

# Sustainable Value Strategy

**Certified** Riverwater Partners is a woman owned, independent ESG advisor based in Milwaukee, WI, serving individuals and institutions. We are proud to be a Certified B Corp.™



## BENCHMARK

Russell 2500 Value Index

## TOP 5 HOLDINGS

5.4%	Atkore Inc
5.0%	Crocs Inc
4.7%	Cullen Frost Bankers
4.6%	Iridium Communications
4.5%	Stonex Group

**24.1%** of total net assets

## RESEARCH TEAM

The Riverwater Partners research team has deep experience across all equity sectors. Analysts employ a disciplined due diligence process to identify companies offering superior fundamental and ESG characteristics. We place emphasis on proprietary research and management team engagement, supported by third party research providers.

### ADAM J. PECK, CFA

- 22 years industry experience
- Financials

### CINDY BOHLEN, CFA

- 17 yrs. industry experience
- Health Care, Technology

### KIRK S. FOX

- 19 yrs. industry experience
- Utilities, Energy, Materials, Consumer

### NATHAN FREDRICK, CFA

- 6 yrs. industry experience
- Communication Services, Industrials, Real Estate

## OUR MISSION

Our mission is to make the world a better place by growing wealth through sustainable investing.

## INVESTMENT OBJECTIVE

The portfolio seeks long-term capital appreciation by investing primarily in a focused portfolio of small and mid-size company common stocks with market capitalizations generally greater than \$250 million and less than \$20 billion at time of purchase. The strategy attempts to identify risk and/or opportunities through integrating environmental, social, and governance (ESG) analysis into our investment process. For diversification purposes, the strategy will generally limit sector weightings to +/- 10% of its respective benchmark, the Russell 2500 Value Index.

## PORTFOLIO INFORMATION

### Annualized Returns

	3 mo	1 yr	3 yr	5 yr	Since Incep. 9.30.16
Composite (gross)	14.87%	-8.25%	11.88%	7.41%	9.83%
Composite (net)	14.75%	-8.72%	11.18%	6.63%	9.04%
Benchmark	9.21%	-13.09%	5.22%	4.76%	6.96%

### Key Statistics

	Strategy	Benchmark
Price to Cash Flow	8.4x	7.5x
Price to Earnings	13.0x	10.6x
Price to Earnings, FY1	13.0x	11.1x
AWMC (\$B)	\$6,757	\$6,070
Dividend Yield	1.10%	2.00%
Return on Equity	19.80%	12.10%
LT Debt to Capital	40%	38%
Number of Holdings	33	1818
Beta*	0.77	1.00
Std. Dev.*	17.59	21.33
Sharpe Ratio*	0.49	0.27

\*Since Inception

### Sector Weightings

	Strategy	Benchmark
Consumer Disc.	10.55	10.89
Consumer Staples	6.08	2.94
Energy	7.55	4.15
Financials	17.73	21.37
Health Care	8.38	8.55
Industrials	19.12	16.58
Info Tech	8.89	10.15
Materials	6.35	6.04
Real Estate	5.46	12.10
Comm. Services	4.60	2.73
Utilities	3.12	4.47

## INVESTMENT PROCESS

Our investment team evaluates each investment through our proprietary Three Pillar Approach®, requiring all holdings to meet each criterion. Pillar One: Superior Business; Pillar Two: Exceptional Management; Pillar Three: Attractive Valuation.

## INVESTMENT PHILOSOPHY

**LONG TERM INVESTING** – We are business owners, not stock traders, and target holding periods of three years or more.

**FOCUSED PORTFOLIOS** – The strategy invests in 20-35 holdings.

**INVESTING BESIDE YOU™** – We believe in aligning our interests with those of our clients and proudly invest our personal assets in our strategies.

## RESPONSIBLE INVESTMENT MEMBERSHIPS

Collaboration with responsible investment thought leaders informs our practice and deepens our engagement. We are proud members of the following organizations:



The securities identified and described do not represent all the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. The Composite performance is presented gross and net of fees and includes the reinvestment of income. Past performance is not indicative of future results. Portfolio holdings are subject to change and may have changed since the date specified.

Year	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Ending Portfolios	Composite Assets (\$)	Firm Assets (\$)	Internal Dispersion (%)	Composite 3-Yr Std Dev (%)
2016 <sup>1</sup>	7.583	7.540	9.343	<=5	648,938.93	12,096,706.47	n/a	
2017	16.835	15.835	10.377	9	2,768,113.30	30,362,449.94	n/a	
2018	-10.437	-11.234	-12.349	24	6,408,213.99	31,452,911.10	0.543	
2019	13.946	13.010	23.578	28	9,593,784.18	625,880,780.28	0.655	13.033
2020	21.730	20.824	4.884	27	10,894,145.88	747,241,349.50	1.714	20.234
2021	25.396	24.600	27.779	35	31,654,317.76	891,439,562.74	0.862	19.171
2022	-8.249	-8.715	-13.091	32	27,717,676.55	743,061,621.11	0.243	21.318

### Partial Years

<sup>1</sup> Returns for 2016 are from 09/30/2016 to 12/31/2016

- Riverwater Partners, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Riverwater Partners has been independently verified for the periods April 27, 2016 to December 31, 2021.  
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 Sustainable Value Composite has had a performance examination for the periods October 1, 2016 through December 31, 2021. The verification and performance examination reports are available upon request.
- Riverwater Partners is defined as a registered investment advisor that is not affiliated with any parent organization. Riverwater Partners acquired Falcons Rock Investment Counsel in 2019.
- The Riverwater Sustainable Value Strategy seeks to provide attractive risk-adjusted returns versus its benchmark, the Russell 2500 Value Index. The Sustainable Value Strategy holds 20-35 small and mid-sized companies generally between a range of \$250mm and \$20B in market capitalization. Key material risks include the risks that stock prices will decline and that the composite will underperform its benchmark. There is no account minimum for the composite. Prior to 2023 the strategy was named the Riverwater ESG SMID Value Strategy.
- Returns presented are time-weighted returns. Valuations are computed and performance is reported in US dollars. Net returns are impacted by timing of receipt of fee payments. Fees are due quarterly in arrears, however failure to receive payment in a timely manner may result in a higher net return for that particular period.
- Gross-of-fees returns are presented before management and custodial fees but after all transaction costs. Composite and benchmark returns are presented gross of non-reclaimable withholding taxes. Net-of-fees returns are calculated using the actual account fee. The management fee for the Riverwater ESG SMID Value portfolio is 1.00% for less than \$5M and .75% over \$5M.
- A list of composites, policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.
- The composite was created in July 2019 and the inception date is September 30, 2016.
- Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. The composite requires more than 5 accounts to calculate this metric.
- The three-year annualized standard deviation measures the variability of the composite gross returns and the benchmark returns over the preceding 36-month period.
- Since inception, portfolios are removed from the composite if they have a significant cash flow. A significant cash flow is defined as a contribution or withdrawal greater than 20% of the beginning market value of a portfolio. The portfolio is removed from the composite for the month in which the significant cash flow occurred.
- 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.