

Quarterly Commentary

Quantitative Portfolio:

Sustainable International ADR Portfolio

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 Sustainable International ADR Portfolio strategy generated a gross total return of 6.74% in the fourth quarter, exceeding the 6.28% return of the S&P Developed Markets Classic ADR NR. For the full year, the strategy posted a return of 19.61%, compared to the benchmark return of 19.39%. The strategy is quantitatively constructed, with the dual objective of providing passive beta exposure and high ESG outcomes.

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 accounted for 19 basis points, whereas stock selection within sectors positively contributed 27 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Consumer Staples and Health Care. Sectors that contributed the least on a relative basis were Consumer Discretionary and Information Technology.

Positively contributing to the Sustainable International ADR Portfolio strategy's performance during the quarter was an overweight to L'Oréal S.A. (LRLC.Y), which gained almost 21%. The stock also outperformed the 6.7% return of the Consumer Staples sector. The Personal Care Products company contributed 12 basis points to performance.

The portfolio's overweight to J Sainsbury plc (JSAI.Y) also contributed positively to performance in the quarter. The Consumer Staples Distribution and Retail company's stock advanced over 30% on an absolute basis, and also outperformed the 6.7% return of the Consumer Staples sector. The position contributed 10 basis points to performance.

Another positive contributor to portfolio performance was an overweight to Vestas Wind Systems A/S (VWDR.Y), as the stock added close to 53%. The Electrical Equipment firm also outperformed the 16.7% return of the overall Industrials sector. The overweight position contributed 10 basis points to performance.

A primary detractor from performance during the quarter was an overweight to Alstom SA (ALSM.Y). The Machinery company fell by more than 43%, lagging the 16.7% return of the Industrials sector. The overweight position detracted 44 basis points from performance.

An overweight to Repsol, S.A. (REPY.Y) during the quarter also negatively impacted performance, as the stock declined almost 7%. The Oil, Gas and Consumable Fuels company detracted 13 basis points from performance, and trailed the 2.2% return of the Energy sector.

Financial Services company Worldline SA (WRDL.Y) detracted from performance in the quarter as a result of its overweight in the portfolio relative to the benchmark. The stock's decline exceeded 36%, and detracted nine basis points from performance. It also underperformed the 11.6% 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	L'Oréal S.A. (LRLC.Y)	+12 bps	Overweight	2.24%	LRLC.Y posted a gain of 21%, outperforming the general sector in the quarter.
	J Sainsbury plc (JSAI.Y)	+10 bps	Overweight	0.80%	The Consumer Staples Distribution and Retail company's stock advanced 30% in the quarter.
	Vestas Wind Systems A/S (VWDR.Y)	+10 bps	Overweight	0.51%	VWDR.Y's gain of 53% outperformed the general sector in the quarter.
	Givaudan SA (GVDN.Y)	+10 bps	Overweight	0.90%	The Chemicals company's stock had a positive return of 30% in the quarter.
	Recruit Holdings Co., Ltd. (RCRU.Y)	+9 bps	Overweight	0.88%	RCRU.Y posted a gain of 38%, outperforming the general sector in the quarter.
Detractors	Alstom SA (ALSM.Y)	-44 bps	Overweight	0.41%	ALSM.Y's loss of 43% underperformed the general sector in the quarter.
	Repsol, S.A. (REPY.Y)	-13 bps	Overweight	0.77%	The stock of the Energy company declined 7% in the quarter, and also underperformed the overall sector's return.
	Worldline SA (WRDL.Y)	-9 bps	Overweight	0.06%	Underperforming the overall sector's return, the Financials company WRDL.Y declined 36% in the quarter.
	Swisscom AG (SCMW.Y)	-8 bps	Overweight	1.11%	The Communication Services company SCMW.Y gained 2% in the quarter, but underperformed the overall sector's return.
	Shiseido Company, Limited (SSDO.Y)	-8 bps	Overweight	0.39%	The Personal Care Products company's stock fell by 13% 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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QRG Sustainable International ADR Portfolio

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
**2018-02-01 - 2018-12-31	-17.47%	-19.75%	-18.28%	2	nm	n/a	n/a	2,465,936	9,136,004	1,604,283,375	0.15%
**2019-02-01 - 2019-03-31	2.96%	2.45%	3.17%	2	nm	n/a	n/a	338,100	9,961,243	1,927,383,557	0.02%
**2019-05-01 - 2019-12-31	9.94%	7.78%	7.49%	14	n/a	n/a	n/a	13,814,134	15,751,811	2,723,594,504	0.51%
2020	9.52%	6.30%	8.01%	19	2.26%	17.20%	18.40%	17,396,650	21,888,256	4,011,352,178	0.43%
2021	13.10%	9.78%	11.97%	31	1.56%	16.52%	17.40%	10,415,862	32,131,117	5,883,211,018	0.18%
2022	-16.38%	-18.89%	-13.42%	35	0.59%	20.48%	20.88%	20,231,116	27,728,735	5,825,736,102	0.35%
2023	19.61%	16.12%	19.39%	32	0.88%	17.93%	17.39%	9,663,374	39,362,724	9,254,020,860	0.10%

*Presented as supplementary information.

**Partial year.

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The QRG Sustainable International ADR Portfolio 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 4/1/2019 and 4/30/2019 due to all eligible accounts exiting the composite after becoming non-discretionary.

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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