

Market Plus Portfolio Review

Q2 2024

The Market Plus strategy composite returns are shown in the table below.

Period	Composite Gross of Fees	Composite Net of Fees	S&P 500
Q2 2024	4.88	4.80	4.28

- **Stock selection was the primary driver of the outperformance this quarter.**
- **The most significant positive risk factor contributions came from being overweight the outperforming Profitability and Leverage factors.**
- **The performance of the Alpha model this quarter demonstrated a positive, monotonic pattern. This provided a tail wind for the relative performance of the strategy.**

Sector Attribution

Q2 2024 Sector Attribution

	Market Plus			S&P 500			Attribution Analysis		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Communication Services	9.31	13.14	1.18	9.28	9.37	0.85	0.00	0.33	0.33
Information Technology	30.54	14.49	4.30	30.40	13.81	4.06	0.02	0.19	0.21
Consumer Staples	6.65	4.07	0.33	5.98	1.35	0.11	0.00	0.19	0.19
Materials	2.22	0.78	0.04	2.31	-4.50	-0.11	0.01	0.14	0.16
Utilities	3.40	7.61	0.26	2.34	4.66	0.13	-0.04	0.09	0.06
Industrials	6.87	-4.17	-0.33	8.60	-2.89	-0.26	0.14	-0.10	0.04
Consumer Discretionary	8.61	0.26	0.01	10.08	0.65	0.04	0.04	-0.03	0.02
Health Care	11.49	-1.59	-0.16	12.06	-0.96	-0.12	0.04	-0.07	-0.04
Financials	13.60	-2.38	-0.36	12.87	-2.03	-0.25	-0.02	-0.08	-0.09
Energy	4.13	-4.03	-0.22	3.84	-2.57	-0.12	-0.02	-0.08	-0.10
Real Estate	2.76	-5.86	-0.17	2.17	-1.91	-0.05	-0.03	-0.12	-0.15
[Cash]	0.40	1.09	0.00	0.00	0.00	0.00	-0.01	0.00	-0.01
	100.00	4.88	4.88	100.00	4.28	4.28	0.13	0.47	0.60

Source: Xponance, FactSet

Positive Contributors

Communication Services – stock selection accounted for all the outperformance this quarter. Earnings related news drove the performance of Alphabet (Overweight +20.8%) and Walt Disney (Underweight -18.9%). Robust advertising revenue, AI advancements, and increased cloud services demand boosted Alphabets earning results while streaming subscriber loss, lower theme park attendance, and delayed content releases had a negative impact on the performance of Walt Disney's stock.

Information Technology – being overweight outperforming Apple (+23.0%) and Qualcomm(+18.1%) was the primary driver of the outperformance in this sector. Both companies reported better than expected (BTE) earnings results. Apple had stronger than expected iPhone sales and growth in services revenue. The positive earnings surprise for Qualcomm was driven by increased demand for 5G chips and automotive solutions.

Negative Contributors

Real Estate – overweight holding Weyerhaeuser's stock performance (-20.4%) was negative despite reporting BTE earnings results due to concerns over long-term sustainability of timber demand, potential regulatory challenges, and weak performance in the real estate segment. Market sentiment was also affected by broader economic uncertainties impacting the housing market.

Risk Factor Attribution

Risk Attribution Analysis – Axioma Risk Model

Cash	Industries	Risk Factors	Stock Selection	Total
0.00	0.30	0.31	0.00	0.60

Risk Factors	Ave Exposure (std dev)	Return (%)	Impact (%)
Profitability	0.12	2.51	0.32
Leverage	0.15	0.76	0.12
Dividend Yield	-0.06	-0.63	0.03
Growth	0.01	1.47	0.02
Medium-Term Momentum	0.00	1.01	0.02
MidCap	0.03	0.29	0.01
Exchange Rate Sensitivity	0.01	0.54	0.01
Earnings Yield	0.00	0.09	0.00
Market Sensitivity	0.00	-2.33	0.00
Size	-0.04	0.66	-0.03
Value	-0.05	0.81	-0.04
Liquidity	0.03	-1.24	-0.05
Volatility	0.03	-3.62	-0.09
Total			0.31

Source: Axioma, FactSet

Overall, risk factor positioning had a positive impact on performance. Quality and growth factors, such as Profitability, Growth and Medium-Term Momentum, outperformed, while traditional value factors, like Value and Dividend Yield, had mixed results. This period highlighted the continued dominance of quality and growth over value. The most significant positive contributions came from being overweight the Profitability and Leverage factors. This was partly offset by being overweight the underperforming Volatility and Liquidity factors.

Quantitative Model Performance

Model Performance (Top Quintile minus S&P 500)



Source: Xponance, FactSet

Overall, S&P 500 index performance was driven by investors favoring high-quality and growth-oriented stocks over value. This dynamic is highlighted by the outperformance of top-ranked stocks in the Quality and Growth categories, indicative of their robust fundamentals and growth prospects. Quality stocks showed strong resilience, driven by high profitability and low leverage. Growth stocks benefited from favorable earnings momentum and market optimism. Conversely, the Value category underperformed, as stocks with lower price-to-earnings ratios and higher dividends faced headwinds, due to rising interest rates or economic uncertainties. The Cross-sectional and Group models both delivered solid performance, with the Total Alpha Model, which integrates these two approaches, also outperforming. The ensemble approach used in the Total Alpha Model leverages a diverse range of factors, providing balanced exposure and enhancing overall performance by mitigating individual category risks.

Alpha Model Attribution

Alpha Model Quintile	Market Plus			S&P 500			Attribution Analysis		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Q1 (High)	53.58	4.75	3.92	29.42	8.96	3.52	1.27	-2.46	-1.18
Q2	24.77	4.55	-0.12	25.29	5.39	0.30	0.00	-0.26	-0.25
Q3	12.49	6.53	0.85	15.12	2.60	0.47	0.07	0.50	0.57
Q4	6.01	2.27	0.12	15.37	-0.74	-0.07	0.63	0.22	0.85
Q5 (Low)	2.74	9.32	0.06	14.72	0.21	0.06	0.47	0.12	0.59

Source: Xponance, FactSet

The performance of the Alpha model this quarter demonstrated a positive, monotonic pattern, with the highest-ranked quintile (Q1) providing the highest return and the lowest-ranked quintile (Q5) providing the lowest return. The highest ranked stocks also outperformed the S&P 500 index. The positive spread pattern across quintiles translated into a beneficial allocation impact, as the strategy successfully overweighted higher-performing quintiles and underweighted lower-performing ones. However, this was more than offset by the negative impact of stock selection within high ranked (Q1) stocks. The concentration of S&P 500 index performance in several large-cap growth companies in the Communication Services and Information Technology sectors continues to muddy performance attribution particularly for a diversified strategy such as this that invests across all sectors.