KBI Global Investors

OUR COMMITMENT TO RESPONSIBLE INVESTING

Long-standing firm wide commitment to Responsible Investing

KBI Global Investors (KBIGI) has a strong commitment to Responsible Investing (RI) issues, and has managed Responsible Investment strategies for more than two decades. The firm was established in 1980 and is headquartered in Dublin, Ireland with an additional office in Boston.

Responsible investing at this firm began in part because of our original Irish client base, which required a faith-based approach to investing. As such, we implemented negative screens into our process as far back as the early 1980s, in order to incorporate various 'ethical' criteria such as humanitarian and animal welfare issues for our clients. Today, our investment process has evolved from the simple negative screens utilised for our original faith-based clients to a fully integrated, decisive commitment to Responsible Investing, serving endowments, foundations, and institutional investors across the globe.

We do not believe that Responsible Investing is a static process. In contrast, it constantly evolves to take account of changing investor preferences, and societal norms. We are continuously striving to enhance our RI policies, practices and products and we expect change to continue to be a constant feature of RI in the years ahead.

We incorporate RI factors into the investment process because we believe that companies with strong governance and whose products and services enhance social or environmental goals should meaningfully outperform over time. Such companies are more likely to have long, durable, sustainable business models.

Responsible Investing can be incorporated into the investment process in three ways. Screening involves excluding stocks that 'fail' ESG criteria. A Thematic ESG approach means investing in certain industries or sectors that have strong ESG credentials throughout the sector. Integration is where ESG information about a company is directly built into the investment process. Currently, approximately 20% of the firm's AUM comprises assets which are managed using all three methods (Screening, Integration and Thematic) while the remainder of the AUM is managed using Screening only or Screening and Integration.

Responsible Investing Committee

The firm has established a high-level Responsible Investing Committee which is co-chaired by two executive directors of the firm (Chief Investment Officer, Noel O'Halloran and Head of Business Development, Geoff Blake). The Committee is made up of senior staff members including our Head of Responsible Investing, our Head of Compliance and various senior product specialists. The Committee has responsibility for all aspects of Responsible Investing, including philosophy, policies, operational issues relating to the implementation of RI factors across existing products, selection of relevant service providers, development of new RI products, Proxy Voting, Engagement, and liaison with external RI organisations and groups. While the committee and its co-chairs have ultimate responsibility within the terms of reference, we have designated ownership for tasks within the committee to ensure efficiency, compliance and ownership.

UNPRI and other Responsible Investing organisations

We have been signatories to the United Nations Principles for Responsible Investment since 2007.

As a signatory, we fully subscribe to the six Principles, as below. We submit a detailed Transparency Report to the UNPRI, annually, setting out our compliance with the principles and this report is publicly available via the UNPRI website.

1. *We will incorporate ESG issues into investment analysis and decision making processes*
2. *We will be active owners and incorporate ESG issues into our ownership policies and practices*
3. *We will seek appropriate disclosure on ESG issues by the entities in which we invest*
4. *We will promote acceptance and implementation of the Principles within the investment industry*
5. *We will work together to enhance our effectiveness in implementing the Principles*
6. *We will each report on our activities and progress towards implementing the Principles*

We also participate in or are signatories to several other responsible investment organisations and initiatives.

- The Institutional Investors Group on Climate Change (IIGCC)
- The Carbon Disclosure Project
- CDP Water Initiative
- The UK Stewardship Code
- US Sustainable Investment Forum (USSIF)

Proxy Voting

The firm has a strong commitment to Active Ownership, and our policy is to vote all securities that we are entitled to vote on behalf of our client portfolios. A Proxy Voting Policy is in place and is reviewed once a year. We employ the services of Institutional Shareholder Services (ISS), the leading provider of proxy voting services, who provide voting recommendations to us based on a pre-agreed set of principles. Those principles are formulated to align our corporate governance philosophies and investment objectives with our proxy voting activities. The RI committee formally reviews the Policy annually.

Recommendations are made using ESG risk indicators to identify moderate to severe ESG risk factors at public companies, and holding culpable board members accountable for failure to sufficiently oversee, manage, or guard against material ESG risks. Those risk indicators cover several topics including the environment, human rights and impacts of business activities on local communities, labour rights and supply chain risks, consumer product safety, bribery and corruption, and governance and risk oversight failures. The guidelines are generally supportive of shareholder proposals that promote greater disclosure and transparency with regard to corporate environmental and social policies, and reporting on sustainable business practices.

We disclose our full proxy voting record on our website with details of all votes.

Engagement

For our Natural Resource Strategies, meetings with company management give our Portfolio Managers the opportunity to raise any issues that they believe may be material to shareowner value. If our analysis detects a serious governance concern, we can raise the issue with company management at meetings in person or via telephone and after further assessing the situation we make an appropriate decision in the best interest of our clients. In addition, as outlined below, we participate in collaborative engagement efforts.

For our Global Equity Strategies, we employ a systematic and rules based investment method to create our diversified portfolios. Our process is designed to create a portfolio with our preferred financial characteristics, and as part of our investment process, we do not visit or directly engage with companies. However, we do participate in collaborative engagements at a firm level based on materiality and items prioritised by the Responsible Investment Committee.

As a specialist boutique asset manager with focused resources, we endeavour to leverage relationships to engage in collective engagement when appropriate. To that end, we are members of or signatories to the initiatives below, and take an active role in those most relevant to us. We have decided to particularly focus on initiatives related to Climate Change and Carbon Risk and have been involved in a number of initiatives in this area. We are members of the Collaboration Platform (formerly the UNPRI Clearinghouse) which is a forum that allows PRI signatories to pool resources, share information and enhance influence on ESG issues.

- The United Nations Principles for Responsible Investment (UNPRI)
- The Institutional Investors Group on Climate Change (IIGCC)
- The Carbon Disclosure Project (now known as CDP)
- CDP Water Initiative

ESG Research

MSCI ESG Research provides us with in-depth research, ratings and analysis of the Environmental, Social and Governance (ESG) related business practices of companies in which we invest or consider investing and provide an overall quantitative score for each company, taking into account all ESG factors. This research is an important input to our investment process and is directly integrated into our Global Equity investment process, as well as being an important input to our Natural Resource Strategies investment process. (It is also used, where required, to exclude companies from our portfolios where those companies are involved with certain controversial activities, either at client request or arising from a policy decision by our firm).

MSCI ESG Research has a global team of 150 experienced research analysts assessing thousands of data points across 37 ESG Key Issues, focusing on the intersection between a company's core business and the industry issues that can create material risks and opportunities for the company. Companies are rated on an AAA-CCC scale relative to the standards and performance of their industry peers. Data is collected from company disclosures, and academic, government and NGO datasets. Moreover, companies are invited to participate in a formal data verification process.

We choose to collaborate with MSCI ESG Research because their philosophy and approach complements as well as enhances our investment process. We see MSCI ESG Research as being particularly strong in risk assessment and mitigation analysis, and on the full range of broad ESG issues, not just Governance.

MSCI ESG Research calculates each company's exposure to key ESG risks based on a granular breakdown of a company's business: its core product or business segments, the locations of its assets or revenues, and other relevant measures such as outsourced production.

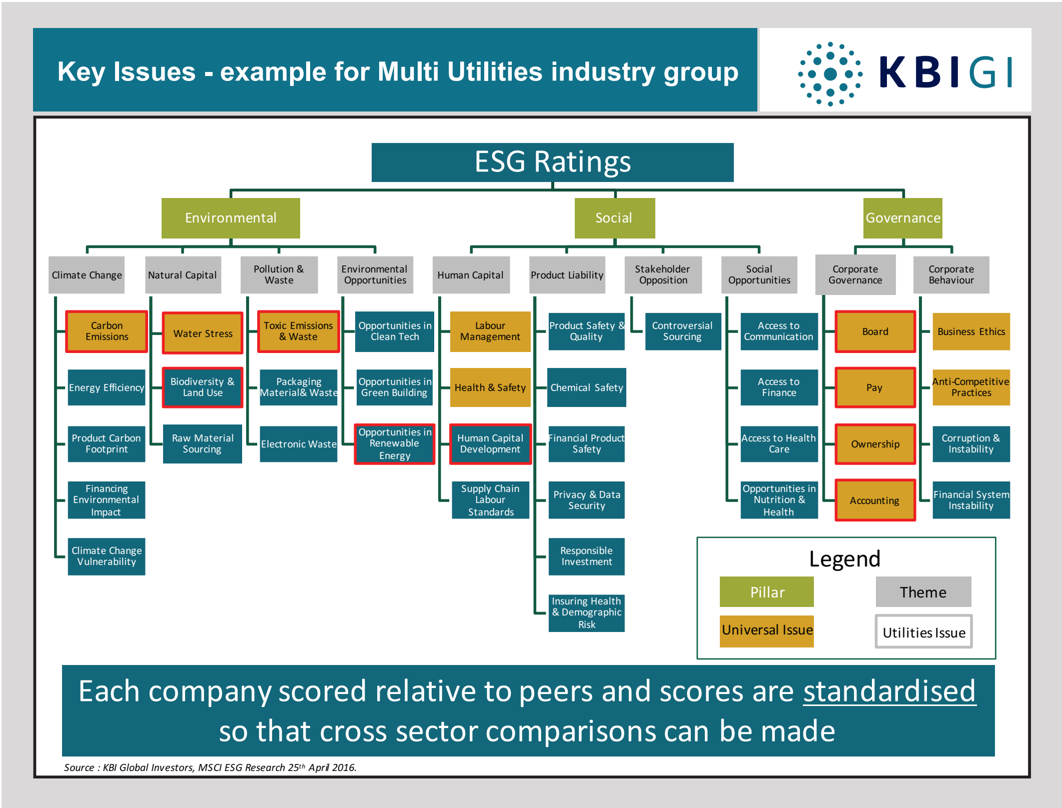
The analysis then takes into account the extent to which a company has developed robust strategies and demonstrated a strong track record of performance in managing its specific level of risks or opportunities.

Companies are monitored on a systematic and ongoing basis, including daily monitoring of controversies and governance events. New information is reflected in research reports on a weekly basis and formal in-depth quality review processes take place at each stage of analysis.

MSCI ESG Research Ratings research aims to answer the following questions:

- Of the negative externalities that companies in an industry generate, which issues may turn into unanticipated costs for companies in the medium to long term?
- Conversely, which ESG issues affecting an industry may turn into opportunities for companies in the medium to long term?

Each industry group is reviewed in the context of the 37 factors with a view to tailoring the approach to each industry group based on the significance of the factor to that industry group. Below is an example of the Mining sector with the factors chosen boxed in gold. These are the factors that have most significance to mining (other than Governance criteria as those are of course relevant to all industries) and therefore are the factors used when calculating all Mining company ESG ratings.



It is important to note that the choice of factors used for each industry group is not subjective, but is as a result of which industry groups are most affected by which controversies or issues. For example, Health and Safety will be included as a relevant factor for industry groups where the data shows the highest number of fatalities or enforcement actions by regulators, carbon emissions will be included for sectors which have the highest recorded emissions, etc.

Importantly, MSCI ESG Research standardise their ESG ratings across industry groups, so that (as a general rule) it is possible to compare the ESG rating of companies from different industry groups, because all companies are rated *relative to their peers.*

Responsible Investing: Global Equity portfolios

For our Global Equity Strategies, we directly integrate ESG scores as one of the key valuation and quality factors we use for stock selection and portfolio construction. We also target a significant minimum of at least one extra unit of ESG relative to the benchmark when optimising our portfolio (i.e. we aim to ensure that the overall ESG 'rating' of the portfolio is substantially above that of the benchmark). From an exclusionary perspective, we also exclude investments in certain controversial activities as determined by our Responsible Investing Committee, and we exclude investments in companies that score the worst overall ESG grade ("CCC") from MSCI ESG Research regardless of sector. We also have the capability to tailor screens on a client by client basis.

Below we show, as examples, the preferred characteristics of two of our portfolios at a point in time. These characteristics are targeted at each optimisation of the portfolio. This is what we want to deliver for our clients and it is the combination of these characteristics at a portfolio level that we strive to achieve.

EM ESG Integration

Aims: at least one ESG rating point better than benchmark, and above-benchmark dividend yield, dividend growth, and valuation characteristics

Outcome: better total return, better value and risk, better ESG and better quality and balance sheet.

	EM ESG Strategy	MSCI EM Index	
Dividend Yield (%)	3.9	2.8	Better Total Return
Dividend Payout (%)	45.2	37.3	
Dividend Growth (%)	10.2	10.1	
Total Payout Yield (%)	2.8	0.3	
P/E	11.5	13.7	Better Value & Risk
Price/Book	1.7	2.0	
Price/Cashflow	9.4	10.5	
Weighted Avg. Mkt. Cap $ (bn)	12.1	23.5	
ESG Score *	5.4	4.1	Better Quality Management & Balance Sheets
ROE (realised, %)	16.0	15.7	
ROIC (realised, %)	11.1	10.7	
Net Debt/ Equity (%)	15.3	13.5	
Accruals*	2.9	4.8	
Profit Surprises (%)*	-6.3	-7.0	

Source: KBI Global Investors, 31st March 2016.
** Accruals, Profit Surprises and ESG scores are for EM ESG Portfolio and MSCI EM index excluding India as the representative portfolio currently invests in India via an ETF*

Global ESG Integration

Aims: at least one ESG rating point better than benchmark, and above-benchmark dividend yield, dividend growth, and valuation characteristics

Outcome: better total return, better value and risk, better ESG and better quality and balance sheet.

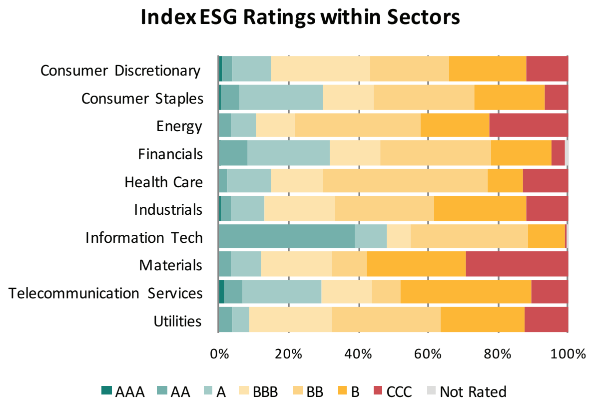
	Global ESG Strategy	MSCI World Index	
Dividend Yield (%)	3.8	2.7	Better Total Return
Dividend Payout (%)	59.2	46.1	
Dividend Growth (%)	10.6	9.3	
Total Payout Yield (%)	4.7	2.6	
P/E	16.2	19.3	Better Value & Risk
Price/Book	2.2	2.0	
Price/Cashflow	11.2	13.2	
Weighted Avg. Mkt. Cap $ (bn)	93.6	88.0	
ESG Score	6.5	5.2	Better Quality Mgt & Balance Sheets
ROE (realised, %)	19.3	15.3	
ROIC (realised, %)	12.5	10.9	
Net Debt/ Equity (%)	58.3	44.1	
Accruals (%)	0.5	2.2	
Profit Surprises (%)	-2.6	-5.0	

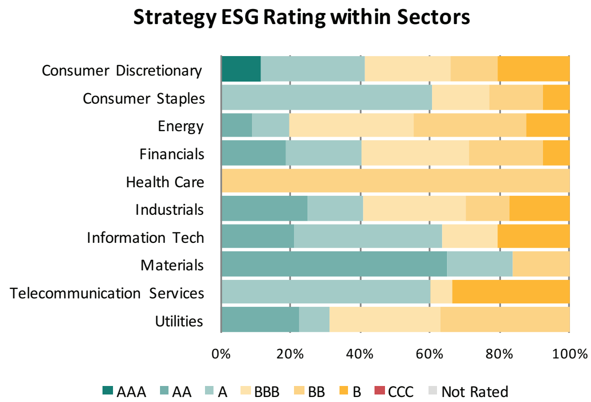
Source: KBI Global Investors, 31st March 2016.

Furthermore, the chart below shows the very significant impact our process has on the ESG profile of our portfolio versus the market.

Emerging Markets Strategy ESG Rating Distribution

Sector	ESG Score	Portfolio Weight (%)	AAA (%) 8.6-10	AA (%) 7.1-8.6	A (%) 5.7-7.1	BBB (%) 4.3-5.7	BB (%) 2.9-4.3	B (%) 1.4-2.9	CCC (%) 0-1.4	Not Rated (%)
Consumer discretionary	5.1	7.6	0.9	0.0	2.3	1.9	1.0	1.6	0.0	0.0
Consumer staples	5.3	6.9	0.0	0.0	4.2	1.1	1.1	0.5	0.0	0.0
Energy	5.0	8.4	0.0	0.8	0.9	3.0	2.7	1.1	0.0	0.0
Financials	5.4	33.3	0.0	6.2	7.1	10.3	6.9	2.6	0.0	0.0
Health care	3.2	1.4	0.0	0.0	0.0	0.0	1.4	0.0	0.0	0.0
Industrials	5.2	8.2	0.0	2.0	1.3	2.4	1.1	1.4	0.0	0.0
Information technology	5.4	18.9	0.0	4.0	8.0	3.1	0.0	3.9	0.0	0.0
Materials	7.3	6.7	0.0	4.3	1.3	0.0	1.1	0.0	0.0	0.0
Telecommunication services	4.9	5.9	0.0	0.0	3.5	0.4	0.0	2.0	0.0	0.0
Utilities	5.2	2.7	0.0	0.6	0.2	0.8	1.0	0.0	0.0	0.0





Source: MSCI ESG Research, KBI Global Investors, as at April 2016 (MSCI Emerging Markets).

We believe that a better ESG score is crucially important to achieving a stable return pattern and building a durable and robust portfolio that can withstand shocks and changes to the economic environment. Companies that manage the ESG risks are more likely to be able to sustain their dividends and less likely to lose valuation (all other things being equal).

Responsible Investing: Natural Resource Strategies

The firm has been a pioneer in Natural Resource Thematic Investing since 2000, investing in companies providing solutions to sustainability challenges related to the provision of food, energy, water and the mitigation and adaptation to the impacts of climate change.

Environmental factors are therefore foundational for the Natural Resource Strategies as are the Social factors of an increasing global population and changing world demographics. Governance is a key consideration in evaluation of company management and management structures.

In addition to the thematic ESG focus which is such an important driver of these strategies, we integrate ESG factors into our investment process. We use ESG ‘scores’ for two of the four pillars which comprise our probability model within our key proprietary valuation model.

Our Portfolio Managers use a proprietary model to calculate the likelihood of a stock price reaching their upside, or optimistic, price target, and in parallel the likelihood of the stock price reaching their downside, or pessimistic, price target.

Four factors are built into that model and two of those four are ESG factors, as below:

Environmental and Social: do the company's products enhance society's environmental and/or social/ sustainable goals?

Governance: does the board of the company sufficiently represent the interests of shareholders, particularly minority shareholders? If not, can it be changed?

ESG: Integral part of investment process

<u>Quantification</u> of upside/downside considerations is the basis of our investment process – using four factors, of which two are ESG.

Considerations

Environmental and Social	Governance	Management	End-markets
Do the company's products enhance society's **E**nvironmental or **S**ocial/sustainable goals?	Does the board sufficiently represent the interests of shareholders? If not, can it be changed?	Does management have a repeatable, executable and credible business strategy?	Do the company's end markets show strong demand?

Companies with good governance and whose products and services enhance Responsible Investing goals are likely to materially outperform as more likely to have sustainable business models, thus the assumptions behind terminal value calculation are more likely to be robust

A specific score is given to each security under each of those two factors - a score which is awarded based on the portfolio manager's own judgement taking into account external ESG research including that from MSCI ESG Research - and that feeds directly into the proprietary model which calculates the probability of the stock price reaching the upside or optimistic price target.

Disclaimers

ALL MARKETS

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USA/CANADA SPECIFIC:

Gross results shown do not show the deduction of Adviser’s fees. A client’s actual return will be reduced by the advisory fees and any other expenses which may be incurred in the management of an investment advisory account. See Part 2 of Adviser’s Form ADV for a complete description of the investment advisory fees customarily charged by Adviser. For example, a $1,000,000 investment with an assumed annual return of 5% with an advisory fee of 0.85% would accumulate $8,925 in fees during the first year, $48,444 in fees over five years and $107,690 in fees over ten years. The performance results are that of a representative strategy which has been managed on a discretionary basis since its inception. Performance returns for individual investors may differ due to the timing of investments, subsequent subscriptions/redemptions, share classes, fees and expenses. Information about indices is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy’s holdings may differ substantially from the securities that comprise the indices shown. Stocks mentioned in this document may or may not be held in this strategy at this time. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the strategy. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. Discussions of market conditions, market high/lows, objectives, strategies, styles, positions, and similar information set forth herein is specifically subject to change if market conditions change, or if KBI Global Investors (North America) Ltd believes, in its discretion, that investors returns can better be achieved by such changes and/or modification. Style descriptions, market movements over time and similar items are meant to be illustrative, and may not represent all market information over the period discussed. Form ADV Part 1 and Part 2 are available on request.

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