



Q | R | G

Quantitative Research Group



Quantitative Portfolios Beyond Beta™



Quantitative Portfolios (QPs) are a suite of asset class-specific investments that blend the benefits of “beta” investing with the portfolio customization of managed accounts. Three varieties of QPs can improve after-tax and risk-adjusted results—in a cost-effective manner.

Market Series QPs feature low-cost access to important market segments coupled with opportunities for customization and tax management.

Factor-Enhanced QPs provide the potential for excess returns via increased exposure to well-known asset pricing factors such as value, momentum, and quality.

Impact QPs explicitly focus on companies with high sustainability ratings and/or environmental, social, and governance priorities.

QRG Capital Management, Inc. provides the research framework, construction techniques, and portfolio management experience that drive the QPs.

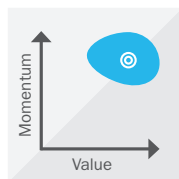
Elevate the Beta Investing Experience

QRG's suite of QPs help address important investor needs that are often overlooked by "one-size-fits-all" passive investments.



Customizable Market Exposure

Many of our QPs are designed to provide cost-efficient beta exposure, tracking the characteristics and returns of well-known indices. Since the investor owns the underlying securities, they have opportunities for personalization and tax management.



Exposure to Factors Producing Excess Returns

For investors who want to outperform the market but lack conviction in active stock picking, the Factor-Enhanced QPs tilt to factor exposures that increase the potential for improved risk-adjusted returns. The portfolios are based on research from both QRG and industry leaders that suggest a handful of factors remain statistically significant over time.



The Pursuit of Tax Alpha

In combination with Envestnet's Overlay Services offering, the portfolios can help minimize an investor's tax bill and capture "tax-management alpha" via:

- minimizing realization of short-term capital gains;
- tax-loss harvesting, QRG tax management technology and risk models; and
- Investment Specialists to help address investor-specific tax situations.



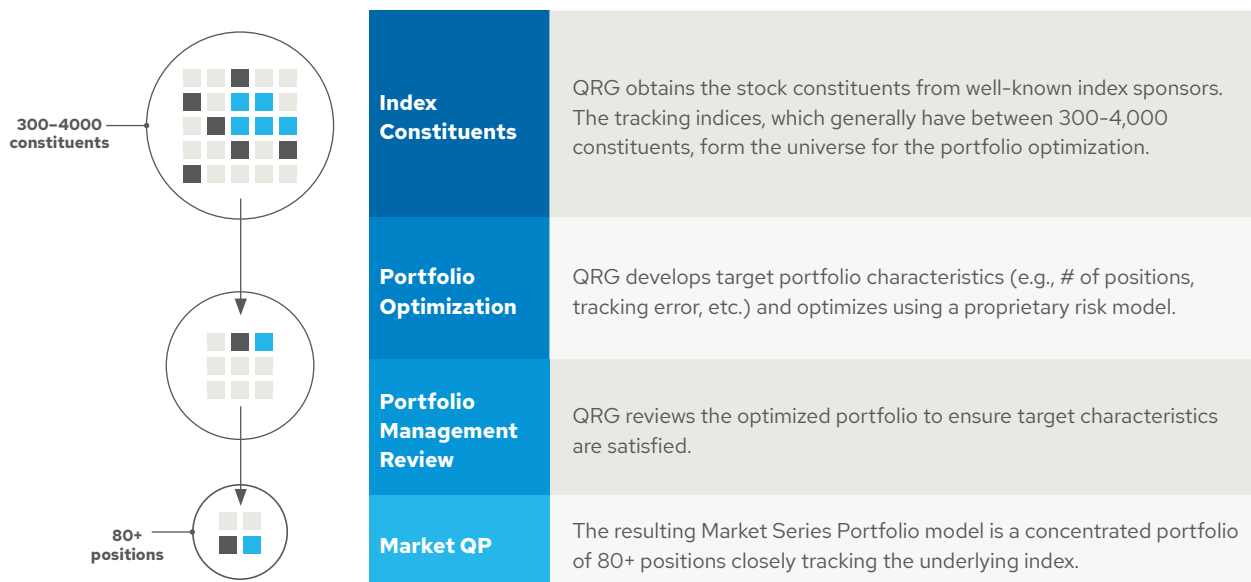
Align Holdings with Investor Needs

At both the security level and the industry level, our QPs address concerns such as conflicts of interest, social responsibility, or industry overexposures. Additionally, the portfolio can be tailored to complement an investor's other holdings.

Market Series QPs: Portfolio Construction

The Market Series contains a subset of the constituents of a major market index and is designed to mimic the portfolio characteristics of the index as a whole. Each portfolio in the Market Series is available in three managed account formats.

The Market Series Portfolio Construction Process



Market Series QPs: Domestic Equity

- Market Series All Cap Core
- Market Series Large Cap Core
- Market Series Large Cap Growth
- Market Series Large Cap Value
- Market Series Mid Cap Growth
- Market Series Mid Cap Value
- Market Series Small Cap Core
- Market Series Large Cap Dividend Income

Market Series QPs: International Equity

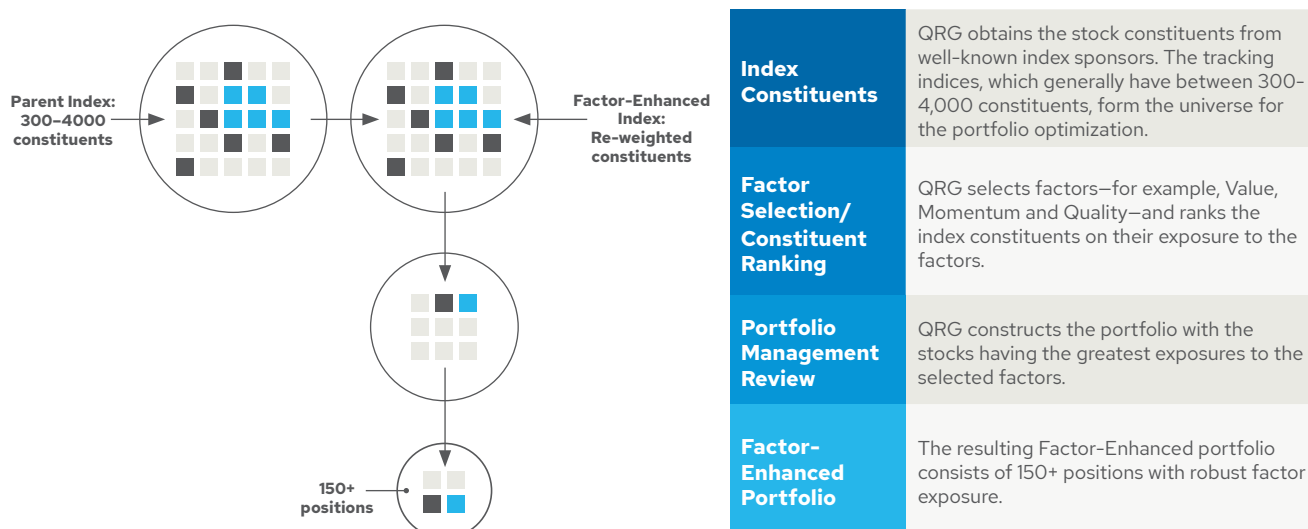
- Market Series International Developed Markets ADR
- Market Series Emerging Markets ADR
- Market Series Global

	Low Minimum	SMA
Ideal for...	Asset class exposure, core/satellite constructs	Asset class exposure, portfolio customizations
Minimum Investment	As low as \$60k	\$100k
Tax Management Strategies	Investnet Overlay Services; advisor-initiated tax loss harvesting	Investnet Overlay Services; advisor-initiated tax loss harvesting
Portfolio Customization	Security/industry restrictions	Security/industry restrictions

Factor-Enhanced QPs: Portfolio Construction

The Factor-Enhanced QPs contain a subset of the constituents of a major market index and are designed to provide increased exposure to well-known asset pricing factors – such as value, momentum and quality—that historically have provided improved risk-adjusted results over the long term. Each portfolio is available in either a UMA Sleeve or SMA Beta account format.

The Factor-Enhanced Portfolio Construction Process



Category	Factor Combination: Value, Momentum, Quality (V+M+Q)	Factor Combination: Value and Quality (V+Q)	Factor Exposure: Low Volatility
Domestic Equity	<ul style="list-style-type: none"> •Factor-Enhanced Large Cap: V+M+Q •Factor-Enhanced Small Cap: V+M+Q •Factor-Enhanced All Cap: V+M+Q 	<ul style="list-style-type: none"> •Factor-Enhanced Large Cap: V+Q •Factor-Enhanced Small Cap: V+Q •Factor-Enhanced All Cap: V+Q 	•Factor-Enhanced Low Volatility
International Equity	<ul style="list-style-type: none"> •Factor-Enhanced International ADR: V+M+Q •Factor-Enhanced Emerging Markets ADR: V+M+Q 	<ul style="list-style-type: none"> •Factor-Enhanced International ADR: V+Q •Factor-Enhanced Emerging Markets ADR: V+Q 	
Global Equity	Factor-Enhanced Global Equity: V+M+Q	•Factor-Enhanced Global: V+Q	

SMA	
Factor Combinations	V+M+Q, V+Q, and Low Volatility
Ideal for...	Asset class exposure, core/satellite constructs
Minimum Investment	\$100K
Tax Management Strategies	Investnet Overlay Services; advisor-initiated tax loss harvesting
Portfolio Customization	Security/industry restrictions

What are Factors?

Factor investing tilts portfolios towards stocks exhibiting certain risk characteristics, with the objective of generating excess returns over time. QRG incorporates only the most robust factors that meet the following criteria:

Generate persistent long-term excess returns.

Is the factor successful in many market environments and across market segments and asset classes?



Are well-supported in academic and industry research.

Does the factor work not only in-sample but also out-of-sample?

Are supported by reasonable and rationale intuition.

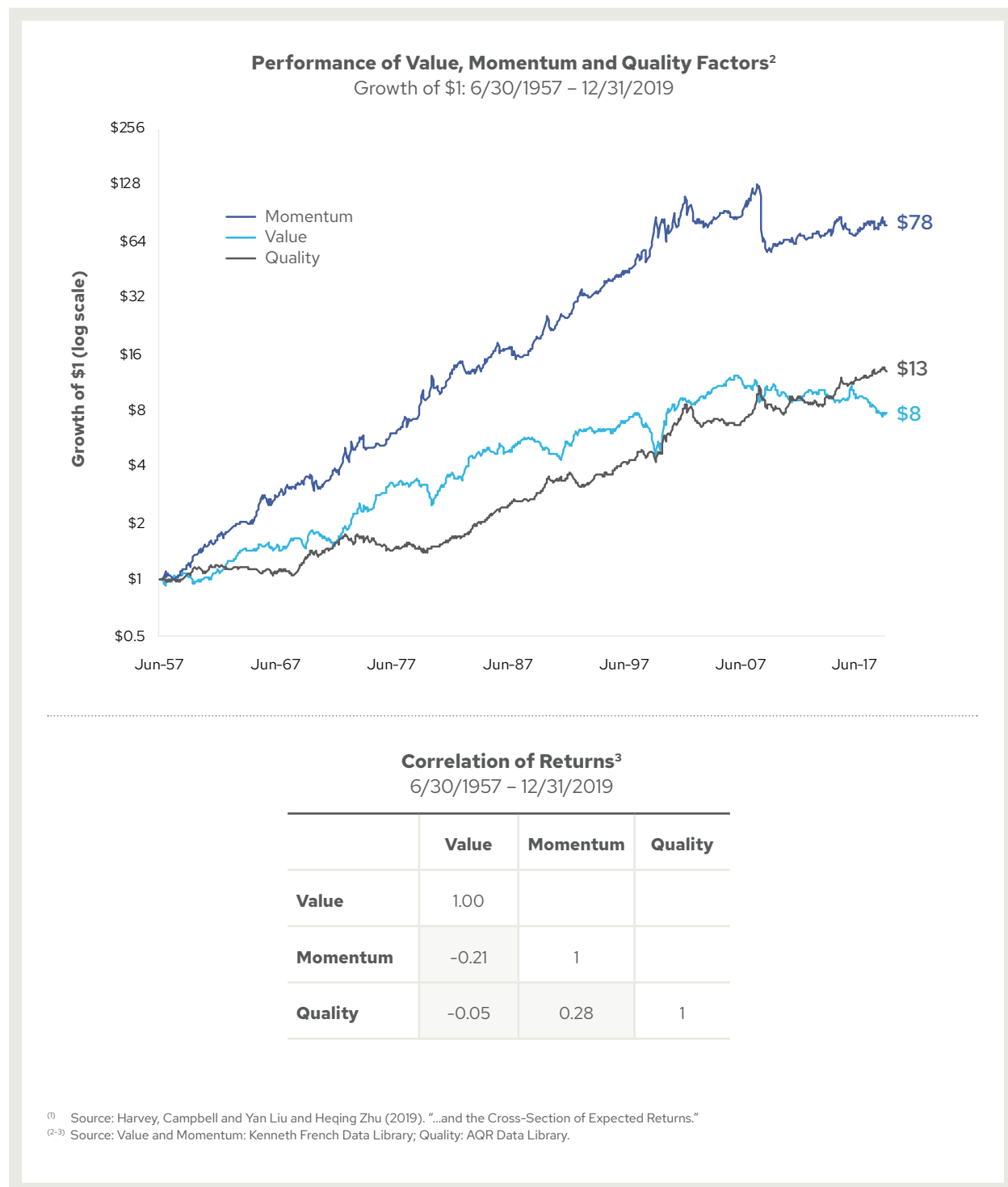
Is there a risk-based or behavioral explanation as to why the factor works?

Factors Defined:

			
1 Value	2 Momentum	3 Quality	4 Low Volatility
The tendency for cheap assets to outperform expensive assets.	The tendency for assets that have performed well over the past year to continue to perform well over the near-term.	The tendency for higher quality companies (more profitable and safer) to outperform lower quality companies.	The tendency for lower beta, less volatile stocks to outperform.

Why Use Value, Momentum, and Quality Factors in Portfolio Construction?

Research has identified hundreds of asset pricing factors that attempt to explain the cross-section of expected returns, but only a handful have been found to exhibit persistence and statistical significance over time.¹



Impact Series QPs: Portfolio Construction

QRG constructs the Impact Quantitative Portfolios (Impact QPs) using environmental, social, and governance (ESG) data. Each portfolio contains a subset of the constituents of a major market index and is designed to mimic the portfolio characteristics of the index as a whole.



Category	ESG Impact	Thematic Impact
Domestic Equity	Impact ESG Large Cap Core Impact ESG Small Cap Core	Impact Large Core – Gender and Diversity Impact Large Core – Catholic Values
International Equity	Impact ESG International Developed Markets Impact ESG International Emerging Markets	
Global Equity		Impact Global Climate Solutions

Impact Quantitative Portfolios: Highlights

The Impact QPs incorporate ESG data from Sustainalytics and Dana Investment Advisors, two leading impact research and analytics companies.



ESG

Exclusions: Eliminates companies involved in severe ESG related controversies and those that derive revenue from adult entertainment, alcohol, firearms, gambling, weapons, nuclear power, and tobacco.

Integration: Ensures the QP’s carbon intensity and ESG profile are both materially better than that of the index.

Impact Tilts: Enhances exposure to companies dedicated to influencing four broad ESG categories: climate solutions, diversity inclusion, resource protection and community improvement.



Gender and Diversity

Exclusions: Eliminates companies involved in gender and diversity related controversies and those that derive revenue from the adult entertainment industry.

Integration: Ensures the QP’s diversity profile is materially better than the index by measuring companies’ diversity programs, board diversity, and discrimination policies.




Climate Solutions

Exclusions: Eliminates companies involved in environmental related controversies and those that derive revenue from the fossil fuel industry.

Integration: Ensures the QP’s carbon intensity and environment profile is materially better than that of the index.

Impact Tilts: Enhances exposure to companies dedicated to solving climate related issues: renewable energy, energy efficiency, sustainable agriculture and green buildings and transportation.



Catholic Values

Exclusions: Eliminates companies involved in controversial activities and those that derive revenue from contraceptives, abortifacients, and embryonic stem cell research.

Integration: Ensures the QP’s Catholic ESG Score is materially better than the index.



Quantitative Research Group

For more information about QRG & Quantitative Portfolios

Visit investnet.com/qrg or contact the QRG Consulting Team at QRG@investnet.com

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Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) funds are subject to interest rate risk which is the risk that debt securities in a fund's portfolio will decline in value because of increases in market interest rates.

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