



## OBJECTIVE

The SMidCap ESG strategy seeks to efficiently capture return opportunities while managing portfolio risk relative to the Russell 2500 Index® and SMidCap model portfolio benchmarks.

**Benchmark:** Russell 2500 Index and SMidCap Model Portfolio

**Inception Date:** March 1, 2010

## PROCESS

The portfolio construction process incorporates Asset4's ESG scores to build a portfolio whose combined Environmental, Social, and Corporate Governance (ESG) score is at least 15% better than that of the Russell 2500 index.

In addition, MSCI's industry participation flags are utilized to ensure that the portfolio does not invest in businesses that derive 5% or more of their revenue from the following activities:

- Manufacturers and owners of military weapons
- Manufacturers and owners of alcohol and tobacco products
- Manufacturers of gambling devices and/or operators of casinos
- Companies with ties to Sudan

## SELL DISCIPLINE

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

## MANAGEMENT GUIDELINES

**Holdings:** Approximately 100-125 positions

**Position weights:** 0.50% to Russell 2500 weight +1.50%<sup>1</sup>

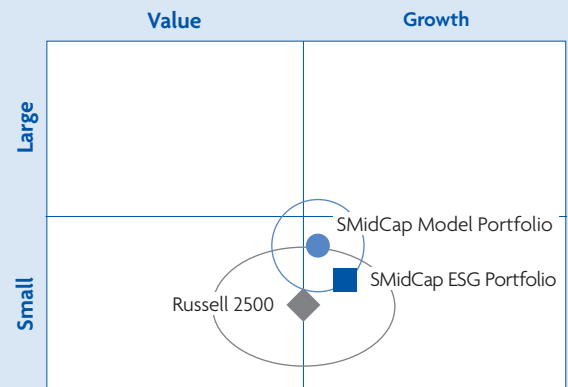
**Cash position:** Typically 0.5% to 1.5%

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

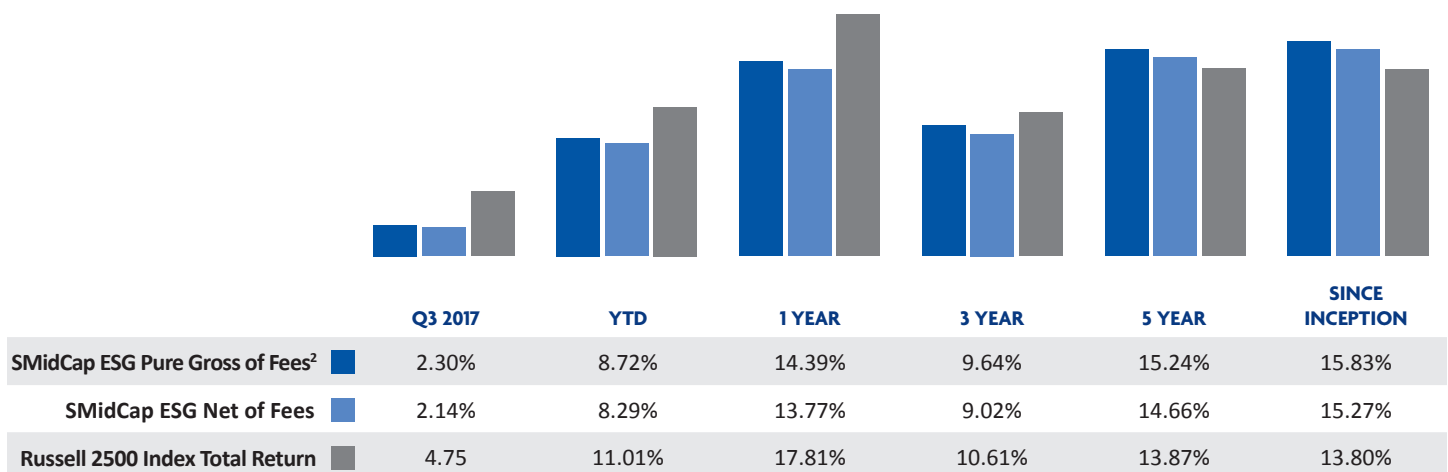
## DUAL BENCHMARK IMPLEMENTATION

This strategy employs a unique dual benchmark approach. The primary benchmark ensures total active risk versus the Russell 2500 which is consistent with our SMidCap strategy portfolio.

The second benchmark limits the tracking error of this strategy versus our SMidCap strategy portfolio. This allows us to maintain very similar characteristics to our SMidCap 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 Russell 2500 Index and our Disciplined SMidCap strategy.

- **Active risk/tracking error: 4.0% to 5.0%**
- **Beta/style exposures: similar to the Russell 2500 Index**
- **Capitalization: similar to the Russell 2500 Index**
- **Industry weights: Russell 2500 +/- 4%<sup>1</sup>**
- **Sector weights: Russell 2500 +/- 5%<sup>1</sup>**

Barra Risk Factors <sup>3</sup>	SMidCap ESG	Russell 2500	Difference
Currency Sensitivity	0.06	-0.02	0.08
Earnings Variation	0.30	0.40	-0.10
Earnings Yield	-0.12	-0.29	0.17
Growth	0.08	0.16	-0.08
Leverage	0.38	0.56	-0.18
Momentum	-0.07	-0.05	-0.02
Size	-1.87	-1.99	0.12
Trading Activity	0.41	0.25	0.16
Value	0.18	0.18	0.00
Volatility	0.57	0.70	-0.13
Yield	-0.30	-0.24	-0.06

<b>Weighted ESG Score<sup>4</sup></b>	<b>66.9%</b>	<b>50.8%</b>
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## PORTFOLIO COMPOSITION

Top 5 Active Weights vs. Russell 2500	SMidCap ESG	ESG <sup>4</sup>
Xylem	2.35%	95
Avery Dennison	2.35%	94
Jones Lang LaSalle	2.20%	100
National Instruments	2.20%	97
Legg Mason	2.11%	98

Bottom 5 Active Weights vs. Russell 2500	SMidCap ESG	ESG <sup>4</sup>
Lear	-0.26%	61
United Rentals	-0.26%	0
Cooper Cos	-0.25%	44
Arthur J Gallagher & Co	-0.24%	87
Alexandria Real Estate	-0.24%	73

Sector Weightings	SMidCap ESG	R2500
Consumer Discretionary	11.58%	10.18%
Consumer Staples	2.20%	2.88%
Energy	2.60%	4.22%
Financials	23.85%	25.87%
Health Care	13.59%	10.97%
Industrials	7.76%	9.78%
Materials	8.30%	6.39%
Retail	6.80%	3.35%
Services	6.46%	7.71%
Technology	14.76%	15.22%
Utilities	2.10%	3.43%

1. At the time of purchase.

2. Fees, including but not limited to the advisory fee, transaction and custody charges, would reduce the return. For example, if an annualized gross return of 10% was achieved over a 5-year period and total fees (management, custody, transactional and all other fees applicable to a portfolio) of 1% per year was charged and deducted annually, then the resulting return would be reduced from 61% to 54%. Pure Gross of Fee Returns do not reflect the deduction of investment management fees or bundled fees for certain accounts where transactions costs cannot be separately identified from other service fees charged by the client's broker/dealer or custodian. Information provided 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 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%.

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The Disciplined Equity SMidCap ESG Composite includes all unrestricted, institutional, discretionary fee-paying accounts managed for sponsor platforms under the SMidCap ESG strategy and is benchmarked to the Russell 2500 Index. (Renamed from Sustainable Responsible SMidCap, 1/1/2017.) Accounts within this composite do not employ leverage. The composite inception date was February 28, 2010. 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 SMidCap ESG Composite is the Russell 2500 Index (which measures the performance of the 2,500 smallest companies in the Russell 3000 Index and represent less than 20% of the capitalization of the Russell 3000 Index.); The Russell 2500 Index is a trademark of the Frank Russell Company. 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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