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Sustainability Report

Quantitative Portfolio: Sustainable International ADR

March 28, 2024

The **Quantitative Portfolio: Sustainable International ADR** is a passive strategy that seeks to provide risk exposures and returns similar to those of the S&P Developed Markets Classic ADR Index. The portfolio has a multifaceted approach: avoiding controversial business practices, evaluating companies' environmental, social, and governance risks, and targeting companies focused on environment and social solutions. Impact investors benefit from diversified, low-cost market exposure and opportunities for tax management in a single, separately managed account. Investments that utilize an environmental, social and governance ESG strategy carry specific risks that investors should consider before investing in ESG portfolios. See the end disclosure section for risks related to investing in ESG strategies.

VALUES ALIGNMENT Companies or sectors ineligible for inclusion	**ESG INTEGRATION** Incorporate ESG information across all sectors	**ACTIVELY ALLOCATE** Tilt to companies that offer sustainable solutions
Excludes companies with involvement in: × Tobacco × Controversial Weapons	Ranking methodology examining ESG Risk Ratings of companies versus peers • Identify companies with lower ESG Risk Ratings compared to peers Avoid companies involved in high or severe controversial activity Carbon Intensity 20% better than Benchmark	Seeks to identify companies that indicate a commitment to: ✓ Climate Solutions, such as renewable energy, green transportation, and energy efficiency ✓ Conservation, such as sustainable agriculture, food and forestry, and water infrastructure ✓ Diversity, Equity and Inclusion ✓ Community efforts, such as affordable housing and financial inclusion
Align portfolios with your values	**Mitigate** ESG related risks	**Enhance** exposure to positive environmental and societal solutions

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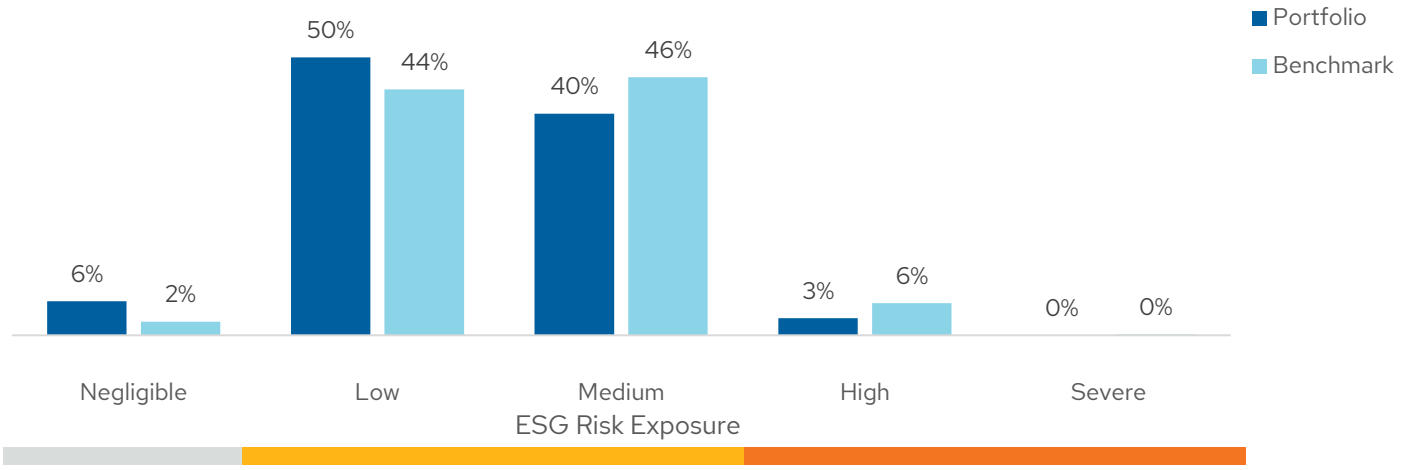
ESG Risk

An objective of the portfolio is to achieve a lower portfolio ESG Risk Rating compared to the benchmark. The ESG Risk Rating measures the degree to which a company's economic value is at risk driven by ESG factors, as assessed through Sustainalytics' calculation of the company's unmanaged ESG risks.



This portfolio's ESG risk exposure is **8% lower** than the benchmark.

Portfolio Coverage: 99.21% Benchmark Coverage: 99.13%

Portfolio Exclusions

The portfolio avoids exposure to companies with known severe controversies and those with involvement in the following areas:

	Controversial Weapons	Tobacco	Severe Controversies
Companies in Portfolio	0	0	0
Companies in Benchmark	0	4	20

Portfolio Coverage: 99.21% Benchmark Coverage: 99.13%

Source: Sustainalytics
Benchmark: S&P Developed Markets Classic ADR Index

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Avoiding Controversies

The portfolio avoids exposure to companies with involvement in controversial business practices, in an effort to limit exposure to companies involved in negative events and their associated repercussions, for example:

Lawsuits

Fraud

Data Security

Strikes

Environmental Incidents

Portfolio Exclusions*

Sector

Materials

ArcelorMittal

ArcelorMittal operates in the steel industry and primarily produces products sold to the automotive, general, and packaging sectors, including hot-rolled coil, cold-rolled coil, coated products, tinplate, plate, and slab. In October 2023, an explosion and fire occurred at ArcelorMittal's Kostenko mine, an underground coal mine in Kazakhstan operated by the company's ArcelorMittal Temirtau subsidiary. Of the 252 employees in the mine at the time, 206 were evacuated and 46 died. Currently, the cause has not been determined and there is no insight into the potential liabilities associated with the accident. Prior to the Kostenko accident, ArcelorMittal reported 99 employee and contractor fatalities in the five years between 2018 and 2022 across all its operations. There have been worker protests in the past over unsafe conditions and outdated equipment.

Source: Sustainalytics

Sector

Communication Services

Dentsu Group, Inc.

Dentsu, one of the world's largest advertising agencies based in Japan, has a history of providing its employees with a poor working environment, characterized by excessive working hours. The situation first came under scrutiny in 1991, when an employee committed suicide after having worked excessive overtime. Dentsu received warnings from the government in 2010, 2014 and 2015 for violating the Labor Standards Act. In December 2015, another employee committed suicide and the Tokyo Labour Bureau (TLB) concluded that this was caused by harassment from her supervisor and overwork, having peaked at 105 overtime hours per month. The TLB investigated the company on suspicion that it allowed employees to exceed the legal 70 overtime hours per month, despite having made an agreement with its labor union. In September 2019, Dentsu again received a warning from the TLB over illegal overtime practices as some employees worked more than the monthly overtime limit up to 156 hours in a month. Dentsu has since been exposed to major media backlash, and several national and local governments barred the company from bidding on public contracts.

Source: Sustainalytics

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Portfolio Tilts

QRG's optimization process aims to enhance exposure to companies within these broad themes: climate solutions, resource protection, diversity, and community.

You support:

- Companies creating products and services to help mitigate pollution and climate change.
- Companies supporting a more sustainable and energy efficient economy.
- Companies promoting women in the workforce.
- Companies focused on creating safe and inclusive communities.

Climate Solutions

Portfolio: **99% more exposure** compared to the benchmark towards companies providing renewable energy, green transportation, or energy efficiency solutions.

Portfolio Coverage: 84.88% Benchmark Coverage: 81.56%

Resource Protection

Portfolio: **115% more exposure** compared to the benchmark towards companies focused on sustainable agriculture or water scarcity solutions

Portfolio Coverage: 84.88% Benchmark Coverage: 81.56%

Community

Portfolio: **98% more exposure** compared to the benchmark towards companies involved in education development, affordable housing, financial inclusion, or health care innovations.

Portfolio Coverage: 84.88% Benchmark Coverage: 81.56%

Diversity

Portfolio: **10% more exposure** compared to the benchmark with a higher percentage of women represented in the workforce, in senior management, and on the board.

Portfolio Coverage: 84.88% Benchmark Coverage: 81.56%

Source: Sustainalytics
Benchmark: S&P Developed Markets Classic ADR Index
Exposure is defined as the weighted average of portfolio company revenues tied to sustainable solutions or, in the case of Diversity, the weighted average of a company's total percentage of women represented in certain roles. See Appendix - Sustainalytics Definitions for more information.

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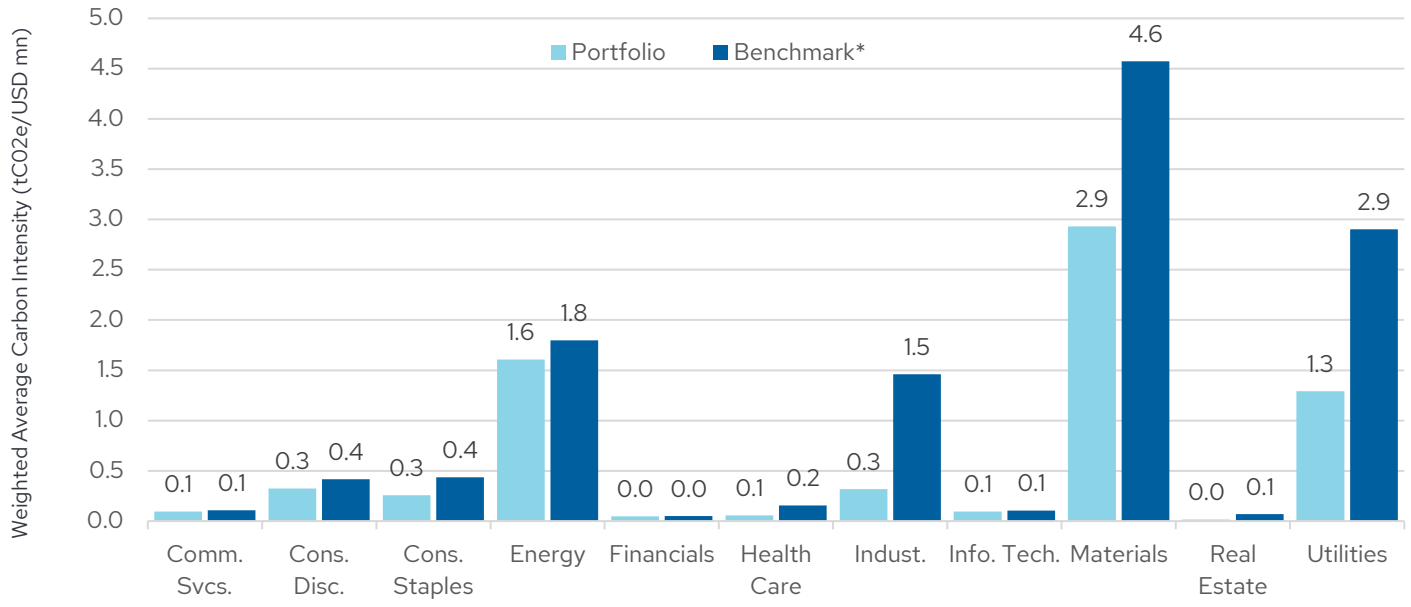
Climate Solutions + Resource Protection

You support:

- Mitigating the impact of extreme weather events and adapting to the changing climate.
- The transition to renewable energy.
- Innovations in pathways to decarbonization of the economy.

Sector Carbon Intensity



Source: S&P Trucost
Benchmark: S&P Developed Markets Classic ADR Index
For informational purposes only. The portfolio does not seek to achieve a particular weighted average carbon intensity metric at the sector level.

Company Highlight

Sector

Industrials

NIDEC Corp.

Nidec is a Japanese company and a global leader of brushless DC motors. Brushless DC motors have advantages over other types of motors in power efficiency, silence, and durability. Nidec possesses the number-one market share in a wide variety of products, such as hard disk drive motors, optical disk drive motors, vibration motors on handsets, brushless motors for inverter air conditioners, and brushless motors for electric power steering on automobiles. It continues to benefit from the growing demand for power-efficient motors, driven by strengthening environmental regulations.

Sources: Sustainalytics

Based on a $100,000 investment, companies in the portfolio would contribute to approximately:

1,786 Kilowatt hours (kWh) of renewable energy produced annually.

Enough to power **62** homes per day.

Based on a $100,000 investment, companies in the portfolio would contribute to **42%** lower carbon emissions than the holdings in the S&P Developed Markets Classic ADR Index. This relative reduction is equivalent to the approximate annual carbon emissions of:

566
Gallons of gasoline

933
Daily commutes by the average driver in the US

5,547
Pounds of coal

Carbon sequestered by **83** trees grown for 10 years, or **5.9** acres of US forest in one year

Source: S&P Trucost
Benchmark: S&P Developed Markets Classic ADR Index
For informational purposes only. The portfolio is not constructed to achieve any particular metric using data obtained by S&P Trucost.

Company Highlight

Sector

Consumer Discretionary

Valeo

Valeo SE is a French global automotive supplier supplying a wide range of products to automakers and the aftermarket that includes manufacturing low carbon technologies that increase the energy efficiency of industrial systems and processes, as well as green transportation. The company manufactures powertrain systems, thermal systems, and visibility systems equipment for electric vehicles. The thermal systems include battery coolers for green transportation and the visibility systems equipment includes energy efficient LED rear lighting for electric vehicle.

Source: Sustainalytics

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Community

You support:

- Building strong, sustainable communities by directing capital to where it is needed most.
- Providing access to capital, credit, and education in communities that would otherwise lack these resources.
- Promoting economic development and mobility.
- Broadening access to health care and supporting the research and development of important treatments.

Affordable Housing

The portfolio aims to increase exposure to companies that are involved in the development and/or management of housing that is affordable to low and lower-middle income people.

Financial Inclusion

The portfolio aims to increase exposure to companies that provide access to financial products and services meeting the needs of low-income and vulnerable groups at an affordable cost and in a fair and transparent manner.

Education

The portfolio aims to increase exposure to companies that provide products and services that improve access to education.

Health

The portfolio aims to increase exposure to companies that provide specialized technologies and equipment that address major and /or neglected diseases.

Sources: Sustainalytics

Company Highlight

Sector

Healthcare

Elekta

Sweden-based Elekta develops, manufactures, and distributes medical and diagnostic equipment used in cancer treatment, including linac treatment equipment which delivers therapeutic x-rays or electrons to a tumor as well as stereotactic radio surgery (SRS) devices for cancer treatment with radiation. The company provides treatment planning systems for neurosurgery and radiotherapy, including stereotactic radiosurgery and brachytherapy. The company has an installed base of more than 7,000 linear accelerators, Gamma Knife and Unity platforms, as well as brachytherapy installations.

With a commitment to improving access to healthcare, they installed 167 linacs in underserved markets between 2022 and 2023.

Source: Sustainalytics

Appendix – Sustainalytics Definitions

ESG Risk Rating

Sustainalytics measures ESG risk as the degree to which the company's economic value may be at risk because of exposure to and management of environmental, social, and governance (ESG) issues.

The rating takes a two-dimensional approach. The exposure dimension measures a company's exposure to ESG risks, while the management dimension assesses a company's handling of these ESG risks. It is calculated as the difference between a company's overall ESG Exposure score and its overall Managed Risk score.

- **ESG Exposure:** A measure of the extent to which a company is exposed to material ESG risks. Exposure can be considered as a sensitivity or vulnerability to ESG risks.
- **Managed Risk**: A measure of a company's handling of material ESG issues through policies, programs, quantitative performance, and involvement in controversies, as well as its management of corporate governance.

The result is the ESG risk score, which is a measurement of a company's unmanaged ESG risk, reflected in a 0-100 score. A lower score implies lower ESG risk, while a higher score implies higher ESG risk.

Product Involvement Screens

Sustainalytics tracks companies' involvment in certain products using revenue as a proxy. Where revenue is not relevant (as is the case for Controversial Weapons), the level of involvement is binary – involved or not involved. In these cases, revenues are not considered relevant because the activity giving the involment status cannot be linked to a specific product/service revenue. When screening for corporate involvement, Sustainlytics uses annual reports, financial disclosure statements and corporate websites for relevant thematic involvment. Research is updated on an annual basis.

Controversies

Sustainalytics controversy research assesses a company's involvement in incidents with negative ESG implications, captured through news screening. Company activities are rated for severity on a scale from one (low) to five (severe) based on the risk and impact of the incident. Controversies often point to operational and reputational risk, especially when systemic, recurrent or exceptional in nature or company responsiveness is inadequate.

Sustainalytics evaluates controversies based on an assessment of incidents and events.

- **Incidents**: A company activity with unintended and/or undesired negative environmental and/or social impacts on stakeholders. Incidents are primarily assessed based on the negative environmental and/or social impact of the company activity as well as the reputational risk that this activity poses to the company.
- **Events**: A series of isolated or related incidents that pertain to the same ESG issues.

Sustainable Solution Tilts

These metrics indicate the portfolio's exposure to companies engaged in the following Sustainable Solutions: Climate Solutions, Resource Protection, Community, and Diversity. For each Sustainable Solution, QRG calculates a Sustainable Solutions Score based on data provided by Sustainalytics, who tracks and measures a company's sustainable solutions activity using revenues as proxy (with exception to Diversity). The Sustainable Solutions Score is

the weighted sum of company revenue percentages generated across several areas, which are mapped to each Sustainable Solution.

The **Climate Solutions** metric is calculated as the weighted sum of company revenue percentages generated from the following areas:

- **Energy Efficiency:** Measures revenue from products and services that improve energy efficiency across a broad range of applications. This includes revenue from energy management, distribution, industrial and consumer products, and industrial systems and processes.
- **Green Transportation**: Measures revenue from sustainable transportation products and/or services. This includes revenue from manufacturing vehicles, providing technologies and equipment, operating mass transportation systems, and building infrastructure.
- **Renewable Energy:** Includes revenue from the generation of renewable energy or manufacturing of products and services that support power generation from renewable energy sources (e.g. wind, solar, hydroelectric).

The **Resource Protection** metric is calculated as the weighted sum of company revenue percentages generated from the following areas:

- **Sustainable Agriculture, Food & Forestry**: Includes revenue from products, equipment and/or services that support sustainable agriculture; manufacturing and selling of sustainable food products; and providing forestry products that are produced in a sustainable manner.
- **Water Infrastructure & Adaption**: Includes revenue from products, equipment and/or services that support sustainable agriculture; manufacturing and selling of sustainable food products; and providing forestry products that are produced in a sustainable manner.

The **Community** metric is calculated as the weighted sum of company revenue percentages generated from the following areas:

- **Affordable Housing**: Includes revenue from the development and/or management of affordable housing.
- **Education:** Includes revenue from the development and/or management of affordable housing.
- **Financial Inclusion:** Includes revenue from providing microloans to low-income borrowers, or providing financial services tailored to meet the needs of underbanked communities.
- **Healthcare:** Measures revenue from providing specialized technologies and equipment that address major and/or neglected diseases.

The **Diversity** metric is calculated as the weighted sum of company total percentages of women being represented across the following areas:

- **Women on the Board**: The percentage of women on the board of the company.
- **Women in Senior Management**: The percentage of women in senior management at the company.
- **Women in the Workforce**: The percentage of women in the company's workforce

for any trading decisions, damages or other losses related to it or its use. The use of the data is subject to conditions available at https://www.sustainalytics.com/legal-disclaimers.

For more information about how QRG defines sustainable investing and incorporates the ESG data provided by Sustainalytics, please read the **Sustainable QP Methodology Document**, which is available upon request by emailing sustainable@envestnet.com.

Appendix – S&P Trucost Definitions

Renewable Energy Generation: Renewable Energy Generation (GWH) includes Total annual wind-based power generation in GWh, Total annual solar-based power generation in GWh, Total annual biomass-based power generation in GWh, Total annual geothermal-based power generation in GWh, Total annual wave & tidal-based power generation in GWh, Total annual hydroelectric-based power generation in GWh.

Carbon Emissions: Carbon Emissions Per USD mn Invested (tonnes CO2e/USD mn). Carbon Emissions include Scope 1 and Scope 2 GHG emissions only. When company GHG emission data is not reported, S&P Trucost uses a proprietary model to estimate GHG emissions.

- Gallons of gas
  - Source: EPA GHG Emissions Calculator
- Daily commutes
  - Source: EPA GHG Emissions Calculator for miles driven by average passenger vehicle
  - Commute time average 27.6 minutes/60 is 0.46 hours * travelling on average 30 MPH = 13.8 miles average commute per day (source)
  - Miles driven by average passenger vehicle/13.8 miles average commute per day = # daily commutes
  - Pounds of Coal
    - Source: EPA GHG Emissions Calculator
- Carbon sequestered by X Trees
    - Source: EPA GHG Emissions Calculator

The **Sector Carbon Intensity** shows the weighted average of the portfolio and benchmark holding's Carbon to Revenue intensity and allocates it by GICS sector. The 'Carbon to Revenue' metric allocates company revenues on an equity ownership basis.

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Disclosures

Coverage Ratio: Coverage represents the percentage of portfolio assets that report sustainability data on which the presented metric is based. A lower coverage indicates that the portfolio may not fully represent the metric being displayed. Portfolio and benchmark metrics are calculated using an asset-weighted average of company-level data from ESG data providers for each covered security. Cash and currency are excluded, as well as short positions, derivatives, synthetic holdings, and any fixed income and equity securities issued by companies that do not have sustainability data. As a result, this information is subject to change.

All portfolio-level metrics reported are representative of a model portfolio for this strategy. An investor's actual portfolio may differ.

Index performance is presented for illustrative purposes only and does not represent the performance of any specific investment product or portfolio. An investment cannot be made directly into an index.

The **The S&P Developed Markets Classic ADR Index** seeks to track all developed markets American depositary receipts trading on the NYSE, NYSE American, NASDAQ, and over-the-counter (OTC) in the United States, subject to size and liquidity requirements.

To learn more visit: envestnet.com/qrg/strategies/sustainable
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