

Quarterly Commentary

Quantitative Portfolio:

Market Series Emerg Mrkts ADR

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 Market Series Emerg Mrkts ADR strategy generated a gross total return of 3.65% in the fourth quarter, outperforming the 2.85% return of the S&P Emerging Markets Classic ADR NR. For the entire year, the strategy finished with a return of 9.27%, compared to the 8.19% of the benchmark. The strategy is quantitatively constructed to maintain sector weights and risk characteristics in line with those of the benchmark.

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 not the case during the latest quarter, however, as the portfolio's relative performance was driven primarily by sector allocation. These sector weightings positively contributed 106 basis points, whereas stock selection within sectors detracted 26 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Financials and Materials, and the sectors that contributed the least on a relative basis were Consumer Discretionary and Consumer Staples.

Positively contributing to the Market Series Emerg Mrkts ADR strategy's performance during the quarter was an overweight to Fomento Económico Mexicano, S.A.B. de C.V. (FMX), which gained almost 19%. The stock also outperformed the 14.3% return of the Consumer Staples sector. The Beverages company contributed 14 basis points to performance.

An underweight to Meituan (MPNG.Y) during the quarter also benefited performance, as the stock declined in excess of 27%. The Hotels, Restaurants and Leisure company contributed 10 basis points to performance, but trailed the -0.0% return of the Consumer Discretionary sector.

Real Estate Management and Development company IRSA Inversiones y Representaciones Sociedad Anónima (IRS) benefited performance in the quarter as a result of its overweight in the portfolio relative to the benchmark. The stock gained almost 51%, and contributed eight basis points to performance. It also outperformed the -3.6% return of the broader Real Estate sector.

Detracting the most from the Market Series Emerg Mrkts ADR strategy's performance during the quarter was an underweight to Taiwan Semiconductor Manufacturing Company Limited (TSM), which gained more than 19%. However, the stock outperformed the 18.2% return of the Information Technology sector. The Semiconductors and Semiconductor Equipment company detracted 31 basis points from performance.

Also detracting from performance was the portfolio's underweight to Itaú Unibanco Holding S.A. (ITUB), which gained close to 32%. The Banks company's stock outperformed the 10.3% return of the broader Financials sector. The position detracted 16 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 14 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	Fomento Económico Mexicano, S.A.B. de C.V. (FMX)	+14 bps	Overweight	1.77%	The stock of the Beverages firm advanced 19% in the quarter.
	Meituan (MPNG.Y)	+10 bps	Underweight	1.82%	MPNG.Y, a Consumer Discretionary company, declined 27% in the quarter, and also underperformed the overall sector's return.
	IRSA Inversiones y Representaciones Sociedad Anónima (IRS)	+8 bps	Overweight	0.24%	IRS's gain of 51% outperformed the general sector in the quarter.
	AAC Technologies Holdings Inc. (AACA.Y)	+8 bps	Overweight	0.21%	Outperforming the overall sector's return, the Information Technology company AACA.Y advanced 77% in the quarter.
	ASE Technology Holding Co., Ltd. (ASX)	+8 bps	Overweight	1.05%	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)	-31 bps	Underweight	14.70%	The Semiconductors and Semiconductor Equipment company's stock advanced 19% in the quarter.
	Itaú Unibanco Holding S.A. (ITUB)	-16 bps	Underweight	0.29%	The stock of the Financials company gained 32% in the quarter, and outperformed the overall sector's return.
	Malayan Banking Berhad (MLYB.Y)	-14 bps	Underweight	0.60%	Outperforming the overall sector's return, the Financials company MLYB.Y advanced 24% in the quarter.
	PDD Holdings Inc. (PDD)	-12 bps	Underweight	2.62%	PDD's gain of 47% outperformed the general sector in the quarter.
	Sinopharm Group Co. Ltd. (SHTD.Y)	-4 bps	Overweight	0.33%	The Health Care Providers and Services company's stock fell by 10% 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 Market Series Emerg Mrkts ADR

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
**2015-03-01 - 2015-12-31	-16.39%	-18.50%	-17.05%	2	nm	n/a	n/a	920,182	920,182	137,138,368	0.67%
2016	15.07%	11.70%	14.97%	1	nm	n/a	n/a	804,698	804,698	392,256,391	0.21%
**2017-01-01 - 2017-03-31	11.33%	10.53%	12.71%	1	nm	n/a	n/a	893,941	893,941	468,224,672	0.19%
**2017-05-01 - 2017-06-30	3.94%	3.43%	4.18%	1	nm	n/a	n/a	940,336	940,336	573,268,647	0.16%
**2017-10-01 - 2017-12-31	8.56%	7.77%	7.48%	1	nm	n/a	n/a	109,335	321,881	802,232,195	0.01%
**2018-01-01 - 2018-02-28	4.28%	3.77%	5.86%	1	nm	17.88%	18.48%	113,649	344,991	872,271,316	0.01%
**2018-04-01 - 2018-07-31	-6.47%	-7.42%	-7.21%	1	nm	16.75%	17.21%	103,299	935,280	1,482,016,208	0.01%
**2018-09-01 - 2018-12-31	-9.25%	-10.18%	-7.65%	2	nm	16.16%	16.20%	1,937,784	3,034,953	1,604,283,375	0.12%
2019	23.26%	19.67%	24.01%	3	nm	16.81%	16.73%	2,559,560	3,129,483	2,723,594,504	0.09%
2020	20.93%	17.40%	18.02%	3	nm	21.16%	20.98%	575,183	4,457,706	4,011,352,178	0.01%
2021	-10.81%	-13.48%	-11.81%	5	n/a	19.88%	19.95%	888,517	6,890,058	5,883,211,018	0.02%
2022	-17.64%	-20.13%	-20.56%	11	n/a	23.75%	24.09%	1,961,146	9,302,995	5,825,736,102	0.03%
2023	9.27%	6.05%	8.19%	9	n/a	22.72%	23.50%	1,623,788	11,794,327	9,254,020,860	0.02%

*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 Market Series Emerg Mrkts ADR strategy has an inception and creation date of Mar 01, 2015. The QRG Market Series Emerg Mrkts ADR strategy is comprised of American Depositary Receipts (ADRs) of companies in emerging market economies. The strategy is designed to closely track the S&P Emerging Markets Classic ADR Index which measures performance of emerging markets.

The QRG Market Series Emerg Mrkts ADR 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 - 0.15%, \$500,000 to \$1 million - 0.14%, \$1 million to \$2 million - 0.13%, \$2 million to \$5 million - 0.11%, \$5 million to \$10 million - 0.09%, \$10 million and up - 0.08%. 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:

- 2015 - 100%
- 2016 - 100%
- 2017 - 100%
- 2018 - 100%
- 2019 - 100%
- 2020 - 100%
- 2021 - 100%
- 2022 - 100%
- 2023 - 100%

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