

AIA S&P ADR/International Strategy

QUARTERLY PORTFOLIO COMMENTARY (CASH FUNDED AFTER-TAX COMPOSITE)

Global equity markets continued to move higher in the third quarter, with both the S&P 500[®] and Dow Jones Industrial Average ending September at record highs. 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. 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 MSCI World Index rose (+6.4%) over the quarter, and the MSCI Emerging Markets Index rose (+8.7%). The MSCI All Country World Index rose (+6.6%). The best performing sectors over the quarter were utilities (+17.6%), real estate (+16.9%), and financials (+10.7%). The worst performing sectors were energy (-2.9%), information technology (+1.5%), and communication services (+2.8%). North America, United Kingdom, Latin America, China, Japan, and the Middle East all showed strength.

During the quarter, the AIA S&P ADR Strategy underperformed its benchmark before taxes and net of 0.35% fees by -0.53%. The strategy outperformed over the period on an after-tax and net of 0.35% fee basis by +0.03%. After-tax outperformance was driven by markets reaching all-time highs combined with robust market breadth, which limited opportunities to harvest losses during the quarter. Tax alpha was positive and added +0.56% during the period.

Year to date, the AIA S&P ADR Strategy underperformed its benchmark before taxes and net of 0.35% fees by -0.35%. The strategy outperformed over the period on an after-tax and net of 0.35% fee basis by +1.54%. Tax alpha contributed +1.89% 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 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 restrictions at the account level, 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 ADR/International Strategy – Annualized Returns (as of 9/30/2024)

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	4.45%	4.90%	-0.44%	4.56%	4.45%	0.12%	0.56%
1 year	26.30%	26.58%	-0.29%	26.80%	24.40%	2.40%	2.68%
3 years	8.77%	9.54%	-0.77%	13.19%	7.77%	5.43%	6.20%
5 years	9.74%	9.92%	-0.19%	14.92%	8.25%	6.67%	6.85%
10 years	5.65%	5.65%	0.00%	9.84%	4.18%	5.66%	5.66%
Since inception 08/01/2003	7.61%	7.18%	0.43%	10.07%	5.88%	4.18%	3.75%

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	4.36%	4.90%	-0.53%	4.47%	4.45%	0.03%	0.56%
1 year	25.86%	26.58%	-0.72%	26.36%	24.40%	1.96%	2.68%
3 years	8.39%	9.54%	-1.15%	12.80%	7.77%	5.03%	6.18%
5 years	9.36%	9.92%	-0.57%	14.52%	8.25%	6.27%	6.84%
10 years	5.28%	5.65%	-0.37%	9.46%	4.18%	5.28%	5.65%
Since inception 08/01/2003	7.24%	7.18%	0.06%	9.69%	5.88%	3.80%	3.75%

AIA S&P ADR Cash Funded After-Tax Composite Net Bundled Fee Returns ¹	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	3.68%	4.90%	-1.21%	3.79%	4.45%	-0.65%	0.56%
1 year	22.63%	26.58%	-3.95%	23.12%	24.40%	-1.29%	2.67%
3 years	5.57%	9.54%	-3.97%	9.88%	7.77%	2.11%	6.08%
5 years	6.51%	9.92%	-3.41%	11.56%	8.25%	3.30%	6.71%
10 years	2.53%	5.65%	-3.12%	6.61%	4.18%	2.43%	5.55%
Since inception 08/01/2003	4.44%	7.18%	-2.74%	6.83%	5.88%	0.95%	3.69%

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

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The **MSCI World Index** captures large- and mid-cap representation across 23 developed markets countries. With 1,465 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The **MSCI Emerging Markets Index** is an unmanaged index that is designed to measure the equity market performance of emerging markets. The **MSCI All Country World Index** is a free float-adjusted market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is comprised of stocks from 23 developed countries and 24 emerging markets. The **S&P ADR (American Depositary Receipts) Index** is based on the non-U.S. stocks of the S&P Global 1200 traded in the U.S. exchanges. The index draws constituents from these six indices: S&P Europe 350, S&P/TOPIX 150 (Japan), S&P/TSX 60 (Canada), S&P/ASX All Australian 50, S&P Asia 50, and S&P Latin America 40.

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. 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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