



ESG AND RESPONSIBLE INVESTING

Jacobs Levy has developed a unique, multidimensional and dynamic approach to equity investing that incorporates various criteria including select environmental, social, and governance (ESG) considerations and responsible investing practices. Our quantitative investment process uses proprietary methods of “disentangling” the market’s complex web of profit opportunities, sophisticated modeling techniques, and ongoing research to uncover new investment opportunities.

Jacobs Levy’s objective is to help our clients achieve their long-term goals through a thoughtful and disciplined approach to managing portfolios. We recognize that ESG considerations can impact business profitability, the sustainability of earnings, and business risks. Jacobs Levy is a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI). ESG and the concepts of the UNPRI are taken into account in our research, portfolio construction, and proxy voting for client accounts in order to improve investment returns and/or reduce portfolio risk, or to meet specific client requests. Further, we seek ways to contribute to the investment community. Currently, one of our founders, Bruce Jacobs, serves as an Advisory Editor for the *Journal of Impact and ESG Investing*. Jacobs and Levy’s article, “The Challenge of Disparities in ESG Ratings,” was published in the *Journal of Impact and ESG Investing*.

We also believe socially responsible and sustainable business practices are important contributors to the satisfaction and development of our staff, the impact of our firm on the community, and the ultimate success of our firm. To that end, we consider and apply ESG principles and the concepts of the UNPRI in the management of our firm and our philanthropic efforts.

Our Approach to ESG and Responsible Investing

We have numerous proprietary models, which are used to predict returns for individual stocks and to manage risk. We believe that opportunities arise from company fundamentals, macroeconomic conditions, and human behavior, so we base our models on reasonable, intuitive relationships between both fundamental and behavioral factors and stock prices.

The primary consideration in vetting any factor for inclusion in our models is whether the factor is expected to improve returns and/or reduce portfolio risk. Our investment process includes models based on ESG principles which we have found, through our research process, to meet these criteria. ESG principles are also incorporated into our investment process to the extent that the data, upon which our models are based, reflects such issues or the reaction by company managements and security analysts.

Jacobs Levy dedicates a significant amount of resources to research and model development efforts. We continually seek and evaluate new ESG data sources and generate new ideas for ESG research based on in-house brainstorming, the latest research from conferences, unpublished academic working papers, and journals covering investments, finance, accounting, statistics, and other scientific disciplines. New insights are modeled by our researchers and quantitative engineers and thoroughly tested before being incorporated into our investment process.

Jacobs Levy has also designed its investment systems to accommodate client-specific constraints, so we are able to accommodate client requests to exclude specific securities from the investment universe. For example, for decades we have screened certain client portfolios to restrict issuers in industries deemed socially or environmentally undesirable, including tobacco, weapons, and carbon, or issuers that are organized or operating in certain regions of the world where human rights abuses are prevalent. Given the breadth and depth of our investment process and our large universe of stocks, portfolios can be engineered to a wide range of equity benchmarks while meeting client guideline restrictions. We can accommodate clients who require ESG restrictions or ESG benchmarks.

Jacobs Levy is responsible for voting proxies on behalf of clients that have delegated the authority to us. We are able to implement ESG-specific proxy voting guidelines on behalf of separate account clients upon request. Proxy voting reports can be delivered periodically. More broadly, we work with clients that have specific ESG-reporting requirements.

Monitoring ESG factors is part of our review of portfolio performance. Daily, weekly, and monthly reports detailing portfolio exposures and return attributions are reviewed to determine whether selected insights are paying off as expected. The information gained from performance attribution is used in the research process, with the goal of further improving stock selection.

Our Commitment to ESG Investing

Jacobs Levy is committed to evaluating and applying concepts related to responsible investing and the UNPRI:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work to enhance our effectiveness in implementing the Principles.
- We will report on our activities and progress towards implementing the Principles.

In addition to the practices above, we continue to evaluate the benefits of ESG principles for our investment process and seek additional ways to further promote the UNPRI, including through the efforts of our ESG Committee.

Our Commitment to ESG through Philanthropy

Jacobs Levy strives to make a real difference in people's lives by actively supporting the communities in which we live and work. We donate our time, energy, and other resources for the growth of our communities locally and nationally and the support of the underserved. Our efforts range widely and include supporting several initiatives at medical centers, sponsoring an annual staff volunteer event at a soup kitchen, contributing to various charities that focus on community support and public policy, supporting young adults aging out of the foster care system, and supporting initiatives of the New Jersey Performing Arts Center and the Mayo Performing Arts Center to bring music, dance, and theater to underserved communities.