

## AIA S&P 600<sup>®</sup> (Small Cap) Strategy

QUARTERLY PORTFOLIO COMMENTARY (CASH FUNDED AFTER-TAX COMPOSITE)

US Equity markets moderated their growth in the fourth quarter with the S&P 500<sup>®</sup> and Dow Jones Industrial Average gaining 2.4% and 0.9%, respectively. The Fed continued to ease in line with market expectations, cutting rates by 25 basis points (bps) at both the November and December FOMC meetings, but indicating fewer rate cuts in 2025 due to persistent inflation and steady economic growth. The Federal Funds target rate ended the year at 4.25%–4.50%, a full 100bps lower than its 2024 peak. Annual US inflation continued to moderate from highs set in 2022, with a reading of 2.7% in November, and the unemployment rate held steady at 4.2%. United States GDP rose by an annualized rate of 2.8% in the third quarter of 2024, down from 3.0% in the second quarter. Within the S&P 500<sup>®</sup>, consumer discretionary (+14.2%), communication services (+8.8%), and financials (+7.0) were the top contributing sectors, while materials (-12.6%), healthcare (-10.4%), and real estate (-8.2%) were the largest detractors. Growth sharply outperformed value over the quarter, with the Russell 1000<sup>®</sup> Growth Index (+7.1%) vs. the Russell 1000<sup>®</sup> Value Index (-2.0%), and the Russell 1000<sup>®</sup> Index (+2.8%) outperformed the Russell 2000<sup>®</sup> Index (+0.3%).

During the quarter, AIA S&P 600<sup>®</sup> Strategy underperformed its benchmark before taxes and net of 0.35% fees by -0.37%. The strategy outperformed over the period on an after-tax and net-of-0.35%-fee basis by 0.09%. After-tax outperformance was relatively mild, due to limited opportunities to harvest losses after a year of strong equity returns. Tax alpha was positive and added +0.46% during the period

Year to date, the AIA S&P 600<sup>®</sup> Strategy outperformed its benchmark before taxes and net of 0.35% fees by +3.24%. The strategy outperformed over the period on an after-tax and net-of-0.35%-fee basis by +6.51%. Tax alpha contributed +3.27% for the period.

The AIA S&P 600<sup>®</sup> Strategy seeks to provide a pretax return similar to the performance of the S&P 600<sup>®</sup> Index and seeks to outperform the benchmark on an after-tax basis by proactively realizing losses and deferring gains. AIA's managers use a multi-factor algorithm to select and weight stocks to align portfolio exposures, including sector and market capitalization, to the underlying index while incorporating tax management. Individual account performance may vary due to account-level restrictions, such as security exclusions, capital gains budgets and other restrictions.

## AIA S&P 600<sup>®</sup> (Small Cap) Strategy – Annualized Returns (as of 12/31/2024)

AIA S&P 600 <sup>®</sup> Cash Funded After-Tax Composite Pure Gross Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (S&P 600 <sup>®</sup> )	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	-0.87%	-0.58%	-0.28%	-1.15%	-1.33%	0.18%	0.46%
1 year	12.32%	8.70%	3.63%	12.43%	5.53%	6.90%	3.27%
3 years annualized	3.57%	1.91%	1.66%	8.44%	-0.90%	9.34%	7.68%
5 years annualized	8.62%	8.36%	0.27%	15.18%	5.21%	9.97%	9.71%
Since inception 05/01/2016	10.05%	10.17%	-0.12%	14.95%	7.05%	7.90%	8.03%

AIA S&P 600 <sup>®</sup> Cash Funded After-Tax Composite Net 0.35% Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Net 0.35% Return	Benchmark Return (S&P 600 <sup>®</sup> )	Difference	Composite Net 0.35% Return	Estimated Benchmark Return	Difference	
3 months	-0.95%	-0.58%	-0.37%	-1.24%	-1.33%	0.09%	0.46%
1 year	11.94%	8.70%	3.24%	12.04%	5.53%	6.51%	3.27%
3 years annualized	3.21%	1.91%	1.30%	8.07%	-0.90%	8.96%	7.67%
5 years annualized	8.25%	8.36%	-0.11%	14.78%	5.21%	9.58%	9.69%
Since inception 05/01/2016	9.67%	10.17%	-0.51%	14.56%	7.05%	7.50%	8.01%

AIA S&P 600 <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 600 <sup>®</sup> )	Difference	Composite Net Bundled Fee Return	Estimated Benchmark Return	Difference	
3 months	-1.61%	-0.58%	-1.03%	-1.90%	-1.33%	-0.57%	0.46%
1 year	9.03%	8.70%	0.33%	9.13%	5.53%	3.60%	3.27%
3 years annualized	0.51%	1.91%	-1.40%	5.25%	-0.90%	6.15%	7.55%
5 years annualized	5.42%	8.36%	-2.93%	11.81%	5.21%	6.60%	9.53%
Since inception 05/01/2016	6.81%	10.17%	-3.36%	11.59%	7.05%	4.54%	7.90%

<sup>1</sup> Net-of-fees performance reflects the deduction of an annual wrap program fee of 3%. This fee has been retroactively applied since inception.

## AIA S&P 600<sup>®</sup> (Small Cap) Strategy – Market Cap Allocations (as of 12/31/2024)

Market cap size	Percentage of total portfolio	S&P 600 <sup>®</sup> Index
Large (>10B)	0.00%	0.00%
Mid (2.5B to 10B)	75.19%	66.63%
Small (<2.5B)	24.81%	33.37%

### Performance data shown represents past performance and is no guarantee of future results.

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 Small Cap 600 covers approximately 3% of the domestic equities market. Measuring the small-cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

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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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