

Parametric Hedged Equity ETF (PHEQ)

FUND PROFILE | January 2024

Parametric Hedged Equity ETF aims to provide a low cost, diversified, efficient and transparent hedged equity investment product.

PHEQ seeks to provide capital appreciation while limiting losses experienced by investors through the incorporation of option overlay hedges.

PHEQ invests in an underlying portfolio of US Large Cap equities through Parametric's direct indexing strategy, Custom Core®. It then initiates a series of laddered options-based hedges – using a Put-Spread Collar structure – that aim to reduce downside exposure while maintaining upside appreciation potential.

Fast Facts

AT A GLANCE

| | |
|-------------------|--|
| Ticker | PHEQ |
| Inception Date | October 16, 2023 |
| Options Portfolio | Four 1-yr Put-Spread Collars (laddered) |
| Equity Portfolio | ~250 holdings (1-2% aspirational tracking error vs. S&P 500) |
| Exchange | NYSE Arca |
| Expense Ratio | 0.29% |

Expenses are based on the Fund's current prospectus. Please see the Fund's prospectus for additional information. Target tracking error is based on model simulations. Simulated data is hypothetical, does not represent the results of any investor and may not be relied upon for investment decisions. Actual results will vary. All investments are subject to loss.

Potential Benefits

UPSIDE PARTICIPATION: PHEQ's put-spread collar structure offers greater potential equity market upside relative to traditional collar structures.

EQUITY PORTFOLIO: PHEQ underlying portfolio invested in a basket of large cap equities, leveraging 30+ years and \$179B+ AUM within Parametric's Custom Core platform.¹

DIVERSIFICATION: Rather than including a single option hedge structure, PHEQ is designed to be a "single ticker" hedge solution with diversified laddered hedges.

TAX EFFICIENCY: PHEQ utilizes active tax management techniques, including loss harvesting, to produce a potentially more tax-efficient outcome for investors.

COST: Average expense ratios for Defined Outcome ETFs is 0.81%². PHEQ is significantly more cost effective at 0.29%.

¹ Asset figures are approximate as of September 30, 2023.

² Expenses are based on the fund's current prospectus. Please see the Fund's prospectus for additional information. Source: Morningstar, as of September 30, 2023. Based on the average fee of Active ETFs within the Morningstar Options Trading category which includes ETFs categorized as Defined Outcome.

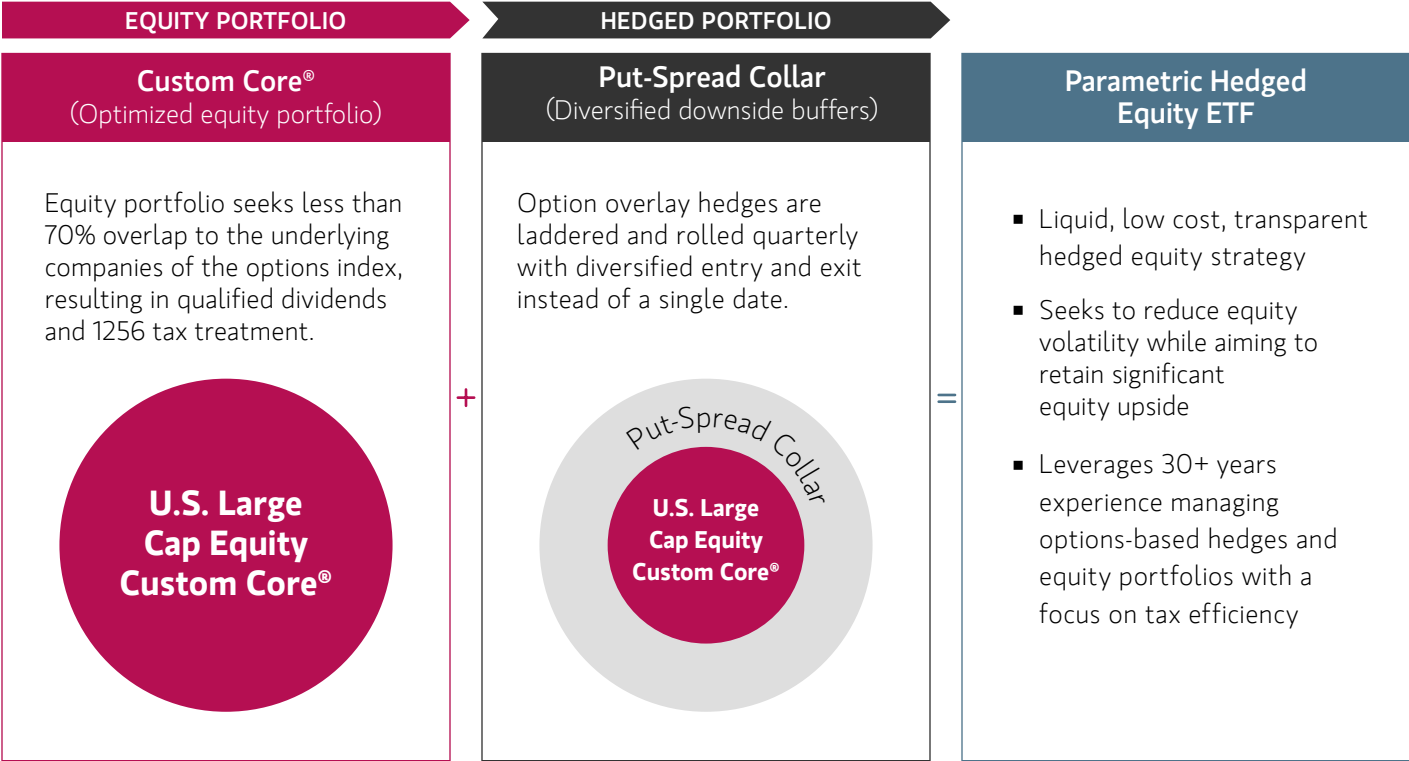
Portfolio Construction

Leveraging Parametric’s industry-leading direct indexing platform – Custom Core® – PHEQ’s underlying equity exposure is an index-tracking portfolio that is optimized for tax efficiency. The Fund’s protective option overlay is an approximately zero-cost put-spread collar, using laddered expirations and a systematic implementation. Option hedges are laddered quarterly for diversification and may provide a more stable risk-return profile through time. One-year hedges are staggered such that 25% expire quarterly with each hedge offering a 20% downside protection range while maintaining significant upside return potential.

Potential Advantages of PHEQ’s Portfolio Construction

- May provide protection against adverse market moves – reducing volatility and drawdowns.
- Implemented with approximately zero upfront premium payment – premiums received from short put and short call offset the premium paid for the protective long put.
- The laddering of the put-spread collar hedges aims to improve diversification over the long-term resulting in a more stable risk/return profile rather than being exposed to a single defined outcome period.
- Creates a downside “buffer” range instead of a floor, resulting in greater equity upside participation than a collar structure.
- With the overlap to the underlying companies of the options index kept to less than 70%, the Fund potentially avoids penalizing tax straddle rules while dividends received by the Fund are qualified dividends and receive more favorable tax treatment.

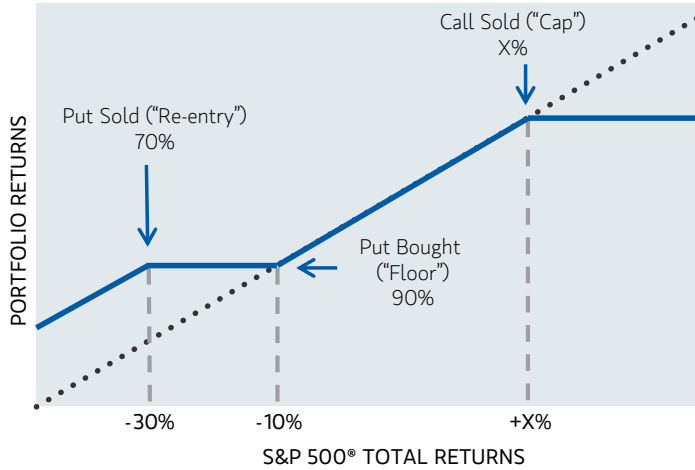
Portfolio Overview



For illustrative purposes only.

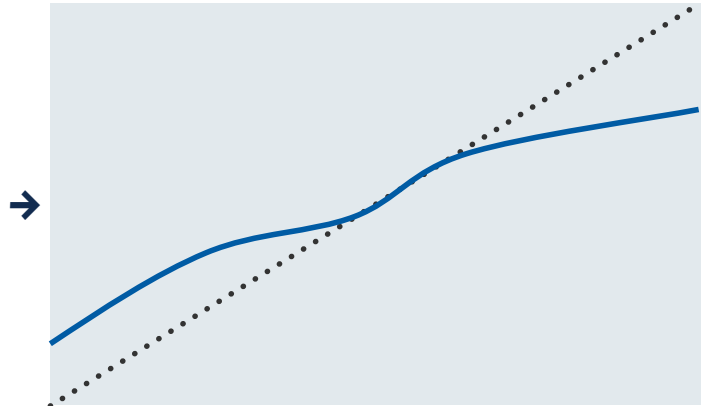
Put Spread Collar

Hedged Equity Return Profile (1-year)



Parametric Hedged Equity ETF

Blend of four laddered hedged equity portfolios



For illustrative purposes only. The information presented represents how the investment team generally applies its investment process under normal market conditions.

Portfolio Management Leadership

Thomas Seto and Alex Zweber lead a team of five seasoned portfolio managers with an average industry experience of 23 years, 17 of those at Parametric.



THOMAS SETO

Head of Investment Management

32 years of industry experience
25 years at Parametric



ALEX ZWEBER, CFA, CAIA

Managing Director, Investment Strategy

17 years of industry experience
17 years at Parametric

Team Experience

- Over \$179B in equity-based separate account portfolios across hundreds of indices and custom blends.¹
- Decades of experience in tax management that strives to improve after-tax returns.
- Over \$16B in options-based strategies and 30+ years of investment experience with a dedicated and stable team.¹

Risk Considerations

Diversification does not eliminate risk of loss. There is no assurance that a fund will achieve its investment objective. Funds are subject to market risk, which is the possibility that the market values of securities owned by the fund will decline. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this fund. Please be aware that this fund may be subject to certain additional risks. In general, **equities securities** values also fluctuate in response to activities specific to a company. **Information Technology Sector Risk.** To the extent the Fund invests a substantial portion of its assets in the information technology sector, the value of Fund shares may be particularly impacted by events that adversely affect the information technology sector, such as rapid changes in technology product cycles, product obsolescence, government regulation, and competition, and may fluctuate more than that of a fund that does not invest significantly in companies in the technology sector. **Options Risk.** Options may be illiquid and the Fund may have difficulty closing out its position. A decision as to whether, when and how to use options involves the exercise of skill and judgment and even a well-conceived option transaction may be unsuccessful because of market behavior or unexpected events. The prices of options can be highly volatile and the use of options can lower total returns. **Writing call options** involves the risk that the Fund may be required to sell the underlying security or instrument (or settle in cash an amount of equal value) at a disadvantageous price or below the market price of such underlying security or instrument, at the time the option is exercised. **Underlying Index.** The Fund invests in options that derive their value from the Underlying Index, and therefore the Fund's investment performance largely depends on the investment performance of the Underlying Index in addition to the performance of its equity portfolio, which will fluctuate. **Correlation.** As an option approaches its expiration date, its value typically will increasingly move with the value of the Underlying Index. However, the value of the options may vary prior to the expiration date because of related factors other than the value of the Underlying Index. Factors that may influence the value of the options include interest rate changes and implied volatility levels of the Underlying Index, among others. Transactions in some types of derivatives, including FLEX Options, are required to be centrally cleared ("cleared derivatives"). In a transaction involving cleared derivatives, the Fund's counterparty is a clearing house, such as the OCC, rather than a bank or broker. Since the Fund is not a member of clearing houses and only members of a clearing house ("clearing members") can participate directly in the clearing house, the Fund will hold cleared derivatives through accounts at clearing members. In cleared derivatives positions, the Fund will make payments to and receive payments from a clearing house through their accounts at clearing members. The Fund is also subject to the risk that a limited number of clearing members are willing to transact on the Fund's behalf, which heightens the risks associated with a clearing member's default. If a clearing member defaults, the Fund

could lose some or all of the benefits of a transaction entered into by the Fund with the clearing member. The loss of a clearing member for the Fund to transact with could result in increased transaction costs and other operational issues that could impede the Fund's ability to implement its investment strategy. If the Fund cannot find a clearing member to transact with on the Fund's behalf, the Fund may be unable to effectively implement its investment strategy. **Counterparty.** Counterparty risk generally refers to the risk that a counterparty on a derivatives transaction may not be willing or able to perform its obligations under the derivatives contract, and the related risks of having concentrated exposure to such a counterparty. If an OCC clearing member or OCC becomes insolvent, the Fund may have its positions closed or experience delays or difficulties in closing or exercising its FLEX Options positions and the Fund could suffer significant losses. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. Illiquid Securities. The fund may make investments in securities that are or become illiquid or less liquid and which may be more difficult to sell and value (liquidity risk). **Tax Risk.** The Fund intends to limit the overlap between its stock holdings and the stock holdings of the underlying ETF or underlying index of options to less than 70% on an ongoing basis in an effort to avoid being subject to the "straddle rules" under federal income tax law. The Fund expects that the option contracts it writes will not be considered straddles. Under certain circumstances, however, the Fund may enter into options transactions or certain other investments that may constitute positions in a straddle. The straddle rules may affect the character of gains (or losses) realized by the Fund. **Authorized Participant Concentration Risk.** The Fund has a limited number of intermediaries that act as authorized participants and none of these authorized participants is or will be obligated to engage in creation or redemption transactions. As a result, shares may trade at a discount to net asset value ("NAV") and possibly face trading halts and/or delisting. **Trading Risk.** The market prices of shares of the Fund are expected to fluctuate, in some cases materially, in response to changes in the Fund's NAV, the intra-day value of holdings, and supply and demand for Shares. The Adviser and Subadviser cannot predict whether shares will trade above, below or at their NAV. Buying or selling shares in the secondary market may require paying brokerage commissions or other charges imposed by brokers as determined by that broker. **Active Management Risk.** In pursuing the Fund's investment objective, the adviser and/or subadviser has considerable leeway in deciding which investments to buy, hold or sell on a day-to-day basis, and which trading strategies to use. For example, the adviser and/or subadviser, in its discretion, may determine to use some permitted trading strategies while not using others. The success or failure of such decisions will affect the Fund's performance. **New Fund Risk.** A new fund's performance may not represent how the fund is expected to or may perform in the long term. In addition, there is a limited operating history for investors to evaluate and the fund may not attract sufficient assets to achieve investment and trading efficiencies.

DEFINITIONS

Options are financial derivatives that give buyers the right, but not the obligation, to buy or sell an underlying asset at an agreed-upon price and date. **The S&P 500® Index** measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

IMPORTANT DISCLOSURES

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The index is unmanaged and does not include any expenses, fees or sales charges. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor.

Before investing in any Parametric ETF, prospective investors should consider carefully the investment objective(s), risks, and charges and expenses. The current prospectus contains this and other information. To obtain a prospectus or summary prospectus, please visit <https://morganstanley.prospectus-express.com/summary.asp?clientid=morganstll&fundid=61774R874%20&doctype=spro&template=parametric>. Prospective investors should read the prospectus carefully before investing.

Shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00pm net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

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