

AIA S&P Global 500 (Large Cap) 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 Global 500 (Large Cap) Strategy underperformed its benchmark before taxes and net of 0.35% fee by -0.28%. The strategy underperformed over the period on an after-tax net of 0.35% fee basis by -0.12%. 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 +0.15% during the period.

Year to date, the AIA Global 500 (Large Cap) Strategy underperformed its benchmark before taxes and net of 0.35% fees by -3.03%. The strategy underperformed over the period on an after-tax and net of 0.35% fee basis by -0.76%. Tax alpha was positive and contributed 2.27% for the period.

The AIA S&P Global 500 (Large Cap) Strategy seeks to provide a pre-tax 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. 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 Global 500 (Large Cap) Strategy – Annualized Returns (as of 12/31/2023)

AIA S&P Global 500 Cash Funded After-Tax Composite Pure Gross Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (500 + ADR)	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	11.13%	11.31%	-0.18%	10.88%	10.91%	-0.03%	0.15%
1 year	22.71%	25.32%	-2.61%	23.14%	23.48%	-0.34%	2.27%
3 years	9.38%	9.73%	-0.35%	14.05%	8.08%	5.97%	6.32%
5 years	13.91%	14.61%	-0.71%	19.43%	12.92%	6.51%	7.22%
10 years	10.01%	10.44%	-0.43%	14.01%	8.99%	5.03%	5.46%
Since inception 08/01/2006	8.78%	8.70%	0.09%	11.39%	7.61%	3.78%	3.69%

AIA S&P Global 500 Cash Funded After-Tax Composite Net 0.35% Returns	Pre-Tax			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	11.03%	11.31%	-0.28%	10.78%	10.91%	-0.12%	0.15%
1 year	22.29%	25.32%	-3.03%	22.71%	23.48%	-0.76%	2.27%
3 years	9.00%	9.73%	-0.73%	13.66%	8.08%	5.58%	6.31%
5 years	13.51%	14.61%	-1.10%	19.02%	12.92%	6.10%	7.20%
10 years	9.63%	10.44%	-0.81%	13.62%	8.99%	4.63%	5.44%
Since inception 08/01/2006	8.40%	8.70%	-0.29%	11.00%	7.61%	3.39%	3.68%

AIA S&P Global 500 Cash Funded After-Tax Composite Net Bundled Fee Returns ¹	Pre-Tax			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	10.32%	11.31%	-0.99%	10.07%	10.91%	-0.83%	0.15%
1 year	19.14%	25.32%	-6.19%	19.55%	23.48%	-3.93%	2.26%
3 years	6.16%	9.73%	-3.57%	10.71%	8.08%	2.63%	6.20%
5 years	10.57%	14.61%	-4.04%	15.94%	12.92%	3.03%	7.07%
10 years	6.77%	10.44%	-3.66%	10.67%	8.99%	1.69%	5.35%
Since inception 08/01/2006	5.58%	8.70%	-3.11%	8.12%	7.61%	0.51%	3.62%

¹ 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 12/31/2023)

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, 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.

The benchmark is a blended 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 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.

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