

## AIA S&P 1500<sup>®</sup> (All Cap) Strategy

QUARTERLY PORTFOLIO COMMENTARY (CASH FUNDED AFTER-TAX COMPOSITE)

US equity markets continued to move higher in the second quarter, although leadership of a few mega cap stocks continued to be the dominant theme. The Fed continued their holding pattern on overnight interest rates, now signaling a single rate cut later this year as their base case. Inflation continued to soften, although it remains above target. It remains a key watchpoint, along with a backdrop of greater geopolitical unease, heading into a fall US election. The US economy has had resilient growth and historically low unemployment levels. As Q2 brought more normalized economic data, investors are increasingly expecting a soft landing. Annual US inflation was 3.3% in May, down slightly from Q1 levels, and unemployment rose slightly to 4.0%. United States GDP rose by an annualized rate of 1.4% in the first quarter of 2024, significantly lower than last year's robust growth. The S&P 500<sup>®</sup> Index rose (4.3%) for the quarter with broadly positive results. Information Technology (+13.8%), Communication Services (+9.4%), and Utilities (+4.7%) were the top performers during the quarter. Materials (-4.5%), Industrials (-2.9%), Energy (-2.4%), and Real Estate (-0.6%) were the top-detracting sectors during the quarter. Growth substantially outperformed value over the quarter, with the Russell 1000<sup>®</sup> Growth Index (+8.3%) versus the Russell 1000<sup>®</sup> Value Index (-2.2%), and the Russell 1000<sup>®</sup> Index (+3.6%) outperformed the Russell 2000<sup>®</sup> Index (-3.3%).

During the quarter, the AIA S&P 1500<sup>®</sup> (All Cap) Strategy outperformed its benchmark before taxes and net of 0.30% fees by +0.06%. The strategy outperformed over the period on an after-tax and net of 0.30% fee basis by +0.49%. After-tax outperformance was relatively mild, due to limited opportunities to harvest losses, with strong market performance in the first quarter. Tax alpha was positive and added +0.43% during the period.

Year to date, the AIA S&P 1500<sup>®</sup> (All Cap) Strategy outperformed its benchmark, before taxes and net of 0.30% fees, by +0.92%. The strategy outperformed over the period, on an after-tax and net of 0.30% fee basis, by +1.72%. Tax alpha contributed +0.79% for the period.

The AIA S&P 1500<sup>®</sup> (All Cap) Strategy seeks to provide a pre-tax return similar to the performance of the S&P 1500<sup>®</sup> Index, and seeks to outperform the benchmark on an after-tax basis by proactively realizing losses. AIA's managers use a stratified sampling methodology to select a subset of stocks from the index while seeking sector-neutral weights and diversification across market capitalization. Individual account performance may vary due to restrictions at the account level, such as security exclusions, capital gain budgets and other restrictions.

Markets have performed well thus far in 2024, although gains leveled off during Q2. Traditionally markets have reacted positively in election years, although slowing GDP growth, inflation, and future monetary policy remain key concerns for investors. With these uncertainties, ongoing geopolitical tensions and macroeconomic weakness may spur market volatility. The resulting market environment has increasingly proven challenging to navigate. We continue to believe that active fundamental research, combined with investment discipline, provides an attractive way to navigate market uncertainty.

## AIA S&P 1500<sup>®</sup> (All Cap) Strategy– Annualized Returns (as of 06/30/2024)

AIA S&P 1500 <sup>®</sup> Cash Funded After-Tax Composite Pure Gross Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (S&P 1500 <sup>®</sup> )	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	3.80%	3.66%	0.14%	3.87%	3.30%	0.57%	0.43%
1 year	24.75%	23.52%	1.23%	24.90%	21.72%	3.18%	1.95%
3 years	9.96%	9.43%	0.52%	14.17%	7.76%	6.41%	5.89%
5 years	14.54%	14.59%	-0.06%	18.54%	12.81%	5.73%	5.79%
10 years	12.54%	12.50%	0.04%	15.42%	10.93%	4.50%	4.46%
Since inception 09/01/2003	10.40%	10.60%	-0.20%	12.76%	9.38%	3.38%	3.58%

AIA S&P 1500 <sup>®</sup> Cash Funded After-Tax Composite Net 0.30% Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Net 0.30% Return	Benchmark Return (S&P 1500 <sup>®</sup> )	Difference	Composite Net 0.30% Return	Estimated Benchmark Return	Difference	
3 months	3.72%	3.66%	0.06%	3.79%	3.30%	0.49%	0.43%
1 year	24.38%	23.52%	0.86%	24.54%	21.72%	2.81%	1.95%
3 years	9.63%	9.43%	0.20%	13.83%	7.76%	6.07%	5.88%
5 years	14.20%	14.59%	-0.40%	18.19%	12.81%	5.38%	5.78%
10 years	12.21%	12.50%	-0.29%	15.08%	10.93%	4.16%	4.45%
Since inception 09/01/2003	10.07%	10.60%	-0.53%	12.42%	9.38%	3.04%	3.57%

AIA S&P 1500 <sup>®</sup> Cash Funded After-Tax Composite Net Bundled Fee Returns <sup>1</sup>	Pre-Tax			After-Tax			Tax Alpha
	Composite Net Bundled Fee Return	Benchmark Return (S&P 1500 <sup>®</sup> )	Difference	Composite Net Bundled Fee Return	Estimated Benchmark Return	Difference	
3 months	3.03%	3.66%	-0.63%	3.10%	3.30%	-0.20%	0.43%
1 year	21.12%	23.52%	-2.40%	21.27%	21.72%	-0.45%	1.95%
3 years	6.73%	9.43%	-2.71%	10.82%	7.76%	3.07%	5.77%
5 years	11.18%	14.59%	-3.41%	15.08%	12.81%	2.27%	5.68%
10 years	9.24%	12.50%	-3.26%	12.05%	10.93%	1.12%	4.38%
Since inception 09/01/2003	7.15%	10.60%	-3.45%	9.45%	9.38%	0.07%	3.52%

<sup>1</sup> The assumed model bundled fee used is 3.0% and has been retroactively applied since inception.

**Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.**

## AIA S&P 1500<sup>®</sup> (All Cap) Strategy – Market Cap Allocations (as of 6/30/2024)

Market cap size	Percentage of total portfolio	S&P 1500 <sup>®</sup>
Large (>10B)	96.04%	93.53%
Mid (2.5B to 10B)	3.70%	5.51%
Small (<2.5B)	0.27%	0.97%

As portfolios are actively managed, holdings are subject to change. The securities discussed herein do not represent all of the securities purchased, sold or recommended. The reader should not assume that an investment in these securities was or will be profitable. A complete list of all past recommendations made within the immediately preceding 12-month period is available upon request.

The **S&P 1500<sup>®</sup> Composite Index** is an investable US equity benchmark. The S&P Composite 1500<sup>®</sup> combines three leading indices: the S&P 500<sup>®</sup>, the S&P MidCap 400, and the S&P SmallCap 600, to cover approximately 90% of the US market capitalization. It is designed for investors seeking to replicate the performance of the US equity market or benchmark against a representative universe of tradable stocks. The **Russell 1000<sup>®</sup> Growth Index** is an unmanaged index that measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000<sup>®</sup> companies with higher price-to-book ratios and higher forecasted growth values. The **Russell 1000<sup>®</sup> Value Index** is an unmanaged index that measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000<sup>®</sup> companies with lower price-to-book ratios and lower expected growth values. The **Russell 1000<sup>®</sup> Index** measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000<sup>®</sup> Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000<sup>®</sup> represents approximately 92% of the US market. The Russell 1000<sup>®</sup> Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected. The **Russell 2000<sup>®</sup> Index** is an unmanaged index that measures the performance of the small-cap segment of the US equity universe.

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Tax alpha is the benefit of loss harvesting, which is assumed to be used to offset gains inside or outside the portfolio in the period they are incurred, and thus credited to the portfolio returns. The after-tax benchmark is an estimate based upon the average capital gain realization rate and dividend yield of the index. The maximum federal and state tax rates for dividends and capital gains are utilized in the after-tax calculations.

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