HOLT Strategies Outperforming their benchmarks during market turmoil
August 2015

In this note, the HOLT portfolio managers discuss how the strategies are performing during the global market turmoil.

- We have previously noted that Sustainable Dividend strategies have historically tended to perform well during market sell-offs, due to their focus on high quality, blue chip companies (See “Quality Matters When the Market Sells Off”, July 2015). This continues to be the case in the current markets.

- Global indices peaked on May 21st, 2015. Since then, all HOLT strategies are exhibiting strong downside protection and are outperforming their benchmarks. Global Sustainable Dividend All World (“GSD AW”) is outperforming its benchmark by 4.5% since the market peak (net of fee, see chart below)\(^1\) with downside capture of 62%\(^2\). Global Sustainable Dividend ADR (“GSD ADR”) is performing similarly to GSD AW.

Global Sustainable Dividend Performance YTD and since Global Market Peak (5/21/15)

- Regional Sustainable Dividend strategies have also exhibited downside protection and are outperforming their benchmarks by 200 bps on average from 5/21/15 to 8/26/15. The average downside capture is 76% across the Sustainable Dividend strategies over the same time period\(^2\).

<table>
<thead>
<tr>
<th></th>
<th>YTD</th>
<th>Since Global Market Peak (5/21/15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Sustainable Dividend</td>
<td>-5.1%</td>
<td>-6.8%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-4.5%</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Relative</td>
<td>-0.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>European Sustainable Dividend</td>
<td>-1.9%</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-2.1%</td>
<td>-12.4%</td>
</tr>
<tr>
<td>Relative</td>
<td>0.2%</td>
<td>3.1%</td>
</tr>
<tr>
<td>EM Sustainable Dividend</td>
<td>-15.4%</td>
<td>-21.0%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-16.0%</td>
<td>-22.7%</td>
</tr>
<tr>
<td>Relative</td>
<td>0.6%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

\(^1\)Monthly GIPS net-of-fee returns are used (12/31/2014 – 7/31/15), while supplemental model portfolio returns are used for intra-month stub periods (5/21/15 – 5/31/2015 and 7/31/2015 – 8/26/15).

\(^2\)Downside capture is the strategy return divided by the benchmark return during the global sell-off. For GSD AW, downside capture of 62% is computed as -7.2% (GSD AW net-of-fee total return) divided by 11.7% (benchmark total return over the same time period: 5/21/15 to 8/26/15).

Portfolio Management Team

Adam Steffanus, CFA 312 345 6193 adam.steffanus@credit-suisse.com
Mike Valentinas, CPA 312 345 6178 michael.valentinas@credit-suisse.com
Heather L. Kidde, CFA 212 325 7785 heather.kidde@credit-suisse.com
Sean Burns 312 750 2951 sean.burns@credit-suisse.com
The HOLT Sustainable Growth strategies have also performed well over the last three months. These quality growth strategies seek a balance of quality, momentum (growth) at a reasonable price. During the recent market turmoil, the market has fled to quality stocks, which has driven relative out-performance.

US Large Cap Core is significantly outperforming both YTD and since the global market peak (May 21st, 2015).

Small Cap Blue Chip (“SCBC”) is also outperforming relative to the Russell 2000. SCBC is down 7.0% (net of fee), while the benchmark is down 9.6%. On a relative basis, SCBC has outperformed by 2.6% (net of fee) since 5/21/15.
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The HOLT Global Sustainable Dividend Composite includes all fully discretionary portfolios that are managed to the HOLT Global Sustainable Dividend Strategy. The objective of the strategy is to seek current income, income growth, and capital appreciation by investing in U.S. and foreign stocks. Historically, exposure to foreign securities was primarily obtained through liquid American Depository Receipts (ADRs). Beginning January 2015, accounts in the composite may gain exposure to non-U.S. markets through either ADRs or through direct investment in foreign stocks. The strategy focuses on high quality, blue chip companies with deep defensive moats, sustainable cash flows, and attractive valuations, without geographic constraints. These cash flow rich companies have excess capital to return to shareholders and are largely focused on wealth distribution. The Global Sustainable Dividend Strategy leverages the Sustainable Dividend methodology powered by HOLT, an innovative stock selection method that offers a consistent, structured, and repeatable investment process. Portfolios must be materially invested to the model and hold a minimal amount of cash and other non-model assets prior to initial inclusion in the composite. Portfolios included in the composite are not necessarily 100% invested to the model for all time periods. The composite creation date is December 2014. The benchmark used for this composite is the MSCI ACM Index (net) which is a free float-adjusted market capitalization index that is designed to measure equity market performance of developed and emerging markets. Net total return index returns reinvest dividends after the deduction of withholding taxes.

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