

EIC ENVIRONMENTAL VALUE

"It is also an era dominated by industry, in which the right to make a dollar at whatever cost is seldom challenged."

- Rachel Carson, *Silent Spring*¹



EIC Environmental Value seeks to reconcile the conflicts that arise between investors' social and fiduciary responsibilities. We use positive and negative screening to direct investments away from fossil fuels, unsustainable resource use, environmental degradation, and threats to biodiversity, while including companies demonstrating progress toward sustainability. Outside of fossil fuels, EIC attempts to compare environmental performance on an industry-relative basis using a combination of qualitative and normalized quantitative data. Investments are drawn principally from EIC's existing holdings in Large-Cap Value (LCV), All-Cap Value (ACV), and Mid-Cap Value (MCV) strategies, with additional replacement names introduced as necessary. EIC Environmental Value includes screening criteria related to:

CLIMATE CHANGE

greenhouse gas emissions, fossil fuels, environmental financing...

*"climate change is one of the greatest challenges of our time, and we express profound alarm that emissions of greenhouse gases continue to rise globally."*²

Excluded EIC Holdings: Encana Corp, Exxon Mobil, Kirby Corp

ENVIRONMENTAL DEGRADATION

environmental controversies, chemical production, toxic emissions...

*"The most alarming of all man's assaults upon the environment is the contamination of air, earth, rivers, and sea with dangerous and even lethal materials."*¹

Excluded EIC Holdings: Chevron, Encana Corp, Exxon Mobil

RESOURCE SCARCITY

water stress, raw material sourcing...

*"We recognize that water is at the core of sustainable development as it is closely linked to a number of key global challenges."*²

Excluded EIC Holdings: None

ENVIRONMENT & HUMAN RIGHTS

adverse community impacts, labor rights, human rights, unconventional weapons...

*"many people, especially the poor depend directly on ecosystems for their livelihoods, their economic, social and physical well-being, and their cultural heritage."*²

Excluded EIC Holdings: Chevron, Exxon Mobil, Wal-Mart Stores

BIODIVERSITY

factory farming, animal testing, genetic engineering...

*"The 'control of nature' is a phrase conceived in arrogance, born of the Neanderthal age of biology and the convenience of man."*¹

Excluded EIC Holdings: None

Holdings in EIC Environmental Value are subject to change. The inclusion or exclusion of securities is not intended as recommendation, nor is there any implication about past or future performance or profitability. Because the social screens applied to an SRI account/portfolio may exclude securities of certain issuers, industries and sectors for non-financial reasons, EIC may forgo some available market opportunities. As a result, the investment returns may be affected. In addition, since EIC will generally sell the securities of a company that no longer meets the social screens, its portfolio turnover rate may be higher than it would otherwise and securities may be sold when not otherwise beneficial to do so. EIC votes proxies for SRI account/portfolio securities consistent with social and environmental guidelines but will not support proposals we determine to be potentially harmful to shareholder value.

1. Carson, Rachel. *Silent Spring*. N.p.: Mariner (Houghton Mifflin), 2002. Web. 23 Jan. 2015.

2. Rio 20 Outcome Document: "The Future We Want" Jun 2012. Council on Foreign Relations. Jan. 2015.



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Our investment objective for EIC Environmental Value is to apply the investment principles we have used since 1986 to deliver a full market-cycle return pattern similar to that experienced in unrestricted accounts. The mission objective for EIC Environmental Value is to be faithful to clients' concerns regarding the relationship between corporate activities and environmental protection. By combining our long-established investment process with robust SRI/ESG screens, we seek to reconcile and better balance the conflict between environmentally-conscious investors' fiduciary and social responsibilities.

INVESTMENT PROCESS	SRI / ESG PROCESS
<ul style="list-style-type: none"> ❖ Valuation – Economic value is determined using a valuation approach developed and used by EIC since 1986. The approach determines value based on a reasonable expectation of earning a premium above inflation over a targeted holding horizon as a 100% business owner. ❖ Growth – Companies that cannot grow typically prove to be poor investments, regardless of price. EIC developed graphical value-trap avoidance tools in 1995 to reduce investment mistakes from owning structurally or managerially unhealthy businesses that cannot grow. ❖ Quality – Earnings are examined to reduce mistakes of capitalizing unsustainable earnings. 	<ul style="list-style-type: none"> ❖ MSCI, Inc. ratings of emissions, controversies, degree of impact, and policy ratings are inputs. ❖ Negative screening excludes companies owning fossil fuel reserves, producing tobacco or unconventional weapons, participating in genetic engineering or degrading the environment. ❖ Positive screening allows responsible companies in environmentally-sensitive industries and those improving environmental performance. ❖ Corporate polices and progress evaluated based on controversy history, reduction targets, and ESG management performance relative to peers.

PORTFOLIO CONSTRUCTION	SELL DISCIPLINE
<ul style="list-style-type: none"> ❖ Holdings: largely drawn from EIC All-Cap Value (ACV), Large-Cap Value (LCV) and Mid-Cap Value (MCV) strategies ❖ Replacement names introduced as necessary ❖ Diversification: 30-40 holdings ❖ Position Weights: 2-4% at inception ❖ Industry Weights: typically < 20% 	<ul style="list-style-type: none"> ❖ Valuation – if stock reaches full economic value ❖ Growth – fundamental deterioration ❖ Quality – significant decline in financial strength, balance sheet stress, major change in business that renders historical data invalid ❖ Diversification – trim if > 6% of portfolio ❖ New Opportunities – when available ❖ SRI – if irreparably violates SRI/ESG criteria

PORTFOLIO STATISTICS (AS OF 3/31/16)

<u>Statistics</u>		<u>Top Ten Holdings</u>	<u>%</u>	<u>Sector</u>	<u>Sector Allocation</u>	<u>%</u>
Average # holdings	30-40	Johnson & Johnson	3.9	Healthcare	Financials	28.2
Current # holdings	35	Cognizant Tech. Solns	3.6	Technology	Technology	26.6
Median Mkt. Cap.	\$34.1B	Apple Computer Inc	3.4	Technology	Healthcare	12.1
Median P/E Ratio	14.5x	Whole Foods Market Inc	3.2	Consumer Staples	Cons Discretionary	6.8
Median P/BV Ratio	2.9x	MSC Industrial Direct	3.2	Industrials	Industrials	5.9
Median Debt/Capital	30.8%	T Rowe Price Group Inc	3.1	Financials	Consumer Staples	5.4
Median ROE	14.1%	Taiwan Semiconductor	3.1	Technology	Utilities	2.9
Active Share	86.4%	Alphabet Class C	3.1	Technology	Materials	0.0
ACV/LCV as % SRI	65.0/65.0%	Exelon Corp	2.9	Utilities	Telecommunications	0.0
MCV as % SRI	30.9%	Honda Motor Co Ltd	2.8	Cons Discretionary	Energy	0.0
Cap. Exposure	Lg/Md/Sm	Total	32.3		Cash	12.2
Current	67%/29%/4%					100.0

Holdings in EIC Environmental Value are subject to change. The inclusion or exclusion of securities is not intended as a recommendation, nor is there any implication about past or future performance or profitability. The securities identified do not represent all of the securities purchased, sold or recommended for client accounts. Statistics are calculated from representative EIC Environmental Value accounts using Morningstar DirectSM. Active Share is the proportion of portfolio holdings that differ from those of the Russell 1000[®] Value Index, our benchmark portfolio. Sector weights may not equal 100% because of rounding conventions. Because the social screens applied to an SRI account/portfolio may exclude securities of certain issuers, industries and sectors for non-financial reasons, EIC may forgo some available market opportunities. As a result, the account/portfolio investment returns may be affected. In addition, since EIC will generally sell the securities of a company that no longer meets the social screens, its portfolio turnover rate may be higher than it would otherwise and it may be selling securities when it not otherwise beneficial to do so. EIC votes proxies for SRI account/portfolio securities consistent with social and environmental guidelines, but will not support proposals we determine to be potentially harmful to shareholder value. This is a presentation of EIC. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited.

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