

## AIA S&P 500<sup>®</sup> Strategy (Large Cap)



QUARTERLY PORTFOLIO COMMENTARY (CASH FUNDED AFTER-TAX COMPOSITE)

US equity markets rose during the quarter as investors focused on additional government stimulus, the coronavirus vaccine rollout, and improving employment and US GDP, amid rising coronavirus cases and tightening of restrictions. The S&P 500<sup>®</sup> Index, NASDAQ Composite, and Dow Jones Industrial Average all set new intra-quarter record milestones. United States GDP rose by an annual rate of 4.0% in the fourth quarter of 2020. In a coordinated effort to minimize the long-term negative impacts of the economic slowdown, the Federal Reserve continued to implement accommodative monetary policy measures and the US government continued to support the economy through fiscal policy by passing a \$1.9 trillion economic stimulus package. The US unemployment rate declined to 6.0% in March, which is down from 6.7% in December. The S&P 500<sup>®</sup> Index rose 6.2% for the quarter, with all sectors in positive territory. Energy (+30.8%), financials (+16.0%), industrials (+11.3%), materials (+9.1%), real estate (+9.0%), and communication services (+8.1%) were among the strongest performing sectors in the index. Consumer staples (+1.2%), information technology (+2.0%), utilities (+2.8%), consumer discretionary (+3.1%), and healthcare (+3.2%) rose but were among the weakest performers relative to the overall index. Value and small-cap outpaced growth and large-cap on a relative basis. The Russell 1000<sup>®</sup> Value Index rose by 11.3% compared to an increase of 0.9% in the Russell 1000<sup>®</sup> Growth Index, and the Russell 2000<sup>®</sup> Index rose by 12.7% compared to an increase of 5.9% in the Russell 1000<sup>®</sup> Index.

During the quarter, the AIA S&P 500<sup>®</sup> Strategy underperformed its benchmark before taxes and net of 0.30% fees by -0.96%. The strategy underperformed over the period on an after-tax basis by -0.69%. Due to the generally strong market returns continuing into the first quarter, loss harvesting opportunities were relatively modest. Tax alpha was positive and added value (+0.26%) during the period.

The AIA S&P 500<sup>®</sup> Strategy seeks to provide a pre-tax return similar to the performance of the S&P 500<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.

Coronavirus pandemic concerns along with monetary and fiscal policy stimulus continue to remain in focus for markets during the next quarter, as investors evaluate economic and global health uncertainties in their growth forecasts. These uncertainties along with first quarter earnings results may lead to market volatility. Rigorous fundamental research and investment discipline may be the winning recipe in the time to come, as global economic and health uncertainties continue.

## AIA S&P 500<sup>®</sup> Strategy (Large Cap) – Annualized Returns (as of 3/31/2021)

AIA S&P 500 <sup>®</sup> Cash Funded After-Tax Composite Pure Gross Returns	Pre-Tax			After-Tax (Maximum Federal Tax Rate and 0% State Tax)			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (S&P 500 <sup>®</sup> )	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	5.30%	6.17%	-0.88%	5.21%	5.91%	-0.70%	0.18%
1 year	54.39%	56.35%	-1.97%	53.15%	54.81%	-1.66%	0.31%
3 years	16.61%	16.78%	-0.17%	19.11%	15.64%	3.47%	3.64%
5 years	16.13%	16.29%	-0.17%	17.63%	15.19%	2.44%	2.61%
10 years	13.71%	13.91%	-0.20%	14.85%	12.94%	1.91%	2.12%
Since inception 11/01/2002	10.82%	10.71%	0.11%	12.86%	9.98%	2.88%	2.77%

AIA S&P 500 <sup>®</sup> Cash Funded After-Tax Composite Pure Gross Returns	Pre-Tax			After-Tax (Maximum Federal and State Tax Rates)			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (S&P 500 <sup>®</sup> )	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	5.30%	6.17%	-0.88%	5.14%	5.76%	-0.62%	0.26%
1 year	54.39%	56.35%	-1.97%	52.53%	53.94%	-1.40%	0.56%
3 years	16.61%	16.78%	-0.17%	19.81%	15.00%	4.81%	4.98%
5 years	16.13%	16.29%	-0.17%	17.99%	14.65%	3.34%	3.51%
10 years	13.71%	13.91%	-0.20%	15.05%	12.52%	2.53%	2.73%
Since inception 11/01/2002	10.82%	10.71%	0.11%	13.20%	9.67%	3.53%	3.42%

AIA S&P 500 <sup>®</sup> Cash Funded After-Tax Composite Net 0.30% Returns	Pre-Tax			After-Tax (Maximum Federal and State Tax Rates)			Tax Alpha
	Composite Net 0.30% Return	Benchmark Return (S&P 500 <sup>®</sup> )	Difference	Composite Net 0.30% Return	Estimated Benchmark Return	Difference	
3 months	5.22%	6.17%	-0.96%	5.07%	5.76%	-0.69%	0.26%
1 year	53.94%	56.35%	-2.41%	52.09%	53.94%	-1.84%	0.57%
3 years	16.26%	16.78%	-0.52%	19.45%	15.00%	4.46%	4.97%
5 years	15.78%	16.29%	-0.51%	17.65%	14.65%	2.99%	3.51%
10 years	13.37%	13.91%	-0.54%	14.71%	12.52%	2.19%	2.73%
Since inception 11/01/2002	10.49%	10.71%	-0.22%	12.86%	9.67%	3.19%	3.41%

AIA S&P 500 <sup>®</sup> Cash Funded After-Tax Composite Net Bundled Fee Returns <sup>1</sup>	Pre-Tax			After-Tax (Maximum Federal and State Tax Rates)			Tax Alpha
	Composite Net Bundled Fee Return	Benchmark Return (S&P 500 <sup>®</sup> )	Difference	Composite Net Bundled Fee Return	Estimated Benchmark Return	Difference	
3 months	4.52%	6.17%	-1.65%	4.37%	5.76%	-1.39%	0.26%
1 year	49.97%	56.35%	-6.38%	48.17%	53.94%	-5.76%	0.61%
3 years	13.85%	16.78%	-2.93%	16.98%	15.00%	1.99%	4.91%
5 years	13.57%	16.29%	-2.72%	15.40%	14.65%	0.75%	3.47%
10 years	11.34%	13.91%	-2.57%	12.66%	12.52%	0.14%	2.71%
Since inception 11/01/2002	8.57%	10.71%	-2.14%	10.90%	9.67%	1.23%	3.37%

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

<sup>1</sup> Prior to 1/1/2020 net of fees performance reflects a deduction of a 2% annual model bundled fee, and 3% thereafter.

S&P 500<sup>®</sup> 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<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. 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. Russell 2000<sup>®</sup> Index is an unmanaged index that measures the performance of the small-cap segment of the US equity universe.

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.

Active Index Advisors<sup>®</sup> ("AIA") is a division of Natixis Advisors, L.P. Natixis Advisors is an SEC registered investment adviser. 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 500<sup>®</sup> Cash Funded After-Tax Composite includes all fully discretionary, taxable, fee-paying portfolios that invest in the AIA S&P 500<sup>®</sup> Strategy (Large Cap) which have initially been funded with cash. This strategy seeks to track the S&P 500 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 500<sup>®</sup> Cash Funded After-Tax Composite is a sub-composite of the AIA S&P 500<sup>®</sup> Pre-Tax Composite. The composite was created in November 2007. The benchmark used is the S&P 500<sup>®</sup>, an index representing large-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% on the next \$30 million; 0.11% thereafter. Net-of-fees returns assume a model bundled fee which is inclusive of custody, advisor, transaction, and investment management fees. The model fee is deducted 1/12th per month from the gross composite return. Effective January 2020 forward, the assumed model bundled fee used is 3.0%. For periods prior to January 2020, the assumed model bundled fee was 2.0%. 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 both the maximum federal tax rate and 0% state tax, and 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. 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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