



Parametric Portfolio Associates LLC

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November 30, 2014

This brochure provides information about the qualifications and business practices of Parametric Portfolio Associates LLC (“Parametric”). If you have any questions about the contents of this brochure, please contact Parametric at 206-694-5575. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Parametric is a registered investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information from which you determine to hire or retain an adviser.

Additional information about Parametric is also available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website provides information about any persons affiliated with Parametric who are registered as investment adviser representatives of Parametric.

Item 2 – Material Changes

This brochure dated November 30, 2014 is an annually amended document prepared by Parametric according to the SEC's requirements and rules relating to the Form ADV and contains the following material changes from the brochure dated January 28, 2014.

Item 4

- On August 26, 2014, Parametric announced that David Stein, the Seattle Investment Center's Chief Investment Officer ("CIO"), will retire on October 31, 2015. In order to ensure a seamless transition, Parametric has announced changes to its investment leadership. Effective November 1, 2014, Paul Bouchey became Co-CIO and effective April 1, 2015, Mr. Bouchey will become sole CIO. Mr. Stein will continue in a supporting role until October 31, 2015, at which time he will retire.
- Effective November 3, 2014, Parametric relocated its Sydney, Australia office to:

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MLC Centre
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Item 5

- Enhanced disclosure regarding revenue sharing and solicitation agreements, and compensation arrangements for sales personnel.

Item 8

- The Systematic Income, Liability Driven Investing, DeltaShift, Dynamic Hedged Equity and Option Absolute Return strategies were added as significant investment strategies. The Passive or Custom Beta strategies were renamed Specialty Index strategies. The Enhanced Beta strategies were removed as they are no longer significant investment strategies offered by Parametric.
- Defined Option Strategy Risk, and identified it as a material risk to certain investment strategies. Quantitative Management Risk was renamed Structured Management Risk.

Item 10

- Enhanced disclosure regarding affiliate relationships

Item 11

- Disclosed potential conflicts of interest caused by Parametric investing client assets into mutual funds affiliated with Eaton Vance.

Item 12

- Enhanced disclosure regarding brokerage practices including trade error corrections, trade rotation practices, trading on behalf of wrap accounts and the existence of multiple Trading desks.

Item 14

- Clarified disclosure regarding client referrals and other compensation arrangements.

Item 15

- Clarified that Parametric may be deemed to have custody of certain affiliated private funds for which it serves as the manager or general partner and sub-adviser.

Item 17

- Enhanced disclosure regarding proxy voting practices, specifically the process for addressing potential conflicts of interest, the responsibilities of the Proxy Voting Committee and firm oversight of proxy voting.

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Item 4 – Advisory Business

Parametric Portfolio Associates LLC (“Parametric”) is organized as a limited liability company under the laws of the State of Delaware. Parametric has been providing investment advisory services since its formation in 1987. Parametric serves its clients through Investment Centers located in Seattle, WA and Minneapolis, MN, as well as through its wholly-owned subsidiary, Parametric Risk Advisors LLC (“PRA”), an SEC-registered investment adviser located in Westport, CT. Parametric is a majority-owned subsidiary of Eaton Vance Corp. (“EVC”), a publicly held company that is traded on the New York Stock Exchange under the ticker symbol EV. Parametric’s principal owners are EVA Holdings, LLC and Eaton Vance Acquisitions. Each is a privately-held subsidiary of EVC.

Parametric is a leading global asset management firm offering various portfolio management services and strategies to individual and institutional investors around the world. Parametric’s investment decision processes are guided by structured, mathematic and rules-based methodologies and proprietary technology. Parametric’s portfolio management services and strategies assist clients in meeting their market exposure, risk management, tax management and return objectives in a cost-effective manner. These services may be tailored to meet specific client needs which include but are not limited to: tax-managed core equity portfolios for taxable investors, centralized portfolio management, futures and options-based overlay services for clients seeking to securitize cash, balanced asset allocations, managed currency and duration exposure, and specialty index strategies. Parametric collaborates with clients to design and implement customized solutions through the application of equities and derivative programs. Clients may impose restrictions on investments in securities or types of securities and set additional investment guidelines as they deem necessary.

Parametric provides portfolio management services to various wrap fee programs sponsored by broker-dealers, banks or other investment advisers. Parametric receives a portion of the wrap fee collected by the program sponsor for its services. Wrap accounts are generally managed in the same or similar manner to other separately managed accounts. However, wrap programs may impose specific restrictions and investment guidelines that are more restrictive than fully discretionary client accounts. In addition, wrap programs may mandate that Parametric direct transactions to a specific broker-dealer which may prohibit Parametric from seeking best execution or aggregating trades. As a result, wrap accounts may not achieve the same performance as fully discretionary accounts.

Parametric and PRA jointly formed a GIPS® compliant firm effective December 31, 2013. In doing so, Parametric was divided into two segments: Parametric Investment & Overlay Strategies and Parametric Custom Tax-Managed & Centralized Portfolio Management. For compliance with GIPS®, the firm is defined and held out to the public as “Parametric Investment & Overlay Strategies”. Parametric Investment & Overlay Strategies provides global rules-based investment management services to institutional investors, individual clients and registered investment vehicles. Included in this segment are the Systematic Alpha Strategies, Specialty Index, and Policy Implementation Overlay Services. The Parametric Custom Tax-Managed & Centralized Portfolio Management segment provides global rules-based investment management services to individuals and institutional clients. These strategies are separately managed, highly subjective, customized, non-discretionary and do not participate in the GIPS® defined firm.

Parametric manages several business locations; all of which are integral divisions of the firm and not separate entities. These divisions may have customized investment policies and procedures, separate investment guidelines and management teams, and individualized operations and management structures but all remain part of the Parametric organization. The locations are:

- Seattle, WA Investment Center (herein referred to as “Parametric Seattle” or “Seattle”)
- Minneapolis, MN Investment Center (herein referred to as “Parametric Minneapolis” or “Minneapolis”)
- Sydney, Australia office (“Parametric Australia” or “Australia”)

Parametric currently advises or sub-advises clients in Ontario, Canada and also markets to qualified institutional “permitted” prospective clients in the province of Quebec. Parametric complies with and has filed under the International Adviser Exemption of the Canadian Securities Administrators (“CSA”) Section 8.26 of National Instrument (“NI”) 31-103 in Quebec and Ontario.

Parametric is registered as a foreign company in Australia, but is exempt from the requirement to hold an Australian financial services license under the Australian Corporations Act 2001 (Cth) (Corporations Act) in respect of the provision of financial services to wholesale clients as defined in the Corporations Act and the Australian Securities and Investments Commission’s (“ASIC”) Class Order 03/1100. SEC rules and regulations may differ from Australian law. Parametric is not a licensed tax agent or adviser and does not provide tax advice in Australia or any other country. This office is managed by Christopher (“Chris”) Briant, CEO Australasia.

Parametric has registered the name Parametric Portfolio Associates with ASIC.

Parametric Portfolio Associates LLC markets under the following names:

- Parametric Portfolio Associates LLC;
- Parametric Portfolio Associates;
- Parametric; and
- PPA.

 **Parametric** is a trademark registered in the United States and Australia.

As of October 31, 2014, Parametric held approximately \$136.3 billion in total client assets under management (“AUM”), including the AUM of PRA (approximately \$3.7 billion). This is comprised of roughly \$128.9 billion (including all of PRA) in discretionary AUM and \$7.4 billion in non-discretionary AUM.

Material Events in 2014

On August 26, 2014, Parametric announced that David Stein, the Seattle Investment Center’s Chief Investment Officer (“CIO”), will retire on October 31, 2015. In order to ensure a seamless transition, Parametric has announced changes to its investment leadership. Effective November 1, 2014, Thomas (“Tom”) Seto was appointed Head of Investment Management – Seattle Investment Center and continues

to lead the Seattle Investment Center's portfolio management and trading activities. Paul Bouchey has been appointed Seattle Investment Center Co-CIO alongside Mr. Stein, who will serve in such capacity until April 30, 2015, at which time Mr. Bouchey will become the Seattle Investment Center's sole CIO. In addition, Timothy ("Tim") Atwill was appointed Head of Investment Strategy, reporting to Paul Bouchey. Parametric does not anticipate any changes to its investment philosophy or processes as a result of these changes or Mr. Stein's retirement.

Effective November 1, 2014, David Stein became a non-voting participant on the Executive Committee ("EC") and will remain on the EC until his retirement in October 2015. Also effective November 1, 2014, Paul Bouchey and Tom Seto joined the EC as voting members. The EC is now comprised of Brian Langstraat, CEO; Aaron Singleton, CFO; Christine Smith, CAO; Paul Bouchey, Co-CIO-Seattle Investment Center; and Tom Seto, Head of Investment Management – Seattle Investment Center. Mr. Stein retains his position as manager of Parametric Portfolio Associates LLC and remains as an active participant in all other business related activities until October 31, 2015.

In 2014, Parametric increased its staff in Sydney, Australia and relocated its Sydney, Australia office to:

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Item 5 – Fees and Compensation

All advisory fee schedules are negotiable and will vary by product type, account size, and customization requirements. The standard annual fee ranges are generally as follows:

- Parametric's annual fees for Customized Exposure Management strategies, as defined in Item 8, are typically between 0.15% and 0.50% of assets under management.
- Parametric's annual fees for Alpha Strategies, as defined in Item 8, are typically between 0.30% and 1.00% of assets under management.

Certain client portfolios may be customized with specialized index benchmarks which may carry additional fees for individual client use. These fees may be passed on to the individual clients. These pass-through fees will be agreed to in writing prior to implementation of the benchmark strategy. These fees may be charged on a percentage of client portfolio AUM or a flat fee depending on the index or indexes chosen. Fees for these services generally range between 0.05% and 0.10% of client AUM. The fees charged by Parametric are initially confirmed in writing in the client's investment agreement with Parametric. Fees across all Parametric products are typically charged as a percentage of the client portfolio's AUM. Parametric may assess a minimum quarterly fee to accounts which do not trade or fall

below the stated asset minimum during a given period. This minimum account fee is acknowledged in the written client agreement. A monthly reporting fee may also be charged to clients requesting enhanced or specialized monthly or quarterly reports. This monthly or quarterly fee may be added to the quarterly fee. A fixed dollar fee pricing custom quotation is also available. Fees are generally payable quarterly in arrears, but some clients may pay in advance. Clients may be billed directly for fees or authorize Parametric to directly bill fees to the client's custodial account. Parametric must have written authorization from the client to invoice the custodial account and the client must receive statements from the custodian in order to comply with regulations. Invoicing the client account does not create a custodial relationship for Parametric as it will have no other authority to direct the removal of funds or securities from the client's custodial account except to direct the custodian to settle trading activities.

Clients or Parametric may terminate a contract for any reason. Normally, clients may cancel Parametric's services upon 30 days written notice. During the 30-day period, Parametric's ordinary fees are earned and payable. Parametric may terminate an investment advisory contract by giving 30 days' prior written notice to the client. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of an account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

As a general policy, Parametric negotiates fees with Wrap Sponsors or Wrap Providers and not with individuals participating in such programs. However, for specialized portfolio customization, additional fees may be allocated based on the size and complexity of the accounts. In the event of fee schedule changes, Parametric reserves the right to continue a pre-established fee schedule with current clients that may be more advantageous than the new or changed schedule.

Parametric's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. Such expenses will be assessed to the client. Clients may incur certain charges imposed by custodians, broker-dealers and other third-parties, including but not limited to: fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, withholding fees, country tax or delivery fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge management fees which are disclosed in the fund's or ETF's prospectus or offering memorandum. These fees are incremental to Parametric's investment management fee. Clients should consider all fees and expenses prior to investing in any disciplines or securities. External legal fees incurred by Parametric on behalf of the client to establish trading accounts, or incremental fees to create specialized securities such as swaps, are generally billed to the client separately. Such costs are exclusive of and in addition to Parametric's fee, and Parametric does not receive any portion of these payments. Please refer to Item 12 of this brochure regarding Parametric's brokerage practices and the factors that Parametric considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Some custody relationships require a minimum account size or annual fee. Wrap fee and sub-advisory program clients receive a brochure from the introducing sponsor detailing all aspects of the wrap fee or sub-advisory program before selecting Parametric as the sub-adviser. Fees and features of each program offered by the various introducing sponsors will vary. Wrap fee or sub-advisory program clients should consult the introducing sponsor's brochure for the specific fees and features applicable to their program.

For wrap or sub-advised accounts, introducing sponsors and Parametric generally share in a combined service fee charged by the introducing sponsor. Parametric is generally paid a portion of the fee by the introducing sponsor for advisory services, while the introducing sponsor retains the remainder of the fee for trade execution, custody, and additional services.

In addition to investment advisory fees received from clients, Parametric and its employees may receive compensation and fees from affiliates for the sale of securities or other investment products. Parametric has entered into revenue sharing and/or solicitation agreements with the following affiliated firms:

- Parametric Risk Advisors LLC (“PRA”), a wholly owned subsidiary;
- Eaton Vance Distributors, Inc. (“EVD”), an affiliated broker-dealer and distributor of affiliated mutual funds;
- Eaton Vance Management (“EVM”), an affiliated registered investment adviser; and
- Eaton Vance Management (International) Limited (“EVMI”), an affiliated investment manager registered under the United Kingdom Financial Conduct Authority.

PRA, EVD, EVM and EVMI offer services and products that may be cross-marketed with products and services offered by Parametric. Parametric personnel who are registered representatives of EVD may receive compensation from EVD for selling affiliated registered mutual funds sub-advised by Parametric. Licensed personnel may also receive commissions for selling commingled funds sub-advised by Parametric. In all such associations, Parametric and the related party or parties share the client fee. Parametric believes it adequately addresses potential conflicts of interest that may arise out of such arrangements.

Item 6 – Performance-Based Fees and Side-By-Side Management

Performance-Based Fees

Parametric has entered into performance-based fee arrangements with a limited number of qualified clients. These arrangements are subject to negotiation with each individual client. Parametric will structure any performance or incentive-based fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the exemptions available thereunder, including the exemption set forth in Rule 205-3. In measuring a client’s assets for the calculation of performance-based fees, Parametric shall include realized and unrealized capital gains and losses. Although such fee arrangements create an incentive to favor higher fee paying accounts over other accounts when allocating investment opportunities, Parametric has implemented procedures designed to ensure that all clients are treated fairly and equitably. Parametric is a rules-based manager and, as such, accounts subject to performance-based fees are integrated with all other accounts in the optimization process. The optimization process is tracked as an aid in addressing the inherent conflicts associated with the allocation of investment opportunities across all accounts, regardless of their corresponding fee structure.

The performance-based component of a fee may be negotiated for any part of the fee up to 100%. Performance-based fees are dependent on the achievement of an annualized performance objective relative to an agreed upon external index or benchmark (e.g., S&P 500® Index, Barclays Capital Intermediate Government Corporate Index, or 90-Day Treasury Bills). Fees for custom designed or

specialized strategies, and strategies comprised of more than one Parametric product are negotiable and are dependent upon the degree of complexity and creativity involved, the expected time period over which the service is to be performed, and the value of portfolio assets to be managed.

Side-by-Side Management

Parametric manages private funds and separately managed accounts (“SMAs”) in the same or similar strategies. This may give rise to potential conflicts of interest if the private funds and SMAs have, among other things, different objectives, benchmarks or fees (i.e., performance fees). For example, potential conflicts may arise in the following examples:

- The portfolio manager must allocate time and investment ideas across private funds and SMAs;
- Private funds’ or SMAs’ orders are not fully executed on the same day;
- Trades get executed for an SMA that may adversely impact the value of securities held by a private fund;
- SMAs or private funds receive an allocation of an investment opportunity when other SMAs do not for various reasons, including but not limited to, cash flow availability; and/or
- Trading and securities selected for a particular private fund or SMA cause differences in the performance of different SMAs or private funds that have similar strategies.

Parametric has adopted trade allocation procedures and monitors transactions to help ensure Parametric’s portfolio managers do not favor private funds or SMAs over each other, as well as to help ensure fair and equitable treatment of both the private funds and SMAs. During periods of unusual market conditions, Parametric may deviate from its stated trade allocation practices. There can be no assurance, however, that all conflicts have been identified or addressed for all situations.

Item 7 – Types of Clients

Parametric provides portfolio management services to high net-worth individuals; corporations; corporate pension and profit-sharing plans; Taft-Hartley plans; banking and thrift institutions; charitable institutions, foundations and endowments; state, municipal and federal government entities; registered investment companies; trust programs; other investment advisers; sovereign funds; foreign registered and private funds; other pooled investment vehicles; other U.S. and international institutions; and individual accounts. Parametric generally has a minimum account size of \$10 million for opening a direct account.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

In providing investment advisory services to its clients, Parametric utilizes structured, mathematic and rules-based methods of analysis. Parametric has designed proprietary models and technology that guide its investment decision making processes. Investment strategies employed are generally customized to

address the specific needs of the client. As a result, the client's portfolio will typically be constructed using only the securities from the client's specified benchmark. For an account using an overlay strategy, the securities or derivatives selected for inclusion are based on the client's underlying portfolio. Parametric's rules-based methodologies consider risks, expenses and other portfolio characteristics when making investment decisions. Parametric does not conduct fundamental analysis nor does it rely on security-specific research, analysis or forecasting.

Investment Strategies

Parametric offers a variety of rules-based, risk-controlled investment strategies to address the specific investment objectives of its clients. In pursuing these strategies, Parametric may invest in a wide range of securities and other financial instruments across various asset classes. Parametric recognizes that no investment strategy will achieve positive performance results in every political, economic and market environment. Investing in securities and other financial instruments involves the risk of total loss of all assets under management and, in certain circumstances, experience losses which exceed the value of the assets managed. Parametric serves clients through two categories of offerings: Customized Exposure Management and Systematic Alpha Strategies. Although many strategies are customized to fit the client's needs, the primary investment strategies offered by Parametric, including material risks relevant to each, are described below.

The investment methodologies and material risks described below for each investment strategy are not intended to be comprehensive. Parametric executes its investment strategies on behalf of individual and institutional investors around the world, each with its own set of investment objectives, restrictions, tax considerations and risk tolerances. As such, Parametric may modify a strategy to meet the specific needs of a client. As a result, a particular investment strategy may involve additional risks not identified below.

Customized Exposure Management

Tax-Managed Core

Parametric offers Tax-Managed Core ("TMC") strategies to taxable investors. The investment objective of each TMC strategy is to provide pre-tax performance that tracks the assigned index, while minimizing net realized capital gains to provide improved returns over the designated benchmark on an after-tax basis. This is achieved by utilizing tax-efficient trading methodologies whenever possible. TMC strategies can be benchmarked to any standard or customized index, including but not limited to, the S&P 500®, the Russell 1000®, and MSCI EAFE®. TMC strategies will typically invest directly in a subset of the securities which make up the client-selected index. TMC strategies generally invest in equity securities but may also invest in other securities to the extent they are a member of the client-selected index.

TMC strategies are subject to material risks, including one or more of the following: Active Management Risk, Equity Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk, Tax-Managed Investing Risk, Tax Risk and Tracking Error Risk. Not all of these risks apply to each TMC strategy. The specific risks associated with each TMC strategy depends on the client-selected index, portfolio management techniques and tax considerations.

For a summary of each risk, see *Summary of Material Risks* below. Parametric does not hold itself out as a tax advisor or consultant and does not provide such services.

When calculating after-tax returns, Parametric applies the client's individual tax rate (which may include federal and state income taxes), if provided by the client. If the individual tax rate is not provided by the client, Parametric applies the highest U.S. federal tax rates. Applying the highest U.S. federal tax rate may cause the after-tax performance shown to be different than an investor's actual experience. There is a material risk that investors' actual tax rates, the presence of current or future capital loss carry forwards, and other investor tax circumstances may materially and negatively affect the investor's actual net returns.

Policy Implementation Overlay Services (“PIOS”)

PIOS is a comprehensive set of custom overlay strategies designed to achieve investment objectives through information technology and adherence to detailed investment management guidelines. The program's objectives are to increase expected portfolio returns, improve fund liquidity, and reduce performance risk relative to policy benchmarks. PIOS is intended to be a risk neutral strategy relative to the target mix defined by the client. When a PIOS portfolio is combined with a client's underlying portfolio, it is expected to produce volatility similar to that of the benchmark portfolio. Overlays of client designated “cash equivalent” positions may also be a part of the program. Leverage is not employed unless desired by the client. Clients may use PIOS for cash securitization, rebalancing, transition management, interest rate management and currency management tools. PIOS utilizes exchange-traded instruments, over-the-counter (“OTC”) instruments, and other financial products to achieve its objective.

PIOS strategies are subject to material risks, including one or more of the following: Active Management Risk, Currency Risk, Derivatives Risk, Equity Risk, ETF Risk, ETN Risk, General Investing Risk, Market Risk and Tracking Error Risk. Not all of these risks apply to each PIOS strategy. The specific risks associated with each PIOS strategy depends on the client's investment objective and the types of instruments used to achieve that client's investment objective. For a summary of each risk, see *Summary of Material Risks* below.

Specialty Index

Parametric offers customized Specialty Index strategies to individual and institutional investors. The Specialty Index strategies enable investors to build custom, or non-standard, index-based equity portfolios that are tailored to the unique, individual needs of each client. Specialty Index strategies may target alternative indexes, non-capitalization weighted indexes, or any combinations thereof. The Specialty Index strategies will use physical securities and/or synthetic instruments to obtain the desired exposure to the targeted index. These instruments may include, but are not limited to, equity securities, sovereign securities, treasuries and exchange-traded funds. Specialty Index strategies may be subject to the following material risks: Active Management Risk, Concentration Risk, Currency Risk, Derivative Risk, Duration Risk, Equity Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Centralized Portfolio Management

Centralized Portfolio Management (“CPM”) is an investment management offering that is customized to address the investment objective, risk tolerance, and tax considerations of each client. The investment objective of a CPM portfolio is to provide—within a single coordinated portfolio—the pre-tax return of a combination of asset managers or styles while seeking to maintain control over total portfolio risk and taxes. CPM utilizes the expertise of multiple third-party managers who deliver their investment recommendations for their respective asset class to Parametric, who then serves as the centralized portfolio manager. Parametric considers all of the third-party managers’ recommendations and, using proprietary technology, executes trades that best serve the overall portfolio’s needs. The benefits of CPM include coordinated account rebalancing, enhanced tax lot management, and processes designed to improve risk management. CPM portfolios generally invest exclusively in equity securities but may also invest in other security types to the extent that the customized strategy permits the use of non-equity securities.

CPM strategies are subject to material risks, including one or more of the following: Active Management Risk, Equity Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk, Tax-Managed Investing Risk and Tracking Error Risk. Not all of these risks apply to each CPM strategy. The specific risks associated with each CPM strategy depend on the client’s investment objective and the types of instruments used to achieve that client’s investment objective. For a summary of each risk, see *Summary of Material Risks* below.

Systematic Alpha Strategies

Parametric offers the following Systematic Alpha strategies, each of which is designed to outperform a capitalization-weighted index by investing in a core equity portfolio that is less concentrated and bears lower expected risk. To achieve this objective, Parametric uses systems of modified equal-weight with systematic rebalancing. Systematic Alpha strategies do not rely on forecasting. These strategies derive their extra growth from systematic diversification and by rebalancing the client’s portfolio.

The Parametric U.S. Equity strategy invests primarily in a diversified portfolio of equity securities of companies domiciled in the U.S. The strategy’s primary investment objective is to seek long-term capital appreciation by investing in securities which are representative of the major industries within each market in order to participate in the potential growth of these markets. The Parametric U.S. Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, ETF Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric International Equity strategy invests primarily in a diversified portfolio of equity securities of companies domiciled in developed markets outside of the U.S. The strategy may also invest in equity securities of companies located in emerging market countries. The strategy’s primary investment objective is to seek long-term capital appreciation by investing in securities which are representative of the major industries within each market in order to participate in the potential growth of these markets.

The Parametric International Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Global Equity strategy invests primarily in a diversified portfolio of equity securities of companies domiciled in the U.S. and the developed markets outside of the U.S. The strategy may also invest in equity securities of companies located in emerging market countries. The strategy's primary investment objective is to seek long-term capital appreciation by investing in securities which are representative of the major industries within each market in order to participate in the potential growth of these markets. The Parametric Global Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Global Small-Cap Equity strategy invests primarily in a diversified portfolio of equity securities of small-cap companies in various foreign countries and in the U.S. The strategy may also invest in equity securities of small-cap companies located in emerging market countries. The strategy's primary investment objective is to seek long-term capital appreciation. The Parametric Global Small-Cap Equity strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Emerging Markets Equity strategy invests in a diversified portfolio of equity securities of companies located in emerging and frontier market countries. Emerging and frontier market countries are generally countries not considered to be developed market countries, and therefore are not included in the MSCI World Index. There are two investment disciplines: (1) the Emerging Markets approach, which emphasizes broad coverage and diversification among emerging and frontier equities using a four-tiered investment allocation approach designed to allow for greater exposure to smaller markets; and (2) the Emerging Markets Core approach, which emphasizes exposure and diversification among the larger market cap weighted securities in the top three tiers of designated investment opportunities. Portfolios invested in the Parametric Emerging Markets Equity strategy are designed to capture returns with less volatility and concentration risk than the benchmark. The investment objective of this strategy is to buy and hold securities that are representative of the major industries within each market in order to participate in the potential growth of these markets. The Parametric Emerging Markets Equity strategy is also offered in a tax-managed account. The strategy is subject to the following material risks: Active Management Risk, Equity Investment Risk, Derivatives Risk, ETF Risk, Foreign and Emerging Markets Risk, General Investing Risk, Market Risk, Structured Management Risk, Small Companies Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Commodity strategy invests primarily in a portfolio comprised of commodity futures contracts, which are fully backed by cash collateral invested in U.S. Treasury bonds. The investment objective of this strategy is to provide a broad-based, long-only portfolio of commodities to capture the potential diversifying and inflation-fighting characteristics of the asset class. The Parametric Commodity strategy is subject to the following material risks: Active Management Risk, Commodities Risk, Concentration Risk, Credit Risk, Derivatives Risk, Duration Risk, ETF Risk, General Investing Risk, Income Risk, Interest Rate Risk, Leverage Risk, Market Risk, Maturity Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Systematic Income

The Parametric Dividend Income strategy invests in a diversified portfolio of equity securities of companies domiciled in the U.S. The strategy constructs portfolios consisting of approximately 200 securities. Sectors are equal-weighted and generally consist of 20-25 securities. The investment objective of the Parametric Dividend Income strategy is to seek a portfolio of durable dividend payers to provide a steady source of dividend income while outperforming the designated index on a total return basis by one to two percent. This strategy is subject to the following material risks: Active Management Risk, Equity Risk, General Investing Risk, Income Risk, Market Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Enhanced Income and Enhanced Income Core strategies invest in portfolios of closed-end funds and exchange-traded funds across multiple asset classes. The strategies use an engineered, rules-based approach with systematic reconstitution, and are designed to provide a high level of return and the ability to target an investor's particular income needs. The Enhanced Income strategy will typically hold a larger portfolio of securities than the Enhanced Income Core strategy. The strategies are subject to the following material risks: Active Management Risk, Equity Risk, ETF Risk, General Investing Risk, Market Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

The Parametric Energy MLP strategy invests in a portfolio consisting of master limited partnerships ("MLPs") operating in the energy industry. The strategy's investment objective is to efficiently deliver the risk and return of the designated index in a tax-sensitive manner. The strategy typically invests in ten MLPs, which are rebalanced on an annual basis, thus providing the investor with exposure to the energy industry. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Equity Risk, General Investing Risk, Income Risk, Market Risk, Structured Management Risk, Small Companies Risk, Tax Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Alternatives

Risk Parity – Global Balanced Risk

Parametric offers the Risk Parity strategies to institutional investors. These asset allocation strategies seek to evenly spread portfolio risk across an array of risk exposures, with the objective of creating portfolios

that are balanced and thus have greater expected risk-adjusted returns than typical institutional portfolios. This approach combines a disciplined, risk-balanced allocation structure with passive implementation through the exclusive use of physical securities, futures-based instruments, or centrally cleared swaps. The Risk Parity strategies are subject to the following material risks: Active Management Risk, Commodities Risk, Credit Risk, Derivatives Risk, Equity Risk, ETF Risk, General Investing Risk, Hedge Correlation Risk, Inflation-Linked Security Risk, Interest Rate Risk, Leverage Risk, Market Risk, Maturity Risk, Structured Management Risk, Swap Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Liability Driven Investing

Parametric's Liability Driven Investing ("LDI") strategy is intended to assist pension plan clients in the design and implementation of a plan that seeks to reduce risk and manage pension surplus volatility within a defined range. The strategy seeks to manage the key drivers of pension surplus volatility through the use of Treasury futures, interest rate swaps, swaptions, nominal Treasuries, STRIPs and Investment Grade Bonds. Parametric seeks to incorporate the client's objectives and constraints in the design, implementation and ongoing management of a custom LDI risk management solution. The LDI strategy is subject to Active Management Risk, Commodities Risk, Credit Risk, Derivatives Risk, Duration Risk, General Investing Risk, Hedge Correlation Risk, Income Risk, Inflation-Linked Security Risk, Interest Rate Risk, Leverage Risk, Market Risk, Maturity Risk, Options Strategy Risk, Structured Management Risk, Swap Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Defensive Equity

The Defensive Equity strategy uses derivatives which seek to produce significantly lower return volatility and consistently favorable risk-adjusted returns compared to a fully invested equity portfolio. Over a full market cycle, the return objective of the strategy is to outperform a fully invested equity portfolio by 100-150 basis points annualized, with 40% lower risk as measured by standard deviation of returns. The Defensive Equity strategy creates implicit downside protection through a core position in the designated index and Treasury Bills, combined with fully covered short equity index call and put options. The strategy does not utilize leverage. The Defensive Equity strategy uses a disciplined implementation process that adapts to changing market volatility without the need for market timing or forecasts. The strategy is subject to the following material risks: Active Management Risk, Derivatives Risk, ETF Risk, General Investing Risk, Hedge Correlation Risk, Interest Rate Risk, Market Risk, Maturity Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

DeltaShift

Through its wholly-owned subsidiary, PRA, Parametric offers DeltaShift, a managed covered call writing program for investors who hold concentrated stock positions or equity portfolios. The DeltaShift strategy seeks to improve expected performance through the sale of equity or equity index call options. Portfolio volatility is reduced in exchange for the willingness to limit upside profit potential. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Derivatives Risk, Equity

Risk, General Investing Risk, Hedge Correlation Risk, Market Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Dynamic Hedged Equity

Through its wholly-owned subsidiary, PRA, Parametric offers the Dynamic Hedged Equity strategy to investors seeking to employ a systematic hedging strategy to their existing equity portfolios. The strategy seeks to reduce portfolio risk and volatility through the purchase of index put options and the sale of index call options in a repeatable, methodical manner. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Derivatives Risk, Equity Risk, General Investing Risk, Hedge Correlation Risk, Market Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Option Absolute Return Strategy

Through its wholly-owned subsidiary, PRA, Parametric offers the Option Absolute Return strategy (“OARS”), which is designed to serve as an overlay solution for a client’s underlying equity or bond portfolio. OARS seeks to generate excess returns through the sale of index call spreads and index put spreads. The strategy is subject to the following material risks: Active Management Risk, Concentration Risk, Derivatives Risk, Equity Risk, General Investing Risk, Hedge Correlation Risk, Market Risk, Option Strategy Risk, Structured Management Risk and Tracking Error Risk. For a summary of each risk, see *Summary of Material Risks* below.

Summary of Material Risks

Active Management Risk. The success of a client’s account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client’s investment objective. Subjective decisions made by the portfolio manager may cause a client portfolio to incur losses or to miss profit opportunities on which it may have otherwise capitalized.

Commodities Risk. The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, which may include weather, embargoes, tariffs, and health, political, international and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets may subject a client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the

counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.

Concentration Risk. A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) may be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy may fluctuate more than that of a less concentrated portfolio.

Credit Risk. Debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults. Such non-payments and defaults may reduce the value of, or income distributions from, a client portfolio. The value of a fixed income security also may decline because of concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations may be lowered if the financial condition of the party obligated to make payments with respect to such instruments changes. Credit ratings assigned by rating agencies are based on a number of factors and do not necessarily reflect the issuer's current financial condition or the volatility or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. In order to enforce its rights in the event of a default, bankruptcy or similar situation, a client may be required to retain legal or similar counsel at its own expense.

Currency Risk. In general, the value of investments in, or denominated in, foreign currencies increase when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will also be subject to the *Derivatives Risks* described below.

Derivatives Risk. The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument underlying a derivative, due to failure of the counterparty or due to tax or regulatory constraints. In this context, Derivatives include but are not limited to: futures, forwards, options, participatory notes, warrants, and other similar instruments that may be valued based upon another or related asset. Derivatives may create economic leverage in a client portfolio, which magnifies the portfolio's exposure to the underlying investment. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by a client portfolio. Derivatives for hedging purposes may

not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and a transaction may be unsuccessful in whole or in part because of market behavior or unexpected events. Derivative instruments may be difficult to value, may be illiquid, and may be subject to wide swings in valuation caused by changes in the value of the underlying instrument. If a derivative counterparty is unable to honor its commitments, the value of a client portfolio may decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions may substantially exceed the initial investment. Certain strategies may use derivatives extensively.

Duration Risk. Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.

Equity Risk. Portfolios may be sensitive to stock market volatility and the stocks in which it invests may be more volatile than the stock market as a whole. The value of stocks and related instruments may decline in response to conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations, as well as issuer or sector specific events. Market conditions may affect certain types of stocks (such as large-cap or growth stocks) to a greater extent than other types of stocks. If the stock market declines, the value of a portfolio will also likely decline and, although stock values can rebound, there is no assurance that values will return to previous levels.

ETF Risk. Investing in an exchange-traded fund ("ETF") exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on the demand in the market for them, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track, and a client account may not be able to liquidate ETF holdings at the time and price desired, which may impact its performance.

ETN Risk. An exchange-traded note ("ETN") is a debt obligation and its payments of interest or principal are linked to the performance of a referenced investment (typically an index). ETNs are subject to the performance of their issuer and may lose all or a portion of their entire value if the issuer fails or its credit rating changes. An ETN that is tied to a specific index may not be able to replicate and maintain exactly the composition and weighting of the components of that index. ETNs also incur certain expenses not incurred by the referenced investment and the cost of owning an ETN may exceed the cost of investing directly in the referenced investment. The market trading price of an ETN may be more volatile than the

referenced investment it is designed to track. ETNs may be purchased at prices that exceed net asset value and may be sold at prices below such value. A client account may not be able to liquidate ETN holdings at the time and price desired, which may impact its performance.

Foreign, Emerging and Frontier Markets Risk. The value of a client portfolio can be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant. Investment markets in emerging and frontier countries are typically substantially smaller, less liquid and more volatile than the major markets in developed countries, and as a result, the value of a portfolio investing in emerging or frontier markets may be more volatile. Emerging and frontier market countries may have relatively unstable governments and economies. Emerging and frontier market investments often are subject to speculative trading, which typically contributes to volatility. Trading in foreign, emerging and frontier markets typically involves higher expenses than trading in the U.S. A client portfolio investing in these markets may have difficulties enforcing its legal or contractual rights in a foreign country. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks.

General Investing Risks. Most investment strategies are not intended to be a complete investment program. Clients generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisers, other market participants and many securities markets are subject to rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

Hedge Correlation Risk. Certain strategies seek to maintain substantially offsetting exposures and follow a generally market-neutral approach. Hedging instruments utilized for these strategies may not maintain the intended correlation to the investment being hedged or may otherwise fail to achieve their intended purpose. Failure of the hedge instruments to track a client portfolio's investments could result in the client portfolio having substantial residual exposure to market risk.

Income Risk. A portfolio's ability to generate income will depend on the yield available on the securities held by the portfolio. In the case of equity securities, changes in the dividend policies of companies held by a client portfolio could make it difficult for the portfolio to generate a predictable level of income. The use of dividend capture strategies to generate income will generally expose a client portfolio to higher portfolio turnover, increased trading costs and the potential for capital loss or gain, particularly in the event of significant short-term price movements of stocks subject to dividend capture trading.

Inflation-Linked Security Risk. Inflation-linked debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities may vary widely and will fluctuate as the principal and interest are adjusted for inflation. Any increase in the principal amount of an inflation-linked debt security will be taxable ordinary income, even though the portfolio will not receive the principal until maturity. There can be no assurance that the inflation index used will accurately

measure the real rate of inflation in the prices of goods and services. A portfolio's investments in inflation-linked securities may lose value in the event that the actual rate of inflation is different than the rate of the inflation index.

Interest Rate Risk. As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment may extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities may increase. In such circumstances, the portfolio manager may have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective may hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return.

Leverage Risk. Certain types of investment transactions may give rise to a form of leverage. Such transactions may include, among others, the use of when-issued, delayed delivery or forward commitment transactions, residual interest bonds, short sales and certain derivative transactions. A client portfolio may be required to segregate liquid assets or otherwise cover the portfolio's obligation created by a transaction that may give rise to leverage. To satisfy the portfolio's obligations or to meet segregation requirements, portfolio positions may be required to be liquidated when it may not be advantageous to do so. Leverage may cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage may exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. The loss on leveraged transactions may substantially exceed the initial investment.

Market Risk. Economic and other events (whether real or perceived) can reduce the demand for certain securities or for investments generally, which may reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which may impair the ability of the portfolio manager to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded investments.

Maturity Risk. Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a client portfolio's investments will affect the volatility of the portfolio's rate of return.

Option Strategy Risk. A client portfolio may employ an option strategy that seeks to take advantage of a general excess of option price-implied volatilities for a specified index over the realized index volatilities. This market observation is often attributed to an excess of natural buyers over natural sellers of specified index options. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which could have an adverse effect on the client portfolio's ability to achieve its investment objective. Call and put spreads employed by certain strategies may be based on a specified index or on exchanged-traded funds that replicate the performance of certain indexes. In the case of an index, returns realized on call and put spread positions over each roll cycle will be determined by the performance of the index. If the index appreciates or depreciates sufficiently over the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options, and the notional value of the positions. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it may not exactly match the performance of the specified index. All options and other derivatives must be carefully considered.

Small Companies Risk. Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk. Such companies may have limited product lines, markets or financial resources, and they may be dependent on a limited management group, or lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.

Structured Management Risk. 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 that they will achieve the desired results.

Swap Risk. The use of swap transactions is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. Incorrectly forecasting default risks, market spreads or other applicable factors or events may significantly affect investment performance. Swaps are highly illiquid and not easily traded away. The portfolio generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the portfolio may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) defaults, there can be no assurance that the counterparty will be able to meet or enforce the contractual obligations. It is also possible that developments in the derivatives market, including changes in government regulation, could adversely

affect the manager's ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.

Tax-Managed Investing Risk. Market conditions may limit the ability to generate tax losses or to generate dividend income taxed at favorable tax rates. 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. The ability to utilize various tax-management techniques may be curtailed or eliminated in the future by tax legislation or regulation.

Tax Risk. The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account. Income from tax-exempt municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or non-compliant conduct of a bond issuer.

Tracking Error Risk. Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover and the use of leverage all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that may be material to the evaluation of Parametric or the integrity of Parametric's management. Parametric has no disciplinary information to disclose that is applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

In addition to its registration with the SEC as an investment adviser under the Investment Advisers Act of 1940, Parametric is also registered as a Commodity Trading Adviser and Commodity Pool Operator with the Commodity Futures Trading Commission (the "CFTC") through the National Futures Association ("NFA"). Certain management and sales personnel are registered with the NFA as Principals and/or Associated Persons.

As detailed in Item 4, Parametric is a majority-owned subsidiary of Eaton Vance Corp. ("EVC"), a publicly held company that is traded on the New York Stock Exchange. Parametric's principal owners are EVA Holdings LLC and Eaton Vance Acquisitions, who collectively own approximately 97% of Parametric. EVA Holdings LLC and Eaton Vance Acquisitions are wholly-owned subsidiaries of EVC. As a subsidiary of EVC, Parametric has several relationships with affiliates that are material to its advisory business and its clients.

Parametric provides investment advisory services to various private and public pooled investment vehicles sponsored by EVC or its subsidiaries (the "EV Funds"). The EV Funds include various

registered investment companies (“EV Mutual Funds”), investment companies exempt from registration (“Private Funds”), and investment companies domiciled and distributed outside the United States (“Offshore Funds”).

Parametric is under common control with Eaton Vance Distributors, Inc. (“EVD”), a broker-dealer registered with the SEC and a FINRA member firm. EVD is a wholly-owned subsidiary of EVC. EVD is the principal underwriter and distributor of certain EV Funds. Parametric currently does not conduct any brokerage business with EVD. Parametric and EVD have entered into a revenue sharing agreement under which Parametric compensates EVD with a portion of the advisory fees earned by Parametric for certain client accounts. Certain Parametric sales personnel may be registered representatives of EVD and receive compensation for promoting sales of EV Funds sub-advised by Parametric and for which Parametric receives a separate advisory fee.

Parametric is under common control with Eaton Vance Management (“EVM”), an investment adviser registered with the SEC. EVM is also registered as a Commodity Trading Adviser and Commodity Pool Operator with the CFTC through the NFA. EVM is a wholly-owned subsidiary of EVC. Parametric has entered into an agreement with EVM whereby EVM provides to Parametric certain services such as accounting, human resources and legal. Parametric compensates EVM for the costs of these services. EVM serves as the investment adviser and/or administrator to certain EV Funds and other unaffiliated client portfolios. Parametric has entered into sub-advisory agreements with EVM with respect to certain EV Funds and other unaffiliated client portfolios. Parametric also provides investment overlay services to EVM for certain client accounts utilizing certain EVM investment strategies. Pursuant to a revenue sharing agreement between EVM and Parametric, Parametric receives a portion of the total fees paid to EVM for such accounts. Parametric and EVM have also entered into a mutual solicitation agreement whereby one party will compensate the other for certain institutional client referrals.

Parametric is under common control with Boston Management and Research (“BMR”), an investment adviser registered with the SEC. BMR is also registered as a Commodity Trading Adviser and Commodity Pool Operator with the CFTC through the NFA. BMR is a wholly-owned subsidiary of EVM. BMR serves as the investment adviser to certain EV Funds. Parametric has entered into sub-advisory agreements with BMR with respect to certain EV Funds.

Parametric is under common control with Eaton Vance Advisers (Ireland) Limited (“EVAIR”) and Eaton Vance Management (International) Limited (“EVMI”). EVAIR and EVMI are subsidiaries of EVM. EVAIR and EVMI each serve as the investment adviser or distributor to certain Offshore Funds. Parametric has entered into sub-advisory agreements with EVAIR and EVMI with respect to certain Offshore Funds and other unaffiliated client portfolios.

Parametric is under common control with Eaton Vance Trust Company (“EVTC”), a limited purpose trust company organized under the laws of Maine. EVTC is owned by EVC. EVTC serves as trustee to common trust funds and collective investment trusts for which Parametric serves as the investment adviser.

Parametric has organized and serves as the investment adviser to certain private investment companies that are exempt from registration (the “PPA Private Funds”). Parametric serves as the managing member of the Clifton Defensive Equity Fund LLC and Clifton Equal Sector Commodity Strategy Fund LLC.

Parametric also serves as the general partner of the Clifton Commodities Fund LP and as the manager of the Clifton Global Balanced Risk Fund Ltd. The PPA Private Funds are only offered to institutional investors. Parametric's conflicts of interest are fully disclosed to potential investors in each fund's private placement memorandum.

PRA is a wholly-owned subsidiary of Parametric and an SEC-registered investment adviser. Parametric provides PRA with various resources and services, including but not limited to, accounting, legal, compliance, human resources, sales and marketing, and information technology. PRA serves as a sub-adviser to Parametric with regard to certain client portfolios.

Investment strategies and products of Parametric, PRA, EVM and other affiliates may be cross marketed. Parametric works closely with its affiliates to jointly market advisory services and strategic investment strategies to institutional investors and high-net-worth individuals, and may refer clients to its affiliates when appropriate. These shared marketing efforts and sales referrals may result in intercompany transfers and cost-sharing payments between Parametric and its affiliates. Pursuant to a written agreement between Parametric and EVD, Parametric compensates EVD with a percentage of the investment advisory fee earned by Parametric on certain accounts for EVD's joint marketing efforts. As mentioned elsewhere in this brochure, certain Parametric employees are compensated by EVD for marketing Eaton Vance Funds and other separate account products.

Item 11 – Code of Ethics

In accordance with Rule 204A-1, Parametric has adopted a written Code of Ethics (the "Code") that is applicable to all supervised persons of the firm. The Code sets a high standard of business conduct and emphasizes each employee's fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, the prohibition of insider trading, guidance on the provision or receipt of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees of Parametric must acknowledge, in writing, that they have read, understand and fully agree to comply with the Code.

The Code requires supervised persons and their immediate family members to promptly report all non-exempt personal securities transactions. The Code further requires that all reportable personal investment accounts be disclosed, that Compliance receive duplicate transaction information for all reportable investment accounts, and that all covered persons certify compliance with the Code at least annually. In addition to reporting and recordkeeping requirements, the Code also imposes various substantive and procedural restrictions on all non-exempt personal securities transactions.

Parametric anticipates that, in appropriate circumstances and consistent with the client's investment objectives, it will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Parametric and/or its clients, directly or indirectly, have a position or interest. From time to time, Parametric or its affiliates may also recommend to investment advisory clients the purchase or sale of mutual funds in which Parametric receives a sub-advisory fee. Parametric's employees and persons associated with Parametric are required to comply with the Code. Subject to satisfying this company policy and applicable laws, employees of Parametric may trade for their own accounts in securities that are recommended to and/or purchased for the firm's clients. The Code is designed to assure

that the activities, interests and relationships of Parametric's employees will not interfere with their ability to make decisions in the best interest of advisory clients, whilst allowing employees to invest for their own accounts. Thus, the Code designates certain classes of securities as exempt securities and certain classes of transactions as exempt transactions, based upon a determination that these securities and transactions would not materially interfere with the best interests of Parametric's clients. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored to reasonably ensure employees comply with the Code, and to reasonably address conflicts of interest between Parametric and its clients.

Parametric may trade in securities of issuers of which persons related to its employees may be considered to be insiders. Parametric's investment recommendations and trading activities will not be based on material, non-public information, as defined in Parametric's Insider Trading Policy and Procedures.

Parametric or its employees may give charitable contributions to client organizations, such as through sponsorships at events. Parametric may also support educational endeavors of industry or client trade organizations.

A client or prospective client may obtain a copy of Parametric's Code of Ethics upon request by contacting Deborah Lamb at 206-694-5575 or ppa-compliance@paraport.com.

In special circumstances and consistent with a client's investment objectives, Parametric may invest a portion of a client's assets in shares of registered investment companies, including funds sponsored and managed by Eaton Vance Management ("EVM"), an affiliate. This strategy may create a conflict of interest with respect to the allocation of affiliated funds. Since EVM receives management and/or administrative fees for serving as the adviser to the funds, Parametric may have an incentive to allocate more client assets to funds managed by EVM. However, Parametric does not consider the fee structures of the underlying investment companies during trade allocation.

Item 12 – Brokerage Practices

Parametric is generally assigned full investment authority and discretion to purchase, sell or exchange client assets in accordance with the client's specified investment objective or strategy. Unless directed otherwise, Parametric is also authorized to select the broker-dealers to be used to execute securities transactions on behalf of client accounts. As noted earlier, Parametric advises its clients from Investment Centers located in Seattle and Minneapolis. Parametric maintains separate Trading desks at each Investment Center. These Trading desks operate independently of one another as they support investment strategies that utilize different asset classes. Parametric Seattle trades primarily in equity securities, including stocks of issuers located in developed and emerging markets, participatory notes, exchange-traded funds, closed-end funds and foreign currencies. Parametric Minneapolis trades primarily in futures, options, and Treasury securities. The two Trading desks generally do not share information and it is unlikely that one Trading desk would compete with the other when implementing buy and sell transactions. Each Investment Center has established a Best Execution Committee, which is responsible for monitoring the trading activities at its respective Investment Center.

Best Execution

Parametric has a fiduciary obligation to act, at all times, in the best interest of its clients and to seek best overall execution in client trading. The firm has the authority to execute a trade through any broker-dealer, dealer and/or exchange it deems appropriate, and may negotiate commission and similar fees and expenses. Parametric carefully monitors and evaluates transaction costs and the quality of execution across all strategies and client portfolios. Parametric utilizes the services of third-party service providers, such as ITG, to assist with best execution analysis. In analyzing best overall execution, Parametric will consider factors, including but not limited to: specific market and trading impact, number of shares being traded, share price, trading costs, exchange costs, and other material inputs.

Parametric will always seek to effect transactions at the price and commission that provides the most favorable total overall cost or proceeds reasonably attainable given the circumstances. Parametric may consider various factors when selecting a broker-dealer, including but not limited to: the nature of the portfolio transaction; the size of the transaction; the execution, clearing and settlement capabilities of the broker-dealer; the reputation, financial strength and stability of the broker-dealer; availability of alternative trading platforms; the desired timing of the transaction; confidentiality; and, under appropriate circumstances, the availability of research and research-related services provided through such broker-dealer.

Soft Dollars

Parametric may pay brokerage fees in excess of that which another broker-dealer may charge for effecting the same transaction if Parametric, in good faith, determines that such commissions or fees are reasonable in relation to the value of brokerage and research provided. In limited circumstances, Parametric may utilize commission dollars to pay for research services provided in the form of written reports, verbal communications, economic and market data, credit analyses, news services, electronic information, analytic software, analyst earnings revisions, etc. Such services may also contain information concerning securities markets, the economy, individual companies, pricing information and services, performance studies, and other information intended to enhance Parametric's investment decision-making abilities.

As authorized in Section 28(e) of the Securities Exchange Act of 1934, Parametric may cause its clients to pay a broker-dealer that provides brokerage and research services to Parametric an amount of commissions in excess of the commissions that another broker-dealer would have charged for effecting a transaction. If utilized, these services may reduce Parametric's expenses, depending on the extent to which they are used. Not all services must benefit all clients to the same degree. Research services furnished by broker-dealers with whom Parametric and its affiliates effect transactions may be beneficial to certain accounts advised by Parametric. At times, the commissions paid under such arrangements may be higher than the commission paid to a broker-dealer who provides no research capabilities or services. A particular account may be charged commissions by a firm who supplied research services not utilized by such account. Parametric will only utilize soft dollars to the extent permissible under the regulations. Parametric expects that each account will benefit overall by the utilization of soft dollars because each is receiving the benefit of research services and the execution of transactions not otherwise available to the account without the allocation of transactions based upon the recognition of the value of the research

services provided. On a routine basis, Parametric assesses its commission policies, rates and allocations. This review considers the contributions and value of research services received from broker-dealers.

In certain instances, Parametric may receive products or services from broker-dealers which are used by Parametric both for investment research and for administrative, marketing or other non-research purposes. In such instances, Parametric makes a good faith effort to determine the relative proportion of such product or service's use for investment research. That portion of the cost may be defrayed through brokerage commissions generated by client transactions, while the remaining portion of the cost of obtaining the product or service is paid by Parametric in cash. Parametric Seattle does not currently utilize soft dollars.

Client Directed Brokerage

Clients may request in writing that Parametric direct some or all trading activity to a single broker-dealer or group of broker-dealers to accommodate an external agreement between those parties. If a client decides to direct trading activity to a broker-dealer and its brokerage is placed by Parametric, the client should first consider the following information:

- Parametric has existing integrated trading and reporting systems with some broker-dealers which reduce the cost of transacting business with those broker-dealers;
- A client who directs Parametric to use a specific broker-dealer may pay higher commissions on some transactions than might be attainable by Parametric, or may receive less favorable execution on some transactions, or both;
- A client who directs Parametric to use a specific broker-dealer may forego any benefit from savings on execution costs that Parametric could obtain for its clients through negotiating volume discounts on batched transactions;
- A client who directs Parametric to use a specific broker-dealer may restrict Parametric from receiving research-related products and services available from other broker-dealers;
- Parametric may not begin to execute client securities transactions with broker-dealers which have been directed by clients until all non-directed brokerage orders are complete; and
- Clients directing commissions may not generate returns equal to clients which do not direct commissions.

FX Transactions

Portfolio transactions in foreign currencies or in overseas markets often involve foreign currency transactions when settling trades, or when converting or repatriating dividends. In situations where currency transactions are not required or otherwise mandated by the custodian, Parametric conducts foreign exchange transactions for portfolios with approved counterparties. When executing these transactions for clients, Parametric recognizes its responsibility to seek best execution for the portfolio and to pursue favorable rates with foreign exchange broker-dealers.

Trade Aggregation and Allocation

Parametric may aggregate or “block” trades if, in Parametric’s reasonable judgment, such aggregation may result in an overall economic benefit to each participating client’s account, taking into consideration the more advantageous purchase or selling price, brokerage commissions, and the execution capabilities of the selected broker-dealer. By aggregating trades for multiple client accounts into a larger, single block order, Parametric may be able to obtain a better price and more favorable trade execution for all participating client accounts.

Although certain client accounts are subject to directed brokerage requirements, Parametric may conduct step-out transactions, whereby it will place a trade order for one or more client accounts with a broker-dealer who executes the trade and then steps-out portions of the trade to the applicable directed broker-dealer(s) for clearance and settlement. In certain cases, the executing broker-dealer will receive commissions from the participating discretionary client accounts, but will not receive commissions from participating directed brokerage accounts. There are also instances where Parametric may execute a step-out transaction on a net basis, whereby the negotiated price is marked-up or marked-down to compensate the executing broker-dealer for its services. Although mark-up/mark-downs may independently be more costly to the client in terms of commissions, Parametric believes that the selected broker-dealer being paid for these additional services offers the best combination of price and cost execution. That is, the combination of directed brokerage and discretionary accounts in one block order benefits all participating accounts because concentrating the execution of the orders with one broker-dealer can result in a better overall price and execution for all participating accounts.

Parametric is the manager for several limited liability investment partnerships. Parametric trades these portfolios in the same manner as other portfolios, using the same broker-dealers who charge the same rates. These portfolios participate in the same block trade allocation procedures and do not receive any benefits not accorded to other managed accounts.

In the event that trade allocation is required, Parametric’s trade allocation policy is designed to ensure fair and equitable allocation of investment opportunities among accounts over time and to ensure compliance with applicable regulatory requirements. Accounts are treated in a non-preferential manner, such that allocations are not based upon account performance, fee structure or the portfolio manager. This policy is not intended to provide mathematical precision in all instances.

The trade allocation process is automated within the order management system. When an aggregated order is completed in its entirety, the order will then be allocated to accounts in accordance with the preliminary allocation schedule, or on a pro-rata basis if the order is only partially filled. For certain securities and derivatives which may have liquidity or other trading limitations, it may be necessary to place the order before setting the allocation among the participating accounts. In such instances, the allocation will be completed as soon as reasonably possible after execution. In any event, allocations must be placed no later than the end of the trading day. Fully executed orders will receive the average price obtained in the trades. Partially filled orders will be allocated pro-rata based on the original predetermined allocation, on an average price basis, subject to certain limited exceptions. If the allocation is de minimis (i.e., disproportionately small in relation to the size of the account or strategy), the allocation may be

reallocated to other participating accounts which remain unfilled. There may be situations in the Emerging Markets portfolios where non pro-rata trade allocations can occur due to limited liquidity, or market rules. Records shall be kept by traders and/or portfolio managers supporting the reason for any such reallocation.

Trade Rotation

Parametric Seattle's Trading desk has adopted trade rotation procedures for those instances when it is required to submit competing trades for equity securities. These procedures are designed to ensure that participating client accounts are treated fairly and equitably. Parametric will generally block equity trades on behalf of multiple client accounts and submit the order to the broker-dealer for execution as market-on-close ("MOC"). However, certain circumstances may arise that require a deviation from this practice, such as client accounts subject to directed brokerage requirements that prevent them from participating in blocked trades, directed broker-dealers who do not accept MOC orders, and certain security types that cannot be executed MOC. When Parametric is required to submit competing trades to multiple broker-dealers, it will submit the orders following a randomly generated rotation schedule. By staggering the release of orders into the market, Parametric will attempt to limit the impact on the market price of the securities.

Parametric's trade rotation procedures are generally applicable to equity securities only. Parametric Minneapolis has trading procedures that are designed to ensure that participating client accounts are treated fairly and equitably within its investment strategies, which utilize fixed income securities, derivatives and other financial instruments that are typically provided to clients who are not subject to directed brokerage requirements or allocation restrictions. As such, Parametric Minneapolis follows the firm's trade allocation and aggregation procedures when trading non-equity securities.

Wrap Accounts

Parametric serves as an investment manager to separate accounts in various wrap fee programs. While Parametric may have discretion to select broker-dealers other than the wrap program sponsor to execute trades for wrap accounts in a particular program, trades are generally executed through the financial institution sponsoring the wrap program. A wrap program sponsor may instruct Parametric not to execute transactions on behalf of the wrap accounts in that program with certain broker-dealers. When a sponsor restricts Parametric in this way, it may affect Parametric's ability to negotiate favorable commission rates or volume discounts, the availability of certain spreads, and the timeliness of execution. This may consequently result in a less advantageous price being realized by the account. Parametric endeavors to treat all wrap accounts fairly and equitably over time in the execution of client orders. Depending on factors such as the size of the order, and the type and availability of a security, orders for wrap accounts may be executed throughout the day. When orders are placed with broker-dealers, such trades may experience sequencing delays and market impact costs, which the firm will attempt to minimize. When the Trading desk deems it appropriate, trades for wrap accounts may be rotated in accordance with Parametric's trade rotation policy to treat all clients fairly and equitably over time.

Counterparties

Parametric may enter into agreements with other financial intermediaries for trading in client portfolios. To assess counterparty risk, Parametric will conduct initial due diligence on the counterparty prior to the execution of the trading agreement and continue monitoring each financial counterparty for the life of the agreement. Counterparty arrangements for swaps, forwards, certain participatory notes, and similar transactions involve greater counterparty risk than execution through a registered exchange. Parametric will attempt to reduce the risk of non-performance or default by the counterparty by dealing primarily with established, well-financed organizations that continually demonstrate creditworthiness.

Trade Errors

On occasion, Parametric or a broker-dealer may make an error in executing a securities transaction on behalf a client account. Parametric seeks to correct each trade error promptly and in the client's best interest. Parametric will reimburse the client for losses resulting from an error or subsequent actions taken to correct the error in the client account. Parametric will not correct an error in a manner which favors one client at the expense of another client. Parametric will not intentionally profit or benefit from the resolution of a trade error. Soft dollars and commissions from client transactions will not be used to correct trade errors or compensate broker-dealers for erroneous trades.

Item 13 – Review of Accounts

Parametric Seattle

In addition to the ongoing daily management of accounts, Parametric Seattle reviews all of its investment advisory accounts on an exception basis in the monthly Portfolio Management Committee meetings. The individuals performing this review include Parametric Seattle's Co-Chief Investment Officers, Head of Investment Management, Managing Directors of Portfolio Management, Managing Director of Research, Directors of Research, Senior Researchers, and Directors of Portfolio Management. As part of such review, an account's investment strategy, performance and other factors are analyzed. A determination is then made as to whether an account's respective strategy requires alteration in light of its investment objectives and restrictions.

Reviews of accounts will also occur when investment strategies and objectives are changed by the investment advisory client or Parametric, or when significant events occur which are expected to impact the value of the account.

Parametric Seattle may, upon specific arrangements, furnish certain clients with quarterly reports directly or via a password protected internet site. Such reports generally consist of an account valuation combined with both a pre- and post-tax performance summary and analysis. Reporting to clients in sub-advisory or wrap fee programs where Parametric is the sub-adviser is likely to be done by the program sponsor; content will vary by program. Upon request, Parametric will provide a detailed inventory of all holdings, a transaction summary, a listing of all dividend and income payments received, and a realized gain and

loss report. If a client chooses not to receive a statement from Parametric, the firm has a reasonable belief that the custodian is sending statements in accordance with SEC Rule 206.

Parametric Minneapolis

Parametric Minneapolis enters applicable client restrictions into its trading systems and additionally evaluates client account performance relative to mutually agreed upon objectives on a monthly basis, or more frequently should market actions dictate. Parametric Minneapolis's investment staff meets monthly to review market activity, discuss developments affecting short-term strategies, present updated market outlooks, discuss potential strategy changes, and discuss matters affecting client portfolios. Parametric Minneapolis's Senior Portfolio Managers have primary responsibility for the specific investments in client portfolios. Parametric Minneapolis's investment staff includes Minneapolis's Chief Investment Officer, Managing Director – Customized Exposure Management, Managing Director – Investment Strategy and Research, Senior Portfolio Managers and Portfolio Managers.

Reviews of accounts will also occur when investment strategies and objectives are changed by the investment advisory client or Parametric, or when significant events occur which are expected to impact the value of the account.

Parametric Minneapolis's clients receive comprehensive reporting of their account, either directly or via access to a password protected internet site, at least quarterly. These reports detail the account's current holdings broken down by type of investment, a list all cash transactions for the past quarter, a summary of all transactions which resulted in realized gain or loss, and a summary of the account performance for the current period and year to date. Indexed equity, fixed income and specialty derivative securities accounts may elect to receive reporting on a monthly basis. If a client chooses not to receive a statement from Parametric, the firm has a reasonable belief that the custodian is sending statements in accordance with SEC Rule 206.

Item 14 – Client Referrals and Other Compensation

Parametric has entered into revenue sharing and mutual solicitation agreements with certain affiliates, including EVD, EVM and EVMI, with regard to certain investment products or services that are jointly marketed and promoted. Under such agreements, Parametric may receive from or pay to the affiliate a portion of the advisory fee received. Clients do not pay higher advisory fees to compensate for any payments made pursuant to these agreements. Parametric has written arrangements with sales personnel that detail incentive-based compensation to be paid in connection with the sale of Parametric's investment products and services. Parametric employees may also be registered representatives of EVD and receive compensation for promoting Eaton Vance sponsored mutual funds sub-advised by Parametric.

Parametric may, from time to time, engage third parties to solicit business on its behalf. Solicitors may be paid a portion of the fee charged by Parametric to the individual client. Parametric will participate in such arrangements only if written signed documents are in place, and all parties are in full compliance with all requirements under the Adviser's Act Rule 206(4)-3.

Parametric does not engage in any other type of referral or compensation arrangements except as defined elsewhere in this brochure.

Item 15 – Custody

Parametric does not maintain custody of separate account client funds and securities. Client assets are generally maintained with unaffiliated qualified custodians. However, in connection with the management of certain private pooled investment vehicles (“Private Funds”), Parametric is deemed to have custody of client assets under Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). Each of the Private Funds has made arrangements with a qualified custodian to maintain their assets. The annual financial statements of the Private Funds are audited by an independent public accountant registered with the Public Company Accounting Oversight Board as required by the Custody Rule. Parametric is not deemed to have custody of the assets of any other clients.

Clients generally receive quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains custody of the specified client assets. Clients are encouraged to carefully review such statements and to compare such official custodial records to the account statements that Parametric may provide to clients or their advisers. Parametric statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies for certain securities.

Item 16 – Investment Discretion

Parametric receives discretionary authority from the client during the onset of the advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Parametric observes the investment policies, limitations and restrictions of the clients for which it advises. For registered pooled investment vehicles, Parametric’s authority to trade securities may also be limited by certain federal or country-specific securities and tax laws that require diversification of investments and favor the holding of investments made for a Fund account.

Certain client relationships are non-discretionary. In these cases, Parametric executes transactions as specifically directed by the client.

Investment guidelines and restrictions must be provided to Parametric in writing.

Item 17 – Voting Client Securities

Parametric has adopted and implemented policies and procedures with respect to voting proxies on behalf of clients for which Parametric has voting responsibility. The Proxy Voting Policies and Procedures are designed to ensure that Parametric votes proxies in the best interest of its clients, complies with Rule 206(4)-6 and maintains its fiduciary obligations to its clients. The policies and procedures are also

intended to reflect the fiduciary standards and responsibilities set forth by the Department of Labor for ERISA accounts.

Parametric recognizes and acknowledges its fiduciary responsibility to exercise voting authority over client shares. Proxies increasingly contain controversial issues involving shareholder rights, corporate governance and social concerns, among others, which deserve careful review and consideration. Voting proxies has economic value for Parametric's clients, and therefore, Parametric considers it to be its fiduciary duty to preserve and protect the assets of its clients, including proxy votes for its clients' exclusive benefit.

It is Parametric's policy to vote proxies in a prudent and diligent manner after careful review of each company's proxy statement. Parametric votes on an individual basis and bases its voting decision exclusively on its reasonable judgment of what will serve the best financial interests of its clients, the beneficial owners of the security. Where economic impact is judged to be immaterial, Parametric will typically vote in accordance with management's recommendations. In determining its vote, Parametric will not and does not subordinate the economic interests of its clients to any other entity or interested party.

The responsibility for voting proxies on behalf of a client account is typically assigned to Parametric in the investment management agreement or other documentation. Once Parametric has agreed to vote proxies on behalf of a client account, it will instruct custodians to forward all proxy materials to Parametric.

For those clients for whom Parametric has undertaken the responsibility to vote proxies, Parametric will retain final authority and responsibility for such voting. In addition to voting proxies, Parametric will:

- Provide clients with the Proxy Voting Policies and Procedures, which may be updated and supplemented from time to time;
- Apply the policy consistently and keep records of votes for each client in order to verify the consistency of such voting;
- Keep records of such proxy voting available for inspection by the client or governmental agencies to determine whether such votes were consistent with policy and demonstrate that all proxies were voted; and
- Monitor such voting for any potential conflicts of interest and maintain procedures to deal with these issues appropriately.

Parametric's proxy voting is administered on a daily basis by a Proxy Voting Coordinator (the "Coordinator"), who is responsible for ensuring that proxies are received and voted in accordance with Parametric's predetermined Proxy Voting Guidelines. In the event that a proxy issue is received which is not addressed by the firm's Proxy Voting Guidelines, the Coordinator will forward the proxy to appropriate portfolio managers for their determination as to how to vote the proxy in the client's best interest. The Coordinator may recommend that a client refrain from voting: (i) if the economic effect on shareholders' interests or the value of the portfolio holding is indeterminable or insignificant, e.g., proxies in connection with securities no longer held in the portfolio of a client or proxies being considered on

behalf of a client that is no longer in existence; or (ii) if the cost of voting a proxy outweighs the benefits, e.g., certain international proxies, particularly in cases in which share blocking practices may impose trading restrictions on the relevant portfolio security. In such instances, the Coordinator may instruct the Agent not to vote such proxy.

Proxy Voting Committee

Parametric has established a Proxy Voting Committee (the “Committee”), which meets on a quarterly basis to oversee and monitor the firm’s proxy voting practices. On an annual basis, the Committee will review and, if necessary, revise the firm’s Proxy Voting Guidelines to ensure they are current, appropriate and designed to serve the best interests of clients and fund shareholders. The Committee will consider requests from clients, portfolio managers, etc. to vote a proxy contrary to the firm’s voting guidelines. The Committee is comprised of senior managers representing Operations, Compliance and applicable Portfolio Management areas of expertise.

The Committee may deem it to be in a client’s best interest to engage a third party to vote the client’s proxies. In such cases, the Committee will exercise due diligence to ensure that the third-party firm can make recommendations and/or vote proxies in an impartial manner and in the best interest of the client. This evaluation will consider the proxy voting firm’s business and conflict of interest procedures, and confirm that the procedures appropriately address the firm’s conflicts. On an annual basis, the Committee will evaluate the performance any third-party proxy voting firm and reconsider if changes have impacted their conflict of interest procedures.

Conflicts of Interest

The Committee will identify and actively monitor potential material conflicts of interest which may compromise Parametric’s ability to vote a proxy issue in the best interest of clients. Since Parametric’s voting guidelines are predetermined and designed to serve the best interest of clients, application of the guidelines should, in most cases, adequately address any possible conflict of interest. Regardless, Parametric will monitor situations that may result in a conflict of interest by and among its clients, Parametric or any affiliates by maintaining a list of actual or potential conflicted companies. The Coordinator will review this list when reviewing proxy statements. If Parametric is to vote a proxy for a company on the list, the Coordinator will report the potential conflict to the Committee to determine if a material conflict of interest exists. If it is determined that a material conflict of interest exists, Parametric will report the proxy issue and seek instruction on how to vote the proxy from: (1) the client, if an individual or a corporation; (2) the board of directors or committee thereof, if a mutual fund; or (3) the adviser in arrangements where Parametric serves as the sub-adviser. The Committee will document its rationale when making determinations regarding potential conflicts of interest.

Record Keeping

Proxy voting records are maintained for six years. Records can be retrieved and accessed online by Parametric via its third-party vendor.

In addition to maintaining voting records, Parametric maintains the following:

- Proxy Voting Policy and Procedures;
- All written client requests as they relate to proxy voting; and
- Any material research documentation related to proxy voting.

To Obtain Proxy Voting Information

Clients have the right to access any proxy voting activity taken on their behalf. Upon written request, this information will be provided free of charge.

Phone number (you may place a collect call if you wish): 1-206-694-5575

E-mail address: proxyinfo@paraport.com

In order to maintain confidentiality, Parametric will not provide voting records to any third party unless authorized by the client.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. Parametric has no financial commitment that impair its ability to meet its contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.



PARAMETRIC PRIVACY NOTICE

Parametric Portfolio Associates LLC (“Parametric”) considers client privacy to be a fundamental aspect of its relationship with clients and is committed to safeguarding all client related “personal” information as defined under the privacy rules published under Section 504 of the Gramm-Leach-Bliley Act, as amended. Parametric does not disclose non-public personal information concerning its clients, former clients, or investors in certain limited partnerships over which the firm acts as a general partner, to any other party or person except as permitted and/or required by law, an applicable regulatory authority, or as outlined below.

Parametric may, in limited circumstances, have the need to collect non-public personal information about its clients and investors in certain limited partnerships over which the firm acts as a general partner. This information may include but is not limited to:

- ❖ Name, address, telephone number, tax identification and verification;
- ❖ Assets, income, bank and investment accounts, credit information, custodian, IRS tax status and/or other specific financial, investment or related information;
- ❖ Application, subscriptions, suitability and similar forms or questionnaires; and
- ❖ Legal documents such as trust agreements, financials, ownership records or similar information.

Parametric may collect personal information when an individual account is opened or when the information is provided by that client’s advisor. This material may be accumulated from sources such as account applications and related documents; other written, electronic or verbal correspondence; transactions; a brokerage or financial advisory firm, financial adviser or consultant; and/or information captured on Parametric’s internet web site. Parametric retains the personal information of current and former clients in accordance with Rule 204-2 of the Investment Advisers Act of 1940.

Parametric may share client information with its affiliates or subsidiaries as needed to conduct business. From time to time, Parametric may engage the services of third-party vendors or consultants to assist with the management of client portfolios. In that respect, information will be provided on a need-to-know basis only and the external parties will agree to hold all such information confidential. Parametric may also disclose or share information, to the extent permitted by law, with other financial institutions with which the firm and/or its clients have a joint business arrangement in managing and/or servicing the client.

Parametric’s procedures are designed to restrict access to non-public personal information to appropriate personnel. Parametric maintains physical, electronic and procedural safeguards that comply with federal standards to safeguard current and past client related personal information.

Parametric does not sell non-public personal information to any external source and does not distribute this information to unrelated third-party providers unless necessary for business related purposes in

connection with the servicing and management of client assets. Parametric cannot, however, guarantee clients against information theft which is beyond its reasonable technological abilities and controls.

Clients are provided with Parametric's Privacy Notice at the time their account is incepted and annually thereafter until the account is closed. Parametric reserves the right to periodically review and revise its Privacy Notice and will provide updates annually and/or when materially amended. At all times, a client may notify Parametric in writing to restrict all non-public personal information from being distributed (except to regulators and/or by law) to any external parties including affiliates, consultants, and client related financial advisors. Clients are forewarned, however, that doing so may severely inhibit Parametric's ability to properly manage the client's assets and/or appropriately conduct business on behalf of the client. Please direct any questions or concerns to Parametric Compliance at 1918 8th Avenue, Suite 3100, Seattle, WA 98101, or 206-694-5575.

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