Optimized Small Cap Core Portfolio Review
Q2 2024

The Optimized Small Cap Core strategy composite returns are shown in the table below.

Period	Composite Gross of Fees	Composite Net of Fees	Russell 2000
Q2 2024	-4.91	-5.02	-3.28

- **Stock selection was the primary driver of the underperformance this quarter.**
- **The positive impact of the strategy's overweight exposure to companies with higher profitability and lower price volatility was more than offset by the negative impact of stock selection.**
- **Alpha model performance was positive but non-monotonic; stocks ranked High (Q1) by the model outperformed Low (Q5) ranked stocks but Q2 and Q3 recorded the strongest performance. This provided a headwind to the strategy's ability to outperform.**

Sector Attribution

Q2 2024 Sector Attribution

	Optimized Small Cap			Russell 2000			Attribution Analysis		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Financials	16.79	2.05	0.55	15.89	-1.78	-0.19	0.04	0.64	0.68
Information Technology	16.35	1.21	0.20	15.00	-2.92	-0.49	-0.07	0.69	0.62
Real Estate	1.58	1.37	0.02	5.58	-3.29	-0.18	0.00	0.07	0.07
Health Care	17.28	-3.85	-0.74	15.11	-4.33	-0.67	0.00	0.01	0.00
Consumer Staples	2.87	2.26	0.07	3.40	2.28	0.09	-0.03	0.01	-0.02
Communication Services	0.13	4.86	0.01	2.16	-0.63	-0.01	-0.06	0.02	-0.03
Utilities	0.00	0.00	0.00	2.60	0.13	0.02	-0.09	0.00	-0.09
Consumer Discretionary	13.16	-8.33	-1.12	10.57	-6.00	-0.65	-0.09	-0.31	-0.40
Energy	3.64	-14.91	-0.58	7.52	-2.77	-0.23	-0.01	-0.44	-0.45
Industrials	18.95	-8.05	-1.59	17.45	-4.22	-0.76	-0.03	-0.76	-0.79
Materials	8.61	-18.70	-1.77	4.71	-4.23	-0.20	-0.03	-1.29	-1.32
[Cash]	0.61	1.24	0.01	0.00	0.00	0.00	0.07	0.00	0.07
	100.00	**-4.91**	**-4.91**	**100.00**	**-3.28**	**-3.28**	**-0.27**	**-1.36**	**-1.63**

Source: Xponance, FactSet

Positive Contributors

Financials – the stock of overweight holdings Jackson Financial (+13.4%) and Redwood Trust (+4.5%) was up sharply supported by the announcement of better than expected (BTE) earnings results and a positive outlook.

Information Technology – the strategy's outperformance in this sector was driven by the impact of several overweight holdings in the IT Services, Software and Electronic Equipment industries. However, Semiconductor company Amkor

Technology (+24.4%) was the largest single contributor. The company significantly beat earnings expectations due to strong demand for its advanced packaging solutions.

Negative Contributors

Materials – weaker than expected (WTE) earnings results drove down the stock prices of overweight holdings Ryerson Holdings (-41.3%) and Constellium SE (-14.8%). Ryerson's stock performance suffered due to a combination of factors, including increased operational costs from recent acquisitions and higher investment-related expenses. Constellium faced challenges due to increased production costs and weaker demand in key markets.

Industrials – overweight holding JELD-WEN (-32.6%) accounted for most of the negative performance. The company reported WTE earnings results due to declining revenues and operational challenges, including the closure of manufacturing facilities and increased costs.

Risk Factor Attribution

Risk Attribution Analysis – Axioma Risk Model

	Cash	Industries	Risk Factors	Stock Selection	Total
	0.02	0.22	1.23	-3.10	**-1.63**

Risk Factors	Ave Exposure (std dev)	Return (%)	Impact (%)
Volatility	-0.14	-3.62	0.51
Profitability	0.19	2.51	0.46
Value	0.18	0.81	0.14
Leverage	0.18	0.76	0.13
Exchange Rate Sensitivity	0.05	0.54	0.05
Market Sensitivity	0.00	-2.33	0.03
Medium-Term Momentum	0.06	1.01	0.03
Growth	0.00	1.47	0.01
Size	0.01	0.66	0.00
MidCap	0.00	0.29	0.00
Earnings Yield	0.19	0.09	-0.01
Liquidity	0.03	-1.24	-0.02
Dividend Yield	0.18	-0.63	-0.11
Total			**1.23**

Source: Axioma, FactSet

Overall, risk factor positioning had a strong positive impact on performance. The primary contributors to this positive performance were the underweight position in Volatility (lower volatile stocks outperformed higher volatility stocks) and overweight positions in Profitability and Value (B/P) factors.   Traditional value factors had mixed results. While Value (B/P) and Earnings Yield factors showed modest positive returns, the return to Dividend Yield was negative. This period underscored the continued dominance of quality and growth over value, with a preference for stable, high-quality investments over riskier, high-volatility options. The negative impact of stock selection more than offset the positive contribution of risk and industry factors.

Quantitative Model Performance

Alpha Model Attribution

Alpha Model Quintile	Optimized Small Cap			Russell 2000			Attribution Analysis		
	Average Weight	Total Return	Contrib. To Return	Average Weight	Total Return	Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
Q1 (High)	96.63	-5.38	-5.29	32.12	-3.17	-0.94	0.10	-2.12	-2.02
Q2	2.12	7.88	0.33	23.25	-1.57	-0.41	-0.37	0.24	-0.12
Q3	0.32	-12.22	-0.12	19.65	-2.52	-0.67	-0.14	-0.08	-0.22
Q4	0.32	1.71	0.14	16.26	-5.22	-0.77	0.31	0.07	0.39
Q5 (Low)	--	--	--	8.71	-6.38	-0.49	0.25	0.00	0.25

Source: Xponance, FactSet

The return pattern across quintiles was not monotonic. Stocks ranked high Q1) outperformed Low ranked (Q5) stocks but stocks ranked in Q2 recorded the strongest performance. The negative return across all quintiles along with the narrow-spread pattern between quintiles highlights the challenging market conditions for small-sized companies as broader economic activity showed signs of a slowdown, but interest rates remain high. These factors are negatively impacting the outlook for growth. Allocation effects were slightly positive. However, selection accounted for most of the underperformance. Weakness in high ranked stocks Q1 was the largest negative contributor. The importance of market factors this quarter, decreased the efficacy of the model's ability to identify outperforming stocks.