

## Quarterly Commentary

### Quantitative Portfolio:

## Factor-Enhanced Emerg Mrkts ADR: V + M + Q

Fourth Quarter (Q4) 2023

### Market Environment

The US economy grew at a surprisingly fast pace in the third quarter of 2023, posting its fifth consecutive quarter of growth at or above its potential. The economy's resiliency has been mildly surprising to economists, as many had expected the economy to by this time dive into a recession as a result of the steep hike in interest rates implemented by the Federal Open Market Committee (FOMC). Against this backdrop, the Bureau of Economic Analysis released the third estimate of the third quarter 2023 real GDP, a seasonally adjusted annualized rise of 4.9%, a decline from the 5.2% prior estimate, but a marked increase over the previous quarter. The employment situation remained a mixed bag in the quarter. The November employment report showed that employers added 199,000 jobs in the month, and that the unemployment rate was slightly lower at 3.7%. The FOMC maintained its federal funds rate target range at 5.25% to 5.50% as inflation data trends lower. The FOMC provided a dovish outlook on interest rates, and many analysts believe interest rate cuts could begin soon.

### Portfolio Commentary

The Factor-Enhanced Emerg Mrkts ADR: V + M + Q strategy generated a gross total return of 4.52% in the fourth quarter, materially exceeding the 2.85% return of the S&P Emerging Markets Classic ADR NR. For the full year, the strategy posted a return of 19.66%, compared to the benchmark return of 8.19%. The strategy is quantitatively constructed to provide exposures to the primary drivers of return and excess return identified over decades of financial research. These include exposures to the market, as well as to the well-known value, momentum and quality asset pricing factors.

Due to the strategy's sector-neutral construction at the time of rebalancing, sector allocation will generally have a relatively minor effect on performance. Such was the case during the latest quarter, as the portfolio's relative performance was driven predominantly by individual security selection. Sector allocation detracted 158 basis points during the quarter, whereas stock selection within sectors accounted for 325 basis points. The sectors having the most positive relative impact from a security selection perspective were Consumer Discretionary and Health Care, and the sectors that contributed the least on a relative basis were Financials and Materials.

The strategy strives to capture exposures to the value, momentum and quality asset pricing factors, which academic research has shown generate positive returns over time. Each of these tilts contributed positively to performance in the quarter, with value contributing 13 basis points, momentum adding 25 basis points, and quality benefiting performance by four basis points.

The primary contributor to the performance of the Factor-Enhanced Emerg Mrkts ADR: V + M + Q strategy during the quarter was an overweight to Banco do Brasil S.A. (BDOR.Y). The Banks company advanced over 25%, outpacing the 10.3% return of the Financials sector. The stock contributed 32 basis points to performance.

An overweight to PDD Holdings Inc. (PDD) during the quarter also benefited performance, as the stock gained almost 47%. The Broadline Retail company contributed 29 basis points to performance, and in the process also outperformed the -0.0% return of the Consumer Discretionary sector.

Beverages company Coca-Cola FEMSA, S.A.B. de C.V. (KOF) benefited performance in the quarter as a result of its overweight in the portfolio relative to the benchmark. The stock's gain exceeded 24%, and contributed 26 basis points to performance. It also outperformed the 14.3% return of the broader Consumer Staples sector.

The primary detractor from the performance of the Factor-Enhanced Emerg Mrkts ADR: V + M + Q strategy during the quarter was an underweight to Taiwan Semiconductor Manufacturing Company Limited (TSM). The Semiconductors and Semiconductor Equipment company advanced in excess of 19%, outpacing the 18.2% return of the Information Technology sector. The stock detracted 35 basis points from performance.

Also detracting from performance was the portfolio's overweight to Sinopharm Group Co. Ltd. (SHTD.Y), which declined close to 10%. The Health Care Providers and Services company underperformed the -6.3% return of the broader Health Care sector. The position detracted 25 basis points from performance.

The portfolio's underweight to Malayan Banking Berhad (MLYB.Y), which gained close to 24%, also detracted from performance, accounting for 17 basis points of negative contribution.

The consensus for 2024 among economists and analysts is one of cautious optimism, as the FOMC is expected to begin lowering interest rates, and inflation is anticipated to continue to trend lower. Since a large portion of the stock market's gains in 2023 was a result of the performance of a handful of large company stocks, Investors will be paying close attention to market breadth in 2024. In addition, the presidential election campaign will come into increasing focus for many investors.

## Model Portfolio Attribution

	Performance Driver	Active Return Contribution	Portfolio Exposure	Average Weight in Model	Comments
Contributors	Banco do Brasil S.A. (BDOR.Y)	+32 bps	Overweight	2.68%	BDOR.Y posted a gain of 25%, outperforming the general sector in the quarter.
	PDD Holdings Inc. (PDD)	+29 bps	Overweight	3.90%	PDD, a Consumer Discretionary company, advanced 47% in the quarter, and outperformed the overall sector's return.
	Coca-Cola FEMSA, S.A.B. de C.V. (KOF)	+26 bps	Overweight	2.07%	The Consumer Staples company KOF advanced 24% in the quarter, and outperformed the overall sector's return.
	Meituan (MPNG.Y)	+25 bps	Underweight	1.58%	The Hotels, Restaurants and Leisure company's stock had a negative return of 27% in the quarter.
	Tencent Holdings Limited (TCEH.Y)	+22 bps	Underweight	6.40%	TCEH.Y posted a loss of 2%, and also underperformed the general sector in the quarter.
Detractors	Taiwan Semiconductor Manufacturing Company Limited (TSM)	-35 bps	Underweight	14.48%	The Semiconductors and Semiconductor Equipment company's stock advanced 19% in the quarter.
	Sinopharm Group Co. Ltd. (SHTD.Y)	-25 bps	Overweight	1.38%	SHTD.Y posted a loss of 10%, and also underperformed the general sector in the quarter.
	Malayan Banking Berhad (MLYB.Y)	-17 bps	Underweight	0.38%	MLYB.Y's gain of 24% outperformed the general sector in the quarter.
	HDFC Bank Limited (HDB)	-14 bps	Underweight	1.49%	The Financials company HDB advanced 16% in the quarter, and outperformed the overall sector's return.
	Vale S.A. (VALE)	-13 bps	Underweight	0.88%	The Metals and Mining company's stock advanced 23% in the quarter.

## Disclosure

The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this brochure is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. All investments carry a certain risk, and there is no assurance that an investment will provide positive performance over any period of time. An investor may experience loss of principal. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment advisor to determine the appropriate investment strategy. Investment decisions should always be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance. This material is not meant as a recommendation or endorsement of any specific security or strategy.

The portfolio incorporates sustainability criteria on a best-efforts basis. Envestnet utilizes sustainability data provided by a third party for portfolio management and reporting purposes. All sustainability data are believed to be from reliable sources; however, we make no representation as to its accuracy or completeness. The scores, ratings, and assessments are subjective by nature, and may or may not be accurate, complete, or reflect the beliefs of some investors.

An ESG integrated or ESG data screened investment strategy may limit the types and number of investment opportunities available to the strategy. This may have a positive or negative effect on investment performance relative to strategies which do not utilize ESG integrated investment approaches. There is no guarantee that an ESG integrated strategy will be successful and meet its investment objective. Companies selected for inclusion in a strategy may not exhibit positive or favorable ESG characteristics at all times and may shift into and out of favor depending on market and economic conditions.

QRG's investment process is guided by systematic, quantitative and rules-based methodologies that helped inform the construction of the portfolio discussed herein using a subset of the constituents of its designated tracking index. The narrative portion of this commentary references the three largest contributors to performance and the

three largest detractors from performance. The attribution chart includes the five largest contributors to performance as well as the five largest detractors from performance. The top contributors and detractors to performance may be based on security weightings (positions held or not held, overweight or underweight positions) or sector weightings.

Neither Envestnet, nor QRG Capital Management, Inc., nor Envestnet | PMC™ nor its representatives render tax, accounting or legal advice. Any tax statements contained herein are not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. Taxpayers should always seek advice based on their own particular circumstances from an independent tax advisor. Indexes are unmanaged. It is not possible to invest directly in an index. If interested in the attribution calculation methodology, or for the full list of portfolio contributors and detractors, please e-mail [qrg@envestnet.com](mailto:qrg@envestnet.com).

FOR ONE-ON-ONE USE WITH A CLIENTS FINANCIAL ADVISOR ONLY. NOT FOR DISTRIBUTION TO THE PUBLIC.

QRG-QC-IIMLCESG-0521

---

# QRG Factor-Enhanced Emerg Mrkts ADR: V + M + Q

Period	*Pure Gross Return	Net Return	S&P Emerging Markets Classic ADR NR Return	Number of Portfolios End of Period	Equal Weighted Std. Dev.	Composite 3-year Std. Dev.	Benchmark 3-year Std. Dev.	Total Composite Assets	Total Product Assets	Firm AUM	Composite Assets as Percentage of Total Firm
**2017-06-01 - 2017-07-31	8.33%	7.81%	9.35%	1	nm	n/a	n/a	109,584	109,584	605,645,493	0.02%
**2017-10-01 - 2017-12-31	10.69%	9.89%	7.48%	2	nm	n/a	n/a	373,475	852,071	802,232,195	0.05%
2018	-19.10%	-21.54%	-15.61%	3	nm	n/a	n/a	480,314	2,349,693	1,604,283,375	0.03%
2019	20.67%	17.15%	24.01%	15	n/a	n/a	n/a	4,517,624	6,295,564	2,723,594,504	0.17%
2020	16.30%	12.89%	18.02%	19	n/a	20.04%	20.98%	6,477,442	11,326,002	4,011,352,178	0.16%
2021	-0.83%	-3.77%	-11.81%	16	0.34%	19.23%	19.95%	3,295,349	15,296,465	5,883,211,018	0.06%
2022	-16.58%	-19.09%	-20.56%	23	2.83%	22.07%	24.09%	4,077,875	12,909,185	5,825,736,102	0.07%
2023	19.66%	16.16%	8.19%	20	n/a	20.78%	23.50%	3,818,323	15,861,492	9,254,020,860	0.04%

\*Presented as supplementary information.

\*\*Partial year.

QRG Capital Management, Inc. (QRG) is an SEC-registered investment adviser, established in 2020. QRG provides fee-based management of equity and portfolios for a broad range of clients on a discretionary and non-discretionary basis. QRG is a subsidiary of Envestnet, Inc., and for the purpose of the Global Investment Performance Standards (GIPS), the firm is defined as all strategies marketed under QRG. The QRG Factor-Enhanced Emerg Mrkts ADR: V + M + Q strategy has an inception and creation date of Jun 01, 2017. The QRG Factor-Enhanced Emerg Mrkts ADR: V + M + Q strategy is comprised of American Depositary Receipts (ADRs) of companies in emerging market economies. The strategy is designed to capture the well-known asset pricing factors value, momentum and quality. The strategy is designed to closely track the S&P Emerging Markets Classic ADR Index which measures performance of emerging markets.

The QRG Factor-Enhanced Emerg Mrkts ADR: V + M + Q composite is comprised of all fee-paying, discretionary accounts with at least \$100,000 in assets. Accounts are added to the composite at the beginning of the month after they are fully invested. If the market value and net investment of the account falls below \$100,000 it is removed until the next reconciliation and calculation period. Accounts that have a significant cash flow, defined as 20% of the beginning market value, will be removed from the composite until the next reconciliation and calculation period. Financial leverage is not employed as part of the investment strategy. There was a break in performance between 8/1/2017 and 9/30/2017 due to all eligible accounts becoming non-discretionary and leaving the composite

All information is based in US dollars. Pure gross results are shown gross of all fees and trading expenses. Net results reflect the pure gross return minus a 3% model WRAP fee that includes management fees, trading costs, platform fees, and other administration fees as well as a model custodian fee of 0.25% that includes brokerage commissions, but do not include other administration fees. Clients who access these strategies through a financial intermediary firm may pay additional fees to that firm. Actual fees may vary. The current management fee schedule is as follows: Up to \$500,000 - 0.20%, \$500,000 to \$1 million - 0.18%, \$1 million to \$2 million - 0.17%, \$2 million to \$5 million - 0.15%, \$5 million to \$10 million - 0.12%, \$10 million and up - 0.09%. All returns reflect the reinvestment of all dividends and interest income.

Returns are time weighted and calculated using the Modified Dietz method. All cash flows trigger a performance sub-period which are geometrically linked to create monthly returns. Monthly returns are geometrically linked to create quarterly and yearly returns. Neither the composite nor the benchmark returns reflect tax withholding for ordinary income or capital gains. Dispersion is measured by an equal-weighted standard deviation of the pure gross returns of all accounts in the composite for the entire four-quarter period. Internal dispersion is deemed non-material (nm) if fewer than five portfolios are in the composite over the reporting period, or not applicable (n/a) if no accounts are eligible over the entire reporting period. The 3- year standard deviation is calculated using pure gross returns, and is considered not applicable (n/a) for periods with less than three years of performance. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

QRG claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. QRG has been independently verified for the periods December 1, 2013 through December 31, 2023. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The firm's list of composite descriptions is available upon request. Past performance does not guarantee future results.

Percentage of strategy assets represented by WRAP accounts at period end:

2017 - 100%  
2018 - 100%  
2019 - 100%  
2020 - 100%  
2021 - 100%  
2022 - 100%  
2023 - 100%

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.