



# SMIDCAP ESG

Fourth Quarter 2024

## 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

## PHILOSOPHY

Our goal is to deliver a more consistent alpha for our clients. The challenge is, the stock market is a complex adaptive system and no static approach works all the time, therefore our analysis must emphasize the most important characteristics at any given point in time.

### The Solution for Our Clients

- Employ a diverse set of factors
- Evaluate relative to multiple peer groups
- Adapt to evolving market conditions
- Construct a portfolio with an optimal balance of risk and return with an overall ESG rating that is at least 20% better than that of Russell 2500 Index

### Objectives

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

## PROCESS

We use a “bottom up” systematic process to evaluate the universe of stocks using three independent analyses, each of which is designed to provide a unique valuation perspective.

### Broad Universe Analysis (1 model)

- Evaluates each stock relative to all other stocks in the investment universe.

## 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

## PROCESS (continued)

### Style-Specific Analysis (4 models)

- Evaluates each stock relative to its peers with the same combined market capitalization and style profile.

### Sector-Specific Analysis (11 models)

- Evaluates each stock relative to all other stocks in the same economic sector.

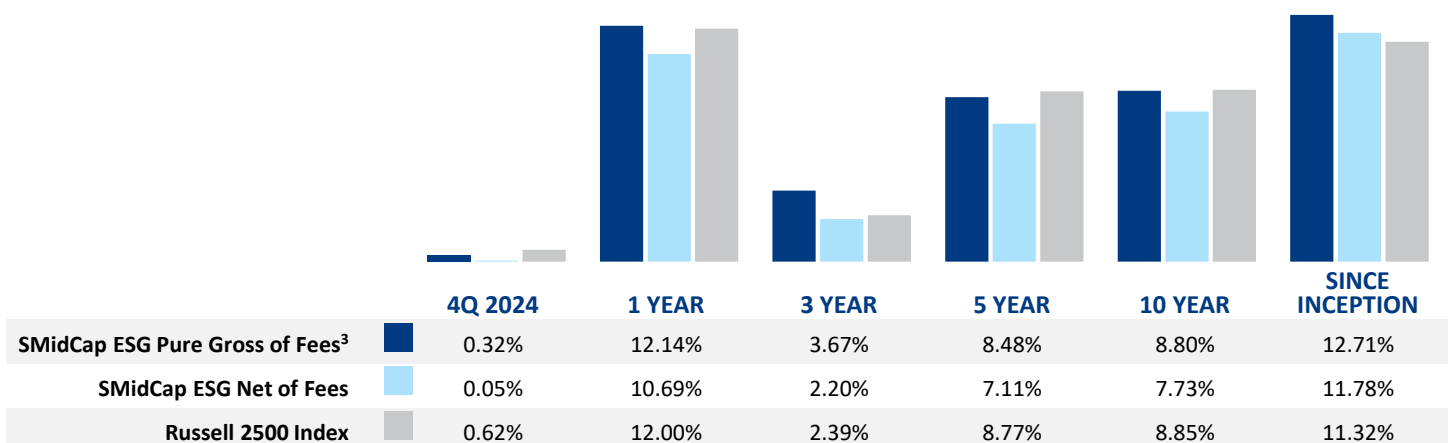
These three analyses are combined to generate an excess return expectation for each stock. Stocks must rank in the top 20% to be considered for purchase.

The Portfolio construction process incorporates company level ESG scores via a proprietary ESG scoring methodology which seeks 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

*Additional details are available in the firm's ESG Policy. Contact us for more information.*

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



**PORTFOLIO COMPOSITION**

Top 10 Holdings <sup>4</sup>	SMidCap ESG
US Foods Holding Corp	2.2%
Toast Inc Cl A	2.0%
Acuity Brands Inc	1.9%
Encompass Health Corp	1.9%
Guidewire Software Inc	1.9%
Nordstrom Inc	1.8%
Sprouts Farmers Mkt Inc	1.8%
Frontdoor Inc	1.7%
Janus Henderson Group PLC	1.7%
Pentair PLC	1.7%

Sector Weightings <sup>5</sup>	SMidCap ESG	Russell 2500
Consumer Discretionary	8.1%	11.6%
Consumer Staples	6.2%	3.0%
Energy	4.3%	4.4%
Financials	20.3%	22.7%
Health Care	12.7%	11.5%
Industrials	10.2%	11.3%
Materials	3.8%	6.0%
Retail	3.3%	4.6%
Services	9.1%	7.7%
Technology	18.6%	14.9%
Utilities	2.0%	2.3%

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

	SMidCap ESG	Russell 2500
Weighted Average Market Cap	\$7.4B	\$8.0B
EPS 5 Year Average Growth	25.0%	18.6%
Return on Equity (ROE)	10.4%	11.6%
Price to Earnings Ratio (P/E)	18.0x	17.8x
Price to Book Ratio (P/B)	2.9x	2.4x
Dividend Yield	1.6%	2.3%
Beta	0.98	1.00
Active Share	88.5%	-
Number of Holdings	125	2,465
Weighted ESG Score	68.9	57.8

**SMIDCAP ESG GUIDELINES**

- Companies with bottom-quintile ESG scores are excluded from the portfolio<sup>1</sup>
- Seeks to maintain a weighted portfolio ESG score at least 20% better than the Russell 2500 Index results in a portfolio skewed towards companies with higher ESG ratings<sup>1</sup>

**MARKET CAPITALIZATION BREAKDOWN**

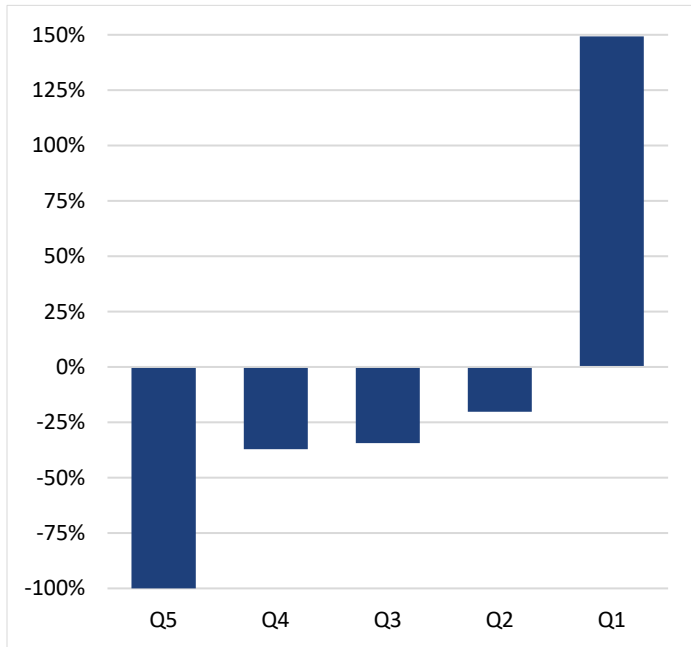
Portfolio Holdings as of 12/31/24  
(Russell 2500 Holdings)

	Value	Growth
Mid	<b>46.7</b>	<b>9.1</b>
	46.0	12.2
Small	<b>15.6</b>	<b>27.1</b>
	20.3	21.5

These characteristics, allocations, and holdings are determined from the representative portfolio. Holdings are subject to change over time. Individual client portfolios may vary.

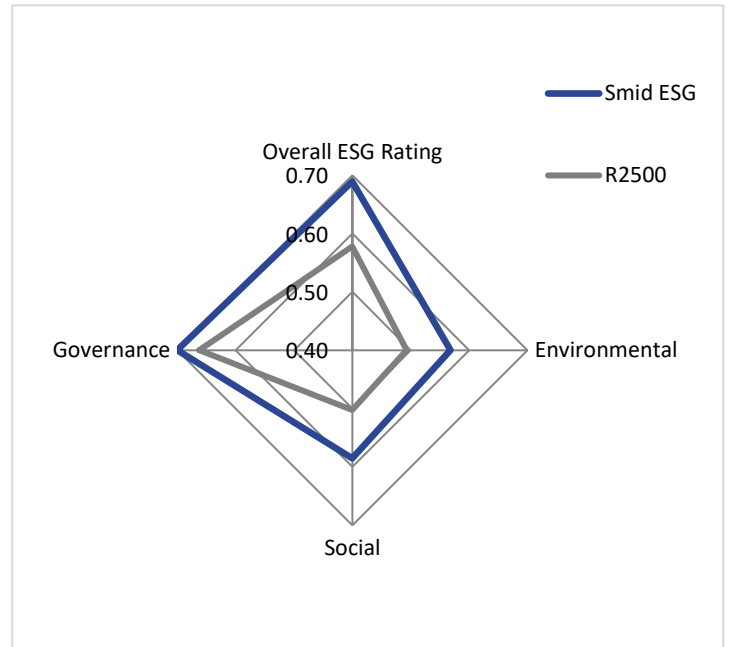
The specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients, and it should not be assumed that investments in the securities identified and discussed were or will be profitable.

### RELATIVE EXPOSURE BY ESG QUINTILE



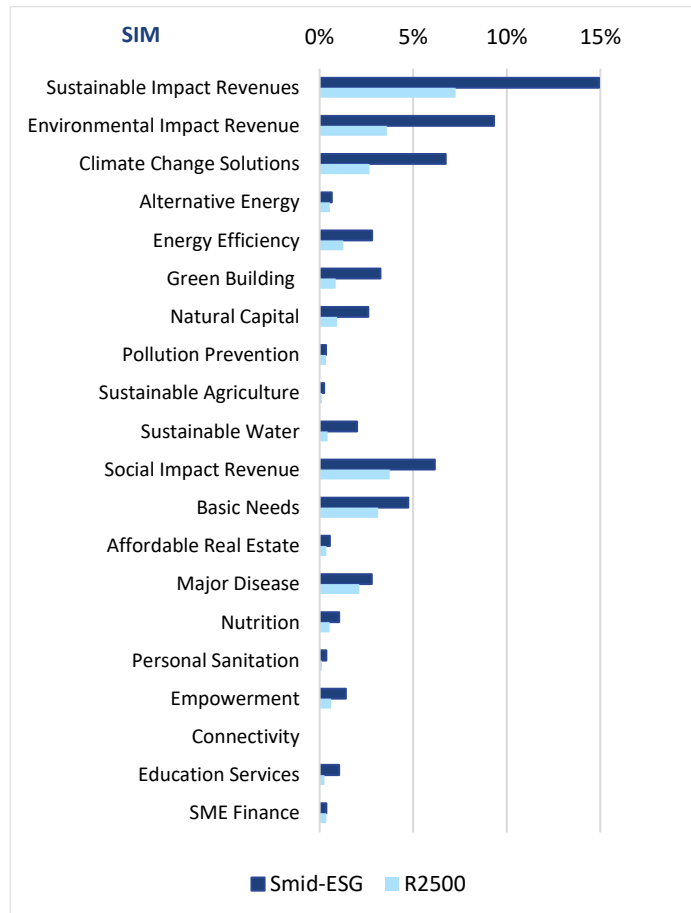
Sources: MSCI and GLA Disciplined Equity proprietary research. Data as of 12/31/24.

### SECTOR-NEUTRAL ESG SCORE



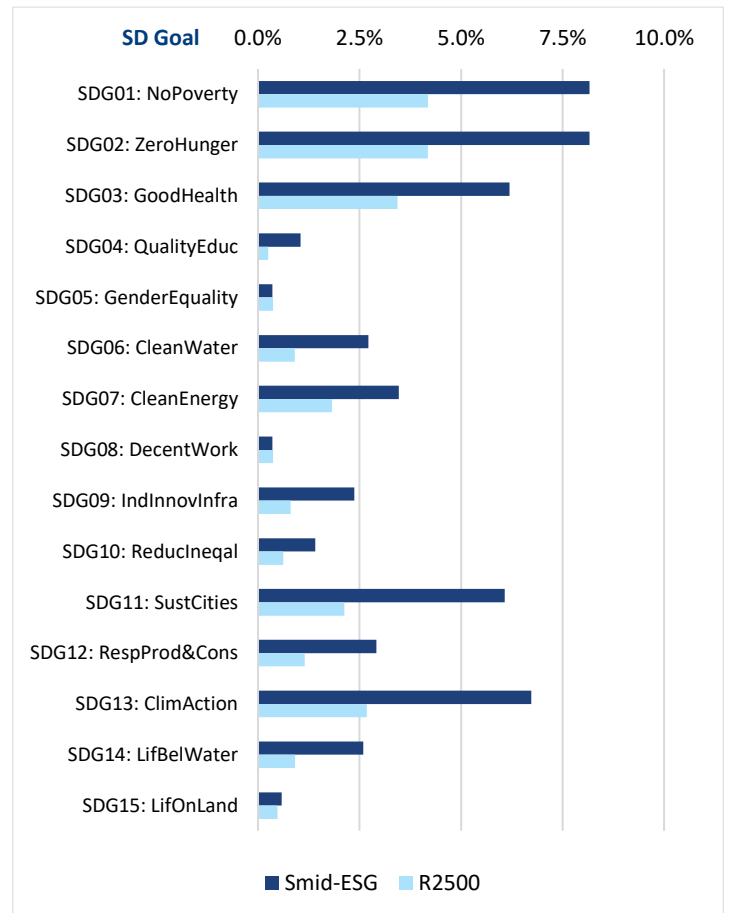
Sources: MSCI and GLA Disciplined Equity proprietary research. Data as of 12/31/24.

### SUSTAINABLE IMPACT METRICS



Sources: MSCI and GLA Disciplined Equity proprietary research. Data as of 12/31/24.

### SUSTAINABLE DEVELOPMENT GOAL ALIGNMENT



Sources: MSCI and GLA Disciplined Equity proprietary research. Data as of 12/31/24.

## ABOUT ESG

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ESG investing is the assessment of material environmental, social and governance issues. ESG investing complements traditional research conducted during the investment process. We believe investing in companies which are actively reducing negative externalities such as greenhouse gas emissions can help reduce portfolio risk, both directly at the company level as well as indirectly by creating a less volatile, healthier system in which all companies operate and in which we all live; in evaluating companies' positive contributions to people and the planet, and therefore we measure their revenue derived from activities that can be aligned with the United Nations' Sustainable Development Goals ("SDG"); that helping companies improve their performance on material ESG issues through proxy voting will benefit not just investors, but all of the company's stakeholders including employees, customers, local communities, as well as the environment; and in supporting third-party organizations who share our goals and are working collaboratively with others. By identifying relevant ESG factors and evaluating a company's performance on those, we are able to make better, more well-informed investment decisions with the aim of improving risk-adjusted returns. ESG factors are used for negative screening, overall ESG improvement, and creating positive impact.

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## ABOUT GREAT LAKES ADVISORS

Founded in 1981, Great Lakes Advisors is headquartered in Chicago, IL. The firm has \$18.4 billion in assets under management and advisement and offers a wide range of fixed income, equity, and multi-asset strategies across market capitalizations. Our portfolio management teams strive to form collaborative partnerships and investment strategy solutions to our Institutional, Intermediary, Sub-advisory, and Private Wealth client base.