

## AIA S&P ADR/International Strategy

### QUARTERLY PORTFOLIO COMMENTARY (CASH FUNDED AFTER-TAX COMPOSITE)

Global equity markets soared in the fourth quarter, as the Fed confirmed a pause in rate rises, inflation continued to moderate, and the US economy hit its longest streak of unemployment below 4% since the Vietnam war. As a potential soft landing came into focus, investor optimism buoyed risk assets across equity and fixed income. Annual US inflation declined to 3.1% in November from 3.7% in August. Unemployment remained steady at 3.7% in December, up slightly from September levels. United States GDP rose by an annual rate of 4.9% in the third quarter of 2023, up significantly from 2.1% in the second quarter of 2023. The MSCI World Index rose 11.4% over the quarter while the MSCI Emerging Markets Index rose 7.9%. The MSCI All Country World Index rose 11.0%. The best performing sectors over the quarter were information technology (17.7%), real estate (17.5%) and industrials (14.0%). The worst performing sectors were energy (-3.9%) and consumer staples (5.5%). Country components of the index skewed towards positive performance, with the worst performing being Sweden, Netherlands, Australia, and Portugal. North America showed strength, while Asia and the Middle East saw more muted gains in relative terms.

During the quarter, the AIA S&P ADR Strategy underperformed its benchmark before taxes and net of 0.35% fees by -0.29%. The strategy outperformed over the period on an after-tax and net of 0.35% fee basis by +0.24%. After-tax returns benefited from an increase in opportunities to harvest losses, with dispersion in sector performance and sustained volatility from the fourth quarter. Tax alpha was positive and added +0.54% during the period.

Year to date, the AIA S&P ADR Strategy underperformed its benchmark before taxes and net of 0.35% fees by -0.03%. The strategy outperformed over the period on an after-tax and net of 0.35% fee basis by +1.65%. Tax alpha contributed +1.68% for the period.

The AIA S&P ADR Strategy seeks to provide a pre-tax 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. 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.

Investors remain focused on monetary policy and the trajectory of economic growth. While economic data and investor sentiment have improved significantly, recessionary risks remain. Geopolitical and macroeconomic risks may continue to drive market volatility and dispersion as multiple active wars, election years, and other potential conflicts play out over 2024. We continue to believe that active fundamental research combined with investment discipline provides an attractive way to navigate an uncertain and reactionary market environment.

## AIA S&P ADR/International Strategy – Annualized Returns (as of 12/31/2023)

AIA S&P ADR Cash Funded After-Tax Composite Pure Gross Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (S&P ADR)	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	8.89%	9.09%	-0.20%	9.05%	8.71%	0.34%	0.54%
1 year	19.98%	19.60%	0.38%	19.78%	17.72%	2.06%	1.68%
3 years	7.22%	8.02%	-0.80%	11.74%	6.31%	5.43%	6.22%
5 years	8.92%	9.23%	-0.31%	13.94%	7.62%	6.33%	6.64%
10 years	4.33%	4.24%	0.09%	8.42%	2.82%	5.60%	5.51%
Since inception 08/01/2003	7.12%	6.68%	0.45%	9.65%	5.41%	4.24%	3.79%

AIA S&P ADR Cash Funded After-Tax Composite Net 0.35% Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Net 0.35% Return	Benchmark Return (S&P ADR)	Difference	Composite Net 0.35% Return	Estimated Benchmark Return	Difference	
3 months	8.80%	9.09%	-0.29%	8.96%	8.71%	0.24%	0.54%
1 year	19.57%	19.60%	-0.03%	19.36%	17.72%	1.65%	1.68%
3 years	6.85%	8.02%	-1.17%	11.35%	6.31%	5.04%	6.21%
5 years	8.54%	9.23%	-0.69%	13.55%	7.62%	5.93%	6.62%
10 years	3.97%	4.24%	-0.27%	8.05%	2.82%	5.22%	5.50%
Since inception 08/01/2003	6.75%	6.68%	0.07%	9.26%	5.41%	3.86%	3.78%

AIA S&P ADR 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 ADR)	Difference	Composite Net Bundled Fee Return	Estimated Benchmark Return	Difference	
3 months	8.10%	9.09%	-0.99%	8.26%	8.71%	-0.46%	0.54%
1 year	16.48%	19.60%	-3.12%	16.28%	17.72%	-1.43%	1.68%
3 years	4.06%	8.02%	-3.96%	8.46%	6.31%	2.15%	6.10%
5 years	5.72%	9.23%	-3.52%	10.60%	7.62%	2.99%	6.51%
10 years	1.25%	4.24%	-2.99%	5.23%	2.82%	2.41%	5.40%
Since inception 08/01/2003	3.97%	6.68%	-2.71%	6.42%	5.41%	1.01%	3.72%

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

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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 ADR Cash Funded After-Tax Composite is a sub-composite of the AIA S&P ADR Pre-Tax Composite. The composite was created in November 2007. The benchmark used is the S&P ADR, an index representing non-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: 0.35% 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 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. 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 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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