

## Commentary

### Tickers

Class I:	Class A:	Class C:
LMRNX	SSIAX	SESLX

### Morningstar Rating™

Overall Rating as of December 31, 2018



As of 12/31/18, Class I shares rated 4 stars among 697 50% to 70% U.S. Equity Allocation funds, based upon risk-adjusted returns derived from a weighted average of the performance figures associated with 3-, 5- and 10-year (if applicable) Morningstar Ratings metrics.

### Morningstar Carbon Risk Score



Carbon metrics as of 9/30/18  
 Category: Allocation —50% to 70% U.S. Equity as of 9/30/18. Based on 80% of AUM. Data is based on long positions only. **Please see page 3 for important information about the Carbon Risk Score.**

### About 1919 Investment Counsel

1919 Investment Counsel is the investment advisor to the 1919 Funds and manages approximately \$11.8 billion in assets as of December 31, 2018. The cornerstone of 1919's investment process is proprietary, fundamental research with an emphasis on quality, risk management and diversification. In addition to the 1919 Funds, 1919 Investment Counsel provides customized equity and fixed income strategies for institutions, family offices and high net worth individuals.

Portfolio Manager, Ron Bates shares his insights on socially responsible investing and the management of the Fund.

#### **Q1. How has the Fund's environmental, social, and governance (ESG) criteria evolved over time?**

At 1919, we have been engaged in socially responsible investing for over 40 years. Utilizing a multi-dimensional approach, we follow comprehensive socially responsible guidelines that we have developed around the environment, employment practices, human rights, weaponry, and tobacco.

Over the past decade, we have refined this approach to complement our negative screening analysis (SRI) with more in-depth environmental, social, and governance (ESG) criteria to provide the most comprehensive perspective on the opportunities available to the Fund:

- ▶ **From an environmental perspective** - we now include considerations around clean water as well as our fossil-free goal to avoid companies that extract fossil fuel assets such as coal, oil or natural gas.
- ▶ **From a social perspective** - our evaluation of employment practices has been expanded to include diversity issues and gender equity practices.

In addition, we take a proactive stance on corporate advocacy and engagement, actively voting proxies and meeting with the management of some of the portfolio's companies to encourage positive social change.

#### **Q2. What is your perspective on the trend in corporate disclosures and how companies are addressing their operations in terms of ESG issues?**

We believe the trend is positive, as an increasing number of companies are taking action on ESG issues and providing more comprehensive disclosures as a result. Many companies are now proactively implementing socially responsible, ESG-friendly solutions rather than reactively and more reluctantly responding to shareholder pressure for change.

In particular, we have noted an uptick in the focus and disclosures around gender equity and diversity policies. Also, a number of companies have appointed a Chief Sustainability Officer, with senior leadership responsibilities which declares clearly and publicly their commitment to an ESG, socially responsible business approach.

continued on the next page

# 1919 Socially Responsive Balanced Fund

Commentary - December 31, 2018

continued from previous page

## **Q3. How is the Fund's portfolio positioned for opportunity in 2019?**

From an equity portfolio perspective, we increased our exposure to the Communication Services sector with the addition of Disney. The Fund reduced its overweight in the Technology sector by trimming positions in Apple, Adobe and Intuit to maintain a more neutral weighting heading into 2019.

In terms of the portfolio's fixed income component, the Fund continues to have a shorter duration compared to its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. As of December 31, 2018, the Fund's duration was 4.30 years while the Index was 5.87 years. The Fund also continues to have an overweight position in corporate bonds compared to the Index, with a growing exposure to green bonds issued to fund projects with environmental and/or climate benefits. ■

## **Portfolio Team**



**Ronald T. Bates**  
*Portfolio Manager*

Ronald T. Bates manages the equity portion of the Fund and is the Director of the Socially Responsive Investment Team within 1919 Investment Counsel. He has over 27 years of industry experience.



**Aimee M. Eudy**  
*Portfolio Manager*

Aimee M. Eudy manages the Fixed Income portion of the Fund and has over 21 years of industry experience.



**Alison Bevilacqua**  
*Head of Social Research*

Alison Bevilacqua is a Principal at 1919 Investment Counsel and the Head of Social Research. As a Social Research Analyst, she specializes in Corporate Responsibility research and has over 22 years of industry experience.

## **Disclosure**

\*Disney, Apple, Adobe and Intuit represented 0.75%, 2.20%, 1.50% and 1.13% of the portfolio as of December 31, 2018.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history without adjustment for sales load. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Class I shares of the Fund were rated against 697, 610, and 440 50% to 70% U.S. Equity Allocation funds over the 3-, 5- and 10-year periods, respectively. With respect to these funds, Class I shares of the Fund received Morningstar Ratings of 5, 4 and 4 as of 12/31/18. Ratings shown are for the highest and lowest rated share classes only, when available. Other share classes have different expense structures and performance characteristics. Classes have a common portfolio.

(continued on next page)

# 1919 Socially Responsive Balanced Fund

Commentary - December 31, 2018

## Disclosure

### Important Information About The Carbon Risk Score On Page 1

Morningstar calculates the Carbon Risk Score based on company-level carbon-risk assessments from Sustainalytics, a leading independent provider of ESG and corporate governance ratings and research. Morningstar calculates carbon metrics on a quarterly basis for any fund that has at least 67 percent of its portfolio assets covered by Sustainalytics' company-level carbon-risk research. The Carbon Risk Score is the asset-weighted sum of the carbon risk scores of its holdings, averaged over the trailing 12 months and displayed as a number starting from zero, with a lower score indicating lower carbon risk. The Morningstar® Portfolio Fossil Fuel Involvement™ percentage is a portfolio's asset-weighted percentage exposure to fossil fuels, averaged over the trailing 12 months. The Low Carbon Designation is based on a fund's Carbon Risk Score and its Fossil Fuel Involvement percentage. To receive the Low Carbon Designation, a fund must have a Carbon Risk Score below 10 and Fossil Fuel Involvement percentage less than seven percent of assets. The Morningstar Low Carbon Designation is intended to allow investors to easily identify low-carbon funds across the global universe. The designation is an indicator that the companies held in a portfolio are in general alignment with the transition to a low-carbon economy. The Morningstar Portfolio Fossil Fuel Involvement percentage assesses the degree to which a portfolio is exposed to thermal coal extraction and power generation as well as oil and gas production, power generation, and products & services. To receive the designation, a portfolio must meet two criteria: a. A 12-month trailing average Morningstar Portfolio Carbon Risk Score below 10 and b. A 12-month trailing average exposure to fossil fuels less than 7% of assets, which is approximately a 33% underweighting to the global equity universe. Funds receive the Low Carbon designation based on the most recent quarterly calculations of their 12-month trailing average Morningstar Carbon Risk Scores and Morningstar Portfolio Fossil Fuel Involvement. Please visit <http://corporate1.morningstar.com/SustainableInvesting/> for more detailed information about the Morningstar Low Carbon Designation and its calculation.

©2019 Morningstar Inc. All Rights Reserved. The information contained herein (1) is proprietary to Morningstar (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice. Fund holdings and sector allocations are subject to change and are not recommendations to buy or sell any security.

**Mutual fund investing involves risk. Principal loss is possible. The Fund's social policy may cause it to make or avoid investments for social reasons when it is otherwise disadvantageous to do so. The Fund may invest in foreign and emerging market securities which will involve greater volatility and political, economic and currency risks and differences in accounting methods. The risks are particularly significant for funds that invest in emerging markets.**

**Fixed-income securities involve interest rate, credit, inflation and reinvestment risks; and possible loss of principal. As interest rates rise, the value of fixed income securities falls. The Fund may focus its investments in certain regions or industries, increasing its vulnerability to market volatility. The manager's investment style may become out of favor and/or the manager's selection process may prove incorrect; which may have a negative impact on the Fund's performance.**

*The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the investment company, and may be obtained by calling 1.844.828.1919. Read it carefully before investing.*

**Diversification does not assure a profit or protect against loss in a declining market.**

1919 Funds are distributed by Quasar Distributors, LLC.