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Dear Clients and Friends,

We would like to thank you for your support. Our social impact investment portfolio has been up and running for three years (since January 1, 2016) with over $35 million in funds and 35 investors.

As we celebrate this anniversary, we wanted to re-address what Social Impact investing is and what we are trying to accomplish.

David Brooks, from the *New York Times*, summed up our concept of Impact Investing in January 27, 2015:

> *"Social responsible investing means avoiding certain companies, like companies that produce goods that are potentially harmful to health and well-being such as, tobacco growers. Impact investors seek out companies that are intentionally designed both to make a profit and provide a measurable and accountable social good."*
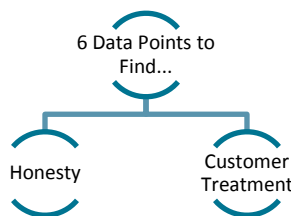
How do corporations interact with their world? They touch the lives of their employees, their customers, and their communities for better or for worse. We focus on companies that have positive interactions with their communities, and that work towards making the lives of people better. These are the companies that create the social 'good' and the companies we seek. We are focused on companies that are committed to something beyond themselves and their immediate profit.

Stock Selection and Processes

In looking for the superior corporate culture, we examine 27 qualitative measures. We use multiple third-party agencies that are scoring all the companies by how they treat their:

Employees:

There are 12 data points to underline how a company treats its employees. This includes salary, the work environment, and the importance placed on diversity.

12 Data Points to Find...
- Pay
- Work Environment
- Diversity

6 Data Points to Find...
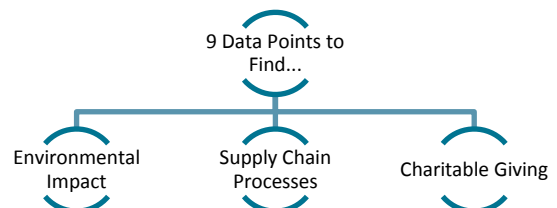- Honesty
- Customer Treatment

Customers:

There are six data points to underline how a company treats its customers. Among these include how honest they are with their consumers or shareholders, and how they treat their customers as a whole.

Community and Environment:

There are nine data points to underline how a company operates in its community/environment. These points involve physical environmental impact, the supply chain process, and how is gives back to their community.

9 Data Points to Find...
- Environmental Impact
- Supply Chain Processes
- Charitable Giving

On each of our sub-components, every company in the Russell 1000 Index[1] is ranked by their performance to give us a score on their treatment of their employees, customers, and community/environment. Through this, we can see who placed in the top 100 in at least two of the three categories.

There are many different sources used to compile data for this portfolio. Examples of these include: Glassdoor, Bureau of Labor Statistics, MIT Living Wage Calculator, Aggdata, Thomas Reuters ASSET4, Sustainalytics, Bloomberg, and many other sources from across the industry.

Diverse Portfolio

Currently, the portfolio consists of 28 different companies. These companies are market leaders in their industries and are generally household names.

However, we do not want our portfolio to simply be about sector selection; rather, we want the performance to be about corporate culture. Therefore, we limit the industry sector to 1.5 times the S&P sector weighting; if there are more companies in one industry that qualify, we only keep the highest scoring companies.

Within these firms, there are funds focused on specific causes: gender equity, the environment, healthcare, and many more. We are actively searching for companies and cultures that are committed to causes and values beyond themselves. Each quarter we highlight several different examples of how our portfolio companies are affecting such impact.

Looking Forward

We are excited for the social good these companies are producing. We believe that the culture these companies have created gives them a competitive advantage and puts them in a position to outperform their peers going forward.

Our team also continues to work on improving our own methodology. We understand that over the past few years, information sources are constantly evolving, allowing us to refine our measures and data points to improve our methodology

We look forward to our next year and seeking out more socially responsible and successful companies.

Sincerely,

Steven Mesirow

1 The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. Equity Market. It is a subset of the Russell 3000 Index and comprises approximately 90% of the total market capitalization of all listed U.S. stocks. It is considered a bellwether index for large-cap investing.

This is not a solicitation to purchase any particular security. Opinions expressed herein are subject to change without notice, and holdings may change at any time.

Past performance is not indicative of future results. Performance is not guaranteed.