



*SFE INVESTMENT COUNSEL INC.*  
*inspire trust • invest well*

# *Pathways™* **(SRI) All-Cap**

*A Portfolio of Companies  
On the Right Path to Sustainability*



- An experienced, capable money management firm
- Committed to delivering professional services with a personal touch
- Strategies for individual and institutional clients
- Claims compliance with GIPS® reporting standards
- An “Emerging Manager” approaching 40 years of experience
- Financially sound and profitable

### Company Vital Statistics

<i>Name</i>	SFE Investment Counsel Inc.
<i>Location</i>	Los Angeles, CA
<i>Established</i>	November, 1977
<i>Structure</i>	California ‘C’ Corporation
<i>Ownership</i>	100% Employee-owned
<i>Investment Professionals</i>	5
<i>Average Industry Experience</i>	27
<i>Average Tenure with SFE</i>	20
<i>Succession</i>	Formal Plan in Place
<i>Total AUM</i>	\$320 Million
<i>Composite AUM</i>	\$22 Million
<i>Institutional AUM</i>	\$19 Million
<i>Asset Class</i>	US Equities
<i>Investment Style</i>	All-Cap Core
<i>Benchmark Index</i>	S&P 500 (tr)
<i>Investment Strategy</i>	Socially Responsible
<i>Primary Research Methods</i>	Bottom-up, Fundamental
<i>Diversification</i>	By Sector and Market Cap
<i>Concentration</i>	Average: 20-30 Positions

*Assets Under Management (AUM) as of December 31, 2017. The acronym GIPS stands for the Global Investment Performance Standards, which is a set of guidelines that investment managers should use when reporting performance to prospective clients. GIPS is administered by the CFA Institute.*



*The Product*

The *Pathways*<sup>™</sup> (SRI) *All-Cap* strategy is a concentrated portfolio of US-listed equities offered in separately managed accounts of \$100,000 or more.

*The Mandate*

The strategy invests in companies that are carefully selected for their commitment to sustainability and good corporate citizenship.

*Investment Thesis*

Companies that strive for sustainability will achieve profitability over time. Therefore, *Pathways*<sup>™</sup> (SRI) *All-Cap* strategy is designed to produce both social *and* financial returns.

*Investment Objective*

To outperform the S&P 500 (tr) index with a portfolio of companies that incorporate a long-term vision for a healthy and prosperous future into their current business practices and strategic planning.

*Methodology*

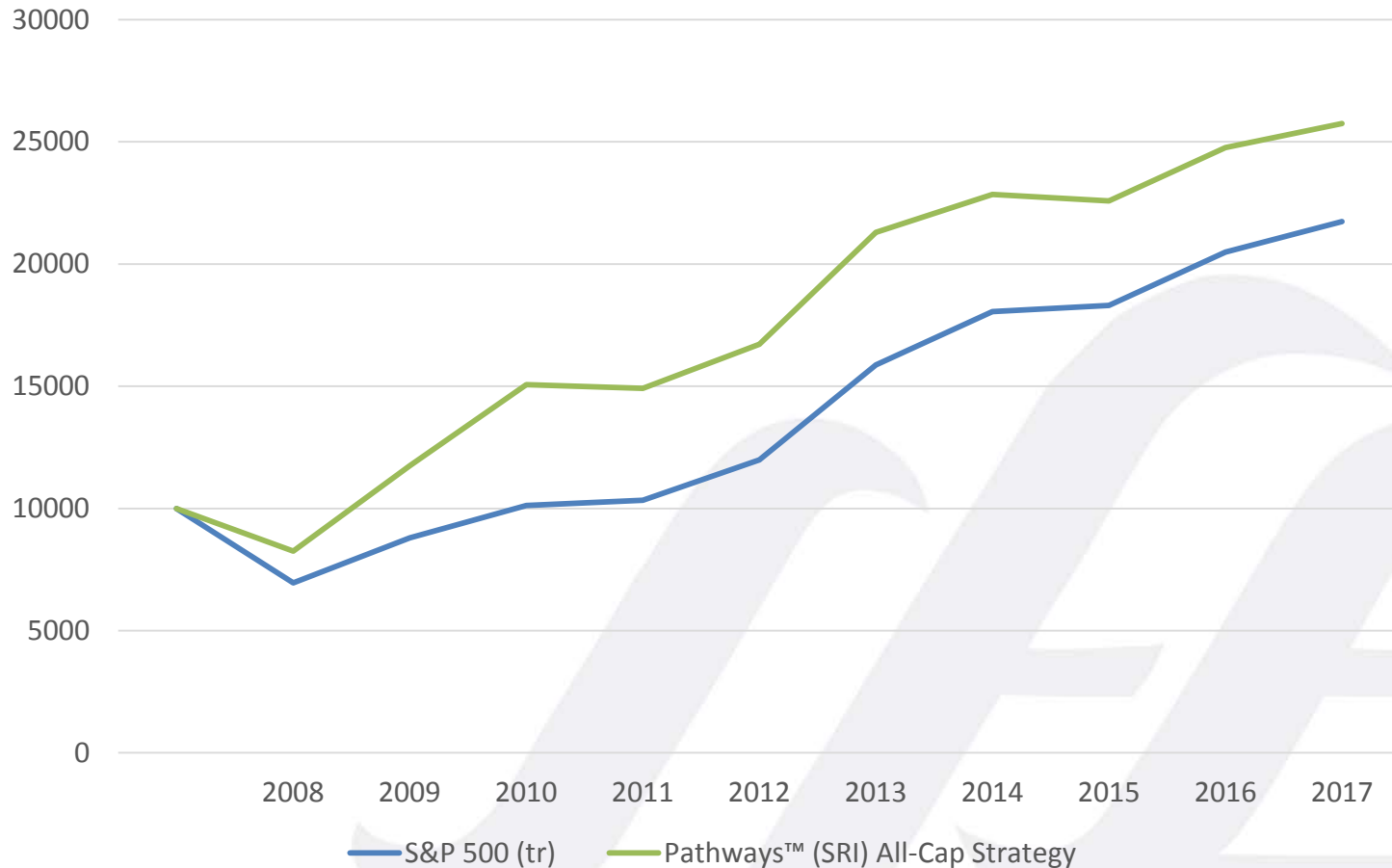
The Investment Committee uses *Positive Selection Criteria* developed by a team of experienced investment professionals with over 27 years of experience.



<b>Feature</b>	<b><i>Pathways</i><sup>TM</sup> (SRI) All-Cap</b>	<b>Typical SRI/Impact Fund</b>
<b>Investment Vehicle</b>	Separately Managed Accounts	Mutual Fund or Exchange Traded Fund
<b>Investment Approach</b>	Underlying, theme-driven investment process	Issue- or sector-specific
<b>Portfolio Mandate</b>	Determined by Client and SFE	Determined by Fund Manager
<b>Screening Methodology</b>	Positive, seeking desired characteristics	Negative, excluding undesired characteristics
<b>Stock Ownership</b>	Direct ownership by Client	Indirect, through Mutual Fund Company
<b>Stock Selection</b>	Considers Client SRI Priorities	Conducted by Fund Manager
<b>Number of Positions</b>	20-30	100-200
<b>Access to Manager</b>	Yes	No, or limited



## Investment Growth



*Performance period from May 1, 2008 through December 31, 2017. Cumulative Returns are presented GROSS of ALL FEES and TRANSACTION COSTS. Past Performance is no indication of future results. See Annual Composite Disclosure Presentation on the last page of this document.*



## Calendar Year Returns

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Since Inception
<b><i>Pathways™ (SRI) All-Cap</i></b>	-17.43	42.26	28.28	-1.02	12.03	27.46	7.27	-1.16	9.66	20.27	11.95
S&P 500 (tr) Index	-37.00	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	9.39

## Trailing Returns

Period	1 Year	3 Year	5 Year	7 Year	9 Year	Since Inception
<b><i>Pathways™ (SRI) All-Cap</i></b>	20.27	9.24	12.26	10.23	15.32	11.95
S&P 500 (tr) Index	21.83	11.41	15.79	13.76	15.25	9.39

*Performance period from May 1, 2008 through December 31, 2017. Annualized returns are presented GROSS of ALL FEES and TRANSACTION COSTS. Past Performance is no indication of future results. See Annual Composite Disclosure Presentation on the last page of this document.*



**SFE has integrated its concern for the social good into its investment philosophy since its inception in 1977.**

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**SFE holds the idea of sustainability as a core value and believes that companies that strive for sustainability will achieve profitability over time.**

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**Over the years, SFE has developed a methodology for identifying companies that balance financial priorities with sustainable business practices and good corporate citizenship.**

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**In 2008, SFE designed a portfolio of companies that are practicing sustainability to develop workable solutions to the challenges that shape our future.**

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**The result is *Pathways*<sup>™</sup> – an uncompromising approach to socially responsible investing that gives social values and financial performance equal weight.**



## What does the ideal world look like?

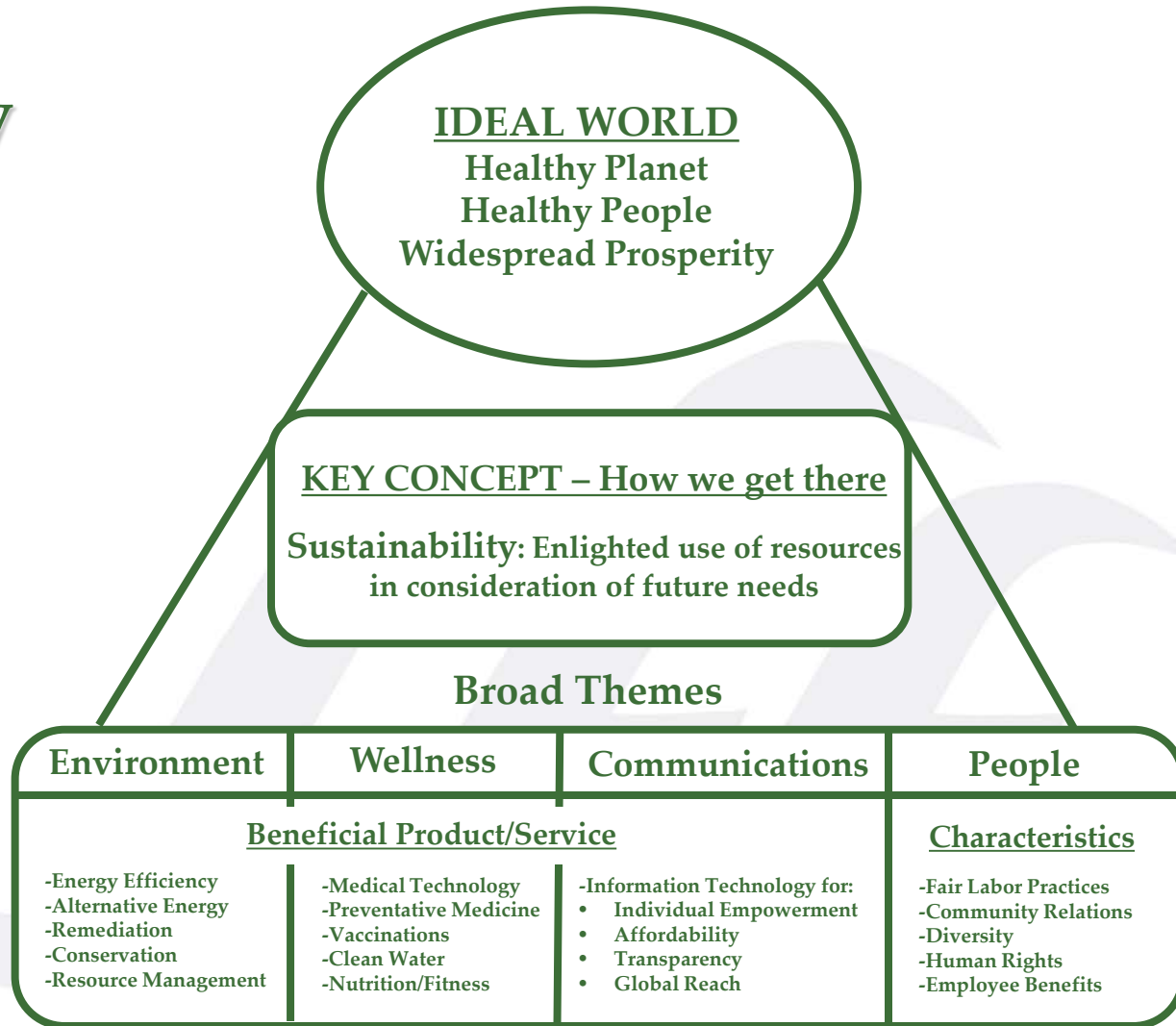
- *Healthy Planet* – We are stewards of the world we live in and it is our sacred obligation to protect the environment and make efficient use of the resources it provides. If the planet is unhealthy, no one can prosper.
- *Healthy Populace* – Healthy citizens contribute to society and the economy. Our very humanity requires that basic nutritional and healthcare needs are met for all people.
- *Widespread Prosperity* – As the world economy expands, fairness and justice dictate that the benefits must extend to all people in every corner of the globe.

*These are the three most basic and interconnected elements of the world we wish to leave for future generations.*





# Putting Theory into Practice





Most SRI/Impact products start with a universe of stocks, and then screen out companies that engage in undesirable activities. This is called **Negative Screening**.

- While Pathways™ (SRI) All-Cap strategy avoids companies that engage in such detrimental activities, our stock selection process is more proactive than the typical negative screen.

Rather than merely screening out the worst offenders, we use **Positive Selection Criteria** to identify exceptional companies that are making positive contributions that have broad impacts.

- **Environment:** Offer products and services that benefit the global ecosystem, while minimizing the negative impact of their business operations on the environment
- **Wellness:** Deliver technologies or services that improve the health and welfare of people everywhere
- **Communications:** Offer products and services that promote global communication and interconnection
- **People:** Seek to promote employee dignity and honor stakeholders' communities and cultures



*Pathways*<sup>™</sup> (SRI) *All-Cap* strategy companies contribute in two ways:

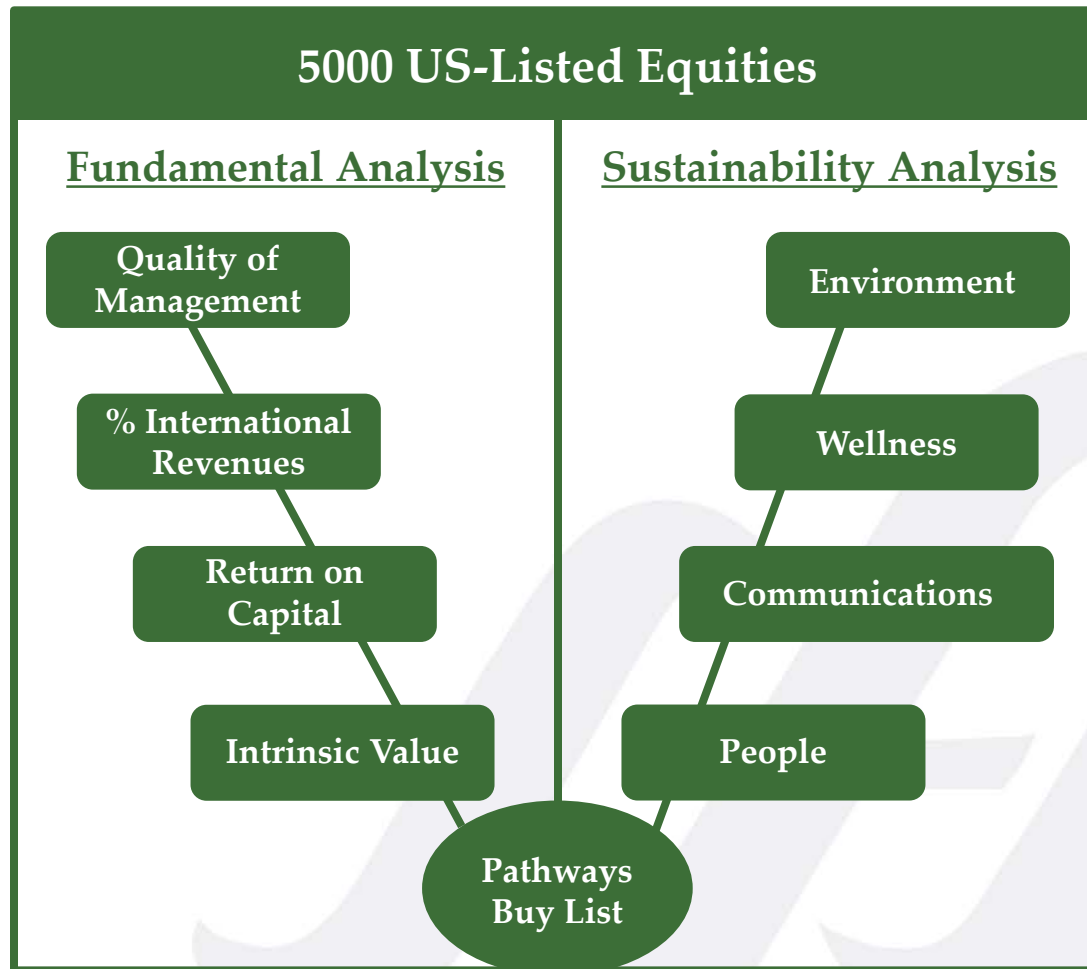
1. **Market Contribution:** Deliver a product or service that benefits the global ecosystem or makes a net positive impact on people's health/prosperity (themes = Environment, Wellness and Communications)
2. **Operational Contribution:** Conduct business in a sustainable way, minimizing any negative impact on the environment and promoting human dignity (theme = People)

The ideal *Pathways*<sup>™</sup> (SRI) *All-Cap* strategy company combines elements of both:

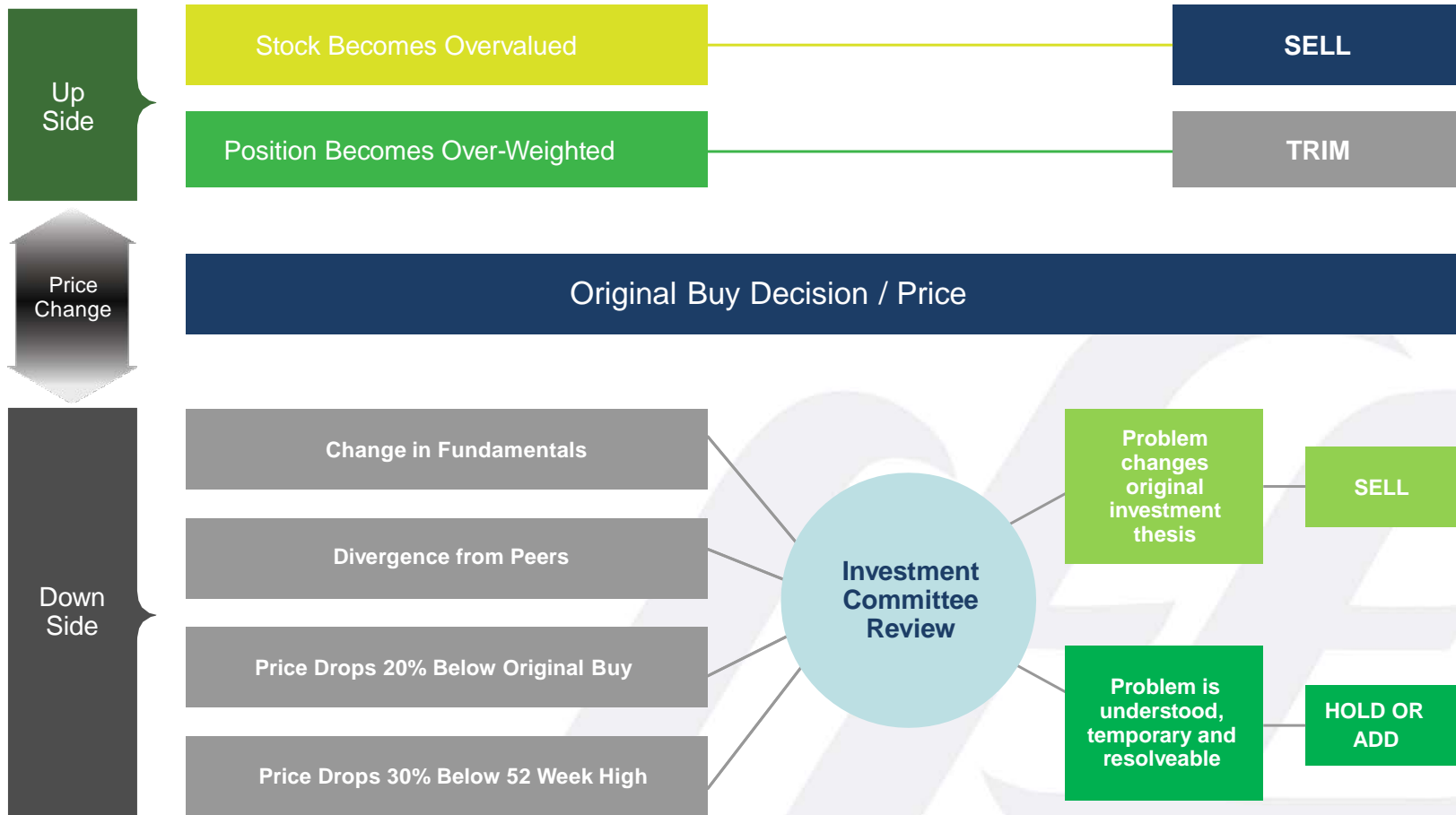




- SFE research analysts proactively screen the universe of US-listed equities for companies with characteristics that match our four *Pathways*<sup>™</sup> Investment Themes.
- SFE's top-down perspective has identified sectors that are aligned with our Investment Themes.
- SFE uses its Positive Selection Criteria to proactively seek companies that embrace sustainability and take a long term, strategic view of the business and its impact on all stakeholders.
- Our bottom-up financial analysis evaluates each candidate company's business fundamentals, competitive position and management strength.
- Our SRI/Impact and financial analyses are conducted in tandem, so that sustainability and profitability are given equal weight.
- SFE analysts present qualified candidates to the Investment Committee, where a majority vote is required for inclusion on SFE's list of approved stocks for the *Pathways*<sup>™</sup> strategy.

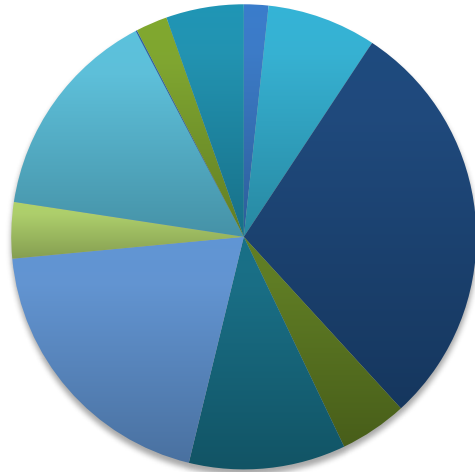


*This process diagram is intended to illustrate the type of quantitative and qualitative analysis performed by SFE analysts. The list of metrics shown is not comprehensive and does not represent the full extent of SFE's proprietary evaluation process.*





## Sector Allocation



- Energy - 1%
- Materials - 0%
- Real Estate - 7%
- Industrials - 22%
- Consumer Discretionary - 4%
- Consumer Staples - 9%
- Healthcare - 19%
- Financials - 4%
- Information Technology - 24%
- Telecom Services - 0%
- Utilities - 4%
- Cash Total - 6%

## Market Capitalization



- Small - 30%  
< \$3 Billion
- Medium - 33%  
\$3 - \$15 Billion
- Large - 37%  
> \$15 Billion

## Growth/Value Breakdown



- Growth - 60%
  - Value - 40%
- S&P 500 P/E – 26.7%

Portfolio characteristics (as of 12/31/17) are based on how GICS categorize companies within each sector. Black Diamond & FactSet provides the information. This is an actively managed strategy and does not mirror the Russell 3000 (tr) Index.



	NAME	TITLE	INDUSTRY EXPERIENCE (YEARS)	TENURE AT SFE (YEARS)
PORTFOLIO MANAGEMENT TEAM	Charlie Bohlen JD, CFA	VP, Chief Investment Officer	19	15
	Jim Moylan MBA, CFA	VP, Analyst & Portfolio Manager	24	11
INVESTMENT COMMITTEE MEMBERS	Jon Kmett CPA	President	30	27
	Teri McCasland	VP, Operations & Compliance	48	36
	David Thomsen MBA	VP, Business Development	15	11
AVERAGE			27	20





**Charles E. Bohlen, CFA, JD**  
**VP, Chief Investment Officer**

**Education: BA History & Literature, Harvard College (*magna cum laude*); Yale Law School**

The son of a prominent American diplomat, Charlie grew up overseas, spending parts of his youth in France, Russia and the Philippines. Charlie's international experience informs our top-down investment perspective, which seeks to identify secular trends and the industries that stand to benefit. In addition to managing SFE's research activities, Charlie is directly involved in our portfolio review process. He is the Chairman of the Investment Committee and the Co-Portfolio Manager (with Jim Moylan) for the *Pathways*<sup>™</sup> (SRI) *All-Cap* strategy and the *All-Cap Core Growth & Income* strategy.

Prior to joining SFE in 2001, Charlie worked in a variety of corporate settings including banking and international finance. Charlie is a Chartered Financial Analyst and was admitted to the Bar in California, Minnesota and the District of Columbia. He is Chairman of the Board of Directors of the Bishop W. Bertrand Stevens Foundation and Treasurer of St. George's Episcopal Church in La Canada.



**James T. Moylan, CFA, MBA**

**VP, Lead Portfolio Manager**

**Education: BS Mathematics, UCLA; MBA Anderson School, UCLA**

Jim's career began at Hughes Electronics, where he worked as a Program Manager overseeing government contracts. Jim moved into the investment management business in the mid 1990's and joined McCullough, Andrews & Cappiello, Inc., in San Francisco. During his tenure there, Jim honed his skills as a fundamental analyst and portfolio manager while developing expertise in the Telecom, Energy, Utilities, Healthcare and Technology sectors.

At SFE, Jim brings a high level of fact-based objectivity and discipline to our 'bottom up', fundamental research. He shares portfolio review duties with Charlie Bohlen and also serves as Co-Portfolio Manager for the *Pathways™ (SRI) All-Cap* strategy and the *All-Cap Core Growth & Income* strategy. Jim is a leader on the Investment Committee and he has been a member of the CFA Institute since 1997.



**Jon M. Kmett**

**President**

**Education: BS Business Administration USC**

Jon is responsible for the day-to-day operations of the firm. His accounting experience enhances our ability to counsel our clients, many of whom have business, trust and retirement accounts with us – all requiring different tax treatment. Jon is a member of the Investment Committee and Chairs the SFE Board of Directors.

Jon was a Certified Public Accountant and partner with Edward T. Bergin & Co, CPAs prior to joining SFEIC in 1989. Jon currently serves on the boards of Catholic Big Brothers, the St. Vincent Medical Center Foundation and Millennium Housing.



**Teri M. McCasland**  
**VP, Chief Compliance Officer**  
**Education: BS Business Management, Pepperdine University**

Teri grew up in Connecticut, and began her career in 1969 with Connecticut General Life Insurance in the Securities Accounting Division. She moved to California in 1972 and worked as assistant to the Vice President of Operations and Diversified Securities until 1981, when she joined Earl Fisher at SFE. As Chief Compliance Officer, Teri monitors the regulatory environment and also runs our 'back office'.

Teri graduated from Pepperdine University in 1997 with a degree in business management. She is a member of the Investment Committee and a shareholder in the firm. Teri is an avid golfer and is on the Board and a singer with the Long Beach Chorale and Chamber Orchestra.



**David J. Thomsen**

**VP, Business Development**

**Education: BA Philosophy, La Salle University; MBA University of Colorado, Boulder**

David joined the firm in 2006 to attract new clients and to help broaden SFE's institutional relationships. David is also responsible for SFE's GIPS compliance and most daily trading functions. David serves on the Board, SFE's Investment Committee, and is a shareholder in the firm.

A native of Los Angeles, David began his post graduate career writing business plans for start-up internet and technology companies. He began his financial services career in 2001 as a Client Financial Analyst with Citigroup. David is currently a member of the Board of Governors for the Idyllwild Arts Foundation and Honorary Member & Co-Treasurer for the New Center for Psychoanalysis. David was a founding member of the La Salle Rugby club, where he played for 4 years, and enjoys golf and paddle tennis in his spare time.



**Oliver C. Nihan**

**Analyst**

**Education: BA History & Economics, Sewanee: University of the South**

Oliver is the most recent addition to the SFE team and works with the Portfolio Management Team as an equity analyst. He graduated from Sewanee: University of the South in 2016 with a double major in History and Economics. He has experience working in international finance through various internships including with Abu Dhabi Islamic Bank in UAE, the Grameen Bank in Bangladesh, and CreditEase in Beijing, China.



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Year End	Total Firm Assets (millions)	Composite Assets (millions)	Number of Portfolios	S & P 500 Index	Annual Composite Performance Results		Composite Dispersion	Ex-Post Standard Deviation (Rolling 3 Years)	
					Gross	Net		Composite	S&P 500
2016	\$304	\$17	31	11.96%	9.66%	8.98%	3.04	10.42%	10.59%
2015	\$283	\$17	33	1.38%	-1.16%	-1.78%	3.12%	10.86%	10.47%
2014	\$324	\$25	45	13.69%	7.27%	6.59%	4.97%	9.91%	8.97%
2013	\$309	\$23.2	38	32.39%	27.46%	26.57%	2.47%	11.36%	12.11%
2012	\$243	\$10.5	22	16.00%	12.03%	10.85%	2.58%	15.80%	15.30%
2011	\$240	\$1.1	8	2.11%	-1.02%	-2.24%	N/A	19.32%	18.97%
2010	\$217	\$0.6	4	15.06%	28.28%	26.44%	N/A	N/A	N/A
2009	\$179	\$8.4	3	26.46%	42.26%	40.44%	N/A	N/A	N/A
2008	\$183	\$4.0	1	-37.00%	-17.43%	-18.23%	N/A	N/A	N/A

Notes:

1. In 2008 results are reported for the period May 1, 2008 through December 31, 2008 only.
2. From 2008-2010 Ex-Post Standard Deviation (Rolling 3 Years) is not available (n/a). Three years have not been completed.
3. From 2008-2011 the composite contains 5 or fewer portfolios for the full calendar year, a measure of composite dispersion is not statistically meaningful.

(Continued on next page)





The *Pathways™ (SRI) All-Cap* strategy invests in companies that demonstrate commitment to sustainable business practices and good corporate citizenship, according to the SRI/ESG criteria established by SFE Investment Counsel Inc. (SFE). Additional information regarding SFE's criteria of sustainable business practices is available upon request.

This composite was created May 1, 2008 and contains only fee-paying fully discretionary portfolios. The composite is measured against the S&P 500 (tr) Index, which is an index of US stocks designed to represent the US stock market. The minimum portfolio size for inclusion in this composite is \$100,000. Policy requires the removal of any portfolio that falls below \$100,000. The removal of a portfolio occurs at the beginning of the quarter in which the balance falls below \$100,000. The portfolio re-enters the composite the quarter after the balance reaches \$100,000. Additional information regarding the inclusion and exclusion of accounts is available upon request.

SFE management fee schedule for the composite is 2.50% on the first \$100,000, 2.25% on the next \$200,000, 2.00% on the next \$700,000, 1.75% on the next \$2 million, 1.5% on the next \$2 million, 1.25% on the next \$5 million, 1.00% on the next \$10 million and 0.75% on amounts in excess of \$20 million. Actual management fees incurred by clients may vary. SFE's sub-advised management fee is 0.50% subject to a \$500.00 minimum annual fee in most cases. Actual sub-advised management fees incurred by clients may vary.

Composite returns are presented gross and net of management fees. Gross returns for some accounts sub-advised by SFE are stated as gross of all management fees and transaction costs and are shown as supplemental information. Net of fee performance was calculated using actual management fees. Composite results include accounts no longer with the firm.

The annual composite dispersion presented is an asset-weighted standard deviation of the accounts in the composite the entire year. As of 1/1/15 accounts with assets other than equities are no longer eligible to be placed in the strategy. Carve-outs were included in this composite until December 31, 2009. Prior to that date, we took the composite level cash percentage and composite level cash performance and allocated that to the equity returns. Additional information regarding the policy for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

SFE claims compliance with Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS® standards. SFE has been independently verified for the periods October 1, 2001 through December 31, 2016 by Ashland Partners & Company LLP. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The *Pathways™ (SRI) All-Cap* composite has been examined for the periods May 1, 2008 through December 31, 2016. The verification and performance examination reports are available upon request.

Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. SFE is an independent investment advisor registered with the SEC. List of composite descriptions is available upon request.