Quarterly Commentary

Quantitative Portfolio:

Large Cap Core Gender and Diversity

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 Gender and Diversity strategy generated a gross total return of 6.58% in the fourth quarter, modestly trailing the 6.74% return of the CRSP US Large Cap Index. For the full year, the strategy posted a return of 23.66%, compared to the benchmark return of 27.28%. The strategy is quantitatively constructed to maintain sector weights and risk characteristics in line with those of the benchmark, while emphasizing companies that are leaders in fostering gender and diversity inclusion in both business operations and activities.

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 detracted nine basis points, and stock selection within sectors detracted seven basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Industrials and Consumer Discretionary, and the sectors that contributed the least on a relative basis were Communication Services and Financials.

Positively contributing to the Large Cap Core Gender and Diversity strategy's performance during the quarter was an overweight to Advanced Micro Devices, Inc. (AMD), which gained almost 43%. The stock also outperformed the 15.9% return of the Information Technology sector. The Semiconductors and Semiconductor Equipment company contributed eight basis points to performance.

An overweight to Block, Inc. (SQ) during the quarter also benefited performance, as the stock's gain exceeded 79%. The Financial Services company contributed eight basis points to performance, and in the process also outperformed the 15.5% return of the Financials sector.

Another positive contributor to portfolio performance was an overweight to United Rentals, Inc. (URI), as the stock added close to 32%. The Trading Companies and Distributors firm also outperformed the 14.6% return of the overall Industrials sector. The overweight position contributed eight basis points to performance.

The primary detractor to the performance of the Large Cap Core Gender and Diversity strategy during the quarter was an overweight to Verisk Analytics, Inc. (VRSK). The Professional Services company advanced over 1% on an absolute basis, but lagged the 14.6% return of the Industrials sector. The stock detracted nine basis points from performance.

Also detracting from performance was the portfolio's overweight to Automatic Data Processing, Inc. (ADP), which declined almost 2%. The Professional Services company underperformed the 14.6% return of the broader Industrials sector. The position detracted seven basis points from performance.

Another detractor from portfolio performance was an overweight to Exxon Mobil Corporation (XOM), as the stock retreated more than 13%. In addition, the Oil, Gas and Consumable Fuels firm underperformed the -5.1% return of the overall Energy sector. The overweight position detracted five basis points from performance.

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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	Advanced Micro Devices, Inc. (AMD)	+8 bps	Overweight	0.81%	The stock of the Information Technology company gained 43% in the quarter, and outperformed the overall sector's return.
	Block, Inc. (SQ)	+8 bps	Overweight	0.26%	SQ's gain of 79% outperformed the general sector in the quarter.
	United Rentals, Inc. (URI)	+8 bps	Overweight	0.56%	The Industrials company URI advanced 32% in the quarter, and outperformed the overall sector's return.
	Salesforce, Inc. (CRM)	+7 bps	Overweight	0.83%	CRM's gain of 29% outperformed the general sector in the quarter.
	Zillow Group, Inc. (Z)	+6 bps	Overweight	0.09%	The stock of the Real Estate Management and Development firm advanced 27% in the quarter.
Detractors	Verisk Analytics, Inc. (VRSK)	-9 bps	Overweight	0.89%	The Professional Services company's stock advanced 1% in the quarter.
	Automatic Data Processing, Inc. (ADP)	-7 bps	Overweight	0.76%	The stock of the Professional Services firm fell by 2% in the quarter.
	Exxon Mobil Corporation (XOM)	-5 bps	Overweight	1.30%	The Oil, Gas and Consumable Fuels company's stock had a negative return of 13% in the quarter.
	T. Rowe Price Group, Inc. (TROW)	-4 bps	Overweight	0.61%	The Financials company TROW gained 4% in the quarter, but underperformed the overall sector's return.
	The Coca-Cola Company (KO)	-4 bps	Overweight	1.26%	KO, a Consumer Staples company, advanced 7% in the quarter, and outperformed the overall sector's return.

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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 Large Cap Core Gender and Diversity

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
**2018-05-01 - 2018-12-31	-0.97%	-2.94%	-4.45%	5	n/a	n/a	n/a	1,144,020	3,167,778	1,604,283,375	0.07%
2019	32.79%	28.95%	31.43%	9	n/a	n/a	n/a	2,700,965	3,771,111	2,723,594,504	0.10%
2020	16.23%	12.82%	21.09%	13	0.39%	n/a	n/a	4,695,056	5,232,502	4,011,352,178	0.12%
2021	26.60%	22.93%	27.07%	16	0.39%	17.06%	17.47%	6,382,224	8,680,854	5,883,211,018	0.11%
2022	-19.09%	-21.53%	-19.67%	16	0.78%	21.26%	21.16%	5,674,585	6,911,150	5,825,736,102	0.10%
2023	23.66%	20.06%	27.28%	14	1.01%	17.76%	17.40%	5,471,887	6,375,220	9,254,020,860	0.06%

*Presented as supplementary information.
**Partial year.

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The QRG Large Cap Core Gender and Diversity 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:

2018 - 100%

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2019 - 100%
2020 - 100%
2021 - 100%
2022 - 100%
2023 - 100%

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