



## OBJECTIVE

The Disciplined Equity AllCap strategy seeks to outperform the Russell 3000® Index over time through superior stock selection while maintaining risk characteristics that are similar to the benchmark.

**Benchmark:** Russell 3000 Index

**Inception Date:** January 1, 1997

## PHILOSOPHY

### The Stock Market is a Complex Adaptive System

No static investment approach works for all market segments or under all market conditions. Therefore:

- **Stock analysis must adapt to evolving market conditions.**  
Investor preferences vary through time depending on prevailing economic conditions. Therefore, our analysis must emphasize the most important characteristics at any given point in time.
- **Employing a diverse set of characteristics is critical**  
Stock returns are driven by a variety of factors through time—value, quality, growth, technical, and risk. Monitoring a diverse set of characteristics results in a more thorough analysis.
- **Evaluation relative to multiple peers groups increases accuracy**  
Market segments—capitalization groups, style segments, and economic sectors—have distinct dynamics. Therefore, each stock is most effectively analyzed relative to multiple peer groups to arrive at more accurate expectations.

### Portfolio Construction is critical to managing risk

Careful portfolio construction goes hand-in-hand with stock selection. Therefore, stock return forecasts must be viewed in light of potential risks within the context of the overall portfolio.

## PROCESS

Using a “bottom up” systematic process, the investment team evaluates a broad universe of stocks using three independent analyses, each of which is designed to provide a unique valuation perspective. Evaluating each stock from these different perspectives is intended to improve the accuracy of the stock evaluation.

- **Broad Universe Analysis:** Evaluates each stock relative to all other stocks in the universe using financial and technical factors.
- **Style-Specific Analysis:** Segregates the universe into four style and market cap groups and evaluates each stock relative to its peers using a customized model which includes financial and technical factors specific to each style and market cap combination.
- **Sector-Specific Analysis:** Divides the universe into 11 economic sectors and evaluates each stock relative to its sector peers using financial and technical factors.

These three analyses are combined to generate an excess return expectation for each stock. Stocks must rank in the top 20% to be considered for purchase.

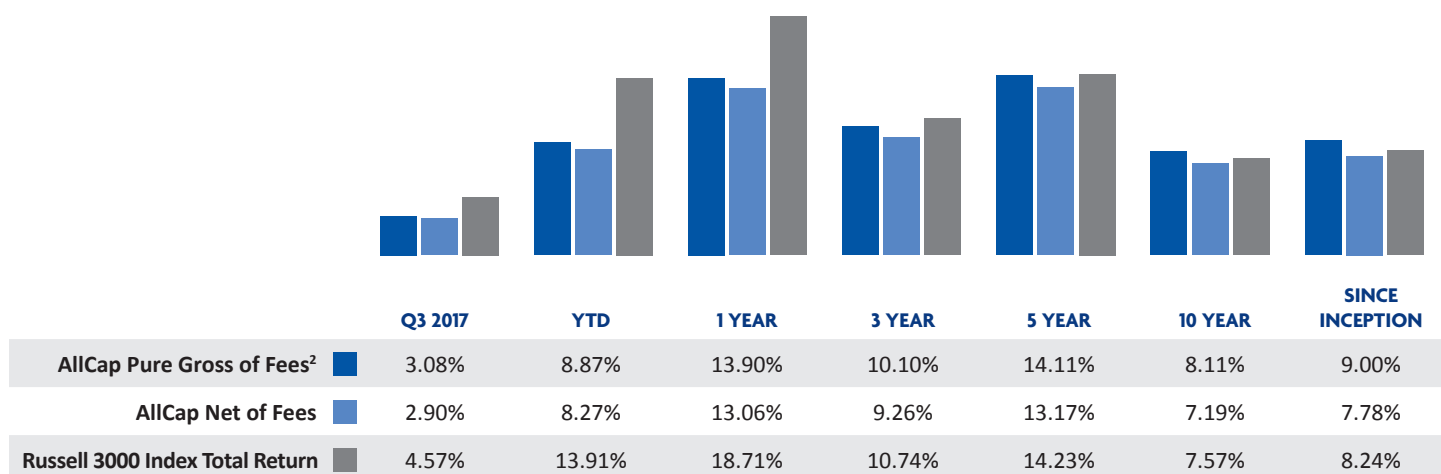
## SELL DISCIPLINE

Successful positions are sold as return expectations are realized and/or valuation perspectives deteriorate into overvalued conditions.

## BENEFITS

- **Consistent excess returns from disciplined stock selection**
- **Style, sector and market cap diversification in one portfolio**

## COMPOSITE PERFORMANCE<sup>2</sup>



## RISK MANAGEMENT

Risk management is an essential part of the firm's process. Updated expectations are incorporated into the portfolio using a risk/return optimization process. This process features individual stock selection as the central source of added value while style, market capitalization, and sector departures from the benchmark are constrained:

- Active risk/tracking error of 5.0% to 6.0%
- Beta and style exposures similar to the Russell 3000 Index
- Capitalization similar to the Russell 3000 Index
- Industry weights: Russell 3000 +/- 4%<sup>1</sup>
- Sector weights: Russell 3000 +/- 5%<sup>1</sup>

Barra Risk Factors <sup>3</sup>	AllCap	Russell 3000	Difference
Currency Sensitivity	-0.01	0.00	-0.01
Earnings Variation	-0.13	0.01	-0.14
Earnings Yield	-0.02	0.00	-0.02
Growth	0.14	-0.02	0.16
Leverage	-0.11	0.00	-0.11
Momentum	0.15	-0.01	0.16
Size	-0.16	-0.06	-0.10
Trading Activity	0.14	0.02	0.12
Value	-0.11	0.00	-0.11
Volatility	-0.04	0.02	-0.06
Yield	-0.14	-0.01	-0.13

## PORTFOLIO COMPOSITION

Top 5 Active Weights vs. Russell 3000	AllCap
Boeing	3.06%
Home Depot	2.65%
BlackRock	2.58%
UnitedHealth Group	2.54%
Tesla	2.53%

Bottom 5 Active Weights vs. Russell 3000	AllCap
Apple	-2.06%
Berkshire Hathaway Cl B	-1.35%
Exxon Mobil	-1.33%
JPMorgan Chase	-1.30%
Alphabet Cl A	-1.11%

Sector Weightings	AllCap	Russell 3000
Consumer Discretionary	8.50%	7.43%
Consumer Staples	10.39%	6.44%
Energy	3.06%	5.54%
Financials	19.42%	20.36%
Health Care	8.21%	12.49%
Industrials	9.57%	8.17%
Materials	7.73%	3.96%
Retail	6.41%	4.67%
Services	2.53%	5.83%
Technology	22.88%	21.90%
Utilities	1.30%	3.21%

## MANAGEMENT GUIDELINES

**Holdings:** Approximately 55-80 positions

**Position weights:** 0.50% to Russell 3000 weight +3.00%<sup>1</sup>

**Cash position:** Typically 0.5% to 1.5%

**Annual turnover:** Typically 60% to 120%

1. At time of purchase

2. Pure Gross of Fee Returns do not reflect the deduction of investment management fees or bundled fees for certain accounts where transaction costs cannot be separately identified from other service fees charged by the client's broker/dealer or custodian. Information presented on a pure gross of fee basis has not been independently verified. Net performance reflects the deduction of investment management fees and bundled fees as applicable. All data is as of September 30, 2017 unless otherwise noted.

3. MSCI Barra. Barra, Inc.'s analytics and data ([www.barra.com](http://www.barra.com)) were used in the preparation of this report.

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The Disciplined Equity AllCap Composite includes all fee-paying accounts managed under the AllCap strategy and is benchmarked to the Russell 3000 Index. Accounts within this composite do not employ leverage. The composite inception date was January 1, 1997. All cash reserves and equivalents are included in returns. Returns are time weighted and include reinvestment of dividends, income and gains. The value of assets and returns is expressed in U.S. dollars. All holdings available upon request. Performance prior to October 1, 2013 occurred at Advanced Investment Partners prior to being acquired by Great Lakes Advisors. Additionally, market commentary is available on the firm's website at: [www.greatlakesadvisors.com](http://www.greatlakesadvisors.com) or upon request.

The benchmark selected for comparison of returns for the AllCap Composite is the Russell 3000 (which contains 3,000 of the largest capitalization stocks of U.S. domiciled companies, which represents about 98% of the total U.S. equity market capitalization.); Frank Russell Company ("FRC") is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination, or redistribution is strictly prohibited. This is a GLA presentation of the Russell Index data. FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in GLA's presentation thereof. Index returns are provided to represent the investment environment existing during the time periods shown. All indexes are fully invested, which includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs. The index is not available for direct investment. Industry sectors are presented to illustrate the diversity of areas in which we may invest, and may not be representative of current or future investments.

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