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Quarterly Commentary

Quantitative Portfolio: **Sustainable International ADR Portfolio**

Second Quarter (Q2) 2024

Market Environment

The US economy's growth rate continued to slow in the first quarter of 2024 after having posted multiple quarters of above-trend growth. Despite the moderation in growth economists have been impressed with the overall economy's performance. They cite the fact that it is now operating at full employment, and that real GDP is at a near-potential growth rate of 2% annually. Within this context, the Bureau of Economic Analysis released the third estimate of the first quarter 2024 real GDP, a seasonally adjusted annualized rise of 1.4%, a slight increase from the 1.3% prior estimate, but a significant slowing from the previous quarter. The employment situation was strong in the quarter. The May employment report showed that employers added 272,000 jobs in the month, but that the unemployment rate was slightly higher at 4.0%. The Federal Open Market Committee (FOMC) maintained its federal funds rate target range at 5.25% to 5.50% as inflation data has stabilized at levels that are still above target, but which are expected to show improvement. Given that inflation remains elevated, the FOMC reduced the number of interest rate cuts it expects to make this year to one from three.

Portfolio Commentary

The Sustainable International ADR Portfolio strategy generated a gross total return of -0.26% in the second quarter, modestly exceeding the -0.36% return of the S&P Developed Markets Classic ADR NR. On a year-to-date basis, the strategy has a return of 5.74%, compared to the benchmark return of 5.61%. 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 detracted eight basis points, whereas stock selection within sectors positively contributed 18 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Industrials and Consumer Staples. Sectors that contributed the least on a relative basis were Financials and Information Technology.

Positively contributing to the Sustainable International ADR Portfolio strategy's performance during the quarter was an underweight to Airbus SE (EADS.Y), which declined almost 24%. However, the stock underperformed the 0.3% return of the Industrials sector. The Aerospace and Defense company contributed 12 basis points to performance.

The portfolio also benefited from having an overweight to Recruit Holdings Co., Ltd. (RCRU.Y). The Professional Services company's stock rose by almost 23%, and contributed 11 basis points to performance. The stock also outperformed the 0.3% return of the Industrials sector.

Metals and Mining company Alumina Limited (AWCM.Y) benefited performance in the quarter as a result of its overweight in the portfolio relative to the benchmark. The stock's gain exceeded 20%, and contributed 11 basis points to performance. It also outperformed the -2.1% return of the broader Materials sector.

The position proving to be the largest detractor from the performance of the strategy during the quarter was Akzo Nobel N.V. (AKZO.Y). An overweight to the Chemicals company, which had a negative return of almost 17%, detracted 16 basis points from performance. The stock's performance trailed the -2.1% return of the Materials sector.

AXA SA (AXAH.Y) experienced a 8% decline during the quarter, detracting eight basis points as a result of its overweight allocation relative to the index.

Textiles, Apparel and Luxury Goods company Hermès International Société en commandite par actions (HESA.Y) detracted from performance in the quarter as a result of its overweight in the portfolio relative to the benchmark. The stock declined almost 9%, and detracted eight basis points from performance. It also underperformed the -8.0% return of the broader Consumer Discretionary sector.

The US economy's growth has begun to slow, which may enable the FOMC to lower interest rates as inflation cools. Investors should be cautious for several reasons, including the fact that stock prices remain elevated and uncertainty surrounding the upcoming presidential election.

Model Portfolio Attribution

	Performance Driver	Active Return Contribution	Portfolio Exposure	Average Weight in Model	Comments
Contributors	Airbus SE (EADS.Y)	+12 bps	Underweight	0.20%	The stock of the Aerospace and Defense firm fell by 24% in the quarter.
Contributors	Recruit Holdings Co., Ltd. (RCRU.Y)	+11 bps	Overweight	1.05%	RCRU.Y, an Industrials company, advanced 23% in the quarter, and outperformed the overall sector's return.
Contributors	Alumina Limited (AWCM.Y)	+11 bps	Overweight	0.61%	The Metals and Mining company's stock advanced 20% in the quarter.
Contributors	Novartis AG (NVS)	+9 bps	Overweight	2.23%	The Pharmaceuticals company's stock had a positive return of 11% in the quarter.
Contributors	RELX PLC (RELX)	+7 bps	Overweight	1.46%	The stock of the Industrials company gained 9% in the quarter, and outperformed the overall sector's return.
Detractors	Akzo Nobel N.V. (AKZO.Y)	-16 bps	Overweight	1.00%	AKZO.Y, a Materials company, declined 17% in the quarter, and also underperformed the overall sector's return.
Detractors	AXA SA (AXAH.Y)	-8 bps	Overweight	1.41%	The stock of the Financials company declined 8% in the quarter, and also underperformed the overall sector's return.
Detractors	Hermès International Société en commandite par actions (HESA.Y)	-8 bps	Overweight	1.41%	Underperforming the overall sector's return, the Consumer Discretionary company HESA.Y declined 9% in the quarter.
Detractors	Toyota Motor Corporation (TM)	-8 bps	Overweight	2.25%	The Consumer Discretionary company TM declined 15% in the quarter, and also underperformed the overall sector's return.
Detractors	Adecco Group AG (AHEX.Y)	-8 bps	Overweight	0.67%	The Professional Services company's stock fell by 12% 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.

An ESG integrated or ESG data screened investment strategy may limit the types and number of investment opportunities available to the strategy. This may have a positive or negative effect on investment performance relative to strategies which do not utilize ESG integrated investment approaches. There is no guarantee that an ESG integrated strategy will be successful and meet its investment objective. Companies selected for inclusion in a strategy may not exhibit positive or favorable ESG characteristics at all times and may shift into and out of favor depending on market and economic conditions.

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.

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.

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 Sustainable International ADR Portfolio strategy has an inception and creation date of Feb 01, 2018. The QRG Sustainable International ADR Portfolio strategy is comprised of American Depositary Receipts (ADRs) of companies in developed market economies. The strategy is designed to focus on companies employing favorable environmental, social and governance (ESG) practices. The strategy is designed to closely track the S&P Developed Markets Classic ADR Index which measures performance of international developed markets.

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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