

AIA S&P Global 500 (Large Cap) 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 Global 500 (Large Cap) Strategy underperformed its benchmark before taxes and net of 0.35% fee by -0.47%. The strategy underperformed over the period on an after-tax net of 0.35% fee basis by -0.24%. After-tax underperformance 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 +0.23% during the period.

Year to date, the AIA S&P Global 500 (Large Cap) Strategy outperformed its benchmark before taxes and net of 0.35% fees by +0.18%. The strategy outperformed over the period on an after-tax and net of 0.35% fee basis by +1.15%. Tax alpha contributed +0.97% for the period.

The AIA S&P Global 500 (Large Cap) Strategy seeks to provide a pretax 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 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 Global 500 (Large Cap) Strategy – Annualized Returns (as of 9/30/2024)

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	5.35%	5.73%	-0.38%	5.21%	5.36%	-0.15%	0.23%
1 year	35.35%	35.02%	0.33%	34.67%	33.09%	1.58%	1.26%
3 years	11.91%	11.65%	0.26%	15.97%	10.01%	5.96%	5.70%
5 years	14.62%	15.05%	-0.43%	20.04%	13.35%	6.68%	7.11%
10 years	11.73%	11.88%	-0.15%	15.67%	10.38%	5.29%	5.44%
Since inception 08/01/2006	9.59%	9.48%	0.11%	12.08%	8.36%	3.72%	3.61%

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	5.26%	5.73%	-0.47%	5.12%	5.36%	-0.24%	0.23%
1 year	34.88%	35.02%	-0.14%	34.21%	33.09%	1.12%	1.26%
3 years	11.52%	11.65%	-0.13%	15.57%	10.01%	5.56%	5.69%
5 years	14.22%	15.05%	-0.83%	19.62%	13.35%	6.27%	7.09%
10 years	11.34%	11.88%	-0.54%	15.27%	10.38%	4.89%	5.43%
Since inception 08/01/2006	9.21%	9.48%	-0.27%	11.70%	8.36%	3.33%	3.60%

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	4.58%	5.73%	-1.16%	4.44%	5.36%	-0.92%	0.23%
1 year	31.44%	35.02%	-3.58%	30.78%	33.09%	-2.31%	1.27%
3 years	8.63%	11.65%	-3.03%	12.58%	10.01%	2.57%	5.60%
5 years	11.26%	15.05%	-3.79%	16.53%	13.35%	3.18%	6.97%
10 years	8.45%	11.88%	-3.43%	12.28%	10.38%	1.90%	5.33%
Since inception 08/01/2006	6.37%	9.48%	-3.11%	8.80%	8.36%	0.43%	3.55%

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 9/30/2024)

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. The **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. 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 **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.

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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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