Parametric Global Low Beta VRP

Strategy overview

Liquid alternative to hedge funds

Global Low Beta VRP is a systemic investment strategy that seeks to deliver returns that exceed US Treasury Bills and to create a risk-return profile that compares favorably to the overall hedge fund industry.

The strategy's model-driven investment approach is designed to remove the emotions and guesswork from the investment decision-making process. A lower volatility portfolio is created by structurally reducing equity market risk to create a conservative base portfolio and systematically selling fully collateralized equity index options on diverse equity indexes, representing emerging market equities and developed market equities, including the US. When compared to a fully invested equity portfolio, it is expected the combination of a materially reduced equity exposure and the Volatility Risk Premium (VRP) will result in consistent incremental returns, producing attractive absolute and risk-adjusted returns.

The strategy is suited to investors seeking a hedge-fund alternative, better liquidity, greater transparency, and lower fees.

Intended Benefits

Systematic investment process

- The disciplined and rules-based investment process that is designed to result in repeatable and more transparent results without the use of market forecasts or interference from behavioral biases.

Consistent returns

- The conservatively structured base portfolio is designed to provide downside protection and modest upside potential. Returns are enhanced through an option overlay designed to capture the VRP.

Portfolio diversification

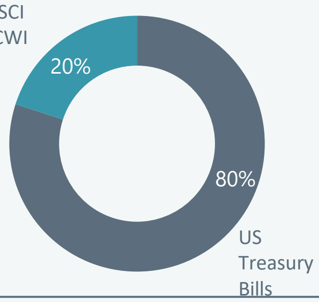
- This places investors in the path of a diversifying VRP, delivering favorable risk-adjusted returns without sacrificing liquidity. It may be used as a complement or replacement for hedge fund or low volatility equity allocations.

Portfolio Construction

Global Low Beta VRP seeks consistent incremental returns by selling fully-collateralized equity index options against a conservatively structured base of US Treasuries and the MSCI ACWI Index. No leverage is used in the portfolio. To achieve these long-term investment objectives, multiple layers of diversification are incorporated into the portfolio construction process to meaningfully reduce risk.

Base Portfolio (low beta)

80% allocation to cash to help reduce downside participation, while 20% market exposure provides modest upside potential to the MSCI ACWI Index.



Option Overlay (VRP)

Sell put options (vs. cash) and call options (vs. equity) to help enhance returns (capture the "Volatility Risk Premium").

Option Characteristics

- Fully-collateralized (no leverage)
- Exchange-traded & cash-settled
- "Out of the money" at initiation
- Equal-weighted MSCI EM, MSCI EAFE, and S&P 500® Index options
- 1-month or less initial tenor
- Option overlay increases average beta of portfolio to 0.3

Systematic Implementation

Systematic approach to portfolio management aims to deliver more predictable outcomes.

Rules-based Implementation

- Disciplined rebalancing back to 80/20 blend – no market timing
- Laddered option portfolio with options sales occurring multiple times per week
- At expiration, simultaneously sell new pair with the same initial characteristics

For illustrative purposes only. Certain statements contained herein reflect the subjective views of Parametric and as such cannot be independently verified. There is no assurance that investment objective will be achieved. All investments are subject to loss. Investing in an options strategy involves risk. Please refer to the disclosures for additional information.

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Investment thesis

As one of Parametric's VRP strategies, it is designed to capitalize on the tendency of implied volatility to exceed subsequent realized volatility. Through the systematic sale of equity index options, investors can harvest the volatility risk premium–a distinct and diversifying return stream–without the use of leverage or market forecasts. These strategies are designed to increase portfolio diversification at a lower cost than traditional alternative investments, without sacrificing liquidity.

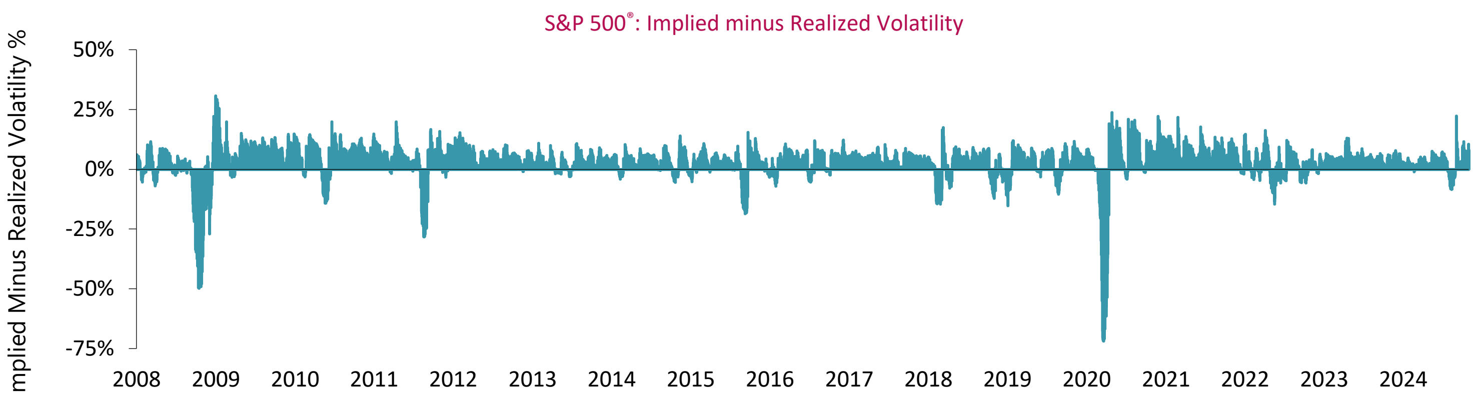
Investment objectives

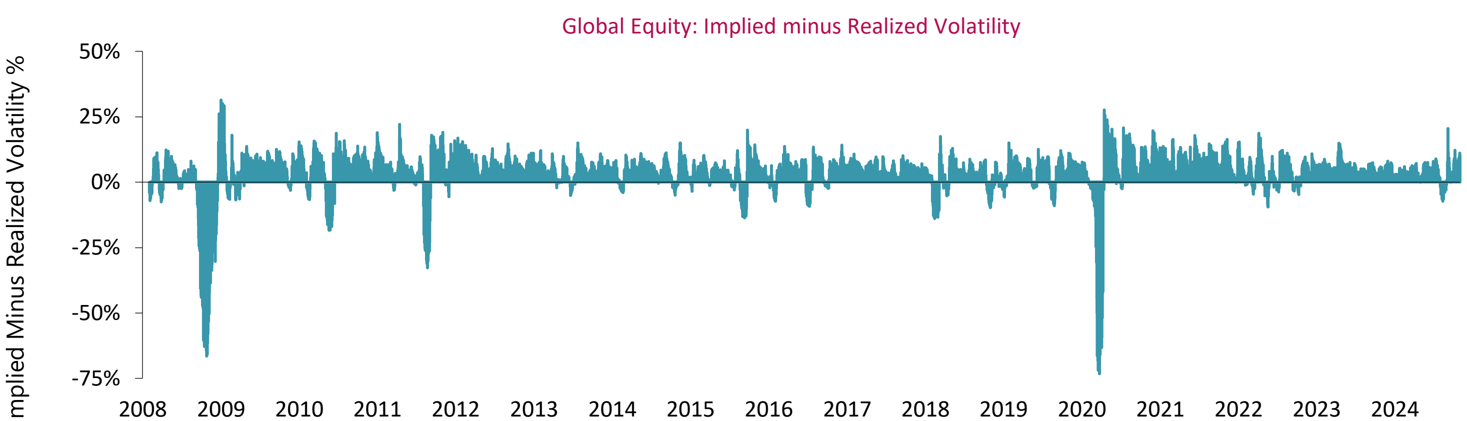
Global Low Beta VRP seeks to produce an average total return that exceeds US Treasury Bills over a full market cycle and to consistently outperform a beta-adjusted (0.3 β) MSCI ACWI Index.

Additionally, it seeks to create a risk and return profile that compares favorably to that of the aggregate hedge fund industry by engaging in similar financial insurance selling and alternative investment activities.

Empirical data supports our investment thesis

Equity Index options contain a risk premium that compensates sellers for underwriting financial risk and have traded with a positive VRP 82% of the time since January 2008.





Timeframe represents data availability for the global equities. Valuation measured by taking the daily observations of Implied Volatility and subtracting subsequent Realized Volatility over the following 30 days (assuming 21 trading days). S&P Implied Volatility is measured by the VIX® Index. Global equity Implied Volatility measured by a weighted basket of US Equity (VIX®), Int'l Developed (VXEFA), and Int'l Emerging Markets (VXEEM). VIX® and VXEFA data available 1/2/2008, VXEEM data available beginning 3/16/2011. Options have historically traded above subsequent realized volatility. Said another way, the options market tends to overestimate future volatility which may translate into higher options prices. For illustrative purposes only. It is not possible to invest directly in an index. Source: Bloomberg; Date: 9/30/24

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Team leadership

Alex Zweber, CFA, CAIA
Managing Director, Investment Strategy

Michael Zaslavsky, CFA, CAIA
Senior Investment Strategist

Yuepeng "Perry" Li, CFA, FRM
Senior Investment Strategist

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There is no assurance that the investment objective(s) will be achieved. All investments are subject to the risk of loss.

The effectiveness of the option strategy depends on a general imbalance of natural buyers over natural sellers of index options. This imbalance could decrease or be eliminated, which could have an adverse effect. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived and well-executed options programs may be adversely affected by market behavior or unexpected events. Successful options strategies may require the anticipation of future movements in securities prices, interest rates and other economic factors. No assurances can be given that the judgment of Parametric in this respect will be correct.

Options are not suitable for all investors and carry additional risks. Investors must ensure that they have read and understood the current options risk disclosure document before entering into any options transactions. The options risk disclosure document can be accessed at the following web address: http://www.optionsclearing.com/about/bulications/character-risks.jsp. In addition, investors should consult with tax, legal and/or financial advisor prior to contemplating any derivative transactions.

Benchmark/index information provided is for illustrative purposes only. Indexes are unmanaged and cannot be invested in directly. Deviations from the benchmarks provided herein may include, but are not limited to, factors such as: the purchase of higher risk securities, over/under-weighting specific sectors and countries, limitations in market capitalization, company revenue sources, and/or client restrictions. Parametric's proprietary investment process considers factors such as additional guidelines, restrictions, weightings, allocations, market conditions and other investment characteristics. Thus returns may at times materially differ from the stated benchmark and/or other disciplines provided for comparison.

The Volatility Index ("VIX") is a trademark of the CBOE and is used as a measure of the implied volatility of the S&P 500® index options.

Parametric is headquartered at 800 Fifth Avenue, Suite 2800, Seattle, WA 98104. Parametric's Minneapolis office is located at 3600 Minnesota Drive, Suite 325, Minneapolis, MN 55435. For more information regarding Parametric and its investment strategies, or to request a copy of the firm's Form ADV or a list of composites, contact us at 206 694 5500 (Seattle) or 952 767 7700 (Minneapolis), or visit www.parametricportfolio.com.

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