



# SMIDCAP ESG

Second Quarter 2020

## 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 and SMidCap Model Portfolio

**Inception Date:** March 1, 2010

## PROCESS

The Portfolio construction process incorporates company level ESG scores to build a portfolio whose overall ESG score is at least 20% better than that of the Russell 2500 Index.

In addition, 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 and owners of gambling devices and/or operators of casinos
- Companies with ties to Sudan

## PORTFOLIO GUIDELINES

**Holdings:** Approximately 100-125 positions

**Sector Over/Underweights:** Russell 2500 +/- 5.00%<sup>1</sup>

**Position weights:** 0.25% to Russell 2500 weight +1.50%<sup>1</sup>

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

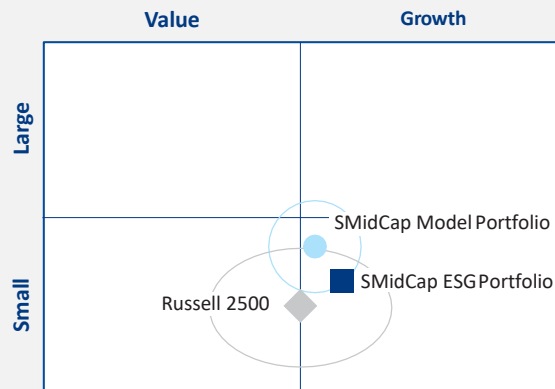
**Average Annual turnover:** Typically 60% to 120%

**Investment Universe:** Russell 2500 Members

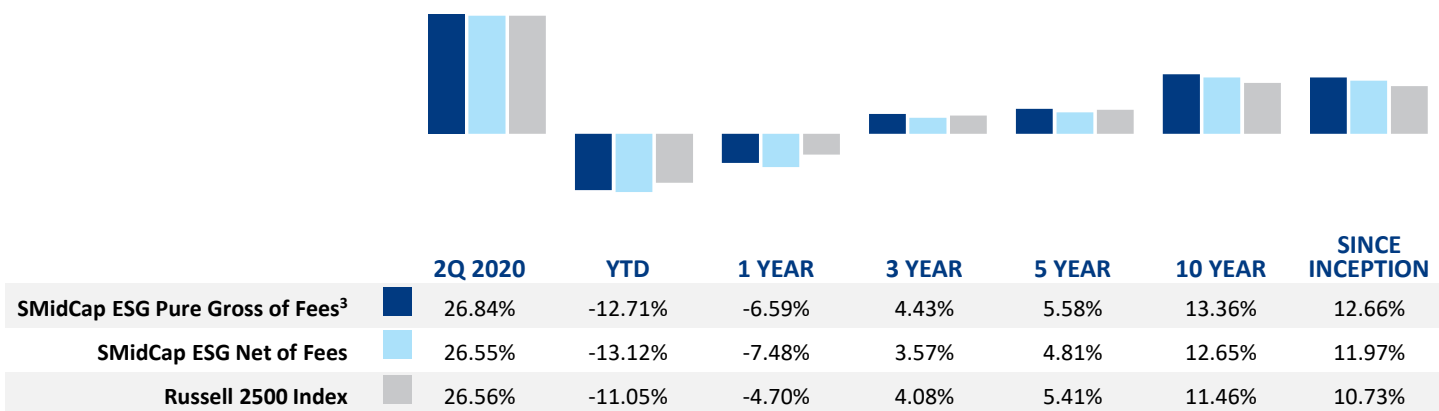
## DUAL BENCHMARK IMPLEMENTATION

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<sup>2</sup>



**PORTFOLIO COMPOSITION**

Top 10 Holdings <sup>4</sup>	SMidCap ESG
Coupa Software Inc	2.7%
Burlington Stores Inc	2.0%
DocuSign Inc	2.0%
Amedisys Inc	2.0%
Agios Pharmaceuticals Inc	1.9%
Allegion Pub Ltd Co	1.9%
Steris PLC USD	1.8%
World Wrestling Entertainment Inc Cl A	1.8%
Okta Inc Cl A	1.8%
Avery Dennison Corp	1.8%

Sector Weightings <sup>5</sup>	SMidCap ESG	Russell 2500
Consumer Discretionary	7.6%	9.2%
Consumer Staples	1.2%	2.9%
Energy	2.0%	1.5%
Financials	16.4%	21.9%
Health Care	21.2%	17.5%
Industrials	11.2%	9.0%
Materials	3.7%	5.1%
Retail	5.9%	3.1%
Services	5.8%	7.1%
Technology	23.1%	19.7%
Utilities	1.0%	3.0%

**STRATEGY CHARACTERISTICS<sup>6</sup>**

	SMidCap ESG	Russell 2500
Weighted Average Market Cap	\$6.7B	\$4.8B
EPS 5 Year Average Growth	13.5%	14.3%
Return on Equity (ROE)	2.7%	5.6%
Price to Earnings Ratio (P/E)	51.3x	31.4x
Price to Book Ratio (P/B)	3.2x	2.0x
Dividend Yield	1.6%	1.9%
Beta	0.99	1.00
Active Share	87.7%	-
Number of Holdings	120	2,509
Weighted ESG Score	53.0	46.0

**ABOUT GREAT LAKES ADVISORS**

Founded in 1981, Great Lakes Advisors is headquartered in Chicago, Illinois with an additional office in Tampa, Florida. The firm has \$9.1 billion in assets under management and advisement and offers a wide range of fixed income, equity, and multi-asset strategies across all market capitalizations. We have deep portfolio management capabilities within ESG, Socially Responsible, Tax-Managed, and Customized account solutions. Our clients include public funds, multi-employer plans, corporations, religious communities, endowments/foundations, health care plans, and private wealth management clients.

1. At time of purchase

2. Returns greater than one year are annualized.

3. 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.

4. Holdings are representative of a Disciplined Equity SMidCap ESG account, are subject to change at any time and are not recommendations to buy or sell any securities.

5. Source: MSCI Barra. Data is representative of a Disciplined Equity SMidCap ESG account and are subject to change at any time.

6. Source: Bloomberg. Characteristic data is representative of a Disciplined Equity SMidCap ESG account and are subject to change at any time. Beta and ESG Score source is MSCI Barra.

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The Disciplined Equity SMidCap ESG Composite includes all unrestricted, discretionary fee-paying accounts managed for sponsor platforms under the SMidCap ESG strategy and is benchmarked to the Russell 2500 Index. Accounts within this composite do not employ leverage. The composite inception date was February 28, 2010 and the composite creation date was October 1, 2013. 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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