FactorReview

Q2 2018

The Factor Review provides an analysis of several of the most robust risk factors explaining stock returns, as identified through several decades of academic research. We strive to harvest the premia associated with these factors in the Factor-Enhanced Series of Quantitative Portfolios.

Quarterly Highlights

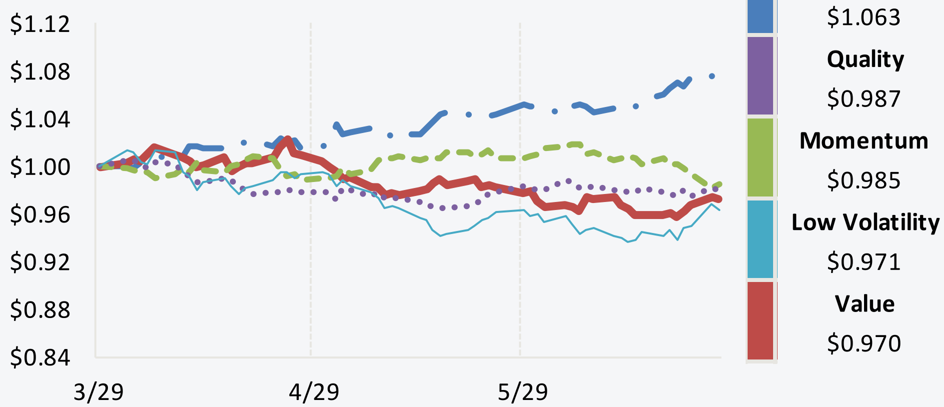
+ Across domestic and international equity asset classes, **Size** was a positive contributor to performance, meaning smaller capitalization stocks tended to outperform larger capitalization companies.

+ Within the international space, **higher quality companies**, or those with lower leverage and perceived risk, outperformed lower quality companies.

+ **Low Volatility** in emerging markets was a contributor, as international investors preferred more stability given the asset class sell-off during the quarter.

+ **Similar to last quarter, Value was one of the poorest performing factors. Momentum** reversed course from the last quarter and turned negative.

Growth of $1: Three Months as of 06/30/18
U.S. All Cap Factors



Source: Envesttnet|PMC Quantitative Research Group (QRG)

+ **Momentum, over the trailing 12-month period, was the strongest contributor to performance.** Emerging markets and domestic large cap equities have particularly benefited. High quality stocks have also tended to outperform.

+ For the full year, **Lower Volatility** stocks have underperformed more volatile stocks in all equity asset classes. **Value** continues to struggle relative to **Momentum**, highlighting the power of combining them in a portfolio.

Factor Definitions

- **Size:** The tendency for smaller capitalization stocks within a universe to outperform large capitalization stocks.
- **Value:** The tendency for cheap assets to outperform expensive assets.
- **Momentum:** The tendency for assets that have performed well over the past year to continue to perform well over the near term.
- **Quality:** The tendency for higher quality companies – those that are more profitable and safer – to outperform lower quality companies.
- **Low Volatility:** The tendency for low volatility assets to outperform high volatility assets.

Factor returns are calculated by constructing market-neutral long/short portfolios for each factor. Factor returns are therefore independent of the market's return.

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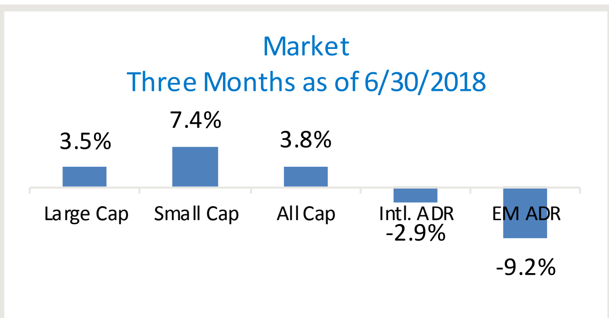
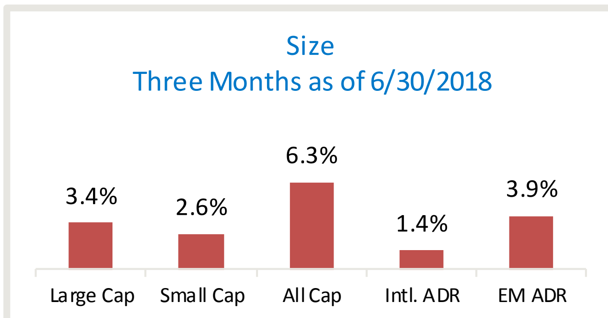
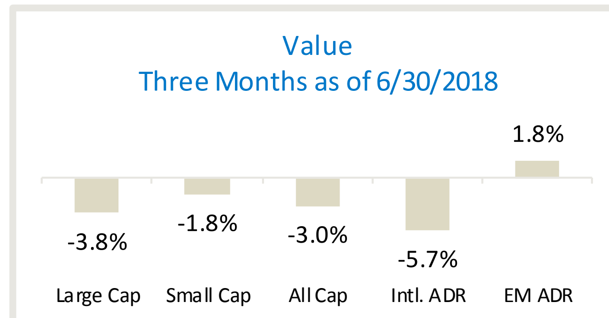
Quantitative Research Group

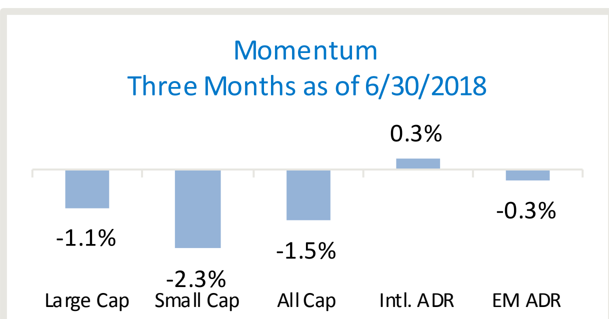
Three Months: Performance by Factor

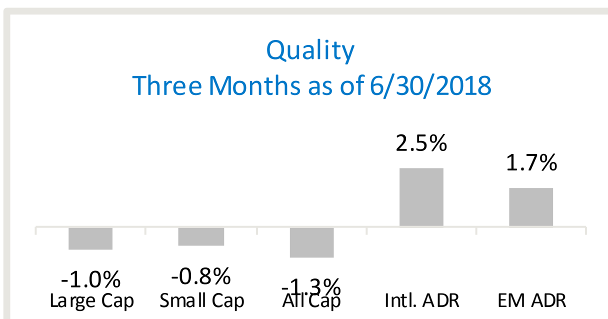
Category	Factor Performance: Three Months ended 6/30/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	3.4%	-3.8%	-1.1%	-1.0%	-2.8%
U.S. Small Cap	2.6%	-1.8%	-2.3%	-0.8%	-2.4%
U.S. All Cap	6.3%	-3.0%	-1.5%	-1.3%	-2.9%
Int'l. Developed Mkts. ADR	1.4%	-5.7%	0.3%	2.5%	1.6%
Emerging Markets ADR	3.9%	1.8%	-0.3%	1.7%	6.5%

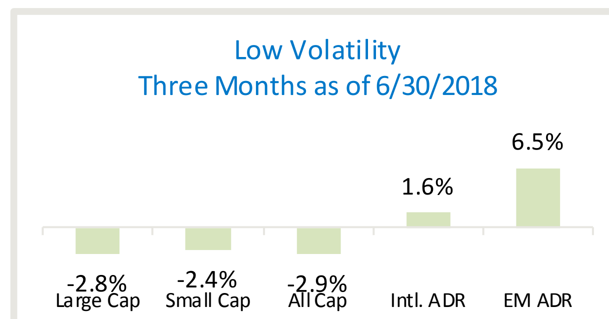












Source: Envestnet|PMC Quantitative Research Group (QRG)

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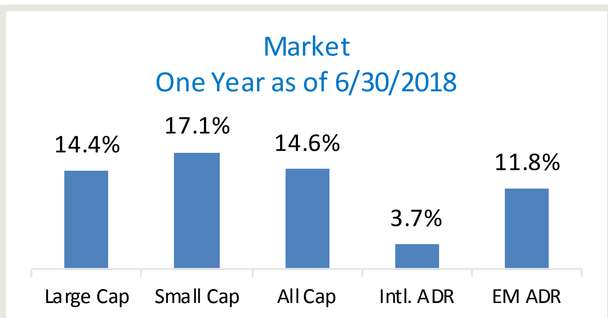
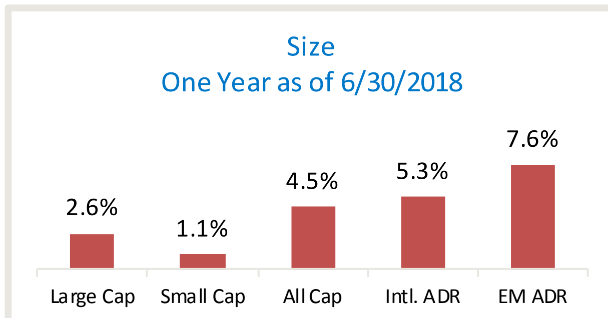
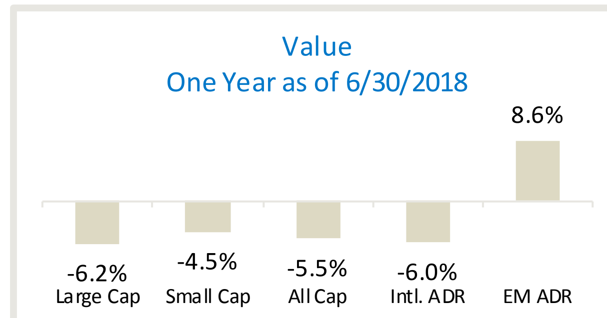
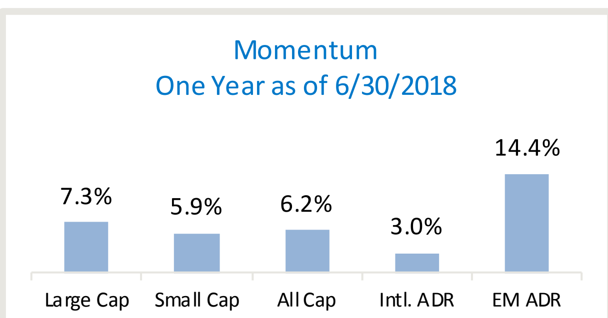
One Year: Performance by Factor

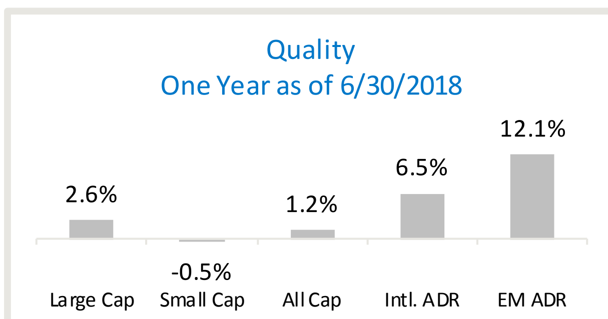
Category	Factor Performance: One Year ended 6/30/2018				
	Size	**Value**	**Momentum**	**Quality**	**Low Volatility**
U.S. Large Cap	2.6%	-6.2%	7.3%	2.6%	-9.5%
U.S. Small Cap	1.1%	-4.5%	5.9%	-0.5%	-5.1%
U.S. All Cap	4.5%	-5.5%	6.2%	1.2%	-7.6%
Int'l. Developed Mkts. ADR	5.3%	-6.0%	3.0%	6.5%	-1.5%
Emerging Markets ADR	7.6%	8.6%	14.4%	12.1%	-4.0%

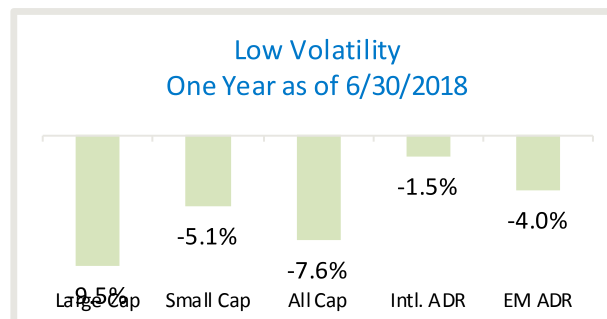








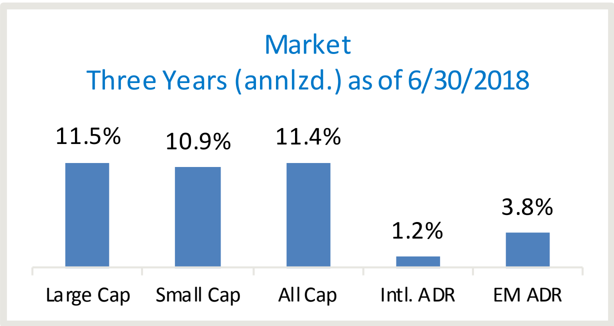


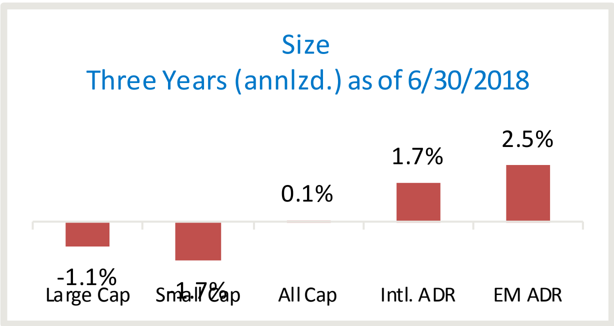


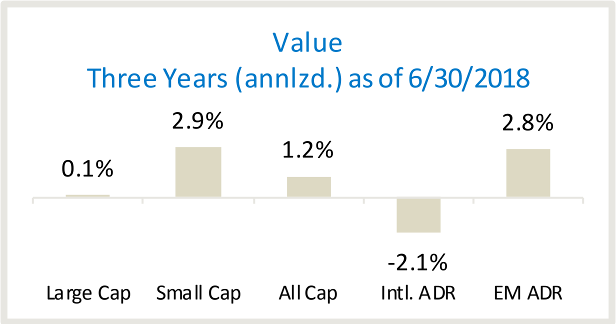
Source: Envestnet|PMC Quantitative Research Group (QRG)

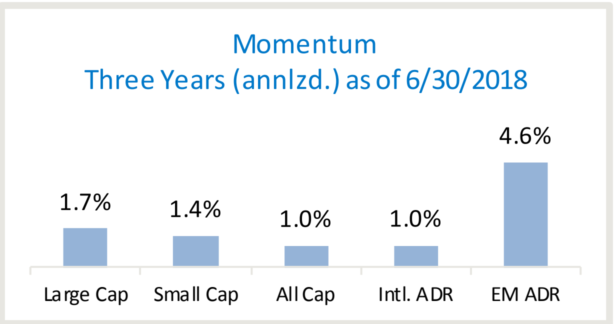
Three Years: Performance by Factor

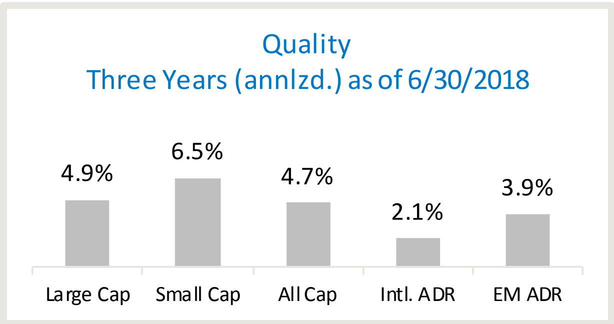
Category	Size	Value	Momentum	Quality	Low Volatility
	Factor Performance: Three Years (annual.) ended 6/30/2018				
U.S. Large Cap	-1.1%	0.1%	1.7%	4.9%	0.4%
U.S. Small Cap	-1.7%	2.9%	1.4%	6.5%	5.4%
U.S. All Cap	0.1%	1.2%	1.0%	4.7%	1.5%
Int'l. Developed Mkts. ADR	1.7%	-2.1%	1.0%	2.1%	-0.5%
Emerging Markets ADR	2.5%	2.8%	4.6%	3.9%	-1.4%

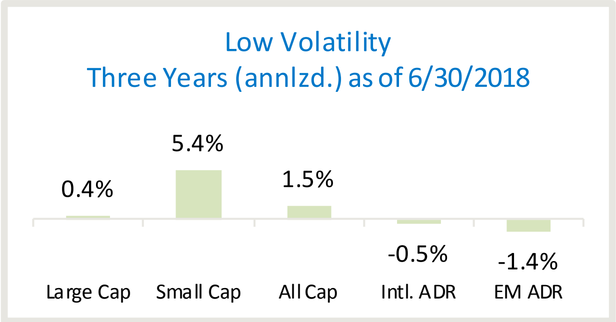








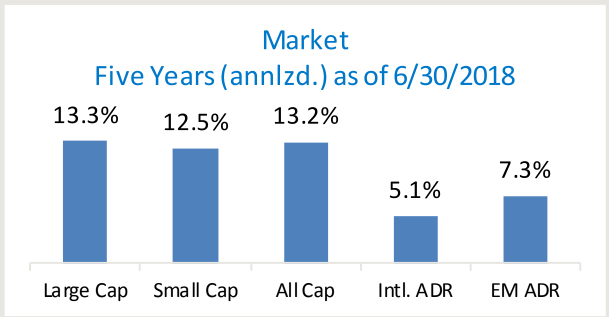


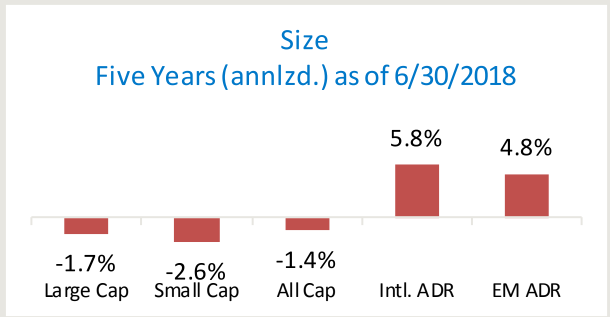


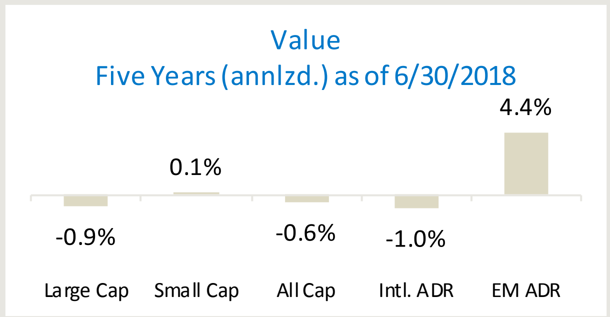
Source: Envestnet|PMC Quantitative Research Group (QRG)

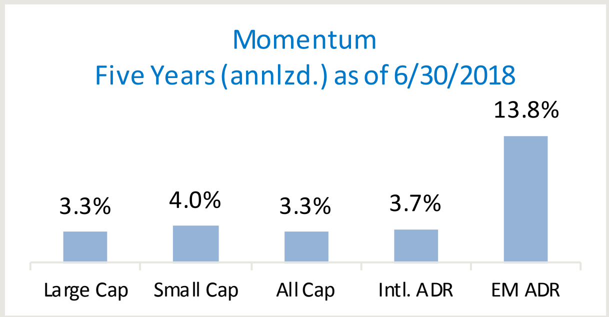
Five Years: Performance by Factor

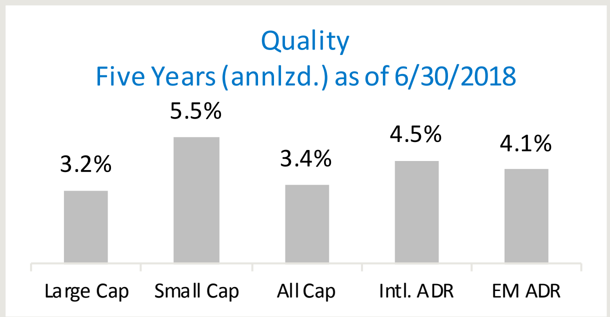
Category	Factor Performance: Five Years (annual.) ended 6/30/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	-1.7%	-0.9%	3.3%	3.2%	-0.4%
U.S. Small Cap	-2.6%	0.1%	4.0%	5.5%	4.1%
U.S. All Cap	-1.4%	-0.6%	3.3%	3.4%	0.7%
Int'l. Developed Mkts. ADR	5.8%	-1.0%	3.7%	4.5%	-3.0%
Emerging Markets ADR	4.8%	4.4%	13.8%	4.1%	-1.2%

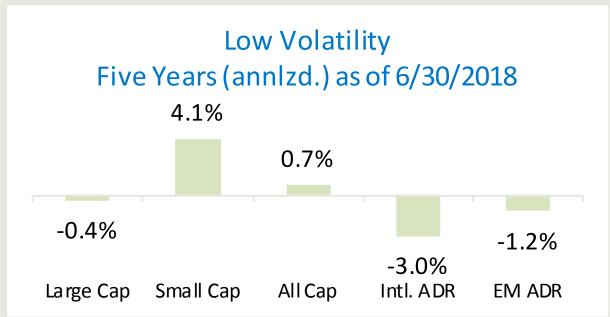








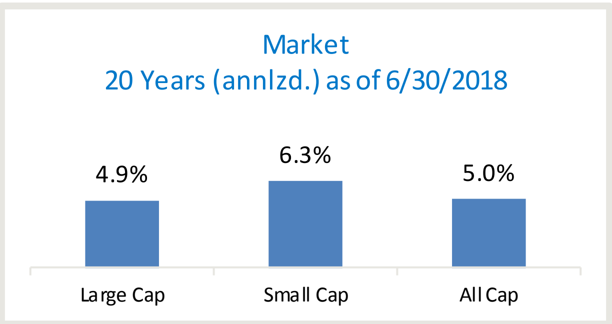


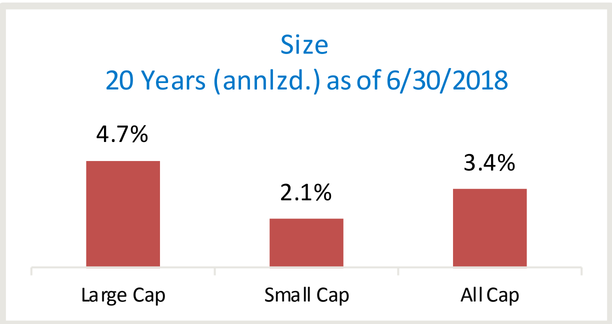


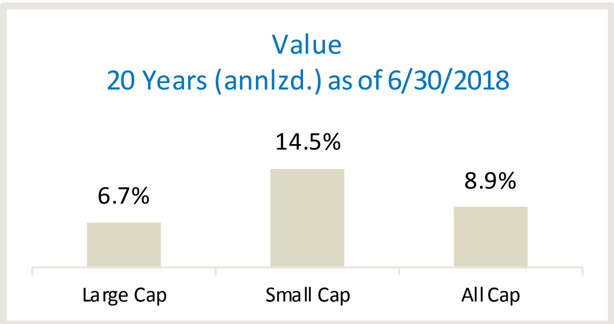
Source: Envestnet|PMC Quantitative Research Group (QRG)

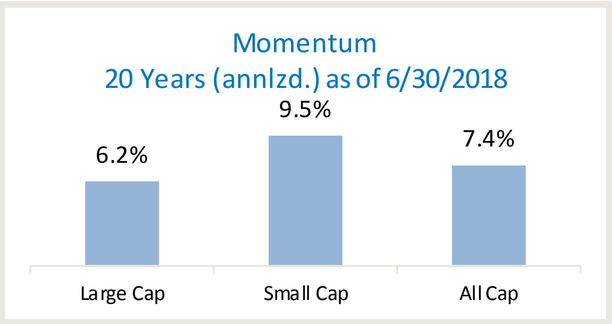
Twenty Years: Performance by Factor

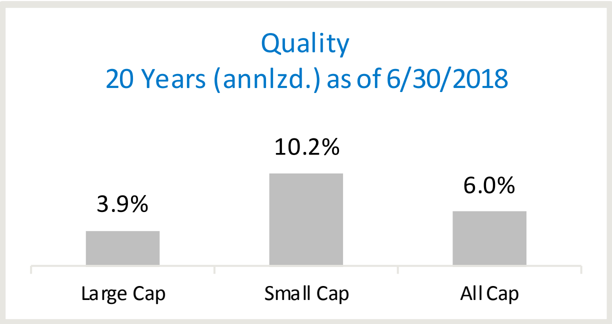
Category	Factor Performance: 20 Years (annual.) ended 6/30/2018				
	Size	Value	Momentum	Quality	Low Volatility
U.S. Large Cap	4.7%	6.7%	6.2%	3.9%	-3.1%
U.S. Small Cap	2.1%	14.5%	9.5%	10.2%	-0.3%
U.S. All Cap	3.4%	8.9%	7.4%	6.0%	-2.3%
Int'l. Developed Mkts. ADR	N/A	N/A	N/A	N/A	N/A
Emerging Markets ADR	N/A	N/A	N/A	N/A	N/A

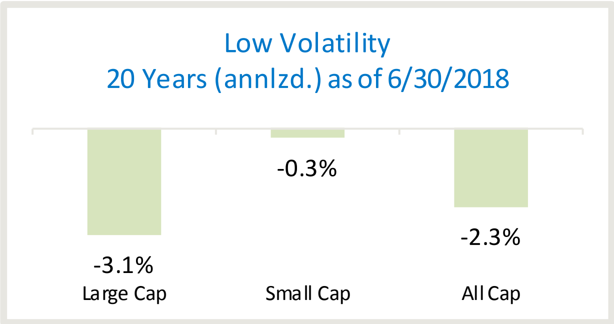












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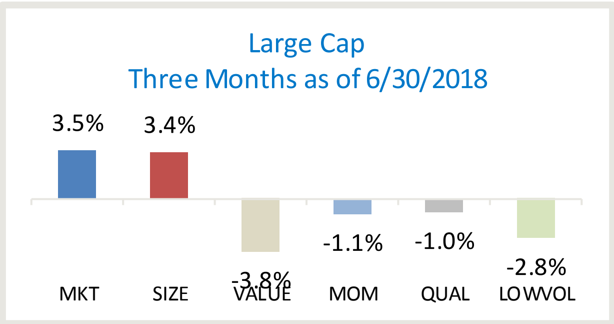
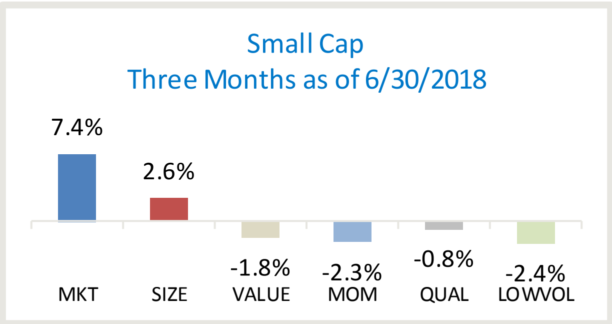
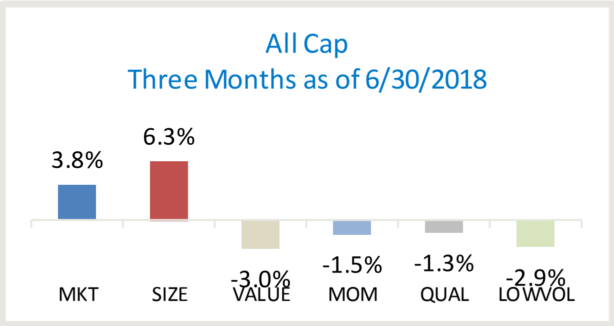
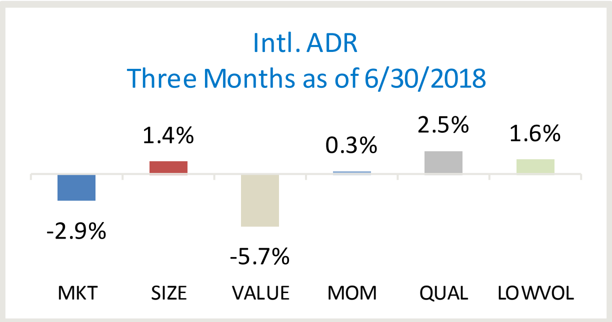
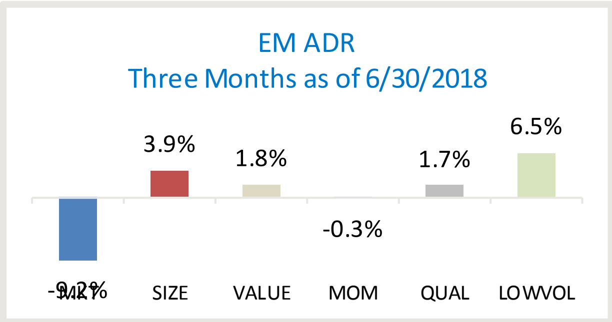
Three Months: Performance by Asset Class











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