MACROECONOMIC HIGHLIGHTS:

First Republic Bank, a private banking and wealth management held by the Fund, showed a strong Q2 of organic growth in its announced financial results for the quarter ended June 30, 2021. Total revenue was $1.2 billion in Q2, up 33.9% on the same period in 2020. Net interest income was $1.0 billion, up 27.5% year over year, and net income was $373.1 million, up 45.3% year over year.

Franchise growth remained strong with total loans of $123.1 billion, up 22.7% on last year. These were driven by increases in single family loans, business, multifamily and stock secured loans. Loan originations were the bank’s largest ever at $16.8 billion for the quarter, up 24.7% from the same quarter a year ago. Deposits were also up, coming in at $134.7 billion for the quarter, up 36.7% on prior year.

First Republic’s total wealth management assets were $240.9 billion for the quarter, 10% on the prior quarter and up 54.6% year over year. The increases in wealth management assets were due to both net client inflow and market appreciation. Wealth management revenues totaled $183.6 million for the quarter, up 61.2% compared to last year’s second quarter. These revenues represented 14.9% of the bank’s total revenues for the quarter.

Ameriprise Financial, a leading diversified financial services firm held by the Fund, delivered a strong second quarter and a record first half in operating revenue, earnings, and EPS, as announced in July. Adjusted Q2 operating net revenue was $3.4 billion, a 22% increase from 2020. Assets under management and administration were up 28% from prior year to $1.2 trillion, a record high from strong client flows in Wealth and Asset Management, as well as market appreciation. The company saw $16 billion of organic client net inflows from Advice & Wealth Management and Asset Management during the quarter and returned $585 million of capital to shareholders in Q2, which was 92% of adjusted operating earnings.

Ameriprise also announced in July that its insurance subsidiaries entered into an agreement to reinsure approximately $8 billion in fixed annuities, freeing up approximately $700 million in capital. July also saw the close of the RiverSource Life Insurance Company transaction, and an announcement that Ameriprise is on track to close its acquisition of BMO’s EMEA Asset Management business in the fourth quarter of 2021. This acquisition will expand key capabilities in attractive and growing market segments where BMO EMEA Asset Management has leading positions.
Wells Fargo & Co., a leading financial services company held by the Fund, reported second quarter net income of $6 billion. The company benefited from the continued economic recovery and strong markets that helped drive gains in our affiliated venture capital businesses. The company repurchased 35.3 million shares, or $1.6 billion, of common stock in second quarter 2021.

Wells Fargo also announced that US staff working from home will begin returning to office starting September 7 with staggered returns rolling out through October. Returns to office will be organized by job function and location. The move is in line with some of the biggest banks in the world who are beginning to re-open their offices thanks to increased vaccination numbers and the reduction of COVID-19 cases in major financial hubs.

**PERFORMANCE ATTRIBUTION:**

For the month, First Republic Bank made the biggest contribution to the Fund, followed by Ameriprise Financial Inc., and Wells Fargo & Co. By weight, the Fund's largest exposure was to First Republic Bank, followed by Wells Fargo & Co, and Ameriprise Financial Inc.

**SOURCES:**

- https://news.firstrepublic.com/static-files/fc48c592-9538-421f-95df-e60ec9fae77c
- https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/earnings/second-quarter-2021-earnings.pdf

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