

Parametric Equity Plus ETF (PEPS)

FUND PROFILE | November 2024

Parametric Equity Plus ETF combines Parametric's industry-leading capabilities in options-based strategies and direct indexing to offer US large-cap equity exposure plus additional upside potential.

PEPS seeks to provide a more consistent source of alpha than traditional stock selection that is less dependent on market environment. The fund aims to generate this alpha by overlaying a rules-based derivative strategy on top of a base portfolio of US large-cap equities.

PEPS also utilizes active tax-management techniques, including loss harvesting, that aim to produce a more tax-efficient enhanced equity exposure compared to traditional active or options-based strategies.

INVESTMENT OBJECTIVE:

Seeks to provide long-term capital appreciation.

Fast Facts

AT A GLANCE

Ticker	PEPS
Inception Date	November 7, 2024
Benchmark	S&P 500®
Equity Portfolio	≈250 US large-cap holdings
Value-Add Portfolio	Beta-neutral call overwriting
Exchange	NASDAQ
Expense Ratio	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.

Potential Benefits

EQUITY OUTPERFORMANCE: PEPS can potentially offer investors US large-cap equity market outperformance with similar volatility and drawdown risk to the benchmark.

DIRECT INDEXING: PEPS invests in an underlying portfolio of US large-cap equities through Parametric's direct indexing strategy, Custom Core®, which is optimized for tax efficiency while minimizing tracking error compared to the benchmark index.

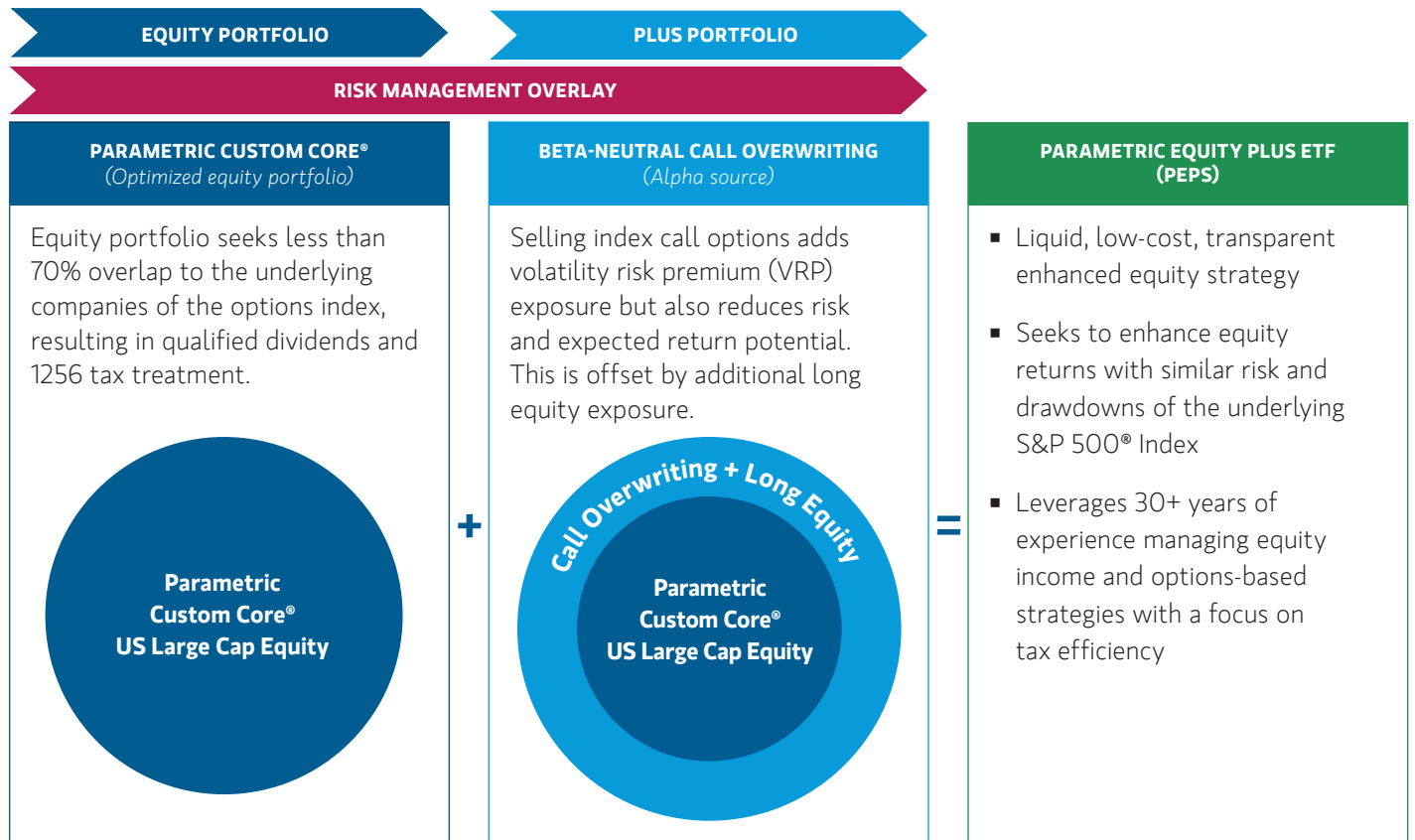
CONSISTENT VALUE-ADD: The base equity portfolio is enhanced by a rules-based options strategy, which seeks to offer outperformance that is more consistent than traditional stock selection.

TAX EFFICIENCY: PEPS utilizes active tax-management techniques, including loss harvesting, to potentially produce a more tax-efficient enhanced equity exposure than traditional active or options-based strategies.

COMPETITIVE COST: With an expense ratio of 0.29%, PEPS offers a competitive fee relative to the category average of 0.58%.¹

¹ Source: Morningstar, as of 9/30/2024. Based on the average fee for active ETFs within the Morningstar US Large Blend category.

Portfolio Construction



For illustrative purposes only.

What is the “Plus” (volatility risk premium)?

Implied volatility of equity options has generally exceeded the subsequent realized volatility during the option term. This excess is known as the volatility risk premium or “VRP.” To collect this value-add risk premium, the Fund sells a series of short maturity call options on the S&P 500® with staggered expirations. While typical call overwriting strategies, such as the Cboe S&P 500® BuyWrite Index (BXM), reduce beta and upside participation, PEPS offsets the directional exposure in its call overwriting with additional incremental long equity exposure via S&P 500® options to maintain an average 1.0 long-term equity beta. Coupled with a protective risk-management overlay, the end result is a transparent, liquid portfolio designed to produce repeatable long-term outperformance.

Portfolio Management Leadership

Alex Zweber leads a team of six seasoned portfolio managers with an average industry experience of 20 years, 16 of those at Parametric.



ALEX ZWEBER, CFA, CAIA
Managing Director, Investment Strategy

18 years of industry experience
18 years at Parametric

Team Experience

- \$266B+ in equity-based separately managed account (SMA) portfolios across hundreds of indexes and custom blends²
- \$17B+ in options-based strategies and 30+ years of investment experience with a dedicated and stable team²
- Decades of experience in tax management that strives to improve after-tax returns³

² Asset figures are approximate as of September 30, 2024.

³ 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

Equity. In general, **equities securities'** values also fluctuate in response to activities specific to a company. **Liquidity–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). **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. **Market & Geopolitical.** 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. **Derivative Instruments.** The use of derivatives may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. **Call Option Writing Risk.** 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. As the writer of a call option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or instrument covering the option above the sum of the premium and the exercise price, potentially causing underperformance in rising markets, but retains the risk of loss should the price of the underlying security or instrument decline. The Fund's call option writing strategy may not fully protect it against declines in the value of the market. The use of call options could increase the volatility of the Fund's returns and may increase the risk of loss to the Fund. There are special risks associated with uncovered option writing which expose the Fund to potentially significant loss. **FLEX Options.** The Fund utilizes FLEX Options guaranteed for settlement by the Options Clearing Corporation ("OCC"). The Fund may suffer significant losses if the OCC is unable or unwilling to perform its obligations or becomes insolvent or otherwise unable to meet its obligations. FLEX Options may be less liquid than other securities or options. The Fund may be negatively impacted if market participants are not willing or able to enter into transactions involving FLEX Options with the Fund in relation to creation and redemption transactions. The Fund may experience losses from certain FLEX Option positions, and certain FLEX Option positions may expire with little to no value. **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 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. **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. **Underlying Index and ETF Risk.** The Fund invests in options and futures that derive their value from an underlying index or underlying ETF, and therefore, in addition to the performance of the Equity Portfolio, the Fund's investment performance at least partially depends on the investment performance of the underlying index or underlying ETF. The value of the underlying index or underlying ETF will fluctuate over time based on fluctuations in the values of the securities that compose the underlying index or underlying ETF, which may be affected by changes in general economic conditions, expectations for future growth and profits, interest rates and the supply and demand for those securities. **Correlation Risk.** As an option approaches its expiration date, its value typically will increasingly move with the value of the underlying index or the underlying ETF. 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 or the underlying ETF, including the value of the options, interest rate changes and implied volatility levels of the underlying index or the underlying ETF, 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 clearing house, such as the OCC, rather than a bank or broker, and the Fund will hold cleared derivatives through 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. **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. **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.

DEFINITIONS

Alpha is the excess return or value added (positive or negative) of the portfolio's return relative to the return of the benchmark.

Beta is a measure of the relative volatility of a security or portfolio to the market's upward or downward movements. A beta greater than 1.0 identifies an issue or fund that will move more than the market, while a beta less than 1.0 identifies an issue or fund that will move less than the market. The beta of the market is always equal to 1.

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.

Overwriting is a strategy to sell (write) options that are overpriced under the assumption that the options won't get exercised.

Volatility is a statistical measure of the dispersion of returns for a given security or market index.

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.

The **Cboe S&P 500® BuyWrite Index (BXM)** measures the hypothetical performance of a portfolio that engages in a buy-write strategy using S&P 500® Index call options. The term buy-write is used because the investor buys stocks and writes call options against the stock position.

IMPORTANT INFORMATION

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 or call 1-800-548-7786. Prospective investors should read the prospectus carefully before investing.

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

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.

Morgan Stanley Investment Management, Inc. is the adviser to the Parametric ETFs. Parametric Portfolio Associates LLC is the sub-adviser 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.