

## Commentary

### Tickers

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

### Morningstar Rating™

Overall Rating as of September 30, 2018



As of 9/30/18, Class I shares rated 5 stars among 703 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 Sustainability Rating™



High

Sustainability Percentile Rank in Category: 8  
Sustainability Score: 49

Based on 83% of AUM out of a universe of 174 50-70% U.S. Equity Allocation Funds. Sustainability Score as of 6/30/18. Sustainability Rating as of 7/31/18. Applicable for all share classes.

### Morningstar Carbon Risk Score



Carbon metrics as of 6/30/18

Category: Allocation —50% to 70% U.S. Equity as of 6/30/18. Based on 80% of AUM. Data is based on long positions only.

### About 1919 Investment Counsel

1919 Investment Counsel is the investment advisor to the 1919 Funds and manages approximately \$11.7 billion in assets as of September 30, 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, and Head of Social Research, Alison Bevilacqua, share their insights on socially responsible investing and the management of the Fund.

**Q1. Workplace diversity is a topic of interest for socially responsible investors. Please provide your perspective on this issue and how it is factored into the management of the Fund.**

The Principles For Responsible Investment (PRI) conference we recently attended framed workplace diversity as a global issue. Increasingly, companies worldwide are considering the benefits of including multiple perspectives from individuals of all genders, ethnicities, backgrounds and life experiences. However, how to best implement diversity continues to be an important question. For example, on gender diversity, while some countries have mandated the inclusion of women on boards, (Norway requires a 30% board representation), other countries require disclosure, aiming to encourage greater inclusion due to self monitoring and public awareness.

Diversity of senior management fosters discussion. In the U.S. women represent almost half of the workforce, yet only 5% are at the CEO level. Belgium and Singapore score higher at 12% followed by Israel, Ireland and India at 7%.<sup>\*</sup> The question arises—how can a company increase opportunity and inclusion at every staffing level to provide a path towards more inclusive senior levels? These diversity issues continue to be of interest for us in the management of the 1919 Socially Responsive Balanced Fund. We focus on companies that have policies and practices that exhibit a deeper commitment to workforce diversity, including increasing the number of women in executive management and on corporate boards.

**Q2. The Socially Responsive Balanced Fund includes companies that have made a commitment to lower their carbon footprints. Please provide your perspective on “fossil free” and the criteria you use to evaluate a company for inclusion in the portfolio.**

We believe that climate change is occurring at macro levels and that overall there are a variety of steps countries and companies can take including:

- ▶ **Mitigation** - preventing and proactively lowering a carbon footprint.
- ▶ **Remediation** - repairing a negative impact.
- ▶ **Adaptation** - Adapting to living in a warmer, lower carbon use world.

From a portfolio management perspective, we do not directly own companies that

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extract fossil fuel assets such as coal, oil or natural gas. In terms of evaluating companies for inclusion in the portfolio, we consider a company's carbon footprint on a number of levels including:

- ▶ **Relative perspective** - We evaluate the intensity of a company's carbon footprint relative to its peers.
- ▶ **Low carbon commitment perspective** - We examine how well a company is adjusting its operations to become more energy efficient. Is it changing to renewable power sources or purchasing carbon offsets? Is it growing the business in a less carbon intensive way?
- ▶ **Leadership and implementation perspective** - We look at a company's leadership's commitment to reducing carbon impact. Are their policies and practices fully adopted throughout the company?
- ▶ **Low carbon readiness and proactiveness** - We examine what a company is doing in terms of its products and services to help move the economy to a less carbon intensive operation

From a portfolio perspective, we continually evaluate the amount of a company's carbon responsibility. We are pleased to report that as of June 30, 2018, the Fund has a carbon footprint approximately 71% smaller than the S&P 500 Index.\*\*

**Q3. Green Bonds are one of the world's fastest growing asset classes with \$161 billion issued in 2017 and over \$90 billion issued year-to-date 2018. However, some so called "green" bonds have not met the Climate Bonds Initiative's standards. Please share your thoughts on this issue and how you evaluate green bonds for inclusion in the portfolio.**

At 1919 Investment Counsel, we are signatories of the Green Bond Principles which were updated in June 2018. These principles are a voluntary set of guidelines that promote transparency, disclosure and integrity in the issuance of a green bond and its use of proceeds. They also aid investors by ensuring availability of information necessary to evaluate the environmental impact of green bond investments.

When considering a green bond for inclusion in the Fund's portfolio, we first evaluate the bond from a credit and rating perspective, and then we examine the use of proceeds statement the issuer provides. We need to conclude it is truly a "green" bond in terms of the projects it is funding and the policies and practices used to execute that project before we make any investment. ■

## 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.

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## Disclosure

\*Women in the Boardroom: A Global Perspective. 5th edition. Global Center for Corporate Governance. Deloitte. 2016 data. \*\* Source:TRUCOST as of 6/30/18.

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 703, 619, and 450 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, 5 and 4 as of 9/30/18. 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.

The Morningstar Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund’s portfolio holdings are managing their environmental, social, and governance, or ESG, risks and opportunities relative to the fund’s Morningstar Category peers. The Morningstar Sustainability Rating calculation is a two-step process. First, each fund with at least 50% of assets covered by a company-level ESG score from Sustainalytics receives a Morningstar Portfolio Sustainability Score. The Morningstar Portfolio Sustainability Score is an asset-weighted average of normalized company-level ESG scores with deductions made for controversial incidents by the issuing companies, such as environmental accidents, fraud, or discriminatory behavior. The Portfolio Sustainability Score ranges between 0 to 100, with a higher score indicating that a fund has, on average, more of its assets invested in companies that score well after normalization and controversy-level deductions are applied. The Morningstar Sustainability Rating is then assigned to all scored funds within Morningstar Categories in which at least ten (10) funds receive a Portfolio Sustainability Score and is determined by each fund’s rank within the following distribution: High (highest 10%); Above Average (next 22.5%); Average (next 35%); Below Average (next 22.5%); Low (lowest 10%).

The Morningstar Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. Since a Sustainability Rating is assigned to all funds that meet the above criteria, the rating it is not limited to funds with explicit sustainable or responsible investment mandates. Morningstar updates its Sustainability Ratings monthly. The Portfolio Sustainability Score is calculated when Morningstar receives a new portfolio. Then, the Sustainability Rating is calculated one month and six business days after the reported as-of date of the most recent portfolio. As part of the evaluation process, Morningstar uses Sustainalytics’ ESG scores from the same month as the portfolio as-of date. Please click on <http://corporate1.morningstar.com/SustainableInvesting/> for more detailed information about the Morningstar Sustainability Rating methodology and calculation frequency.

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.

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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.