

# ENHANCED SOCIALLY RESPONSIBLE SRI STRATEGY

As of March 31, 2019

**Inception Date:** ..... 10/31/2008  
**Number of Equity Holdings:** ..... 37  
**Benchmark:** ..... MSCI KLD 400 Social Index

**Strategy Description:** The Horizon Enhanced Socially Responsible strategy is an all-equity enhanced index strategy. Horizon believes its Enhanced Socially Responsible strategy can achieve outperformance by applying quantitative overlays to the MSCI KLD 400 Social Index, an index that is selected largely on qualitative characteristics. The MSCI KLD 400 Social Index is a free float-adjusted market capitalization index designed to provide exposure to U.S. companies that have positive Environmental, Social and Governance (ESG) characteristics. The MSCI KLD 400 Social Index consists of 400 companies selected from the MSCI USA Investable Market Index (IMI).

**Strategy Methodology:** The starting universe for the strategy is the MSCI KLD 400 Social Index. Horizon scores each of the 400 stocks in the index using Horizon's proprietary Quadrix® stock-rating system. The 40 highest-scoring stocks in the index in terms of Quadrix Overall score (excluding the bottom 2% of index components based on market cap) typically make it into the portfolio. Initial individual positions are approximately equal-weighted and typically held for 12 months, at which time the equity portfolio is rebalanced and reconstituted depending on the results of Horizon's quantitative methodology. Changes to the equities may occur more frequently than annually in the event of takeovers or other corporate actions. For the initial investment selection, no sector can account for more than 25% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions.

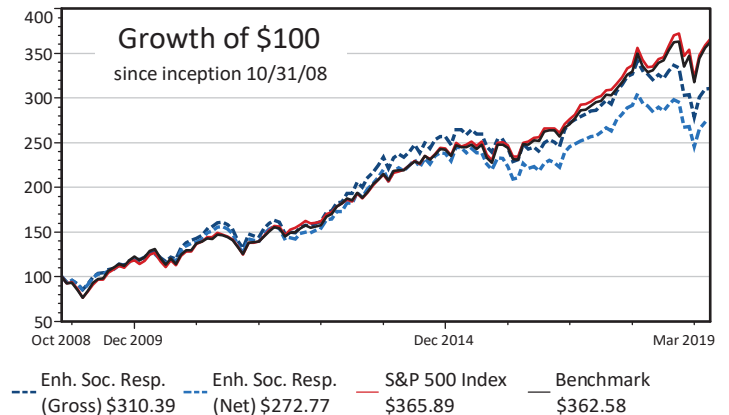
## Portfolio Allocations (supplemental information)

| Sector                 | % Equity Assets | Market Capitalization | % Equity Assets |
|------------------------|-----------------|-----------------------|-----------------|
| Consumer Discretionary | 15%             | Large Cap             | 63%             |
| Energy                 | 7%              | Midcap                | 24%             |
| Financials             | 19%             | Small Cap             | 13%             |
| Health Care            | 13%             |                       |                 |
| Industrials            | 26%             |                       |                 |
| Information Technology | 8%              |                       |                 |
| Materials              | 6%              |                       |                 |
| Telecommunication      | 6%              |                       |                 |

## Performance Summary

|                       | YTD   | 1 Yr. | 3 Yr. | 5 Yr. | 10 Yr. | Annualized Since Inception | Cum. Since Inception |
|-----------------------|-------|-------|-------|-------|--------|----------------------------|----------------------|
| Enh.Soc.Resp. (Gross) | 11.4% | -5.0% | 7.7%  | 5.5%  | 13.0%  | 11.5%                      | 210.4%               |
| Enh.Soc.Resp. (Net)   | 11.1% | -6.2% | 6.4%  | 4.2%  | 11.6%  | 10.1%                      | 172.8%               |
| S&P 500               | 13.6% | 9.5%  | 13.5% | 10.9% | 15.9%  | 13.3%                      | 265.9%               |
| Benchmark             | 14.0% | 10.1% | 13.4% | 10.6% | 15.7%  | 13.2%                      | 262.6%               |

## Cumulative Return History

(supplemental information)


## Annualized Statistics (since inception)

(supplemental information)

|                       | Standard Deviation | Sharpe Ratio |
|-----------------------|--------------------|--------------|
| Enh.Soc.Resp. (Gross) | 13.7%              | 0.81         |
| Enh.Soc.Resp. (Net)   | 13.7%              | 0.71         |
| S&P 500               | 13.8%              | 0.93         |
| Benchmark             | 13.8%              | 0.92         |

## Risk Analysis (vs. Benchmark since inception)

(supplemental information)

|                       | Alpha | Beta | R <sup>2</sup> | Up Capture | Down Capture | Info. Ratio |
|-----------------------|-------|------|----------------|------------|--------------|-------------|
| Enh.Soc.Resp. (Gross) | -0.3% | 0.91 | 83%            | 91%        | 97%          | -0.29       |
| Enh.Soc.Resp. (Net)   | -1.5% | 0.91 | 83%            | 87%        | 100%         | -0.53       |
| S&P 500               | 0.3%  | 0.99 | 98%            | 99%        | 98%          | 0.05        |
| Benchmark             | 0.0%  | 1.00 | 100%           | 100%       | 100%         | 0.00        |

Each time a new account is initiated, the quantitative methodology of the Enhanced Socially Responsible strategy is applied to create a portfolio of 40 stocks. Because of this, individual portfolio performance may differ materially because different stocks may be selected from the universe.

An investment in this strategy involves the risk of loss. Investment return and principal value will fluctuate so that the investment, when redeemed, may be worth more or less than the original investment.

The Quadrix® stock-rating system is a proprietary product wholly-owned by Horizon Publishing Company, Horizon Investment Services' sister company. Horizon Investment Services has contracted with Horizon Publishing Company to use the Quadrix stock-rating system for its stock-screening processes. No formula or other device being offered can, in and of itself, be used to determine which securities to buy or sell.

"Number of Equity Holdings" and "Portfolio Allocations" are based on the equity holdings of an actual representative client account invested in the Enhanced Socially Responsible strategy. The remainder of the account is comprised of fixed-income and money market funds. Other account holdings may differ as a result of market conditions, client restrictions, and any number of other factors.

The S&P 500 Index is presented solely because it is a widely followed index. The S&P 500 Index is an unmanaged index that measures the performance of 500 large company stocks weighted by market capitalization.

Portfolio Allocations (Sector and Market Capitalization) may not add up to 100% due to rounding.

Informa Investment Solutions/Zephyr StyleADVISOR is a software program that uses returns-based style analysis to quickly seek to ascertain a manager's style and creates a unique style benchmark that seeks to reflect that style. Source: www.styleadvisor.com. StyleADVISOR annualized returns may differ immaterially from Horizon Fact Sheet returns due to rounding.

#### Glossary of Statistics

**Alpha** measures nonsystematic return, or the return that cannot be attributed to the market. Thus, it can be thought of as how the manager performed if the market has had no gain or loss. In contrast, beta measures the return that is attributable to the market and is a measure of the portfolio's overall volatility. If the market's return as measured by an index was equal to the risk-free rate, the manager's expected excess return would be alpha.

**Beta** measures the risk level of the manager. Beta measures the systematic risk, or the return that is attributable to market movements. In contrast, alpha measures the nonsystematic return of the portfolio, and standard deviation measures the volatility of a portfolio's returns compared to the average return of the portfolio. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels. Beta is estimated by the slope of the best fit line based on the ordinary least squares regression using the market's quarterly return less the risk-free rate as the independent variable and the manager's quarterly return less the risk-free rate as the dependent variable.

**Down Capture** is a measure of how badly the manager was affected by phases of negative benchmark returns.

**Information Ratio** of a manager series vs. a benchmark series is the quotient of the annualized excess return and the annualized standard deviation of excess return.

**R-Squared (R<sup>2</sup>)** is a statistic that measures the reliability of alpha and beta in explaining the return of a manager as a linear function of the market. It is produced by regression analysis. If you are searching for a manager with a particular style, for example a growth manager, you would expect that manager to have an R-Squared that is high relative to a growth index if the manager has a diversified portfolio. If the manager's return is explained perfectly, the R-Squared would equal 100, while an R-Squared of 0 would indicate that no relationship exists between the manager and the linear function. Higher R-Squared values indicate more reliable alpha and beta statistics and are useful in assessing a manager's investment style.

**Sharpe Ratio** is one of two alternative, yet similar, methods of measuring excess return per unit of risk. In the case of the Sharpe Ratio, risk is measured using the standard deviation of the returns in the portfolio. The Sharpe Ratio relates the difference between the portfolio return and the risk-free rate to the standard deviation of that difference for a given time period.

**Standard Deviation** of return measures the average deviations of a return series from its mean, and is often used as a measure of risk. A large standard deviation implies that there have been large swings in the return series of the manager.

**Up Capture** is a measure of how well a manager was able to replicate or improve on phases of positive benchmark returns.

### Horizon Investment Services, LLC Enhanced Socially Responsible Composite Annual Disclosure Presentation

| Year End | Total Firm Assets (millions) | Composite Assets |                    |                      | Annual Performance Results |                 |               |                      | 3 Yr. Standard Deviation |                   |
|----------|------------------------------|------------------|--------------------|----------------------|----------------------------|-----------------|---------------|----------------------|--------------------------|-------------------|
|          |                              | (USD) (millions) | Number of Accounts | % Bundled Fee Assets | Benchmark                  | Gross Composite | Net Composite | Composite Dispersion | Benchmark                | Composite         |
| 2018     | 193.9                        | 1.0              | 5 or fewer         | 0.0%                 | (3.5)%                     | (14.8)%         | (15.9)%       | N.A.                 | 11.2%                    | 12.3%             |
| 2017     | 295.5                        | 1.5              | 6                  | 0.0%                 | 21.6%                      | 20.2%           | 18.7%         | 3.3%                 | 10.2%                    | 11.5%             |
| 2016     | 265.7                        | 3.5              | 18                 | 68.0%                | 10.9%                      | 11.4%           | 10.1%         | 2.5%                 | 10.9%                    | 12.8%             |
| 2015     | 320.0                        | 13.8             | 30                 | 8.2%                 | 1.0%                       | (5.1)%          | (6.3)%        | 3.1%                 | 10.7%                    | 12.4%             |
| 2014     | 259.5                        | 11.7             | 24                 | 1.4%                 | 12.7%                      | 9.9%            | 8.5%          | 3.3%                 | 9.1%                     | 11.7%             |
| 2013     | 205.4                        | 12.0             | 16                 | 0.0%                 | 36.2%                      | 44.5%           | 42.7%         | 2.6%                 | 11.5%                    | 14.2%             |
| 2012     | 140.1                        | 2.6              | 5 or fewer         | 0.0%                 | 13.2%                      | 12.0%           | 10.6%         | N.A.                 | 14.6%                    | 14.9%             |
| 2011     | 137.7                        | 0.8              | 5 or fewer         | 0.0%                 | 1.6%                       | 1.5%            | 0.2%          | N.A.                 | 18.5%                    | 15.9%             |
| 2010     | 145.1                        | 0.7              | 5 or fewer         | 0.0%                 | 11.9%                      | 18.1%           | 16.7%         | N.A.                 | N.A. <sup>1</sup>        | N.A. <sup>1</sup> |
| 2009     | 143.9                        | 0.6              | 5 or fewer         | 0.0%                 | 31.7%                      | 25.3%           | 23.8%         | N.A.                 | N.A. <sup>1</sup>        | N.A. <sup>1</sup> |

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.  
N.A.<sup>1</sup> - Three-year annualized Standard Deviation is not presented because 36 monthly returns are not available.

**Enhanced Socially Responsible Composite** contains fully discretionary Enhanced Socially Responsible commission and bundled fee-paying accounts and, for comparison purposes, is measured against the MSCI KLD 400 Social Index. The Enhanced Socially Responsible strategy is an all-equity enhanced index strategy. Horizon believes its Enhanced Socially Responsible strategy can achieve outperformance by applying quantitative overlays to the MSCI KLD 400 Social Index, an index that is selected largely on qualitative characteristics. The 40 highest-scoring stocks in the index in terms of Quadrix Overall score (excluding the bottom 2% of index components based on market cap) typically make it into the portfolio. Initial individual positions are approximately equal-weighted and typically held for 12 months, at which time the equity portfolio is rebalanced and reconstituted depending on the results of Horizon's quantitative methodology. Changes to the equities may occur more frequently than annually in the event of takeovers or other corporate actions. For the initial investment selection, no sector can account for more than 25% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions. The MSCI KLD 400 Social Index is a free float-adjusted market capitalization-weighted total-return index designed to provide exposure to U.S. companies that have positive Environmental, Social and Governance (ESG) characteristics. The MSCI KLD 400 Social Index consists of 400 companies selected from the MSCI USA Investable Market Index (IMI).

Horizon Investment Services, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Horizon Investment Services, LLC has been independently verified for the periods September 1, 2000 through December 31, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Enhanced Socially Responsible composite has been examined for the periods October 31, 2008 through December 31, 2018. The verification and performance examination reports are available upon request.

Horizon Investment Services, LLC is registered as an investment adviser with the Securities and Exchange Commission. The firm maintains a complete list of composite descriptions, which is available upon request.

The composite performance returns include all fully discretionary active and terminated commission and bundled fee-paying accounts for the strategy and exclude any accounts with significant client-imposed investment restrictions. Prior to January 1, 2010 composite policy required the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 30% or more of portfolio assets. Beginning January 1, 2010, there has been no significant cash flow removal policy where accounts are re-valued in instances of a 30% or more large flow.

The U.S. Dollar is the currency used to express performance. All composite performance returns include the reinvestment of all income. Gross composite performance returns are asset-weighted total-return figures reduced by brokerage commissions paid or the highest asset-based brokerage fee of 0.20%, applied monthly; which include brokerage commissions and custodial service fees, but do not reflect the payment of management fees. Net composite performance returns are further reduced by the highest applicable management fee of 1.25%, applied monthly. Bundled accounts pay a fee based on a percentage of assets under management which includes all charges for trading costs, portfolio management, custody, and other administrative fees. The annual composite dispersion presented is equal-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the composite is 1.25% on the first \$2 million, 1.10% on the next \$2 million, 0.95% on the next \$2 million and 0.80% on the remainder. Actual investment advisory fees incurred by clients may vary depending on fee schedule and portfolio size. Management fee schedules are available upon request or may be found in Part 2A of Horizon Investment Services' Form ADV.

The Enhanced Socially Responsible Composite was created October 31, 2008.

Past performance is no guarantee of future results.