AIA S&P ADR/International Strategy

QUARTERLY PORTFOLIO COMMENTARY (CASH FUNDED AFTER-TAX COMPOSITE)

Global equity markets were essentially flat (MSCI World: -0.2%) during the quarter as modestly positive US Equity markets (S&P 500®: 2.4%) were offset by negative returns in both the developed (MSCI EAFE: -8.1%) and emerging markets (MSCI EM: -8.0%). 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%. US GDP rose by an annualized rate of 2.8% in the third quarter of 2024, down from 3.0% in the second quarter. The MSCI All Country World Index fell (-1.0%) in the fourth quarter and the best-performing sectors were consumer discretionary (+8.7%), communication services (+7.0%), and information technology (+4.7%). The worst-performing sectors were materials (-14.3%), healthcare (-11.4%), and real estate (-9.3%). The Middle East and United States showed strength, while Emerging Markets, Europe ex UK, Asia ex Japan, and United Kingdom experienced declines.

During the quarter, the AIA S&P ADR Strategy outperformed its benchmark before taxes and net of 0.35% fees by +0.56%. The strategy outperformed over the period on an after-tax and net-of-0.35%-fee basis by +1.57%. After-tax outperformance was relatively mild, due to limited opportunities to harvest losses after a year of strong equity market returns. Tax alpha was positive and added +1.01% during the period.

Year to date, the AIA S&P ADR Strategy outperformed its benchmark before taxes and net of 0.35% fees by +0.32%. The strategy outperformed over the period on an after-tax and net-of-0.35%-fee basis by +3.28%. Tax alpha contributed +2.96% for the period.

The AIA S&P ADR Strategy seeks to provide a pretax return similar to the performance of the S&P ADR 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 restrictions at the account level, such as security exclusions, capital gains budgets and other restrictions.

AIA S&P ADR/International Strategy – Annualized Returns (as of 12/31/2024)

	Pretax			After-Tax			
AIA S&P ADR Cash Funded After-Tax Composite Pure Gross Returns	**Composite Pure Gross Return**	**Benchmark Return (S&P ADR)**	**Difference**	**Composite Pure Gross Return**	**Estimated Benchmark Return**	**Difference**	**Tax Alpha**
3 months	-4.70%	-5.35%	0.65%	-4.05%	-5.71%	1.66%	1.01%
1 year	10.53%	9.83%	0.70%	11.56%	7.90%	3.66%	2.96%
3 years	5.46%	6.16%	-0.70%	9.73%	4.43%	5.31%	6.01%
5 years	7.19%	7.18%	0.01%	12.43%	5.55%	6.88%	6.88%
10 years	5.69%	5.71%	-0.02%	9.69%	4.23%	5.46%	5.48%
Since inception 08/01/2003	7.28%	6.82%	0.46%	9.73%	5.52%	4.21%	3.75%

	Pretax			After-Tax			
AIA S&P ADR Cash Funded After-Tax Composite Net 0.35% Returns	**Composite Net 0.35% Return**	**Benchmark Return (S&P ADR)**	**Difference**	**Composite Net 0.35% Return**	**Estimated Benchmark Return**	**Difference**	**Tax Alpha**
3 months	-4.79%	-5.35%	0.56%	-4.14%	-5.71%	1.57%	1.01%
1 year	10.15%	9.83%	0.32%	11.18%	7.90%	3.28%	2.96%
3 years	5.10%	6.16%	-1.07%	9.35%	4.43%	4.93%	5.99%
5 years	6.82%	7.18%	-0.37%	12.04%	5.55%	6.50%	6.86%
10 years	5.32%	5.71%	-0.39%	9.31%	4.23%	5.08%	5.47%
Since inception 08/01/2003	6.91%	6.82%	0.08%	9.35%	5.52%	3.83%	3.74%

	Pretax			After-Tax			
AIA S&P ADR Cash Funded After-Tax Composite Net Bundled Fee Returns[1]	**Composite Net Bundled Fee Return**	**Benchmark Return (S&P ADR)**	**Difference**	**Composite Net Bundled Fee Return**	**Estimated Benchmark Return**	**Difference**	**Tax Alpha**
3 months	-5.43%	-5.35%	-0.08%	-4.78%	-5.71%	0.93%	1.01%
1 year	7.29%	9.83%	-2.54%	8.29%	7.90%	0.39%	2.93%
3 years	2.35%	6.16%	-3.81%	6.51%	4.43%	2.08%	5.89%
5 years	4.03%	7.18%	-3.15%	9.13%	5.55%	3.59%	6.74%
10 years	2.57%	5.71%	-3.14%	6.46%	4.23%	2.23%	5.38%
Since inception 08/01/2003	4.12%	6.82%	-2.70%	6.51%	5.52%	0.98%	3.69%

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

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All results are time-weighted total returns that include the reinvestment of income and dividends. Returns are presented net of nonreclaimable withholding taxes. Management fees vary on asset size and are negotiated by the sponsor. The standard fee schedule is as follows: 0.35% on the first $5 million; 0.25% on the next $5 million; 0.20% on the next $10 million; 0.17% on the next $30 million; 0.16% thereafter. Net-of-fees returns assume a model bundled fee that is inclusive of custody, advisor, transaction, and investment management fees. The model fee is deducted 1/12th per month from the gross composite return. The assumed model bundled fee used is 3.0% and has been retroactively applied since inception. Pure gross-of-fees returns are supplemental information and do not reflect the deduction of transaction costs or fees that are included with bundled fees. Effective January 2006, accounts with significant cash withdrawals are temporarily removed from the composite during the month that the withdrawal was taken. Currently, significant cash withdrawals are defined as cash withdrawals that are greater than 10% of an account's market value. Details related to the policy and the threshold for defining significant cash withdrawals historically are available upon request. The after-tax returns shown are subject to the limitations of the specific calculation methodology applied. Since the client's actual circumstances and tax rates determined after the fact may differ from the anticipated tax rates used in this process, the reported returns may not equal the actual after-tax returns for specific clients. After-tax returns are calculated using the maximum federal and state tax rates for dividends, short-term capital gains and long-term capital gains.

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 on the average capital gains realization rate and dividend yield of the index. Both after-tax calculations using the maximum federal tax rate and 0% state tax, and the maximum federal and state tax rates for dividends and capital gains are displayed.

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