

Parametric Emerging Markets Fund

A Word On The Markets

Emerging market equities saw a modest increase in the second quarter of 2019, with the MSCI Emerging Markets Index increasing 0.61% for the period. This small rally was indicative of broad dispersion among emerging market countries, with many of the larger members falling and the medium to smaller members rising.

Declines in China and Korea weighed most heavily on the Index return over the period. Equity markets in both countries abruptly sold-off after trade tensions between the US and China rapidly re-ignited. Softer economic data out of the two Asian economies also weighed on investor sentiment. Pakistan, the smallest member of the Index, delivered the worst performance seen among emerging markets. Stocks there, along with their currency, persistently slid over the quarter as growth forecasts were chopped in half and inflation rose aggressively. In addition, investor sentiment soured after spiraling current-account and budget deficits forced the country to seek \$6 billion in aid from the IMF. In stark contrast to this, one of the newest members to the Index, Argentina, saw a breathtaking rally on the back of falling inflation and the largest trade surplus in five-years, which buoyed economic activity. Russia also posted strong results for the quarter, rising double-digits on exceptional results in energy and financial stocks, in addition to appreciation in its currency. In Greece, equity markets were jolted to life after Prime Minister Alexis Tsipras's left-wing Syriza party was handily defeated in European Parliamentary elections. Expectations are now firmly in place for the opposition to win an upcoming snap election, which would see a pro-business government take hold that has promised to slash taxes and red-tape. In Brazil, a volatile start to the quarter turned positive in late May as many investors see a rate cut by the central bank increasingly likely due to declining growth expectations and subdued inflation. Progress by the government on pension reform also boosted markets.

In general, frontier market countries outperformed emerging market countries during the quarter, with the MSCI Frontier Markets Index rising 4.69%. The Index return was heavily influenced by major constituents Kuwait and Argentina, with both outpacing the aggregate return on the back of strong performance in bank stocks. In contrast, a decline in Vietnam provided a headwind to Index results.

% Average Annual Total Returns As of (06/30/2019)

	Q2	YTD	1 Year	3 Years	5 Years	10 Years
Investor Class at NAV	1.76	8.99	1.38	6.97	-0.08	4.87
Institutional Class at NAV	1.83	9.12	1.66	7.26	0.17	5.14
Benchmark	0.61	10.58	1.21	10.66	2.49	5.81

Benchmark: MSCI Emerging Markets Index

Performance Summary

Parametric Emerging Markets Fund (the Fund) outperformed its benchmark, the MSCI Emerging Markets Index (the Index), for the quarter ended June 30, 2019, returning 1.76% for Investor Class shares at net asset value versus the Index's 0.61% return.

- The Fund's emphasis on diversification¹ via a system of target country weights and systematic rebalancing back to these target weights was the largest contributor to relative performance during the quarter. The diversification targets consistently have the Fund underweight larger countries and overweight smaller countries.
- The Fund's emphasis on diversification at the sector level within each country detracted from relative returns.
- Finally, frontier countries included in the Fund, but not in the Index, contributed to relative performance, as our portfolio held larger positions to those frontier market countries which outperformed the Index.

Investor & Institutional Shares Inception	06/30/2006
Investor Class Expense Ratio ²	1.44%
Institutional Class Expense Ratio ²	1.19%

Past performance is no guarantee of future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than quoted. For the Fund's performance as of the most recent month-end, please refer to eatonvance.com. Returns are historical and are calculated by determining the percentage change in net asset value (NAV) with all distributions reinvested. Returns for other classes of shares offered by the Fund are different. Performance less than or equal to one year is cumulative. The minimum investment is \$1,000 for Investor Class and \$50,000 for Institutional Class. Minimums may be waived in certain situations. Please see the prospectus for additional information.

Index Definitions: MSCI Emerging Markets Index is an unmanaged index of emerging markets common stocks. MSCI Frontier Markets Index is an unmanaged index that measures the performance of stock markets with less-developed economies and financial markets than emerging markets, and that typically have more restrictions on foreign stock ownership. MSCI indexes are net of foreign withholding taxes. Source: MSCI. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index. Historical performance of the index illustrates market trends and does not represent the past or future performance of the fund.

Portfolio profile subject to change due to active management. Percentages may not total 100% due to rounding.

¹Diversification cannot ensure a profit or eliminate the risk of loss. ²Source: Fund prospectus.

Contributors

Factors contributing to the Fund's relative performance compared to the Index during the quarter:

- Our underweight to China contributed to relative returns versus the Index, as the Chinese market suffered from the re-escalation of trade tensions with the US, along with news that both sides were digging in their heels.
- In addition, our overweight to Russia boosted relative returns, as a rally in energy and financial stocks lifted the country.
- Our overweight position in Greece also benefited relative performance. Greece was one of the best performing countries over the quarter on expectations that an upcoming snap election will usher in a new pro-business government.

Detractors

Factors detracting from the Fund's relative performance compared to the Index during the quarter:

- Our overweight to Pakistan detracted from returns versus the Index. Pakistani stocks and the rupee declined amid concerns of slowing growth, rising inflation, and a harrowing current-account deficit that forced the country to accept aid from the IMF.
- An overweight to Chile harmed relative performance, as disappointing economic data weighed on equity prices.
- The sector diversification process in South Africa diminished relative results. This was partially caused by an overweight to the industrial sector, which trailed the broader country rally due to weakness in its sole constituent, Bidvest Group.

Investment Outlook And Fund Positioning

Commentators have expressed a wide range of opinions regarding the emerging markets asset class. Regardless of the near term forecast, many observers believe that persistent demographic and economic trends give emerging market economies a long-term advantage. While emerging market equities may continue to demonstrate heightened volatility, they may do so against a backdrop of generally rising prices.

How does one invest in this space with so much short-term uncertainty? We believe that managing risk by broadly diversifying, avoiding concentrations, and portfolio rebalancing are all key aspects that help address thoughtful investment decisions. The Parametric Emerging Markets investment strategy relies on a rules based approach combined with a systematic rebalancing discipline to reduce concentrations, while emphasizing broad diversification in seeking its objective of long-term capital appreciation.

Top 10 Holdings (%)³

Sberbank	0.76	Tencent Holdings Ltd.	0.57
Gazprom	0.74	Lukoil OAO	0.53
Credicorp Ltd.	0.71	Samsung Electronic	0.50
America Movil SA	0.68	Grupo Financiero Banorte	0.50
Naspers Ltd. N-Shares	0.68	Fomento Economico Mexica	0.47

About Risk: The value of investments held by the Fund may increase or decrease in response to economic, and financial events (whether real, expected or perceived) in the U.S. and global markets. The value of equity securities is sensitive to stock market volatility. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, currency exchange rates or other conditions. In emerging countries, these risks may be more significant. The Fund is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. No fund is a complete investment program and you may lose money investing in a fund. The Fund may engage in other investment practices that may involve additional risks and you should review the Fund prospectus for a complete description.

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Parametric Portfolio Associates, LLC, is the investment sub-adviser. It is a majority-owned subsidiary of Eaton Vance Corp.

³Percent of total net assets. Top 10 Holdings excludes cash and equivalents. Portfolio profile subject to change due to active management. Percentages may not total 100% due to rounding.

Before investing, investors should consider carefully the investment objectives, risks, charges and expenses of a mutual fund. This and other important information is contained in the prospectus and summary prospectus, which can be obtained from a financial advisor. Prospective investors should read the prospectus carefully before investing.

