Full Consequence Investing® Initiative

Hall Capital Partners' ("Hall Capital") core philosophy emphasizes long-term, fundamental investing. From the firm's inception, we have sought to invest with managers who provide a high degree of accessibility and transparency, and who show a commitment to quality and ethics in building and managing an investment portfolio. Our long-term focus and the partnerships we strive to establish with high-quality, ethical managers have led us to naturally incorporate environmental, social, and governance ("sustainability" or "ESG") factors into our research process and, ultimately, into the construction of client portfolios.

Over time, our clients' focus on these issues has intensified, as has our belief that incorporation of sustainability themes into our investment process allows us to better understand investment risks and opportunities. In 2013, we launched the Hall Capital Full Consequence Investing ® ("FCI") initiative to further our commitment to sustainable investing and more completely address our clients' needs in this area. Our FCI initiative is led by senior members of our executive, research and portfolio management teams.

What We Believe

As a firm, we believe that incorporating an evaluation of environmental considerations, sustainability of business models, corporate governance, and social issues into the investment process has the potential to contribute to long-term results because explicit consideration of these elements should result in a more accurate assessment of factors that affect long-term value as well as assist in risk mitigation. We believe that thoughtful long-term investors already consider many of these factors in evaluating investments in the natural course of their due diligence; however, we also recognize that there may be opportunities for such investors to enhance these efforts.

We do not see Full Consequence Investing® as necessitating "concessionary investments" which are "mission driven" at the expense of investment returns (although "impact" investments may play a valuable role in an investment program). Similarly, our FCI framework is not about categorically excluding certain investments (i.e., negative screens) although we recognize the potential utility of "screens" for certain investors. Rather, we believe incorporating FCI principles into our review of investments may help us (1) better assess investment opportunities and risks while (2) increasing the level of alignment with our clients' interest in these principles.

What Do We Expect from Managers?

We expect all of our managers to be ethical and thoughtful actors, demonstrating good governance and compliance practices, and employing appropriate levels of transparency for investors. As part of FCI, we continue to survey the landscape of managers who share our belief that long-term investing necessitates alignment of interests with shareholders, clients, and stakeholder communities and sustainable use of resources. We are working with our existing and prospective managers to understand and, in some cases, advance their thinking on Full Consequence Investing®.

As investors, we focus on long-term results and expect our investment managers to actively research risks that could impact long-term value. In particular, we expect managers to focus on assessing business quality, management and governance quality, as well as environmental and social factors. We believe developing a thorough and disciplined approach to evaluating each of these factors will help in achieving attractive, risk-adjusted returns over the long-term and be more beneficial to portfolio construction than systematically excluding certain sectors or industries. We view FCI as a holistic approach that is more focused on the investment process and less on directing managers to categorically exclude (or include) certain investments from (in) their portfolios or to reach certain conclusions about whether a potential investment is inherently good or bad. FCI is incorporated in our investment diligence process as we evaluate the depth and quality of fundamental research and the extent to which managers consider potential externalities (negative and positive) as they make investment decisions.

What Does This Look Like Across Asset Classes?

Private Equity, Real Estate and Hard Assets

We believe FCI concepts are naturally aligned with long time horizon strategies where the evaluation of externalities is critical to an assessment of long-term value. In strategies such as private equity, real estate and hard assets Hall Capital continues to find managers who:

- Believe that evaluating long-term business sustainability can improve performance over the long term
- Incorporate FCI factors into diligence, and document their policy and process
- Seek to improve long-term sustainability of companies or assets, recognizing that sustainability and efficiency (leading to increased long-term profitability) are often closely linked
- Apply and track FCI-related metrics for underlying assets to track sustainability milestones and goals
- Proactively invest and/or drive change in companies or industries that address sustainability themes
- Have senior-level buy-in, dedicated senior resources in the sustainability area, and/or exhibit awareness of FCI at all levels of the organization

A few specific examples are:

- Forward-looking actors in the energy space with long-standing attention to safety and environmental protection
- Private equity firms working with their portfolio companies to improve environmental performance across key metrics such as greenhouse gas emissions, waste, water and forest products
- Seed stage investments in "disruptive" technologies aimed toward addressing resource efficiency and alternative energy sources
- Core real estate managers that continuously evaluate and improve the sustainability of their portfolio companies' investment and management practices leading to more efficient, better financially-performing properties, and a differentiated sustainability program that supports tenant acquisition and retention

Public Equities and Fixed Income

In long-term oriented public equity and fixed income strategies many of these concepts are very relevant but the involvement of managers and ability to drive change is more nuanced. We see a wide variety of approaches to FCI and have included a few representative examples below:

- Core fixed income fund that incorporates ESG criteria throughout the investment process and seeks exposure to community development and environmental efficiency projects

- Long-only equity fund that incorporates ESG analysis as part of the criteria to identify and own good businesses run by quality management teams
- Active shareholders engaging companies with high quality business models to substantially improve governance

Hedge Funds

Hedge funds are more difficult to categorize broadly as the strategies and investment time horizons can vary widely and due to the highly opportunistic "go anywhere" nature of their investment programs. A number of hedge fund managers explicitly incorporate FCI principles into their work, but FCI factors are often less relevant when evaluating investments with a short holding period or certain arbitrage-related strategies. We still also find hedge fund managers are generally less accustomed to disclosing specific policies for fear that potential investors might perceive that any such policy could limit flexibility and managers' ability to be opportunistic. Certain hedge funds with multiple share classes have introduced a screened share class to address specific limited partner focus areas. This remains a work in progress, with barriers slowly falling in this space as investors and managers come to better understand FCI factors.

What Are Some of the Hurdles and Considerations?

Through many open discussions, we have developed an understanding of how our existing mangers are approaching these issues. We have worked with managers that have more explicitly integrated sustainability analysis into their process to help them refine their documentation of policies. We expect the degree of integration to differ among various asset classes and strategies. In the course of our conversations, we have encountered some hurdles and considerations:

- Fiduciary Duty: In many cases, sustainability may be important to fund managers personally, but given the diversity of limited partners and stakeholders, they may perceive that explicit integration of sustainability factors could lead to potential conflicts of interest between investors and the general partner.
- Perceived Reduction of Opportunity Set: Some managers feel that embedding specific language around these issues in their fund documents may potentially hinder their ability to invest opportunistically, or lead to a perception of a reduced opportunity set on the part of their investors.
- Time Horizon: Particularly for hedge funds, inherently shorter time horizons of strategies may make evaluation of longer-term regulatory or sustainability risks less critical to the outcome of an investment.

We acknowledge that considerations around integrating sustainability factors are not "black-and-white" and exhibit degrees of ambiguity or materiality which require careful judgment calls. As such, we are focused on the investment process and how managers consider externalities in the course of their fundamental research. We are *not* directing managers to invest or not invest in certain types of businesses or assets. We do not pre-suppose that there is one "answer" and recognize that thoughtful investors may reasonably come to different conclusions on any individual investment, as they may in other capacities throughout their research process. We do not believe that this framework reduces the ability to generate attractive returns (i.e., not a concessionary approach); instead, we believe it can drive thoughtful and effective investment selection over time by identifying risks that others miss or recognizing value that others do not.

What Have We Done?

We have started the dialogue with most of our managers about the extent to which they evaluate sustainability factors as part of their investment process. As we continue to have these conversations, we:

- Encourage managers that already incorporate FCI to better document their approach and their policies
- Recommend integrating the consideration of these factors into investment processes
- Advocate for the creation of share classes where appropriate
- Actively seek to identify new strategies that have integrated FCI concepts

We are working closely with clients to align their portfolios with individual investment objectives, without sacrificing risk adjusted returns. As we deepen our dialogue with managers and identify new strategies we are able to better serve our clients in this area. Our conversations with clients around FCI have increased meaningfully in recent years and we would expect that trend to continue.

In addition, we have strived to demonstrate thought leadership in this area by:

- Becoming signatory to UNPRI (UN Principles of Responsible Investing)
- Promoting dialogue among thought leaders in the investment industry (e.g., we recently co-hosted an investor roundtable to prompt further dialogue across the investing community and corporate decision-makers on opportunities and considerations in the transition to a low-carbon economy)

Hall Capital has also implemented a number of internal steps within our firm to incorporate practices that address environmental considerations and our commitment to ethics at the firm level. Examples of such initiatives include:

- Strong governance practices, strong compliance policies and procedures
- Green Committee responsible for increasing awareness and greening initiatives including recycling and waste reduction projects
- Measuring the firm’s carbon footprint and purchasing offsets
- Increased use of electronic tablets, e-distribution of client reports and materials, as well as double-sided printing
- Community engagement including quarterly volunteer events coupled with local giving through a firm-funded charitable fund directed by our employees

Disclosures

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The FCI analysis, including the identification and weighting of sustainability factors, is performed by Hall Capital. The FCI analysis involves judgment, which is inherently qualitative and subjective, based on Hall Capital's assessment of a Fund's investment process and values. Hall Capital conducts due diligence in order to reach a reasonable assessment of which factors, and the degree to which these factors, are used in a Fund's investment process. There can be no guarantee that Hall Capital's due diligence has fully ascertained all of the factors in a Fund's investment process or their weighting. In addition, there is no guarantee that the information that Managers provide to HCP is accurate or complete or that the Manager will maintain the same investment process. Because of the qualitative nature of FCI and sustainability factors, their precise impact and cost cannot be quantified, either on a stand-alone basis or in relation to an impact on performance results. While we believe it is possible to construct an FCI portfolio that would have returns similar to or better than returns in a portfolio that does not have FCI, there can be no guarantees, and a portfolio that invests pursuant to FCI principles may generate lower investment returns than a non-FCI portfolio.