

# Parametric Hedged Equity ETF (PHEQ)

## FUND PROFILE

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 options 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 (Gross)	0.29%
Expense Ratio (Net)	0.29%

Expenses are based on the fund's current prospectus, in effect as of the date of this material. For information on the applicable fund's current fees and expenses, please see the fund's current prospectus. 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 \$330Bn+ AUM within Parametric's Custom Core platform.<sup>1</sup>

**DIVERSIFICATION:** Rather than including a single options 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 Options Trading category expense ratios for active ETFs is 0.73%.<sup>2</sup> PHEQ is significantly more cost-effective at 0.29%.

<sup>1</sup> Asset figures are approximate as of 09/30/2025.

<sup>2</sup> Expenses are based on the fund's current prospectus. Please see the Fund's prospectus for additional information. Source: Morningstar, as of 09/30/2025. Based on the average fee of active ETFs within the Morningstar Defined Outcome and Equity Hedge categories.

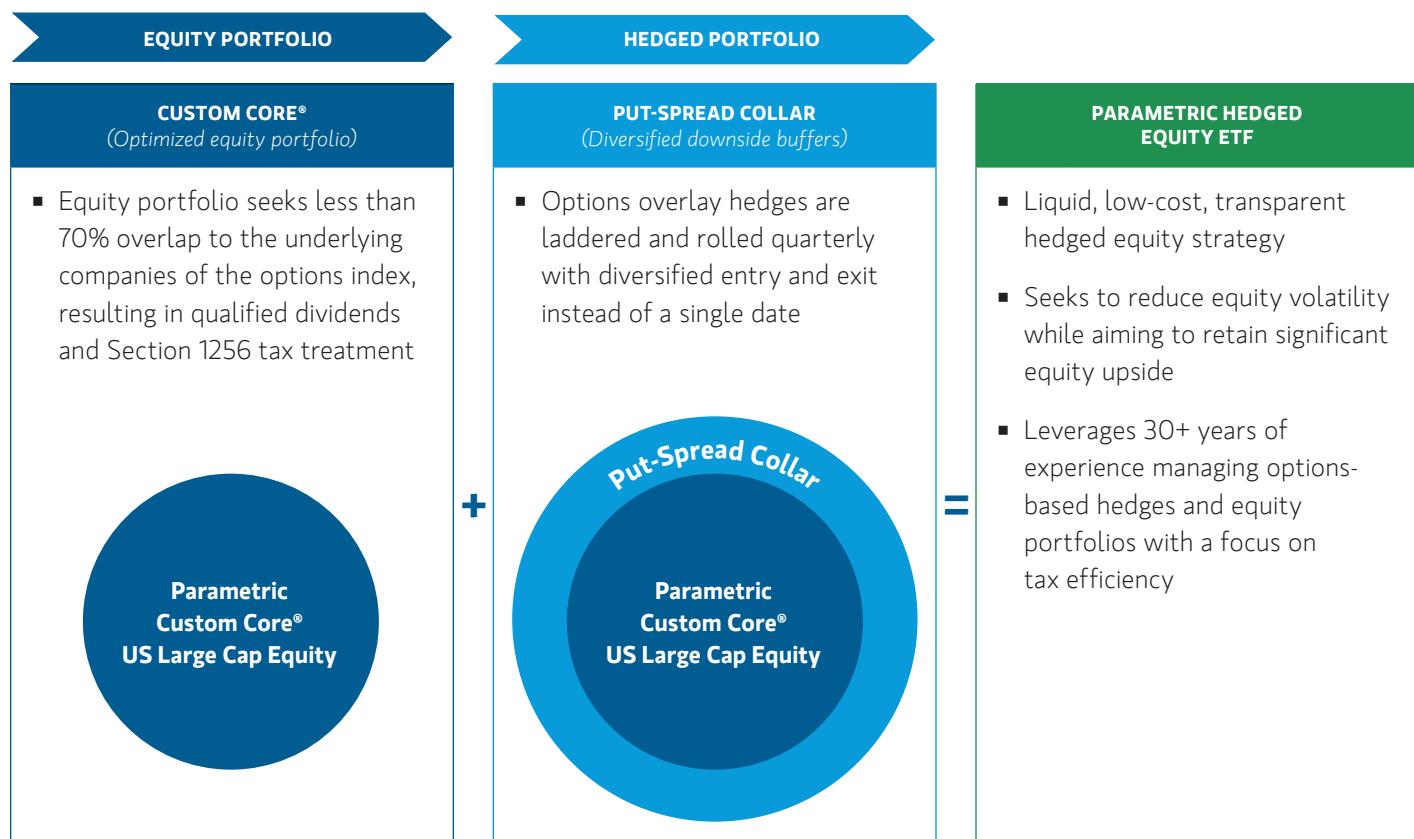
## Portfolio Construction

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 options overlay is an approximately zero-cost put-spread collar, using laddered expirations and a systematic implementation. Options 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 puts and short calls 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.

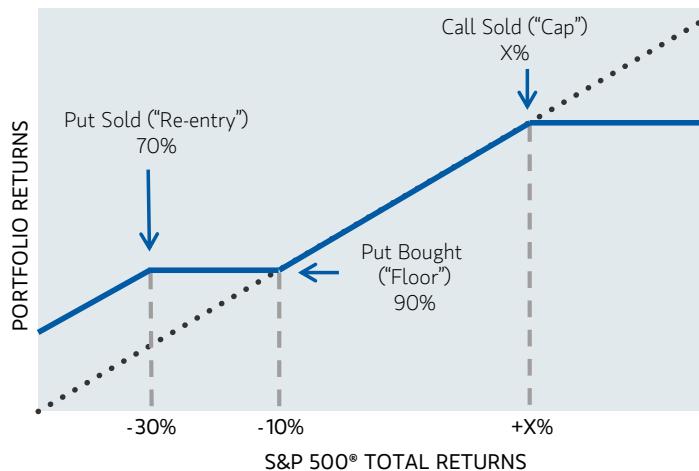
## Portfolio Overview



For illustrative purposes only.

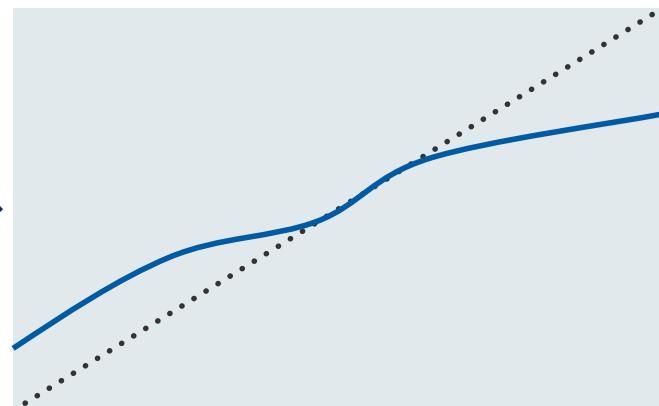
## Put-Spread Collar

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

Alex Zweber leads a team of six seasoned portfolio managers with an average industry experience of 21 years, 16 of those at Parametric.



**ALEX ZWEBER, CFA, CAIA**  
Managing Director, Investment Strategy

19 years of industry experience  
19 years at Parametric

### Team Experience

- \$330Bn+ in equity-based separately managed account (SMA) portfolios across hundreds of indexes and custom blends<sup>3</sup>
- \$21Bn+ in options-based strategies and 30+ years of investment experience with a dedicated and stable team<sup>3</sup>
- Decades of experience in tax management that strives to improve after-tax returns<sup>4</sup>

<sup>3</sup> Asset figures are approximate as of 09/30/2025.

<sup>4</sup> Third-party research has shown that tax management can add 1%–2% in after-tax excess returns. Source: Shomesh E. Chaudhuri, Terence C. Burnham and Andrew W. Lo, "An Empirical Evaluation of Tax-Loss-Harvesting Alpha," *Financial Analysts Journal* 76, no. 3 (2020): 99–108. This study did not involve Parametric or its clients. There is no guarantee that a tax-management strategy will result in increased after-tax returns. Results will differ based on an individual investor's circumstances.

## 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 options 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. **Clearing Member Risk.** 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 clearinghouse, such as the OCC, rather than a bank or broker. Since the Fund is not a member of clearinghouses and only members of a clearinghouse ("clearing members") can participate directly in the clearinghouse, 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 clearinghouse 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 options 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 of 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 intraday value of holdings, and supply and demand for shares. The advisor and subadvisor 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 advisor and/or subadvisor 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 advisor and/or subadvisor, 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.

## 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 US equities market, covering approximately 75% of the US equities market. The index includes 500 leading companies in leading industries of the US economy.

## IMPORTANT DISCLOSURES

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication.

The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information, and the Firm has not sought to independently verify information taken from public and third-party sources.

This material is a general communication, which is not impartial, and all information provided has been prepared solely for informational and educational purposes and

does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

Charts and graphs provided herein are for illustrative purposes only. **Past performance is no guarantee of future results.**

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 (which includes the applicable fund's current fees and expenses, if different from those in effect as of the date of this material), download a copy at [eatonvance.com](http://eatonvance.com) or call 1-800-548-7786. Prospective investors should read the prospectus carefully before investing.**

Morgan Stanley Investment Management Inc. is the advisor to the Parametric ETFs. Parametric Portfolio Associates LLC is the subadvisor to the Parametric ETFs. Parametric is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley. Parametric ETFs are distributed by Foreside Fund Services, LLC.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without MSIM's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

**NOT FDIC INSURED. OFFER NO BANK GUARANTEE. MAY LOSE VALUE. NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. NOT A DEPOSIT.**