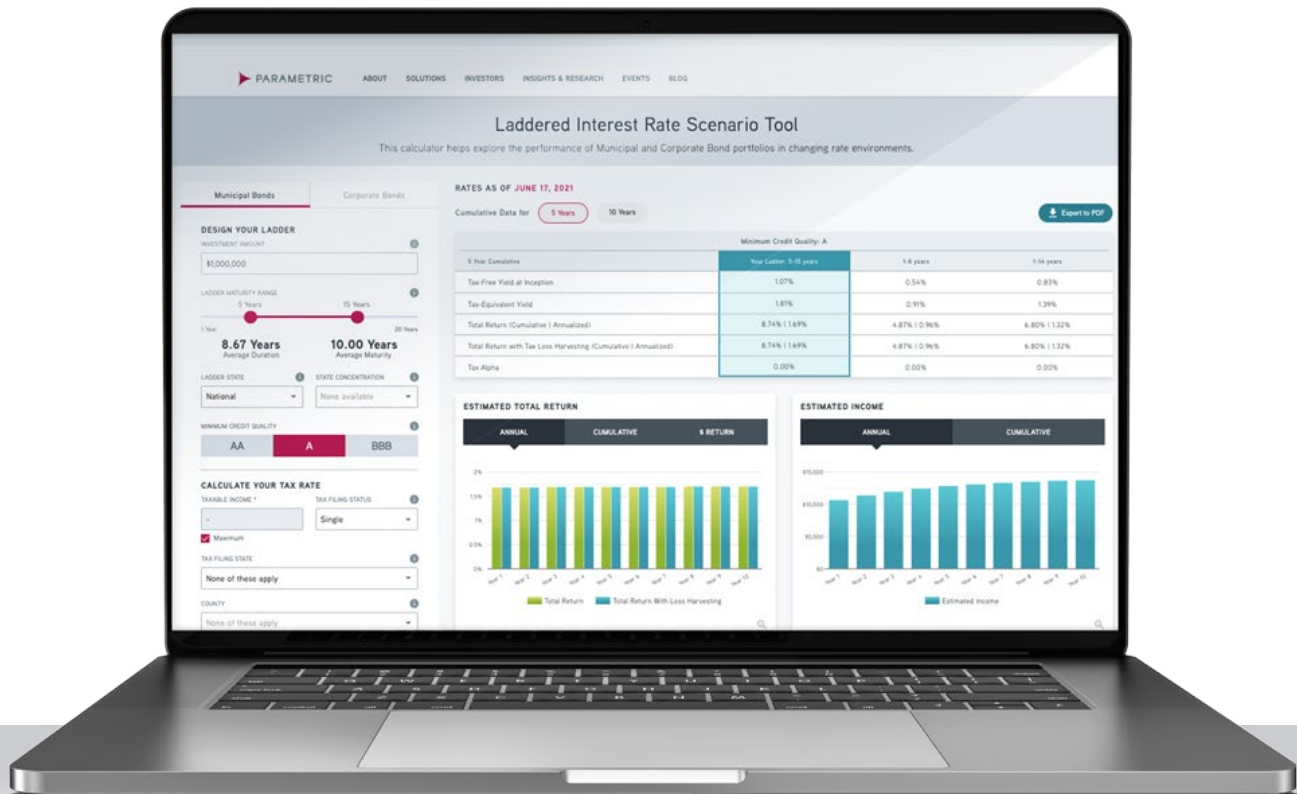




# A ladder for every investor

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.

Third-party research has shown that tax management can **add 0.3% in after-tax excess returns**.\*

\* Andrew Kalotay. 2016. "Tax-Efficient Trading of Municipal Bonds." *Financial Analysts Journal* 72:1, 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.





# 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

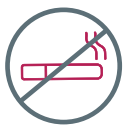


## Socially responsible corporates

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](https://parametricportfolio.com/fixed-income).



## About

Parametric Portfolio Associates® LLC ("Parametric"), headquartered in Seattle, is registered as an investment advisor with the US 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 part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley, and offers these capabilities through offices located in Seattle, Boston, Minneapolis, New York, and Westport, Connecticut.

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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.

Parametric uses rules-based, proprietary investment techniques and analyses in making investment decisions. These strategies seek to take advantage of certain quantitative and/or behavioral market characteristics identified by Parametric, utilizing rules-based country, sector and commodity weighting processes, structured allocation methodologies and disciplined rebalancing models. These investment strategies have not been independently tested or validated, and there can be no assurance they will achieve the desired results.

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.

An environmental, social and governance ("ESG") or "responsible" investment strategy limits the types and number of investment opportunities available to the investor and, as a result, the investor's portfolio may underperform other investment strategies that do not have an ESG focus. The ESG investment strategy may result in investments in securities or industry sectors that underperform the market as a whole or underperform other strategies which apply ESG standards. An issuer's ESG performance or the investment adviser's assessment of such performance may change over time, which could cause the investor to temporarily hold securities that do not comply with the investor's responsible investment criteria. In evaluating an investment, the investment adviser is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could adversely affect the analysis of the ESG factors relevant to a particular investment. Successful application of the investor's responsible investment strategy will depend on the investment adviser's skill in properly identifying and analyzing material ESG issues.

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 income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads, and a lack of price transparency in the market. As interest rates rise, the value of certain income investments is likely to decline. Mortgage-backed securities are subject to prepayment risk. 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. While certain US government-sponsored agencies may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the US Treasury. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment, and extension risk. Derivative instruments can be used to take both long and short positions, be highly volatile, result in economic leverage (which can magnify losses), and involve risks in addition to the risks of the underlying instrument on which the derivative is based, such as counterparty, correlation, and liquidity risk. Diversification does not guarantee profit or eliminate the risk of loss.

The views expressed in this report are those of portfolio managers and are current only through the date stated at the top of this page.

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