

## Quarterly Commentary

### Quantitative Portfolio:

# Large Cap Core Catholic Values

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 Large Cap Core Catholic Values strategy delivered a gross total return of 6.53% in the fourth quarter, modestly lagging the 6.74% return of the CRSP US Large Cap Index. For the full year the strategy generated a return of 22.53%, while the benchmark finished with a 27.28% return. The strategy is quantitatively constructed to maintain sector weights and risk characteristics in line with those of the benchmark, and the positions adhere to the US Conference of Catholic Bishops (USCCB) 2021 investment guidelines.

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 detracted five basis points, whereas stock selection within sectors detracted 16 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Information Technology and Consumer Discretionary. Sectors that contributed the least on a relative basis were Health Care and Communication Services.

The primary contributor to the performance of the Large Cap Core Catholic Values strategy during the quarter was an overweight to Waste Management, Inc. (WM). The Commercial Services and Supplies company advanced almost 19%, outpacing the 14.6% return of the Industrials sector. The stock contributed 15 basis points to performance.

An overweight to Moody's Corporation (MCO) during the quarter also benefited performance, as the stock gained almost 24%. The Capital Markets company contributed seven basis points to performance, and in the process also outperformed the 15.5% return of the Financials sector.

Teleflex Incorporated (TFX) 's overweight position relative to the benchmark resulted in a seven basis point contribution for the portfolio. The Health Care Equipment and Supplies company's stock advanced more than 27%, outperforming the overall Health Care sector.

Detracting from the Large Cap Core Catholic Values strategy's performance during the quarter was an overweight to PepsiCo, Inc. (PEP), which gained more than 1%. However, the stock underperformed the 6.2% return of the Consumer Staples sector. The Beverages company detracted 10 basis points from performance.

LKQ Corporation (LKQ) experienced a 2% decline during the quarter, detracting seven basis points as a result of its overweight allocation relative to the index.

Another detractor from portfolio performance was an overweight to West Pharmaceutical Services, Inc. (WST), as the stock retreated more than 5%. In addition, the Life Sciences Tools and Services firm underperformed the 6.4% return of the overall Health Care sector. The overweight position detracted seven basis points from performance.

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	Waste Management, Inc. (WM)	+15 bps	Overweight	2.27%	WM posted a gain of 19%, outperforming the general sector in the quarter.
	Moody's Corporation (MCO)	+7 bps	Overweight	0.81%	MCO's gain of 24% outperformed the general sector in the quarter.
	Teleflex Incorporated (TFX)	+7 bps	Overweight	0.53%	The Health Care Equipment and Supplies company's stock advanced 27% in the quarter.
	Insulet Corporation (PODD)	+7 bps	Overweight	0.34%	The Health Care Equipment and Supplies company's stock had a positive return of 31% in the quarter.
	Xylem Inc. (XYL)	+5 bps	Overweight	0.50%	The stock of the Machinery firm advanced 25% in the quarter.
Detractors	PepsiCo, Inc. (PEP)	-10 bps	Overweight	1.53%	PEP, a Consumer Staples company, gained 1% in the quarter, but underperformed the overall sector's return.
	LKQ Corporation (LKQ)	-7 bps	Overweight	0.54%	LKQ posted a loss of 2%, and also underperformed the general sector in the quarter.
	West Pharmaceutical Services, Inc. (WST)	-7 bps	Overweight	0.62%	Posting a loss of 5%, WST underperformed the general sector in the quarter.
	Humana Inc. (HUM)	-7 bps	Overweight	0.59%	The Health Care Providers and Services company's stock fell by 7% in the quarter.
	Automatic Data Processing, Inc. (ADP)	-7 bps	Overweight	0.76%	The Professional Services company's stock fell by 2% in the quarter.

## Disclosure

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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 Large Cap Core Catholic Values

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
**2019-11-01 - 2019-12-31	5.86%	5.35%	6.78%	1	nm	n/a	n/a	276,228	276,228	2,723,594,504	0.01%
2020	17.00%	13.58%	21.09%	2	nm	n/a	n/a	433,866	433,866	4,011,352,178	0.01%
2021	26.47%	22.80%	27.07%	6	n/a	n/a	n/a	2,016,698	3,600,929	5,883,211,018	0.03%
2022	-18.91%	-21.36%	-19.67%	15	n/a	21.74%	21.16%	4,129,533	4,888,283	5,825,736,102	0.07%
2023	22.53%	18.96%	27.28%	18	0.59%	17.79%	17.40%	5,439,975	6,287,162	9,254,020,860	0.06%

\*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 Large Cap Core Catholic Values strategy has an inception and creation date of Nov 01, 2019. The QRG Large Cap Core Catholic Values strategy is comprised of domestic US companies in the large capitalization segment of the market. The strategy is designed to focus on companies satisfying the investment guidelines set forth by the US Council of Catholic Bishops (USCCB). The strategy is designed to closely track the performance of the CRSP US Large Cap Total Return 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 Large Cap Core Catholic Values 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 - 0.20%, \$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:

2019 - 100%  
2020 - 100%

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

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