

Quarterly Commentary

Quantitative Portfolio:

Factor-Enhanced Emerg Mrkts ADR: V + 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 + Q strategy generated a gross total return of 1.95% in the fourth quarter, underperforming the 2.85% return of the S&P Emerging Markets Classic ADR NR. For the entire year, the strategy finished with a return of 15.66%, compared to the 8.19% of the benchmark. 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 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. However, during the latest quarter sector allocation was the predominant driver of the portfolio's relative performance, detracting 57 basis points, and stock selection within sectors had a negative impact, detracting 33 basis points. The sectors having the most positive relative impact from a security selection perspective were Health Care and Communication Services, and the sectors that contributed the least on a relative basis were Financials and Materials.

The strategy is constructed to favor stocks of companies having high aggregate exposures to the well known value and quality asset pricing factors, which academic research has shown generate positive returns over time. These tilts delivered positive results in the latest quarter, as value and quality contributed 9 and five basis points, respectively, to the portfolio's relative performance.

The primary contributor to the performance of the Factor-Enhanced Emerg Mrkts ADR: V + Q strategy performance during the quarter was an underweight to WuXi Biologics (Cayman) Inc. (WXXW.Y). The Life Sciences Tools and Services company fell by almost 35% on an absolute basis, and lagged the -6.3% return of the Health Care sector. The stock contributed 26 basis points to performance.

The portfolio also benefited from having an underweight to Tencent Holdings Limited (TCEH.Y). The Interactive Media and Services company's stock fell by more than 2%, and contributed 18 basis points to performance. However, the stock lagged the -0.1% return of the Communication Services sector.

Another positive contributor to portfolio performance was an overweight to Kumba Iron Ore Limited (KIRO.Y), as the stock added more than 44%. The Metals and Mining firm also outperformed the 13.4% return of the overall Materials sector. The overweight position contributed 17 basis points to performance.

The primary detractor from the performance of the Factor-Enhanced Emerg Mrkts ADR: V + 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 63 basis points from performance.

LexinFintech Holdings Ltd. (LX) experienced a 14% decline during the quarter, detracting 24 basis points as a result of its overweight allocation relative to the index.

POSCO Holdings Inc. (PKX) 's overweight position relative to the benchmark resulted in a 23 basis point deduction from the portfolio's performance. The Metals and Mining company's stock fell by almost 5%, and underperformed the overall Materials sector.

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	WuXi Biologics (Cayman) Inc. (WXXW.Y)	+26 bps	Underweight	0.08%	The stock of the Life Sciences Tools and Services firm fell by 35% in the quarter.
	Tencent Holdings Limited (TCEH.Y)	+18 bps	Underweight	6.84%	TCEH.Y's loss of 2% underperformed the general sector in the quarter.
	Kumba Iron Ore Limited (KIRO.Y)	+17 bps	Overweight	0.72%	The Materials company KIRO.Y advanced 44% in the quarter, and outperformed the overall sector's return.
	Lenovo Group Limited (LNVG.Y)	+17 bps	Overweight	0.97%	Outperforming the overall sector's return, the Information Technology company LNVG.Y advanced 39% in the quarter.
	ASE Technology Holding Co., Ltd. (ASX)	+17 bps	Overweight	1.62%	The stock of the Information Technology company gained 25% in the quarter, and outperformed the overall sector's return.
Detractors	Taiwan Semiconductor Manufacturing Company Limited (TSM)	-63 bps	Underweight	12.10%	TSM's gain of 19% outperformed the general sector in the quarter.
	LexinFintech Holdings Ltd. (LX)	-24 bps	Overweight	0.93%	LX posted a loss of 14%, and also underperformed the general sector in the quarter.
	POSCO Holdings Inc. (PKX)	-23 bps	Overweight	2.03%	The Metals and Mining company's stock had a negative return of 5% in the quarter.
	PT Bank Mandiri (Persero) Tbk (PPER.Y)	-17 bps	Overweight	3.18%	The Banks company's stock advanced 1% in the quarter.
	HDFC Bank Limited (HDB)	-16 bps	Underweight	0.51%	HDB's gain of 16% outperformed the general sector in the quarter.

Disclosure

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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.

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QRG Factor-Enhanced Emerg Mrkts ADR: V + 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
**2018-07-01 - 2018-07-31	2.74%	2.49%	2.59%	1	nm	n/a	n/a	102,381	2,274,563	1,482,016,208	0.01%
**2018-10-01 - 2018-12-31	-7.39%	-8.10%	-7.67%	1	nm	n/a	n/a	179,289	3,179,552	1,604,283,375	0.01%
**2019-04-01 - 2019-12-31	5.18%	2.85%	10.34%	1	nm	n/a	n/a	309,931	5,110,840	2,723,594,504	0.01%
2020	13.16%	9.83%	18.02%	2	nm	22.78%	20.98%	369,253	10,594,405	4,011,352,178	0.01%
2021	-3.53%	-6.40%	-11.81%	2	nm	20.13%	19.95%	380,478	9,480,601	5,883,211,018	0.01%
2022	-22.43%	-24.78%	-20.56%	5	n/a	22.78%	24.09%	1,938,224	8,899,302	5,825,736,102	0.03%
2023	15.66%	12.27%	8.19%	4	nm	20.78%	23.50%	1,739,596	9,170,644	9,254,020,860	0.02%

*Presented as supplementary information.

**Partial year.

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The QRG Factor-Enhanced Emerg Mrkts ADR: V + 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. Breaks in performance are 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.

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

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

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