

# **First Universalist Church Board of Trustees**

**January 21, 2016**

## **Board Packet**

| <b><u>Table of Contents</u></b>                         | <b><u>Pages</u></b> |
|---|---------------------|
| Letter from the President                               | 2-3                 |
| Link to Planned Giving in President's Letter            | 3                   |
| Agenda  | 4                   |
| December Board Minutes                                  | 5-7                 |
| December Meeting Evaluation                             | 8-9                 |
| December Attendance                                     | 10                  |
| December Membership Report                              | 11                  |
| Acceptance of Andrea Johnson Congregational Sponsorship | 12-14               |
| Senior Minister's Report                                | 15-24               |
| Mosaic Makers Document                                  | 25-27               |
| Finance Committee Minutes                               | 28-29               |
| Finance Committee Report                                | 30                  |
| Finance Committee Documents                             | 31-116              |
| Governance Committee Minutes                            | 117-118             |

# Socially Responsive Indexing: CARBON-FREE SERIES - US MARKET

aperio

2nd Quarter, 2015

## Investment Objective

The Aperio Carbon-Free Series - US Market strategy seeks to match the performance of the Russell 3000 Index while excluding companies involved in the extraction and production of oil, gas or coal.

## Portfolio Construction

The Aperio Carbon-Free Series is the result of a rigorous screening process developed by Aperio Group in conjunction with a leading provider of Environmental, Social, and Governance (ESG) research. Clients in the strategy can choose from three mutually exclusive screening options, listed below in order of increasing restrictiveness<sup>1</sup>:

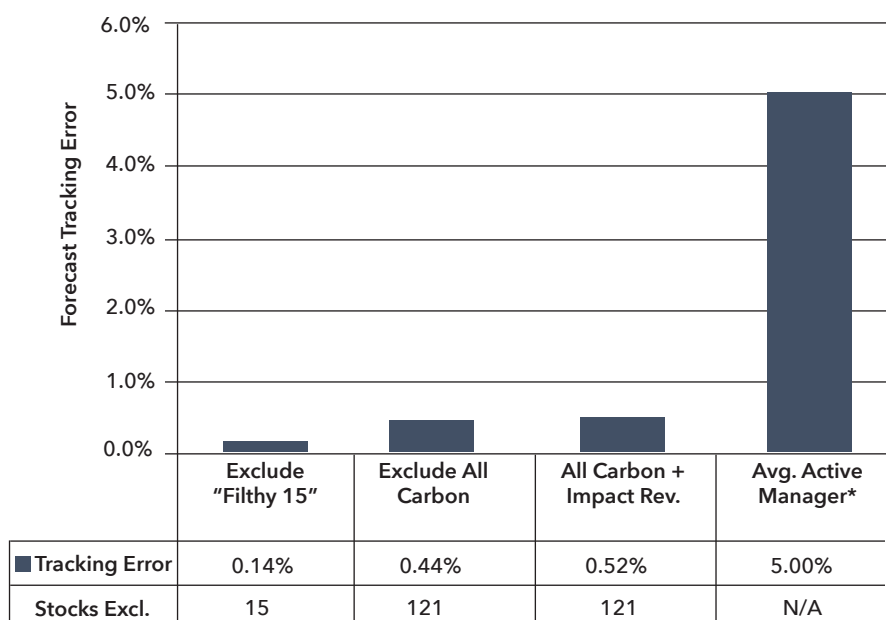
**Filthy 15:** Exclude the Filthy 15, deemed to be "the largest, dirtiest coal companies in the US" by the Energy Action Coalition.

**All Hydrocarbons:** Exclude all companies in the Oil Gas & Consumable Fuels Industry. This industry is comprised of the following sub-industries: Coal & Consumable Fuels, Integrated Oil & Gas, Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing, and Oil & Gas Storage & Transportation.

**All Hydrocarbons + Impact Revenue:** Exclude all companies in the Oil Gas & Consumable Fuels Industry plus overweight companies that offer products and services promoting environmental sustainability in the following areas: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

Securities that pass the screen are then combined to closely replicate the risk and return characteristics of the Russell 3000 Index. As a result, a client is able to achieve a broadly diversified portfolio while avoiding fossil fuel companies and, if desired, overweighting companies that are helping to solve the world's environmental problems.

## Tracking Error vs. Screening



\*Source: Based on a survey of Callan Associates, Inc., Mercer Investment Consulting and Watson Wyatt Worldwide. For details see GMO. 2007. White Paper, "What Should You Pay For Alpha?"

<sup>1</sup>Restrictiveness defined in terms of estimated tracking error. Note: Filthy 15 stocks are not explicitly screened from the All Hydrocarbons options unless those securities are members of the Oil Gas & Consumable Fuels Industry.

## Quantitative Approach to SRI

Aperio's Socially Responsive Indexing represents a new approach to SRI investing for institutions, foundations and multi-generational families. With Aperio's data-driven, disciplined approach, our Socially Responsive Indexing strategy is managed to obtain the performance and cost advantages provided by passive index strategies, while at the same time providing customization that satisfies a client's unique social philosophy.

## Proxy Voting & Shareholder Engagement

For investors seeking to further leverage their share holdings, corporate engagement and proxy voting programs can be incorporated into the strategy upon request. A leading third party vendor engages companies on issues including: global warming, protecting the environment, access to water and encouraging corporate responsibility.

## Investment Minimums

\$5 Million - No Holdings Limit  
\$1 Million - 500 Max Holdings

# Socially Responsive Indexing: CARBON-FREE SERIES - US MARKET



2nd Quarter, 2015

## Portfolio Characteristics as of 6/30/2014

| Overview Statistics      | Exclude "Filthy 15" | Exclude All Carbon | All Carbon + Impact Revenue | Russell 3000 Index |
|--------------------------|---------------------|--------------------|-----------------------------|--------------------|
| Sustainability Revenue*  | 1.78%               | 2.01%              | 10.00%                      | 2.00%              |
| Number of Securities     | 2344                | 1649               | 1055                        | 3004               |
| Initial Tracking Error** | 0.14%               | 0.44%              | 0.52%                       | 0.00%              |
| Standard Deviation**     | 12.75%              | 12.77%             | 12.78%                      | 12.75%             |
| Beta versus Benchmark**  | 1.00                | 1.00               | 1.00                        | 1.00               |
| Wtd. Avg. Market Cap     | \$104.0B            | \$100.1B           | \$101.0B                    | \$104.4B           |
| Dividend Yield           | 1.98%               | 1.95%              | 1.94%                       | 1.95%              |
| Price to Earnings (TTM)  | 21.30               | 21.56              | 21.18                       | 21.27              |
| Price to Book            | 2.80                | 2.77               | 2.76                        | 2.78               |

| Sector Allocation %    | Exclude "Filthy 15" | Exclude All Carbon | All Carbon + Impact Revenue | Russell 3000 Index |
|------------------------|---------------------|--------------------|-----------------------------|--------------------|
| Consumer Discretionary | 13.32               | 12.90              | 12.61                       | 13.40              |
| Consumer Staples       | 8.32                | 8.47               | 8.31                        | 8.14               |
| Energy                 | 7.23                | 3.57               | 3.45                        | 7.24               |
| Financials             | 16.89               | 18.01              | 17.61                       | 17.87              |
| Health Care            | 15.06               | 14.90              | 14.80                       | 15.11              |
| Industrials            | 11.42               | 11.23              | 12.61                       | 10.84              |
| Information Technology | 19.15               | 19.01              | 18.70                       | 19.01              |
| Materials              | 3.52                | 4.51               | 4.33                        | 3.48               |
| Telecommunications     | 2.04                | 2.40               | 2.34                        | 2.03               |
| Utilities              | 3.05                | 5.00               | 5.25                        | 2.87               |

\* Sustainability Revenue - weighted average revenue derived from sustainability themes: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

\*\* Forecasted

## 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  
Socially Responsive Indexing: \$2.0 Billion

**APERIO GROUP LLC**  
Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

## Disclosures:

This presentation is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

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. The Russell 3000 Index is a total return index and represents an unmanaged group of securities generally considered to represent the performance of a broad cross section of the U.S. equity market. 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.

# Socially Responsive Indexing: CARBON-FREE SERIES - GLOBAL EX US

aperio

2nd Quarter, 2015

## Investment Objective

The Aperio Carbon-Free Series - Global ex US strategy seeks to match the performance of the MSCI ACWI ex US Index while excluding companies involved in the extraction and production of oil, gas or coal.

## Portfolio Construction

The Aperio Carbon-Free Series is the result of a rigorous screening process developed by Aperio Group in conjunction with a leading provider of Environmental, Social, and Governance (ESG) research. Clients in the strategy can choose from two mutually exclusive screening options, listed below in order of increasing restrictiveness:

### All Hydrocarbons

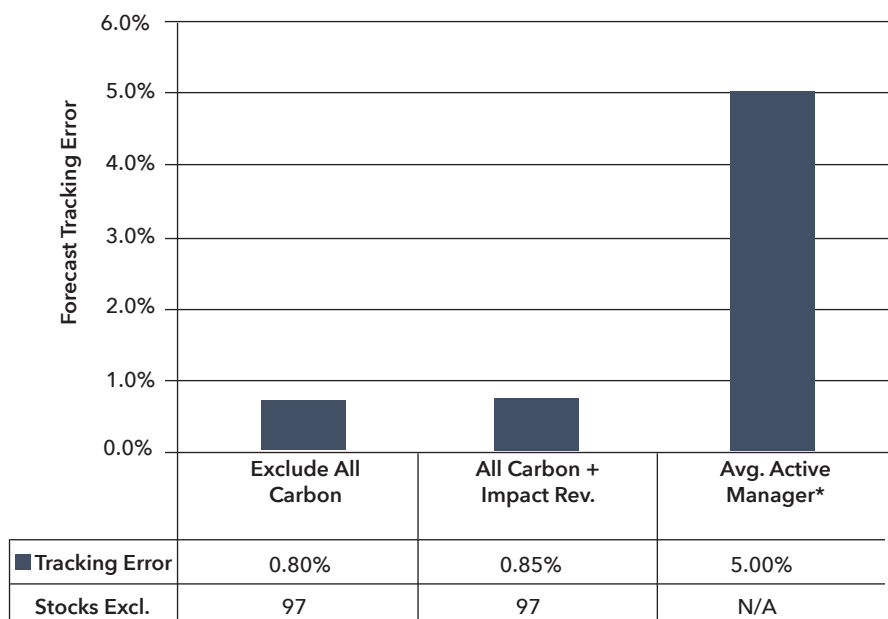
Exclude all companies in the Oil Gas & Consumable Fuels Industry. This industry is comprised of the following sub-industries: Coal & Consumable Fuels, Integrated Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing, and Oil & Gas Storage & Transportation.

### All Hydrocarbons + Impact Revenue

Exclude all companies in the Oil Gas & Consumable Fuels Industry plus overweight developed market companies that offer products and services promoting environmental sustainability in the following areas: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

Securities that pass the screen are then combined to closely replicate the risk and return characteristics of the MSCI ACWI ex US Index. As a result, a client is able to achieve a broadly diversified portfolio while avoiding fossil fuel companies and, if desired, overweighting companies that are helping to solve the world's environmental problems.

## Tracking Error vs. Screening



\*Source: Based on a survey of Callan Associates, Inc., Mercer Investment Consulting and Watson Wyatt Worldwide. For details see GMO. 2007. White Paper, "What Should You Pay For Alpha?"

1 Restrictiveness defined in terms of estimated tracking error. Note: Filthy 15 stocks are not explicitly screened from the All Hydrocarbons options unless those securities are members of the Oil Gas & Consumable Fuels Industry.

## Quantitative Approach to SRI

Aperio's Socially Responsive Indexing represents a new approach to SRI investing for institutions, foundations and multi-generational families. With Aperio's data-driven, disciplined approach, our Socially Responsive Indexing strategy is managed to obtain the performance and cost advantages provided by passive index strategies, while at the same time providing customization that satisfies a client's unique social philosophy.

## Proxy Voting & Shareholder Engagement

For investors seeking to further leverage their share holdings, corporate engagement and proxy voting programs can be incorporated into the strategy upon request. A leading third party vendor engages companies on issues including: global warming, protecting the environment, access to water and encouraging corporate responsibility.

## Investment Minimums

\$5 Million - No Holdings Limit  
\$1 Million - 500 Max Holdings

# Socially Responsive Indexing:

## CARBON-FREE SERIES - GLOBAL EX US



2nd Quarter, 2015

### Portfolio Characteristics as of 6/30/2015

| Overview Statistics      | Exclude All Carbon | All Carbon + Impact Revenue | ACWI ex USA Index |
|--------------------------|--------------------|-----------------------------|-------------------|
| Sustainability Revenue*  | 2.50%              | 5.00%                       | 1.97%             |
| Number of Securities     | 460                | 458                         | 1842              |
| Initial Tracking Error** | 0.80%              | 0.85%                       | 0.00%             |
| Standard Deviation**     | 14.31%             | 14.32%                      | 14.31%            |
| Beta versus Benchmark ** | 1.00               | 1.00                        | 1.00              |
| Wtd. Avg. Market Cap     | \$54.6B            | \$54.7B                     | \$52.3B           |
| Dividend Yield           | 3.00%              | 3.02%                       | 2.94%             |
| Price to Earnings (TTM)  | 17.09              | 17.29                       | 16.84             |
| Price to Book            | 1.72               | 1.73                        | 1.68              |

| Sector Allocation %    | Exclude All Carbon | All Carbon + Impact Revenue | ACWI ex USA Index |
|------------------------|--------------------|-----------------------------|-------------------|
| Consumer Discretionary | 11.73              | 11.30                       | 11.81             |
| Consumer Staples       | 10.44              | 10.28                       | 9.87              |
| Energy                 | 1.79               | 1.69                        | 6.96              |
| Financials             | 26.33              | 25.76                       | 27.80             |
| Health Care            | 8.92               | 8.74                        | 9.03              |
| Industrials            | 11.66              | 13.35                       | 11.02             |
| Information Technology | 8.18               | 8.13                        | 7.45              |
| Materials              | 9.23               | 8.51                        | 7.46              |
| Telecommunications     | 7.84               | 7.77                        | 5.22              |
| Utilities              | 3.88               | 4.46                        | 3.38              |

\* Sustainability Revenue - weighted average revenue derived from sustainability themes: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

\*\* Forecasted

### 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  
Socially Responsive Indexing: \$2.0 Billion

**APERIO GROUP LLC**  
Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

### Disclosures:

This presentation is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

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. The MSCI ACWI ex USA Index is a total return index generally considered to represent the performance of a broad cross section of the global equity securities market. 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.

# Socially Responsive Indexing: CARBON-FREE SERIES - GLOBAL

## Investment Objective

The Aperio Carbon-Free Series - Global strategy seeks to match the performance of the MSCI ACWI Index while excluding companies involved in the extraction and production of oil, gas or coal.

## Portfolio Construction

The Aperio Carbon-Free Series is the result of a rigorous screening process developed by Aperio Group in conjunction with a leading provider of Environmental, Social, and Governance (ESG) research. Clients in the strategy can choose from three mutually exclusive screening options, listed below in order of increasing restrictiveness<sup>1</sup>:

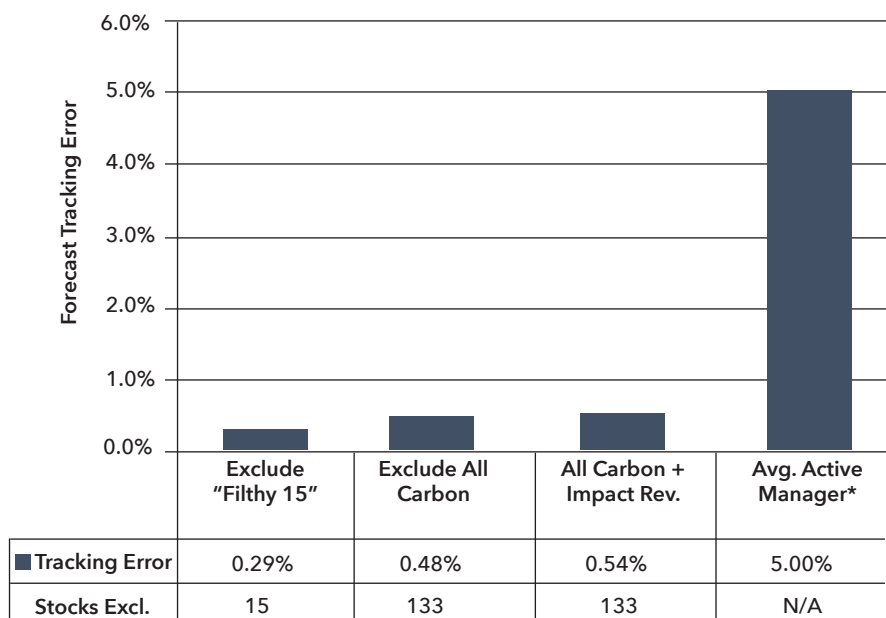
**Filthy 15:** Exclude the Filthy 15, deemed to be "the largest, dirtiest coal companies in the U.S." by the Energy Action Coalition.

**All Hydrocarbons:** Exclude all companies in the Oil Gas & Consumable Fuels Industry. This industry is comprised of the following sub-industries: Coal & Consumable Fuels, Integrated Oil & Gas, Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing, and Oil & Gas Storage & Transportation.

**All Hydrocarbons + Impact Revenue:** Exclude all companies in the Oil Gas & Consumable Fuels Industry plus overweight developed market companies that offer products and services promoting environmental sustainability in the following areas: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

Securities that pass the screen are then combined to closely replicate the risk and return characteristics of the MSCI ACWI Index. As a result, a client is able to achieve a broadly diversified portfolio while avoiding fossil fuel companies and, if desired, overweighting companies that are helping to solve the world's environmental problems.

## Tracking Error vs. Screening



\*Source: Based on a survey of Callan Associates, Inc., Mercer Investment Consulting and Watson Wyatt Worldwide. For details see GMO. 2007. White Paper, "What Should You Pay For Alpha?"

<sup>1</sup>Restrictiveness defined in terms of estimated tracking error. Note: Filthy 15 stocks are not explicitly screened from the All Hydrocarbons options unless those securities are members of the Oil Gas & Consumable Fuels Industry.

## Quantitative Approach to SRI

Aperio's Socially Responsive Indexing represents a new approach to SRI investing for institutions, foundations and multi-generational families. With Aperio's data-driven, disciplined approach, our Socially Responsive Indexing strategy is managed to obtain the performance and cost advantages provided by passive index strategies, while at the same time providing customization that satisfies a client's unique social philosophy.

## Proxy Voting & Shareholder Engagement

For investors seeking to further leverage their share holdings, corporate engagement and proxy voting programs can be incorporated into the strategy upon request. A leading third party vendor engages companies on issues including: global warming, protecting the environment, access to water and encouraging corporate responsibility.

## Investment Minimums

\$5 Million - No Holdings Limit  
\$1 Million - 500 Max Holdings

# Socially Responsive Indexing: CARBON-FREE SERIES - GLOBAL



2nd Quarter, 2015

## Portfolio Characteristics as of 6/30/2015

| Overview Statistics      | Exclude "Filthy 15" | Exclude All Carbon | All Carbon + Impact Revenue | MSCI ACWI Index |
|--------------------------|---------------------|--------------------|-----------------------------|-----------------|
| Sustainability Revenue*  | 2.04%               | 2.30%              | 10.00%                      | 1.88%           |
| Number of Securities     | 1647                | 1223               | 940                         | 2481            |
| Initial Tracking Error** | 0.29%               | 0.48%              | 0.54%                       | 0.00%           |
| Standard Deviation**     | 12.28%              | 12.28%             | 12.28%                      | 12.27%          |
| Beta versus Benchmark**  | 1.00                | 1.00               | 1.00                        | 1.00            |
| Wtd. Avg. Market Cap     | \$88.1B             | \$84.9B            | \$85.7B                     | \$87.8B         |
| Dividend Yield           | 2.55%               | 2.46%              | 2.45%                       | 2.48%           |
| Price to Earnings (TTM)  | 18.77               | 18.59              | 18.45                       | 18.46           |
| Price to Book            | 2.21                | 2.18               | 2.18                        | 2.13            |
| Sector Allocation %      | Exclude "Filthy 15" | Exclude All Carbon | All Carbon + Impact Revenue | MSCI ACWI Index |
| Consumer Discretionary   | 13.09               | 10.87              | 10.99                       | 12.71           |
| Consumer Staples         | 9.56                | 10.60              | 10.35                       | 9.49            |
| Energy                   | 7.46                | 3.37               | 3.17                        | 7.38            |
| Financials               | 21.51               | 21.54              | 21.17                       | 21.90           |
| Health Care              | 12.38               | 12.38              | 12.20                       | 12.35           |
| Industrials              | 10.21               | 11.31              | 12.41                       | 10.33           |
| Information Technology   | 13.82               | 13.51              | 13.15                       | 13.79           |
| Materials                | 5.08                | 7.15               | 6.57                        | 5.28            |
| Telecommunications       | 4.35                | 5.30               | 5.37                        | 3.71            |
| Utilities                | 2.54                | 3.96               | 4.62                        | 3.06            |

\* Sustainability Revenue - weighted average revenue derived from sustainability themes: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

\*\*Forecasted

## 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  
Socially Responsive Indexing: \$2.0 Billion

**APERIO GROUP LLC**  
Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

## Disclosures:

This presentation is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

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. The MSCI ACWI Index is a total return index generally considered to represent the performance of a broad cross section of the global equity securities market. 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.

## Investing in environmentally beneficial products and services

The Global Environmental Impact (GEI) Score helps investors who are interested in tilting their portfolios toward companies that are seeking to solve environmental challenges.

GEI data are drawn from MSCI ESG Clean TechMetrics and measure the percentage of revenue a company receives from alternative energy, energy efficiency, green building, pollution prevention, and sustainable water. Aperio uses this percentage as the GEI Score. GEI Scores range from 100 to 1. GEI Scores of 100 mean that 100% of company revenue is from the five themes; a score of 40 means that 40% of a company's revenue is from the five themes.

In compiling the Clean TechMetrics, MSCI ESG Research reviews all companies in the MSCI ACWI Investable Market Index at least annually to identify which ones derive at least 1% of revenue from the five themes. MSCI's sources include corporate documents such as annual reports, sustainability reports, securities filings, and corporate websites, as well as online financial and business databases.

### GEI Universe Summary

|  |     |
|--|-----|
| # of companies with at least 1% of revenue from the 5 GEI themes | 346 |
|--|-----|

|   |     |
|---|-----|
| Percentage of US companies in the GEI universe* | 82% |
|---|-----|

|  |     |
|--|-----|
| Percentage of non-US companies (including emerging markets) in the GEI universe* | 18% |
|--|-----|

\* The GEI Universe contains 211 investable US and ADR securities with at least 1% of revenue from the 5 GEI themes. Investability is determined by minimum Aperio standards for market capitalization and liquidity.

By overweighting companies with a higher percentage of revenue from these environmental themes (compared to their benchmark index weights), Aperio can tilt the portfolio toward GEI in the same way it might tilt the portfolio toward dividend yield at a client's request.

The typical weighted-average GEI percentage in a benchmark index is less than 3%. For example, as of 12/31/2014 the MSCI World Index had a GEI Score of 2.00. This means that for the companies in the index, the weighted-average revenue derived from the five sustainability themes was 2.00%. In constructing portfolios for clients desiring a GEI tilt, Aperio often tilts to three to five times this benchmark level.

### Social Research Experience

Aperio's environmental, social, and corporate governance (ESG) professionals specialize in using data from leading researchers including:

- IW Financial
- EIRIS
- MSCI/KLD
- Bloomberg

### ESG Areas of Knowledge

- Environment
- Climate Change
- Human Rights
- Labor/Employee
- Corporate Governance
- CEO Compensation
- Animal Welfare
- Faith-Based
- Sustainable Agriculture



### Description of the GEI Themes

The GEI Score is used in portfolio construction as an aggregation of the five themes, not as individual scores for each theme.

**Alternative Energy**—Products and services that promote the generation of power using renewable or cleaner sources (i.e., cleaner than fossil fuels) or the development of alternative energy technology.

**Energy Efficiency**—Products and services that deliver equal or superior performance while reducing energy use and natural resource consumption, when compared to conventional offerings.

**Green Building**—Building material suppliers; home builders; or property managers that directly support and have a confirmed commitment to achieving sustainable building standards (i.e., LEED, Energy Star Homes, or other recognized standards of sustainable building) for all new construction.

**Pollution Prevention**—Products and services focused on pollution prevention and waste minimization or recycling, including source reduction, in-process recycling, reuse/reclamation, resource recovery, and treatment/abatement.

**Sustainable Water**—Products and services focused on water and wastewater treatment; water infrastructure; or water resource management and efficiency.

### Why don't all companies have GEI Scores?

Not all companies are involved in these environmentally innovative lines of business, but a portfolio tilted toward environmental innovators will be overweighted toward these lines of business compared to the underlying benchmark index. The MSCI dataset captures only companies where at least 1% of revenue is associated with these activities. Companies with less than 1% are factored into the portfolio with a GEI Score of zero.

### Can my portfolio be constructed based on a GEI and a Social Score?

The GEI overlay can be used as a standalone environmental, social, and governance (ESG) input for portfolio construction, or it can be used in conjunction with a Social Score and/or other ESG exclusions. If it is used with a Social Score, the optimizer will manage three factors: a target GEI Score, a target Social Score, and tracking error reduction. Note that there is no direct relationship between the GEI Score and the Social Score. For example, an investor's Values Policy Statement might emphasize sustainability-management issues, on which a particular company might score poorly even though it has a relatively high GEI Score based on its revenue percentage from clean technology products. Conversely, a company with a low GEI Score might have a relatively high sustainability-management score. This company may not even be in an industry represented within the five GEI themes.

### What does a 10% or 20% tilt mean?

The portfolio tilt is the target weighted-average percentage of revenue from the five themes. In practical terms, this means that during portfolio construction Aperio will seek to include companies that have higher GEI scores in the portfolio at higher weightings than a portfolio with no target GEI score would. A higher portfolio tilt may result in a more concentrated portfolio with more companies with higher GEI Scores in the top holdings of the portfolio, and it will also result in a higher tracking error. Due to a focus on new technologies and emerging industries, GEI companies may be less stable and more susceptible to adverse developments, and their securities may be smaller in size, more volatile, and less liquid than the overall securities market.

### Client Types

- Individual Investors
- Multigenerational Families
- Family Foundations
- Community Foundations
- Think Tank Endowments
- College Endowments

### Communications Management

- One-on-One Conversations
- Group Meetings
- Consensus Building
- Information Gathering from Multiple Stakeholders

### How often are the data updated?

MSCI updates its research annually. MSCI ESG Research will remove a company from the theme if it determines conclusively that the company is no longer involved with the relevant activity or if it falls below the 1% revenue threshold. In addition, MSCI ESG Research will remove a company from a business involvement list if after three years it cannot confirm ongoing evidence of the company's involvement with the relevant activity.

### What companies are in the GEI universe?

Here are examples of companies in each theme. Currently there are no companies that derive revenue from multiple themes.

|   | Alternative<br>Energy | Energy<br>Efficiency | Green<br>Building | Pollution<br>Prevention | Sustainable<br>Water | GEI<br>Score |
|---|-----------------------|----------------------|-------------------|-------------------------|----------------------|--------------|
| PG&E Corp.                              | 34%                   | -                    | -                 | -                       | -                    | 34           |
| Cummins Inc.                            | -                     | 40%                  | -                 | -                       | -                    | 40           |
| Corporate<br>Office<br>Properties Trust | -                     | -                    | 50%               | -                       | -                    | 50           |
| Clarcor Inc.                            | -                     | -                    | -                 | 93%                     | -                    | 93           |
| Aqua America                            | -                     | -                    | -                 | -                       | 100%                 | 100          |

Data as of June 30, 2014

**PG&E** (Pacific Gas & Electric) generates alternative energy in the form of hydroelectric, wind, solar, and biomass, among others.

**Cummins Inc.** produces natural gas and diesel engines and engine-related components and power-generation equipment.

**Corporate Office Properties Trust** is a commercial real estate company that operates multiple buildings in accordance with LEED standards.

**Clarcor Inc.** manufactures filters for waste and pollution control, including air filters, carbon filters, wastewater filters, and air pollution control systems.

**Aqua America** provides water and wastewater services.

This information has been carefully compiled from sources Aperio believes to be reliable, but its accuracy cannot be guaranteed. This is provided for information purposes only and should not be solely relied upon when making an investment decision. It is provided with the understanding that we are not engaged in rendering legal, accounting, or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor. It is recommended that all investors seek out the services of competent professionals in any of the aforementioned areas. Individual account performance will vary and depend on specific circumstances. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not indicative of future results. Every investment program has the potential for loss as well as gain.

Aperio Group LLC  
Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

# Socially Responsive Indexing: ENVIRONMENTAL IMPACT SERIES-US MARKET

aperio

2nd Quarter, 2015

## Investment Objective

The Aperio Environmental Impact Series - US Market strategy seeks to match the performance of the Russell 3000 Index while investing heavily in companies that offer products and services promoting environmental sustainability in the following areas: **alternative energy, green building, sustainable water, energy efficiency, and pollution prevention.**

## Benchmark Description

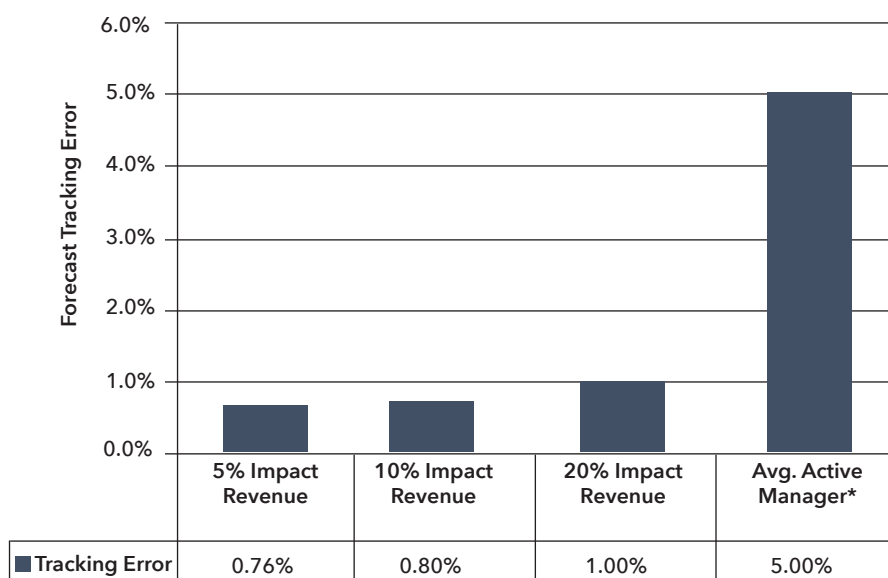
The Russell 3000 Index is an equity benchmark for US stock performance. It is a capitalization-weighted index covering the largest 3000 publicly traded US stocks. The index represents approximately 98% of the total market capitalization of the US stock market.

## Portfolio Construction

The Aperio Environmental Impact strategy is the result of a rigorous two-part process combining both negative and positive screening. First, Aperio evaluates an initial universe of 2,303 publicly traded companies, including only those with top environmental performance with respect to **toxic emissions, waste, and chemical or oil spills.** Second, Aperio evaluates those companies based on what percentage of their revenue derives from each of five sustainability themes described in the Investment Objective above.

The universe of companies is then optimized to target average revenue from innovation in sustainability of 5%, 10%, or 20% respectively, while replicating the risk characteristics of the Russell 3000 Index. As a result, a client is able to achieve a broadly diversified portfolio while avoiding companies with relatively poor environmental records, and also overweighting companies that are helping to solve the world's environmental problems.

## Tracking Error vs. Screening



\*Source: Based on a survey of Callan Associates, Inc., Mercer Investment Consulting and Watson Wyatt Worldwide. For details see GMO. 2007. White Paper, "What Should You Pay For Alpha?"

## Quantitative Approach to SRI

Aperio's Socially Responsive Indexing represents a new approach to SRI investing for institutions, foundations and multi-generational families. With Aperio's data-driven, disciplined approach, our Socially Responsive Indexing strategy is managed to obtain the performance and cost advantages provided by passive index strategies, while at the same time providing customization that satisfies a client's unique social philosophy.

## Proxy Voting & Shareholder Engagement

For investors seeking to further leverage their share holdings, corporate engagement and proxy voting programs can be incorporated into the strategy upon request. A leading third party vendor engages companies on issues including: global warming, protecting the environment, access to water and encouraging corporate responsibility.

# Socially Responsive Indexing:

## ENVIRONMENTAL IMPACT SERIES-US MARKET



2nd Quarter, 2015

### Portfolio Characteristics as of 6/30/2015

| Overview Statistics      | 5% Impact Revenue | 10% Impact Revenue | 20% Impact Revenue | Russell 3000 Index |
|--------------------------|-------------------|--------------------|--------------------|--------------------|
| Sustainability Revenue*  | 5.00%             | 10.00%             | 20.00%             | 2.00%              |
| Number of Securities     | 442               | 415                | 304                | 3004               |
| Initial Tracking Error** | 0.76%             | 0.80%              | 1.00%              | 0.00%              |
| Standard Deviation**     | 12.77%            | 12.78%             | 12.81%             | 12.75%             |
| Beta versus Benchmark**  | 1.00              | 1.00               | 1.00               | 1.00               |
| Wtd. Avg. Market Cap     | \$94.8B           | \$95.4B            | \$96.9B            | \$104.4B           |
| Dividend Yield           | 1.88%             | 1.87%              | 1.87%              | 1.95%              |
| Price to Earnings (TTM)  | 21.29             | 21.53              | 21.86              | 21.27              |
| Price to Book            | 2.71              | 2.72               | 2.73               | 2.78               |

| Sector Allocation %    | 5% Impact Revenue | 10% Impact Revenue | 20% Impact Revenue | Russell 3000 Index |
|------------------------|-------------------|--------------------|--------------------|--------------------|
| Consumer Discretionary | 14.90             | 14.50              | 14.10              | 13.40              |
| Consumer Staples       | 6.86              | 6.60               | 5.36               | 8.14               |
| Energy                 | 5.53              | 5.35               | 4.52               | 7.24               |
| Financials             | 18.62             | 18.71              | 17.72              | 17.87              |
| Health Care            | 13.34             | 13.00              | 12.38              | 15.11              |
| Industrials            | 12.63             | 13.62              | 16.56              | 10.84              |
| Information Technology | 18.67             | 18.75              | 18.31              | 19.01              |
| Materials              | 2.83              | 2.66               | 2.85               | 3.48               |
| Telecommunications     | 2.00              | 1.91               | 1.94               | 2.03               |
| Utilities              | 4.63              | 4.91               | 6.24               | 2.87               |

\* Sustainability Revenue - weighted average revenue derived from sustainability themes: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

\*\* Forecasted

### 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  
Socially Responsive Indexing: \$2.0 Billion

**APERIO GROUP LLC**  
Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

### Disclosures:

This presentation is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

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. The Russell 3000 Index is a total return index and represents an unmanaged group of securities generally considered to represent the performance of a broad cross section of the U.S. equity market. 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.

# Socially Responsive Indexing: ENVIRONMENTAL IMPACT SERIES - GLOBAL

aperio

2nd Quarter, 2015

## Investment Objective

The Aperio Environmental Impact Series - Global strategy seeks to match the performance of the MSCI World Index while investing heavily in companies that offer products and services promoting environmental sustainability in the following areas: **alternative energy, green building, sustainable water, energy efficiency, and pollution prevention.**

## Benchmark Description

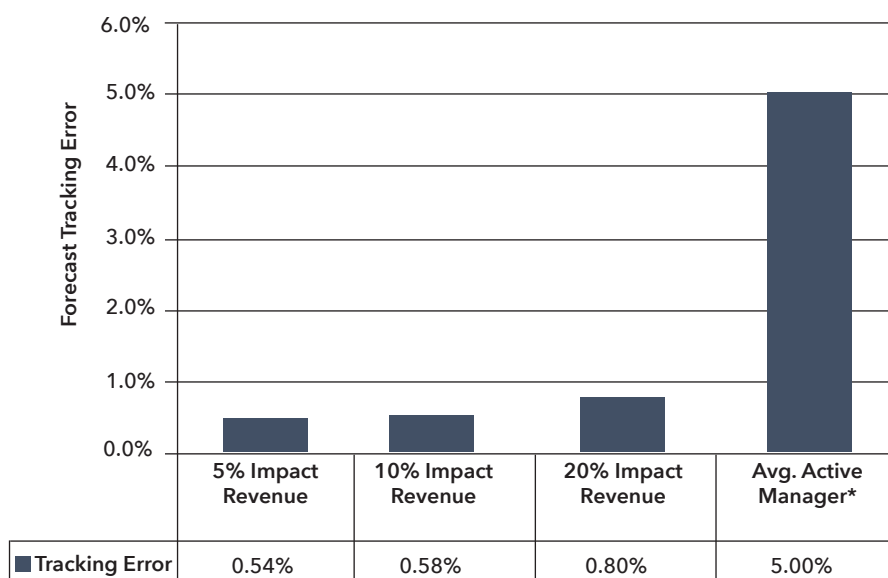
The MSCI World Index is an equity benchmark for global developed markets performance. It is a capitalization-weighted index covering large and mid-sized companies. The index includes approximately 1,600 stocks from 23 developed markets countries.

## Portfolio Construction

The Aperio Environmental Impact strategy is the result of a rigorous two-part process combining both negative and positive screening. First, Aperio evaluates an initial universe of 2,303 publicly traded companies, including only those with top environmental performance with respect to **toxic emissions, waste, and chemical or oil spills.** Second, Aperio evaluates those companies based on what percentage of their revenue derives from each of five sustainability themes described in the Investment Objective above.

The universe of companies is then optimized to target average revenue from innovation in sustainability of 5%, 10%, or 20% respectively, while replicating the risk characteristics of the MSCI World Index. As a result, a client is able to achieve a broadly diversified portfolio while avoiding companies with relatively poor environmental records, and also overweighting companies that are helping to solve the world's environmental problems.

## Tracking Error vs. Screening



\*Source: Based on a survey of Callan Associates, Inc., Mercer Investment Consulting and Watson Wyatt Worldwide. For details see GMO. 2007. White Paper, "What Should You Pay For Alpha?"

## Quantitative Approach to SRI

Aperio's Socially Responsive Indexing represents a new approach to SRI investing for institutions, foundations and multi-generational families. With Aperio's data-driven, disciplined approach, our Socially Responsive Indexing strategy is managed to obtain the performance and cost advantages provided by passive index strategies, while at the same time providing customization that satisfies a client's unique social philosophy.

## Proxy Voting & Shareholder Engagement

For investors seeking to further leverage their share holdings, corporate engagement and proxy voting programs can be incorporated into the strategy upon request. A leading third party vendor engages companies on issues including: global warming, protecting the environment, access to water and encouraging corporate responsibility.

# Socially Responsive Indexing:

## ENVIRONMENTAL IMPACT SERIES - GLOBAL



2nd Quarter, 2015

### Portfolio Characteristics as of 6/30/2015

| Overview Statistics      | 5% Impact Revenue | 10% Impact Revenue | 20% Impact Revenue | MSCI World Index |
|--------------------------|-------------------|--------------------|--------------------|------------------|
| Sustainability Revenue*  | 5.00%             | 10.00%             | 20.00%             | 2.00%            |
| Number of Securities     | 450               | 448                | 405                | 1644             |
| Initial Tracking Error** | 0.54%             | 0.58%              | 0.80%              | 0.00%            |
| Standard Deviation**     | 12.29%            | 12.28%             | 12.28%             | 12.24%           |
| Beta versus Benchmark**  | 1.00              | 1.00               | 1.00               | 1.00             |
| Wtd. Avg. Market Cap     | \$86.7B           | \$87.3B            | \$87.4B            | \$93.5B          |
| Dividend Yield           | 2.47%             | 2.47%              | 2.45%              | 2.46%            |
| Price to Earnings (TTM)  | 19.34             | 19.28              | 19.17              | 19.19            |
| Price to Book            | 2.28              | 2.26               | 2.24               | 2.24             |

| Sector Allocation %    | 5% Impact Revenue | 10% Impact Revenue | 20% Impact Revenue | MSCI World Index |
|------------------------|-------------------|--------------------|--------------------|------------------|
| Consumer Discretionary | 13.37             | 13.27              | 12.70              | 13.15            |
| Consumer Staples       | 8.48              | 8.46               | 8.29               | 9.65             |
| Energy                 | 6.49              | 6.28               | 5.67               | 7.26             |
| Financials             | 21.87             | 21.44              | 19.69              | 20.97            |
| Health Care            | 13.34             | 12.97              | 11.96              | 13.52            |
| Industrials            | 11.58             | 12.27              | 15.65              | 10.74            |
| Information Technology | 12.96             | 13.00              | 12.21              | 13.30            |
| Materials              | 4.72              | 4.57               | 4.09               | 5.08             |
| Telecommunications     | 3.06              | 3.05               | 3.28               | 3.29             |
| Utilities              | 4.13              | 4.69               | 6.46               | 3.04             |

\* Sustainability Revenue - weighted average revenue derived from sustainability themes: alternative energy, sustainable water, green building, energy efficiency, and pollution prevention.

\*\*Forecasted

### 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  
Socially Responsive Indexing: \$2.0 Billion

**APERIO GROUP LLC**  
Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

### Disclosures:

This presentation is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

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. The MSCI World is a total return index and represents an unmanaged group of securities generally considered to represent the performance of the broad cross section of the U.S. and developed international equity securities market. 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.

## Investing in environmentally beneficial products and services

The Global Environmental Impact (GEI) Score helps investors who are interested in tilting their portfolios toward companies that are seeking to solve environmental challenges.

GEI data are drawn from MSCI ESG Clean TechMetrics and measure the percentage of revenue a company receives from alternative energy, energy efficiency, green building, pollution prevention, and sustainable water. Aperio uses this percentage as the GEI Score. GEI Scores range from 100 to 1. GEI Scores of 100 mean that 100% of company revenue is from the five themes; a score of 40 means that 40% of a company's revenue is from the five themes.

In compiling the Clean TechMetrics, MSCI ESG Research reviews all companies in the MSCI ACWI Investable Market Index at least annually to identify which ones derive at least 1% of revenue from the five themes. MSCI's sources include corporate documents such as annual reports, sustainability reports, securities filings, and corporate websites, as well as online financial and business databases.

### GEI Universe Summary

|  |     |
|--|-----|
| # of companies with at least 1% of revenue from the 5 GEI themes | 346 |
|--|-----|

|   |     |
|---|-----|
| Percentage of US companies in the GEI universe* | 82% |
|---|-----|

|  |     |
|--|-----|
| Percentage of non-US companies (including emerging markets) in the GEI universe* | 18% |
|--|-----|

\* The GEI Universe contains 211 investable US and ADR securities with at least 1% of revenue from the 5 GEI themes. Investability is determined by minimum Aperio standards for market capitalization and liquidity.

By overweighting companies with a higher percentage of revenue from these environmental themes (compared to their benchmark index weights), Aperio can tilt the portfolio toward GEI in the same way it might tilt the portfolio toward dividend yield at a client's request.

The typical weighted-average GEI percentage in a benchmark index is less than 3%. For example, as of 12/31/2014 the MSCI World Index had a GEI Score of 2.00. This means that for the companies in the index, the weighted-average revenue derived from the five sustainability themes was 2.00%. In constructing portfolios for clients desiring a GEI tilt, Aperio often tilts to three to five times this benchmark level.

### Social Research Experience

Aperio's environmental, social, and corporate governance (ESG) professionals specialize in using data from leading researchers including:

- IW Financial
- EIRIS
- MSCI/KLD
- Bloomberg

### ESG Areas of Knowledge

- Environment
- Climate Change
- Human Rights
- Labor/Employee
- Corporate Governance
- CEO Compensation
- Animal Welfare
- Faith-Based
- Sustainable Agriculture



### Description of the GEI Themes

The GEI Score is used in portfolio construction as an aggregation of the five themes, not as individual scores for each theme.

**Alternative Energy**—Products and services that promote the generation of power using renewable or cleaner sources (i.e., cleaner than fossil fuels) or the development of alternative energy technology.

**Energy Efficiency**—Products and services that deliver equal or superior performance while reducing energy use and natural resource consumption, when compared to conventional offerings.

**Green Building**—Building material suppliers; home builders; or property managers that directly support and have a confirmed commitment to achieving sustainable building standards (i.e., LEED, Energy Star Homes, or other recognized standards of sustainable building) for all new construction.

**Pollution Prevention**—Products and services focused on pollution prevention and waste minimization or recycling, including source reduction, in-process recycling, reuse/reclamation, resource recovery, and treatment/abatement.

**Sustainable Water**—Products and services focused on water and wastewater treatment; water infrastructure; or water resource management and efficiency.

### Why don't all companies have GEI Scores?

Not all companies are involved in these environmentally innovative lines of business, but a portfolio tilted toward environmental innovators will be overweighted toward these lines of business compared to the underlying benchmark index. The MSCI dataset captures only companies where at least 1% of revenue is associated with these activities. Companies with less than 1% are factored into the portfolio with a GEI Score of zero.

### Can my portfolio be constructed based on a GEI and a Social Score?

The GEI overlay can be used as a standalone environmental, social, and governance (ESG) input for portfolio construction, or it can be used in conjunction with a Social Score and/or other ESG exclusions. If it is used with a Social Score, the optimizer will manage three factors: a target GEI Score, a target Social Score, and tracking error reduction. Note that there is no direct relationship between the GEI Score and the Social Score. For example, an investor's Values Policy Statement might emphasize sustainability-management issues, on which a particular company might score poorly even though it has a relatively high GEI Score based on its revenue percentage from clean technology products. Conversely, a company with a low GEI Score might have a relatively high sustainability-management score. This company may not even be in an industry represented within the five GEI themes.

### What does a 10% or 20% tilt mean?

The portfolio tilt is the target weighted-average percentage of revenue from the five themes. In practical terms, this means that during portfolio construction Aperio will seek to include companies that have higher GEI scores in the portfolio at higher weightings than a portfolio with no target GEI score would. A higher portfolio tilt may result in a more concentrated portfolio with more companies with higher GEI Scores in the top holdings of the portfolio, and it will also result in a higher tracking error. Due to a focus on new technologies and emerging industries, GEI companies may be less stable and more susceptible to adverse developments, and their securities may be smaller in size, more volatile, and less liquid than the overall securities market.

### Client Types

- Individual Investors
- Multigenerational Families
- Family Foundations
- Community Foundations
- Think Tank Endowments
- College Endowments

### Communications Management

- One-on-One Conversations
- Group Meetings
- Consensus Building
- Information Gathering from Multiple Stakeholders



### How often are the data updated?

MSCI updates its research annually. MSCI ESG Research will remove a company from the theme if it determines conclusively that the company is no longer involved with the relevant activity or if it falls below the 1% revenue threshold. In addition, MSCI ESG Research will remove a company from a business involvement list if after three years it cannot confirm ongoing evidence of the company's involvement with the relevant activity.

### What companies are in the GEI universe?

Here are examples of companies in each theme. Currently there are no companies that derive revenue from multiple themes.

|   | Alternative<br>Energy | Energy<br>Efficiency | Green<br>Building | Pollution<br>Prevention | Sustainable<br>Water | GEI<br>Score |
|---|-----------------------|----------------------|-------------------|-------------------------|----------------------|--------------|
| PG&E Corp.                              | 34%                   | -                    | -                 | -                       | -                    | 34           |
| Cummins Inc.                            | -                     | 40%                  | -                 | -                       | -                    | 40           |
| Corporate<br>Office<br>Properties Trust | -                     | -                    | 50%               | -                       | -                    | 50           |
| Clarcor Inc.                            | -                     | -                    | -                 | 93%                     | -                    | 93           |
| Aqua America                            | -                     | -                    | -                 | -                       | 100%                 | 100          |

Data as of June 30, 2014

**PG&E** (Pacific Gas & Electric) generates alternative energy in the form of hydroelectric, wind, solar, and biomass, among others.

**Cummins Inc.** produces natural gas and diesel engines and engine-related components and power-generation equipment.

**Corporate Office Properties Trust** is a commercial real estate company that operates multiple buildings in accordance with LEED standards.

**Clarcor Inc.** manufactures filters for waste and pollution control, including air filters, carbon filters, wastewater filters, and air pollution control systems.

**Aqua America** provides water and wastewater services.

This information has been carefully compiled from sources Aperio believes to be reliable, but its accuracy cannot be guaranteed. This is provided for information purposes only and should not be solely relied upon when making an investment decision. It is provided with the understanding that we are not engaged in rendering legal, accounting, or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor. It is recommended that all investors seek out the services of competent professionals in any of the aforementioned areas. Individual account performance will vary and depend on specific circumstances. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not indicative of future results. Every investment program has the potential for loss as well as gain.

Aperio Group LLC  
Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

# Socially Responsive Indexing: ISLAMIC VALUES–GLOBAL

## Investment Objective

The Islamic Values–Global strategy seeks to match the pre-tax performance of the MSCI ACWI Index while adhering to generally accepted Sharia investment principles. For taxable investors, the strategy also attempts to improve 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.

## ESG Screening

Exclusions (avoid companies with > 5% revenue from the following): alcohol, tobacco, pork-related products, financial services, defense/weapons, gambling/casinos, music, hotels, cinema, and adult entertainment.

Financial screening (avoid companies deriving significant income from interest or companies that have excessive leverage): total debt over total assets, cash plus interest-bearing securities over total assets, and accounts receivables plus cash over total assets must not exceed 33.33%.

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

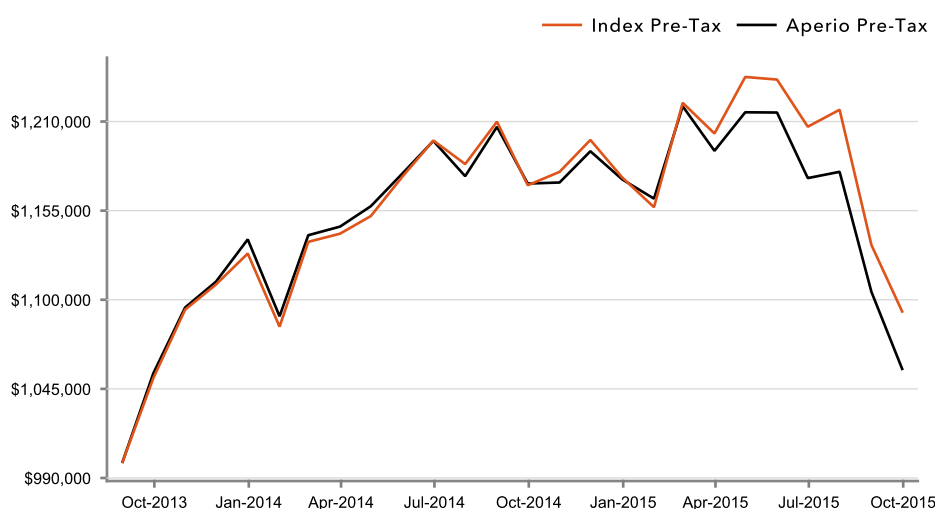
|                       | 3 Month | YTD   | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|-----------------------|---------|-------|--------|--------|--------|---------|-----------|
| Pre-Tax (Net of Fees) |         |       |        |        |        |         |           |
| Aperio Strategy       | -10.02  | -9.96 | -9.76  | -      | -      | -       | 2.71      |
| Benchmark             | -9.45   | -7.04 | -6.66  | -      | -      | -       | 4.35      |

Composite inception date = 08/31/2013. Performance is shown net of fees and transaction costs and includes a 0.50% management fee. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Quantitative Approach to SRI

Aperio's data-driven approach to SRI integrates leading third-party ESG research and sophisticated multi-factor models to deliver low-cost portfolios that closely match the risk-and-return characteristics of broad market indices. Aperio's SRI portfolios conform to industry standards on ESG issues, but can also be customized to meet each client's unique social philosophy.

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



## Portfolio Characteristics as of 09/30/15

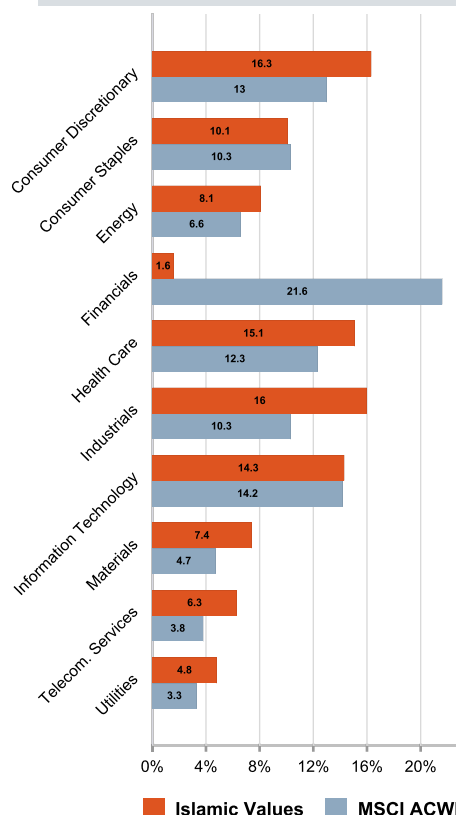
| Overview Statistics     | Islamic Values | MSCI ACWI |
|-------------------------|----------------|-----------|
| Number of Securities    | 294            | 2,480     |
| Initial Tracking Error* | 1.33%          | 0.00%     |
| Standard Deviation*     | 12.96%         | 12.71%    |
| Beta vs. Benchmark*     | 0.99           | 1.00      |
| Wtd. Avg. Market Cap    | \$55.3B        | \$82.1B   |
| Dividend Yield          | 2.82%          | 2.72%     |
| Price to Earnings (TTM) | 18.09          | 16.92     |
| Price to Book           | 2.00           | 1.93      |

\*Forecasted

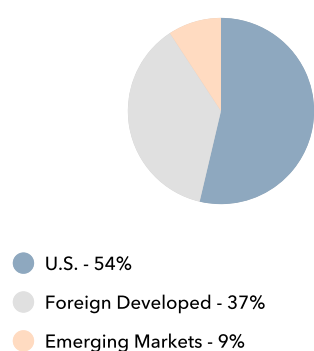
# Socially Responsive Indexing: ISLAMIC VALUES–GLOBAL

3rd Quarter, 2015

## Sector Allocation



## Market Exposure



## Top 10 Holdings

| Company           | Weight (%) |
|-------------------|------------|
| PUBLIC STORAGE    | 1.6        |
| NIPPON TELEGRAPH  | 1.4        |
| CANON             | 1.3        |
| NESTLE            | 1.3        |
| NOVARTIS          | 1.2        |
| AT&T              | 1.2        |
| HOME DEPOT        | 1.2        |
| CVS HEALTH        | 1.1        |
| JOHNSON & JOHNSON | 1.0        |
| PFIZER            | 1.0        |

## Country Allocation

| Country Allocation (%) | Islamic Values | MSCI ACWI |
|------------------------|----------------|-----------|
| United States          | 53.7           | 52.8      |
| Japan                  | 7.5            | 7.8       |
| United Kingdom         | 7.2            | 7.0       |
| France                 | 4.3            | 3.5       |
| Switzerland            | 4.2            | 3.3       |
| Germany                | 3.8            | 3.1       |
| Canada                 | 2.5            | 3.0       |
| China                  | 2.4            | 2.3       |
| Netherlands            | 1.7            | 1.0       |
| Australia              | 1.4            | 2.2       |
| Mexico                 | 1.2            | 0.5       |
| Taiwan                 | 1.2            | 1.2       |
| India                  | 1.0            | 0.9       |
| Sweden                 | 1.0            | 1.0       |
| Other                  | 6.7            | 10.4      |

## 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  
Socially Responsive Indexing: \$2.0 Billion

### APERIO GROUP LLC

Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

## Disclosures:

This presentation is intended for professional use and is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

Portfolio holdings and characteristics have been calculated using a model account. Client accounts may vary. The performance shown is for the Islamic Values Global Composite and is net of fees. The Composite includes Aperio's longest-running fully discretionary Islamic Values Global 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 0.50%—the highest fee paid by an account in the composite. Investment advisory fees and other policies are described in Part 2A of Form ADV. The strategy is actively managed and the structure may be at variance to the benchmark index. The MSCI ACWI Index is a total-return index generally considered to represent the performance of a broad cross section of the global equity securities market. 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.

# Socially Responsive Indexing: IRAN-FREE

## Investment Objective

The Iran-Free strategy seeks to match the pre-tax performance of the MSCI World Index while excluding companies with any operations linked to Iran—deemed the world's "most active state sponsor of terrorism" by the US Department of State. For taxable investors, the strategy also attempts to improve 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.

## ESG Screening

The screening process evaluates companies on a wide range of ESG issues to determine their suitability in the portfolio.

Exclusions (avoid companies involved in the following): direct operations in Iran, partnerships with the government of Iran and/or with Iranian companies, financial support of Iran-based commercial activities, or direct sales to Iranian entities during the past three years.

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

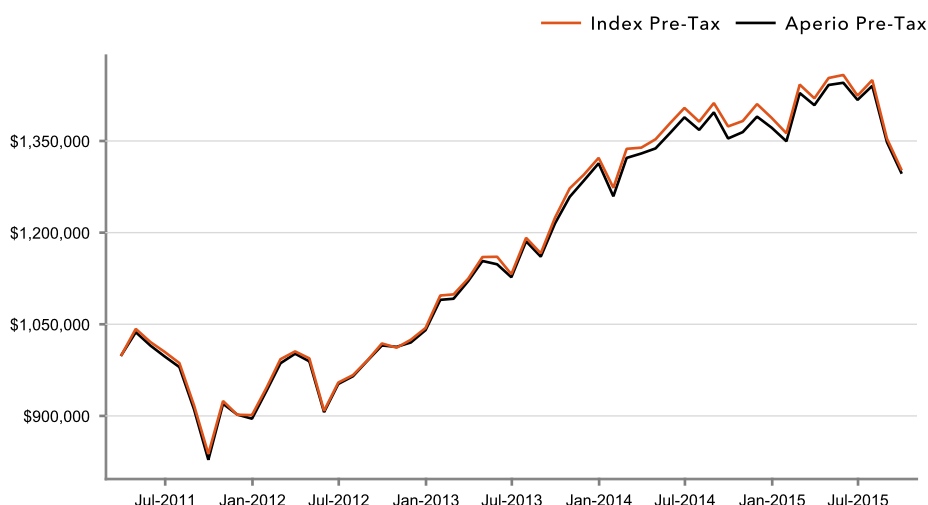
|                       | 3 Month | YTD   | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|-----------------------|---------|-------|--------|--------|--------|---------|-----------|
| Pre-Tax (Net of Fees) |         |       |        |        |        |         |           |
| Aperio Strategy       | -8.39   | -5.34 | -4.12  | 8.54   | -      | -       | 5.97      |
| Benchmark             | -8.45   | -6.04 | -5.09  | 8.58   | -      | -       | 6.07      |

Composite inception date = 03/31/2011. Performance is shown net of fees and transaction costs and includes a 0.50% management fee. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures.

## Quantitative Approach to SRI

Aperio's data-driven approach to SRI integrates leading third-party ESG research and sophisticated multi-factor models to deliver low-cost portfolios that closely match the risk-and-return characteristics of broad market indices. Aperio's SRI portfolios conform to industry standards on ESG issues, but can also be customized to meet each client's unique social philosophy.

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



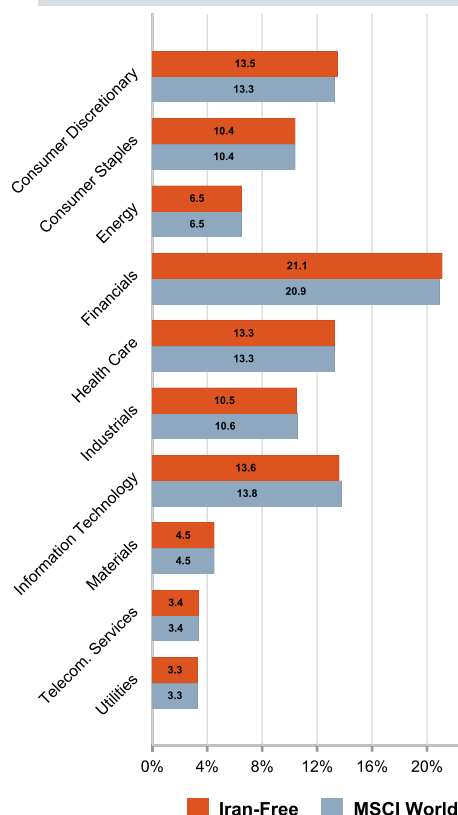
## Portfolio Characteristics as of 09/30/15

| Overview Statistics     | Iran-Free | MSCI World |
|-------------------------|-----------|------------|
| Number of Securities    | 452       | 1,643      |
| Initial Tracking Error* | 0.61%     | 0.00%      |
| Standard Deviation*     | 13.09%    | 12.64%     |
| Beta vs. Benchmark*     | 1.01      | 1.00       |
| Wtd. Avg. Market Cap    | \$82.3B   | \$87.3B    |
| Dividend Yield          | 2.67%     | 2.69%      |
| Price to Earnings (TTM) | 17.38     | 17.67      |
| Price to Book           | 2.17      | 2.03       |

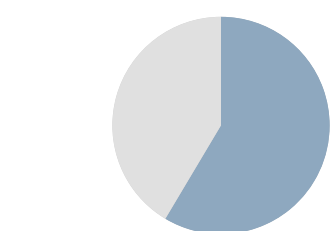
\*Forecasted

# Socially Responsive Indexing: IRAN-FREE

## Sector Allocation



## Market Exposure



● U.S. - 59%  
● Foreign Developed - 41%

## Top 10 Holdings

| Company              | Weight (%) |
|----------------------|------------|
| APPLE                | 2.3        |
| GOOGLE               | 1.3        |
| MICROSOFT            | 1.2        |
| EXXON MOBIL          | 1.2        |
| JOHNSON & JOHNSON    | 1.1        |
| TOYOTA MOTOR         | 1.1        |
| ABB                  | 1.1        |
| JPMORGAN CHASE       | 0.9        |
| COMPAGNIE FINANCIERE | 0.8        |
| WESTPAC BANKING      | 0.8        |

## Country Allocation

| Country Allocation (%) | Iran-Free | MSCI World |
|------------------------|-----------|------------|
| United States          | 58.6      | 58.4       |
| Japan                  | 8.6       | 8.6        |
| United Kingdom         | 7.7       | 7.8        |
| France                 | 4.2       | 3.8        |
| Germany                | 3.5       | 3.4        |
| Switzerland            | 3.4       | 3.7        |
| Canada                 | 3.3       | 3.4        |
| Australia              | 2.6       | 2.5        |
| Spain                  | 1.4       | 1.3        |
| Sweden                 | 1.3       | 1.1        |
| Netherlands            | 1.0       | 1.1        |
| Hong Kong              | 0.9       | 1.2        |
| Italy                  | 0.9       | 1.0        |
| Denmark                | 0.7       | 0.7        |
| Other                  | 1.9       | 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  
Socially Responsive Indexing: \$2.0 Billion

### APERIO GROUP LLC

Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

## Disclosures:

This presentation is intended for professional use and is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

Portfolio holdings and characteristics have been calculated using a model account. Client accounts may vary. The performance shown is for the Iran-Free Composite and is net of fees. The Composite includes Aperio's longest-running fully discretionary Iran-Free 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 0.50%—the highest fee paid by an account in the composite. Investment advisory fees and other policies are described in Part 2A of Form ADV. The strategy is actively managed and the structure may be at variance to the benchmark index. The MSCI World Index is a total-return index generally considered to represent the performance of a broad cross section of the developed world equity securities market. 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.

# Socially Responsive Indexing: ANIMAL-FRIENDLY

## Investment Objective

The Animal-Friendly strategy seeks to match the pre-tax performance of the Russell 1000 Index while excluding companies whose business practices are considered inhumane. For taxable investors, the strategy also attempts to improve 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.

## ESG Screening

Exclusions (avoid companies that):

- National humane societies have a campaign against;
- Engage in raising, trapping, or slaughtering animals for their fur;
- Conduct non-required animal testing of non-pharma or non-medical products;
- Operate factory farms;
- Are engaged in the animal entertainment industry;
- Conduct animal testing of pharmaceuticals and medical devices;
- Have > 50% of revenue from the retail sale of products whose origin, production, or processing is considered inhumane.

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

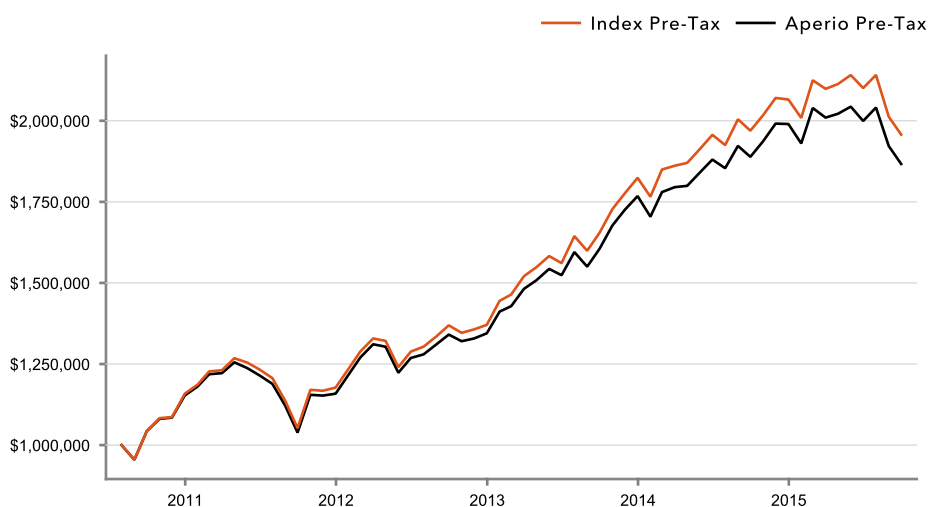
|                       | 3 Month | YTD   | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|-----------------------|---------|-------|--------|--------|--------|---------|-----------|
| Pre-Tax (Net of Fees) |         |       |        |        |        |         |           |
| Aperio Strategy       | -6.63   | -6.19 | -1.16  | 11.67  | 12.35  | -       | 12.84     |
| Benchmark             | -6.83   | -5.24 | -0.61  | 12.65  | 13.42  | -       | 13.88     |

Composite inception date = 07/31/2010. Performance is shown net of fees and transaction costs and includes a 0.45% management fee. Past performance is not a guarantee of future results. Please see the reverse for other important disclosures

## Quantitative Approach to SRI

Aperio's data-driven approach to SRI integrates leading third-party ESG research and sophisticated multi-factor models to deliver low-cost portfolios that closely match the risk-and-return characteristics of broad market indices. Aperio's SRI portfolios conform to industry standards on ESG issues, but can also be customized to meet each client's unique social philosophy.

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



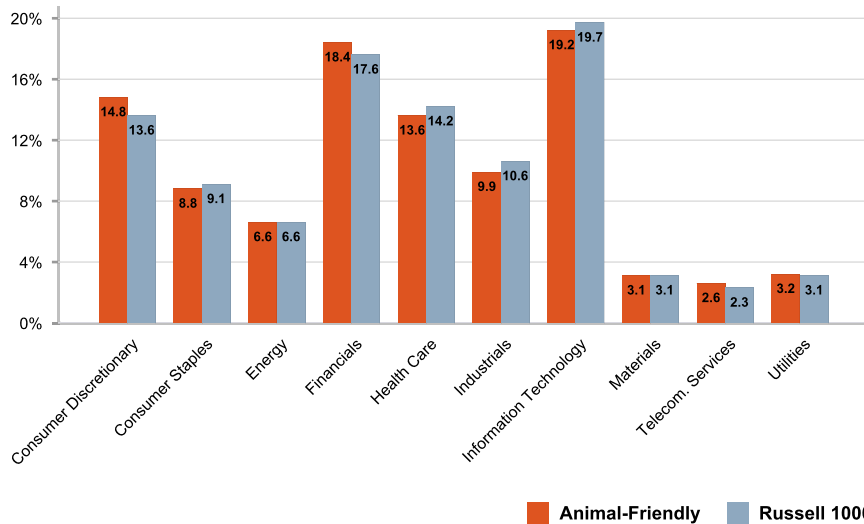
## Portfolio Characteristics as of 09/30/15

| Overview Statistics     | Animal-Friendly | Russell 1000 |
|-------------------------|-----------------|--------------|
| Number of Securities    | 375             | 1,031        |
| Initial Tracking Error* | 0.76%           | 0.00%        |
| Standard Deviation*     | 13.69%          | 13.59%       |
| Beta vs. Benchmark*     | 1.01            | 1.00         |
| Wtd. Avg. Market Cap    | \$101.3B        | \$105.5B     |
| Dividend Yield          | 2.20%           | 2.21%        |
| Price to Earnings (TTM) | 18.50           | 19.11        |
| Price to Book           | 2.58            | 2.57         |

\*Forecasted

# Socially Responsive Indexing: ANIMAL-FRIENDLY

## 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

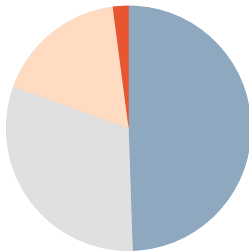
### ALAN CUMMINGS, PhD

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

### ROBERT TYMOCZKO

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

## Market Cap Allocation



- Mega Cap (Over \$50 Billion) - 49%
- Large Cap (\$15 Billion-\$50 Billion) - 31%
- Mid Cap (\$2 Billion-\$15 Billion) - 17%
- Small Cap (Under \$2 Billion) - 2%

## Top 10 Holdings

| Company            | Weight (%) |
|--------------------|------------|
| APPLE              | 3.5        |
| MICROSOFT          | 2.0        |
| GOOGLE             | 1.9        |
| EXXON MOBIL        | 1.8        |
| BERKSHIRE HATHAWAY | 1.4        |
| JPMORGAN CHASE     | 1.4        |
| PFIZER             | 1.4        |
| WELLS FARGO        | 1.3        |
| AMAZON             | 1.2        |
| MERCK              | 1.1        |

## Assets Under Management

Total Firm: \$11.8 Billion  
Socially Responsive Indexing: \$2.0 Billion

### APERIO GROUP LLC

Three Harbor Drive, Suite 315  
Sausalito, CA 94965

415.339.4300  
info@aperiogroup.com  
www.aperiogroup.com

### Disclosures:

This presentation is intended for professional use and is provided for informational purposes only. The information contained was carefully compiled from sources Aperio believes to be reliable, but we cannot guarantee accuracy. We provide this information with the understanding that we are not engaged in rendering legal, accounting or tax services. In particular, none of the examples should be considered advice tailored to the needs of any specific investor or a recommendation to buy or sell any securities. We recommend that all investors seek out the services of competent professionals in any of the aforementioned areas. With respect to the description of any investment strategies, simulations, or investment recommendations, we cannot provide any assurances that they will perform as expected and as described in our materials. Past performance is not a guarantee of future results. Every investment program has the potential for loss as well as gain.

Portfolio holdings and characteristics have been calculated using a model account. Client accounts may vary. The performance shown is for the Animal-Friendly Composite and is net of fees. The Composite includes Aperio's longest-running fully discretionary Animal-Friendly 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 0.45%—the highest fee paid by an account in the composite. Investment advisory fees and other policies are described in Part 2A of Form ADV. 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.

## EXCLUSIONS

Avoid companies involved in the following

- |   |                                      |  |  |
|---|--------------------------------------|--|--|
| <input type="radio"/> Abortion            | <input type="radio"/> Animal Testing | <input type="radio"/> Gambling           | <input type="radio"/> Stem Cells*          |
| <input type="radio"/> Adult Entertainment | <input type="radio"/> Contraceptives | <input type="radio"/> Military & Defense | <input type="radio"/> Tobacco              |
| <input type="radio"/> Alcohol             | <input type="radio"/> Firearms*      | <input type="radio"/> Nuclear Power      | Category Descriptions & Notes on next page |

## VALUES SCORING

Emphasize companies that score well in the following areas

CATEGORY

PRIORITY

WHAT ELSE SHOULD WE KNOW?

### ESG ENVIRONMENT

- |   |                               |                              |                              |                              |
|---|-------------------------------|------------------------------|------------------------------|------------------------------|
| <input type="radio"/> <b>Pollution</b><br>Are companies effectively minimizing their environmental impacts? How does their performance compare on issues like toxic chemicals, oil and chemical spills, and environmental fines, as well as energy and water use? | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |
| <input type="radio"/> <b>Environmental Innovation</b><br>Are companies actively pursuing business opportunities involving alternative energy, clean technology, sustainable water, green building, and pollution prevention?                                      | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |
| <input type="radio"/> <b>Climate Change</b><br>Are companies actively managing their carbon footprint through policies and disclosure? How are their greenhouse gas emissions?  | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |
| <input type="radio"/> <b>Environmental Policies and Disclosure</b><br>Are companies proactive in disclosing environmental information about their operations? Are they aggressive in developing environmental policies and management systems?                    | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |

### ESG SOCIAL

- |  |                               |                              |                              |                              |
|--|-------------------------------|------------------------------|------------------------------|------------------------------|
| <input type="radio"/> <b>Community and Politics</b><br>Are companies proactive in their communities? Are they transparent about how they engage politically? What is the relative scope of their lobbying efforts?*                    | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |
| <input type="radio"/> <b>Diversity</b><br>How many women and minorities are in a company's workforce and in its management? How much does a company disclose about its diversity?*   | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |
| <input type="radio"/> <b>Human Rights</b><br>Are companies proactive in developing human rights policies that address issues like child labor and sweatshops? Do companies operate in countries where human rights abuses are endemic? | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |
| <input type="radio"/> <b>Sexual Orientation</b><br>Are companies treating gay and lesbian employees the same as they treat heterosexual employees?*  | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |
| <input type="radio"/> <b>Workforce</b><br>What are companies' relationships to their employees? To organized labor? Have there been strikes? Has the company been disciplined for discriminatory activities?                           | high<br><input type="radio"/> | med<br><input type="radio"/> | low<br><input type="radio"/> | N/A<br><input type="radio"/> |





## GOVERNANCE

☐ **Board Oversight and Structures**

Are companies following "good governance" practices? Are company boards assuming full responsibility for environmental and social policies?

high med low N/A  
☐ ☐ ☐ ☐

☐ **CEO Compensation**

Are CEOs paid too much? Is the structure of their compensation packages appropriate?\*

high med low N/A  
☐ ☐ ☐ ☐

## TELL US MORE

## What issues are particularly important to you?

Please elaborate on your priorities, either negative or positive positions.

## NOTES

## For further customization of your portfolio

**Exclusions:** It is possible to use any of the categories listed in the Exclusions section for scoring if this approach suits your values profile.

**Values Scoring:** If certain thresholds of behavior/performance rise to the level warranting automatic exclusion from your portfolio, please note the specifics on the questionnaire.

We may be able to screen for other industries, companies or categories that are not listed on this questionnaire. If there are issues that are important to you that you do not see on the questionnaire, please let us know.

In addition to portfolio customization, Aperio Group can also implement proxy voting and active shareholder engagement services.

(\*) For all Categories designated as such, criteria in these areas do not currently support the evaluation of non-US companies. Research supporting other criteria may be different in how it supports the evaluation of non-US companies.

## DESCRIPTIONS

## Category descriptions from Exclusions section on page 1

**Abortion** • Businesses that manufacture abortifacients or provide voluntary abortion services.

**Adult Entertainment** • Businesses that produce "pornography", less explicit "mature" material, sexually explicit live performances, and internet hosting of sexually explicit material.

**Alcohol** • Businesses that manufacture, or distribute wholesale, alcoholic beverages.

**Animal Testing** • Businesses that use animals to test products, including pharmaceutical or non-pharmaceutical products.

**Contraceptives** • Business that manufacture pregnancy contraceptive products.

**Firearms** • Businesses that manufacture firearms or ammunition for civilian markets.\*

**Gambling** • Businesses that own or operate gaming operations.

**Military & Defense** • Businesses that supply militaries and military markets with weapons and non-weapon support.

**Nuclear Power** • Businesses that generate or sell electricity produced from nuclear power.

**Stem Cells** • Businesses that conduct stem cell research.\*

**Tobacco** • Businesses that process tobacco or manufacture or wholesale tobacco products.

(\*) Criteria in these areas do not currently support the evaluation of non-US companies. Research supporting other criteria may be different in how it supports the evaluation of non-US companies.

## **First Universalist Church of Minneapolis**

### **Fiscal Policies and Procedures**

In order for First Universalist Church of Minneapolis's accounting procedures to be effective, internal controls are put in place to safeguard the organization's financial assets against errors and misstatements. Duties are to be segregated between employees and/or employees and volunteers (i.e. one employee handles cash deposits, another records the transaction, and another performs an independent check on the account through a reconciliation). All transactions must be documented.

While ultimate responsibility for financial management of the organization rests with the Board, the Board authorizes the Senior Minister to act for the Board in financial matters which must be addressed before the Board is able to meet. The Board authorizes the Senior Minister to oversee the day-to-day financial management and to hire and supervise staff and consultants, pay bills, receive funds, enter into contracts, and maintain bank accounts. These activities are to be conducted within the parameters of the annual approved budget, and variances from budget and the reason for those variances are to be reported to the Board.

The organization records transactions on the modified cash basis of accounting. The accounting principles will be consistent with all applicable laws. These include Generally Accepted Accounting Principles (GAAP) and Statements of Financial Accounting Standards

Certain procedures resulting from these accounting pronouncements and releases are discussed below.

#### **Monthly Close**

The church operates on a fiscal year that runs from July 1<sup>st</sup> to June 30<sup>th</sup>. The Accountant prepares the monthly financial statements (Statement of Financial Position, Statement of Activities, and Statement of Cash Flows) including a budget to actual expense report. The Treasurer will review and approve the monthly financial statements. The Board of Directors approves the monthly financial statements on a quarterly basis. The financial statements should be distributed by the Accountant at least four days prior to the mailing of Board meetings.

The cutoff for information in the monthly statements is three weeks after the month end. The Office Manager will maintain a file for each month which includes workpapers which document the balance of each balance sheet account. All balance sheet accounts will be reconciled monthly to help ensure that accurate statements are provided to management and the Board.

### **Bank Reconciliations**

All bank statements will be opened by the Accountant and reviewed monthly in a timely manner. The bank statements will be forwarded to the third party accounting contractor who will prepare the reconciliation within 15 days following month end. The monthly bank reconciliations will be forwarded to Executive Minister or Treasurer for approval.

### **End of Year Accounting Procedures**

The cutoff for June's financial statements is extended to four weeks after year end. Upon completion of June's financial statements, the preliminary year-end report is run by the Accountant given to the Executive Minister and third party accounting contractor for review.

If an annual financial review is required by the Board, the Executive Minister will contact the Contracting Firm as soon as possible after year end to begin planning the work needed to complete the financial review. The Accountant will be responsible for preparing as many of the schedules as possible.

Upon completion of the financial review, the Executive Minister and Accountant will meet with the Contracting Firm to discuss any issues raised, proposed journal entries, the accounting and finance processes and plan improvements for the following year. Within 60 days of such meeting, the Executive Minister will schedule a presentation to the Board by the Contracting Firm.

### **Cash Disbursements**

Unless otherwise modified for absences, the Accountant will print vendor and expense reimbursement checks on a weekly basis. The Accountant will not be an authorized signer on the operating account nor have the rights to initiate the transfer to funds to other than approved vendors. All vendor and expense reimbursement checks will be produced in accordance with the following guidelines:

1. Total cash requirements associated with each check run are monitored by the Accountant in conjunction with available cash balance in bank prior to the release of any checks.
2. All invoices must be reviewed and approved by the Director of the department that ordered the supplies or services. The approved invoice is submitted to the Accountant for payment.
3. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer. (Supporting documentation includes an approved vendor invoice or expense reimbursement form and, if required, an approved purchase requisition form.)
4. Checks shall be utilized in numerical order and unused checks are safeguarded by the Accountant.

5. All accounts payable and payroll checks under \$1,000 are signed by the Senior Minister or the Executive Minister. Any check over \$1,000 must have a second signature. The authorized second signers are the Treasurer of the Board, the Executive Minister and the Minister of Membership and Adult Ministries.
6. Any check payable to the Senior Minister will be signed by a second signer.
7. Checks shall never be signed prior to being processed.

The Treasurer and Executive Minister are responsible to insure that only the individuals the Board has authorized as check signers will be permitted to authorize the payment of bills electronically. In addition to the monthly reconciliation, the Treasurer will periodically spot-check the bank statements to compare the bank automatic payments with the vendor statements.

### **Cash Receipts**

Upon delegation by the Senior Minister, the following staff and lay leaders perform various aspects of the financial transactions of the church:

1. Two ushers (members of the congregation) deposit the offerings into a safe on Sunday morning.
2. On Monday morning, a lay leader and Accountant remove the offering and then counts and records the offerings (cash and check) on a deposit log. The lay leader and Accountant returns the cash to a lock bag and places the lock bag in the safe in the office.
3. The Accountant will scan each check electronically. This process immediately updates the donor records ("ACS") and general ledger. The checks will be destroyed 90 days after being processed. The Membership Specialist will record the cash deposit in the donor records.
4. The Accountant and another employee transport on a timely basis the lock bag to the bank for deposit.

Credit card payments are processed by Vanco which are posted electronically to donor records and the general ledger.

The front desk lay leader receives the mail and drop offs and puts them in the Accountant's mail box. These are processed as noted above. Any cash received is stored in the safe for the Monday morning lay leader to process.

### **Credit Cards**

The Board will determine whether there is a compelling need for one or more credit or debit cards ("card"). If the Board does so determine that there is a compelling reason, then the Senior Minister will authorize specific individuals to utilize a card. A cardholder may use the card only for official purposes directly related to the needs of the Church. The cardholder may not use a card for personal purposes, even if he or she plans to reimburse the organization.

The following purchases are not allowed on the card:

- Personal purchases
- Cash advances or loans
- Payroll advances
- Purchases for other organizations
- Alcohol
- Personal entertainment
- Fuel for personal vehicles
- Purchases from a business the cardholder owns or operates unless pre-approved by the Board
- Any item inconsistent with the mission and values of the organization

The cardholder must keep the original receipt that describes each purchase made on the card. The credit card receipt is not sufficient. Within 5 days after the end of the billing cycle, the cardholder must prepare and sign an expense detail form and attach original receipts and a copy of the purchase request. In the case of meals, the statement must include the names of all persons at the meal and a brief description of the business purpose, in accordance with IRS regulations.

The cardholder must notify the bank and the organization immediately in the event that the card is lost or stolen. A cardholder will immediately surrender his or her card upon termination or upon giving notice that he or she is resigning from CPCC.

### **Procurement**

The Executive Minister will determine whether a competitive bid process is required for a capital expenditure. If they so determine, a minimum of three bids are required, if practical. The Executive Minister will identify the successful bidder. Board approval is required if the low bidder is not selected or a bidding process was not utilized. Any capital assets or contractual services not budgeted by the Board must be approved by the Board prior to soliciting bids.

### **Physical Security**

The safeguarding of all physical assets of the church (i.e., building, grounds, keys, pass codes, and equipment) is the responsibility of the Facilities and the Operations Manager.

### **Budgeting Process**

The church's annual and capital budget is prepared by the Senior Management Team comprised of the Senior Minister and the Executive Minister. The draft budget is reviewed by the Finance Committee and Board of Trustees. The draft budget, with input from the Finance Committee and Board of Trustees, is reviewed by the membership in May at a budget hearing meeting. The final proposed budget is approved by the membership at the annual meeting held in June each year.

### **Revenue & Pledges Receivable**

Annually, the Pledge Team and Senior Minister prepare a pledge campaign. Upon receipt of the pledge cards, the Membership Specialist records the pledges in ACS and donor acknowledgements. The Executive Minister and Accountant review on a quarterly basis the outstanding pledges to determine possible losses. Statements are sent or made available via our website quarterly. If necessary, calls may be made to prompt members to meet their pledge. Any difference between outstanding pledges receivable and the allowance account at the end of the second fiscal year will be written off.

### **Payroll Procedures**

The payroll will be administered in accordance with the Employee Personnel Handbook. A file is established and maintained for all employees with current documentation. The following forms, documents, and information shall be obtained and included in the personnel files of all new employees:

1. Resume, if applicable
2. Applicant references
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding
5. Certificate Form W-4MN, if elected
6. Form I-9 Employment Eligibility Verification
7. Copy of driver's license and social security card or US Passport
8. Starting date and scheduled hours
9. Job title and starting salary
10. Authorization for direct deposit of paycheck, along with a voided check or deposit slip
11. Job description
12. Enrollment documentation for health, dental, vision. LTD/STD, 401K and, if applicable, Wage garnishments orders.

Payroll will be processed by a Board approved third party payroll service provider. The payroll is prepared semi-monthly on the 15<sup>th</sup> and the last day of the month. All hourly employees are required to record time worked, holidays and leave taken. All salaried employees are required to report holidays and leave taken. Payroll will be paid on the last day of each pay period.

Each department head will approve all time reports for his/her direct reports. The time reports will be forwarded to Operation Manager who will enter the information into the third party payroll service provider's portal. The Executive Minister will approve the payroll register prior to the employees being paid.

### **Petty Cash**

The Accountant will maintain a small amount of petty cash fund which will be kept in a secure location. The Membership Specialist will pay small postage due requests from these funds and keep a receipt to justify. The Accountant will balance the petty cash as needed and make a request for replenishment (together with the petty cash reconciliation) to the Executive Minister.

### **Employee Expense Reimbursements**

Employees are entitled to reimbursement of expenses incurred during the course of doing their jobs pursuant to the Employee Personnel Handbook. Employees should use the sales tax exemption certificate when making purchases. The Senior Minister's reimbursement will be approved by the Executive Minister.

### **Asset Management**

All general operating funds and investments will be managed pursuant to the Investment Policy.

### **Entity Level Controls**

Entity-Level Controls are internal controls that help ensure that management and the Board directives pertaining to the entire entity are carried out. The following entity level control policies are currently in place:

1. Whistleblower Policy
2. Conflict of Interest Policy
3. Record Retention Policy
4. Finance Committee Charter
5. Personnel Policy Manual
6. Building and Grounds Committee Charter
7. Employee Personnel Handbook
8. Investment Policy

| Governance Committee  |
|---|
| <p>Monday, January 4, 2016 — 6:30-8:00 p.m.</p> <p>Narthex Room, First Universalist Church</p> <p>Attendees: Lark Weller, Richard Spratt, Marion Dane Bauer, David Leppik, Jill Braithwaite</p> |

## **Reading + reflection**

### **January, February monitoring schedule items**

- January:
  - Salary ranges against market conditions
  - Deferred long-term comp and benefits
- February:
  - Review of annual workplan (strategic workplan)
  - Membership and attendance trends
  - Staff compensation/benefits
  - Staff survey
- We discussed the monitoring schedule in general and how it's going with using it. We're fine with how we're currently using the monitoring schedule and how staff is responding to it.

### **Racial justice (RJ) lens and decision points**

- The Board/staff have discussed the possibility of creating a policy to guide the hiring of vendors, contractors (e.g., to ensure that companies owned by people of color are included in the candidate pool).
- Jen Crow shared Unity's vendor policy as something she would like to see 1<sup>st</sup> Universalist consider ([http://www.unityunitarian.org/uploads/6/1/0/3/6103699/policy\\_j\\_-\\_vendor\\_audit.pdf](http://www.unityunitarian.org/uploads/6/1/0/3/6103699/policy_j_-_vendor_audit.pdf))
- Jen suggested a policy like Unity's could help as we approach major capital improvements, especially the upcoming \$100,000 parking lot resurfacing project later this spring.
- We looked at this policy and considered the idea of developing a similar policy for adoption here at 1<sup>st</sup> U using the Race Forward "choice points" guidance.

#### Discussion notes:

- We discussed whether the church should apply choice points to all decisions, or if a combination of choice points and policies such as Unity's vendor policy should be used. One important aspect of this question is our concern that the Board has adopted the choice points process but has acknowledged it struggles to actually use them. Might adopting policies be a shortcut that takes the place of actually engaging in the choice points process and the dialogue required of that process?
- Another view is that a policy like Unity's could be the *result* of the choice points process, and it could be an effective way to put advancement of equity into the very structure of the church (see #5 of the choice points, "What reminders, supports and accountability systems can be structured into routine practices to keep equity as a high priority?").
- We also noted that if staff would like to have a policy like Unity's, they could adopt that policy on their own. Why is the staff looking to the Board for a policy like this? What, if



anything, is stopping the staff from implementing a policy like Unity's? The process of writing a policy and get it approved by the Board could certainly be done, but it is likely to be onerous and time-consuming. Staff adopting its own policy is likely to be more direct and timely for getting to the stated goal.

- As noted above, the point was raised that we all need more practice in using the choice points process effectively and as intended. So instead of starting a policy writing process, for now **the GC recommends that staff continue on its path toward using the choice points process. Specifically, the GC recommends that the Board guide staff to use the choice points process in selecting a vendor for the parking lot project. We also suggest the Board ask staff to report back on this process and other choice points process outcomes (challenges, lessons learned, surprises, etc.).** (In our conversation, a resource was mentioned that might help with vendor selection - Louis King at Summit Academy OIC.)

### **Congregational survey**

- We noted that the Board made a vote of confidence in the existing VGs for use in this year's congregational survey.
- Dave suggests that given that the Board has confidence in the VGs, the GC should go through the survey to see what things we can remove, or things we might want to add or change. For example, some of the demographic questions are open text boxes that could be multiple choice to get better data. **Dave will send the link and login to all committee members, and we'll prepare for next meeting by thinking about the questions, how they reflect the VGs, thinking about it through a racial justice lens, how inclusive is it. Then we'll review it together at the February GC meeting. We'll also consider ways to widen the pool of respondents.**

### **GC goals for this year**

- Racial justice lens and decision points. *(Richard noted that his experience is that the GC is the group he's involved in that has had the most energy and success with using the choice points.)*
- Guidelines to ensure all voices are heard in committee and Board meetings: Update on discussion with the Board in May.
- Congregational survey (evaluate what we are getting from this tool or what we might get from other tools)
- Visionary Goals, and mission evaluation.
- Strategic Plan's upcoming "expiration" (6 years after the VGs were adopted).

**Next meeting: February 1, 6:30-8:00p.**