

# 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

6.0%	Atkore Inc
5.3%	Modine Manufacturing Co
4.9%	Farmer Mac
4.9%	Limoneira Company
4.8%	ICF International

**25.9%** 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

- 24 years industry experience
- Financials

### CINDY BOHLEN, CFA

- 19 yrs. industry experience
- Health Care, Technology

### KIRK S. FOX

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

### NATHAN FREDRICK, CFA

- 8 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.

## Annualized Returns

	3 mo	1 yr	3 yr	5 yr	Since Incep. 9.30.16
Composite (gross)	8.82%	22.51%	10.37%	13.00%	12.17%
Composite (net)	8.55%	21.92%	9.28%	11.88%	11.06%
Benchmark	6.07%	21.33%	5.35%	9.38%	8.73%

\*GIPS Report on pg. 2

## Key Statistics

	SMID	Benchmark
Price to Cash Flow	11.6x	8.8x
Price to Earnings	14.1x	15.4x
Price to Earnings, FY1	16.3x	14.9x
AWMC (\$M)	\$5,925	\$8,110
Dividend Yield	1.20%	1.80%
Return on Equity	20.30%	10.50%
LT Debt to Capital	34%	39%
Number of Holdings	35	1854
Beta*	0.78	1.00
Std. Dev.*	17.69	21.25
Sharpe Ratio*	0.58	0.32

\*Since Inception

## Sector Weightings

	SMID	Benchmark
Consumer Disc.	8.68	13.43
Consumer Staples	7.01	2.78
Energy	3.74	5.06
Financials	20.35	19.67
Health Care	9.11	7.42
Industrials	23.15	20.79
Info Tech	14.28	9.14
Materials	1.14	6.54
Real Estate	4.55	9.43
Comm. Services	1.05	2.19
Utilities	2.37	3.52

## 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.

**Riverwater Partners Riverwater Sustainable Value 09/30/2016 to 12/31/2023**

Year	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Ending Portfolios	Composite Assets (\$)	Firm Assets (\$)	Internal Dispersion (%)	Composite 3-Yr Std Dev (%)	Benchmark 3-Yr Std Dev (%)
2016 <sup>1</sup>	7.583	7.316	9.343	<=5	648,938.93	12,096,706.47	n/a		
2017	16.835	15.678	10.377	9	2,768,113.30	30,362,449.94	n/a		
2018	-10.437	-11.324	-12.349	24	6,408,213.99	31,452,911.10	0.543		
2019	13.960	12.832	23.578	29	9,695,765.76	625,880,780.28	0.655	13.032	14.232
2020	21.732	20.527	4.884	28	11,017,707.34	747,241,349.50	1.687	20.244	25.047
2021	25.442	24.200	27.779	37	32,134,357.19	891,439,562.74	0.976	19.184	24.145
2022	-7.716	-8.629	-13.091	36	28,978,419.32	743,061,621.11	0.338	21.351	26.460
2023	20.241	19.050	15.979	44	37,796,574.53	870,548,657.90	0.449	18.264	20.700

**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, 2023.  
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, 2023. 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.
- Returns presented are time-weighted based on net of transaction costs and non-reclaimable withholding taxes, if any, are expressed in US dollars. Accounts included in the composite generally include reinvestment of dividends and additional proceeds. Gross composite returns do not reflect the deduction of investment advisory fees. Net returns are calculated using a model investment advisory fee by deducting 1/12th of the model management fee from the monthly gross portfolio return. The net fee applied is the maximum annual advisory fee based upon the fee schedule in effect during each respective performance report. Any changes to the fee schedule are reflected in the calculation of the net composite returns beginning with the period in which the fee schedule is revised. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The management fee for the Riverwater Sustainable 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. The composite and benchmark 3-year standard deviation is not presented if there are not 36 months of available consecutive performance.
- 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.
- Actual performance results may differ from Composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. Performance for some accounts in this Composite may be calculated by third-parties that use different security pricing and performance methodologies. Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses.