

Quarterly Commentary

Quantitative Portfolio:

Factor-Enhanced Large Cap Low Volatility

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 Large Cap Low Volatility strategy generated a gross total return of 6.33% in the fourth quarter, underperforming the 6.74% return of the CRSP US Large Cap Index. For the entire year, the strategy finished with a return of 14.94%, compared to the 27.28% 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 low volatility asset pricing factor.

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 16 basis points, whereas stock selection within sectors detracted 25 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Industrials and Consumer Staples, and the sectors that contributed the least on a relative basis were Consumer Discretionary and Information Technology.

The primary contributor to the performance of the Factor-Enhanced Large Cap Low Volatility strategy during the quarter was an overweight to Coinbase Global, Inc. (COIN). The Capital Markets company advanced almost 131%, outpacing the 15.5% return of the Financials sector. The stock contributed 59 basis points to performance.

The portfolio's overweight to Cloudflare, Inc. (NET) also contributed positively to performance in the quarter. The IT Services company's stock advanced over 33% on an absolute basis, and also outperformed the 15.9% return of the Information Technology sector. The position contributed 22 basis points to performance.

Another positive contributor to portfolio performance was an overweight to Amphenol Corporation (APH), as the stock added more than 20%. The Electronic Equipment, Instruments and Components firm also outperformed the 15.9% return of the overall Information Technology sector. The overweight position contributed 22 basis points to performance.

An overweight position to Automatic Data Processing, Inc. (ADP) detracted 20 basis points from the portfolio's return. The Professional Services company declined by almost 2% during the quarter.

An overweight to The Trade Desk, Inc. (TTD) during the quarter also negatively impacted performance, as the stock declined almost 8%. The Media company detracted 17 basis points from performance, and trailed the 9.7% return of the Communication Services sector.

Aon plc (AON) 's overweight position relative to the benchmark resulted in a 14 basis point deduction from the portfolio's performance. The Insurance company's stock fell by almost 9%, and underperformed the overall Financials 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 | Coinbase Global, Inc. (COIN) | +59 bps | Overweight | 0.79% | The stock of the Financials company gained 131% in the quarter, and outperformed the overall sector's return. |
| | Cloudflare, Inc. (NET) | +22 bps | Overweight | 1.28% | NET's gain of 33% outperformed the general sector in the quarter. |
| | Amphenol Corporation (APH) | +22 bps | Overweight | 4.02% | The Electronic Equipment, Instruments and Components company's stock advanced 20% in the quarter. |
| | UnitedHealth Group Incorporated (UNH) | +12 bps | Underweight | 0.76% | The Health Care Providers and Services company's stock had a positive return of 3% in the quarter. |
| | Unity Software Inc. (U) | +11 bps | Overweight | 0.64% | The stock of the Information Technology company gained 34% in the quarter, and outperformed the overall sector's return. |
| Detractors | Automatic Data Processing, Inc. (ADP) | -20 bps | Overweight | 1.69% | ADP's loss of 2% underperformed the general sector in the quarter. |
| | The Trade Desk, Inc. (TTD) | -17 bps | Overweight | 0.97% | The stock of the Communication Services company declined 8% in the quarter, and also underperformed the overall sector's return. |
| | Aon plc (AON) | -14 bps | Overweight | 0.83% | Posting a loss of 9%, AON underperformed the general sector in the quarter. |
| | The TJX Companies, Inc. (TJX) | -12 bps | Overweight | 1.94% | The Specialty Retail company's stock advanced 6% in the quarter. |
| | Genuine Parts Company (GPC) | -7 bps | Overweight | 0.25% | The Distributors company's stock fell by 4% in the quarter. |

Disclosure

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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.

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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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If interested in the attribution calculation methodology, or for the full list of portfolio contributors and detractors, please e-mail qrg@envestnet.com.

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QRG Factor-Enhanced Large Cap Low Volatility

| Period | *Pure Gross Return | Net Return | ***CRSP US Large Cap Index 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 |
|---------------------------|--------------------|------------|-----------------------------------|------------------------------------|--------------------------|----------------------------|----------------------------|------------------------|----------------------|---------------|--|
| **2018-03-01 - 2018-10-31 | 4.55% | 2.48% | 1.03% | 1 | nm | n/a | n/a | 325,166 | 1,607,700 | 1,560,694,912 | 0.02% |
| 2019 | 31.50% | 27.70% | 31.43% | 16 | n/a | n/a | n/a | 6,125,481 | 15,063,920 | 2,723,594,504 | 0.22% |
| 2020 | 11.27% | 8.00% | 21.09% | 45 | n/a | n/a | n/a | 27,091,039 | 53,660,419 | 4,011,352,178 | 0.68% |
| 2021 | 26.69% | 23.01% | 27.07% | 60 | 0.39% | 16.38% | 17.47% | 47,513,800 | 91,047,761 | 5,883,211,018 | 0.81% |
| 2022 | -12.33% | -14.95% | -19.67% | 95 | 5.74% | 19.71% | 21.16% | 75,883,572 | 105,263,942 | 5,825,736,102 | 1.30% |
| 2023 | 14.94% | 11.58% | 27.28% | 100 | 6.68% | 15.85% | 17.40% | 87,063,321 | 118,854,930 | 9,254,020,860 | 0.94% |

*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 Large Cap Low Volatility strategy has an inception and creation date of Mar 01, 2018. The QRG Factor-Enhanced Large Cap Low Volatility strategy is comprised of ***Prior to 1/1/2020 the strategy was benchmarked against the Russell 1000 index. The benchmark was changed to better reflect the investing universe of the strategy. The strategy is designed to track the CRSP US Large Cap Index which measures the performance of the largest US companies. ***Prior to 1/1/2020 the strategy was benchmarked against the Russell 1000 index. The benchmark was changed to better reflect the investing universe of the strategy.

The QRG Factor-Enhanced Large Cap Low Volatility 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 11/1/2018 and 12/31/2018 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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