

Quarterly Commentary

Quantitative Portfolio: Large Cap Core Catholic Values

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 Large Cap Core Catholic Values strategy generated a gross total return of 3.91% in the second quarter, trailing the 4.31% return of the CRSP US Large Cap Index. On a year-to-date basis, the strategy has a return of 14.23%, compared to the benchmark return of 15.14%. 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.

Due to the strategy's sector-neutral construction at the time of rebalancing, sector allocation will generally have a relatively minor effect on performance. Such was not the case during the latest quarter, however, as sector allocation was the predominant driver of the portfolio's relative performance. Sector allocation detracted 62 basis points during the quarter, whereas stock selection within sectors accounted for a positive contribution of 22 basis points. The sectors having the most positive relative impact from a security selection perspective were Financials and Information Technology, and the sectors that contributed the least on a relative basis were Communication Services and Consumer Discretionary.

The primary contributor to the performance of the Large Cap Core Catholic Values strategy during the quarter was an overweight to Insulet Corporation (PODD). The Health Care Equipment and Supplies company advanced over 20%, outpacing the 0.2% return of the Health Care sector. The stock contributed 22 basis points to performance.

The portfolio also benefited from having an overweight to Boston Scientific Corporation (BSX). The Health Care Equipment and Supplies company's stock rose by more than 13%, and contributed 14 basis points to performance. The stock also outperformed the 0.2% return of the Health Care sector.

NVIDIA Corporation (NVDA) 's overweight position relative to the benchmark resulted in a eight basis point contribution for the portfolio. The Semiconductors and Semiconductor Equipment company's stock advanced almost 37%, outperforming the overall Information Technology sector.

The position proving to be the largest detractor from the performance of the strategy during the quarter was The Walt Disney Company (DIS). An overweight to the Entertainment company, which had a negative return of almost 18%, detracted 27 basis points from performance. The stock's performance trailed the 8.0% return of the Communication Services sector.

An overweight to Weyerhaeuser Company (WY) during the quarter also negatively impacted performance, as the stock advanced in excess of 20%. The Specialized REITs company detracted 18 basis points from performance, and trailed the -0.5% return of the Real Estate sector.

Another detractor from portfolio performance was an overweight to West Pharmaceutical Services, Inc. (WST), as the stock retreated more than 17%. In addition, the Life Sciences Tools and Services firm underperformed the 0.2% return of the overall Health Care sector. The overweight position detracted 13 basis points from performance.

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	Insulet Corporation (PODD)	+22 bps	Overweight	1.37%	The stock of the Health Care company gained 20% in the quarter, and outperformed the overall sector's return.
	Boston Scientific Corporation (BSX)	+14 bps	Overweight	2.31%	BSX's gain of 13% outperformed the general sector in the quarter.
	NVIDIA Corporation (NVDA)	+8 bps	Overweight	5.79%	NVDA's gain of 37% outperformed the general sector in the quarter.
	KLA Corporation (KLAC)	+6 bps	Overweight	0.71%	KLAC's gain of 16% outperformed the general sector in the quarter.
	AvalonBay Communities, Inc. (AVB)	+6 bps	Overweight	0.86%	AVB posted a gain of 15%, outperforming the general sector in the quarter.
Detractors	The Walt Disney Company (DIS)	-27 bps	Overweight	1.52%	DIS, a Communication Services company, declined 18% in the quarter, and also underperformed the overall sector's return.
	Weyerhaeuser Company (WY)	-18 bps	Overweight	0.71%	The stock of the Specialized REITs firm fell by 20% in the quarter.
	West Pharmaceutical Services, Inc. (WST)	-13 bps	Overweight	0.64%	Underperforming the overall sector's return, the Health Care company WST declined 17% in the quarter.
	Medtronic plc (MDT)	-13 bps	Overweight	1.20%	The Health Care Equipment and Supplies company's stock fell by 9% in the quarter.
	LKQ Corporation (LKQ)	-12 bps	Overweight	0.45%	LKQ's loss of 21% underperformed the general sector in the quarter.

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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.

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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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