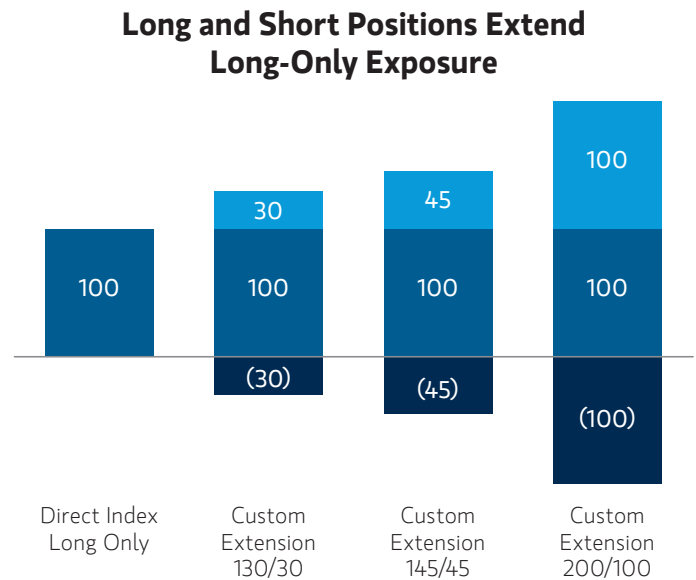


# Parametric Custom Extension

## Strategy Overview

A Parametric Custom Extension Separately Managed Account (SMA) is a long-short portfolio that seeks to outperform the index and increase tax loss harvesting opportunities relative to a long-only portfolio. Investors can fund with cash, a portfolio of securities or concentrated stock.

- Long and short positions are selected using a multifactor approach focusing on quality, momentum, value, and low volatility
- Leverage is used to increase the managed exposure of the portfolio
- For example, the portfolio may invest 130% of the assets in long positions and 30% in short positions for 160% of managed gross exposure and 100% net market value
- Investors can choose from several benchmarks, leverage targets, and funding methods (cash, appreciated portfolio, concentrated stock, etc.)



## Long-short Stock Selection is Conducted Utilizing Signals Across Four Investment Themes

**QUALITY**  
Underlying business is financially healthy

**MOMENTUM**  
Stock price has strong recent performance

**VALUE**  
Stock price is reasonable relative to fundamental value

**LOW VOLATILITY**  
Stock price has lower company-specific volatility

For illustrative purposes only. There is no guarantee that investment objectives will be met. All investments are subject to risk, including risk of loss. The information represents how the investment team generally applies their investment processes under normal market conditions.

## The Parametric Advantage

### TAX-EFFICIENT CUSTOM TRANSITIONS

- **TRANSITION ANALYSIS** - details an estimated tax cost of transitioning an appreciated portfolio to a Custom Extension SMA
- **CONCENTRATED STOCK ANALYSIS** - illustrates the hypothetical time to diversification
- **TAX BENEFIT ANALYSIS** - compares the hypothetical benefit of Custom Extension vs. Direct Indexing based on the client's investment profile

### ACCESS TO INVESTMENT SPECIALISTS

- Investment teams are available to all clients, regardless of account size

### CUSTOMIZATION

- Choose from Domestic and Global Benchmarks

### COMPREHENSIVE REPORTING

- Monthly pretax and after-tax performance

## What Are Potential Use Cases for a Custom Extension?

### CASH-FUNDED PORTFOLIO

A cash-funded account offers the greatest potential for tax loss harvesting.

### APPRECIATED PORTFOLIO

Parametric can tax-efficiently transition an appreciated portfolio, including an existing direct indexing account, to increase opportunities for index outperformance as well as to reinvigorate tax loss harvesting.

### CONCENTRATED STOCK SOLUTION

Losses from a Custom Extension SMA can accelerate diversification of a concentrated stock position.

## A Powerful Tool for the Right Investor

For the right investor, a tax-managed long/short strategy may be a very powerful tool in the pursuit of tax efficiency. Given the additional costs of leverage, investors should consider a strategy that best fits their anticipated gain profile. Investors with higher expected gains or persistent short-term gains may find value in greater leverage and potential tax loss harvesting of short positions.

## Why Parametric?

Parametric is a pioneer in direct indexing. Our algorithm, processes and technology have been refined over three decades. We have unparalleled experience in executing thousands of transitions and managing complex portfolios through multiple market cycles and high-volatility events.

30+

Years of experience delivering a range of rules-based, systematic investment strategies

\$693Bn+

Assets under management (\$476Bn+ in custom SMAs)<sup>2</sup>

126,000+

Custom Core® portfolios managed

Information as of 12/31/2025.

<sup>2</sup> AUM includes overlay exposure and both discretionary and nondiscretionary assets of Parametric Portfolio Associates LLC (the "Firm"), and \$8.9Bn in assets of Parametric SAS. 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 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 (natural disasters, health crises, terrorism, conflicts, social unrest, etc.) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (portfolio liquidity, etc.) of events. Accordingly, you can lose money investing in an SMA.

This investment strategy engages in short selling. A short sale involves selling a security borrowed by the investor, with the expectation that its price will decline, obligating the investor to later replace it at the current market price. Short sales carry unique risks, including potentially unlimited losses if the security's price rises, additional costs for borrowing, and the possibility of forced closure under unfavorable conditions. Other risks include increased leverage, regulatory changes that may restrict short selling, and the need to provide collateral, which can reduce investment flexibility.

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.

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