

Quarterly Commentary

Quantitative Portfolio:

Factor-Enhanced Intl 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 Intl ADR: V + Q strategy generated a gross total return of 8.50% in the fourth quarter, materially exceeding the 6.28% return of the S&P Developed Markets Classic ADR NR. For the full year, the strategy posted a return of 19.78%, compared to the benchmark return of 19.39%. 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.

Sector allocation will generally have a relatively minor effect on performance, as the strategy is constructed to be sector-neutral at the time of rebalancing. Such was the case during the latest quarter, as the portfolio's relative performance was driven primarily by individual security selection. Sector allocation detracted 53 basis points, whereas stock selection within sectors contributed 275 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Financials and Industrials, and the sectors that contributed the least on a relative basis were Utilities and Communication Services.

The strategy strives to capture exposures to the well known value and quality asset pricing factors. These tilts disadvantaged relative performance in the quarter, with value and quality detracting 83 and 20 basis points, respectively.

The position providing the largest contribution to the performance of the Factor-Enhanced Intl ADR: V + Q strategy during the quarter was Shin-Etsu Chemical Co., Ltd. (SHEC.Y). An overweight to the Chemicals company, which had a return of almost 45%, contributed 21 basis points to performance as a result of its overweight position. The stock's performance also outpaced the 19.5% return of the Materials sector.

An overweight to Persimmon Plc (PSMM.Y) during the quarter also benefited performance, as the stock gained almost 43%. The Household Durables company contributed 19 basis points to performance, and in the process also outperformed the 8.8% return of the Consumer Discretionary sector.

Pandora A/S (PAND.Y) 's overweight position relative to the benchmark resulted in a 17 basis point contribution for the portfolio. The Textiles, Apparel and Luxury Goods company's stock advanced more than 36%, outperforming the overall Consumer Discretionary sector.

A primary detractor from performance during the quarter was an overweight to Honda Motor Co., Ltd. (HMC). The Automobiles company fell by more than 8%, lagging the 8.8% return of the Consumer Discretionary sector. The overweight position detracted 26 basis points from performance.

Also detracting from performance was the portfolio's overweight to British American Tobacco p.l.c. (BTI), which declined almost 2%. The Tobacco company underperformed the 6.7% return of the broader Consumer Staples sector. The position detracted 16 basis points from performance.

Another detractor from portfolio performance was an overweight to Repsol, S.A. (REPY.Y), as the stock retreated close to 7%. In addition, the Oil, Gas and Consumable Fuels firm underperformed the 2.2% return of the overall Energy sector. The overweight position detracted 15 basis points from performance.

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 | Shin-Etsu Chemical Co., Ltd. (SHEC.Y) | +21 bps | Overweight | 1.28% | The stock of the Chemicals firm advanced 45% in the quarter. |
| | Persimmon Plc (PSMM.Y) | +19 bps | Overweight | 0.90% | PSMM.Y's gain of 43% outperformed the general sector in the quarter. |
| | Pandora A/S (PAND.Y) | +17 bps | Overweight | 0.99% | The Consumer Discretionary company PAND.Y advanced 36% in the quarter, and outperformed the overall sector's return. |
| | NN Group N.V. (NNGR.Y) | +16 bps | Overweight | 1.50% | Outperforming the overall sector's return, the Financials company NNGR.Y advanced 23% in the quarter. |
| | Barratt Developments plc (BTDP.Y) | +16 bps | Overweight | 0.85% | The stock of the Household Durables firm advanced 37% in the quarter. |
| Detractors | Honda Motor Co., Ltd. (HMC) | -26 bps | Overweight | 1.87% | HMC, a Consumer Discretionary company, declined 8% in the quarter, and also underperformed the overall sector's return. |
| | British American Tobacco p.l.c. (BTI) | -16 bps | Overweight | 1.71% | The stock of the Consumer Staples company declined 2% in the quarter, and also underperformed the overall sector's return. |
| | Repsol, S.A. (REPY.Y) | -15 bps | Overweight | 0.89% | Posting a loss of 7%, REPY.Y underperformed the general sector in the quarter. |
| | Genmab A/S (GMAB) | -14 bps | Overweight | 0.85% | The Biotechnology company's stock fell by 7% in the quarter. |
| | OMV Aktiengesellschaft (OMVK.Y) | -12 bps | Overweight | 0.72% | OMVK.Y's loss of 3% underperformed the general sector in the quarter. |

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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-QC-IIMLCESG-0521

QRG Factor-Enhanced Intl ADR: V + Q

| Period | *Pure Gross Return | Net Return | S&P Developed 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 |
|---------------------------|--------------------|------------|---|------------------------------------|--------------------------|----------------------------|----------------------------|------------------------|----------------------|---------------|--|
| **2017-03-01 - 2017-09-30 | 17.06% | 15.07% | 14.83% | 15 | n/a | n/a | n/a | 1,103,969 | 4,491,251 | 659,614,347 | 0.17% |
| **2017-11-01 - 2017-12-31 | 1.66% | 1.15% | 1.87% | 12 | n/a | n/a | n/a | 2,445,782 | 16,060,854 | 802,232,195 | 0.30% |
| 2018 | -13.07% | -15.67% | -13.83% | 20 | n/a | n/a | n/a | 4,726,808 | 53,811,777 | 1,604,283,375 | 0.29% |
| 2019 | 17.43% | 14.00% | 22.61% | 43 | 0.33% | n/a | n/a | 11,098,990 | 85,293,006 | 2,723,594,504 | 0.41% |
| 2020 | 9.22% | 6.00% | 8.01% | 47 | 0.54% | 16.85% | 18.40% | 12,677,866 | 93,613,618 | 4,011,352,178 | 0.32% |
| 2021 | 12.76% | 9.46% | 11.97% | 46 | 0.83% | 15.76% | 17.40% | 13,866,206 | 93,267,005 | 5,883,211,018 | 0.24% |
| 2022 | -12.96% | -15.57% | -13.42% | 54 | 0.86% | 19.16% | 20.88% | 20,107,783 | 80,858,683 | 5,825,736,102 | 0.35% |
| 2023 | 19.78% | 16.28% | 19.39% | 58 | 0.68% | 16.04% | 17.39% | 23,506,394 | 93,306,894 | 9,254,020,860 | 0.25% |

*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 Intl ADR: V + Q strategy has an inception and creation date of Mar 01, 2017. The QRG Factor-Enhanced Intl ADR: V + Q strategy is comprised of American Depositary Receipts (ADRs) of companies in developed 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 Developed Markets Classic ADR Index which measures performance of international developed markets.

The QRG Factor-Enhanced Intl 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. There was a break in performance between 10/1/2017 and 10/31/2017 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.

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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%

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