September 30, 2023

LARGE CAP FOCUSED EQUITY

CANTOR Fitzgerald

SEPARATELY MANAGED ACCOUNT

Managed by: Smith Group Asset Management, LLC

Quarterly Portfolio Review

Performance (%)	3Q '23	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incpt. (1/1/1996)
Large Cap Focused *(Gross)*	-3.0	16.6	28.2	12.7	11.3	13.8	11.1
S&P 500 Index	-3.3	13.1	21.6	10.2	9.9	11.9	9.3
Russell 1000 Growth Index	-3.1	25.0	27.7	8.0	12.4	14.5	9.6
Large Cap Focused *(Net of Max Fee)*	-3.8	14.0	24.4	9.4	8.0	10.4	7.9

The S&P 500 and Russell 1000 Growth indices are unmanaged indices of the shares of large U.S. corporations. They include reinvested dividends and are presented gross of fees. Periods greater than one-year have been annualized. Inception date: Jan. 1, 1996. Source: S&P Global, FTSE Russell. **Net of Max Fee** shown reflects the deduction of 2.50% maximum advisory charged by separately managed account platform sponsors plus the maximum fee charged by Smith Group for platform accounts for a total annual fee of 3.00%, allocated quarterly. The fee rate is believed to be representative of the maximum applicable fixed rate advisory and platform access fee level any investor would pay. Please see Performance and Firm Disclosures in Appendix.

Executive Summary

Strategy Description: The Large Cap Focused Equity strategy seeks long-term growth of capital by identifying companies with earnings growth that the portfolio manager believes have the potential to convert to higher growth rates that will exceed investor expectations. The investment process integrates quantitative research to identify opportunities and risks swiftly, and fundamental analysis to verify sources of unexpected growth. The strategy is managed by Smith Group Asset Management, a 10-member investment team averaging 21 years of experience and 13 years of tenure with the firm. Originally founded in 1995, Smith Group became a part of Cantor Fitzgerald in 2021.

Performance: The –3.0% return of the portfolio outpaced the –3.3% return of the S&P 500 Index and the –3.1% return of the Russell 1000 Growth Index. The portfolio had favorable stock selection in Technology and Consumer Staples versus both benchmarks, while Communication Services and Health Care holdings were the primary headwind to relative performance. The portfolio had positive stock selection and negative sector allocation versus the broad market S&P 500 Index while results were reversed relative to the Russell 1000 Growth Index. (for more detail see page 4-6)

Growth Versus Expectations: A key aspect of the Smith Group investment process is that all portfolios embed an earnings growth premium — the difference between expected and realized earnings growth — that ultimately is reflected in stock prices. In the second quarter, 87% of holdings reported better than expected earnings and 71% reported better than expected revenues. Portfolio holdings had very favorable changes in forward growth expectations as the median forward 12–month earnings growth estimate rose by 1.28% for portfolio holdings relative to a 0.00% increase for the median large cap company. Over the past year, portfolio holdings exceeded their expected growth rates estimated one-year ago by 7.9% while benchmark holdings fell short of expectations as inflation pressures continued to compress margins for many companies. (for more detail see page 3)

Smith Group Models: The strategy seeks out stocks with key fundamental characteristics that are consistent with companies exceeding growth expectations. Those characteristics are grouped into models that help us in screening and ranking. Smith Group's Primary Investment Models showed modest positive returns during the period as the Growth Outlook Model failed to add value while Earnings Quality and Valuation models each showed favorable price discrimination. Growth investment factors were largely negative for the quarter while value factors showed strong performance, especially those value metrics focused on earnings and cash flow. (for more detail see page 10)

Earnings Trends: Over the past year, earnings have proven far more robust than we expected and after three quarters of side-ways to slightly down year-over-year reports that saw earnings fall by only 3.4%, earnings appear on an upward trajectory once again with an expected next 12-

(Continued on page 2)

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Executive Summary cont'd

(Continued from page 1)

months rise of 10.2% for the average stock in the S&P 500 Index and an increase of 7.7% for the capitalization-weighted index. If consensus earnings expectations are accurate then the S&P 500 Index is trading at 19.3x forward earnings and the average stock in the index is trading at 18.0x forward earnings.

Market Comment: In July, US equity markets extended the rally that began in October 2022 with the S&P500 index rising 3.2%, lifting the index 30% off the October 2022 lows and a mere 1.8% below the highs of early 2022. But July 31 was the high-water mark for the index as it traded down 6.3% over the next two months and finished down 3.3% for the quarter. Traditionally defensive sectors provided little protection from the market pullback as Consumer Staples and Utilities stocks fell 7.9% and 11.4%, respectively, over August and September. Small Caps fared much worse in the sell-off with the Russell 2000 Index falling 10.6% for the last two months. The average stock in the S&P 500 continues to trail the index by a wide margin, returning 1.9% year-to-date versus 13.1% for the capitalization-weighted index. The Federal Reserve raised the Fed Funds Target another 0.25% in the quarter and the yield on the 10 Yr. Treasury rose 0.72% from 3.86% to 4.58%. Mortgage rates reached a 23-year high at quarter's end as rates on 30-year fixed mortgages rose to 7.3%. WTI Crude rose 28% to $90.77/bbl. while lithium prices continued their sell-off falling 40% for the quarter and are now down 67% from their December 2022 peak.

Inflation has been receding and the U.S. economy continues a path toward normalization while generally outpacing expectations. The economic outlook for Europe and China is not nearly as sanguine as both regions are either in recession or assuredly headed toward one in short order. The Fed remains in tightening mode, but the transmission mechanism of the long and variable lags of monetary policy appear much more difficult to judge relative to prior rate cycles. Just as the causes of this inflationary spike were unique, the effectiveness of the medicine also seems unique. There is a fairly reasonable chance that the economy is just now starting to feel the effects of monetary policy and if that is the case, then a recession would seem the likely outcome. However, consumers are the most important driver of the U.S. economy, and they appear healthy with real wages rising and consumption showing few signs of slowing. Corporate balance sheets are in good standing with little need for debt issuance to fund growth. Given these tail winds an environment of high-single digit corporate earnings growth and a slowdown but not a crash in the economy seems a reasonably likely outcome. (for more detail see page 11)

Earnings expectations performance and results

In the quarter, Large Cap Focused Equity held 38 stocks on earnings report date. Of these, 1 new stock was purchased prior to report date and 2 stocks were sold following the company's report (additional information on these 3 stocks can be found on page 8).

Earnings:

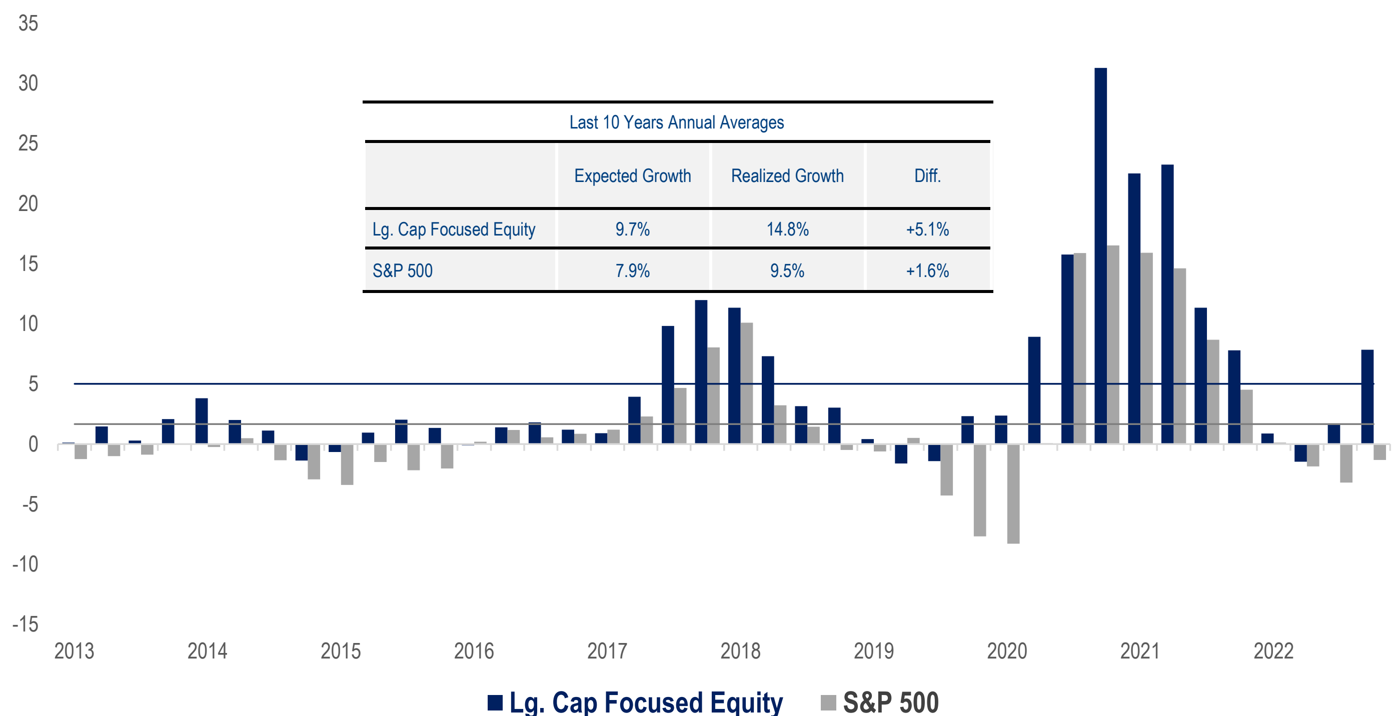
- **87%** of strategy holdings reported a positive earnings surprise versus **80%** for the S&P 500.
- The median earnings surprise for the strategy was **5.64%** versus **4.97%** for the benchmark. This quarter's spread of 0.66 is **worse** than the historical spread of 0.97.
- The median change in F12M earnings per share expectations for the strategy was **1.28%** versus **0.00%** for the benchmark. This quarter's spread of 1.28 is **better** than the historical spread of 0.66.

Revenue:

- **71%** of strategy holdings reported a positive Revenue surprise versus **63%** for the S&P 500.
- The median revenue surprise for the strategy was **1.26%** versus **0.81%** for the benchmark.
- The median change in F12M revenue expectations for the strategy was **0.21%** versus **0.04%** for the benchmark.

Source: S&P Global, Refinitiv Eikon, FTSE Russell.

Our research shows that companies that sustainably grow earnings at a faster than expected rate will consistently deliver higher returns. Over the past year, Large Cap Focused Equity portfolio holdings significantly outpaced their expected growth rates from one year prior, while benchmark holdings trailed by 2.2%. Portfolio holdings delivered +14.5% earnings growth versus an expectation of +6.6%. Benchmark holdings delivered +4.8% earnings growth versus an expectation of +7.0%. *Source: S&P Global, Refinitiv Eikon, FTSE Russell.*



Last 10 Years Annual Averages

	Expected Growth	Realized Growth	Diff.
Lg. Cap Focused Equity	9.7%	14.8%	+5.1%
S&P 500	7.9%	9.5%	+1.6%

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3Q'23 Portfolio Sector Attribution and Analysis

The –3.0% return of the portfolio outpaced the –3.3% return of the S&P 500 Index and the –3.1% return of the Russell 1000 Growth Index. The portfolio had favorable stock selection in Technology and Consumer Staples versus both benchmarks, while Communication Services and Health Care holdings were the primary headwind to relative performance. The portfolio had positive stock selection and negative sector allocation versus the broad market while results were reversed relative to the growth index. Within Technology positions in Jabil and Qualys were the primary contributors while and underweight to Apple versus both benchmarks was also a meaningful tailwind to relative performance. Long-term holding Fortinet sold off on earnings growth results that failed to keep pace with other cybersecurity companies. Within Health Care, portfolio holding Zimmer Biomet was the largest detractor in the portfolio as the orthopedic implant manufacturer dropped on supply chain constraints and concerns that demand would fall as weight loss drugs reach wider adoption. Along the same weight loss theme, an underweight to Eli Lilly which rose on the strength of results in its weight loss treatment, Tirzepatide, was the second largest detractor in the sector. Energy holding, Marathon Petroleum, was the top performer in the portfolio for the quarter.

Large Cap Focused versus S&P 500	Portfolio Beginning Weight	Portfolio Ending Weight	Weight Change	Portfolio Total Return	Bench Average Weight	Bench Total Return	Allocation Effect	Selection Effect	Total Effect
Communication Services	7.4	7.5	0.1	-5.5	8.7	3.1	-0.07	-0.62	-0.69
Consumer Discretionary	11.0	13.4	2.4	-2.3	10.6	-4.8	-0.09	0.39	0.30
Consumer Staples	4.8	4.9	0.1	2.4	6.6	-6.0	0.05	0.39	0.44
Energy	2.9	3.4	0.5	17.8	4.4	12.2	-0.18	0.16	-0.03
Financials	10.3	10.2	0.0	-1.3	12.7	-1.2	-0.04	-0.01	-0.06
Health Care	14.5	14.1	-0.5	-7.3	13.3	-2.7	0.02	-0.68	-0.66
Industrials	10.6	11.7	1.1	-4.0	8.4	-5.2	-0.06	0.19	0.13
Information Technology	36.8	33.0	-3.9	-3.8	27.8	-5.7	-0.18	0.63	0.46
Materials	0.0	0.0	0.0	0.0	2.5	-4.9	0.04	0.00	0.04
Real Estate	0.0	0.0	0.0	0.0	2.5	-8.9	0.14	0.00	0.14
Utilities	0.0	0.0	0.0	0.0	2.5	-9.2	0.15	0.00	0.15
Cash	1.7	1.9	0.1	0.3	0.0	0.0	0.03	0.00	0.03
TOTAL				-3.0		-3.3	-0.19	0.44	0.26

Large Cap Focused versus Russell 1000 Growth	Portfolio Beginning Weight	Portfolio Ending Weight	Weight Change	Portfolio Total Return	Bench Average Weight	Bench Total Return	Allocation Effect	Selection Effect	Total Effect
Communication Services	7.4	7.5	0.1	-5.5	11.3	5.2	-0.29	-0.77	-1.06
Consumer Discretionary	11.0	13.4	2.4	-2.3	16.1	-3.1	-0.09	0.22	0.13
Consumer Staples	4.8	4.9	0.1	2.4	4.4	-6.7	-0.02	0.43	0.42
Energy	2.9	3.4	0.5	17.8	0.6	15.0	0.43	0.09	0.51
Financials	10.3	10.2	0.0	-1.3	6.5	-0.6	0.10	-0.06	0.04
Health Care	14.5	14.1	-0.5	-7.3	11.1	-0.1	0.13	-1.05	-0.92
Industrials	10.6	11.7	1.1	-4.0	6.0	-3.3	0.00	-0.03	-0.02
Information Technology	36.8	33.0	-3.9	-3.8	42.5	-5.9	0.19	0.72	0.91
Materials	0.0	0.0	0.0	0.0	0.7	-5.9	0.02	0.00	0.02
Real Estate	0.0	0.0	0.0	0.0	0.9	-11.2	0.08	0.00	0.08
Utilities	0.0	0.0	0.0	0.0	0.1	-11.8	0.01	0.00	0.01
Cash	1.7	1.9	0.1	0.3	0.0	0.0	0.02	0.00	0.02
TOTAL				-3.0		-3.1	0.57	-0.45	0.12

Source: S&P Global, Refinitiv Eikon, FTSE Russell.

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3Q'23 Best Performers with Significant Impact *(relative to the S&P 500)*

Company Name	Ticker	Total Rtn.	Sector	Description
Marathon Petrol.	MPC	+30.5%	Energy	Downstream energy company with 13 refineries in the U.S.
Qualys, Inc.	QLYS	+18.0%	Info. Technology	Cloud security and compliance solutions provider with more than 10,000 customers
Jabil Inc.	JBL	+17.6%	Info. Technology	Electronics design, production and product management services
Booking Holdings	BKNG	+14.2%	Cons. Discretionary	World's largest online travel agency by revenue
Exxon Mobil	XOM	+10.5%	Energy	Global integrated oil and gas company

3Q'23 Worst Performers with Significant Impact *(relative to the S&P 500)*

Company Name	Ticker	Total Rtn.	Sector	Description
Zimmer Biomet	ZMB	-23.0%	Health Care	Designs, manufactures, and markets orthopedic reconstructive implants
Fortinet, Inc.	FTNT	-22.4%	Info. Technology	Platform-based cybersecurity vendor with more than 500,000 customers
Omnicom Group Inc.	OMC	-18.1%	Comm. Services	World's second-largest advertising holding company
Delta Air Lines, Inc.	DAL	-17.5%	Industrials	One of the world's largest airlines, with 300 destinations in over 50 countries.
Ulta Beauty, Inc.	ULTA	-15.2%	Cons. Discretionary	Largest specialized beauty retailer in the U.S. with over 1,300 stores

3Q'23 Sector Commentary *(relative to the S&P 500)*

Contributors

Information Technology and **Consumer Staples** holdings were the largest contributors to stock selection effect relative to both benchmarks. The portfolio did not hold positions in **Materials, Real Estate** or **Utilities** during the quarter, which contributed to excess return relative to both benchmarks.

Information Technology holdings fell 3.8% relative to a 5.7% drop for the benchmark sector. As noted, the average Technology stock in the index returned 6.8% for the period. The portfolio held 12 stocks in the sector during the period with ten held in active overweight positions relative to the benchmark (**Apple** and **Microsoft** are held in the portfolio but are underweight the respective index weights of 7.3% and 6.6%). Of the positive active weight stocks held, six had a positive total effect. **Jabil** (JBL) was the largest contributor during the period as the electronics design and production company announced earnings that outpaced expectations and the sale of its China-based mobile-electronics manufacturing business to BYD Electronic for nearly $2.2 billion. **Qualys** (QLYS), a cloud security and compliance solutions provider for small and medium sized businesses, was the top performer and second largest contributor in the sector. Despite continued macro headwinds for the firm's primary customer segment, Qualys rose after announcing adjusted margin for the quarter and guidance for fiscal 2023 that was ahead of expectations. Long-term holding, **Fortinet** (FTNT), was the primary detractor in the sector. The platform-based cybersecurity vendor sold off markedly after reporting billings that were short of the mid-point of management guidance. **Juniper Networks** (JNPR) was the second largest detractor in the sector. The manufacturer of network switches and routers fell after besting quarterly earnings expectations but issuing tepid full-year revenue guidance.

Consumer Staples holdings returned 2.4% compared to a 6.0% drop for benchmark sector holdings. **Costco Wholesale Corp.** (COST), the membership warehouse shopping club, reported an earnings and sales beat that marked another strong quarter with 9% earnings growth and continued strength in customer traffic trends, along with steady and strong membership renewals. Additionally, management confirmed that a membership price increase was a question of "when, not if."

(Continued on page 6)

Information presented is supplemental. Please see Performance and Firm Disclosures in Appendix.

Sector Commentary *(relative to the S&P 500)*

(Continued from page 5)

Detractors

Health Care and Communication Services were the primary lagging sectors relative to both benchmarks. In each sector stocks “not held” were a significant headwind.

Communication Services holdings fell 5.5% for the period versus a 3.1% return for the benchmark sector. Global advertising holding company, Omnicom (OMC), was the primary detractor. Omnicom shares sold off after the firm reported 2Q results which fell short of organic revenue estimates. The position was sold from the portfolio during the quarter.

The **Health Care** sector was the most significant detractor to relative performance for the period as portfolio holdings fell 7.3% versus a 2.7% drop for benchmark sector holdings. **Zimmer Biomet** (ZBH) was the largest detractor in the portfolio as shares of the orthopedic implant manufacturer dropped following tepid guidance from management due to supply chain constraints, namely in the inputs for cementless knees, which were concerns not voiced by orthopedic peers. Additionally, the entire orthopedic industry is facing concerns that demand could fall as weight loss drugs reach wider adoption. Zimmer did announce revenues that handily beat consensus expectations thanks to surgery volume trends remaining robust in the core large joints businesses. Along the same weight loss theme, an underweight to **Eli Lilly** (LLY) which rose on the strength of results for its weight loss treatment, Tirzepatide, was the second largest detractor in the sector.

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3Q'23 | **Purchases** *(new position initiated during quarter)*

8/1/23—**Domino's Pizza (DPZ)** - Domino's Pizza, a global operator and franchiser of pizza restaurants has become the largest in the category by focusing on innovations such as Domino's Delivery Guarantee, The Heat Wave Bag, and Pizza Tracker. Although the last quarterly earnings were marginally positive relative to expectations, while revenues were disappointing, there were some encouraging signs. The company's margins are improving with better supply chain productivity and same-store-sales appear to have bottomed. In addition, the company is changing the ineffective loyalty program to drive repeat business while also having entered into an agreement with Uber Eats to further improve sales growth. With a strong margin profile and improvement on the top-line, the team decided to take a position in the stock.

8/1/23—**Veeva Systems (VEEV)** - Veeva Systems is a provider of software solutions for the life sciences industry that spans from research and development to commercialization, covering areas such as clinical trials, regulatory affairs, quality management, safety monitoring, medical affairs, and customer relationship management. The company has developed several strategic partnerships with marquee customers, which causes potential customers to approach Veeva for solutions. The company is also seeing good traction in subscriptions which is increasing stability in the revenue stream, although the shift has a slightly negative margin impact. Going forward, we expect revenue growth to accelerate as cloud-capabilities are now ready for customer implementation. With a better outlook both on the top-line and for margins, the stock was added to the portfolio.

8/1/23—**Delta Airlines (DAL)** - Delta Air Lines provides passenger airline service with domestic hubs centered in Atlanta, Minneapolis St. Paul, Detroit, Boston, LA, NYC and Seattle. The company also provides aircraft maintenance and engineering support, repair, and overhaul services. Delta is benefitting from continued strong demand for leisure travel. In addition, revenues from International travel jumped 61% year on year and is still not up to pre-pandemic levels. The airline generates higher unit revenue than peers and leads the industry in the spread between passenger revenue and structural costs per mile. Adding to its advantages, Delta operates a highly lucrative loyalty program which is the largest among the large US carriers, and the company recently signed a four year contract with its pilots. The company generates robust free cash flow (estimated $2 billion for 2023) which it is using in part to pay down debt and has reinstated the dividend starting in Q3.

9/14/23—**Meta Platforms (META)** - The company's artificial intelligence investments have been paying off as content made with AI has increased engagement in Facebook, with Meta noting that almost all advertisers are using at least one AI product. Encouragingly, while these investments continue, Meta can still post healthy EPS growth due to higher sales as well as the continuance of previously enacted cost-cutting measures. In addition to Facebook, Instagram continues to maintain and even expand its market relevance while also ramping up monetization efforts. Spending from foreign advertisers has also picked up in places such as China, helping bolster revenue growth. With these and other favorable attributes considered, the stock was purchased for the portfolio.

9/14/23—**TJX Companies (TJX)** - TJX Companies is a multinational off-price department store corporation with brands such as T.J. Maxx, HomeGoods, Marshalls, Homesense among others. As one of the largest companies in the category, the company is well positioned to benefit from a price-conscious consumer. The company is seeing better traffic across both the fashion and homegoods categories. In addition, margins are improving on better expense leverage and lower freight costs. As inflation will likely remain a topic as the U.S. enters an election year, consumers will likely continue to look for value. With a strong outlook, good customer traffic, and improving margin trends, the portfolio management team decided to take a position in the stock.

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3Q'23 — **Sales** *(position closed during quarter)*

8/1/23—**SeaWorld Entertainment (SEAS)** - In a review of business conditions for the company, the team became concerned that expectations for park attendance and guest spending constituted a large hurdle for the quarter due to be reported. Although results from the recently opened park in Abu Dhabi would likely be quite positive, weather in the U.S. could negatively impact quarterly earnings. As the company subsequently reported results on August 8, earnings and revenues missed expectations by 7.3% and 3.5%, respectively.

8/1/23—**Agilent Technologies (A)** - The company reported a fair quarter with revenues and earnings slightly ahead of expectations, but management suggested that there are challenges ahead. Customers are reviewing budgets in light of economic conditions and the pace of large agreements with pharmaceutical companies has slowed. In addition, emerging biotechnology companies are facing funding concerns. Thus, although the research consumables business continued on pace, the elevated risk for further business deterioration caused the team to exit the position.

9/14/23—**Juniper Networks (JNPR)** - Juniper is engaged in developing network hardware and service offerings for routing, switching, Wi-Fi, network security, AI-enabled enterprise networking operations, and software-defined networking (SDN) technologies. During the quarter Juniper announced results that were slightly above expectations, but showed weakness in lead metrics. Product bookings inflected double digit on enterprise artificial intelligence strength, but the cloud business could be down double-digit year-over-year from prior 10% growth expectations. Given the dramatic shift in the outlook for the cloud business, the position was sold.

9/14/23—**Omnicom Group (OMC)** - Omnicom reported 2Q results which fell short of organic revenue estimates, leading to a decline in the stock price, likely due to the American side of the business. As cited by company management, uncertainty in the economic picture has made advertising clients more cautious and taking a wait-and-see approach. While this is not necessarily an exceptional risk factor yet, and the company's dividend yield and balance sheet remain healthy, deterioration in demand could happen rather quickly if the downside scenario is realized. Thus, switching the position for another company with a firmer opportunity to grow in excess of expectations should provide a healthier risk profile to the portfolio at large and hedge against further decline in OMC stock in the event that the operating environment continues to tilt against them for an extended period of time.

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3Q'23 Portfolio Characteristics

The portfolio's growth and valuation profile continue to reflect our focus on buying reasonably valued companies with improving growth profiles. Portfolio valuation metrics are more favorable than both benchmarks while delivering higher realized earnings growth. ***The portfolio has a lower Price/Earnings multiple and higher growth forecast in six of the eight sectors represented in the portfolio.***

- Portfolio Beta is below both benchmarks.
- Turnover is below the five-year average.

Fundamentals	Large Cap Focused Equity	S&P 500	Variance (%)	Russell 1000 Growth	Variance (%)
Number of Holdings	40	500		446	
Market Cap - Weighted Average ($B)	370,420	630,208	0.59	965,273	0.38
Market Cap - Median ($B)	48,070	30,356	1.58	16,169	2.97
P/E - Trailing 12 Months	19.56	20.09	0.97	30.01	0.65
P/E - Forward 12 Months	18.05	18.59	0.97	25.34	0.71
EPS Growth - Trailing 12 Months[1]	14.97	6.63	2.26	6.63	2.26
EPS Growth - Forward 12 Months[1]	10.68	10.03	1.06	12.03	0.89
Price to Book	5.03	3.65	1.38	8.03	0.63
Price to Operating Cash Flow	16.12	16.14	1.00	25.83	0.62
Price to Sales	1.62	2.44	0.66	4.00	0.41
Debt to Equity	0.97	0.98	0.99	1.06	0.92
Return on Invested Capital	19.66	15.04	1.31	17.93	1.10
Return on Net Assets	10.25	9.31	1.10	11.30	0.91
Dividend Yield	1.26	2.02	0.62	1.16	1.09
Beta (holdings based, S&P 500=1.00)	0.97	1.00	0.97	1.14	0.85
Turnover—Trailing 12 Months	33%				

[1]:Reported EPS growth rates calculated using weighted median values for portfolio and benchmarks.

Variance : Portfolio value as a percentage of benchmark value

Source: S&P Global, Refinitiv Eikon, FTSE Russell.

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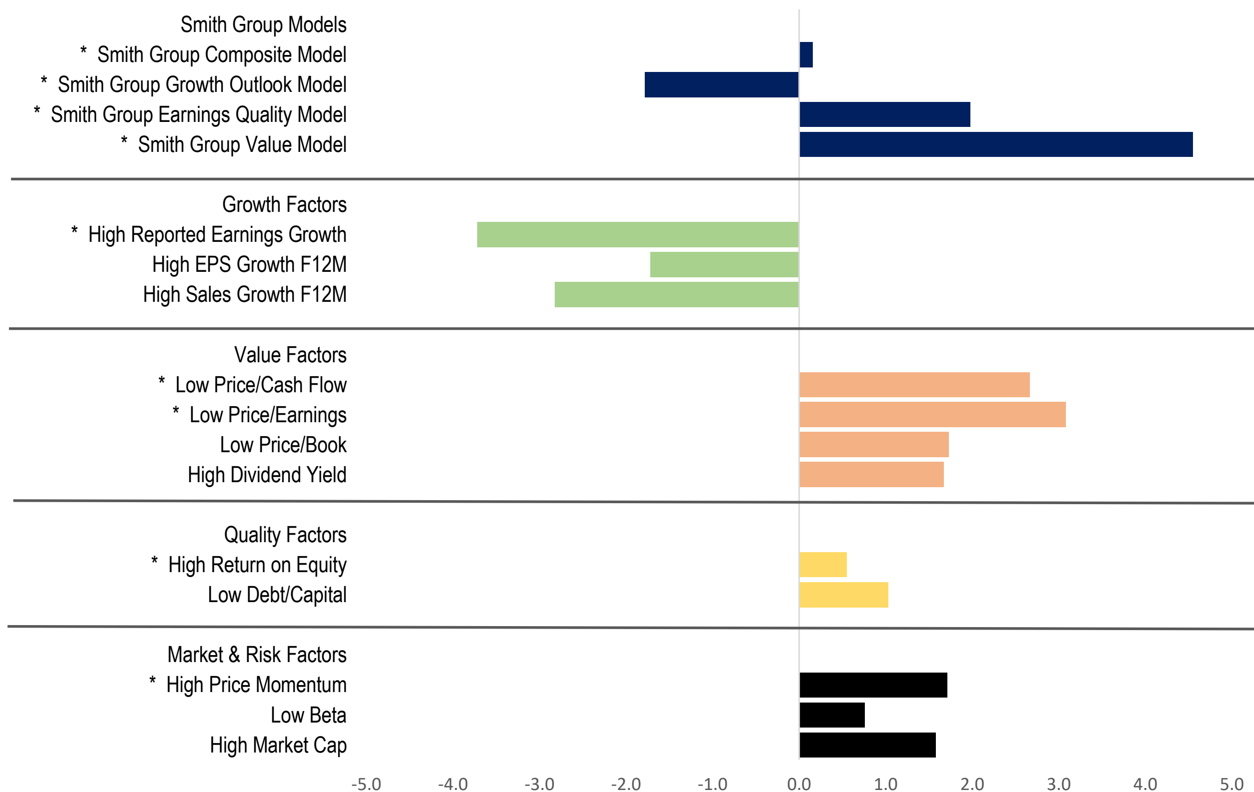
3Q'23	Investment Factor Performance

Smith Group's Composite Model showed modestly positive results during the quarter with model returns improving as the quarter progressed. While the spread for the top 20% versus the remaining 80% of the S&P 500 was a modest 0.29% for the full period, the model did show positive price discrimination in eight of eleven sectors. Once again cap-weighting of the indices had an impact on performance as the top 20% of stocks ranked by Smith Group Composite Model trailed the index return by –0.25% for the period. The average stock in the S&P 500 trailed the cap-weighted index return by 1.4% for the quarter. Year-to-date the equal-weighted S&P 500 now trails the cap-weighted index by 11.2%.

Growth investment factors were negative for the quarter with over 90% of the growth factors Smith Group tracks showing negative price discrimination for the period. In a mirror image to growth metrics, over 90% of value factors had positive returns spreads for the period, with cash flow and earnings metrics generally outpacing all other measures. Despite the strong outperformance of value factors for the period, growth and value index returns had little performance variance for the period.



S&P 500 constituents, Sector Neutral, Top 20% to Bottom 80% Spread, ranked by Investment Factor
Source: S&P Global, Refinitiv Eikon, FTSE Russell.

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Highlights

- Equity markets showed some modest signs of broadening out in the quarter but cap-weighted indices once again outpaced equal-weighted indices.
- Consumer spending shows little sign of slowing despite inflation and interest rate headwinds.
- Valuations on a cap and equal-weighted basis are looking more reasonable just as earnings are poised to turn upward.

Market Review

Over the past year, we have been of the view that at least a mild recession would be required in order for the Federal Reserve to reach its goal of bringing inflation down to its 2% target. The economy has proved far more resilient than we expected and despite the economic strength inflation has come down markedly from the June 2022 peak. We do not believe the economy is yet out of the woods as myriad concerns remain including a yield curve that remains significantly inverted, labor strife at GM, Ford and Stellantis, continued budget wrangling in D.C., the war in Ukraine and significant weakness in Europe and China. At the same time, the odds that the Fed will achieve a soft landing are also rising. Primary contributing factors to an optimistic outlook are healing of supply chain pressures, consumer and corporate balance sheets in strong positions, consumer spending remains robust, financial conditions (as measured by the Chicago FRB National Financial Conditions Index) at their most accommodative level since the Fed began rate increases in March 2022 and an acknowledgment that history may not be much of a guide given the unique nature of the pandemic that initiated this current cycle. The market sell-off that began in January 2022 was largely based on a belief that inflationary pressures would eventually lead to a recession, just as the market rebound that began in October 2022 reflected acknowledgement that the economy was defying pessimism and holding up quite well in the face of interest rate increases. The biggest driver of the U.S. economy is consumer spending and there's little sign of significant pressure on consumer spending at this time. While consumer preferences may have shifted from services to goods and back again, real spending has rolled along, despite all the pressures of higher inflation. Consumer spending has quickly returned to its trend of the post-GFC period following the brief, but dramatic downturn during the first half of 2020. Given the growth in real household income over the past year and continued strong employment readings, driven by the hesitancy of corporation's to cut payrolls following a period of labor shortage, the likelihood of the Fed threading the needle for a soft landing now appears to be the consensus outlook.

Corporate Earnings and Market Valuations

In mid-2022 we stated our expectation that corporate earnings would fall by 5-10% from the mid-2022 peak due to cost pressures and a slowdown in top-line growth. This drop would have brought 2023 S&P 500 earnings to $205-$210, roughly in line with 2021 levels. Earnings have proven far more robust than we expected and after three quarters of side-ways to slightly down year-over-year reports that saw earnings fall by only 3.4%, earnings appear on an upward trajectory once again with an expected next 12-months rise of 10.2% for the average stock in the S&P 500 Index and an increase of 7.7% for the capitalization-weighted index. If consensus earnings expectations are accurate then the S&P 500 Index is trading at 19.3x forward earnings and the average stock in the index is trading at 18.0x forward earnings. Much has been made of the performance of the Magnificent Seven stocks. Year-to-date the group is up 87.9% on average, 63.3% on a cap-weighted basis and accounts for 84% of the total return of the index. The group currently trades at 12x sales, although that metric is skewed by NVIDIA which trades at 34x trailing sales but a far less eye-popping 15x forward 12-month consensus revenues. The group is expected to see earnings growth of 37% on a cap-weighted basis although the range of growth varies from a 4% earnings drop for Tesla to a greater than 180% rise for NVIDIA. Whether the year-to-date almost triple digit price increases for the group is justified is entirely dependent on your view of the likelihood of the companies maintaining their past growth trends. The group does constitute a significantly greater capitalization-weight in the index than their earnings weight, even when forward earnings growth estimates are used. The group currently accounts for 27.3% of the S&P 500 Index weight but only 18.4% of the earnings weight of the index. This would imply that compared to the rest of the S&P 500 Index the group is relatively expensive and surpassed only by Financials, which are in the midst of an earnings downturn, and Communication Services as the most expensive groups in the index.

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Appendix

PERFORMANCE AND FIRM DISCLOSURES:

For use by Smith Group Asset Management and its clients and prospects only, and we are not soliciting any action based upon it.
The material is based upon information we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. Opinions included in this material are as of Sep. 30, 2023 and are subject to change without prior notice.
Past performance is not indicative of future results. As with any investment vehicle, there is always a potential for profit as well as the possibility of loss. Actual results may differ from composite returns, depending on account size, investment guidelines and/or restrictions, inception date and other factors. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector.

Firm: Originally founded in 1995, Smith Group Asset Management, LLC is now part of Cantor Fitzgerald, starting in July 2021. Smith Group is a registered investment adviser. Since it began operations in 1995, Smith Group has provided equity investment portfolio management services to U.S. institutional and high net worth clients. The data shown in this presentation represents the investment results of a group of taxable and tax-exempt accounts managed by Smith Group with similar investment philosophies, objectives and servicing requirements. Effective Jan. 1, 2006, the firm was redefined to exclude wrap SMA business.
Internal Dispersion: Internal dispersion is calculated using the asset-weighted standard deviation of all portfolios that were included in the composite for the entire year.
Three-year Annualized Standard Deviation: Measures the variability of the composite and the benchmark returns over the preceding 36-month period. For periods in which 36 monthly returns are not available, the three-year annualized ex-post standard deviation of the composite is not presented.
Currency: Valuations and returns are computed and stated in U.S. dollars.
GIPS ® Compliance: Smith Group claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Smith Group has been independently verified for the period Jan. 1, 1992 - Dec. 31, 2022. The verification report is available upon request. A firm that claims compliance with GIPs standards must establish policies and procedures for complying with all the applicable requirements of the GIPs standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPs standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.
Performance Composites: The performance presented is the trade date time-weighted total return including both capital appreciation and reinvested dividends. The composite reflects all accounts managed in an active fully discretionary manner in accordance with the strategy. Smith Group performance is the total return including cash and cash equivalents, gross of fees, of an asset-weighted composite of all fully discretionary portfolios. Accounts are added to the composite at the beginning of the first quarter after full investment of the account. Accounts are removed from the composite at the month end prior to change in account status. Performance shown in the composite is based on actual portfolios, no simulated or back-tested performance is included. In addition to this composite Smith Group also maintains numerous other performance composites. A list of pooled funds and composites descriptions are available upon request.
Net of advisory fee performance: Reflects the deduction of the maximum applicable fixed rate fee level for the referenced portfolio. All performance returns include the impact of cash, cash equivalents, dividends and interest. This fee is deducted in equal installments on a quarterly basis. This fee may be revised periodically. The historic performance, net of advisory fees, can be calculated by subtracting from the performance shown the fee appropriate for your situation. The fee varies based on the level of assets managed for each client. To find the fee that applies to your situation, please refer to Smith Group's Form ADV Part II. If you need assistance in the calculation of the net of fee performance, Smith Group will be glad to assist you.
Net of Advisory and Platform fee performance (also stated as Net of Max Fee) shown reflects the deduction of 2.50% maximum advisory charged by the separately managed account platform sponsor plus the maximum fee charged by Smith Group for platform accounts for a total annual fee of 3.00%, allocated quarterly. The fee rate is believed to be representative of the maximum applicable fixed rate advisory and platform access fee level any investor would pay.
Holdings, Economic Sectors and Characteristics: It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities and economic sectors shown. A list of recommendations made within the last twelve months is available upon request. The information shown is not intended nor should it be construed to be a recommendation to buy or sell an individual security or economic sector. Any portfolio characteristics or holdings that are shown are intended to present the portfolio as it existed on the date of the report. You should not assume that these same characteristics or holdings will exist in the future.
Earnings Surprise: According to many academic studies, earnings surprise has had a positive relationship to relative performance in most time periods and for most companies. However, this does not mean that this relationship exists for all time periods and for all companies. In the recent past, periods coinciding with an inverse relationship between earnings surprise and relative performance have typically been periods in which corporate earnings are not the focus of investors' attention. Additionally, companies which have had a chronic negative relationship between earnings surprise and relative performance are typically those companies whose earnings are not product-driven, such as commodity companies. There is no assurance that the historic positive relationship between earnings surprise and relative performance will exist in the future. Nor is there any assurance that the historic ability of Smith Group to forecast a high rate of positive earnings surprise companies will exist in the future.
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Significant Portfolio Impact: Portfolio Impact measures the relative contribution of a stock or group of stocks to the portfolio's relative return to a given index. The significance of the portfolio impact is variable with total market returns. Smith Group generally defines a significant stock impact as +/- 0.20% per quarter and a significant sector impact as +/- 0.50% per quarter.

Additional information regarding policies for calculating and reporting returns is available upon request.

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Appendix cont’d

Large Cap Focused Equity Composite—Performance Presentation and Disclosures

PRODUCT	3Q 2023	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	ANNUALIZED SINCE INCEPT	INCEPTION DATE
Large Cap Focused (Gross)	-3.0	16.6	28.2	12.7	11.3	13.8	11.1	1/1/1996
S&P 500	-3.3	13.1	21.6	10.2	9.9	11.9	9.3	
Russell 1000 Growth	-3.1	25.0	27.7	8.0	12.4	14.5	9.6	
Net of Inv. Advisory Fees	-3.2	16.1	27.4	12.1	10.6	12.9	10.1	

Historical Returns and Composite Statistics

Period	YTD Gross (%)	YTD Net (%)	Gross of Fee Composite 3-Yr St Dev (%)	S&P 500 Index (%)	S&P 500 Index 3-Yr St Dev (%)	Russell 1000 Growth (%)	Russell 1000 Growth 3-Yr St Dev (%)	Gross of Fee Internal Dispersion (%)	Composite Assets ($M)	Composite Accounts	*Entity Product Assets ($M)	*Entity Product Accounts	Total Firm Assets ($M)	Total Firm Accounts	* Total Entity Bundled Fee Assets ($M)	* Total Entity Assets ($M)
2022	-23.4	-23.9	22.4	-18.1	21.2	-29.1	23.8	0.0	452.8	9	650.6	30	1,623.6	37	191.8	1,815.3
2021	40.9	40.1	17.7	28.7	17.4	27.6	18.4	0.8	991.8	11	1,209.7	30	2,157.5	40	210.4	2,367.8
2020	28.6	27.8	19.5	18.4	18.8	38.5	19.9	2.6	932.6	13	1,084.3	29	1,774.2	41	152.5	1,926.7
2019	25.3	24.6	14.1	31.5	12.1	36.4	13.3	0.5	973.4	27	1,114.7	51	2,493.9	56	154.3	2,648.1
2018	-3.8	-4.8	12.8	-4.4	11.0	-1.5	12.3	1.5	1,011.3	36	1,197.9	74	2,821.6	72	191.4	3,013.0
2017	31.6	30.3	10.3	21.8	9.9	30.2	10.5	2.9	994.8	47	1,001.6	51	3,064.3	82	218.9	3,283.2
2016	6.1	5.1	11.0	12.0	10.6	7.1	11.2	1.8	769.7	45	999.6	60	3,286.0	80	290.8	3,576.8
2015	3.6	2.6	11.0	1.4	10.5	5.7	10.7	0.7	777.9	48	1,093.7	67	3,241.8	74	282.2	3,524.0
2014	14.0	12.8	10.8	13.7	9.0	13.1	9.6	0.7	782.1	51	1,048.7	65	2,696.7	76	262.5	2,959.2
2013	35.7	34.3	14.2	32.4	11.9	33.5	12.2	0.8	776.3	55	1,017.9	68	2,485.8	77	241.0	2,726.8

***Entity-wide assets includes Smith Group the Firm and Smith Group bundled fee assets and is presented as supplemental information.**

***In April 2007, the Russell 1000 Growth benchmark was added to give clients a wider range of comparison of returns.**

Composite Definition: Large Cap Focused Equity Composite – It is comprised of accounts whose primary objective is growth of principal by investing primarily in stock of large capitalization U.S. companies. Inclusion in this composite requires that accounts are in general not missing in excess of 5% of the firm’s recommended portfolio. A portfolio manager will review for appropriateness of inclusion in the composite any account maintaining a cash position greater than 10% or missing in excess of 5% of the firm’s recommended portfolio. The primary benchmark for these accounts should be the S&P 500 Index and the secondary benchmark should be the Russell 1000 Growth Index. The inception date for the composite is Jan. 1, 1992. The creation date for this composite is Jan. 1, 2004. At this time, the composite containing accounts that directed trading was closed, and those accounts were added to the composite containing accounts in which Smith Group has discretionary trading authority, creating a composite of all accounts invested in this particular strategy. Accounts are added to the composite at the beginning of the first calendar quarter after full investment of the account. Accounts are removed from the composite at the month end prior to change in account status. **Fee Schedule:** Fixed Rate: 0.60% on all managed assets effective April 1, 2019. For all prior periods: 1.00% on the first $10 million of assets, 0.75% on the next $15 million of assets, 0.50% on all amounts over $25 million. Variable Rate: 0.25% plus 25% of the excess return over the S&P 500 Index. Charged quarterly in arrears for the trailing 12-month period. **Performance Notes:** Gross of fee performance figures shown above do not reflect the deduction of investment advisory fees. Cash, cash equivalents, dividends and interest are included in results. ***Actual client returns will include deductions for advisory fees. For further disclosure regarding our fees, refer to our Form ADV, Part II.*** **Benchmarks**: The S&P 500 index and Russell 1000 Growth index are unmanaged indices of the shares of large U.S. corporations. They include reinvested dividends and are presented gross of fees.

Principal Risks:

The loss of your money is a principal risk of investing in the Strategy. Investments in the Strategy are subject to investment risks, including the possible loss of some or the entire principal amount invested. The Strategy is subject to certain risks, including the principal risks noted below, any of which may adversely affect the Strategy’s value and ability to meet its investment objectives. An investment in the Strategy is not a deposit or obligation of any bank, and is not insured by the FDIC or any other government agency. **Market risk** — The risk that all or a majority of the securities in a certain market will decline in value because of factors such as adverse political or economic conditions, future expectations, investor confidence, or heavy institutional selling. **Growth stock risk** —Growth stocks reflect projections of future earnings and revenue. These prices may rise or fall dramatically depending on whether those projections are met. These companies’ stock prices may be more volatile, particularly over the short term. **Limited number of securities risk** — The possibility that a single security’s increase or decrease in value may have a greater impact on the value and total return because the Strategy may hold larger positions in fewer securities than other strategies. In addition, a Strategy that holds a limited number of securities may be more volatile than strategies that hold a greater number of securities. **Sector risk** — The risk that the value of securities in a particular sector will decline because of changing expectations for the performance of that sector. **Company size risk** — The risk that investments in small- and/or medium-sized companies may be more volatile than those of larger companies because of limited financial resources or dependence on narrow product lines. **Liquidity risk** — The possibility that investments cannot be readily sold within seven calendar days at approximately the price at which a portfolio has valued them. **Active management and selection risk** — The risk that the securities selected by a Strategy’s management will underperform the markets, the relevant indices, or the securities selected by other strategies with similar investment objectives and investment strategies. The securities and sectors selected may vary from the securities and sectors included in the relevant index.

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