

ESG Strategy Solutions



CLs's ESG strategy solutions offer actively managed, globally diversified exposure to environmental, social, and governance (ESG) companies through exchange traded funds (ETFs) or mutual funds.

Traditional socially responsible investing has been criticized for market-like exposure with a higher cost for the exclusionary screen of "sin stocks," such as those in the tobacco, alcohol, and firearms industries. ESG is the new face of values-based investing which utilizes an inclusionary methodology to select companies exhibiting favorable traits in three distinct categories:



ENVIRONMENTAL

awareness of fossil footprint, wise resource management, pollution avoidance, etc.



SOCIAL

human rights, workplace equality, product safety, community relations, etc.



GOVERNANCE

stewardship for shareholders, company leadership, transparency, accountability, etc.

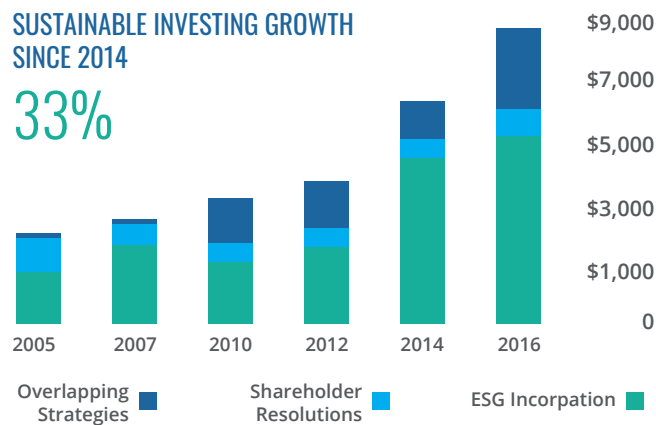
Why ESG?

Recent studies have shown that ESG is a factor that contributes to historic stock market returns and is a component of quality within companies.

- Higher-quality companies typically provide increased stability and have the potential to outperform over time as these companies have more confident management, which may be better positioned to weather market downturns.
- ESG companies show their quality characteristics through the ability to spend more money on improving the environment, expressing care for their employees, and having diversified boards of directors who keep shareholders in mind.
- Companies focused on ESG should be better able to avoid lawsuits from financial and environmental wrongdoing.

The evolution of ESG to a more inclusionary process has coincided with tremendous growth of sustainable investing in recent years (**33% growth since 2014**). This growth is poised to continue as more values-conscious investors begin saving for retirement.

Sustainable Investing Growth in the United States (Billions) 2005-2016*



*In ESG incorporation, investment institutions complement traditional, quantitative techniques of analyzing financial risk and return with qualitative and quantitative analysis of ESG policies, performance, practices and impacts. Shareholder resolutions are a meaningful way for shareholders to encourage corporate responsibility and discourage company practices that are unsustainable or unethical. Source: ussif.org - The Forum of Sustainable and Responsible Investment

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To meet the unique needs of investors seeking access to ESG investment options, CLS plans to offer access to two solutions: **CLS Focused ESG Strategy** and **CLS Risk Budgeted ESG Strategy**. Both strategies are actively managed and globally diversified, offering access to ESG investments across various asset classes.

Active allocation decisions within the strategies are based on CLS's Investment Themes and outlooks, while security selection is based on ESG rankings. The investment universe of funds is first screened by Morningstar to be "socially conscious." Next, those funds are screened for above-average or high ESG scores versus their peer category, utilizing data provided by Sustainalytics, a global leader in ESG research and ratings.

- **Focused ESG Strategy:** a single investment model that is intended to be used on a standalone basis or added to an existing diversified portfolio that invests solely in equity ESG ETFs.
- **Risk Budgeted ESG Strategy:** this strategy provides access to eight investment models across the risk spectrum and uses primarily active mutual funds to construct portfolios with CLS's proprietary Risk Budgeting Methodology.

Strategy Comparison

Category	Focused ESG	Risk Budgeted ESG
% ESG	100%	100%
% Equity	100%	100% - 25%
% ETFs	100%	5% - 25%
Models	1	8
Holdings	8-12	10-15
Average Fund Model Expenses	0.34%	0.82% - 0.91%
Risk Budget	100**	100-30
Primary Investment Vehicles	ETFs	Active Mutual Funds
Risk Budgeted	No	Yes
Actively Managed	Yes	Yes
Globally Diversified	Yes	Yes
Minimum Investment	\$50,000	\$10,000

**This strategy is not Risk Budgeted and is managed to a specific long-term risk target, which may change based upon current market conditions.

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