

## Quarterly Commentary

### Quantitative Portfolio:

# Market Series Large Cap Growth

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 Large Cap Growth strategy generated a gross total return of 7.48% in the fourth quarter, underperforming the 7.83% return of the CRSP US Large Cap Growth Index. For the entire year, the strategy finished with a return of 46.05%, compared to the 46.86% 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 typically have a relatively minor effect on performance, as the strategy is constructed to be sector-neutral at the time of rebalancing. Accordingly, the portfolio's relative performance was driven primarily by individual security selection. Sector allocation had no impact on performance, whereas stock selection within sectors detracted 35 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Information Technology and Consumer Staples. Sectors that contributed the least on a relative basis were Health Care and Communication Services.

The primary contributor to the performance of the Market Series Large Cap Growth strategy during the quarter was an overweight to Block, Inc. (SQ). The Financial Services company advanced over 79%, outpacing the 14.1% return of the Financials sector. The stock contributed five basis points to performance.

An overweight to CrowdStrike Holdings, Inc. (CRWD) during the quarter also benefited performance, as the stock gained almost 51%. The Software company contributed four basis points to performance, and in the process also outperformed the 15.5% return of the Information Technology sector.

Fastenal Company (FAST) 's overweight position relative to the benchmark resulted in a three basis point contribution for the portfolio. The Trading Companies and Distributors company's stock advanced almost 20%, outperforming the overall Industrials sector.

The position proving to be the largest detractor from the performance of the strategy during the quarter was West Pharmaceutical Services, Inc. (WST). An overweight to the Life Sciences Tools and Services company, which had a negative return of almost 5%, detracted five basis points from performance. The stock's performance trailed the 10.5% return of the Health Care sector.

Also detracting from performance was the portfolio's overweight to Align Technology, Inc. (ALGN), which declined close to 9%. The Health Care Equipment and Supplies company underperformed the 10.5% return of the broader Health Care sector. The position detracted four basis points from performance.

Aptiv PLC (APTIV) 's overweight position relative to the benchmark resulted in a three basis point deduction from the portfolio's performance. The Automobile Components company's stock fell by more than 8%, and underperformed the overall Consumer Discretionary 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	Block, Inc. (SQ)	+5 bps	Overweight	0.27%	SQ posted a gain of 79%, outperforming the general sector in the quarter.
	CrowdStrike Holdings, Inc. (CRWD)	+4 bps	Overweight	0.36%	The Software company's stock advanced 51% in the quarter.
	Fastenal Company (FAST)	+3 bps	Overweight	0.29%	FAST's gain of 20% outperformed the general sector in the quarter.
	Lululemon Athletica Inc. (LULU)	+3 bps	Overweight	0.43%	Outperforming the overall sector's return, the Consumer Discretionary company LULU advanced 34% in the quarter.
	KLA Corporation (KLAC)	+3 bps	Overweight	0.59%	KLAC posted a gain of 27%, outperforming the general sector in the quarter.
Detractors	West Pharmaceutical Services, Inc. (WST)	-5 bps	Overweight	0.36%	WST's loss of 5% underperformed the general sector in the quarter.
	Align Technology, Inc. (ALGN)	-4 bps	Overweight	0.23%	The stock of the Health Care Equipment and Supplies firm fell by 9% in the quarter.
	Aptiv PLC (APTIV)	-3 bps	Overweight	0.25%	Posting a loss of 8%, APTIV underperformed the general sector in the quarter.
	Verisk Analytics, Inc. (VRSK)	-3 bps	Overweight	0.42%	The Industrials company VRSK gained 1% in the quarter, but underperformed the overall sector's return.
	Match Group, Inc. (MTCH)	-3 bps	Overweight	0.19%	MTCH's loss of 4% 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 Market Series Large Cap Growth

Period	*Pure Gross Return	Net Return	***CRSP US Large Cap Growth 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
2014	14.00%	10.67%	13.05%	7	n/a	n/a	n/a	3,922,542	3,922,542	36,697,871	10.69%
2015	2.45%	-0.58%	5.67%	8	0.27%	n/a	n/a	7,155,588	7,155,588	137,138,368	5.22%
2016	8.80%	5.60%	7.08%	6	n/a	11.18%	11.15%	6,428,269	6,428,269	392,256,391	1.64%
2017	28.59%	24.86%	30.21%	5	0.30%	10.80%	10.54%	4,127,970	4,127,970	802,232,195	0.51%
2018	-0.82%	-3.76%	-1.51%	12	n/a	11.65%	12.13%	6,098,352	17,148,998	1,604,283,375	0.38%
2019	33.31%	29.46%	35.92%	27	0.24%	12.44%	13.05%	12,789,755	39,441,286	2,723,594,504	0.47%
2020	41.67%	37.58%	40.27%	43	2.22%	19.76%	19.82%	21,103,482	56,061,246	4,011,352,178	0.53%
2021	31.45%	27.65%	27.30%	80	0.66%	18.22%	18.25%	42,916,729	111,121,266	5,883,211,018	0.73%
2022	-33.36%	-35.41%	-33.13%	148	0.46%	24.30%	24.26%	43,064,494	128,661,692	5,825,736,102	0.74%
2023	46.05%	41.86%	46.86%	316	1.00%	21.42%	21.80%	132,366,026	378,168,959	9,254,020,860	1.43%

\*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 Large Cap Growth strategy has an inception and creation date of Jan 01, 2014. The QRG Market Series Large Cap Growth strategy is comprised of domestic US companies in the large capitalization segment of the market. The strategy is designed to closely track the total return of the CRSP US Large Cap Growth index, which measures performance of the largest US growth companies. \*\*\*Prior to 11/1/2019, the strategy was benchmarked against the Russell 1000 Growth TR index. The benchmark was changed to better reflect the investing universe of the strategy.

The QRG Market Series Large Cap Growth 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.

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:

- 2014 - 100%
- 2015 - 100%
- 2016 - 100%
- 2017 - 100%
- 2018 - 100%
- 2019 - 100%
- 2020 - 100%
- 2021 - 100%
- 2022 - 100%
- 2023 - 100%

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