

Quarterly Commentary

Quantitative Portfolio:

Sustainable Large Cap Core 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 Large Cap Core Portfolio strategy delivered a gross total return of 2.86% in the second quarter, decidedly lagging the 4.31% return of the CRSP US Large Cap Index. On a year-to-date basis the strategy has generated a return of 11.07%, while the benchmark has posted a 15.14% return. 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 22 basis points, whereas stock selection within sectors detracted 123 basis points during the quarter. The sectors having the most positive relative impact from a security selection perspective were Financials and Information Technology. Sectors that contributed the least on a relative basis were Consumer Staples and Communication Services.

Positively contributing to the Sustainable Large Cap Core Portfolio strategy's performance during the quarter was an overweight to Monolithic Power Systems, Inc. (MPWR), which gained more than 23%. The stock also outperformed the 13.0% return of the Information Technology sector. The Semiconductors and Semiconductor Equipment company contributed 22 basis points to performance.

The portfolio's overweight to Pinterest, Inc. (PINS) also contributed positively to performance in the quarter. The Interactive Media and Services company gained close to 25% on an absolute basis, and also outperformed the 8.0% return of the Communication Services sector. The position contributed 16 basis points to performance.

Hewlett Packard Enterprise Company (HPE) 's overweight position relative to the benchmark resulted in a 12 basis point contribution for the portfolio. The Technology Hardware, Storage and Peripherals company's stock advanced almost 19%, outperforming the overall Information Technology sector.

The position proving to be the largest detractor from the performance of the strategy during the quarter was Cencora, Inc. (COR). An overweight to the Health Care Providers and Services company, which had a negative return of almost 7%, detracted 16 basis points from performance. The stock's performance trailed the 0.2% return of the Health Care sector.

Lululemon Athletica Inc. (LULU) experienced a 22% decline during the quarter, detracting 16 basis points as a result of its overweight allocation relative to the index.

W.W. Grainger, Inc. (GWW) 's overweight position relative to the benchmark resulted in a 14 basis point deduction from the portfolio's performance. The Trading Companies and Distributors company's stock fell by almost 10%, and underperformed the overall Industrials 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	Monolithic Power Systems, Inc. (MPWR)	+22 bps	Overweight	1.47%	MPWR posted a gain of 23%, outperforming the general sector in the quarter.
	Pinterest, Inc. (PINS)	+16 bps	Overweight	0.87%	PINS, a Communication Services company, advanced 25% in the quarter, and outperformed the overall sector's return.
	Hewlett Packard Enterprise Company (HPE)	+12 bps	Overweight	0.87%	HPE's gain of 19% outperformed the general sector in the quarter.
	Verisk Analytics, Inc. (VRSK)	+10 bps	Overweight	1.14%	The Professional Services company's stock had a positive return of 16% in the quarter.
	Tesla, Inc. (TSLA)	+8 bps	Overweight	2.02%	TSLA posted a gain of 13%, outperforming the general sector in the quarter.
Detractors	Cencora, Inc. (COR)	-16 bps	Overweight	1.48%	The Health Care Providers and Services company's stock fell by 7% in the quarter.
	Lululemon Athletica Inc. (LULU)	-16 bps	Overweight	0.59%	LULU posted a loss of 22%, and also underperformed the general sector in the quarter.
	W.W. Grainger, Inc. (GWW)	-14 bps	Overweight	0.95%	Posting a loss of 10%, GWW underperformed the general sector in the quarter.
	Monster Beverage Corporation (MNST)	-13 bps	Overweight	0.68%	The Consumer Staples company MNST declined 13% in the quarter, and also underperformed the overall sector's return.
	Visa Inc. (V)	-12 bps	Overweight	2.22%	V's loss of 6% underperformed the general sector 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.

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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 Sustainable Large Cap Core Portfolio

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
**2017-03-01 - 2017-12-31	17.91%	15.04%	14.84%	2	nm	n/a	n/a	1,850,597	25,100,978	802,232,195	0.23%
2018	-3.12%	-6.00%	-4.78%	5	n/a	n/a	n/a	8,250,046	25,498,856	1,604,283,375	0.51%
2019	32.38%	28.55%	31.43%	24	n/a	n/a	n/a	34,602,372	40,524,316	2,723,594,504	1.27%
2020	22.83%	19.25%	21.09%	58	3.42%	18.74%	18.87%	50,088,429	64,609,131	4,011,352,178	1.25%
2021	27.11%	23.42%	27.07%	102	1.19%	17.37%	17.47%	44,624,554	113,372,244	5,883,211,018	0.76%
2022	-17.61%	-20.09%	-19.67%	201	0.88%	21.65%	21.16%	85,103,443	132,878,285	5,825,736,102	1.46%
2023	24.66%	21.04%	27.28%	233	2.06%	18.18%	17.40%	74,725,609	187,271,063	9,254,020,860	0.81%

*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 Large Cap Core Portfolio strategy has an inception and creation date of Mar 01, 2017. The QRG Sustainable Large Cap Core Portfolio strategy is comprised of domestic US companies in the large capitalization segment of the market. The strategy is designed to focus on companies employing favorable environmental, social and governance (ESG) practices. The strategy is designed to track the CRSP US Large Cap 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 Sustainable Large Cap Core 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.

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:

2017 - 100%
2018 - 100%
2019 - 100%
2020 - 100%
2021 - 100%
2022 - 100%
2023 - 100%

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