

# Parametric Tax Optimized Ladder

STRATEGY OVERVIEW | 2024

## Investment Objective

Seek to deliver an optimal mix of tax-exempt and taxable bonds based on an investor's individual tax rate and relative value.

## Tax Optimized laddered Investment Approach

Professionally managed, tax-optimized laddered fixed income bond portfolios may provide greater after-tax income and total return compared to single sector bond portfolios. This tax-optimized strategy allows for customized management with the benefits of institutional buying power, professional credit oversight, and ongoing tax loss harvesting.

### PROFESSIONAL CREDIT RESEARCH

- Invest in investment grade bonds using Parametric's proprietary credit analysis service.
- Leverage a team of experienced credit analysts who select and monitor bond investments for clients.

### PRINCIPAL PROTECTION

- Seek to minimize impact of interest rate risk by reinvesting maturing bond proceeds at higher interest rates.

### ACCESS INSTITUTIONAL BUYING POWER

- Use relative-value analysis across fixed income sectors to invest in the most attractive asset class.
- Execute institutional purchasing power to discover value among primary and secondary markets.

## Why Tax Optimized Ladders?

### MATURITY RANGE

- 1-10 years or shorter with maturities starting at 1

### SECURITIES PER MATURITY

- Depending on the size of the investment, there can be one or more securities per maturity

### CREDIT QUALITY

- A- or BBB minimum for tax-exempt municipal bonds
- A- or BBB- minimum for corporate bonds (with 50% max to BBB-)

### TAX-EXEMPT SECTORS

- Municipal bonds

### TAXABLE SECTORS

- Corporate bonds
- US Treasury bonds

### TAX LOSS HARVESTING

- Choose to actively harvest losses year-round

## Transition of Existing Portfolios

- Normal turnover transitions to client-selected laddered portfolio structure and retains inherited bonds that fit the selected parameters.
- No turnover results in no selling of inherited bonds except for credit reasons and transitions to client-selected laddered portfolio structure as cash is available to invest.

## Additional Highlights

- Minimum investment: \$250,000
- Approximately equal weighted by maturity, laddered portfolio of diversified bonds
- No bonds subject to the alternative minimum tax
- Seek to limit capital gains tax and liquidity risk
- No turnover other than maturing bonds, maintenance of client-selected laddered range, and called or downgraded bonds
- Predictable cash flow

On 03/01/2023, the Multi Sector Ladders Strategy was renamed to the Tax Optimized Ladder Strategy and there were no changes made to the investment objective.

<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 Standard and Poor's or Fitch (Baa or higher by Moody's) are considered to be investment-grade quality. <sup>2</sup>State-Specific, State Preference and State – Best Efforts available in A- min only. UT includes reciprocal states. <sup>3</sup>Responsible Investing and Tax-Loss Harvesting customization will vary by firm and platform.

## Tools for transition

### TRANSITION ANALYSIS REPORT

For clients with existing portfolios, Parametric can provide a detailed analysis of current holdings and how they would be transitioned to a Tax Optimized Ladder portfolio.

### SAMPLE PORTFOLIO REPORT

Get a personalized report detailing the holdings, structure, and credit breakdown of a hypothetical Parametric Tax Optimized Ladder portfolio. Sample portfolios are customized to the client's individual tax rate and credit quality preferences.

## Parametric Difference



### PERSONALIZED PORTFOLIOS

A wide range of customization options allows for a targeted allocation to match each individual client's risk-and-return profile.



### ADVANCED TECHNOLOGY

Parametric's proprietary technology efficiently identifies the most attractive securities and optimizes the overall bond investing process.



### TAX EFFICIENCY

We aim for enhanced after-tax returns through our differentiated year-round tax-loss harvesting, which focuses on minimizing transaction costs and cash drag.



### EXCEPTIONAL CLIENT SERVICE

Direct access to the portfolio management team helps keep investors and advisors connected and on top of market insights and recommendations.

Parametric Portfolio Associates® LLC ("Parametric"), headquartered in Seattle, is registered as an investment advisor with the Securities and Exchange Commission under the Investment Advisors 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 City, and Westport, Connecticut. 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.

This information is intended for informational purposes and details investment strategies and opportunities identified by Parametric. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. Past performance is not indicative of future results. Investing entails risks and there can be no assurance that Parametric will achieve profits or avoid incurring losses. Parametric and Morgan Stanley do not provide legal, tax or accounting advice or services. Clients should consult with their own tax or legal advisor prior to entering into any transaction or strategy described herein. Additional information is available on request.

By investing in investment company securities, the portfolio is subject to the underlying risks of that investment company's portfolio securities. In addition to the portfolio's expenses, the portfolio generally would bear its share of the investment company's fees and expenses. An imbalance in supply and demand in the municipal market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price

transparency in the market. There generally is limited public information about municipal issuers. As interest rates rise, the value of certain income investments is likely to decline. Longer-term bonds typically are more sensitive to interest-rate changes than shorter-term bonds. 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. 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. 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.

All contents ©2024 Parametric Portfolio Associates® LLC. All rights reserved. Parametric Portfolio Associates®, Parametric with the triangle logo, DeltaShift®, PIOS®, Custom Core®, Custom to the Core®, and Make passive investing personal® are trademarks registered in the US Patent and Trademark Office.

Parametric is located at 800 Fifth Avenue, Suite 2800, Seattle, WA 98104. For more information regarding Parametric and its investment strategies, including a list of composites, or to request a copy of Parametric's Form ADV, please contact us at 206.694.5575 or visit our website, [www.parametricportfolio.com](http://www.parametricportfolio.com).

**NOT FDIC INSURED. OFFER NOT A BANK GUARANTEE. MAY LOSE VALUE. NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. NOT A DEPOSIT.**