

Quarterly Commentary

Quantitative Portfolio: Market Series Global

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 Global strategy delivered a gross total return of 7.28% in the fourth quarter, outgaining the 6.60% return of the Global: 69% CRSP LC/ 31% S&P Developed Markets Classic ADR. For the full year the strategy generated a return of 26.30%, while the benchmark finished with a 24.83% return. The strategy is quantitatively constructed to maintain sector weights and risk characteristics in line with those of the benchmark.

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, positively contributing 905 basis points, whereas stock selection within sectors had a negative impact, detracting 837 basis points. The sectors having the most positive relative impact from a security selection perspective were Consumer Discretionary and Information Technology, and the sectors that contributed the least on a relative basis were Health Care and Financials.

The position providing the largest contribution to the performance of the Market Series Global strategy during the quarter was Fifth Third Bancorp (FITB). An overweight to the Banks company, which had a return of greater than 42%, contributed nine basis points to performance as a result of its overweight position. The stock's performance also outpaced the 13.9% return of the Financials sector.

The portfolio's overweight to Lennar Corporation (LEN.B) also contributed positively to performance in the quarter. The Household Durables company's stock advanced over 32% on an absolute basis, and also outperformed the 11.1% return of the Consumer Discretionary sector. The position contributed eight basis points to performance.

Household Durables company Lennar Corporation (LEN) benefited performance in the quarter as a result of its overweight in the portfolio relative to the benchmark. The stock gained almost 35%, and contributed seven basis points to performance. It also outperformed the 11.1% return of the broader Consumer Discretionary sector.

A primary detractor from performance during the quarter was an overweight to Marathon Petroleum Corporation (MPC). The Oil, Gas and Consumable Fuels company fell by more than 1%, outpacing the -2.6% return of the Energy sector. The overweight position detracted five basis points from performance.

Panasonic Holdings Corporation (PCRF.Y) experienced a 12% decline during the quarter, detracting five basis points as a result of its overweight allocation relative to the index.

Insurance company Everest Group, Ltd. (EG) detracted from performance in the quarter as a result of its overweight in the portfolio relative to the benchmark. The stock declined almost 5%, and detracted four basis points from performance. It also underperformed the 13.9% return of the broader 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	Fifth Third Bancorp (FITB)	+9 bps	Overweight	0.36%	FITB posted a gain of 42%, outperforming the general sector in the quarter.
	Lennar Corporation (LEN.B)	+8 bps	Overweight	0.49%	LEN.B, a Consumer Discretionary company, advanced 32% in the quarter, and outperformed the overall sector's return.
	Lennar Corporation (LEN)	+7 bps	Overweight	0.43%	The Consumer Discretionary company LEN advanced 35% in the quarter, and outperformed the overall sector's return.
	Broadcom Inc. (AVGO)	+6 bps	Overweight	1.05%	Outperforming the overall sector's return, the Information Technology company AVGO advanced 34% in the quarter.
	Simon Property Group, Inc. (SPG)	+6 bps	Overweight	0.39%	The stock of the Real Estate company gained 38% in the quarter, and outperformed the overall sector's return.
Detractors	Marathon Petroleum Corporation (MPC)	-5 bps	Overweight	0.50%	MPC's loss of 1% outperformed the general sector in the quarter.
	Panasonic Holdings Corporation (PCRF.Y)	-5 bps	Overweight	0.23%	The stock of the Household Durables firm fell by 12% in the quarter.
	Everest Group, Ltd. (EG)	-4 bps	Overweight	0.09%	Posting a loss of 5%, EG underperformed the general sector in the quarter.
	Aon plc (AON)	-4 bps	Overweight	0.30%	The Insurance company's stock fell by 9% in the quarter.
	Astellas Pharma Inc. (ALPM.Y)	-4 bps	Overweight	0.19%	ALPM.Y's loss of 14% 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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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 Market Series Global

Period	*Pure Gross Return	Net Return	***Global: 69% CRSP LC/ 31% S&P Developed Markets Classic ADR 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
**2019-04-01 - 2019-12-31	14.97%	12.45%	14.01%	2	nm	n/a	n/a	2,353,171	4,791,837	2,723,594,504	0.09%
2020	16.31%	12.90%	16.45%	3	nm	n/a	n/a	1,961,974	6,492,582	4,011,352,178	0.05%
2021	23.50%	19.91%	22.28%	3	nm	n/a	n/a	2,376,843	16,269,291	5,883,211,018	0.04%
2022	-20.26%	-22.67%	-17.66%	3	nm	20.48%	20.67%	1,832,190	12,314,898	5,825,736,102	0.03%
2023	26.30%	22.63%	24.83%	5	n/a	17.56%	16.84%	2,228,068	28,453,997	9,254,020,860	0.02%

*Presented as supplementary information.

**Partial year.

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The QRG Market Series Global composite is comprised of all fee-paying, discretionary accounts with at least \$200,000 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 \$200,000 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.

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:

2019 - 100%

2020 - 100%
2021 - 100%
2022 - 100%
2023 - 100%

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