Quarterly Strategy Commentary

PACIFIC BASIN CORE EQUITY

Performance Overview

The composite produced a -13.50% gross return for the quarter versus the MSCI AC Pacific Index which returned -11.65%.

<table>
<thead>
<tr>
<th></th>
<th>QTR</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>SI*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross (%)</td>
<td>-13.50</td>
<td>-15.55</td>
<td>4.95</td>
<td>2.60</td>
<td>8.31</td>
<td>7.64</td>
</tr>
<tr>
<td>Net (%)</td>
<td>-13.64</td>
<td>-16.06</td>
<td>4.33</td>
<td>1.98</td>
<td>7.67</td>
<td>7.00</td>
</tr>
<tr>
<td>MSCI AC Pacific (%)</td>
<td>-11.65</td>
<td>-13.85</td>
<td>5.99</td>
<td>3.00</td>
<td>7.56</td>
<td>6.22</td>
</tr>
</tbody>
</table>

*Inception: 5/1/2002
Periods over 1 year are annualized.

Past performance is not a guarantee or a reliable indicator of future results.

Strategy Highlights

- Markets were extremely volatile, as investors tried to digest concerns about global economic growth, a weaker earnings outlook, trade war tensions and other geopolitical issues.

- On a positive note, markets have repriced significantly. Given this stronger valuation starting point, we expect overall returns for 2019 to improve. Volatility will likely remain elevated, however, and risk-adjusted returns for risky assets will be modest. Trade tensions and slower global trade also remain risks to the earnings growth outlook.

- On an absolute basis, December was difficult and characteristic of markets in 2018. Increased volatility, driven in part by ongoing trade tensions, geopolitical disruptions and fears of dampening earnings growth resulted in sharp downturns, particularly in developed markets. The MSCI EAFE Index, MSCI EAFE Small Cap Index, and MSCI World Index posted respective declines of 4.9%, 6.5% and 7.6%. These losses exacerbated the indiscriminately steep market losses in October and drove all three indexes to double-digit losses for the quarter.
Emerging markets fared better for the month; the MSCI Emerging Markets Index lost 2.7% while the MSCI EM Small Cap Index fell 1.6%. Both markets also outpaced developed markets for the quarter, declining under 8%. In the US, after posting year-to-date gains through November, a volatile December pushed the market into negative territory. The larger cap MSCI USA Index fell 9% for the month, while the MSCI USA Small Cap Index fared worse at -11%; the MSCI USA Index and MSCI USA Small Cap Index lost 5% and 10%, respectively, for the quarter.

Strategy Results

- We manage risk-controlled portfolios using a bottom-up process which focuses on factors covering valuation, growth (analyst revisions) and quality. All overweight and underweight positions are a result of our stock selection process and do not reflect sentiment on any particular market segment.

- The fourth quarter capped a year driven by heightened volatility, as markets strove to navigate challenges to the global paradigm. After a generally positive start in October, valuation factor effectiveness deteriorated in our model to end the last three months of the year on overall negative terms. This downturn was exacerbated by the broad underperformance of growth factors. A sharp November downturn in emerging markets particularly dragged down the performance in the All-Country Pacific region. Quality factors, whose performance has been mixed all year, were unproductive overall.

- Valuation's effectiveness at the onset of the fourth quarter was overwhelmed in the last two months, particularly in November. November's sharp valuation downturn was exacerbated by weakness in growth, which jointly drove the portfolio's relative decline for the quarter. Stock selection struggled broadly both by market and sector. China detracted the most. Challenging selection in Communication Services was worsened by an overweight in Energy, down 22%. Unfavorable stock picks in Australian Materials and Hong Kong Financials detracted to a lesser degree. At the sector level, Japan, China and Hong Kong led Financials to a bottom finish. Materials (selection in Australia and China) and Information Technology (stock picking in Taiwan) rounded out the bottom.
Notes To Performance

The performance results herein represent the investment performance record for the Pacific Basin Core Equity Composite managed by Quantitative Management Associates LLC (QMA). Characteristics are for the representative portfolio within the composite, and are subject to change.

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The benchmark for this composite is the Morgan Stanley Capital International (MSCI) All Country Pacific (Net) Index. The MSCI All Country Pacific (Net) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance in the Pacific region (Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, and Thailand). The index is net of foreign withholding tax using the Luxembourg tax rate. Dividends are reinvested monthly, weighted by each country’s aggregate market capitalization. Source of the MSCI All Country Pacific (Net) Index: Morgan Stanley. MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as basis for other indices or investment products.

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Sources of data: QMA, MSCI.

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