



Socially & Biblically Responsible Strategies



4th Quarter 2024



SRI Assets Under Management At \$6.5 Trillion

According to US SIF — The Forum for Sustainable and Responsible Investment's *2024/2025 Report on U.S. Sustainable Investing Trends*, the U.S. sustainable, responsible, and impact (SRI) investing has grown from \$639 billion in 1995 to \$6.5 trillion in 2024.

Additionally, the Report confirms that the **\$6.5 trillion represents 12.4% — or nearly 1 in eight dollars — of the \$52.5 trillion in total U.S. assets under professional management.**

Introducing Horizon Investment Services, LLC

Formed in 1997, Horizon Investment Services (“Horizon”) is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940 and is located just outside of Chicago — in Hammond, Indiana. As a fiduciary adviser, Horizon is legally and ethically bound to act in the best interests of their clients. Horizon was established with the same high standards that are held by its sister company, Horizon Publishing Company, the publisher of *Dow Theory Forecasts* investment newsletter, which has been published every week since 1946.

Stability as Demonstrated by Longevity of Top Management

Chief Executive Officer Chuck Carlson and Chief Investment Officer Rich Moroney have both been with Horizon Investment Services since its inception. Our research staff includes five analysts who earned the Chartered Financial Analyst® (CFA®) designation.



Charles Carlson, CFA

Charles Carlson, CFA, Chief Executive Officer and Portfolio Manager

Mr. Carlson has 42 years of investment experience with Horizon and its affiliates. He holds an undergraduate degree from Northwestern University and an MBA from the University of Chicago — with a concentration in Finance. Mr. Carlson is the author of nine investment books — including *The Little Book of BIG DIVIDENDS* (John Wiley & Sons), *Eight Steps to Seven Figures* (Doubleday), *The Smart Investor’s Survival Guide* (Random House), and *Winning With The Dow’s Losers* (Harper/

Collins). His comments have appeared in such newspapers and magazines as *The Wall Street Journal*, *The New York Times*, *USA Today*, *Money*, *Forbes*, and *Barron’s*. He frequently appears on television, including *Bloomberg*, *CNBC*, *NBC’s Today Show*, and *Chicago’s WBBM all-news radio*.



Richard Moroney, CFA

Richard Moroney, CFA, Chief Investment Officer and Portfolio Manager

Mr. Moroney has 35 years of investment experience with Horizon and its affiliates. He holds an undergraduate degree from Northwestern University and an MBA from the University of Chicago — with concentrations in Finance and Accounting. Mr. Moroney is the architect and creator of Quadrix® — the quantitative stock-rating system used in Horizon’s portfolio management. His comments have appeared in such publications as *The Wall Street Journal*, *Barron’s*, *The Washington Post*, *The New York Times*, *Business Week*, and *USA Today*. Mr. Moroney also appears on

television, including *CNBC*, *CNN*, and *Bloomberg*.

Our SRI/BRI Investment Philosophy

We believe there is the ability to generate alpha (a return that cannot be attributed to the market) by applying a strong investment overlay to a universe of stocks chosen primarily for their SRI or Biblically Responsible Investing (BRI) characteristics.

- Horizon leaves the “social screening” for Environmental, Social, and Governance (ESG), or faith-based characteristics, to the experts in the field such as MSCI or ISS Governance (who vet stocks for the indexes or universes Horizon uses in its socially responsible strategies).
- Horizon performs the “investment screening” by taking an index or universe of SRI or BRI stocks and seeks to enhance it by applying a strong investment overlay to focus on what we believe are the best stocks in that index or universe from an investment perspective.

Horizon Investment Services Socially Responsible Strategies

Horizon currently offers four investment strategies in the SRI/BRI space:

- **Enhanced Socially Responsible strategy** — an enhanced index strategy that applies quantitative overlays to the MSCI KLD 400 Social Index.
- **Enhanced SRI Fossil Fuel Free strategy** — an enhanced index strategy that applies quantitative overlays to the MSCI KLD 400 Social Index, with additional screens that are designed to eliminate companies with exposure to fossil fuels.
- **Enhanced Christian Values strategy** — an enhanced index strategy that applies quantitative overlays to the MSCI USA Catholic Values Index.
- **Enhanced BRI strategy** — an all-equity strategy that applies quantitative overlays to a universe of stocks already screened and vetted for Biblically Responsible Investing principles.

The Power of Quadrix® — The Cornerstone of Our Research

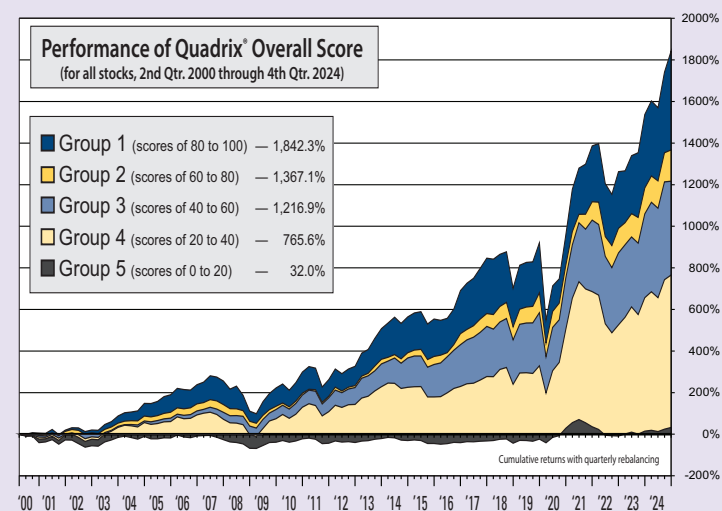
We seek to enhance the SRI indexes using Quadrix, our proprietary quantitative stock-rating system developed by Horizon's Chief Investment Officer, Rich Moroney. Quadrix ranks nearly 3,200 stocks based on roughly 90 variables for each stock. Quadrix allows us to explore any universe or index from which to find what we believe are attractive stocks.

A stock's Quadrix Overall score is determined by the individual scores of seven categories — Financial Strength, Value, Quality, Momentum, Earnings Estimates, Performance, and Reversion. Quadrix scores are percentile rankings (0-100). For example, a stock with an Overall score of 97 means that the stock scores better than 97% of all stocks in the Quadrix universe of nearly 3,200 stocks.

On average, stocks with Overall scores of 80 and above (top quintile — Group 1) have historically outperformed stocks with Overall scores of 60 to 80 (Group 2). Stocks in Group 2 have historically outperformed stocks in Group 3, and so on. The chart shown here depicts the real-time performance of Quadrix since 2nd Quarter 2000.

We believe a numerical ranking system like Quadrix can provide a strong investment overlay that can be applied to an SRI index to enhance the index performance. Because the system uses only quantifiable factors, it is designed to narrow the focus on companies achieving superior results.

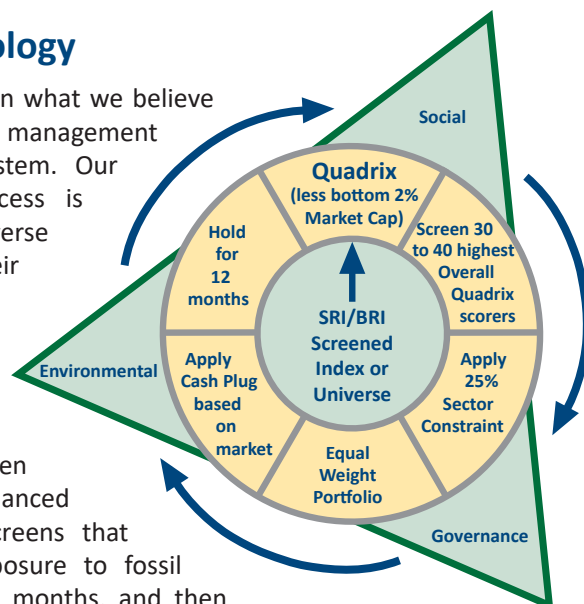
QUADRIX TRACK RECORD*



* The information above reflects the performance of our proprietary Quadrix stock-rating system and does not reflect the performance of any client account or composite. Please see additional detailed Quadrix disclosure on page 7.

Transparent, Rules-Based Methodology

At Horizon, we believe in focusing our attention on what we believe we do best — stock selection and portfolio management using our proprietary Quadrix® stock-rating system. Our rules-based “enhanced index” investment process is transparent. We start with an index or universe of stocks that an expert has vetted for their Environmental, Social, and Governance (ESG) or faith-based characteristics. We winnow down those stocks to 30 to 40 based on Overall Quadrix scores. Then we apply certain constraints (market-cap screen, sector constraint, equal weighting, and tactical allocation plug when appropriate) to create the final portfolio. The Enhanced SRI Fossil Fuel Free strategy has additional screens that are designed to eliminate companies with exposure to fossil fuels. We typically maintain the portfolio for 12 months, and then re-evaluate the portfolio by running the methodology again.



Top Ten Holdings (as of 12-31-24)

Enhanced Socially Responsible

Synchrony Financial (SYF)
Interface (TILE)
Paycom Software (PAYC)
Delta Air Lines (DAL)
Cheniere Energy (LNG)
F5 Networks (FFIV)
Northern Trust (NTRS)
Cathay General Bancorp (CATY)
Paypal Holdings (PYPL)
Jazz Pharmaceuticals (JAZZ)

Enhanced Christian Values

Synchrony Financial (SYF)
Interface (TILE)
Paycom Software (PAYC)
Cheniere Energy (LNG)
Delta Air Lines (DAL)
Northern Trust (NTRS)
Cathay General Bancorp (CATY)
Jazz Pharmaceuticals (JAZZ)
Paypal Holdings (PYPL)
Ryder System (R)

Enhanced SRI Fossil Fuel Free

Booking Holdings (BKNG)
Emcor (EME)
Synchrony Financial (SYF)
Deckers Outdoor (DECK)
Bank of New York (BK)
American Express (AXP)
Parker-Hannifin (PH)
WW Grainger (GWW)
Dell (DELL)
PNC Bank (PNC)

Enhanced BRI

Docusign (DOCU)
Freedom Holding (FRHC)
First Citizens Bancshares (FCNCA)
Synchrony Financial (SYF)
Exelixis (EXEL)
Discover Financial (DFS)
Herc Holdings (HRI)
Dropbox (DBX)
Zoom Video Communications (ZM)
F5 Networks (FFIV)

Values-Based SRI Exclusion Criteria: (Uses the MSCI KLD 400 Social Index screening and is the starting screen for all four strategies then see strategy-specific screening below)

The MSCI KLD 400 Social Index excludes companies that are involved in the following activities:

- Alcohol — Producers (revenue >5% or >\$500 million)
- Gambling — Operations/Support (revenue >5% or >\$500 million)
- Tobacco — Producers (any involvement)
- Tobacco — Distributors/Retailers/Suppliers (revenue >15%)
- Nuclear Weapons — Manufacturers of Nuclear Weapons/Nuclear Weapons Components (any involvement)
- Controversial Weapons — Cluster Munitions, Landmines, Depleted Uranium Weapons, Biological/ Chemical Weapons, Blinding Lasers, Non-detectable Fragments, and Incendiary Weapons (any involvement)
- Conventional Weapons — Manufacturers of Conventional Weapons/Components and Weapons Support Systems and Services (revenue >5% or \$500 million)
- Civilian Firearms — Producers (any involvement)
- Civilian Firearms — Retailers (revenue >5% or > \$20 million)
- Nuclear Power — Utilities, Uranium Mining, Design Nuclear Reactors, Enrich Fuel for Nuclear Reactors (any involvement)
- Nuclear Power — Suppliers (revenue >15%)
- Nuclear Power — All Firms (installed capacity >6000 MW or >50% attributed to nuclear sources)
- Adult Entertainment — Producers (revenue >5% or >\$500 million)
- Genetically Modified Organisms (GMO) — Producers (any involvement) (Research & Development ONLY firms are not excluded)

Additional Screens done by Horizon for the Enhanced SRI Fossil Fuel Strategy:

Horizon then applies a subjective screen designed to eliminate companies with exposure to fossil fuels.

- Horizon removes companies that associate with, contribute to, or consume substantial by-products of the fossil fuel industry such as auto, trucking, airline, and steel industries.

Additional Screens done by MSCI for the Enhanced Christian Values Strategy:

The MSCI USA Catholic Values Index also excludes companies that are not in accordance with the United States Conference of Catholic Bishops' (USCCB) Socially Responsible Investment Guidelines. Each company's Catholic Values performance is evaluated based on the following areas:

- Abortion — Providers and Owners/Operators of Acute Care Facilities (any involvement)
- Abortifacients — Producers (any involvement)
- Adult Entertainment — Producers (any involvement)
- Adult Entertainment — Distributors and Retailers (revenue >15%)
- Contraceptives — Producers (any involvement)
- Stem Cells/Fetal Tissue — Research/User Of/Enabling Technology (any involvement)

Additional Screens done by ISS Governance for the Enhanced BRI Strategy:

The ISS Governance screening includes most of the above but with more stringent exclusions of “any involvement” (excluding Civilian Firearms and GMO which are not screened) plus an additional screen for any involvement with Planned Parenthood.

For more information about the methodology used by MSCI for vetting stocks visit:

https://www.msci.com/eqb/methodology/meth_docs/MSCI_KLD_400_Social_Index_Methodology_Nov2021.pdf

https://www.msci.com/eqb/methodology/meth_docs/MSCI_USA_Catholic_Values_Index_Methodology_Nov2021.pdf

Information on the U.S. Conference of Catholic Bishops “SRI Guidelines” is available at:

[https://www.usccb.org/resources/Socially%20Responsible%20Investment%20Guidelines%202021%20\(003\).pdf](https://www.usccb.org/resources/Socially%20Responsible%20Investment%20Guidelines%202021%20(003).pdf)

Disclosures

Horizon Investment Services, LLC is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. The firm manages equity, mutual fund, income, balanced, and ETF portfolios for U.S. investors. Registration with the SEC does not imply a certain level of skill or training.

Horizon Investment Services claims compliance with the Global Investment Performance Standards (GIPS®). To receive Horizon's GIPS®-compliant performance information contact Tom Hathoot at 1-219-852-3215, or write Horizon Investment Services, 7412 Calumet Ave., Hammond, IN 46324, or email thathoot@horizoninvestment.com.

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. From time to time Horizon Publishing Company may change the weightings of the various metrics that go into computing Quadrix scores.

*QUADRIX: The information and chart on page 4 reflects the performance of our proprietary Quadrix system and does not reflect the performance of any client account or composite. The information is calculated as follows: Quadrix ranks nearly 3,200 stocks based on roughly 90 variables. Each stock in the Quadrix system is then assigned a percentile ranking from 0-100 – for example, a score of 90 means that the stock scored better in our Quadrix system than 90% of the other stocks Quadrix analyzes. We then separate the stocks into deciles, and view the quarterly performance of each of the deciles. The decile scores are then averaged to arrive at quintile scores, which are reflected on the chart. We then track the performance of each stock contained in the quintile on a quarterly basis, starting over again each quarter to reflect a quarterly rebalancing of the stocks contained in each quintile. The returns for each quarter are linked to the previous quarter. The Quadrix returns reflect the reinvestment of dividends and other earnings.

There are no transaction costs or HIS management fees reflected in the calculation of Quadrix performance, and the performance does not reflect HIS' management of a client account or composite. Because Horizon client portfolios hold a significantly smaller number of stocks, performance of HIS client accounts may be materially different than performance portrayed in the Quadrix chart. The Quadrix performance also does not reflect the impact that material economic and market factors might have had on HIS' decision-making if HIS were actually managing client assets.

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As a fiduciary adviser, Horizon is legally and ethically bound to act in the best interests of their clients.

Top 10 holdings are based on the equity holdings of an actual representative client account invested in the Enhanced Socially Responsible, Enhanced SRI Fossil Fuel Free, Enhanced Christian Values and the Enhanced BRI strategies.

ISS Governance (formerly IW Financial) is a leading provider of objective research and technology solutions that help financial professionals evaluate the environmental, social, and governance (ESG) performance of companies.

An investment in these strategies 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.

Past performance is no guarantee of future results. No formula or other device being offered can, in and of itself, be used to determine which securities to buy or sell.



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