

# CLS Risk Budget ESG Strategy



Environmental, social, and governance (ESG) investing has seen tremendous growth in recent years, which can be attributed not only to ESG's ability to provide exposure to the values that you believe in and make a global impact, but also its potential for above-market returns over time.

## What is ESG?

ESG is the new face of values-based investing that utilizes an inclusionary methodology (as opposed to simply excluding "sin stocks") 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.

## What is Risk Budget ESG?

CLS's Risk Budgeted ESG Strategy offers actively managed, globally diversified exposure to ESG companies in a series of investment models across the risk spectrum and uses mutual funds and ETFs to construct portfolios with CLS's proprietary Risk Budgeting Methodology.

## Portfolio Characteristics

% ESG:	100%
% Equity:	25%-100%
% ETFs:	5%-25%
Holdings:	10-15
Average Fund Model Expenses:	0.81% - 0.88%
Risk Budget:	30-100
Primary Investment Vehicle:	Active Mutual Funds
Risk Budgeted:	Yes
Actively Managed:	Yes
Globally Diversified:	Yes

## Carbon Footprint

A hypothetical investment of \$1 million in Risk Budgeted ESG Model 100 represents an annual emissions reduction of 87 tons of carbon dioxide\*, representing a 78% reduction compared to the benchmark.\*\* This reduction is equivalent to:



**212,983 Miles** driven



**30 Tons of waste recycled** instead of landfilled



**1,440 Tree seedlings grown** for 10 years



**9,802 Gallons of gasoline** consumed

\* Compared to a benchmark comprised of 60% iShares Russell 3000 Index and 40% iShares TR/MSCI ACWI ex-US

\*\* The benchmark is comprised of 60% Russell 3000 Index and 40% MSCI ACWI ex-US Index.

## Why is ESG Growing?

The evolution of ESG has coincided with tremendous growth of sustainable investing in recent years (38% growth since 2016). This growth is poised to continue as more values-conscious investors begin saving for retirement.

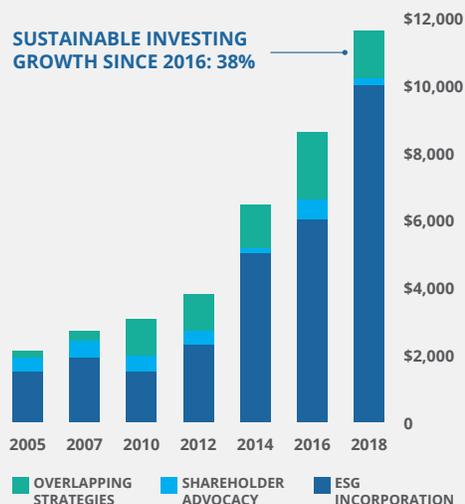
## Why Invest in ESG?

Recent studies have shown that ESG companies tend to be higher quality in nature, provide increased stability, and potentially outperform over time, all while making our world a better place.

## How Does CLS Select ESG Investments?

The meaning of ESG can vary from person to person. In order to cut through the noise, CLS screens securities by utilizing ESG scores from Morningstar, which uses data provided by Sustainalytics, a global leader in ESG research and ratings.

## Sustainable Investing Growth in the United States (Billions) 2005-2018



*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.*



## Risk Aligned to the Investor's Level of Comfort

*Everyone has a certain level of comfort: some may like the thermostat set at 69 degrees, others may prefer 73. No matter what the weather is like outside, the thermostat adjusts to keep the temperature inside at a designated level. Risk Budgeting is essentially a thermostat for a portfolio. Once the Risk Budget is set, CLS consistently monitors and analyzes the assets in the portfolio to keep the risk level constant no matter how global market conditions change.*

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