

U.S. Sustainable Large Cap Core

At A Glance

Inception: July 2016

Benchmark: S&P 500

Philosophy: We believe that excess returns can be achieved by investing in companies with improving business fundamentals and sustainable corporate behaviors. We believe our fundamental beliefs in what drives stock prices are quantifiable and will be rewarded over time. We believe that we will be compensated for the risk that we intend to take, and that we can minimize unintended risk within the portfolio so that security selection will be the primary driver of excess returns.

INVESTMENT PROCESS

We screen the initial universe for liquidity and market capitalization, focusing on market capitalizations primarily greater than \$2.5 billion.

Step 1 – Idea Generation

The initial screening develops a list of approximately 1,500 securities that meet our capitalization and liquidity specifications. We utilize a proprietary multi-factor model developed by the portfolio team to screen the initial list of securities for signs of financial and non-financial improvement through the analysis of growth, valuation, earnings estimate revisions and relative price strength. In addition, we utilize multiple sources, such as Sustainalytics and MSCI, to evaluate the environmental, social and governance (ESG) characteristics of each security.

Step 2 – Fundamental Evaluation

The team validates the output from our multi-factor model and determines the materiality of the ESG values identified. We incorporate perspectives from our dedicated team of experienced sector specialists to confirm or challenge the output of the multi-factor model. We also evaluate risks related to material future events such as patent expiry, litigation and M&A activity.

When evaluating ESG materiality, we integrate our view of a company's financial improvement with multiple sources of ESG data. The investment team validates the sustainability of the business improvement and the materiality of the ESG attributes, leveraging the fundamental insights of our portfolio managers and analysts.

The portfolio is constructed from the bottom up to ensure stock selection is the primary driver of excess return and risk. We intentionally seek companies with improving business fundamentals and favorable ESG characteristics, while minimizing exposures to unintended risks such as sector/industry tilts and common factor biases including market cap and volatility.

Step 3 – Portfolio Construction

We make buy decisions based on the attractiveness of a company's fundamental business improvement and ESG characteristics. The security's weighting in the portfolio is directly related to our confidence level in the degree of business improvement and its impact on the sector and industry concentrations of the portfolio compared to the S&P 500 Index. Relative position sizes may either increase on confirmation or continued improvement in financial and ESG metrics or decrease as financial and ESG metrics deteriorate or the risk/reward profile changes.

Our risk control guidelines are based on maintaining broad diversification in the portfolio:

- Portfolio sector weightings are monitored in terms of risk to ensure that the portfolio is not excessively exposed to any one sector. The portfolio will hold no more than a 25% position at time of purchase in one industry and no more than 50% in any one sector.
- Our portfolio construction process, which emphasizes stock-specific risk, typically limits our relative sector weights to no more than +/- 5%.
- Position weights cannot exceed more than 5% of the portfolio at time of purchase or be greater than 1% overweight for benchmark holdings above 5%.
- We maintain a liquidity target of no more than 20% of any individual security's 10-day average trading volume.
- We attempt to be fully invested at all times, with the total amount invested in cash and cash equivalents equaling less than 3% of the portfolio.

SELL DISCIPLINE

Every holding in the portfolio has a model score that is based on various financial metrics and an ESG score comprised of multiple environmental, social and governance metrics. A stock can be sold for a number of reasons including: 1) deterioration in financial metrics, 2) deterioration in ESG characteristics 3) reduced appreciation potential, and 4) when a more attractive stock is identified.

We continually monitor and evaluate portfolio holdings on both financial and ESG criteria. We believe companies exhibiting both improving business fundamentals and sustainable corporate behaviors will outperform over time.

RISK MANAGEMENT

The portfolio managers define the risk associated with this strategy as the level of expected volatility based on holdings versus the portfolio's benchmark. The team balances the portfolio's risks and rewards through stock selection and portfolio diversification.

Using Barra, the team monitors the systematic (i.e. market risk factors) and stock-specific components of the portfolio's active risk on a daily basis. The team looks to identify unintended market biases within the portfolio and will make incremental adjustments to individual positions as needed to minimize those biases. Our goal is to maximize exposure to stock-specific risk (where we have a financial and ESG opinion for each stock in the portfolio), and to minimize the portfolio's relative exposure to factors for which we have no investment thesis (e.g. size, volatility, leverage).

We expect approximately 70% or more of the active risk in the portfolio to come from stock-specific risks, with the remaining risk being attributed to sector/industry selection and market risk factors. Through internal analysis, the investment team has determined that maintaining this level of active risk from stock selection gives us a higher probability of providing higher and more consistent returns over time.

Portfolio risk is also managed by ensuring broad diversification by industry, sector and stock holdings to prevent undue concentration.

The firm's Investment Oversight Committee and Global Growth Equity discipline CIOs regularly monitor the characteristics and performance of each portfolio compared to external and internal benchmarks. Managers are expected to buy and own stocks of businesses that are improving with favorable ESG characteristics. This compliance system is integrated with our portfolio management tools, with portfolio metrics immediately available in real time to the portfolio team.

PERFORMANCE PATTERNS

The strength of our process lies in a disciplined commitment to investing in companies with fundamental business improvement and attractive ESG characteristics. We look to outperform the benchmark and style peers in classic (i.e., fundamentally driven) bull and bear markets through effective stock selection.

In markets that are not moving in step with fundamental factors, but are more driven by other sentiments or macroeconomic factors, we might underperform the benchmark and other active U.S. large-cap core managers. Additionally, if companies with favorable ESG characteristics lag the broad market, we would expect to lag the benchmark and peers that do not invest using ESG considerations.

COMPETITIVE ADVANTAGES

There are three distinctive factors to our philosophy and process that we believe provide an advantage over competitors.

Unique Definition of Growth

We believe the early recognition of signs of business improvement allows us to identify stocks near the beginning of a cycle of improving earnings, increasing earnings estimates and expanding stock price multiples.

Risk-Aware Stock Selection

Another key element of differentiation relative to other investment managers is our focus on managing intended (stock specific) and unintended (sector/industry or factor exposure) risks in the portfolio construction process. By minimizing the portfolio's relative exposure to factors for which we have no investment thesis (i.e. size, volatility, leverage) and maximizing exposure to stock-specific risk, where we do have a financial and ESG opinion for each stock in the portfolio, we align the overall risk in the portfolio with the primary driver of alpha. The end result is a process that is designed to generate excess returns for our clients through stock selection in a risk-aware framework.

Focused, Dedicated Team

Our investment team structure is designed to provide value to our clients through efficiency, alignment and accountability:

Efficiency – Our dedicated team is focused on this investment style and the investment objective of this strategy, with no other claim on our research. This allows for more resources and greater speed in arriving at and acting on investment conclusions. Rapid response is the best way to exploit the market's tendency to incrementally recognize improving or deteriorating business conditions.

Alignment – The team's goals are in sync with our clients' goals. Each team member's personal ownership in the portfolio and his incentive compensation is determined primarily by the performance that he generates.

Accountability – Each member of the team is responsible for creating an investment thesis for security recommendations. Team members hold each other accountable for their respective investment theses, and the team responds rapidly when a holding shows signs of deceleration.

MANAGEMENT TEAM

Gregory Woodhams, CFA

Senior Vice President
Senior Portfolio Manager
Chief Investment Officer, Global Growth Equity

As co-CIO, Greg oversees the investment professionals who manage the firm's global growth equity portfolios. He also is a member of the firm's Investment Oversight and Asset Allocation Committees. As Senior Portfolio Manager, Greg co-manages the U.S. Large Cap Growth and U.S. Sustainable Large Cap Core strategies. He has been a member of that team since joining the firm in 1997. Previously, Greg was a vice president and director of equity research at Texas Commerce Bank. Prior to that, he was a vice president at Compass Bank and an assistant vice president at Republic Bank. He has worked in the investment industry since 1981. Greg earned a bachelor's degree in economics from Rice University and a master's degree in economics from the University of Wisconsin. In addition, Greg earned a diploma de estudios hispanicos from Universidad de Barcelona. He is a CFA charterholder and a member of the CFA Institute.

Justin M. Brown, CFA

Vice President
Portfolio Manager

Justin co-manages the U.S. Large Cap Growth and U.S. Sustainable Large Cap Core strategies and provides fundamental research and equity analysis on the consumer discretionary, commercial services, and technology sectors for these strategies. Justin has been a member of this team since joining the firm in 2000. Previously, he was an equity analyst at USAA Investment Management Company with responsibilities for technology and retail sector coverage. Prior to USAA, Justin was an equity analyst at Hanifen Imhoff. He earned a bachelor's degree in finance from Texas Christian University. Justin is a CFA charterholder and a member of the CFA Institute.

Joe Reiland, CFA

Vice President
Portfolio Manager

Joe co-manages the U.S. Sustainable Large Cap Core, U.S. Systematic Large Cap Core and U.S. Systematic All Cap Core strategies and provides quantitative research and risk management for these strategies as well as U.S. Large Cap Growth. Joe has been a member of this team since the firm in 2000. Previously, he was an equity analyst in the equity research department at Commerce Bank. Joe has worked in the investment industry since 1995. He earned a bachelor's degree from the Olin School of Business at Washington University in St. Louis. Joe is a CFA charterholder and a member of the CFA Institute.

Robert Bove, CPA

Portfolio Manager

Rob co-manages the U.S. Sustainable Large Cap Core strategy and provides fundamental research and equity analysis on the health care and consumer staples sectors for this strategy as well as the U.S. Large Cap Growth strategy. He has been a member of the team since joining the firm in 2005. Previously, he was an analyst for U.S. Trust Company of New York with responsibilities that included health care sector coverage. Rob has worked in the investment industry since 1994. He earned a bachelor's degree in accounting from Villanova University and a master's degree in business administration with a concentration in finance from New York University.

Scott Renze, CFA

Senior Investment Analyst

Scott provides fundamental research and equity analysis on the financials, utilities, and industrials sectors for the U.S. Large Cap Growth and U.S. Sustainable Large Cap Core strategies. He has been a member of this team since joining the firm in 2005. Previously, Scott was a financial analyst at Burns and McDonnell, where he served as lead analyst on a \$1.1 billion investment project for a large Missouri municipality. Scott has worked in the investment industry since 1999. He earned bachelor's degrees in chemical engineering and finance and a master's degree in business administration with a concentration in investments and portfolio management from the University of Kansas. Scott is a CFA charterholder and a member of the CFA Institute

Scott Marolf

Senior Investment Analyst

Scott provides fundamental research and equity analysis for the technology and consumer discretionary sectors for the U.S. Large Cap Growth and U.S. Sustainable Large Cap Core strategies. Previously, he provided fundamental research and equity analysis for the Heritage and All Cap Growth funds. Prior to joining the firm in 2008, Scott worked as a senior auditor at Americo Financial Life & Annuity and as an auditor for Sprint Corporation. He received bachelor's degrees in business administration and Spanish from the University of Missouri-Kansas City and earned a master's degree in business administration from Indiana University's Kelley School of Business

D.J. Cross, CFA

Senior Investment Analyst

D.J. provides fundamental research and equity analysis on the technology and telecommunications sectors for the U.S. Large Cap Growth and U.S. Sustainable Large Cap Core strategies. He has been a member of this team since joining the firm in 2016. Previously, he was a vice president and equity analyst at Neuberger Berman, where he covered IT hardware and industrial technology. Prior to that, he was vice president, equity research at Bank of America Merrill Lynch, responsible for covering enterprise hardware and software. He began his career as a financial analyst with EMC. D.J. earned a bachelor's degree in finance from Boston College. He is a CFA charterholder and a member of the CFA Institute

Jonathan Bauman, CFA

Vice President

Client Portfolio Manager

Jonathan is a member of the Global Growth Equity group and is responsible for communicating investment strategy and results to clients. Prior to his current role, he was a client advisor, providing guidance to clients about the financial markets and the firm's investment strategies. Previously, Jonathan was a senior financial analyst, responsible for providing fundamental research for several of the firm's U.S. growth equity strategies. He has worked in the investment industry since joining the firm in 1998. Jonathan earned a bachelor's degree in business administration with a minor in economics from Illinois Wesleyan University. He is a CFA charterholder and a member of the CFA Institute. Jonathan is past president of the Kansas City CFA Society.

Available Vehicles

Separate Account	Available in U.S. and certain non-U.S. countries
Subadvisory Account	Available in U.S. and certain non-U.S. countries
Sustainable Equity Fund	Available only in U.S.
I Share Class - AFEIX	
R5 Share Class - AFDGX	
Investor Share Class - AFDIX	
A Share Class - AFDAX	
C Share Class - AFDCX	
R Share Class - AFDRX	
Y Share Class - AFYDX	

As of April 10, 2017, the Institutional Share Class was renamed I Share Class.

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Portfolio construction guidelines document operational policies and not necessarily investment restrictions imposed on management of the strategy.

To receive a complete list of composites and/or a GIPS® compliant presentation, contact:

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