

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



Active Index Advisors<sup>®</sup>

Q4 | DECEMBER 31, 2019

## Manager Overview

Active Index Advisors<sup>®</sup> specializes in index-based separate account solutions that combine the diversification and return potential of indexing with the enhanced tax efficiency and personalized portfolio construction of a separately managed account. AIA's approach may provide you with a solution to some of your most complex financial planning challenges. AIA is a division of Natixis Advisors, L.P. ("Natixis Advisors"), which is a wholly owned subsidiary of Natixis Investment Managers, a global investment organization.

**Founded: 2002**

**President: Curt Overway, CFA<sup>®</sup>**

### Portfolio team:

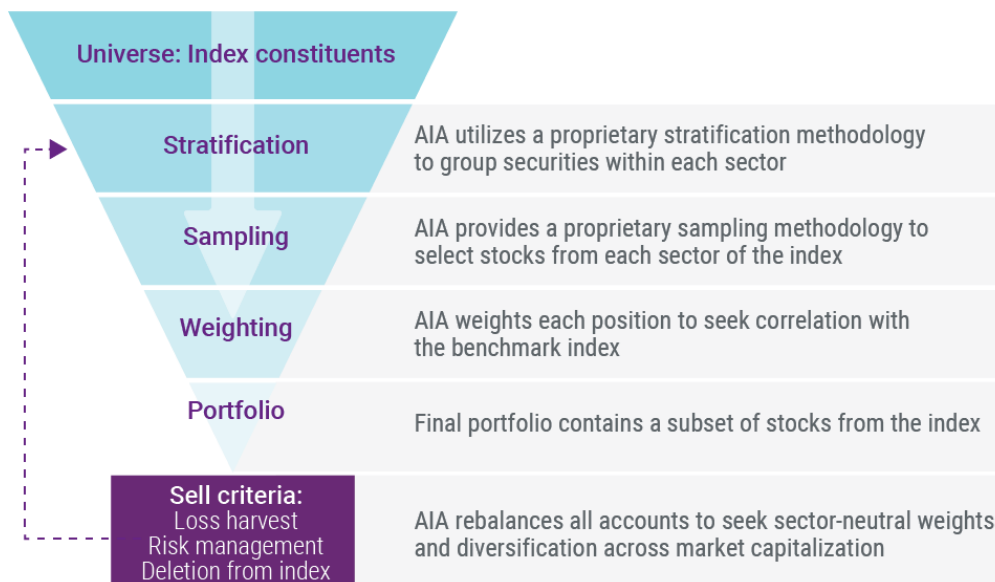
**Kevin Maeda, Chief Investment Officer**, began investment career in 1994; BS, University of California, Berkeley; MBA, University of California, Los Angeles

**Serena Stone, CFA<sup>®</sup>, Vice President, Portfolio Manager**, began investment career in 1999; BS, University of California, Los Angeles

## Strategy Overview – Investment Philosophy

AIA's managers seek to provide a pre-tax return similar to the S&P 1500<sup>®</sup> Index. Each separately managed account is unique and can incorporate existing holdings and stock restrictions. Key features include:

- providing consistent and diversified exposure to the S&P 1500<sup>®</sup> Index
- deploying a proprietary stratified sampling methodology to represent the index with a subset of stocks
- delivering customization at the individual account level



## The Natixis approach

Natixis Investment Managers serves financial professionals with more insightful ways to construct portfolios. Powered by the expertise of more than 20 specialized investment managers globally, we apply **Active Thinking<sup>®</sup>** to deliver proactive solutions that help clients pursue better outcomes in all markets. Natixis ranks among the world's largest asset management firms<sup>1</sup> (\$1,004.5 billion AUM<sup>2</sup>).

1 Cerulli Quantitative Update: Global Markets 2019 ranked Natixis Investment Managers as the 17th largest asset manager in the world based on assets under management as of December 31, 2018.

2 \*Net asset value as of September 30, 2019. Assets under management ("AUM"), as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

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PERFORMANCE OVERVIEW (AS OF 12/31/19)

AIA S&P 1500® Strategy (All Cap)<sup>1</sup>

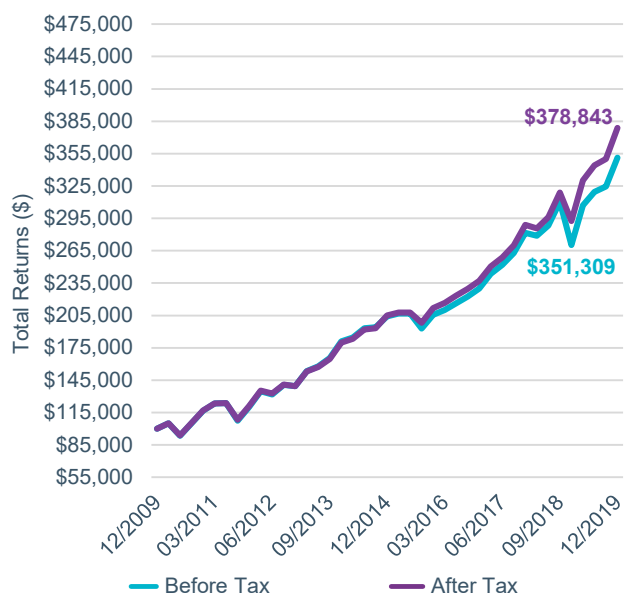
Period returns<sup>2</sup> (Gross %)

	AIA S&P 1500® Pre-Tax	S&P 1500® Index Pre-Tax	Pre-Tax Difference	AIA S&P 1500® After-Tax	S&P 1500® Index After-Tax	After-Tax Difference	Tax Alpha
3 months	8.25	8.92	-0.67	8.20	8.49	-0.29	0.38
1 Year	30.02	30.90	-0.88	29.57	28.87	0.69	1.58
3 Years	15.16	14.65	0.51	16.92	13.06	3.86	3.35
5 Years	11.46	11.46	0.00	13.05	10.03	3.03	3.03
10 Years	13.39	13.52	-0.13	14.25	12.31	1.94	2.07
Since Inception (9/2003)	9.46	9.74	-0.28	11.29	8.67	2.62	2.90

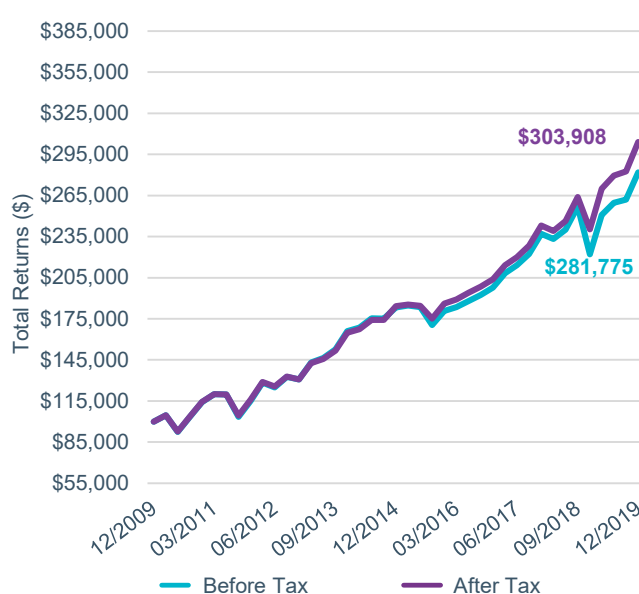
Calendar year returns (Gross %)

	AIA S&P 1500® Pre-Tax	S&P 1500® Index Pre-Tax	Pre-Tax Difference	AIA S&P 1500® After-Tax	S&P 1500® Index After-Tax	After-Tax Difference	Tax Alpha
2010	16.57	16.38	0.18	16.86	15.76	1.10	0.91
2011	3.20	1.75	1.45	3.71	1.08	2.63	1.19
2012	15.88	16.17	-0.28	15.07	15.25	-0.19	0.10
2013	29.83	32.80	-2.97	28.89	31.31	-2.42	0.55
2014	12.83	13.08	-0.26	14.13	11.79	2.34	2.60
2015	0.74	1.01	-0.27	3.32	-0.13	3.45	3.73
2016	11.82	13.03	-1.21	11.84	11.73	0.10	1.31
2017	22.41	21.13	1.28	21.88	19.70	2.19	0.91
2018	-4.04	-4.96	0.92	1.20	-6.32	7.52	6.60
2019	30.02	30.90	-0.88	29.57	28.87	0.69	1.58

Hypothetical growth of \$100,000 investment (Gross)



Hypothetical growth of \$100,000 investment (Net)<sup>3</sup>



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

Gross performance does not take into account transaction costs, investment advisory fees, custody fees, or other expenses that were charged to clients' accounts or deductions for income taxes. The pure gross of fees returns are supplemental information. After-tax returns are only applicable to taxable accounts. The net performance reflects the deduction of investment advisory fees charged to client accounts, as well as transactional fees. Such fees will reduce investment performance over time. Indexes are not investments and do not incur fees and expenses and are not professionally managed. It is not possible to invest directly in an index.

<sup>1</sup> Please see the back page for important disclosures and performance information for this strategy.

<sup>2</sup> Performance for less than one year is not annualized.

<sup>3</sup> Prior to 6/1/2009 net of fees performance reflects a deduction of a 2% annual wrap program fee, for the periods 6/1/2009 to 7/31/2018 2.18%, and 2.5% thereafter.

## PORTFOLIO HOLDINGS AND CHARACTERISTICS (AS OF 12/31/19)

### AIA S&P 1500® Strategy (All Cap)

#### Top Strategy holdings %

Company	Percentage of total portfolio
Apple Inc.	4.46
Microsoft Corporation	4.39
Amazon.com, Inc.	2.79
Facebook, Inc. Class A	2.13
Berkshire Hathaway Inc. Class B	1.73
JPMorgan Chase & Co.	1.70
Alphabet Inc. Class A	1.62
Johnson & Johnson	1.61
Alphabet Inc. Class C	1.61
Visa Inc. Class A	1.34

#### Top S&P 1500® Index holdings %

Company	Percentage of total portfolio
Apple Inc.	4.18
Microsoft Corporation	4.10
Amazon.com, Inc.	2.62
Facebook, Inc. Class A	1.68
Berkshire Hathaway Inc. Class B	1.51
JPMorgan Chase & Co.	1.49
Alphabet Inc. Class A	1.37
Alphabet Inc. Class C	1.36
Johnson & Johnson	1.31
Visa Inc. Class A	1.10

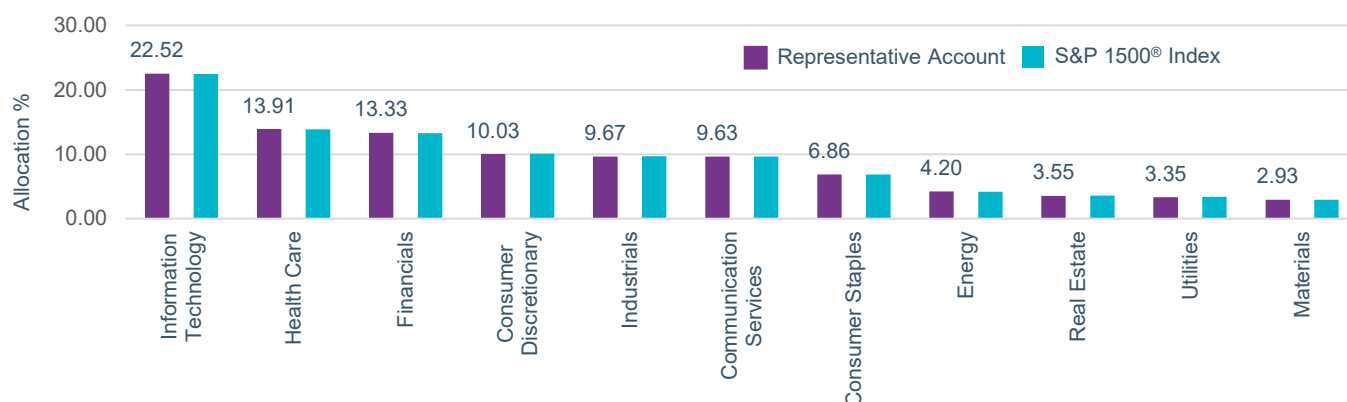
#### Portfolio characteristics<sup>1</sup>

	Model Portfolio	S&P 1500® Index
Number of holdings	200	1,506
Weighted average market cap (\$ billions)	295.70	265.17
Price/earnings ratio (x) (forward 12 months)	20.12	19.83
Price/book ratio (x)	3.37	3.20
Average dividend yield %	1.87	1.79
EPS growth rate % (3-5 year estimate)	10.66	10.92

#### Market Cap Allocations %

Market cap size	Percentage of total portfolio	S&P 1500® Index
Large (> 10B)	92.83	90.21
Mid (2.5B to 10B)	5.75	7.50
Small (<2.5B)	1.42	2.28

#### Sector allocations %



<sup>1</sup> Source: FactSet

Holdings and characteristics for the above hypothetical representative account are presented for illustrative purposes only and do not represent an actual client account. There can be no assurance that client accounts will contain the securities listed. References to these securities should not be considered a recommendation or investment advice to buy or sell any security shown. There can be no assurance the securities will be profitable in the future. A complete list of all recommendations made within the last 12 months in this style is available upon request. Active Index Advisors® constructs client portfolios by applying a stratified sampling technique that seeks to replicate the sector exposure of the S&P 1500® Index. Price/earnings ratio is the price of a stock divided by its earnings per share. Price/book ratio is the ratio of a stock's price to its book value per share. The projected characteristics are based upon estimates and reflect subjective judgments and assumptions. There can be no assurance that developments will transpire as forecasted and that the estimates are accurate. The characteristics shown are for illustrative purposes only.

PERFORMANCE OVERVIEW (AS OF 12/31/19)

AIA S&P 1500® Strategy (All Cap)

Period returns (Net)

	AIA S&P 1500® Pre-Tax	S&P 1500® Index Pre-Tax	Pre-Tax Difference	AIA S&P 1500® After-Tax	S&P 1500® Index After-Tax	After-Tax Difference	Tax Alpha
3 months	7.59	8.92	-1.33	7.54	8.49	-0.95	0.38
1 Year	26.87	30.90	-4.03	26.43	28.87	-2.44	1.59
3 Years	12.53	14.65	-2.11	14.25	13.06	1.20	3.31
5 Years	8.98	11.46	-2.48	10.54	10.03	0.51	2.99
10 Years	10.92	13.52	-2.61	11.76	12.31	-0.55	2.06
Since Inception (9/2003)	7.15	9.74	-2.59	8.95	8.67	0.27	2.86

Calendar year returns (Net)

	AIA S&P 1500® Pre-Tax	S&P 1500® Index Pre-Tax	Pre-Tax Difference	AIA S&P 1500® After-Tax	S&P 1500® Index After-Tax	After-Tax Difference	Tax Alpha
2010	14.08	16.38	-2.30	14.37	15.76	-1.40	0.91
2011	0.97	1.75	-0.78	1.48	1.08	0.40	1.18
2012	13.41	16.17	-2.76	12.61	15.25	-2.64	0.11
2013	27.08	32.80	-5.71	26.16	31.31	-5.15	0.57
2014	10.42	13.08	-2.67	11.69	11.79	-0.10	2.57
2015	-1.43	1.01	-2.45	1.10	-0.13	1.23	3.68
2016	9.43	13.03	-3.60	9.44	11.73	-2.29	1.31
2017	19.81	21.13	-1.32	19.30	19.70	-0.40	0.92
2018	-6.25	-4.96	-1.28	-1.11	-6.32	5.21	6.49
2019	26.87	30.90	-4.03	26.43	28.87	-2.44	1.59

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

Active Index Advisors® (“AIA”) is a division of Natixis Advisors, L.P. Natixis Advisors is an SEC registered investment advisor. A complete list of composite descriptions, as well as additional information regarding the firm's policies and procedures for valuing portfolios, calculating performance, and preparing compliant presentations, is available upon request. The AIA S&P 1500® Cash Funded After-Tax Composite includes all fully discretionary, taxable, fee-paying portfolios that invest in the AIA S&P 1500® which have initially been funded with cash. This strategy seeks to track the S&P 1500® Index on a pre-tax basis by investing in a subset of securities from within the index, while utilizing loss harvesting and tax management techniques to outperform on an after-tax basis.

The AIA S&P 1500® Cash Funded After-Tax Composite is a sub-composite of the AIA S&P 1500® Pre-Tax Composite. The composite was created in November 2007. The benchmark used is the S&P 1500®, an index representing large, mid, and small-cap US stocks. Performance is expressed in US dollars. All results are time-weighted total returns that include the reinvestment of income and dividends. Returns are presented net of non-reclaimable withholding taxes. Management fees vary on asset size and are negotiated by the sponsor. The standard fee schedule is as follows: 0.30% on the first \$5 million; 0.20% on the next \$5 million; 0.15% on the next \$10 million; 0.12% thereafter. Net-of-fees returns assume total custody, advisor, transaction, and investment management fees of 2.0%, deducted 1/12th per month from the gross composite return. Pure gross-of-fees returns do not reflect the deduction of transaction costs or 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 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.

**Investment Risks:** All securities are subject to risk, including possible loss of principal. Please read the risks associated with each investment prior to investing. Detailed discussions of each investment's risks are included in Part 2A of each firm's respective Form ADV. The investments highlighted in this presentation may be subject to certain additional risks. The views and opinions expressed may change based on market and other conditions. This material is provided for informational purposes only and should not be construed as investment advice. There can be no assurance that developments will transpire as forecasted. Actual results may vary.

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