



# LARGE CAP CLEAN ENERGY

Second Quarter 2018

## OBJECTIVE

The LargeCap Clean Energy portfolio reflects our clients' interest in building a diversified portfolio of US equities which seeks to outperform the S&P 500 Index over time while avoiding all producers of coal, oil, and nuclear energy – unless these producers of fossil fuel also have demonstrable efforts toward renewable energy development such as wind, solar, or hydro.

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

**Inception Date:** April 1, 2013

## PROCESS

The LargeCap Clean Energy portfolio will maintain underweight exposures to companies which have had environmental controversies or are not monitoring their supply chain for environmental criteria. The LargeCap Clean Energy portfolio will maintain overweight exposures to companies which are innovating clean energy products, show a proclivity toward reducing energy use and reducing dirty emissions (CO<sub>2</sub>, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, chlorofluorocarbon, sulfur oxides, nitrogen oxides, low particulate matter).

Using this information, the Disciplined Equity Team's proprietary LargeCap Clean Energy Rating rates US companies relative to their sector peers from 0 (worst rating) to 100 (best rating) for each company. The LargeCap Clean Energy Portfolio will maintain a clean energy rating at least 10% higher than the capitalization-weighted rating of the S&P 500 Index.

## PORTFOLIO GUIDELINES

**Holdings:** Approximately 70-85 positions

**Sector Over/Underweights:** S&P 500 +/-5.00%<sup>1</sup>

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

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

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

## POSITION ON CLEAN ENERGY ISSUES

**Carbon Underground 200:** We eliminate all members of the Carbon Underground 200, which identifies the top 100 public coal companies and the top 100 public oil and gas companies globally, ranked by the potential carbon emissions content of their reported reserves.

**Coal:** We eliminate all producers of coal energy – the dirtiest form of energy on the planet.

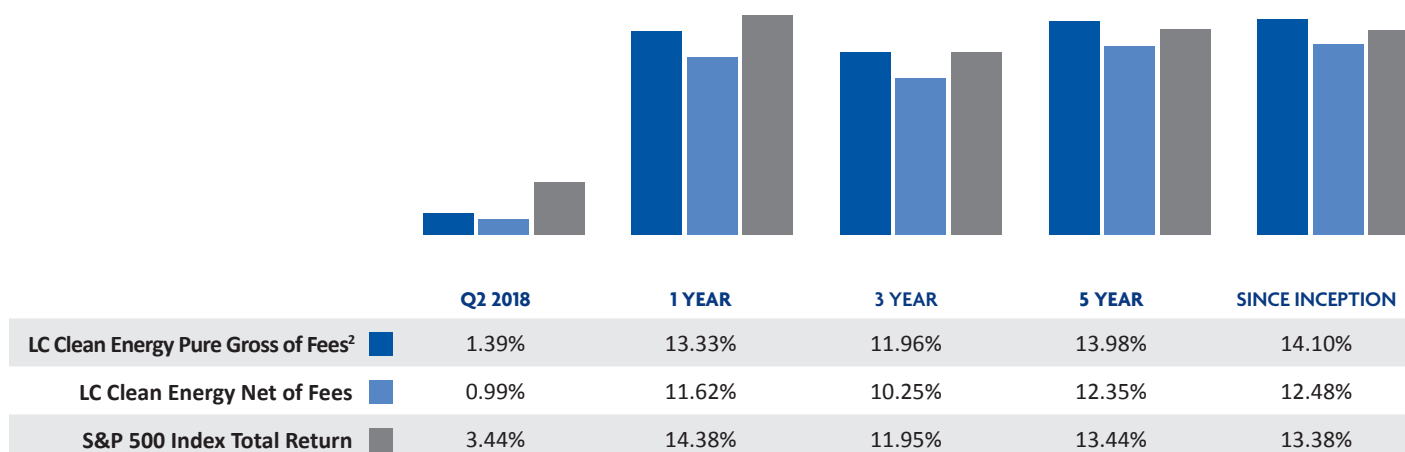
**Oil:** We avoid oil refiners and oil service companies.

**Nuclear Energy:** We eliminate nuclear energy producers and companies otherwise involved in nuclear power generation from inclusion in the portfolio. While nuclear energy is often considered clean, the substantial left-hand tail risk associated with nuclear reactors and the unclear impact of storing spent fuel are strong negatives.

**Environmental Controversies:** We penalize companies which are in the spotlight due to a controversy linked to a spill of chemicals, oils and fuels, or gases, companies which have had an environmental impact controversy, and companies which have a controversy linked to public health and safety. Companies are rewarded for monitoring their supply chain for environmental impact, as well as for having initiatives to or products for remediating environmental impact.

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## COMPOSITE PERFORMANCE



**POSITION ON CLEAN ENERGY ISSUES** *(cont'd)*

**PORTFOLIO COMPOSITION**

Top 10 Holdings <sup>3</sup>	LargeCap CE
Microsoft	6.16%
Bank of America	3.31%
Cisco	3.06%
Accenture	2.93%
3M	2.80%
Nvidia	2.74%
Alphabet Inc	2.74%
Ingersoll-Rand	2.63%
HP	2.56%
Allstate	2.53%

Sector Weightings <sup>4</sup>	LargeCap CE	S&P 500
Consumer Discretionary	7.46%	5.49%
Consumer Staples	7.84%	6.08%
Energy	0.00%	6.00%
Financials	21.18%	18.69%
Health Care	7.68%	11.95%
Industrials	7.81%	7.49%
Materials	3.69%	3.28%
Retail	6.68%	5.35%
Services	6.57%	5.22%
Technology	31.08%	27.34%
Utilities	0.00%	3.09%

**Emissions:** We penalize companies which are the heaviest emitters of a wide array of pollutants and toxic substances, most notably CO<sub>2</sub>/CO<sub>2</sub> equivalents.

**Natural Gas:** Natural gas is a clean burning fuel, less than half as polluting as coal per unit of power. It is also very inexpensive and abundant. While we must be vigilant in monitoring companies to ensure environmental compliance around hydraulic fracturing, natural gas also offers a realistic, affordable, and clean bridge to a more sustainable energy mix.

**Renewables:** We favor companies which generate, produce, distribute, or make use of renewable energy. We also favor companies which develop products or technologies for use in clean, renewable energy (including wind, solar, hydro, geo-thermal and bio-mass power). In contrast, we penalize companies which neither use nor report on plans to use renewable energy.

**Energy Efficiency:** We favor companies which are the most energy-efficient in producing goods and services, companies which are the most resource-efficient, and companies which have initiatives in place to reduce their energy footprint.

Strategy Statistics	LargeCap CE	S&P 500
Weighted ESG Weighting <sup>4</sup>	62.8%	53.7%

**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 over \$9.2 billion in assets under management and advisement and offers a wide range of fixed income and equity 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. 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.

3. Holdings are representative of a Disciplined Equity LargeCap Clean Energy account, are subject to change at any time, and are not recommendations to buy or sell any securities.

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

5. Source: Bloomberg. Characteristics data is representative of a Disciplined Equity LargeCap Clean Energy account.

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 Clean Energy Composite includes all unrestricted accounts managed for sponsor platforms under the LargeCap Clean Energy strategy. (Renamed from Sustainable Responsible LargeCap-Clean Energy, 1/1/2017.) The Clean Energy 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 March 31, 2013. 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 Clean Energy 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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