

# **First Universalist Church Board of Trustees**

**January 21, 2016**

## **Board Packet**

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## **2016-17 Budget Assumptions - DRAFT**

### **Summary**

We anticipate another year of extremely lean budgeting ahead. An \$80,000 increase in our pledge base, as well as continuing to have a large tenant will allow us to maintain, and hopefully increase slightly, our current level of program, staff and building support. We anticipate that the pinch of a large, non-mission aligned tenant will need to continue until we can retire the mortgage. This year, we hope to continue on the path we've started to walk:

- by reducing expected donations for essential religious education experiences
- by continuing to support a Racial Justice programming line item by making strides toward fair compensation for all staff
- by continuing to increase our support of the MidAmerica Region and UUA

### **Timeline**

January Board Meeting - present draft assumptions

February Board Meeting - Assumptions finalized

Pledge Drive, February 21-March 20

March - Draft budget presented to Finance Committee

Budget Meetings with the congregation, by the 1<sup>st</sup> of May, April 24<sup>th</sup>?

May - Budget approved by the board

Budget approved by the congregation - Annual Meeting

### **Income**

- tenant - same size (\$80,000)
- \$80,000 increase in pledge base
- increase fundraising line by \$10,000, bringing it to \$45,000 - end of year giving, Give to the Max, Auction, Giving Tuesday

### **Expenses**

- raise the floor, \$15/hr minimum for all regular adult employees
- adjust salaries to bring the three salaries that are not yet in range closer to being in salary ranges
- increase in hours for communications staff
- increase in facilities and RE hours to support tenant
- pool for raises (3% of salaries)
- meet the increase in health insurance premiums
- Mid-America and UUA dues - 5% increase
- include costs of landscaping services, new line item
- Continue Racial Justice line item, \$7500 or above
- include development consulting in the operating budget (\$4000)
- continued elimination of RE fees - reduce donation assumptions further
- anticipated capital campaign expenses – how will these be met?



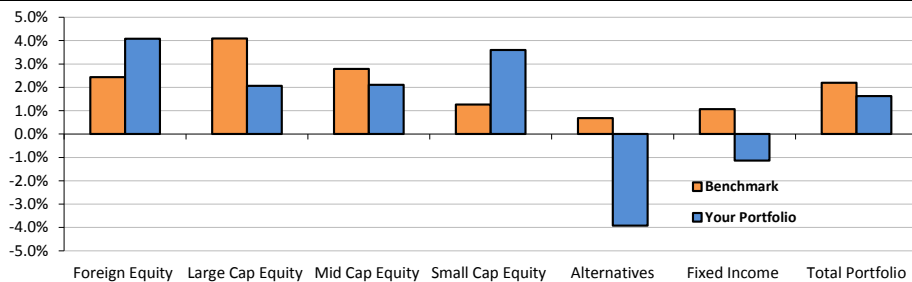
# ACCREDITED INVESTORS INC.

*Real. Life. Planning.®*

## PERFORMANCE REVIEW (Managed Only)\* - As of 12/1/2015

CATEGORY	BENCHMARK	YOUR	YOUR	YOUR
		PORTFOLIO	PORTFOLIO	PORTFOLIO
		2013	2014	2015 YTD
Foreign Equity	iShares MSCI EAFE	14.0%	-1.3%	4.1%
Large Cap Equity	iShares S&P 500	33.0%	7.8%	2.1%
Mid Cap Equity	iShares S&P 400	35.3%	6.1%	2.1%
Small Cap Equity	iShares Russell 2000	36.6%	1.7%	3.6%
Alternatives	1-Yr LIBOR	2.2%	-1.3%	-3.9%
Fixed Income	Vanguard Total Bond	0.9%	4.6%	-1.1%
<b>TOTAL PORTFOLIO</b>		<b>17.0%</b>	<b>2.8%</b>	<b>1.6%</b>
		<b>PORTFOLIO VALUE:</b>		<b>\$251,957</b>
		<b>YEAR-TO-DATE INVESTMENT CHANGE:</b>		<b>\$4,741</b>

## YEAR-TO-DATE PERFORMANCE vs. BENCHMARKS BY ASSET CLASS



## Portfolio Review: 11/30/2005 - 11/30/2015

Account Details		Investment Performance (Managed Only)*	
(Managed & Unmanaged)			
Beginning Value	\$577,368		
Net Contributions	-\$618,412		
Cap. Appreciation	\$238,235		
Income	\$82,128		
Expenses and Fees	-\$116		
-----			
Ending Value	\$279,203		
<b>Investment Gain</b>	<b>\$320,247</b>		

	120.0%
	100.0%
	80.0%
	60.0%
	40.0%
	20.0%
	0.0%
Your Return	76.7%
CPI Inflation	21.3%
S&P 500 Index	104.8%
Intl Stock Index	41.7%
Bond Index	55.4%

\* Note: Fees are reflected in returns only when fees are paid directly from "managed" cash within accounts

## MARKET & PORTFOLIO COMMENTARY

When JP Morgan (the man, not the firm) was asked what stock markets will do, he replied, "It will fluctuate". In 2015, markets have done precisely that and little else. Over the summer months, equity markets endured their toughest stretch since 2012. Like 2012, it did not take them long to rebound as most markets returned 6-9% in October. Since that point, equity markets have been oscillating around the breakeven point without showing any signs of a breakout one way or the other.

The prime difference in equity returns has come not from geography or size but from sector. Energy and materials sectors continue to suffer from capacity gluts which has seen commodity prices falling to multi year lows. However, that weakness has not spread to the consumer and technology sectors which continue to generate modestly positive growth.

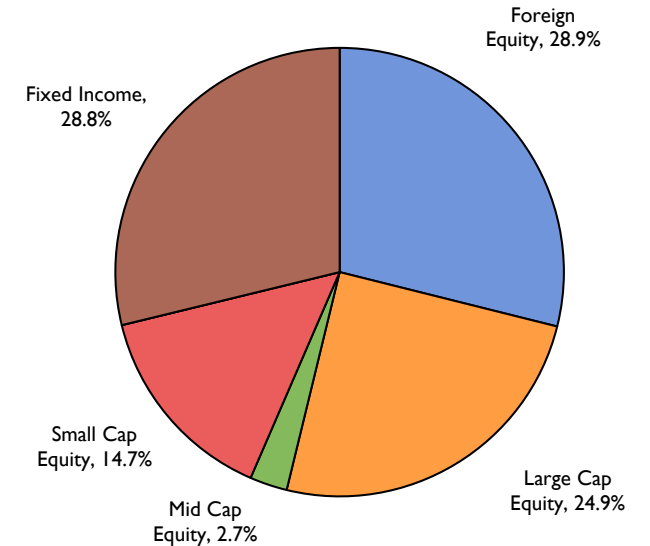
Like 2014, the US dollar remains very strong primarily due to anticipated central bank action while bond yields remain low. In contrast to the Europeans and Japanese, who have communicated that monetary policy will remain extraordinarily easy, the Federal Reserve is likely to raise rates. As of this writing, the consensus forecast has the Fed raising interest rates .25% on December 16<sup>th</sup> (although March 19<sup>th</sup> is also a popular prediction). Since the Fed has communicated, over and over again, that they will raise interest rates slowly and deliberately, long term bond rates have barely budged. The 10 year Treasury is currently yielding about 2.25% which is well within its trading range for 2015.

We recently took advantage of the summer volatility to move to an overweight position in large domestic stocks in addition to our already established overweight in foreign equities. Due to high valuations, we remain underweight smaller US stocks. Most of our recent research has focused on fixed income in an effort to add yield without significantly increasing portfolio risk. Although we've come close (twice) to executing, we are currently waiting for better valuations before pulling the trigger.

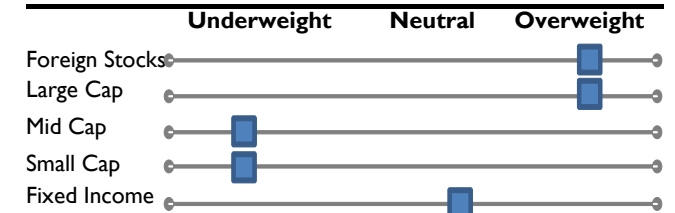
## The Reserve Account

December 2, 2015

## CURRENT ASSET ALLOCATION



## PORTFOLIO WEIGHTINGS RELATIVE TO NEUTRAL



We are currently underweight domestic equities, relative to our baseline allocation, reflecting the impact of the recent stock market rally, and the resulting impact on overall market valuations.

Within the fixed-income asset class, we maintain an allocation near the baseline, and we have taken steps to more conservatively position your holdings.

We continue to maintain our exposure to alternative investments as we take a more defensive position due to current market conditions.

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December 2, 2015 meeting with Ross Levin, Accredited Investors, on First Universalist's divestment strategy

Present: Ross Levin (Accredited Investors), Jacob Wolkowitz (Accredited Investors) Nate Ahlberg, Eric Cooperstein, Dick Niemiec, Rev. Jen Crow, Brad Schmidt

The Finance Committee met with Ross Levin and his team to discuss divestment strategies. Ross introduced the concept of Environmental, Social & Corporate Governance (ESG) that measures the sustainability and ethical impact of an investment in a business beyond financial return.

Accredited Investors, has two current investment vehicles based on ESG principles:

- Breckinridge Capital Advisors: Uses integrated bottom-up ESG research as a key driver in security selection.
- Aperio Group: Uses socially responsive indexing. Portfolios are customized based on each client's core beliefs. Uses a client values questionnaire that would be completed by First Universalist.

It's hard to pin down how much investment gain might be lost using ESG investing. Over a long period of time (realizing markets fluctuate widely and there are many other factors) Ross estimates we might give up about 1%.

Ross feels both Breckinridge and Aperio are responsible investors with reasonable fees. Breckinridge requires a \$250,000 minimum and Aperio a \$1 million minimum. He felt he might be able to work with Aperio on their minimum.

Fees are waived for us in our investing with Accredited.

We should meet with the Foundation on their investment goals relative to divestment.

# SUSTAINABLE TAXABLE BOND STRATEGY ENVIRONMENTAL MANDATE

## » INVESTMENT OBJECTIVE

- » Maximize risk adjusted returns through a portfolio of sustainable fixed income securities
- » Meet investment objectives of environmentally-concerned investors

## » IDEAL FOR INVESTORS SUCH AS:

- » Foundations
- » Endowments
- » Non-profits
- » Corporations
- » Private Individuals

Breckinridge's Environmental Mandate is a customization of our Taxable Sustainable Bond Strategy and leverages our expertise in tailoring portfolio parameters to meet specific investment objectives. The mandate employs our fully integrated fundamental credit and environmental, social and governance (ESG) research and selectively invests in issuers with above average environmental performance as well as bonds that fund sustainable environmental projects.

» **Environmental Mission Alignment:** Increasingly, investors are choosing to invest in companies and other entities whose beliefs and practices align with their values, and avoid those that do not. To accommodate investors with specific preferences, Breckinridge offers a number of mission based solutions, including an Environmental Mandate.

At Breckinridge, environmental factors are assessed as a part of our standard ESG research process; however, our Environmental Mandate places a more rigorous lens on potential investments. Our process for this mandate examines and invests in bonds that fund sustainable environmental projects and issuers with above average performance on environmental issues, such as:

- Energy efficiency
- Climate change mitigation and adaptation
- Environmental fines and liabilities
- Toxic emissions and waste
- Water stress
- Environmental supply chain management

Additionally, for those investors concerned about climate change and the potential for stranded assets, we have an additional customization that can be deployed as a fossil-fuel screening methodology that is more comprehensive but consistent with the Carbon Tracker Initiative.

## More about Breckinridge's ESG integration and customized separate accounts:

### ESG INTEGRATION

Breckinridge has developed proprietary analytical frameworks to incorporate ESG factors into our credit-research process. We have found that this integrated approach provides a more comprehensive and forward-looking evaluation of a borrower's ability to repay. It is also a factor in investment valuation, as ESG integration helps us to identify and price risk.

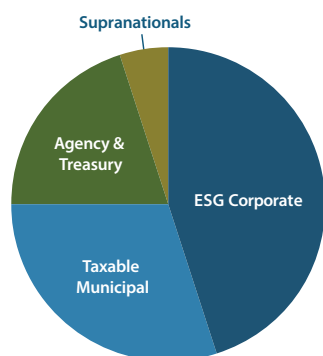
### CUSTOMIZED SEPARATE ACCOUNTS

Breckinridge believes that investors are best served in separate accounts, which provide the fullest level of customization, flexibility and transparency. Our portfolios can be customized by benchmark, maturity/duration targets, credit quality, sector weightings, sustainable factors or purpose. Sector- and company-specific screens are also available.

1. The Carbon Tracker Initiative (CTI), nonprofit organization based in London, evaluates carbon risks in the equity market. Its 2011 report, *Unburnable Carbon – Are the world's financial markets carrying a carbon bubble?*, analyzed the proven reserves of the top 100 listed coal and top 100 listed oil and gas companies in the context of a carbon budget. The United Nations Framework Convention on Climate Change (UNFCCC) agreed in 2010 to limit global warming to 2 degrees Celsius above pre-industrial levels. CTI states in its report that to maintain temperatures below this level, carbon emissions would have to be capped. If emissions were restricted, substantial coal, oil and gas assets from the top 200 companies would be left stranded in the ground.

## Eligible Investments and Sample Sector Allocation

## SAMPLE SECTOR ALLOCATION



## ELIGIBLE INVESTMENTS

**Corporate Bonds**

- » Bonds issued by companies that demonstrate above average performance on environmental factors when measured against peers. Corporate issued green bonds may also be purchased.

**Local Government Bonds**

- » Local governmental bonds funding sustainable environmental purpose projects. State and local governments with above average ESG characteristics are also eligible for investment.

**U.S. Agency Bonds**

- » Agency issuers that finance economic development, housing and agriculture.

**U.S. Treasury Bonds**

- » Treasury securities may be purchased primarily for liquidity purposes.

**Supranational Bonds**

- » Bonds issued by supranationals that fund environmentally beneficial projects.

» **INVESTMENT TEAM**

- » **Twenty-four dedicated professionals including six portfolio managers, five traders, ten analysts and three research associates**

**Optional Customization with Fossil-Fuel Screen**

For clients interested in implementing an additional fossil fuel free screen, we will exclude companies that appear on the Carbon Tracker Initiative 200 list and electric utilities with carbon-intensive generation assets.

**Available Maturity Structures****Short**

- » Average maturity: 1.5 - 2.5 years

**Limited**

- » Average maturity: 3 - 4 years

**Intermediate**

- » Average maturity: 5 - 7 years

**Long Intermediate**

- » Average maturity: 7 - 9 years

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### APERIO SUMMARY

Aperio Group delivers separately managed core equity portfolios. At Aperio we use US and foreign equity securities to create individual portfolios that offer:

- the ability to track domestic, foreign, and global stock market indexes
- tax management with tax-loss harvesting techniques for taxable investors
- environmental, social, and governance (ESG) screening, including personalized screens and socially responsible proxy voting
- targeted investment exposures such as high dividend, low volatility, quality, or geographic tilts

Aperio is 100% employee owned

AUM: \$11.8 Billion

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# Active Tax Management: US LARGE CAP

## Investment Objective

The US Large Cap strategy seeks to match the pre-tax performance of the S&P 500 Index while improving after-tax returns through tax-loss harvesting techniques.

## Benchmark Description

The S&P 500 Index is an equity benchmark for US stock performance. It is a capitalization-weighted index covering 500 large US companies chosen by Standard & Poor's for market size, liquidity, and industry group representation.

## Investment Process

Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of individual stocks that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

## Composite Performance as of 09/30/15 (%)

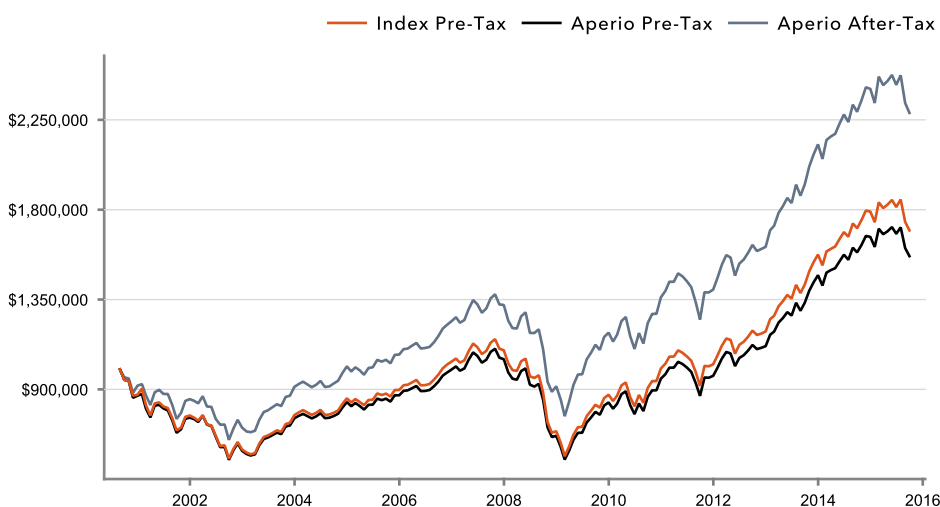
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-6.66	-5.79	-1.18	11.76	12.69	6.27	3.02
Benchmark	-6.44	-5.29	-0.62	12.40	13.34	6.80	3.57
After-Tax (Net of Fees)							
Aperio Strategy	-5.80	-5.01	-0.25	12.05	13.16	8.10	5.63
Benchmark	-6.62	-5.87	-1.51	11.57	12.67	6.31	3.12
<b>TAX ALPHA</b>	<b>1.04</b>	<b>1.36</b>	<b>1.83</b>	<b>1.12</b>	<b>1.13</b>	<b>2.32</b>	<b>3.06</b>

Composite inception date = 08/31/2000. Performance is shown net of fees and transaction costs and includes a 0.35% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Measureable Tax Alpha

Unlike ETFs and mutual funds, separately managed accounts (SMAs) can pass through tax losses, thereby generating "tax alpha." Tax alpha is a measure of the value added through active tax management. A positive number indicates a potential tax savings (from realized capital losses), while a negative number indicates a potential tax drag (from realized capital gains). Aperio's tax-loss harvesting strategy attempts to generate positive tax alpha while closely matching the benchmark's pre-tax returns.

## Growth of \$1,000,000 (Since Inception)



## Portfolio Characteristics as of 09/30/15

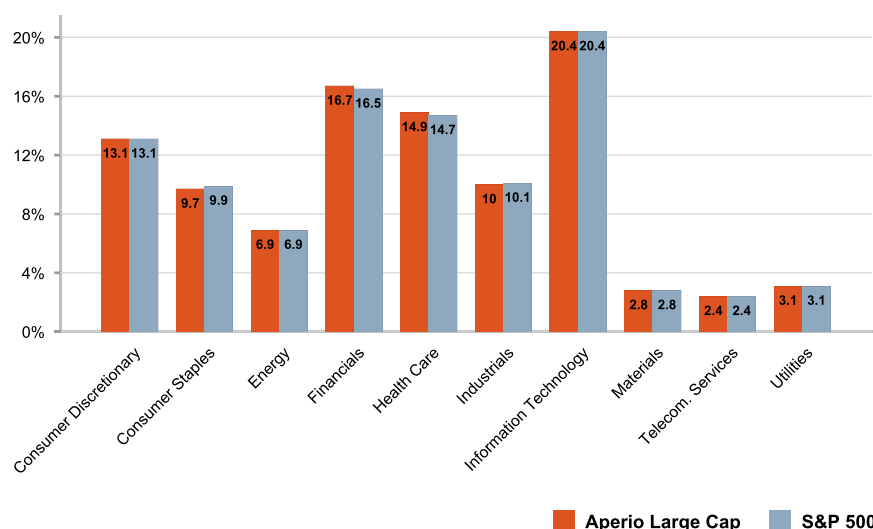
Overview Statistics	Aperio Large Cap	S&P 500
Number of Securities	350	505
Initial Tracking Error*	0.18%	0.00%
Standard Deviation*	13.55%	13.47%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$119.3B	\$119.2B
Dividend Yield	2.28%	2.28%
Price to Earnings (TTM)	18.69	18.55
Price to Book	2.57	2.59

\*Forecasted



# Active Tax Management: US LARGE CAP

## Sector Allocation



## Portfolio Management Team

### PATRICK GEDDES

Chief Executive Officer  
MBA, University of Chicago  
BA, Yale University

### RAN LESHEM

Chief Investment Officer  
MBA, University of California at Berkeley  
BS Mathematics, University of Waterloo

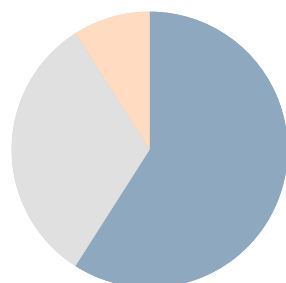
### ALAN CUMMINGS, PhD

Portfolio Manager  
PhD Physics,  
University of California at Berkeley  
Masters in Financial Engineering,  
University of California at Berkeley

### ROBERT TYMOCZKO

Manager of Portfolio Trading & Analytics  
MBA, Finance & Econometrics,  
University of Chicago  
BA, Quantitative Economics,  
Stanford University

## Market Cap Allocation



- Mega Cap (Over \$50 Billion) - 59%
- Large Cap (\$15 Billion-\$50 Billion) - 32%
- Mid Cap (\$2 Billion-\$15 Billion) - 9%

## Top 10 Holdings

Company	Weight (%)
APPLE	3.7
MICROSOFT	2.1
EXXON MOBIL	1.8
JOHNSON & JOHNSON	1.5
GENERAL ELECTRIC	1.5
BERKSHIRE HATHAWAY	1.4
JPMORGAN CHASE	1.3
WELLS FARGO	1.3
AMAZON	1.2
FACEBOOK	1.2

## Assets Under Management

Total Firm: \$11.8 Billion  
Active Tax Management: \$10.3 Billion

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### Disclosures:

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Portfolio holdings and characteristics have been calculated using a model account. Client accounts may vary. The performance shown is for the Active Tax US Large Cap Composite and is net of fees. The Composite includes Aperio's longest-running fully discretionary S&P 500 tracking portfolios. Fully discretionary portfolios are those without legacy holdings, constraints, guidelines, or other client-driven requirements that would impact the intended strategy. Performance is calculated on a total-return basis, including dividends, interest, and accrued income, plus realized and unrealized gains or losses. Net-of-fee returns are shown after transaction charges and investment advisory fees of 0.35%—the highest fee paid by an account in the composite. Investment advisory fees and other policies are described in Part 2A of Form ADV. After-tax performance is an estimate based upon the highest US federal tax rate applicable at the time, currently 43.4% short-term, 23.8% long-term and 23.8% for dividends, or other rates as specified by clients. Actual after-tax returns achieved may vary and could be lower than reported due to the investor's specific tax circumstances during the time period shown. Clients who do not pay the assumed tax rates or client-specified rates or clients who do not have offsetting capital gains and income would not achieve the after-tax returns reported. The strategy is actively managed and the structure may be at variance to the benchmark index. Index returns reflect reinvestment of dividends, but do not reflect fees, brokerage commissions, or other expenses of investing. It is not possible to invest directly in an index.

# Active Tax Management: US LARGE & MID CAP

## Investment Objective

The US Large & Mid Cap strategy seeks to match the pre-tax performance of the Russell 1000 Index while improving after-tax returns through tax-loss harvesting techniques.

## Benchmark Description

The Russell 1000 Index is an equity benchmark for US stock performance. It is a capitalization-weighted index covering the largest 1,000 publicly traded US stocks. The index represents approximately 90% of the total market capitalization of the US stock market.

## Investment Process

Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of individual stocks that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

## Composite Performance as of 09/30/15 (%)

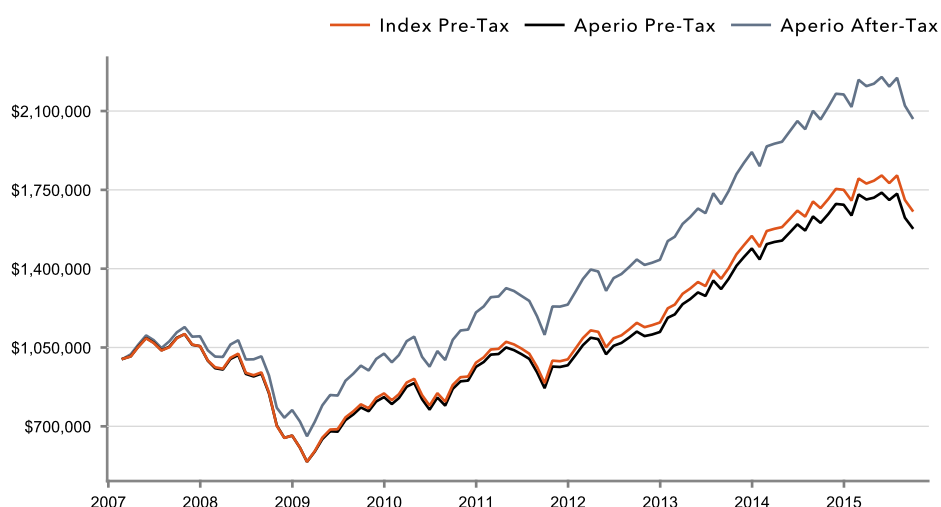
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-7.24	-6.08	-1.35	12.16	12.79	-	5.49
Benchmark	-6.83	-5.24	-0.62	12.66	13.41	-	6.07
After-Tax (Net of Fees)							
Aperio Strategy	-6.29	-4.78	0.35	12.83	13.81	-	8.84
Benchmark	-6.97	-5.65	-1.22	11.98	12.90	-	5.76
<b>TAX ALPHA</b>	<b>1.08</b>	<b>1.70</b>	<b>2.30</b>	<b>1.34</b>	<b>1.53</b>	<b>-</b>	<b>3.67</b>

Composite inception date = 02/28/2007. Performance is shown net of fees and transaction costs and includes a 0.35% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Measureable Tax Alpha

Unlike ETFs and mutual funds, separately managed accounts (SMAs) can pass through tax losses, thereby generating "tax alpha." Tax alpha is a measure of the value added through active tax management. A positive number indicates a potential tax savings (from realized capital losses), while a negative number indicates a potential tax drag (from realized capital gains). Aperio's tax-loss harvesting strategy attempts to generate positive tax alpha while closely matching the benchmark's pre-tax returns.

## Growth of \$1,000,000 (Since Inception)



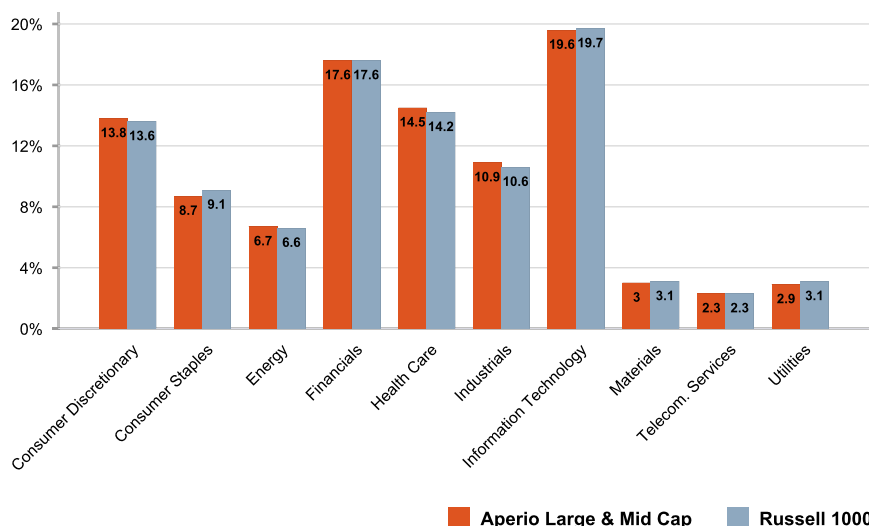
## Portfolio Characteristics as of 09/30/15

Overview Statistics	Aperio Large & Mid Cap	Russell 1000
Number of Securities	400	1,031
Initial Tracking Error*	0.28%	0.00%
Standard Deviation*	13.67%	13.59%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$106.0B	\$105.5B
Dividend Yield	2.24%	2.21%
Price to Earnings (TTM)	18.51	19.11
Price to Book	2.57	2.57

\*Forecasted

# Active Tax Management: US LARGE & MID CAP

## Sector Allocation



## Portfolio Management Team

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Chief Executive Officer

MBA, University of Chicago

BA, Yale University

### RAN LESHEM

Chief Investment Officer

MBA, University of California at Berkeley

BS Mathematics, University of Waterloo

### ALAN CUMMINGS, PhD

Portfolio Manager

PhD Physics,

University of California at Berkeley

Masters in Financial Engineering,

University of California at Berkeley

### ROBERT TYMOCZKO

Manager of Portfolio Trading & Analytics

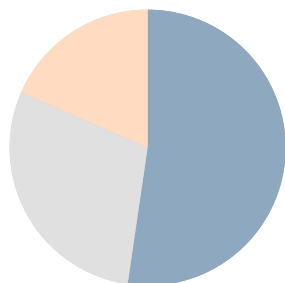
MBA, Finance & Econometrics,

University of Chicago

BA, Quantitative Economics,

Stanford University

## Market Cap Allocation



- Mega Cap (Over \$50 Billion) - 52%
- Large Cap (\$15 Billion-\$50 Billion) - 29%
- Mid Cap (\$2 Billion-\$15 Billion) - 18%

## Top 10 Holdings

Company	Weight (%)
APPLE	3.3
MICROSOFT	1.9
EXXON MOBIL	1.6
GENERAL ELECTRIC	1.3
JOHNSON & JOHNSON	1.3
BERKSHIRE HATHAWAY	1.2
WELLS FARGO	1.1
JPMORGAN CHASE	1.1
FACEBOOK	1.0
AMAZON	1.0

## Assets Under Management

Total Firm: \$11.8 Billion

Active Tax Management: \$10.3 Billion

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## Disclosures:

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Portfolio holdings and characteristics have been calculated using a model account. Client accounts may vary. The performance shown is for the Active Tax US Large and Mid Cap Composite and is net of fees. The Composite includes Aperio's longest-running fully discretionary Russell 1000 tracking portfolios. Fully discretionary portfolios are those without legacy holdings, constraints, guidelines, or other client-driven requirements that would impact the intended strategy. Performance is calculated on a total-return basis, including dividends, interest, and accrued income, plus realized and unrealized gains or losses. Net-of-fee returns are shown after transaction charges and investment advisory fees of 0.35%—the highest fee paid by an account in the composite. Investment advisory fees and other policies are described in Part 2A of Form ADV. After-tax performance is an estimate based upon the highest US federal tax rate applicable at the time, currently 43.4% short-term, 23.8% long-term and 23.8% for dividends, or other rates as specified by clients. Actual after-tax returns achieved may vary and could be lower than reported due to the investor's specific tax circumstances during the time period shown. Clients who do not pay the assumed tax rates or client-specified rates or clients who do not have offsetting capital gains and income would not achieve the after-tax returns reported. The strategy is actively managed and the structure may be at variance to the benchmark index. Index returns reflect reinvestment of dividends, but do not reflect fees, brokerage commissions, or other expenses of investing. It is not possible to invest directly in an index.

# Active Tax Management: TOTAL US MARKET

3rd Quarter, 2015

## Investment Objective

The Total US Market strategy seeks to match the pre-tax performance of the Russell 3000 Index while improving after-tax returns through tax-loss harvesting techniques.

## Benchmark Description

The Russell 3000 Index is an equity benchmark for US stock performance. It is a capitalization-weighted index covering the largest 3,000 publicly traded US stocks. The index represents approximately 98% of the total market capitalization of the US stock market.

## Investment Process

Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of individual stocks that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

## Composite Performance as of 09/30/15 (%)

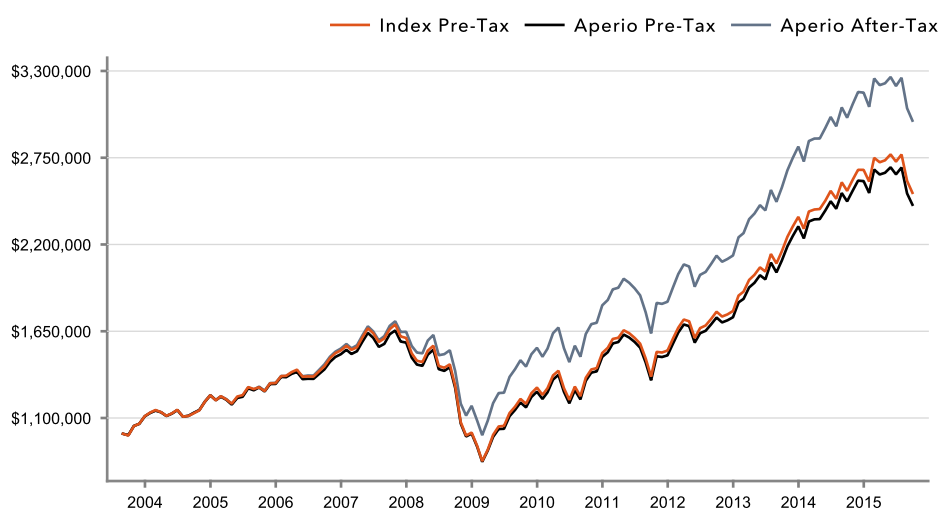
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-7.27	-5.76	-0.84	12.18	12.92	6.61	7.71
Benchmark	-7.25	-5.45	-0.50	12.52	13.28	6.92	7.98
After-Tax (Net of Fees)							
Aperio Strategy	-6.84	-5.62	-0.62	11.92	12.83	8.68	9.47
Benchmark	-7.62	-6.31	-1.58	11.60	12.54	6.40	7.50
<b>TAX ALPHA</b>	<b>0.80</b>	<b>1.00</b>	<b>1.31</b>	<b>0.67</b>	<b>0.65</b>	<b>2.59</b>	<b>2.25</b>

Composite inception date = 08/31/2003. Performance is shown net of fees and transaction costs and includes a 0.35% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Measureable Tax Alpha

Unlike ETFs and mutual funds, separately managed accounts (SMAs) can pass through tax losses, thereby generating "tax alpha." Tax alpha is a measure of the value added through active tax management. A positive number indicates a potential tax savings (from realized capital losses), while a negative number indicates a potential tax drag (from realized capital gains). Aperio's tax-loss harvesting strategy attempts to generate positive tax alpha while closely matching the benchmark's pre-tax returns.

## Growth of \$1,000,000 (Since Inception)



## Portfolio Characteristics as of 09/30/15

Overview Statistics	Aperio Total US Market	Russell 3000
Number of Securities	450	2,986
Initial Tracking Error*	0.36%	0.00%
Standard Deviation*	13.73%	13.64%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$96.7B	\$97.4B
Dividend Yield	2.20%	2.16%
Price to Earnings (TTM)	19.61	19.78
Price to Book	2.52	2.51

\*Forecasted

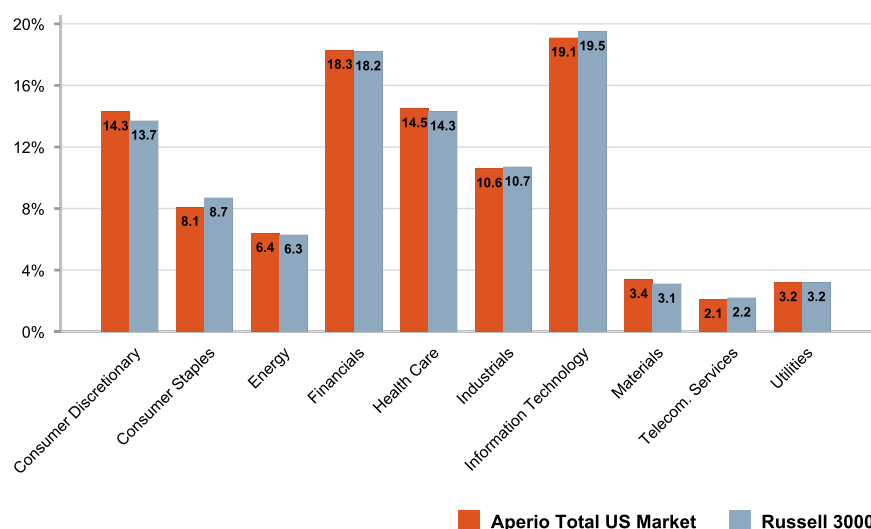
Aperio v. [Latin] to make clear, to reveal the truth

# Active Tax Management:

## TOTAL US MARKET

3rd Quarter, 2015

### Sector Allocation



### Portfolio Management Team

#### PATRICK GEDDES

Chief Executive Officer  
MBA, University of Chicago  
BA, Yale University

#### RAN LESHEM

Chief Investment Officer  
MBA, University of California at Berkeley  
BS Mathematics, University of Waterloo

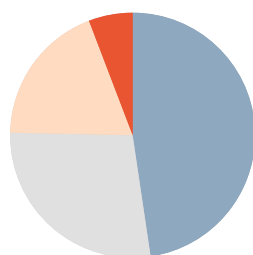
#### ALAN CUMMINGS, PhD

Portfolio Manager  
PhD Physics,  
University of California at Berkeley  
Masters in Financial Engineering,  
University of California at Berkeley

#### ROBERT TYMOCZKO

Manager of Portfolio Trading & Analytics  
MBA, Finance & Econometrics,  
University of Chicago  
BA, Quantitative Economics,  
Stanford University

### Market Cap Allocation



- Mega Cap (Over \$50 Billion) - 48%
- Large Cap (\$15 Billion-\$50 Billion) - 28%
- Mid Cap (\$2 Billion-\$15 Billion) - 19%
- Small Cap (Under \$2 Billion) - 6%

### Top 10 Holdings

Company	Weight (%)
APPLE	3.0
MICROSOFT	1.7
GOOGLE	1.6
EXXON MOBIL	1.4
GENERAL ELECTRIC	1.2
JOHNSON & JOHNSON	1.1
FACEBOOK	1.0
JPMORGAN CHASE	1.0
AMAZON	1.0
BERKSHIRE HATHAWAY	1.0

### Assets Under Management

Total Firm: \$11.8 Billion  
Active Tax Management: \$10.3 Billion

#### APERIO GROUP LLC

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# Active Tax Management:

## FOREIGN DEVELOPED EX CANADA

### Investment Objective

The Foreign Developed ex Canada strategy seeks to match the pre-tax performance of the MSCI EAFE Index while improving after-tax returns through tax-loss harvesting techniques.

### Benchmark Description

The MSCI EAFE Index is an equity benchmark for international developed markets performance. It is a capitalization-weighted index covering large and mid-sized companies. The index includes approximately 900 stocks from 21 developed markets countries, excluding the US and Canada.

### Investment Process

Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of American Depositary Receipts (ADRs) that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

### Composite Performance as of 09/30/15 (%)

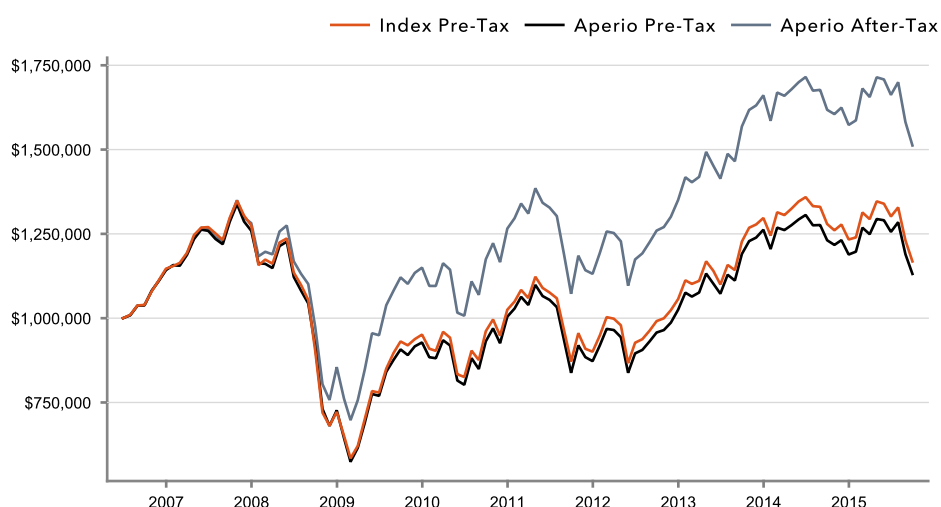
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-9.93	-4.84	-8.10	5.72	3.96	-	1.34
Benchmark	-10.24	-5.28	-8.66	5.63	3.97	-	1.70
After-Tax (Net of Fees)							
Aperio Strategy	-9.02	-3.87	-6.53	6.28	5.18	-	4.57
Benchmark	-10.39	-5.95	-9.41	4.75	3.20	-	1.09
<b>TAX ALPHA</b>	<b>1.06</b>	<b>1.63</b>	<b>2.32</b>	<b>1.43</b>	<b>1.99</b>	<b>-</b>	<b>3.84</b>

Composite inception date = 06/30/2006. Performance is shown net of fees and transaction costs and includes a 0.40% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

### Measureable Tax Alpha

Unlike ETFs and mutual funds, separately managed accounts (SMAs) can pass through tax losses, thereby generating "tax alpha." Tax alpha is a measure of the value added through active tax management. A positive number indicates a potential tax savings (from realized capital losses), while a negative number indicates a potential tax drag (from realized capital gains). Aperio's tax-loss harvesting strategy attempts to generate positive tax alpha while closely matching the benchmark's pre-tax returns.

### Growth of \$1,000,000 (Since Inception)



### Portfolio Characteristics as of 09/30/15

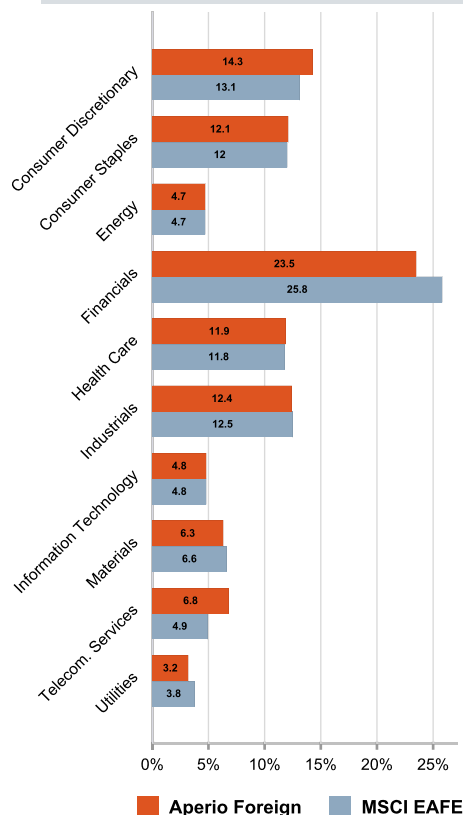
Overview Statistics	Aperio Foreign	MSCI EAFE
Number of Securities	250	913
Initial Tracking Error*	0.70%	0.00%
Standard Deviation*	15.30%	14.84%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$59.4B	\$52.8B
Dividend Yield	3.41%	3.33%
Price to Earnings (TTM)	15.83	15.81
Price to Book	1.59	1.53

\*Forecasted

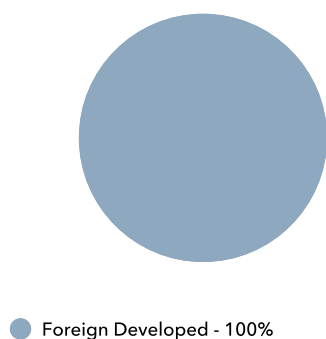
# Active Tax Management:

## FOREIGN DEVELOPED EX CANADA

### Sector Allocation



### Market Exposure



### Top 10 Holdings

Company	Weight (%)
NESTLE	2.2
TOYOTA MOTOR	1.9
NOVARTIS	1.8
ROCHE	1.6
MITSUBISHI UFJ	1.3
BHP BILLITON	1.3
HSBC	1.2
ROYAL DUTCH SHELL	1.2
BRITISH AMERICAN TOBACCO	1.0
NOVO NORDISK	1.0

### Country Allocation

Country Allocation (%)	Aperio Foreign	MSCI EAFE
Japan	22.2	22.5
United Kingdom	21.3	20.3
Switzerland	10.7	9.7
France	10.4	10.1
Germany	8.6	8.8
Australia	4.7	6.4
Spain	3.3	3.5
Netherlands	3.1	2.8
Sweden	2.4	3.0
Italy	2.3	2.6
Singapore	2.3	1.3
Hong Kong	2.2	3.0
Denmark	1.9	1.8
Belgium	1.5	1.3
Other	3.2	2.9

### Portfolio Management Team

#### PATRICK GEDDES

Chief Executive Officer

MBA, University of Chicago

BA, Yale University

#### RAN LESHEM

Chief Investment Officer

MBA, University of California at Berkeley

BS Mathematics, University of Waterloo

#### ALAN CUMMINGS, PhD

Portfolio Manager

PhD Physics,

University of California at Berkeley

Masters in Financial Engineering,

University of California at Berkeley

#### ROBERT TYMOCZKO

Manager of Portfolio Trading & Analytics

MBA, Finance & Econometrics,

University of Chicago

BA, Quantitative Economics,

Stanford University

### Assets Under Management

Total Firm: \$11.8 Billion

Active Tax Management: \$10.3 Billion

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# Active Tax Management: DEVELOPED WORLD

## Investment Objective

The Developed World strategy seeks to match the pre-tax performance of the MSCI World Index while improving after-tax returns through tax-loss harvesting techniques.

## Benchmark Description

The MSCI World Index is an equity benchmark for global developed markets performance. It is a capitalization-weighted index covering large and mid-sized companies. The index includes approximately 1,600 stocks from 23 developed markets countries.

## Investment Process

Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of individual stocks that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance clients' portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

## Composite Performance as of 09/30/15 (%)

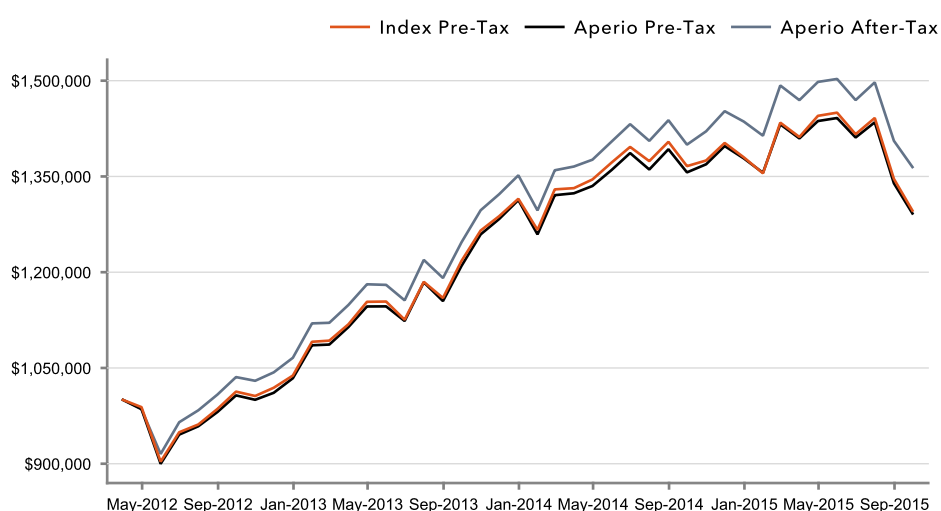
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-8.43	-6.25	-4.74	8.66	-	-	7.60
Benchmark	-8.45	-6.04	-5.10	8.58	-	-	7.70
After-Tax (Net of Fees)							
Aperio Strategy	-7.13	-4.96	-2.51	9.63	-	-	9.29
Benchmark	-8.56	-6.53	-5.70	7.82	-	-	6.97
<b>TAX ALPHA</b>	<b>1.41</b>	<b>1.78</b>	<b>2.84</b>	<b>1.73</b>	<b>-</b>	<b>-</b>	<b>2.43</b>

Composite inception date = 03/31/2012. Performance is shown net of fees and transaction costs and includes a 0.40% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Measureable Tax Alpha

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## Growth of \$1,000,000 (Since Inception)



## Portfolio Characteristics as of 09/30/15

Overview Statistics	Aperio Dev World	MSCI World
Number of Securities	450	1,643
Initial Tracking Error*	0.42%	0.00%
Standard Deviation*	13.09%	12.64%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$86.8B	\$87.3B
Dividend Yield	2.68%	2.69%
Price to Earnings (TTM)	17.29	17.67
Price to Book	2.15	2.03

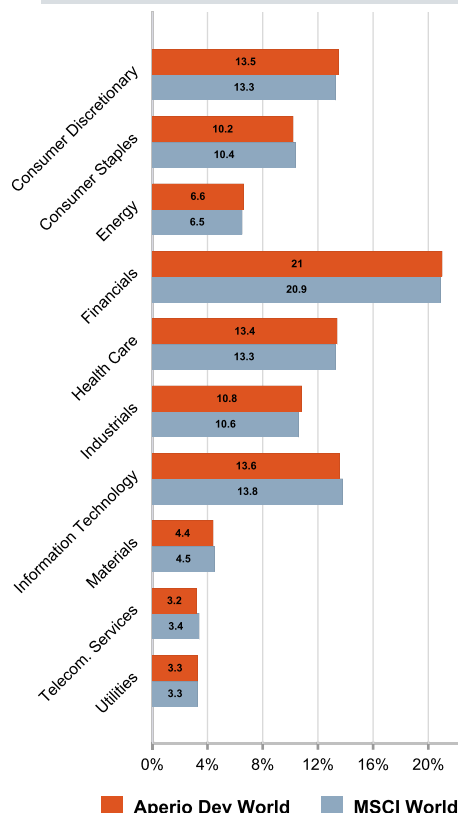
\*Forecasted



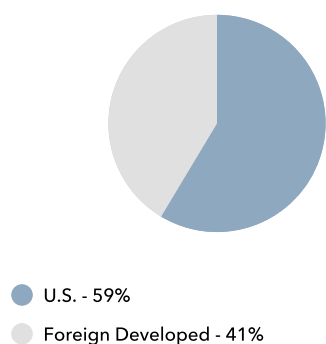
# Active Tax Management: DEVELOPED WORLD

3rd Quarter, 2015

## Sector Allocation



## Market Exposure



## Top 10 Holdings

Company	Weight (%)
APPLE	2.2
MICROSOFT	1.1
EXXON MOBIL	1.0
JOHNSON & JOHNSON	0.8
TOYOTA MOTOR	0.8
GENERAL ELECTRIC	0.8
NESTLE	0.7
WELLS FARGO	0.7
AMAZON	0.7
JPMORGAN CHASE	0.7

## Country Allocation

Country Allocation (%)	Aperio Dev World	MSCI World
United States	58.6	58.4
Japan	8.5	8.6
United Kingdom	7.7	7.8
France	3.9	3.8
Switzerland	3.8	3.7
Germany	3.4	3.4
Canada	3.3	3.4
Australia	2.5	2.5
Spain	1.3	1.3
Netherlands	1.2	1.1
Sweden	1.1	1.1
Hong Kong	1.0	1.2
Italy	0.9	1.0
Denmark	0.7	0.7
Other	2.0	2.1

## Portfolio Management Team

### PATRICK GEDDES

Chief Executive Officer  
MBA, University of Chicago  
BA, Yale University

### RAN LESHEM

Chief Investment Officer  
MBA, University of California at Berkeley  
BS Mathematics, University of Waterloo

### ALAN CUMMINGS, PhD

Portfolio Manager  
PhD Physics,  
University of California at Berkeley  
Masters in Financial Engineering,  
University of California at Berkeley

### ROBERT TYMOCZKO

Manager of Portfolio Trading & Analytics  
MBA, Finance & Econometrics,  
University of Chicago  
BA, Quantitative Economics,  
Stanford University

## Assets Under Management

Total Firm: \$11.8 Billion  
Active Tax Management: \$10.3 Billion

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# Active Tax Management: GLOBAL EX US

aperio

3rd Quarter, 2015

## Investment Objective

The Global ex US strategy seeks to match the pre-tax performance of the MSCI ACWI ex US Index while improving after-tax returns through tax-loss harvesting techniques.

## Benchmark Description

The MSCI ACWI ex US Index is an equity benchmark for international stock performance. It is a capitalization-weighted index covering large and mid-sized companies. The index includes approximately 1,800 stocks from 22 developed markets (excluding the US) and 21 emerging markets countries.

## Investment Process

Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of American Depositary Receipts (ADRs) that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

## Composite Performance as of 09/30/15 (%)

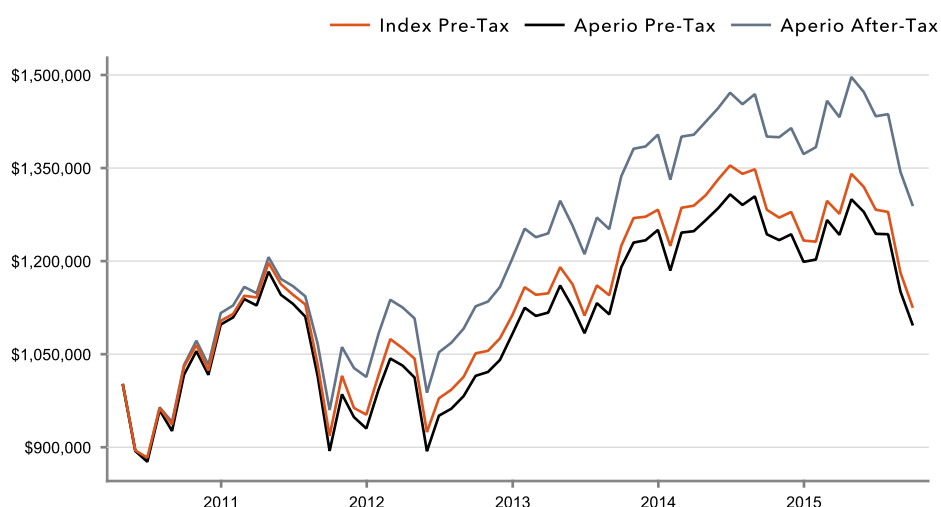
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-11.71	-8.39	-11.67	2.66	1.55	-	1.74
Benchmark	-12.17	-8.63	-12.17	2.34	1.82	-	2.23
After-Tax (Net of Fees)							
Aperio Strategy	-9.97	-5.97	-7.86	4.62	4.57	-	4.82
Benchmark	-12.34	-9.19	-12.83	1.48	1.03	-	1.52
<b>TAX ALPHA</b>	<b>1.91</b>	<b>2.98</b>	<b>4.47</b>	<b>2.81</b>	<b>3.80</b>	<b>-</b>	<b>3.78</b>

Composite inception date = 04/30/2010. Performance is shown net of fees and transaction costs and includes a 0.40% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Measureable Tax Alpha

Unlike ETFs and mutual funds, separately managed accounts (SMAs) can pass through tax losses, thereby generating "tax alpha." Tax alpha is a measure of the value added through active tax management. A positive number indicates a potential tax savings (from realized capital losses), while a negative number indicates a potential tax drag (from realized capital gains). Aperio's tax-loss harvesting strategy attempts to generate positive tax alpha while closely matching the benchmark's pre-tax returns.

## Growth of \$1,000,000 (Since Inception)



## Portfolio Characteristics as of 09/30/15

Overview Statistics	Aperio Global ex-US	ACWI ex-US
Number of Securities	350	1,843
Initial Tracking Error*	0.74%	0.00%
Standard Deviation*	15.09%	14.68%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$52.4B	\$47.5B
Dividend Yield	3.31%	3.25%
Price to Earnings (TTM)	14.80	15.02
Price to Book	1.56	1.49

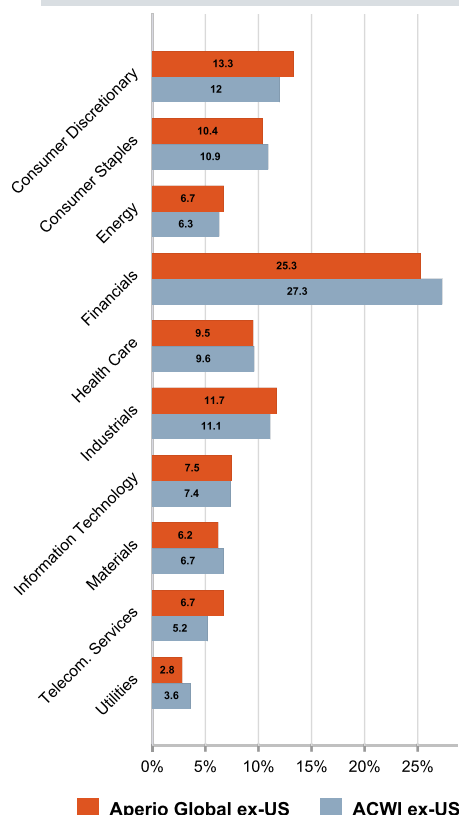
\*Forecasted

Aperio v. [Latin] to make clear, to reveal the truth

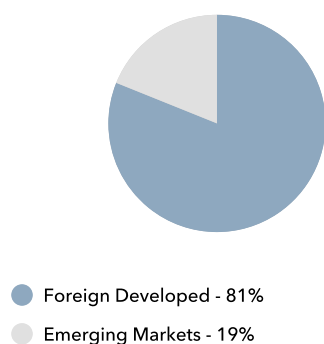
# Active Tax Management:

## GLOBAL EX US

### Sector Allocation



### Market Exposure



### Top 10 Holdings

Company	Weight (%)
NESTLE	1.5
TOYOTA MOTOR	1.3
NOVARTIS	1.2
ROCHE	1.1
MITSUBISHI UFJ	0.8
BHP BILLITON	0.8
HSBC	0.8
ROYAL DUTCH SHELL	0.8
TAIWAN SEMICONDUCTOR	0.8
TENCENT HOLDINGS	0.8

### Country Allocation

Country Allocation (%)	Aperio Global ex-US	ACWI ex-US
Japan	16.4	16.4
United Kingdom	15.0	14.8
France	7.9	7.4
Switzerland	7.9	7.1
Germany	6.6	6.5
Canada	6.4	6.4
China	4.8	4.8
Australia	4.1	4.7
Spain	2.5	2.5
Korea	2.3	3.2
Taiwan	2.2	2.6
Hong Kong	2.1	2.2
India	2.1	1.8
Singapore	1.9	0.9
Other	17.8	18.3

### Portfolio Management Team

#### PATRICK GEDDES

Chief Executive Officer  
MBA, University of Chicago  
BA, Yale University

#### RAN LESHEM

Chief Investment Officer  
MBA, University of California at Berkeley  
BS Mathematics, University of Waterloo

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### Assets Under Management

Total Firm: \$11.8 Billion  
Active Tax Management: \$10.3 Billion

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# Active Tax Management: GLOBAL

## Investment Objective

The Global strategy seeks to match the pre-tax performance of the MSCI ACWI Index while improving after-tax returns through tax-loss harvesting techniques.

## Benchmark Description

The MSCI ACWI Index is an equity benchmark for global stock performance. It is a capitalization-weighted index covering large and mid-sized companies. The index includes approximately 2,400 stocks from 23 developed markets and 21 emerging markets countries.

## Investment Process

Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of individual stocks and American Depositary Receipts (ADRs) that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

## Composite Performance as of 09/30/15 (%)

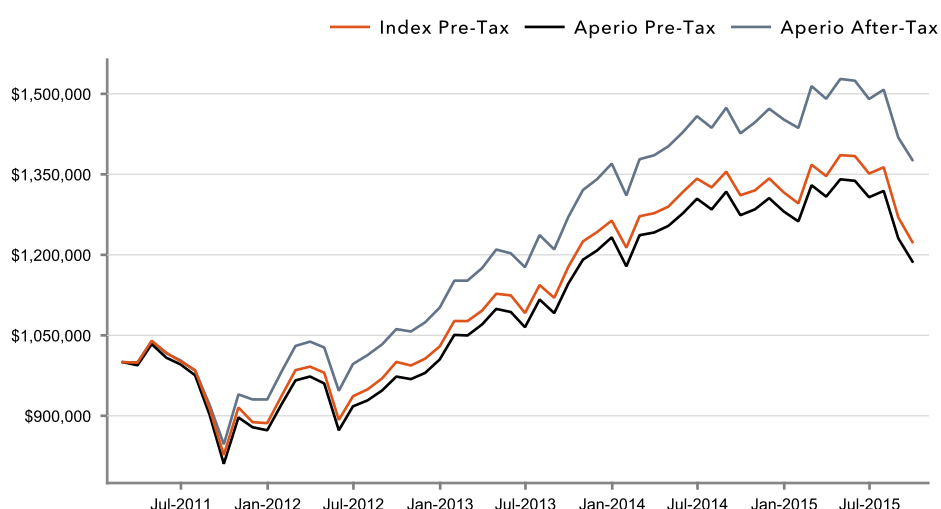
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-9.16	-7.28	-6.78	6.86	-	-	3.82
Benchmark	-9.45	-7.04	-6.66	6.95	-	-	4.50
After-Tax (Net of Fees)							
Aperio Strategy	-7.63	-5.20	-3.49	9.05	-	-	7.22
Benchmark	-9.60	-7.55	-7.28	6.17	-	-	3.80
<b>TAX ALPHA</b>	<b>1.69</b>	<b>2.58</b>	<b>3.91</b>	<b>2.96</b>	<b>-</b>	<b>-</b>	<b>4.10</b>

Composite inception date = 02/28/2011. Performance is shown net of fees and transaction costs and includes a 0.40% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Measureable Tax Alpha

Unlike ETFs and mutual funds, separately managed accounts (SMAs) can pass through tax losses, thereby generating "tax alpha." Tax alpha is a measure of the value added through active tax management. A positive number indicates a potential tax savings (from realized capital losses), while a negative number indicates a potential tax drag (from realized capital gains). Aperio's tax-loss harvesting strategy attempts to generate positive tax alpha while closely matching the benchmark's pre-tax returns.

## Growth of \$1,000,000 (Since Inception)



## Portfolio Characteristics as of 09/30/15

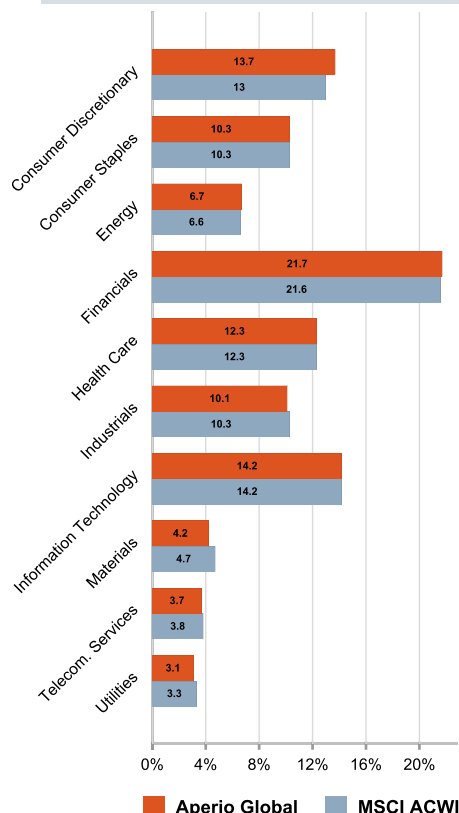
Overview Statistics	Aperio Global	MSCI ACWI
Number of Securities	500	2,480
Initial Tracking Error*	0.51%	0.00%
Standard Deviation*	13.13%	12.71%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$82.3B	\$82.1B
Dividend Yield	2.69%	2.72%
Price to Earnings (TTM)	16.88	16.92
Price to Book	2.05	1.93

\*Forecasted

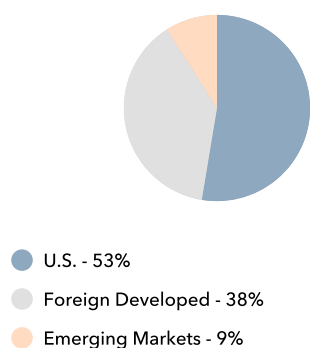
# Active Tax Management: GLOBAL

3rd Quarter, 2015

## Sector Allocation



## Market Exposure



## Top 10 Holdings

Company	Weight (%)
APPLE	2.0
MICROSOFT	1.0
EXXON MOBIL	0.9
GENERAL ELECTRIC	0.7
JPMORGAN CHASE	0.7
TENCENT HOLDINGS	0.7
TOYOTA MOTOR	0.7
WELLS FARGO	0.7
JOHNSON & JOHNSON	0.7
CHINA MOBILE	0.7

## Country Allocation

Country Allocation (%)	Aperio Global	MSCI ACWI
United States	52.6	52.8
Japan	7.7	7.8
United Kingdom	7.0	7.0
France	3.8	3.5
Switzerland	3.4	3.3
Germany	3.3	3.1
Canada	3.0	3.0
Australia	2.3	2.2
China	2.2	2.3
Korea	1.5	1.5
Spain	1.3	1.2
Hong Kong	1.2	1.0
Taiwan	1.2	1.2
India	1.0	0.9
Other	8.5	9.1

## Portfolio Management Team

### PATRICK GEDDES

Chief Executive Officer

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BA, Yale University

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Chief Investment Officer

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## Assets Under Management

Total Firm: \$11.8 Billion

Active Tax Management: \$10.3 Billion

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# Active Tax Management:

## GLOBAL NATURAL RESOURCES

### Investment Objective

The Global Natural Resources strategy seeks to provide exposure to commodity markets through natural resource equities. For taxable investors, the strategy also attempts to improve after-tax returns through tax-loss harvesting techniques.

### Benchmark Description

The benchmark is a custom blend of five MSCI Select Commodity Producers Indexes, which aim to capture the performance of companies involved in the production of commodities. Components include 33% Energy, 33% Agriculture, 28% Metals & Mining, 5% Gold, and 1% Silver. The weights were selected to approximate the MSCI ACWI Commodity Producers Sector Capped Index, a broadly diversified index of commodity producers in the energy, metal, and agricultural sectors. The benchmark includes approximately 550 stocks from 21 developed markets and 20 emerging markets countries.

### Investment Process

The Global Natural Resources strategy invests in stocks whose returns have strong ties to the performance of commodities. These include commodity producers and miners, specifically those that are involved in the direct production of the commodities. Aperio uses the MSCI Select Commodity Producers Indexes to identify these types of companies. Portfolio weights can be customized to different commodity exposures.

### Portfolio Characteristics as of 09/30/15

Overview Statistics	Aperio Natural Resources	Benchmark
Number of Securities	208	566
Initial Tracking Error*	1.17%	0.00%
Standard Deviation*	18.74%	18.05%
Beta vs. Benchmark*	1.01	1.00
Wtd. Avg. Market Cap	\$44.9B	\$43.7B
Dividend Yield	4.06%	4.02%
Price to Earnings (TTM)	19.57	18.90
Price to Book	1.14	1.07

\*Forecast

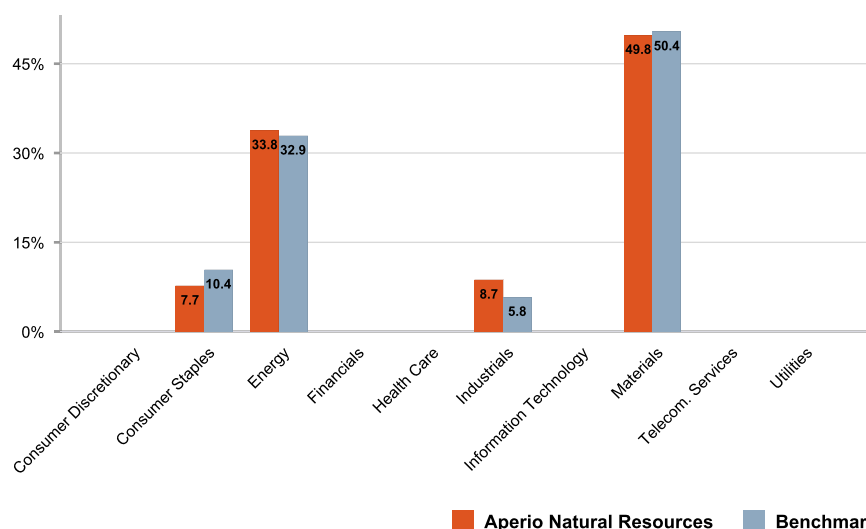
### Top 10 Holdings

Company	Weight (%)
EXXON MOBIL	5.4
BHP BILLITON	4.3
MONSANTO	4.0
RIO TINTO	3.5
SYNGENTA	3.2
ROYAL DUTCH SHELL	3.1
ARCHER DANIELS MIDLAND	2.6
CHEVRON	2.5
DEERE	2.3
KUBOTA	2.1

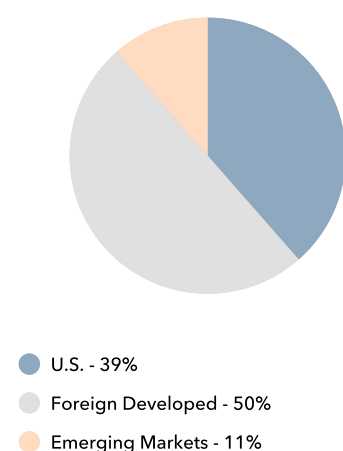
### Country Allocation

Country Allocation (%)	Aperio Natural Resources	Benchmark
United States	38.5	37.8
United Kingdom	13.0	12.9
Canada	10.9	10.1
Australia	5.9	6.2
Japan	5.6	5.8
Switzerland	4.0	3.2
Norway	3.3	2.2
France	2.8	2.3
China	2.7	1.9
Brazil	2.0	1.3
Other	11.1	15.9

### Sector Allocation



### Market Exposure



# Active Tax Management:

## GLOBAL NATURAL RESOURCES

### Measurable Tax Alpha

Unlike ETFs and mutual funds, separately managed accounts (SMAs) can pass through tax losses, thereby generating "tax alpha." Tax alpha is a measure of the value added through active tax management. A positive number indicates a potential tax savings (from realized capital losses), while a negative number indicates a potential tax drag (from realized capital gains). Aperio's tax-loss harvesting strategy attempts to generate positive tax alpha while closely matching the benchmark's pre-tax returns.

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Portfolio holdings and characteristics have been calculated using a model account. Client accounts may vary. The strategy is actively managed and the structure may be at variance to the benchmark index. MSCI Select Commodity Producers Indexes are global equity indexes consisting of stocks in developed and emerging markets countries across the large-, mid-, and small-capitalization segments. The MSCI Select Energy Producers Index is a total-return index focusing on companies in the energy industries that are highly sensitive to underlying prices of energy commodities. The MSCI Select Agriculture Producers Index is a total-return index focusing on companies in the agriculture industries that are highly sensitive to underlying prices of agriculture commodities. The MSCI Select Metals & Mining Producers Index is a total-return index focusing on companies in the industrial and rare earth metals (excluding gold and silver) that are highly sensitive to underlying prices of industrial and rare earth metals. The MSCI Select Gold Miners Index is a total-return index focusing on companies in the gold mining industry that are highly sensitive to underlying prices of gold. The MSCI Select Silver Miners Index is a total-return index focusing on companies in the silver mining industry that are highly sensitive to underlying prices of silver. Index returns reflect reinvestment of dividends, but do not reflect fees, brokerage commissions, or other expenses of investing. It is not possible to invest directly in an index.



# Factor Tilts: HIGH DIVIDEND YIELD

Investment Objective	Strategy Factors	Investment Process
The High Dividend Yield strategy seeks to closely match the returns and characteristics of the S&P 500 Index while providing higher dividend income and improved after-tax performance through tax-loss harvesting techniques.	<p>The High Dividend Yield strategy tilts the portfolio (versus the benchmark) towards stocks with the following characteristics:</p> <ul style="list-style-type: none"> <li>- Higher dividend yield</li> </ul>	Aperio uses multi-factor models and optimization software to construct separately managed accounts (SMAs) of individual stocks that track a target benchmark. Taking advantage of the price volatility in stocks, we continuously monitor and systematically rebalance clients' portfolios to recognize tax losses from securities that have declined. Realized tax losses can offset capital gains generated by other assets such as hedge funds, active mutual funds, private equity, or company stock options.

Composite Performance as of 09/30/15 (%)							
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pre-Tax (Net of Fees)							
Aperio Strategy	-6.67	-6.64	-3.21	10.10	12.08	6.58	6.63
Benchmark	-6.44	-5.29	-0.62	12.40	13.34	6.80	6.96
After-Tax (Net of Fees)							
Aperio Strategy	-5.77	-5.96	-2.07	9.83	11.71	7.66	7.70
Benchmark	-6.57	-5.90	-1.40	11.63	12.64	6.29	6.46
<b>TAX ALPHA</b>	<b>1.03</b>	<b>1.29</b>	<b>1.92</b>	<b>0.50</b>	<b>0.34</b>	<b>1.60</b>	<b>1.57</b>

Composite inception date = 03/31/2005. Performance is shown net of fees and transaction costs and includes a 0.35% management fee. Tax alpha is defined as the after-tax excess return minus any pre-tax excess return. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Active Strategies, Passive Techniques

Factor-tilted strategies offer clients a unique approach that replicates alpha-seeking strategies in separately managed accounts with the advantages of traditional indexing. Aperio provides transparency of investments, tax management, and lower fees to clients investing in this strategy. Strategies that were once considered the domain of tax-inefficient, high-priced active managers can now be captured more precisely using underlying risk factors and passive portfolio techniques.

Historical Risk/Return Data			
	Aperio High Dividend Pre-Tax	Aperio High Dividend After-Tax	S&P 500 Index
Annualized Returns (%)	6.63	7.70	6.96
Annualized Volatility (%)	14.41	14.14	14.62
Sharpe Ratio	0.43	0.51	0.45
Beta vs. Benchmark	0.98	0.96	1.00
Excess Return over Benchmark (%)	-0.33	1.24	
Tracking Error vs. Benchmark (%)	1.61	2.08	
Information Ratio	-0.12	0.70	

Historical risk/return data since composite inception date: 03/31/2005. Performance is shown net of fees and transaction costs and includes a 0.35% management fee. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

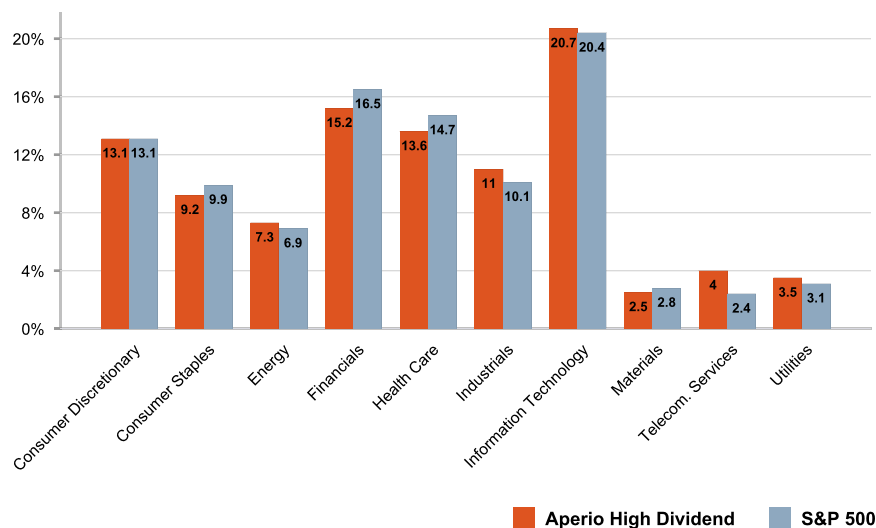
Portfolio Characteristics as of 09/30/15		
Overview Statistics	Aperio High Dividend	S&P 500
Number of Securities	274	505
Initial Tracking Error*	0.96%	0.00%
Standard Deviation*	13.42%	13.47%
Beta vs. Benchmark*	0.99	1.00
Wtd. Avg. Market Cap	\$122.9B	\$119.2B
Dividend Yield	3.62%	2.28%
Price to Earnings (TTM)	18.55	18.55
Price to Book	2.48	2.59

\*Forecasted



# Factor Tilts: HIGH DIVIDEND YIELD

## Sector Allocation



## Portfolio Management Team

### PATRICK GEDDES

Chief Executive Officer  
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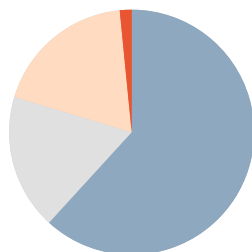
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University of Chicago  
BA, Quantitative Economics,  
Stanford University

## Market Cap Allocation



- Mega Cap (Over \$50 Billion) - 62%
- Large Cap (\$15 Billion-\$50 Billion) - 18%
- Mid Cap (\$2 Billion-\$15 Billion) - 19%
- Small Cap (Under \$2 Billion) - 2%

## Top 10 Holdings

Company	Weight (%)
APPLE	3.7
MICROSOFT	2.5
JOHNSON & JOHNSON	2.0
GENERAL ELECTRIC	2.0
EXXON MOBIL	1.9
AMERICAN CAPITAL	1.9
WELLS FARGO	1.8
AT&T	1.7
JPMORGAN CHASE	1.6
PFIZER	1.5

## Assets Under Management

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Factor Tilts: \$2.6 Billion

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