DISCIPLINED EQUITY STRATEGIES

# Sustainable Responsible LargeCap-Clean Energy

GREAT LAKES ADVISORS
A WINTRUST WEALTH MANAGEMENT COMPANY

**Third Quarter 2016**

## OBJECTIVE

The SRL-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:** March 31, 2013

## MANAGEMENT GUIDELINES

**Holdings:** Approximately 70-85 positions

**Position weights:** 0.50% to S&P 500 weight +2.50%[1]

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

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

## SELL DISCIPLINE

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

## PROCESS

The SRL-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 SRL-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 ($CO_2$, hydro fluorocarbons, perfluorocarbons, sulfur hexafluoride, chlorofluorocarbon, sulfur oxides, nitrogen oxides, low particulate matter).

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

## 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

*Continued on back*

## COMPOSITE PERFORMANCE

| | Q3 2016 | YTD | 1 YEAR | 3 YEAR | SINCE INCEPTION |
|---|---|---|---|---|---|
| SRL-Clean Energy Pure Gross of Fees[2] | 4.91% | 7.50% | 14.79% | 11.81% | 12.99% |
| SRL-Clean Energy Net of Fees | 4.25% | 5.99% | 12.98% | 10.26% | 11.44% |
| S&P 500 Index Total Return | 3.86% | 7.85% | 15.45% | 11.18% | 12.04% |

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

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.

**Emissions:** We penalize companies which are the heaviest emitters of a wide array of pollutants and toxic substances, most notably CO2/ CO2 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.

## PORTFOLIO COMPOSITION

| Top 5 Active Weights vs. S&P 500 | SRL-CE | ESG[4] | CE Rating |
|---|---|---|---|
| Ball | 2.90% | 82 | 98 |
| Microsoft | 2.75% | 100 | 98 |
| Metlife | 2.66% | 65 | 50 |
| 3M | 2.53% | 89 | 100 |
| Intel | 2.52% | 96 | 97 |

| Bottom 5 Active Weights vs. S&P 500 | SRL-CE | ESG[4] | CE Rating |
|---|---|---|---|
| Apple | -2.36% | 50 | 96 |
| Exxon Mobil | -1.93% | 91 | 97 |
| Amazon | -1.76% | 20 | 0 |
| Berkshire Hathaway Cl B | -1.46% | 7 | 22 |
| General Electric | -1.42% | 99 | 92 |

| Sector Weightings | SRL-CE | S&P 500 |
|---|---|---|
| Consumer Discretionary | 6.11% | 6.19% |
| Consumer Staples | 10.50% | 8.86% |
| Energy | 0.00% | 6.82% |
| Financials | 13.20% | 16.87% |
| Health Care | 13.37% | 13.64% |
| Industrials | 12.97% | 7.47% |
| Materials | 8.31% | 3.49% |
| Retail | 3.42% | 5.89% |
| Services | 8.86% | 5.55% |
| Technology | 20.53% | 21.67% |
| Utilities | 2.73% | 3.55% |

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 September 30, 2016 unless otherwise noted.

3. MSCI Barra, Barra, Inc.'s analytics and data were used in the preparation of this report. www.msci.com and www.barra.com.

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

The Sustainable Responsible LargeCap-Clean Energy Composite includes all unrestricted accounts managed for sponsor platforms under the Sustainable Responsible LargeCap-Clean Energy strategy. 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 or upon request.

The benchmark selected for comparison of returns for the Sustainable Responsible 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.

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.

Great Lakes Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®). A complete list of firm composites and performance results, and the policies for valuing portfolios, calculating performance, and preparing GIPS compliant presentations are available upon request. To receive a complete presentation that complies with the requirements of GIPS standards and/or a complete list and description of all the firm's composites, contact the firm at 312.553.3700.

Great Lakes Advisors, LLC's fees are available upon request and may be found in our Form ADV Part 2A. Performance data quoted herein represents past performance. Past performance does not guarantee or indicate future results. To determine if this strategy is appropriate for you, carefully consider the investment objectives, risk factors, and expenses before investing.