



# LARGE CAP CATHOLIC VALUES

First Quarter 2017

## OBJECTIVE

The LargeCap Catholic Values strategy seeks to outperform the S&P 500® Index over time and incorporates the guidelines set forth by the United States Conference of Catholic Bishops.

**Benchmark:** S&P 500 and LargeCap Model Portfolio

**Inception Date:** November 1, 2012

## PROCESS

Utilizing our LargeCap and our LargeCap ESG investment process in conjunction with the industry participation flags of MSCI and the Environmental, Social and Corporate Governance (ESG) data of Asset4, we enhance our ability to provide a customized solution consistent with the values of the Catholic Church:

- Protecting human life
- Promoting human dignity
- Reducing arms production
- Pursuing economic justice
- Protecting the environment
- Encouraging corporate responsibility

## SELL DISCIPLINE

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

## MANAGEMENT GUIDELINES

**Holdings:** Approximately 70-85 positions

**Position weights:** 0.50% to S&P 500 weight +2.50%<sup>1</sup>

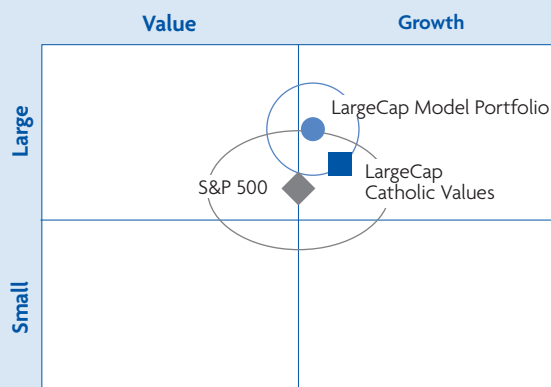
**Cash position:** Typically 0.5% to 1.5%

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

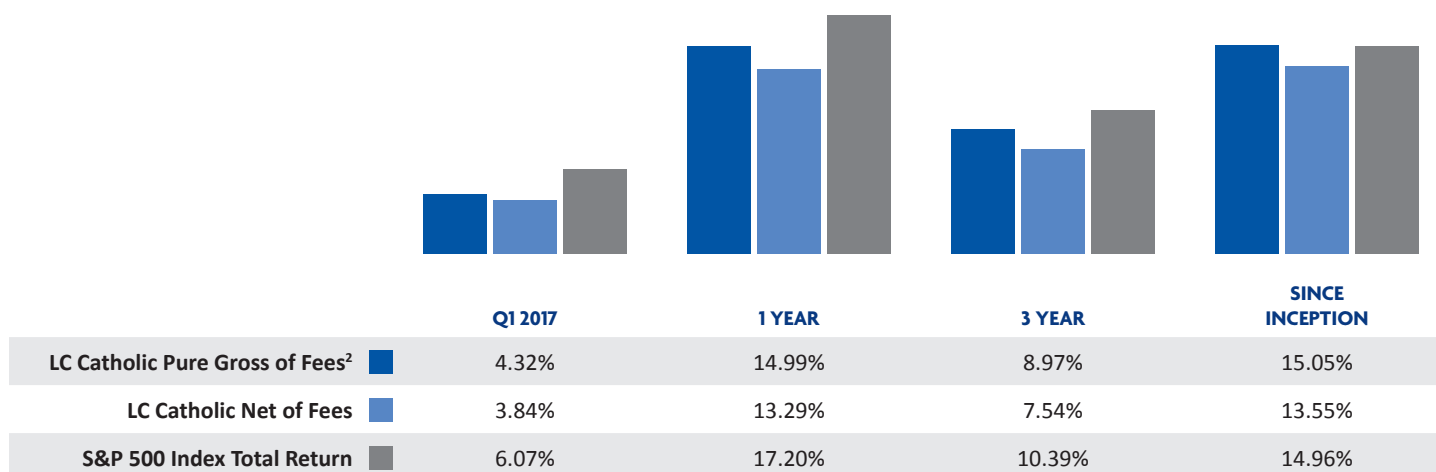
## DUAL BENCHMARK IMPLEMENTATION

This strategy employs a unique dual benchmark approach. The primary benchmark ensures total active risk versus the S&P 500 which is consistent with our LargeCap strategy portfolio.

The second benchmark limits the tracking error of this strategy versus our LargeCap strategy portfolio. This allows us to maintain very similar characteristics to our LargeCap strategy, while providing the flexibility needed to employ our social screens.



## COMPOSITE PERFORMANCE



## RISK MANAGEMENT

We use a risk/return optimization process which features individual stock selection as the central source of active risk while constraining style, market capitalization and sector departures from the S&P 500 Index and our Disciplined LargeCap strategy.

- **Active risk/tracking error: 3.5% to 4.5%**
- **Beta/style exposures: similar to the S&P 500 Index**
- **Capitalization: similar to the S&P 500 Index**
- **Industry weights: S&P 500 +/- 4%<sup>1</sup>**
- **Sector weights: S&P 500 +/- 5%<sup>1</sup>**

Barra Risk Factors <sup>3</sup>	LC Catholic	S&P 500	Difference
Currency Sensitivity	-0.12	-0.02	-0.10
Earnings Variation	-0.15	-0.08	-0.07
Earnings Yield	0.27	0.07	0.20
Growth	-0.28	-0.06	-0.22
Leverage	0.03	-0.14	0.17
Momentum	-0.09	-0.04	-0.05
Size	0.19	0.36	-0.17
Trading Activity	0.07	-0.02	0.09
Value	-0.02	-0.06	0.04
Volatility	-0.14	-0.13	-0.01
Yield	0.13	0.03	0.10

<b>Catholic Rating</b>	<b>75.6%</b>	<b>61.7%</b>
<b>Weighted ESG Score<sup>4</sup></b>	<b>77.4%</b>	<b>63.8%</b>

## PORTFOLIO COMPOSITION

Top 5 Active Weights vs. S&P 500	LC Catholic	ESG <sup>4</sup>	Catholic Rating
Pepsico	2.87%	33	50
Eli Lilly	2.70%	85	100
Kimberly Clark	2.65%	94	97
Int'l Business Machines	2.51%	78	50
Wells Fargo	2.40%	82	50

Bottom 5 Active Weights vs. S&P 500	LC Catholic	ESG <sup>4</sup>	Catholic Rating
Apple	-3.72%	50	54
Amazon	-1.73%	20	56
Exxon Mobil	-1.68%	91	96
Johnson & Johnson	-1.67%	100	99
Facebook	-1.65%	19	50

Sector Weightings	LC Catholic	S&P 500
Consumer Discretionary	3.73%	6.64%
Consumer Staples	10.69%	8.68%
Energy	3.72%	6.49%
Financials	19.21%	18.17%
Health Care	11.78%	12.59%
Industrial	7.17%	7.62%
Materials	7.60%	3.35%
Retail	8.93%	5.14%
Services	7.17%	5.62%
Technology	17.97%	22.43%
Utilities	2.03%	3.27%

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 March 31, 2017 unless otherwise noted.

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

4. ESG scores are based on data from Asset 4 ([www.asset4.com](http://www.asset4.com)) and quantify a company's environmental, social and governance standards. Scores range from a perfect 100%-0%.

Great Lakes Advisors, LLC ("Great Lakes" or "GLA") is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Established in 1981, Great Lakes is a subsidiary of Wintrust Financial Corporation and a part of the Wintrust Wealth Management family of companies. On October 1, 2013, majority owned subsidiary Advanced Investment Partners, LLC ("AIP") became fully-owned and integrated into Great Lakes. Great Lakes is a distinct business unit with distinct investment processes and procedures relating to the management and/or trading of investment portfolios for its clients.

The LargeCap Catholic Values Composite includes all unrestricted accounts managed for sponsor platforms under the LargeCap Catholic Values strategy. (Renamed from Sustainable Responsible LargeCap-Catholic, 1/1/2017.) The Catholic strategy is based on guidelines set forth by the United States Conference of Catholic Bishops and includes the following: protecting human life, promoting human dignity, reducing arms production, pursuing economic justice, protecting the environment, and encouraging corporate responsibility. The Catholic strategy integrates environmental, social and governance (ESG) ratings for individual companies with Great Lakes Advisors' proprietary return forecasts based on a blend of fundamental, technical and sentiment measures and seeks to outperform the S&P 500 Index over time through superior stock selection while maintaining risk characteristics that are similar to the benchmark. The composite was created on November 30, 2012. Accounts within this composite do not employ leverage. All cash reserves and equivalents are included in returns. Returns are time weighted and included reinvest of dividends, income and gains. The value of assets and returns is expressed in U.S. dollars. Performance prior to October 1, 2013 occurred at Advanced Investment Partners prior to being acquired by Great Lakes Advisors. Holdings are available upon request. 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 LargeCap Catholic Values Composite is the S&P 500 Index (an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. They are usually the 500 largest companies in terms of market capitalization and are chosen to represent the entire market's value.); 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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