

Parametric Overlay Solutions

STRATEGY OVERVIEW

Parametric Overlay Solutions are a comprehensive range of highly customizable, risk-managed strategies that are designed to help institutional investors achieve policy objectives. Each overlay solution is designed to alleviate portfolio-specific shortfalls and inefficiencies. Common strategies include cash overlay, rebalancing overlay, transition overlay. Others include liability-driven investing, cross-asset portfolio solutions, portable alpha and portfolio completion.

Parametric Overlay Solutions are best suited for investors seeking a capital-efficient, cost-effective and nondisruptive solution to the performance risk created by policy implementation shortfalls.

Our efficiency overlay strategies are designed to achieve the following:

Cash overlay

- Eliminate cash drag on operating and manager cash balances
- Improve liquidity and reduce transaction costs
- Increase expected returns

Rebalancing overlay

- Daily monitoring of portfolio allocations and thresholds
- Prompt rebalancing of portfolio exposures
- Reduced transaction costs and tracking error

Transition overlay

- Reduction of performance risk through mitigation of exposure gaps
- Added flexibility in manager terminations and new manager searches
- Exposure throughout long-settled redemptions (e.g., hedge fund receivables)

Potential Benefits

RETURN/COST IMPROVEMENT

Overlay strategies may offer increased expected returns, reduced tracking error and lower transaction costs. These are achieved while providing greater liquidity and portfolio flexibility.

RISK MANAGEMENT

We provide enhanced risk controls, portfolio governance and access to risk specialists. Our proprietary technology has been internally developed and is continually upgraded to mitigate program implementation risk.

EXPERIENCE AND SCALE

We have over 30 years of experience in delivering overlay solutions and offer a high-touch, consultative approach, with a team experienced in structuring and executing overlay strategies.

Portfolio Management Process

We partner with our clients to assess desired market exposures, determine appropriate tracking methodology, identify appropriate instruments, and determine trade timing—all within the framework of the investors' risk tolerance.

DATA DELIVERY

Client account data is delivered into and validated by our proprietary investment management system.

ANALYTICS AND EVALUATION

Custom overlay analytics are generated. Parametric's Overlay team evaluates and confirms analytics.

IMPLEMENTATION

Any overlay adjustments are executed after multiple verification checks, and a comprehensive overlay program report is published to a secure client portal.

There is no guarantee that intended benefits will be achieved. Investing in an overlay strategy involves risk. All investments are subject to loss.

For use with institutional investors only. Not for use with the public.

Investment philosophy

Parametric Overlay Solutions seek to add value through portfolio construction and the implementation of rules-based and transparent investment processes, focused on risk management, and structured to help clients achieve custom and unique outcomes.

Our overlay solutions are not active strategies that attempt to capture a market anomaly or inefficiency. We instead seek to address policy implementation challenges that occur in an institutional portfolio. As an extension of this investment philosophy, we maintain a high level of communication with clients to understand their goals and objectives and proactively contact clients when market developments present opportunities to improve program outcomes.

Investment objectives

Parametric Overlay Solutions offer a comprehensive, custom overlay program designed to help investors achieve policy objectives through adherence to detailed program guidelines.

BROAD OVERLAY OBJECTIVES INCLUDE:

- Best execution and exposure management with cost reduction
- Increased expected portfolio returns, liquidity and flexibility
- Enhanced risk control during transitions and/or reallocations
- Comprehensive daily monitoring of fund exposures
- Reduced performance risk to policy benchmark

Providing transparency when needed

Through a secure portal, Parametric provides clients with:

- Detailed reporting of asset class and individual manager exposures, incorporating overlay positions to provide total fund exposures
- A holistic portfolio management tool providing daily transparency across the entire fund
- Access to timely fund information to aid in portfolio governance and informed investment decisions
- Detailed performance metrics allowing overlay return attribution by asset class or overlay component
- Customizable return analyses targeted to specific client and/or consultant needs

Team Leadership



RICKY FONG, CFA
*Managing Director,
Investment Strategy*



DANIEL WAMRE, CFA
*Director,
Investment Strategy*



SYLVIA P. HORSTMANN, CFA
*Director,
Investment Strategy*

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Why Parametric?

Parametric is an organization built from 30 years of problem solving via expertise, collaboration and client focus. Our solutions blend creativity and diligence to deliver the ideas and execution today's institutional investors need to solve their unique challenges.

130+

Global markets where we operate

\$567Bn+

Assets under management

197

Investment Professionals

Information as of 03/31/2025.

AUM includes overlay, fixed income, equity exposure and both discretionary and nondiscretionary assets of Parametric Portfolio Associates® LLC. Please refer to the disclosures for additional information regarding the Firm.

ABOUT

Parametric Portfolio Associates LLC ("Parametric"), headquartered in Seattle, is registered as an investment advisor with the U.S. 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 an affiliate 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. This material may not be forwarded or reproduced, in whole or in part, without the written consent of Parametric. Parametric and its affiliates are not responsible for its use by other parties.

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