

## AIA S&P Global 500 (Large Cap) 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%. 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. 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 Global 500 (Large Cap) Strategy underperformed its benchmark before taxes and net of 0.35% fee by -0.84%. The strategy underperformed over the period on an after-tax net-of-0.35% fee basis by -0.41%. Strong equity markets in 2024 limited opportunities to harvest losses, and equity market concentration made it a relatively challenging environment for index tracking. Tax alpha was positive and added +0.43% during the period.

Year to date, the AIA S&P Global 500 (Large Cap) Strategy underperformed its benchmark before taxes and net of 0.35% fees by -0.84%. The strategy outperformed over the period on an after-tax and net-of-0.35% fee basis by +0.66%. Tax alpha contributed +1.50% for the period.

The AIA S&P Global 500 (Large Cap) Strategy seeks to provide a pretax return similar to the performance of the market-cap blended benchmark composed of the S&P 500® and S&P ADR indexes. The strategy 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 Global 500 (Large Cap) Strategy – Annualized Returns (as of 12/31/2024)

AIA S&P Global 500 Cash Funded After-Tax Composite Pure Gross Returns	Pretax			After-Tax			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (500 + ADR)	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	0.63%	1.38%	-0.75%	0.71%	1.03%	-0.32%	0.43%
1 year	22.56%	22.97%	-0.41%	22.32%	21.23%	1.08%	1.50%
3 years	8.50%	8.69%	-0.18%	12.19%	7.10%	5.09%	5.27%
5 years	13.01%	13.43%	-0.42%	18.34%	11.77%	6.57%	6.99%
10 years	11.54%	11.79%	-0.25%	15.20%	10.28%	4.92%	5.17%
Since inception 08/01/2006	9.49%	9.43%	0.06%	11.95%	8.31%	3.65%	3.59%

AIA S&P Global 500 Cash Funded After-Tax Composite Net 0.35% Returns	Pretax			After-Tax			Tax Alpha
	Composite Net 0.35% Return	Benchmark Return (500 + ADR)	Difference	Composite Net 0.35% Return	Estimated Benchmark Return	Difference	
3 months	0.54%	1.38%	-0.84%	0.62%	1.03%	-0.41%	0.43%
1 year	22.14%	22.97%	-0.84%	21.89%	21.23%	0.66%	1.50%
3 years	8.13%	8.69%	-0.56%	11.80%	7.10%	4.70%	5.26%
5 years	12.62%	13.43%	-0.81%	17.93%	11.77%	6.16%	6.97%
10 years	11.16%	11.79%	-0.63%	14.81%	10.28%	4.52%	5.15%
Since inception 08/01/2006	9.11%	9.43%	-0.32%	11.57%	8.31%	3.26%	3.58%

AIA S&P Global 500 Cash Funded After-Tax Composite Net Bundled Fee Returns <sup>1</sup>	Pretax			After-Tax			Tax Alpha
	Composite Net Bundled Fee Return	Benchmark Return (500 + ADR)	Difference	Composite Net Bundled Fee Return	Estimated Benchmark Return	Difference	
3 months	-0.12%	1.38%	-1.50%	-0.05%	1.03%	-1.07%	0.43%
1 year	18.99%	22.97%	-3.98%	18.75%	21.23%	-2.48%	1.50%
3 years	5.31%	8.69%	-3.38%	8.90%	7.10%	1.80%	5.17%
5 years	9.70%	13.43%	-3.73%	14.88%	11.77%	3.11%	6.85%
10 years	8.27%	11.79%	-3.52%	11.83%	10.28%	1.55%	5.07%
Since inception 08/01/2006	6.27%	9.43%	-3.16%	8.67%	8.31%	0.36%	3.52%

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

## AIA S&P Global 500 Strategy (Large Cap) – Market-Cap Allocations (as of 12/31/2024)

Market-cap size	Percentage of total portfolio
Large (>10B)	100.00%
Mid (2.5B to 10B)	0.00%
Small (<2.5B)	0.00%

**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 benchmark is a blend between the S&P 500® Index and the S&P ADR Index. S&P 500® Index is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market. Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. Russell 1000® 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® companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000® 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® companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000® represents approximately 92% of the US market. The Russell 1000® 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. Russell 2000® 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 on 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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