# Impact Portfolios

## Diversified and professionally managed solutions that support socially responsible investing

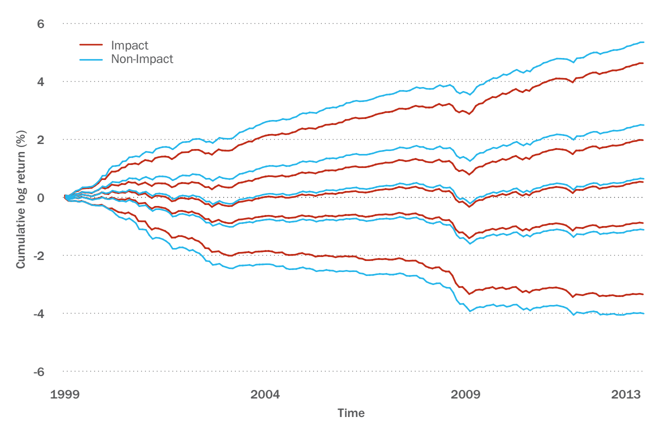
**Impact Portfolios are comprehensive, disciplined, and diversified solutions designed for investors with environmental, social, and governance priorities. Seven risk-based portfolios are constructed using high-conviction impact managers identified through Envestnet | PMC's thorough, multi-layered research and due diligence process. PMC regularly monitors and rebalances the portfolios, thereby empowering advisors to support clients in their pursuit of both social impact and financial outcomes.**

## Risk Mitigation and Impact

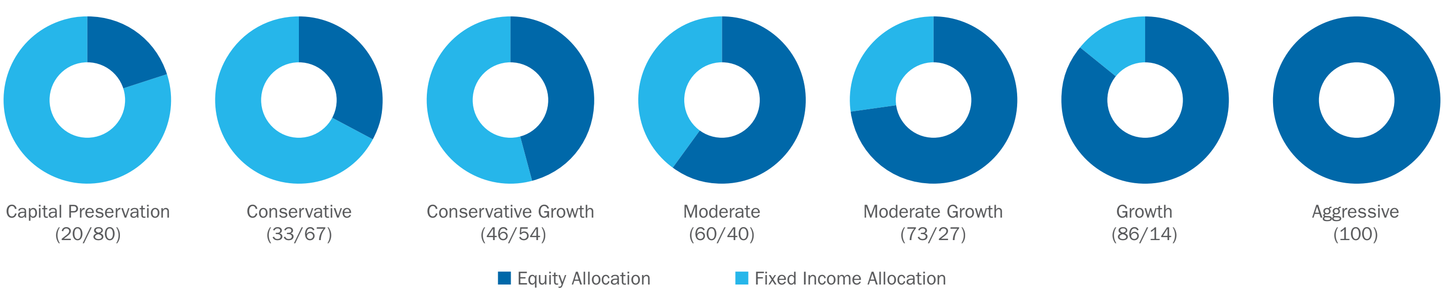
For investment portfolios to make a positive impact on society, they need not sacrifice performance. PMC's award-winning quantitative research found that impact investing does "no harm" relative to unconstrained, conventional investing[1]. Furthermore, incorporating impact investment products can be part of a portfolio's overall risk mitigation strategy.

- Differences in performance between best- and worst-performing impact funds are LOWER than for their respective non-impact funds.
- When performance falls, it tends to fall more dramatically for a non-impact vs. an impact manager. This is much more pronounced during bear markets.
- The impact holdings universe is more homogeneous from the point of view of not only total and risk-adjusted returns, but also its risk exposures.
- Figure 1 shows cumulative total return distributions & differences for various deciles of impact and non-impact funds.

**Figure 1: Cross-sectional impact/non-impact differences**




## Strategic portfolios for every level of risk tolerance



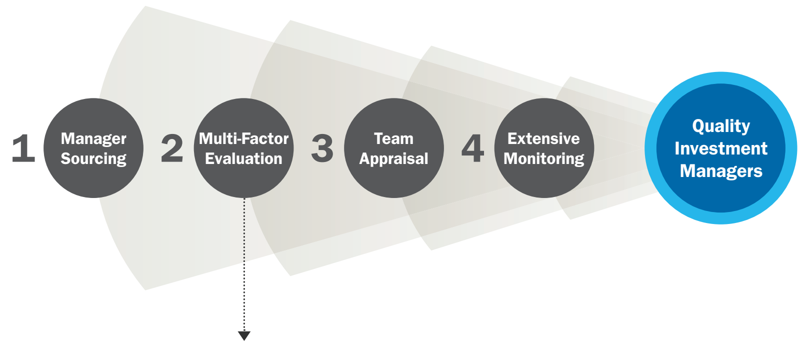
## Finding the managers that make an impact

PMC's evaluations and recommendations are based on a consistent four-step investment process. To uncover high-conviction equity and fixed income impact managers, the research process incorporates an additional layer of analysis, paying special attention to three characteristics.

**Screening methodology.** Is the manager screening off just a single issue (i.e., excluding companies associated with tobacco) or multiple issues (i.e., excluding companies involved in tobacco, firearms, gambling, nuclear power, etc.)?

**Firm resources.** Does the manager have sufficient resources devoted to identifying positive impacts of potential investments?

**Advocacy positions.** Does the manager maintain a "hands-off" approach versus being actively engaged with company management, votes shareholder proxies, etc.?




- Screening methodology
- Firm resources
- Advocacy positions

## Key features of the portfolios

### Professional asset management

Investors with $50,000 or more to invest have the advantage of professional portfolio construction and ongoing management.

### Diversified, risk-based portfolios

Portfolios spread risk over multiple, diverse types and classes of managers, including mutual funds, exchange-traded funds (ETFs), index-based mutual funds, and separate account solutions.

### Capital Markets Assumptions (CMAs) and Asset Allocation

PMC's forward-looking CMAs and asset allocation methodology are the foundation of portfolio construction. CMAs inform portfolio construction, risk measures, asset allocation models, and portfolio wealth forecasts.

### Veris Wealth Partners and Sustainalytics

Our partnership with industry leaders Veris and Sustainalytics ensures that the managers selected for these portfolios are not only adhering to socially responsible investing themes, but also are top-tier investment managers in their respective asset classes from the perspective of risk-adjusted return and alpha.

[1] Source: PMC Quantitative Research (2014), "How and Why SRI Performance Differs from Conventional Strategies". This paper received an Honourable Mention for the 2014 Sustainalytics Prize for Excellence in Responsible Investment Research.



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