

LSV Asset Management
Statement of Responsible Investment Initiatives

Quantitative Investment Approach

LSV Asset Management (“LSV”) provides discretionary investment management services in portfolios of publicly-traded global equity securities to a variety of institutional clients, including private funds and mutual funds, utilizing the application of LSV’s proprietary quantitative model. The portfolio decision making process is driven by (1) a proprietary model that ranks securities based on fundamental measures of value, past performance and indicators of recent positive changes; and (2) a risk control process that manages residual risk relative to a benchmark. The fundamental premise on which LSV’s investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. These include the tendency to extrapolate the past too far into the future, to wrongly equate a good company with a good investment irrespective of price, to ignore statistical evidence and to develop a “mindset” about a company. LSV’s proprietary and rigorous approach enables LSV to continue to identify insights into new quantitative signals of value or risk controls that can be utilized for its clients’ best interests.

Principles for Responsible Investment ("PRI")

LSV became a signatory to the PRI in April 2014. The PRI provides a framework, through its six principles, for consideration of environmental, social, and governance ("ESG") factors in portfolio management, investment decision-making, and active ownership. The six principles ask an investment manager, to the extent consistent with its fiduciary duties, to seek to: (1) incorporate ESG issues into investment analysis and decision-making processes; (2) be an active owner and incorporate ESG issues into its ownership policies and practices; (3) obtain appropriate disclosure on ESG issues by the entities in which it invests; (4) promote acceptance and implementation of the PRI principles within the investment industry; (5) work to enhance its effectiveness in implementing the PRI principles; and (6) report on its activities and progress toward implementing the PRI principles.

LSV Responsible Investment Initiatives

LSV is committed to continually enhancing its Responsible Investment efforts. As a quantitative manager, LSV seeks and monitors for improvements in ESG-related data and forward-looking signals from issuers and data providers. With appropriate verification and testing and/or upon client request, LSV utilizes such data in its systematic and disciplined approach to bolster its risk control process, pursue higher expected returns, and/or support clients’ ESG objectives in a variety of ways. In this manner, LSV seeks to avoid introducing judgmental biases and behavioral weaknesses that may influence how ESG factors contribute to investment decision-making.

In this context, LSV takes the following actions to incorporate ESG issues into its investment and ownership processes, and to promote the PRI:

1. Investment Management

There are a variety of ways in which ESG plays a role in LSV's quantitative investment process:

All Client Accounts

- Data signals related to governance, ESG controversies, ESG scores, and climate risks are included in LSV's quantitative expected return model and/or risk control and portfolio construction process. For example, signals related to climate risk and certain related governance signals are utilized to penalize implicated issuers.
- Forecasts by equity analysts are factored into LSV's quantitative model. ESG risks and opportunities are considered by equity analysts, and thus can have an effect on model rankings.
- As a supplement to its quantitative risk control process, LSV may choose not to purchase or increase its investment in particular issuers due to heightened ESG risks or controversies, such as news of a major environmental event or governance risk related to the company.
- LSV has invested in a variety of ESG-related data sets and has incorporated such data into its model so that it can be reviewed by the portfolio management team.

Supplementary Measures at Client Direction

- LSV can integrate certain ESG constraints into the portfolio construction process for clients that request it, including relating to carbon emissions, ESG scores, or business involvement.
- LSV can implement ESG tilts or penalties in the direction of, or away from, issuers based on an extensive number of ESG-related data signals.
- LSV can apply exclusionary screens at the portfolio level for clients that request it, including relating to industry divestment or ESG negative screening. Legally required screens, such as sanctioned entities, are applied to all client accounts. Additional screens can be applied based on client provided lists or based on certain dynamic third-party vendor data subscribed to by LSV. Such options can pertain to a wide variety of matters, including screening issuers with indicators of risk relating to minimum standards of business and labor practices based on relevant international norms.
- LSV offers a commingled investment fund that excludes securities based on certain socially responsible investment considerations.

2. Internal Research and Analysis

LSV conducts research on an ongoing basis on a variety of topics in order to develop enhancements to the LSV quantitative investment process. LSV considers ESG factors using the same process as for its other investment ideas. LSV has researched a variety of ESG-related topics, including in collaboration with its academic advisors, and is committed to further review of ESG factors that may increase returns and/or reduce risk and, after appropriate verification and testing, incorporating such factors into its model. In addition, LSV works with clients to develop ways to help achieve their goals with respect to ESG investing within the framework of LSV's quantitative investment process.

LSV employees stay current on third-party research, attend ESG-related educational events, and are in frequent discussions with ESG data providers to understand their latest offerings. From time to time, LSV employees also may engage with PRI staff or other PRI signatories, including clients and key service providers, to understand developing best practices for identifying and understanding the relevance and importance of ESG risks and opportunities.

3. Stewardship

LSV has retained an expert third party, currently Glass Lewis & Co. (“GLC”), to implement LSV’s proxy voting process, provide assistance in developing proxy voting guidelines, and provide analysis of proxy issues on a case-by-case basis. GLC is also a signatory to the PRI and, as such, many ESG considerations are factored into GLC’s standard proxy voting guidelines, which LSV typically follows for clients where LSV has proxy voting authority. Certain such environmental factors are further emphasized in GLC’s climate proxy voting guidelines, which LSV utilizes for new clients who wish to make LSV responsible for voting proxies, absent direction otherwise. GLC’s climate guidelines are substantially similar to GLC’s standard guidelines, but go further to encourage enhanced disclosure of climate-related governance measures, risk mitigation, and metrics or targets. In addition, through GLC, LSV is able to follow a number of guidelines specific to ESG issues in shareholder proposals that are intended to support value enhancement and risk mitigation, and offers ESG- and labor-focused guidelines for clients that would like such guidelines applied to their accounts.

Through GLC’s Active Ownership Engagement Solution, LSV expects to engage in excess of 500 companies annually, in collaboration with GLC’s other subscribers. Such engagements address a number of key ESG themes, including sustainability disclosures and human capital management topics, and are prioritized for companies at which GLC has identified a material environmental, social and/or governance concern.

In addition, LSV’s Responsible Investment Committee engages with certain companies systematically selected by the portfolio management team on themes periodically set by the Responsible Investment Committee. LSV generally prioritizes any such engagements based on the size of holdings across client accounts and the company’s provision of ESG data, including the adequacy and quality of such data for purposes of accurately pricing ESG risks and opportunities. LSV intends to encourage companies to improve quantitative ESG disclosures, particularly where most relevant to clients and most feasible to achieve change. LSV will consider collaborative engagement initiatives as a supplement to its participation in GLC’s program on a case-by-case basis. Information learned as a result of an engagement will be shared with LSV’s portfolio management team. Unsuccessful engagement efforts will be escalated to LSV’s portfolio management team and acted upon as deemed appropriate.

LSV advocates for greater ESG-related disclosures by issuers through its relationships with PRI staff, PRI signatories, and third-party data vendors. LSV supports companies’ provision of information in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures and typically supports related shareholder proposals, subject to GLC’s case-by-case analysis and recommendation.

4. Sustainability Outcomes

LSV is committed to helping clients achieve their sustainability outcome goals with respect to their portfolios. LSV believes it can manage client portfolios utilizing data that integrates information key to one or more frameworks relevant to a client, such as Sustainable Development Goals, the Paris Agreement, the UN Guiding Principles on Business and Human Rights, the Organization for Economic Co-operation, and Development Guidelines for Multinational Enterprises and others.

As a firm, LSV is committed to driving sustainability outcomes in its community through contributing to a number of local programs aligned with certain Sustainable Development Goals, such as ensuring quality education and eliminating poverty.

In addition, as of 2022, LSV is a CarbonNeutral® certified company, including for its business travel, in accordance with [The CarbonNeutral Protocol](#), a leading framework for achieving carbon neutrality through a combination of emissions reductions and delivering finance to independently verified low carbon sustainable development projects.

5. Resources Devoted to ESG

LSV has designated senior members from all functional areas of the firm to sit on a Responsible Investment Committee to lead and coordinate LSV's efforts related to Responsible Investment. The LSV Responsible Investment Committee members currently include two portfolio managers and other senior officers, including the Chief Legal, Compliance, and Risk Officer and the Chief Operating Officer, among others. All oversight and implementation of LSV's Responsible Investment Initiatives occur at the Committee level and day-to-day implementation responsibilities are delegated to Committee members or other firm employees as appropriate.

LSV frequently evaluates third-party ESG data for integration into its investment processes, subject to appropriate verification and testing. Continuing to acquire such resources remains a current focus.

6. Disclosures and Reporting

LSV discloses and reports information concerning its ESG initiatives in the following ways:

- LSV annually reports to the PRI on its activities and progress toward implementing the PRI principles as required.
- LSV makes this Statement of Responsible Investment Initiatives available on its website.
- Upon request, LSV will furnish a copy of its engagement policy and/or information on its engagement efforts.
- LSV provides a variety of different forms of ESG-reporting to its clients upon request.
- LSV's proxy voting policy is publicly available in its Form ADV Part 2A. In addition, LSV clients may obtain information from LSV about its proxy voting guidelines and how LSV voted any proxies on behalf of their account upon request.