

## AIA S&P 600<sup>®</sup> (Small Cap) Strategy

QUARTERLY PORTFOLIO COMMENTARY (CASH FUNDED AFTER-TAX COMPOSITE)

US equity markets continued to move higher in the third quarter with both the S&P 500<sup>®</sup> and Dow Jones Industrial Average ending September at record highs. Most notably, the Fed embarked on its much-anticipated easing cycle by cutting rates 50 basis points to 4.75%-5.00% at the September FOMC meeting, its first rate cut in four years. With inflation softening and closing in on its long-term target, the Fed's focus has shifted to supporting the labor market as unemployment continued to tick meaningfully higher, albeit from a near-historical low starting point. As Q3 brought more normalized economic data, investors are increasingly expecting a soft landing. Annual US inflation was 2.5% in August, the lowest since February 2021, and unemployment rose to 4.2%. United States GDP rose by an annualized rate of 2.8% in the second quarter of 2024, significantly higher than last quarter's 1.4% increase. The S&P 500<sup>®</sup> Index rose (+5.9%) for the quarter, with broadly positive results. Utilities (+19.1%), real state (+16.9%), and industrials (+11.4%) were the top performers during the quarter. Energy (-2.6%), information technology (+1.6%), and communication services (+1.6%) were the top detracting sectors during the quarter. Value substantially outperformed growth over the quarter, with the Russell 1000<sup>®</sup> Value Index (+9.4%) vs. the Russell 1000<sup>®</sup> Growth Index (+3.2%), and the Russell 2000<sup>®</sup> Index (+9.3%) outperformed the Russell 1000<sup>®</sup> Index (+6.1%).

During the quarter, AIA S&P 600<sup>®</sup> Strategy outperformed its benchmark before taxes and net of 0.35% fees by +0.92%. The strategy outperformed over the period on an after-tax and net of 0.35% fee basis by 1.29%. After-tax outperformance was relatively mild, due to limited opportunities to harvest losses, with strong market performance in the third quarter. Tax alpha was positive and added +0.38% during the period.

Year to date, the AIA S&P 600<sup>®</sup> Strategy outperformed its benchmark before taxes and net of 0.35% fees by +3.68%. The strategy outperformed over the period on an after-tax and net of 0.35% fee basis by +6.49%. Tax alpha contributed +2.81% for the period.

The AIA S&P 600<sup>®</sup> Strategy seeks to provide a pretax return similar to the performance of the S&P 600<sup>®</sup> Index and 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 account-level restrictions, such as security exclusions, capital gain budgets and other restrictions.

Markets have performed well thus far in 2024, with Q3 being no exception, as expectations of Global Central Bank rate cuts have buoyed risk assets. Traditionally, markets have reacted positively in election years, although unemployment and consumer spending remain key concerns for investors. With these uncertainties, ongoing geopolitical tensions and macroeconomic weakness may spur market volatility. The resulting market environment has increasingly proven challenging to navigate. We continue to believe that active fundamental research combined with investment discipline provides an attractive way to navigate market uncertainty.

## AIA S&P 600<sup>®</sup> (Small Cap) Strategy – Annualized Returns (as of 09/30/2024)

AIA S&P 600 <sup>®</sup> Cash Funded After-Tax Composite Pure Gross Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Pure Gross Return	Benchmark Return (S&P 600 <sup>®</sup> )	Difference	Composite Pure Gross Return	Estimated Benchmark Return	Difference	
3 months	11.14%	10.13%	1.01%	10.65%	9.26%	1.39%	0.38%
1 year	31.16%	25.86%	5.30%	30.10%	22.38%	7.72%	2.42%
3 years annualized	5.99%	3.99%	2.00%	11.41%	1.05%	10.36%	8.37%
5 years annualized	10.31%	10.21%	0.10%	16.90%	7.00%	9.90%	9.80%
Since inception 05/01/2016	10.48%	10.57%	-0.09%	15.59%	7.44%	8.15%	8.24%

AIA S&P 600 <sup>®</sup> Cash Funded After-Tax Composite Net 0.35% Returns	Pre-Tax			After-Tax			Tax Alpha
	Composite Net 0.35% Return	Benchmark Return (S&P 600 <sup>®</sup> )	Difference	Composite Net 0.35% Return	Estimated Benchmark Return	Difference	
3 months	11.05%	10.13%	0.92%	10.56%	9.26%	1.29%	0.38%
1 year	30.72%	25.86%	4.85%	29.65%	22.38%	7.27%	2.42%
3 years annualized	5.62%	3.99%	1.63%	11.02%	1.05%	9.98%	8.35%
5 years annualized	9.92%	10.21%	-0.28%	16.50%	7.00%	9.50%	9.78%
Since inception 05/01/2016	10.09%	10.57%	-0.47%	15.19%	7.44%	7.75%	8.22%

AIA S&P 600 <sup>®</sup> 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 600 <sup>®</sup> )	Difference	Composite Net Bundled Fee Return	Estimated Benchmark Return	Difference	
3 months	10.34%	10.13%	0.21%	9.85%	9.26%	0.59%	0.38%
1 year	27.36%	25.86%	1.50%	26.33%	22.38%	3.95%	2.45%
3 years annualized	2.86%	3.99%	-1.13%	8.14%	1.05%	7.09%	8.22%
5 years annualized	7.06%	10.21%	-3.15%	13.48%	7.00%	6.48%	9.63%
Since inception 05/01/2016	7.23%	10.57%	-3.34%	12.20%	7.44%	4.77%	8.11%

<sup>1</sup> Net-of-fees performance reflects the deduction of an annual wrap program fee of 3%. This fee has been retroactively applied since inception.

## AIA S&P 600<sup>®</sup> (Small Cap) Strategy – Market Cap Allocations (as of 9/30/2024)

Market cap size	Percentage of total portfolio	S&P 600 <sup>®</sup> Index
Large (>10B)	0.00%	0.00%
Mid (2.5B to 10B)	71.61%	64.87%
Small (<2.5B)	28.39%	35.13%

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 S&P Small Cap 600® Index covers approximately 3% of the domestic equities market. Measuring the small-cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

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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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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