

# Sustainable equity investment strategies

## The dual concerns of climate change and workforce diversity take center stage

During the last 12 months, coping with the challenges of operating in a pandemic was the top priority for companies. But that didn't prevent many of them from making progress on sustainability issues. In particular, efforts **to reduce carbon footprints** and **improve DEI** (diversity, equality, inclusion) continue to be of increasing importance. Both have become significant metrics that our clients and their investors seek, and both remain primary drivers in our evaluation process.

### Companies focusing on their carbon footprint

Environmental, Social and Governance (ESG) oriented investment themes have become increasingly important to investors, corporations, and governments, particularly in the last two years. Increasing frequency of natural disasters including wildfires, hurricanes, and winter deep freezes have increased awareness and impacted the power grid. While Europe has historically been the leading region focused on

addressing climate change, President Biden has made addressing climate change a top priority and now most large organizations and governments have coalesced around reducing global greenhouse gas emissions to near net zero by 2050, per Table 1.

These goals will require significant action from both public and private sectors, particularly from China and other large emerging markets, given that global emissions reached a new historic peak in 2019.

TABLE 1: COMMITMENTS TO CURB EMISSIONS BY TOP 5 GLOBAL CO2 PRODUCERS

Country/Region	%CO2 emissions	Net Zero Target Commitments	Carbon Reduction Targets in NDCs
China	28%	Aim to be carbon neutral by 2060	Achieve Peak emissions around 2030; 60-65% reduction in CO2 per unit GDP by 2030 vs 2005
United States	15%		26-28% reduction by 2025 vs 2005
EU-27	8%	2050 target included in EU Climate Law	At least 55% reduction by 2030 vs 1990
India	7%		20-25% reduction in intensity by 2020 vs 2005
Russia	5%		70% reduction by 2030 vs 1990

Source: UNFCCC NDC Registry, Morgan Stanley Research



**John Nelson, CFA**  
**FSA Credential Holder**  
 Managing Director  
 Equity Management



**Eric Jacobsohn, CFA**  
**FSA Credential Holder**  
 Managing Director  
 Equity Management



**Leo Harmon, CFA, CAIA**  
 Senior Managing Director  
 Equity Management



**Kathy Vorisek**  
 Senior Managing Director  
 Equity Management

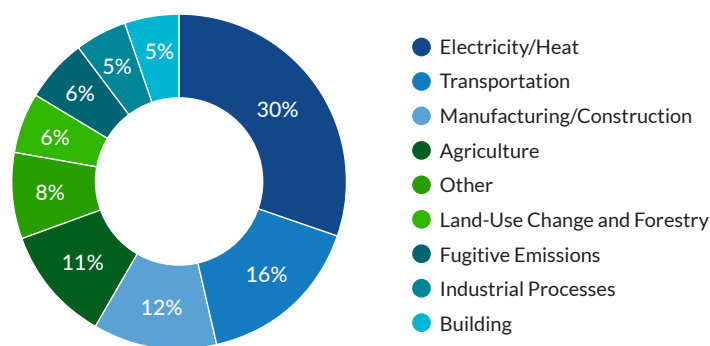
## COMPANIES PRIORITIZING CARBON NEUTRALITY

Facing increasing pressure from governments (climate targets, carbon tax risk), corporations are also stepping up the fight against climate change with roughly 1200 setting science-based targets. In addition, government incentives are also playing a major role in corporate behavior change as technologies that address carbon mitigation have become popular investment themes (electric vehicles, wind/solar power generation, hydrogen, renewable fuels, carbon capture) and are driving participating equities materially higher.

The sectors most likely to be affected are those involved with electricity/heat, which account for nearly one third of greenhouse gas emissions, and transportation plus manufacturing/construction, which account for another 28%.

CHART 1: GREENHOUSE GAS EMISSIONS BY SECTOR

In billions of tonnes of CO<sub>2</sub>-equivalent



Source: CAIT Climate Data Explorer

A key future milestone is the revision of the EU Emissions Trading Scheme expected in June 2021. In addition, a potential European carbon border tax (carbon border adjustment mechanism) would raise the cost of carbon emissions for any corporate trading partner of the EU. The outcome of this update, along with government incentives, will have material consequences on the speed and magnitude at which corporations attempt to change their behavior.

## COURTS AND ESG-ORIENTED SHAREHOLDERS PRODDING COMPANIES TO PICK UP THE PACE

While many companies have set targets to reduce their emissions, that may not be enough to satisfy the public or the courts, particularly in the energy sector. A Dutch court ruled in May 2021 that oil giant Royal Dutch Shell must reduce its greenhouse gas emissions 45% by 2030, based on 2019 levels—a more ambitious goal than Shell’s target of becoming “a net-zero emissions energy business by 2050.”

Exxon Mobil recently lost a proxy fight where an activist investor, disappointed by Exxon’s efforts to address climate risk, was able to get two of its nominees added to the new Board of Directors. Prior poor alignment with shareholder goals has finally reached a tipping point. When combined with increased investor focus on environmental initiatives, this is likely to impact company behavior for years to come.

For our purposes, one measure we look at in our evaluation process is companies that have shown a demonstrable commitment to reducing their carbon footprint versus others in our investing universe. One metric is carbon tonnes per unit of revenue:

## The portfolio emphasizes companies with lower TCFD carbon intensity

TABLE 2: WEIGHTED AVERAGE OF CARBON TONNES/REVENUE IN USD (millions)

	Russell 2000 Value	Russell 2500 Value
Benchmark carbon intensity	555.82	388.73
Portfolio carbon intensity	256.34	324.15
Difference in carbon output	-299.48	-64.59

Task Force on Climate-related Financial Disclosures (TCFD), chaired by Michael Bloomberg, aims to deliver a voluntary, consistent climate-related financial risks disclosure framework in order to provide material information to investors, lenders, insurers and other stakeholders. Please refer to the final pages for benchmark descriptions.

## Growing Focus on Diversity, Equity and Inclusion

Both the investment community and broader society are increasingly focused on improving DEI in the publicly traded investment universe. For example, proxy advisor ISS now recommends voting against certain board members if there is no gender diversity on the corporate board, and they have signaled a similar path for racial/ethnic diversity.

For our purposes, Mesirow and the Mesirow Equity Management team remain committed to DEI. Our own Leo Harmon serves as Chairman of Mesirow’s DEI council, which has led to a more deliberate effort to ensure coordination between our internal human resource/recruiting and our DEI objectives.



We ask the same of the companies we purchase in our portfolios. One of our four broad engagement issues is Diversity. We believe a company’s board, management team and workforce should reflect their communities as much as possible, and we use our voice as institutional shareholders to advocate for improvements.

In addition to being the right thing to do morally and ethically, there is mounting evidence of a link between diversity and financial performance.

### The business case for inclusion & diversity is stronger than ever

Diverse companies are more likely to financially outperform their peers.

#### Difference in likelihood of outperformance of 1st and 4th quartile.<sup>1</sup>

	 Gender	 Ethnicity
2014	15%	35%
2017	21%	33%
2019	25%	36%

The penalty for lagging on gender diversity is growing, while top quartile companies are more likely to be at an advantage.

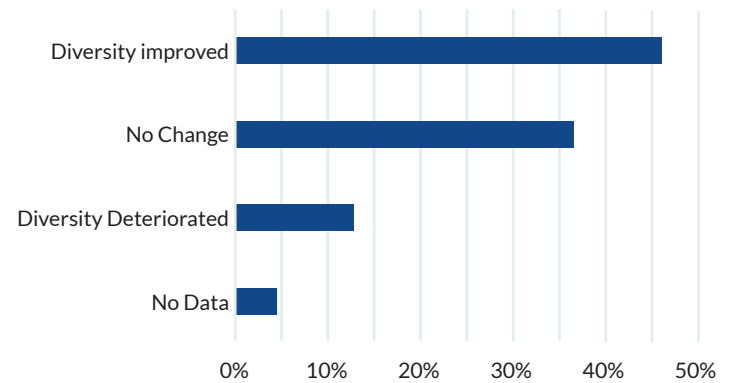
#### Difference in likelihood of financial outperformance.<sup>2</sup>



1. Source: McKinsey & Company, Diversity Wins-How Inclusion Matters – May 2020. Difference in likelihood of financial outperformance vs the national industry median of five years average EBIT margin, using the full dataset of companies in each year. | 2. Source: McKinsey & Company, Diversity Wins-How Inclusion Matters – May 2020. Difference in likelihood of financial outperformance vs the national industry median of five years average EBIT margin for 4th quartile vs 1st-3rd quartile vs 2nd-4th quartile, using the full dataset of companies in each year. | Source: Mesirow, Mercer Corp, “Bridging the Diversity Gap ; Building African-American and Latino Pipelines for the Financial Services Business in Chicago, 2015”

The largest companies got the message a long time ago. Now, small cap companies are starting to hear from investors and clients, causing them to address diversity much more seriously. We are seeing real progress. For example, when we launched our Sustainable strategy two years ago there were 1,358 stocks in the Russell 2000 Value index. From 2018 to the most recently available data, 46% of those companies increased the percentage of women on their boards and only 13% saw a decline.

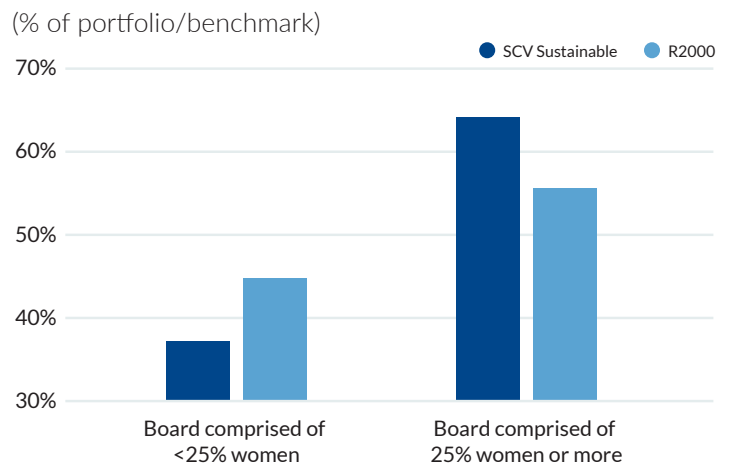
CHART 2: CHANGE IN % OF WOMEN ON THE BOARD FOR R2000V 2018 TO PRESENT



Source: Bloomberg. R2000V constituents on April 30, 2019 and comparing change from fundamental year 2018 to May 20, 2021.

Overall, we are delighted to see the changes taking place in corporations, and the reaction we get to our engagement on diversity has become markedly more positive over the last two years. The push for more diversity is far from over and we will continue to advocate for improvements. But for a moment, it is worth celebrating the positive momentum and the fact that investors have been successful driving change.

CHART 3: OUR PORTFOLIO HAS A HIGHER WEIGHTING IN COMPANIES WITH HIGHER DIVERSITY



Source: ISS Datadesk, using data from May 20, 2020 applied to Portfolio and benchmark weights on April 30, 2021.

## Companies seeing the value of engaging with us

We have deep experience collaborating with management teams about ways to maximize firm value. This ongoing, active dialogue is vital in the small-cap universe where our access to management is more direct and can lead to faster implementation of solutions.

Evaluating the relative capabilities of management, both qualitatively and quantitatively, plays a critical role in 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 an identifiable strategy—including benchmarks and milestones—designed to deliver shareholder value over our investment time horizon.

We proactively communicate with management teams to build awareness of ESG factors and encourage management teams to make positive incremental changes to support ESG initiatives. These conversations happen on an ongoing basis. Our dialogue with companies includes ways their management can initiate improvements to their sustainable profile and stress the importance of building an infrastructure for engagement and disclosure of material sustainable risks.

## A CASE STUDY TWO YEARS IN THE MAKING

Shortly after the launch of our Sustainable strategies, we met with a small cap REIT at an industry conference in NYC. After a traditional discussion about their business and financial metrics, we turned the conversation to sustainability. The CEO was dismissive of the topic, which was a very common reaction two years ago. Rather than give up, we shared the metaphor from Hardin's 1968 Essay on The Tragedy of the Commons to offer a logical foundation for taking sustainability seriously. We argued that it may be economically rational for a company to make decisions where they receive 100% of the benefit. However, the cost is shared by humanity at large. Sustainability must be either legislated or it must be a conscious decision by those in positions of authority. It was not clear at the time whether we made an impression, but he did listen carefully.

In 2021, we repurchased shares of this company and met the same CEO at the same industry conference. During our conversation, he brought up our meeting from 2019 as one of the earliest conversations he remembers about sustainability and ESG topics. The company is now an industry leader in diversity and is one of the few small cap REITs that has adopted specific measurable environmental targets. We understand that there were many other voices in this conversation, but we are thrilled to see the changes at this company and proud to have been involved at the beginning of their journey.

## Sustainable investment philosophy and integration

Over the last decade, demand for sustainable investing has risen as clients and practitioners evaluate the impact on a company's valuation of energy conservation, carbon usage, boardroom diversity, workplace safety, and human rights. Assets domiciled in some form of sustainable, responsible, or impact investing strategy have more than quintupled from roughly \$3T in 2010 to over \$17T in 2020. This represents a 42% increase since last measured in 2018 and is now 33% of all assets under management in the US.<sup>1</sup>

At Mesriow Equity Management ("MEM"), our comprehensive framework integrates fundamental and ESG analysis along with aspects of responsible investing and company engagement to provide our clients an opportunity to do well and do good (i.e., influence positive behavior while delivering favorable performance).

We believe that excess returns can be produced by investing in attractively valued stocks that are poised to appreciate due to catalyst-driven earnings and cash flow growth. We also believe that ESG factors are interconnected with our fundamental assessment of macro, sector and company specific trends and can have a material impact on investment performance during our investment time horizon. As a result, we consider ESG factors in conjunction with other material risk and fundamental factors that, in aggregate, influence our decision to invest in an individual company.

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.

We believe that companies that incorporate sustainability assessments into their strategic plans have an opportunity to enhance firm value and/or reduce overall levels of risk.

## Our sustainable investing framework

We actively incorporate environmental, social, and governance factors into our investment decisions to derive favorable performance and risk characteristics for our portfolios.

**Environment** It is often economically logical for a company to take actions that benefit themselves but harm the environment. By investing in companies that think carefully about their environmental impact, we help incentivize long-term, environmentally-friendly decisions.

**Social** Caring for those in need and protecting the vulnerable are foundational human ethics. We believe it is incumbent on corporations to contribute to these human ethics. By investing in companies that help fulfill this social responsibility, we help enable those companies who seek to become stronger corporate citizens.

**Governance** As a fiduciary for our clients, we have long sought investment opportunities at companies with good governance policies. At its core, good governance protects the interests of minority shareholders, reduces the probability of fraud, and aligns the goals of companies with investors.

## Alignment and sustainable development goals

Corporate responsibility has been a core value at our firm since its founding in 1937. Today, Mesriow's enduring and diverse set of commitments forms the foundation for how we embrace and align our actions across the firm with the United Nations Sustainable Development Goals.

### ALIGNMENT WITH UNITED NATIONS CAUSE PILLARS<sup>2</sup>



ENVIRONMENT



COMMUNITY  
IMPROVEMENT



HUMAN RIGHTS  
& EQUALITY

1. U.S. SIF Foundation, Report on U.S. Sustainable, Responsible, and Impact Investing Trends 2020. | 2. For more information on the United Nations Sustainable Development Goals underlying these cause pillars, please visit <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>.

## MESIROW CORPORATE RESPONSIBILITY



### Sustainable Investing

Strategies that seek to help investors prosper while doing good

- Signatory, Principles for Responsible Investment (PRI)
- Signatory, FX Global Code of Conduct
- Offerings across the capital structure and investment vehicles: Equity, Income and Alternatives



### Community Engagement

Investment of time, talent and financial support

- **Neighborhoods:** Family services, education
- **Social justice:** Tolerance, anti-gun violence
- **Opportunity & inclusion:** Supporting persons with disabilities



### Workplace Enrichment

Within one of the industry's most inclusive work cultures

- Firm focus on diversity and inclusion
- Perfect score of 100 on Human Rights Campaign Corporate Equity Index<sup>3</sup>
- WomenConnect, PeerConnect, PrideConnect Employee Resource Groups
- Top workplace awards from Investment News, Chicago Tribune, Crain's
- LEED certified headquarters; environmental improvement initiatives

## Performance

The cornerstone of any investment strategy is the ability to deliver desired performance and outcomes for clients. Conventional wisdom asserts that maximization of firm value drives investment returns. As such, it has been believed that companies primarily focused on “non-fundamental issues” cannot meet desired performance goals. However, sustainable investing and competitive returns are not mutually exclusive concepts. More than 2200 unique studies analyzing ESG criteria in relationship to corporate financial performance show that companies with high ESG profiles or ESG orientation are 4-7x more likely to have positive relative performance<sup>4</sup>.

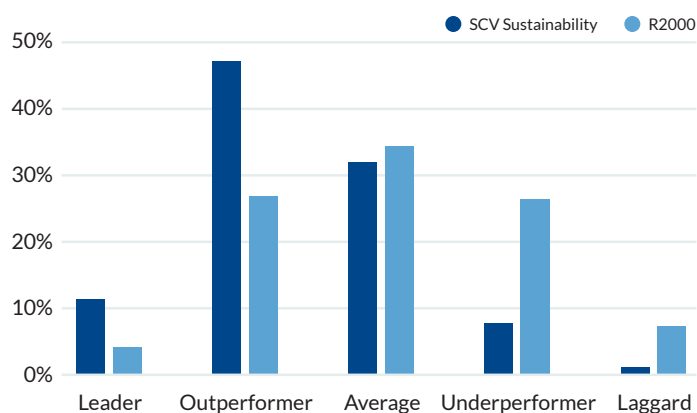
The same holds true for our own Sustainable Equity Strategies.

TABLE 3: PERFORMANCE (ROUNDED) THRU MAY 31, 2021

	2019	2020	YTD	2 Years	ITD
Small Cap Sustainable	9.3	7.6	25.7	24.4	19.7
Russell 2000 Value	9.4	4.6	27.5	23.7	19.0
SMID Cap Sustainable	11.2	6.8	22.6	22.9	18.9
Russell 2500 Value	9.2	4.9	24.3	22.0	17.7

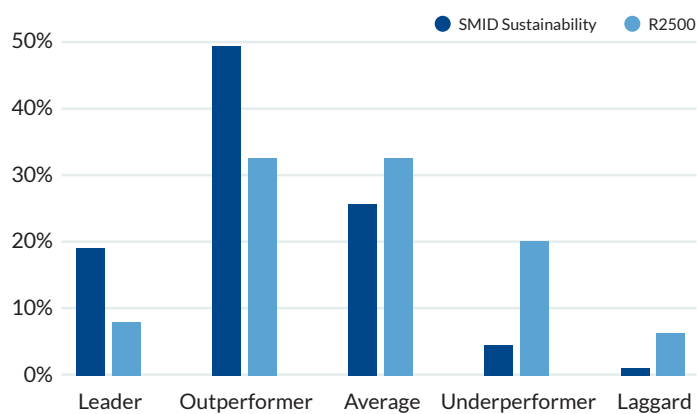
Inception April 1, 2019. Mesirow Equity Management (“MEM”) is a division of Mesirow Financial Investment Management, Inc., (“MFIM”) an SEC-registered investment advisor. Past performance is not necessarily indicative of future results. Certain performance information provided above is gross of fees and does not reflect the deduction of advisory fees. The performance information provided above is supplemental. Please refer to the final pages for GIPS Reports and complete performance information, including net, and other important information, including benchmark descriptions.

CHART 4: SCV SUSTAINABILITY VS R2000 - COMPOSITE



Source: MEM, ISS Datasdesk. As of May 31, 2021. Equal-weighted average of all companies in the index and portfolio for those various categories. Composite sustainability scores are weighted as follows: 40% governance, 30% environmental and 30% social.

CHART 5: SMID SUSTAINABILITY VS R2500 - COMPOSITE



Source: MEM, ISS Datasdesk. As of May 31, 2021. Equal-weighted average of all companies in the index and portfolio for those various categories. Composite sustainability scores are weighted as follows: 40% governance, 30% environmental and 30% social.

3. Human Rights Campaign Foundation's 2020 Corporate Equality Index (CEI) 4. Fride, Busch, Bassen – Journal of Sustainable Finance & Investment, Vol 5, Issue 4, ESG and Financial Performance. | Past performance is not necessarily indicative of future results. Please refer to the final pages for GIPS Reports and complete performance information, including net, and other important information, including benchmark descriptions.

## Sustainability Scores and Profile

Along with traditional fundamental metrics, our analysts make broad assessments of a company's ESG profile and sustainability framework. MEM obtains ESG profile scores and sustainability rankings from third-party vendors and aggregates them into a composite score based on our proprietary methodology. Based on the composite scoring process described above, as well as incremental due diligence with individual companies, we then generate a list of companies that we believe possess favorable ESG profiles.

Accordingly, our methodology shows a significantly positive skew toward companies we would classify as leaders or outperformers based on their sustainability profiles with diminished exposure to those considered underperformers or laggards.

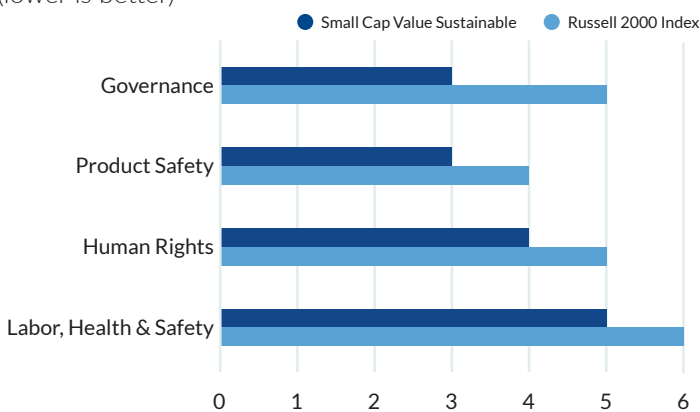
### Responsible Impact:

While we employ ESG analysis to evaluate how corporate governance issues such as staggered boards of directors, 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 carefully consider 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 enable those companies to become stronger corporate citizens and reduce levels of fundamental risk. The tables below illustrate exposure risk factors that could impact performance or increase risk where in most cases our exposure is lower than the benchmark index.

**CHART 6: QUALITY SCORE FACTOR EXPOSURE - SCV**

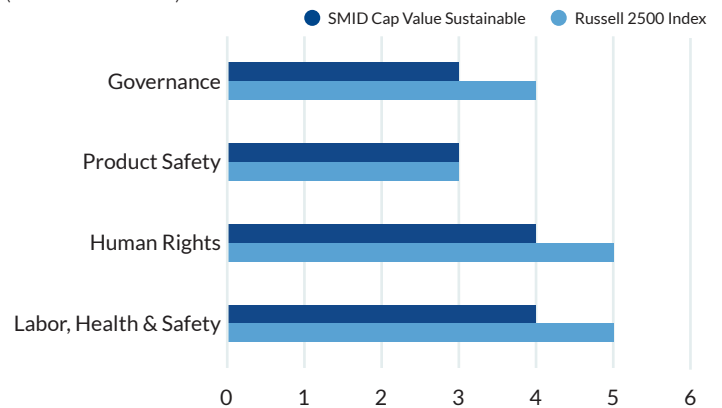
(lower is better)



Source: MEM, ISS Datasdesk. As of May 31, 2021. Equal-weighted average of all companies in the index and portfolio for those various categories.

**CHART 7: QUALITY SCORE FACTOR EXPOSURE - SMID**

(lower is better)



Source: MEM, ISS Datasdesk. As of May 31, 2021. Equal-weighted average of all companies in the index and portfolio for those various categories.

## Social and community responsibility

We are also mindful of how our investments can impact our society and communities, and believe it is important that this impact be measurable.



NO EXPOSURE TO TOBACCO



NO EXPOSURE TO PAY-DAY LOANS



NO EXPOSURE TO FOR-PROFIT PRISONS



NO EXPOSURE TO NUCLEAR WEAPONS AND FIREARMS



NO EXPOSURE TO GAMBLING AND GAMING

Source: MEM, Bloomberg, FTSE Russell

## Materiality

Fundamental research is the primary driver of excess performance through stock selection. We combine fundamental and ESG analysis along with other factors in our investment selection process to identify specific opportunities. A valuable part of this analysis is the broad qualitative consideration of material factors which may have more influence on financial performance. Material factors are given more consideration within the overall evaluation of an investment opportunity. The chart on the following page is an example of select ESG issues and the degree of consideration given within certain sectors.

Select material ESG issues	Consumer products	Financials	Health Care	Technology	Transportation
Environment	Energy Management	Medium	Low	High	High
	Water & Wastewater Management	Medium	Low	Low	Low
	Waste & Hazardous Materials Management	Low	Low	Medium	Low
Social	Human Rights & Community Relations	Medium	Medium	Medium	Low
	Employee Health & Safety	Low	Low	Medium	High
	Employee Engagement, Diversity & Inclusion	High	Medium	Medium	High
	Product Quality & Safety	High	Low	High	Medium
Governance	Business Ethics	Medium	High	High	Medium
	Board Structure and Diversity	High	Medium	Medium	High
	Management of the Legal & Regulatory Environment	Low	High	High	Medium

Source: MEM, ISS Datasdesk.

Materiality Consideration ● High ● Medium ● Low

## Conclusion

The last two years have seen robust debate and strong interest in the topic of sustainable investing. We continue to believe that by combining our time-tested investment process with robust ESG integration and management engagement, we can potentially generate attractive risk adjusted returns and make the world better for everyone.

## About Mesirow

Mesirow is an independent, employee-owned financial services firm founded in 1937. Headquartered in Chicago, with locations around the world, we serve clients through a personal, custom approach to reaching financial goals and acting as a force for social good. With capabilities spanning Global Investment Management, Capital Markets & Investment Banking, and Advisory Services, we invest in what matters: our clients, our communities and our culture. To learn more, visit [mesirow.com](https://mesirow.com) and follow us on [LinkedIn](#).

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc. © 2021. All rights reserved. Mesirow Equity Management (“MEM”) is a division of Mesirow Financial Investment Management, Inc., (“MFIM”) an SEC-registered investment manager. Effective April 1, 2016, Mesirow Financial acquired Fiduciary Management Associates, LLC (“FMA”) which is now an integral part of MEM. This communication is for institutional use only and may contain privileged and/or confidential information. It is intended solely for the use of the addressee. If this information was received in error, you are strictly prohibited from disclosing, copying, distributing or using any of this information and are requested to contact the sender immediately and destroy the material in its entirety, whether electronic or hardcopy. Nothing contained herein constitutes an offer to sell or a solicitation of an offer to buy an interest in any Mesirow Financial investment vehicle. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Any opinions expressed are subject to change without notice. It should not be assumed that any recommendations incorporated herein will be profitable or will equal past performance. Model, theoretical or hypothetical performance information and results do not reflect actual trading or asset or fund advisory management and the results may not reflect the impact that material economic and market factors may have had, and can reflect the benefit of hindsight, on MEM’s decision-making if MEM were actually managing client’s money. Any chart, graph, or formula should not be used by itself to make any trading or investment decision. Mesirow Financial Investment Management, Inc. and its affiliated companies and/or individuals may, from time to time, own, have long or short positions in, or options on, or act as a market maker in, any securities discussed herein and may also perform financial advisory or investment banking services for those companies. Mesirow Financial does not provide tax or legal advice. Securities offered through Mesirow Financial, Inc. member FINRA, SIPC.

Benchmark Definition: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 3.4 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market capitalization. Please see the following GIPS disclosure for additional benchmark definitions.

The Russell 2000 Index® offers investors access to the small-cap segment of the U.S. equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000. The Russell 2000 Value Index® offers investors access to the small-cap value segment of the U.S. equity universe. The Russell 2000 Value is constructed to provide a comprehensive and unbiased barometer of the small-cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small-cap value manager’s opportunity set.

The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as “smid” cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. Both Indices are completely reconstituted annually to ensure large stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics.





# Mesirow Financial Investment Management, Inc.

## MFEM Small Cap Value Sustainable Equity Composite - GIPS Report

### Gross and Net of Fees Total Returns from April 1, 2019 – March 31, 2021

Year	Year End			Annual Performance Results					3-yr Annualized Dispersion <sup>3</sup>		
	No. of portfolios	Composite Asset at end of period (\$MM)	Total Firm Assets (\$MM)	MFEM (gross) Composite (%)	MFEM (net) Composite (%)	Russell 2000 Value Index (%)	Russell 2000 Index <sup>2</sup> (%)	Composite Dispersion (%)	MFEM (gross) Composite (%)	Russell 2000 Value Index (%)	Russell 2000 Index (%)
2019 *	5 or fewer	1	678	9.28	8.65	9.35	9.55	n/a	—	—	—
2020	5 or fewer	13	722	7.61	6.80	4.63	19.96	n/a	—	—	—
Current Performance Results – PRELIM											
2021 YTD	5 or fewer	14	841	17.27	17.06	21.17	12.70	n/a	—	—	—

Mesirow Financial Equity Management (“MFEM”) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Mesirow Financial Equity Management has been independently verified for the periods 01/01/1996 – 12/31/2019. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Small Cap Value Sustainable Equity Composite has had a performance examination for the periods 04/01/2019-12/31/2019. The verification and performance examination reports are available upon request.

Benchmark returns are not covered by the report of independent verifiers.

Mesirow Financial Investment Management, Inc. (“MFIM”) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. For purposes of claiming GIPS compliance, as of 01/01/2010 the “Firm” was further defined as the US Value Equity business unit, now defined as Mesirow Financial Equity Management (“MFEM”) which manages portfolios primarily for institutional investors adhering to an investment process incorporating fundamental analysis of security valuation factors and drivers. The composites within this unit vary primarily by the capitalization range of the equity securities held. Mesirow Financial Equity Management is comprised of the legacy entities of Mesirow Financial Investment Management - US Value Equity (the surviving entity) and Fiduciary Management Associates, LLC (the acquired entity), with each prior to this effective date being held out to the public as separate firms, and each claiming compliance with the GIPS Standards. Effective April 1, 2016, the firm was redefined and renamed for GIPS purposes to include both the legacy Mesirow Financial Investment Management - US Value Equity division and the legacy Fiduciary Management Associates, LLC division as one combined entity.

\*Performance and composite inception and creation date is April 1, 2019.

The Small Cap Value Sustainable Equity Composite includes all institutional portfolios that invest in the Small Cap Value Sustainable Equity strategy. The strategy allows for investments in equity securities of companies with market capitalizations in a range representative of constituents in the Russell 2000 Index. The strategy aims to deliver a total return primarily through long-term capital appreciation. Further, sustainable investment criteria such as environmental, social and governance (“ESG”) factors are considered within the fundamental assessment of macro, sector and company specific trends. ESG factors are incorporated through creating aggregate sustainability scores for companies in the investable universe and removing companies that score less favorably from investment consideration. The benchmarks for the strategy are the Russell 2000 Value Index and the Russell 2000 Index. The performance presented herein represents past performance and is no guarantee of future results. MFEM and benchmark performance reflect the reinvestment of dividends and interest income, expressed in U.S. dollars. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The firm maintains a complete list of composite descriptions which is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Calculation of Risk Measures: Annual / 3 Years Dispersion

Composite internal dispersion is calculated using the asset-weighted standard deviation of annual **gross** returns of those portfolios that were included in the composite for the entire year. Because it is not statistically meaningful, MFEM does not calculate the dispersion of annual returns for the years the composite held five or fewer accounts. Inclusion of the three-year annualized ex-post standard deviation of the composite and benchmark was added as a requirement effective December 31, 2011.

<sup>3</sup> Data are not presented for periods containing less than 36 monthly returns for the composite.

#### Performance / Net of Fee Disclosure

The net of fees returns, for non-fee-paying assets, is calculated by reducing the monthly gross performance by one-twelfth of the maximum applicable fee, .75bps. These returns are then geometrically linked to produce annual returns. The composite’s market value consisted of non-fee-paying assets, inception through 12/31/2019 was 100%; 12/31/20 was 10%. Performance information that is provided gross of fees does not reflect the deduction of advisory fees. Client returns will be reduced by such fees and other expenses that may be incurred in the management of the account. Advisory fees are described in Part 2 of Form ADV of MFIM.

#### Investment Fee Disclosure

MFEM requests that any third party, including investment management consultants, provide our performance data only on a one-on-one basis. Performance results are presented before management and custodial fees. As described in MFEM’s Form ADV, Part 2, investment management fees for the Small Cap Value Sustainable Equity Strategy are:

- 0.85% on the first \$25 million
- 0.75% on the next \$25 million
- 0.60% on the next \$50 million
- 0.55% on the balance

An actual fee charged to an individual portfolio may vary by size and type of portfolio. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 0.85% annual investment advisory fee would reduce the portfolio's value by \$8,892 in the first year, by \$51,223 over five years and \$123,351 over 10 years. Actual investment advisory fees incurred by clients will vary.

#### Benchmark Definitions

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. The Russell 2000 Index® offers investors access to the small-cap segment of the U.S. equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000.

The Russell 2000 Value Index® offers investors access to the small-cap value segment of the U.S. equity universe. The Russell 2000 Value is constructed to provide a comprehensive and unbiased barometer of the small-cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small-cap value manager's opportunity set. (Source: Russell).

These indexes have been displayed as comparisons to the performance of the Small Cap Value Sustainable Equity Composite.

<sup>2</sup>Additional Information.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Mesirow Financial refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow Financial name and logo are registered service marks of Mesirow Financial Holdings, Inc. © 2021. All rights reserved. Mesirow Financial Equity Management ("MFEM") is a division of Mesirow Financial Investment Management, Inc., ("MFIM") an SEC-registered investment manager. This communication is for institutional use only and may contain privileged and/or confidential information. It is intended solely for the use of the addressee. If this information was received in error, you are strictly prohibited from disclosing, copying, distributing or using any of this information and are requested to contact the sender immediately and destroy the material in its entirety, whether electronic or hardcopy. Nothing contained herein constitutes an offer to sell or a solicitation of an offer to buy an interest in any Mesirow Financial investment vehicle. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Any opinions expressed are subject to change without notice. It should not be assumed that any recommendations incorporated herein will be profitable or will equal past performance. Model, theoretical or hypothetical performance information and results do not reflect actual trading or asset or fund advisory management and the results may not reflect the impact that material economic and market factors may have had, and can reflect the benefit of hindsight, on MFEM's decision-making if MFEM were actually managing client's money. Any chart, graph, or formula should not be used by itself to make any trading or investment decision. Mesirow Financial Investment Management, Inc. and its affiliated companies and/or individuals may, from time to time, own, have long or short positions in, or options on, or act as a market maker in, any securities discussed herein and may also perform financial advisory or investment banking services for those companies. Mesirow Financial does not provide tax or legal advice. Securities offered through Mesirow Financial, Inc. member FINRA, SIPC.

# Mesirow Financial Investment Management, Inc.

## MFEM SMID Cap Value Sustainable Equity Composite – GIPS Report

### Gross and Net of Fees Total Returns from April 1, 2019 – March 31, 2021

Year	Year End			Annual Performance Results					3-yr Annualized Dispersion <sup>3</sup>		
	No. of portfolios	Composite Asset at end of period (\$MM)	Total Firm Assets (\$MM)	MFEM (gross) Composite (%)	MFEM (net) Composite (%)	Russell 2500 Value Index (%)	Russell 2500 Index <sup>2</sup> (%)	Composite Dispersion (%)	MFEM (gross) Composite (%)	Russell 2500 Value Index (%)	Russell 2500 Index (%)
2019 *	5 or fewer	2	678	11.18	10.50	9.24	10.32	n/a	—	—	—
2020	5 or fewer	2	722	6.83	6.05	4.88	19.99	n/a	—	—	—
Current Performance Results – PRELIMINARY											
2021 YTD	5 or fewer	3	841	15.72	15.49	16.83	10.93	n/a	—	—	—

Mesirow Financial Equity Management (“MFEM”) claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Mesirow Financial Equity Management has been independently verified for the periods 01/01/1996 – 12/31/2019. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The SMID Cap Value Sustainable Equity Composite has had a performance examination for the period 04/01/2019 -12/31/2019. The verification and performance examination reports are available upon request.

Benchmark returns are not covered by the report of independent verifiers.

Mesirow Financial Investment Management, Inc. (“MFIM”) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. For purposes of claiming GIPS compliance, as of 01/01/2010 the “Firm” was further defined as the US Value Equity business unit, now defined as Mesirow Financial Equity Management (“MFEM”) which manages portfolios primarily for institutional investors adhering to an investment process incorporating fundamental analysis of security valuation factors and drivers. The composites within this unit vary primarily by the capitalization range of the equity securities held. Mesirow Financial Equity Management is comprised of the legacy entities of Mesirow Financial Investment Management - US Value Equity (the surviving entity) and Fiduciary Management Associates, LLC (the acquired entity), with each prior to this effective date being held out to the public as separate firms, and each claiming compliance with the GIPS Standards. Effective April 1, 2016, the firm was redefined and renamed for GIPS purposes to include both the legacy Mesirow Financial Investment Management - US Value Equity division and the legacy Fiduciary Management Associates, LLC division as one combined entity.

\*Performance and composite inception and creation date is April 1, 2019.

The SMID Cap Value Sustainable Equity Composite includes all institutional portfolios that invest in the SMID Cap Value Sustainable Equity strategy. The strategy allows for investments in equity securities of companies with market capitalizations in a range representative of constituents in the Russell 2500 Index. The strategy aims to deliver a total return primarily through long-term capital appreciation. Further, sustainable investment criteria such as environmental, social and governance (“ESG”) factors are considered within the fundamental assessment of macro, sector and company specific trends. ESG factors are incorporated through creating aggregate sustainability scores for companies in the investable universe and removing companies that score less favorably from investment consideration. The benchmarks for the strategy are the Russell 2500 Value Index and the Russell 2500 Index. The performance presented herein represents past performance and is no guarantee of future results. Gross returns presented are net of any withholding taxes incurred. MFEM and benchmark performance reflect the reinvestment of dividends and interest income, expressed in U.S. dollars. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The firm maintains a complete list of composite descriptions which is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Calculation of Risk Measures: Annual /3 Years Dispersion

Composite internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. Because it is not statistically meaningful, MFEM does not calculate the dispersion of annual returns for the years the composite held five or fewer accounts. Inclusion of the three-year annualized ex-post standard deviation of the composite and benchmark was added as a requirement effective December 31, 2011.

<sup>3</sup>Data are not presented for periods containing less than 36 monthly returns for the composite.

#### Performance /Net of Fee Disclosure

The net of fees returns, for non-fee-paying assets, is calculated by reducing the monthly gross performance by one-twelfth of the maximum applicable fee, .75bps. These returns are then geometrically linked to produce annual returns. From composite inception through 12/31/2020, 100% of the composite’s market value consisted of non-fee-paying assets. Performance information that is provided gross of fees does not reflect the deduction of advisory fees. Client returns will be reduced by such fees and other expenses that may be incurred in the management of the account. Advisory fees are described in Part 2 of Form ADV of MFIM.

#### Investment Fee Disclosure

MFEM requests that any third party, including investment management consultants, provide our performance data only on a one-on-one basis. Performance results are presented before management and custodial fees. As described in MFEM’s Form ADV, Part 2, investment management fees for the SMID Cap Value Sustainable Equity Strategy are.

0.85% on the first \$25 million  
0.75% on the next \$25 million  
0.60% on the next \$50 million  
0.55% on the balance

An actual fee charged to an individual portfolio may vary by size and type of portfolio. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 0.85% annual investment advisory fee would reduce the portfolio's value by \$8,892 in the first year, by \$51,223 over five years and \$123,351 over 10 years. Actual investment advisory fees incurred by clients will vary.

#### Benchmark Definition

The Russell 2500 Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2500 Index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. Both Indices are completely reconstituted annually to ensure large stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics. (Source: Russell)

These indexes have been displayed as comparisons to the performance of the SMID Cap Value Sustainable Equity Composite.

<sup>2</sup> Additional Information.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Mesirow Financial refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow Financial name and logo are registered service marks of Mesirow Financial Holdings, Inc. © 2021. All rights reserved. Mesirow Financial Equity Management ("MFEM") is a division of Mesirow Financial Investment Management, Inc., ("MFIM") an SEC-registered investment manager. Effective April 1, 2016, Mesirow Financial acquired Fiduciary Management Associates, LLC ("FMA") which is now an integral part of MFEM. This communication is for institutional use only and may contain privileged and/or confidential information. It is intended solely for the use of the addressee. If this information was received in error, you are strictly prohibited from disclosing, copying, distributing or using any of this information and are requested to contact the sender immediately and destroy the material in its entirety, whether electronic or hardcopy. Nothing contained herein constitutes an offer to sell or a solicitation of an offer to buy an interest in any Mesirow Financial investment vehicle. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Any opinions expressed are subject to change without notice. It should not be assumed that any recommendations incorporated herein will be profitable or will equal past performance. Model, theoretical or hypothetical performance information and results do not reflect actual trading or asset or fund advisory management and the results may not reflect the impact that material economic and market factors may have had, and can reflect the benefit of hindsight, on MFEM's decision-making if MFEM were actually managing client's money. Any chart, graph, or formula should not be used by itself to make any trading or investment decision. Mesirow Financial Investment Management, Inc. and its affiliated companies and/or individuals may, from time to time, own, have long or short positions in, or options on, or act as a market maker in, any securities discussed herein and may also perform financial advisory or investment banking services for those companies. Mesirow Financial does not provide tax or legal advice. Securities offered through Mesirow Financial, Inc. member FINRA, SIPC.