

ESG Integration Summary



Philosophy

While we believe the key to generating consistent investment returns is the selection of investment opportunities that possess attractive valuations and demonstrate identifiable catalysts that are expected to generate accelerating earnings and cash flow growth, Mesirow Equity Management (MEM) also believes that other factors could have a material impact on investment performance for particular companies during an investment cycle. Therefore, *we actively incorporate sustainable investment criteria such as environmental, social, and governance factors with our fundamental assessment of macro, sector and company specific trends to derive favorable performance and risk characteristics for our portfolios.*

In addition, we seek to make a positive impact on the environment and society as well as encourage incremental improvements through active engagement with companies in which we invest. The incorporation of sustainable criteria is prevalent in all of our strategies as we believe ESG factors could have a material impact on investment performance. Sustainability factors such as ESG should be considered in conjunction with other material risk factors and analyzed based on their impact upon an individual investment. We believe that companies that incorporate sustainability assessments into their strategic plans could have an opportunity to enhance firm value through higher profitability and/or lower cost of capital. In addition, companies can reduce overall levels of risk specifically as it relates to regulatory and reputational issues.

Process Integration

Our investment team meets at least weekly to analyze and evaluate the implications of broad macroeconomic themes, market developments, economic indicators and sector trends. These meetings serve as the basis for assessing MEM's macro outlook and broad risk

parameters. Portfolio managers also meet at least weekly with research analysts to discuss stock-specific issues and intra-sector positioning. Research analysts serve as sector and industry specialists on our investment team. They evaluate the relative capabilities of company management teams and complete a thorough analysis of a company's position in its industry and sector. This research includes analysis of and conversations with competitors, suppliers and customers. These conversations help the investment team assess quality of management, the company's market position and the attractiveness of it as an investment opportunity. In addition, our analyst pursue companies with higher than average expected earnings growth, low relative valuations, high relative returns on capital, strong balance sheet metrics and excess cash flow generation capability.

Along with traditional fundamental metrics, our analysts will make broad assessments of a company's ESG profile and sustainability framework. MEM obtains ESG profile scores and sustainable rankings from third-party vendors and aggregates them into a composite profile. Based on the composite profile, as well as incremental due diligence with individual companies, MEM generates a list of companies that we believe possess favorable ESG profiles. The ESG considerations are combined with other factors in our investment selection process to identify opportunities that possess attractive valuations and demonstrate identifiable catalysts that are expected to generate accelerating earnings and cash flow growth.

Research, Analysis & Measurement

Evaluating the relative capabilities of management, both qualitatively and quantitatively, is an extremely valuable part of our investment decision-making process and internal research effort. Company management teams are expected to have a demonstrated record of delivering shareholder value and/or to have an identifiable strategy, with benchmarks and milestones, designed to deliver

shareholder value over our investment time horizon. We also incorporate ESG analysis into our evaluation of management teams. We use ESG analysis in our evaluation of corporate governance. Issues such as staggered boards of directors, option grant policies, option price backdating, board independency and executive compensation can affect firm volatility, credit spreads and cost of capital. We also evaluate the impact of environmental and social factors on firm value. We believe that by investing in companies that think carefully about their environmental impact, we help incentivize long-term, environmentally-friendly decisions that can also help improve company profitability. In addition, we believe that by investing in companies that help fulfill social responsibilities and reduce negative impacts on communities; we will enable those companies to become stronger corporate citizens and reduce levels of fundamental risk.

Although, the entire MEM investment team is responsible for ESG research, as we endeavored incorporate ESG issues into our portfolios, we thought it would be extremely important designate day-to-day responsibilities to someone within our MEM. With the oversight of the portfolio managers, John Nelson was named our Sustainability Portfolio Specialist. John has recently received the Fundamentals of Sustainability Accounting (FSA) Credential offered by the Sustainability Accounting Standards Board (SASB). This credential is designed to help investment professionals better understand the link between material sustainability information and a company's financial performance. John is responsible for assessment and evaluation of our adherence to our sustainable philosophy and standards. While it's the responsibility of every analyst to perform ESG-related analysis on individual securities, John helps to ensure that each company is evaluated and scored through our internal process. In this effort, he works collaboratively with the portfolio management team to help monitor risk exposure, portfolio positioning, and transaction implementation.

Over the course of multiple meetings with the portfolio managers, analysts present the investment rationale for a security, which in turn prompts a discussion regarding the merits of adding the stock to the portfolio. The analyst produces a written recommendation summary which includes investment rationale, expected catalyst, forecasted cash flow, and the valuation technique(s) used to derive price target. The portfolio managers consider many different variables: the timeframe in which expected catalysts will materialize, the impact on sector positioning, the expected relative price performance, the risk impact on the portfolio, management quality, the relative assessment of ESG-related issues, and industry dynamics. “

Engagement & Examination

MEM employs many resources including third-party databases, third-party research reports, and MEM research analysts to provide guidelines, review company reports, and provide recommendations related to sustainability issues. We also leverage the expertise of our service providers to share knowledge on sustainability issues and frequently attend their conferences, meetings and webinars. We believe these efforts in aggregate help to improve our competency related to ESG policy.

MEM continues to track the progress of a company's ESG profile and changes to it over time which informs the stock selection process and leads to the inclusion of companies with stronger governance, positive community impact, and improves our overall high-quality emphasis.

MEM also proactively communicates with management teams to build awareness of ESG factors and encourages management team to make positive incremental changes to support ESG initiatives. These conversations happen on an ongoing basis and include ways that the company and management can implement processes to improve their ESG profile while stressing the importance of building and infrastructure for engagement and disclosure of material sustainable risks.

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