



ENVESTNET
PMC



Sustainable Investing Solutions

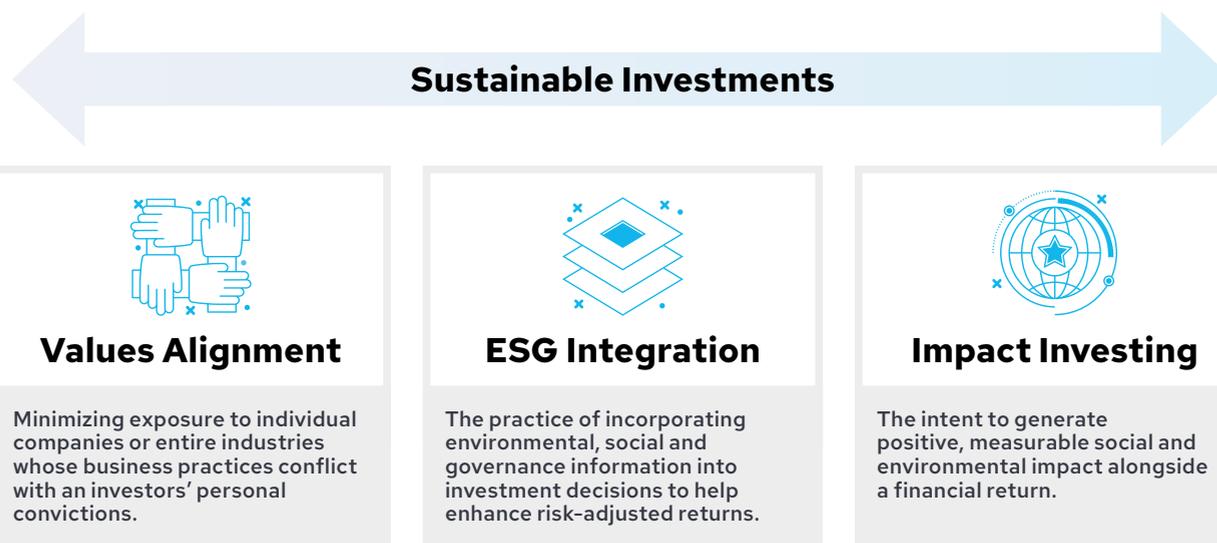
At Envestnet, **living an Intelligent Financial Life** means more than just meeting your financial goals – it’s also about reflecting on the impact you want your wealth to have on the world. As investors seek positive environmental and social impact alongside competitive financial return, sustainable investing has accelerated into the mainstream. This started as a shift in consumer behavior towards “buying local” and shopping at socially conscious brands. Now these same consumers are aligning their investments with their convictions, looking to the capital markets and the companies with which they do business to address pressing environmental and social issues.

As an advisor, engaging with your clients on sustainable investing is a way to help them do both. This conversation offers a wealth of benefits. It enables deeper, more meaningful relationships with your existing clients and their families. This engagement with the entire family allows you to build a relationship with younger generations as well, a demographic that is demonstrably interested in social and environmental impact, and supports retaining that next generation as clients through any wealth transfer. Incorporating sustainable investing into your practice also differentiates the nature of advice you’re able to provide, giving you an advantage in an increasingly commoditized marketplace.

Approaches to Sustainable Investing

Sustainable investing encompasses a range of approaches that recognize the interconnectedness between environmental health, social equity, and long-term economic performance. These investments are made with the intention to protect and enhance long-term value by addressing environmental, social and/or governance (ESG) risks or solving environmental and social challenges. Sustainable investing approaches include Values Alignment, ESG Integration, and Impact Investing.

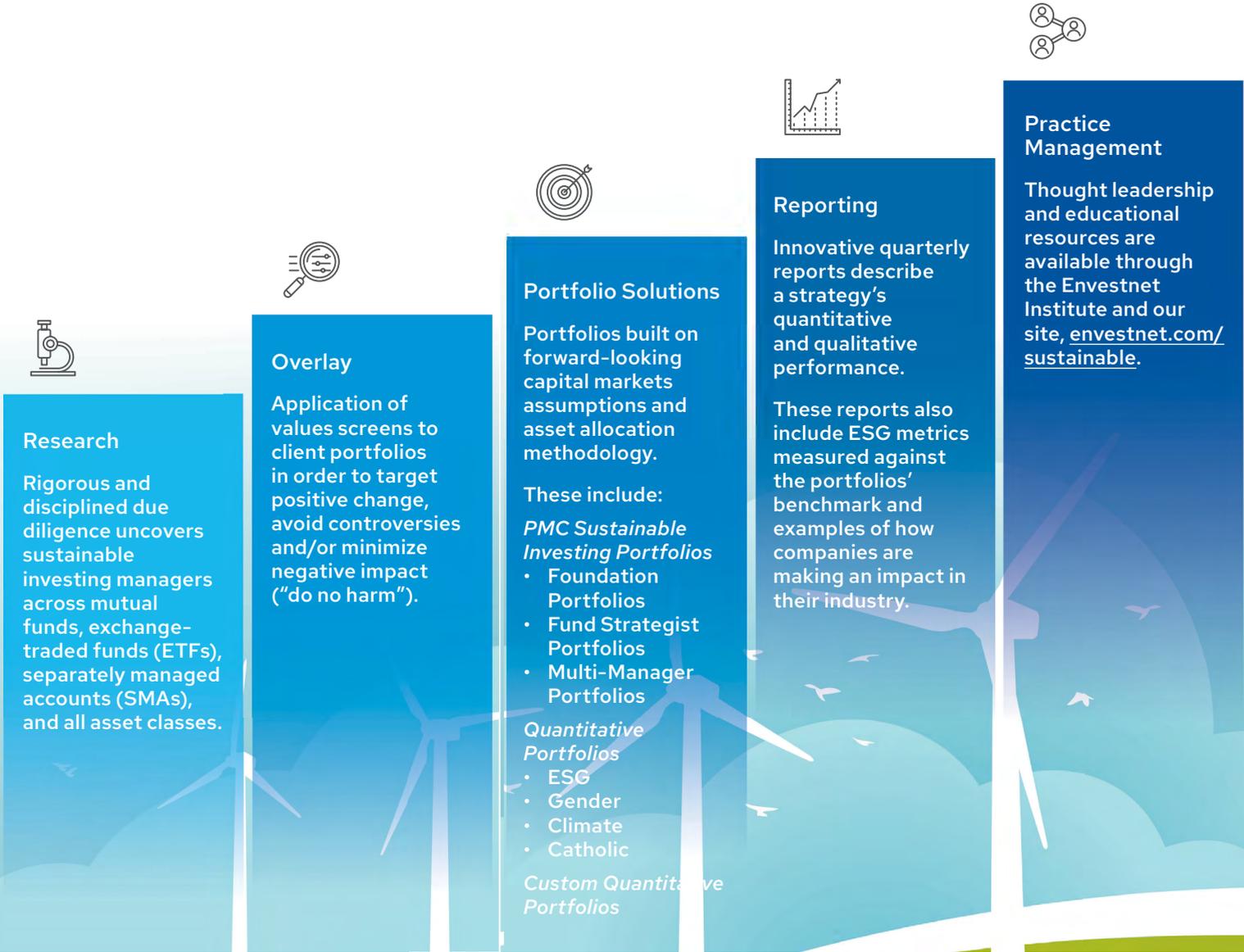
Envestnet provides sustainable investing strategies across the entire spectrum of approaches. We aim to provide strategies and tools to enable each advisor to build portfolios specific to his or her individual client’s values and interests.



5

ESSENTIALS

Investnet provides expertise across five key areas of impact, empowering you to enhance your practice and deliver meaningful sustainable investing solutions to your clients.



Sustainable Investment View

The Next Generation Proposal includes an innovate feature called Sustainable Investment View. This tool helps advisors identify investment solutions that most highly align with their clients' sustainable investing preferences.

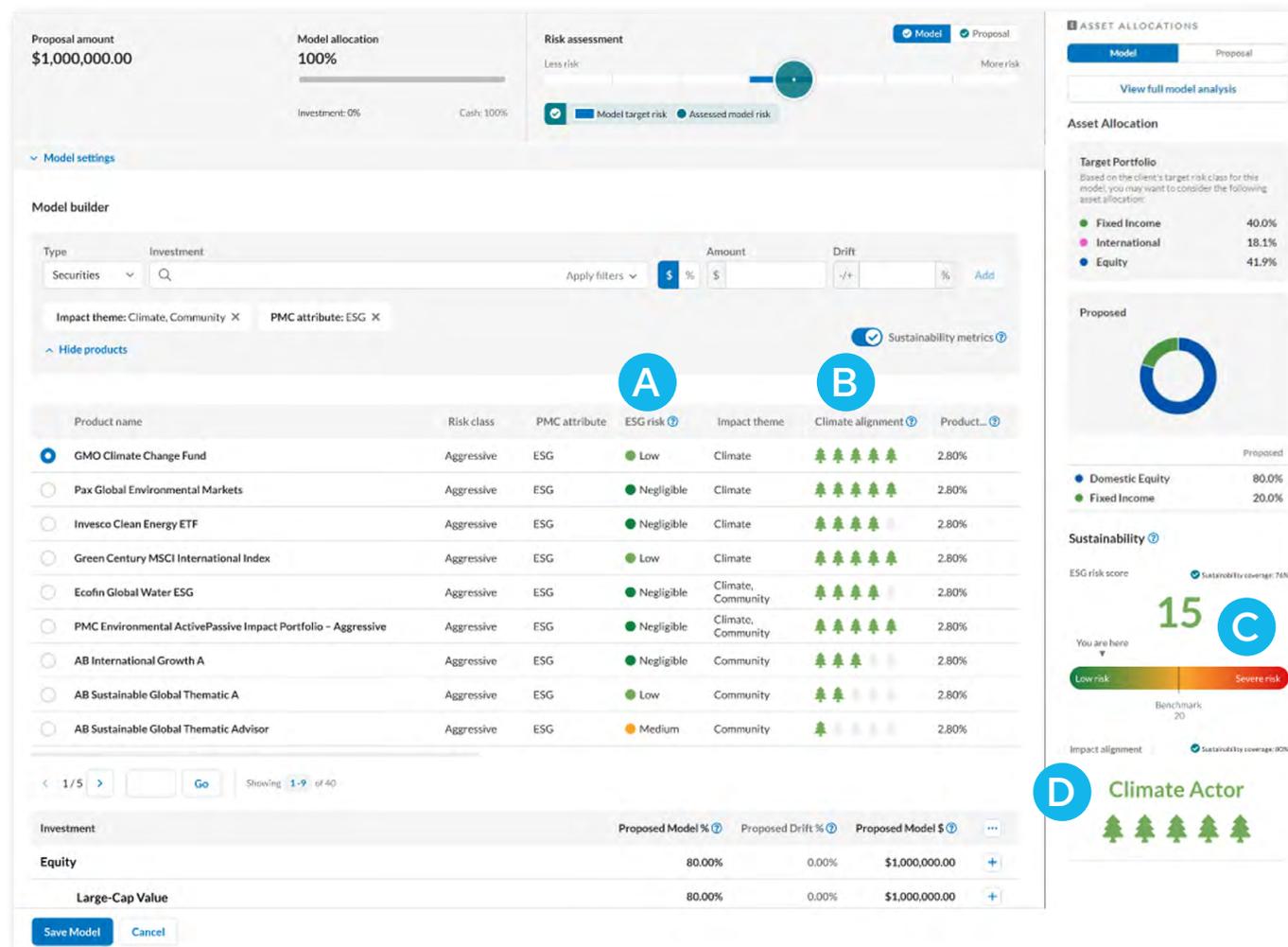
The Sustainable Investment View allows advisors to quickly identify clients' social and environmental values, review their existing portfolio for misalignment, find more highly aligned investment strategies, and provide comprehensive ESG and impact reporting in the proposal and on an ongoing basis through regular client reporting.



Envestnet offers the Sustainable Investment View across five social and environmental themes.



Better align client portfolios with their sustainable investing preferences



For illustrative purposes only.

A Product ESG Risk Score
Measures the degree to which the product's economic value may be at risk because of holdings exposure to and management of ESG issues. The score is based on a scale of 0 to 100, where a lower score indicates lower financial risk

B Product Theme Alignment
Measures how well aligned each product is to the client's designated Impact Theme.

C Portfolio ESG Risk Score
Measures the total ESG risk of the proposed portfolio relative to the portfolio's benchmark.

D Portfolio Theme Alignment
Measures the total alignment of the portfolio with the client's designated Impact Theme.

Provide comprehensive ESG and impact reporting

Sustainable Investing

ESG Risk Score

Measures the degree to which the portfolio's economic value may be at risk because of holdings exposure to and management of environmental, social, and governance (ESG) issues. Some examples of ESG issues could include energy use, worker safety, and diversity efforts. ESG Risk Score is based on a scale of 0 to 100, where a lower score indicates the portfolio faces lower financial risks from ESG issues and a higher score indicates higher financial risk.

Carbon Intensity

Measures the carbon emissions that are attributable to each underlying holding in the portfolio. Emissions include direct emissions from a company's internal operations as well as indirect emissions from the generation of purchased energy. Carbon Intensity is measured as metric tons of CO₂ equivalent per Million USD revenue.

The benchmark indicates a blend composed of 100% S&P 500 and 40% Global 1000. Benchmark scores reflect the portion of benchmark assets that report sustainability data for each metric. 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. 1

Coverage represents the percentage of proposed portfolio assets that report sustainability data on which this metric is based. 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.

Proposed, Current, and Benchmark metrics are calculated based on company-level data from Sustainalytics. Company ratings are current as of the most recent month-end.



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ESG Risk Score

ESG Risk Score measures the degree to which the portfolio's economic value may be at risk because of holdings' exposure to, and management of, environmental, social and governance (ESG) issues. Some examples of ESG issues could include energy use, worker safety, and diversity efforts. ESG Risk Score is based on a scale of 0 to 100, where a lower score indicates the portfolios faces lower financial risks from ESG issues and a higher score indicates higher financial risk.

Sustainable Investing

Controversial Activity: Portfolio (%)

Measures the portfolio's exposure to companies involved in severe incidents that impact the environment or society and pose risks to the company involved.

Sustainable Solutions: Portfolio (%)

Measures the portfolio's exposure to companies with revenue streams that are aligned with creating a more equitable and sustainable economy.

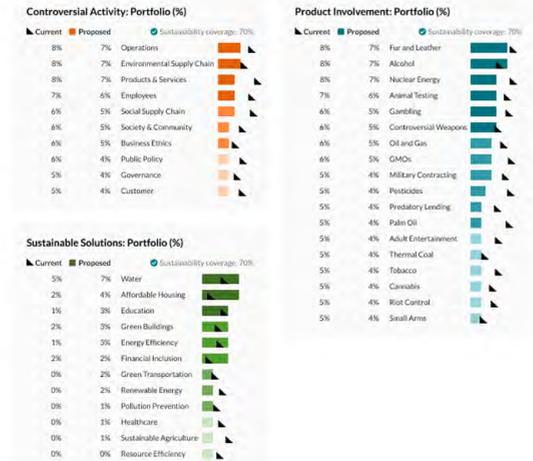
Product Involvement: Portfolio (%)

Measures the portfolio's exposure to companies that are involved in a range of controversial business products, services, and activities, generally using revenue as a proxy.

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Sustainable Investing Solutions



Research

Envestnet | PMC Research incorporates an additional layer of analysis within its comprehensive research and due diligence process to uncover high-conviction equity and fixed income managers that are meaningfully and systematically integrating environmental, social and governance (ESG) information into the investment process. We do this by evaluating firm-level governance of ESG, ESG integration into the investment process, reporting on impact, and engagement on ESG issues.

Finding Quality ESG Focused Strategies

We partner with Morningstar in an effort to align with best practice and common understandings of definitions of ESG. Morningstar defines ESG Funds as sustainable strategies that incorporate ESG criteria throughout the investment process.

When the PMC Research Team conducts qualitative due diligence on an ESG strategy there are four additional ESG-specific components to their evaluation:



ESG Due Diligence Framework

- **ESG Governance & Policies**

- Is there a dedicated ESG oversight function at the firm?
- How is progress on ESG initiatives monitored over time, and how is success measured?
- What is the firm's overarching philosophy on sustainable investing?
- What is the firm's history with sustainable investing? How has the approach evolved over time?
- Does the organization have firm-wide policy on ESG? If yes, how often is it reviewed?

- **ESG Integration in the Investment Process**

- In what parts of the investment process (security selection, portfolio construction, risk management, asset allocation) have ESG insights been integrated?
- How does the team evaluate the materiality of ESG issues at the industry and company level?
- What weighting do ESG factors have in the investment decision making process? How often are ESG factors reviewed for relevance?

What ESG research and data is being accessed and leveraged?

Does the strategy employ exclusionary screens? If yes, what is the rationale for selecting these screens? What are the thresholds for a company to be flagged for involvement?

- **Reporting on Impact**

- Does the manager report on the environmental and social outcomes of the portfolio on a regular basis?
- Are the impact metrics used in reporting relevant to the strategy?

- **Engaging on ESG Issues**

- What is the framework for engagement on ESG specific issues? How are ESG issues identified as engagement topics?
- How are ESG engagements prioritized, monitored and tracked over time? How does the process influence investment decisions?
- Does the team advocate for better disclosure of ESG information and transparency?
- Who oversees ESG engagement activities at the firm? Are ESG engagement activities outsourced?

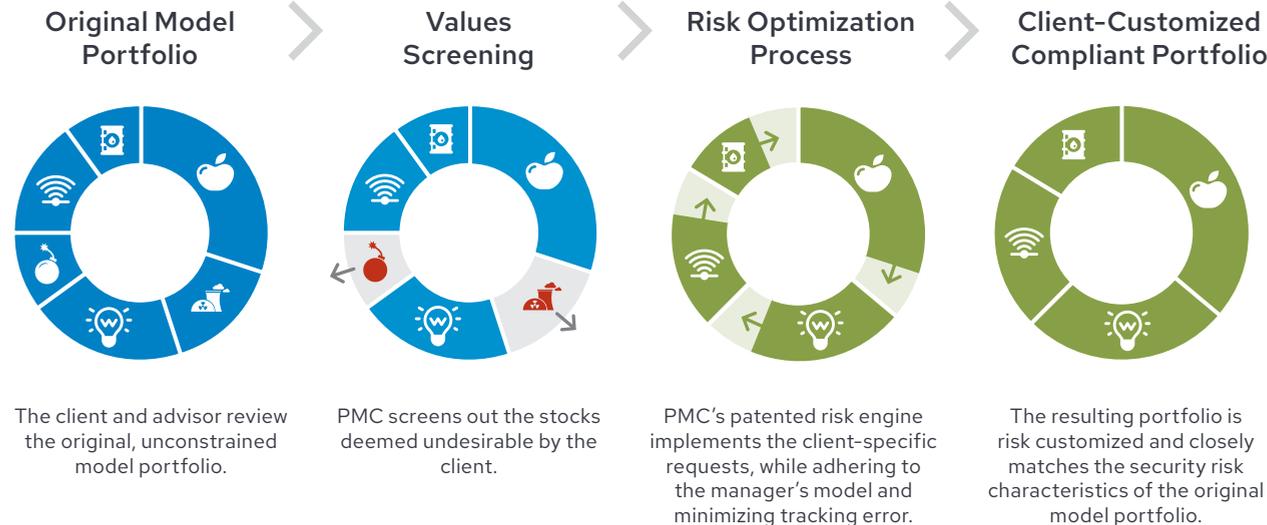
Values Overlay

Powered by data from Sustainalytics, one of the industry’s foremost ESG data providers, Envestnet | PMC’s Values Overlay capability allows advisors to screen out securities across 23 themes in order to avoid controversies, and/or minimize negative impact (“do no harm”). Our overlay service provides the ability to exclude specific companies, industries, or product or service areas through a risk-based optimization.

Risk-Based Optimization

Customizing a client’s portfolio by removing exposures they may find objectionable is one part of the process, but how do you reconcile a client’s personal convictions with an investment manager’s decisions? Our patented risk-based optimization is designed to balance potentially disparate priorities and deliver a solution that aligns the client’s values with the manager’s model and objectives.

The Process



Available Values Overlay Restrictions



- Abortion
- Adult Entertainment
- Alcohol
- Animal Testing
- Cannabis
- Catholic Values
- Contraceptives
- Customer Rights
- Embryonic Stem Cell/Fetal Tissue
- Employee Rights
- Environment
- Firearms
- Fossil Fuels
- Gambling
- Human Rights
- Landmines
- Military Weapons
- Nuclear Power
- Pork/Usury
- Prison Industry
- Social Justice
- Tobacco
- Unsustainable Farming

To learn more about the Sustainable Investing Manager Research & Due Diligence Process and Impact Values Restrictions, please visit envestnet.com/sustainable/solutions/research

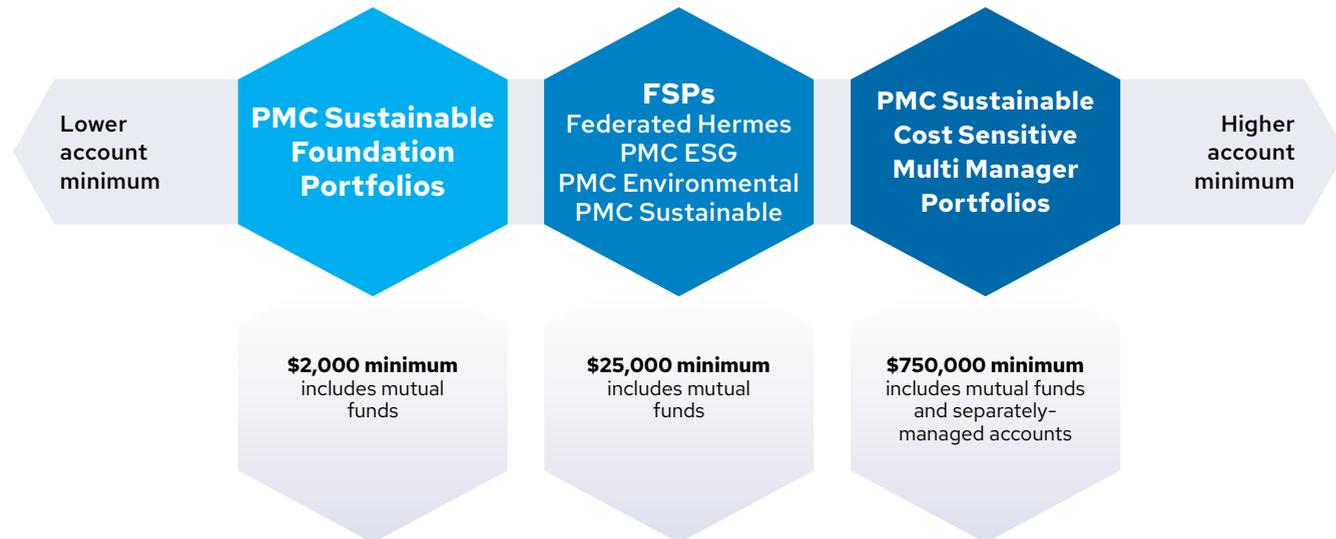
Sustainable Investing Portfolio Solutions

The Envestnet | PMC Sustainable Investing Portfolios are comprehensive, disciplined, and diversified solutions designed for investors with sustainability priorities. These solutions are constructed using high conviction ESG managers identified through Envestnet | PMC's thorough, multi-layered research and due diligence process. Envestnet | PMC regularly monitors and rebalances the portfolios, empowering advisors to support clients in their pursuit of sustainable investing.

Sustainable Investing Portfolios deliver benefits to both advisors and clients with:

- Professionally managed portfolios across the risk spectrum
- Thoughtful inclusion of managers that are meaningfully integrating ESG principles into the investment process
- Tax efficient versions for tax-sensitive investors
- Quality investment managers that undergo PMC's strict and sophisticated evaluation process

Portfolios Available For a Variety of Clients



Sustainable Quantitative Portfolios

Quantitative Portfolios (QPs) are asset class-specific investments that blend the benefits of “beta” investing with the portfolio customization of managed accounts (SMA & UMA). Envestnet’s Quantitative Research Group (QRG) manages a suite of Sustainable QPs. These portfolios are designed to provide risk exposures and returns similar to those of a broad asset class benchmark.

QRG provides the quantitative research framework, portfolio construction techniques, and portfolio management that drive the QPs. QRG strives to deliver superior long-term results for clients through a systematic, research-driven process. The team applies quantitative techniques in evaluating fundamental metrics. The resulting factors – or key drivers of investment return – are implemented using a proprietary multi-factor risk-model.

The Sustainable QPs explicitly focus on companies with high sustainability ratings and/or ESG priorities. The portfolios leverage Sustainalytics, a leading impact research firm, to identify best-in-class ESG companies.

Take Investing Beyond Beta

Our suite of QPs help address important investor needs which are often overlooked by “one-size-fits-all” passive investments.



Align Holdings with Investor Needs

At both the security level and the industry level, our QPs address concerns such as conflicts of interest, social responsibility, or industry overexposures. Additionally, the portfolio can be tailored to complement an investor’s other holdings.



Customizable Market Exposure

Many of our QPs are designed to provide cost-efficient beta exposure, tracking the characteristics and returns of well-known indices. Since the investor owns the underlying securities, they have opportunities for personalization and tax management.



The Pursuit of Tax Alpha

In combination with Envestnet’s Overlay Services offering, the portfolios can help manage an investor’s tax bill and capture “tax-management alpha” via:

- Minimizing realization of short-term capital gains;
- Tax-loss harvesting, PMC tax management technology and risk models; and
- PMC Consulting to help address investor-specific tax situations.

Sustainable Quantitative Portfolios

Quantitative Portfolio: Sustainable

QRG constructs the Sustainable QPs using ESG, Controversy, and Product Involvement data provided by Sustainalytics. QRG’s proprietary quantitative process, optimizes the portfolio to incorporate highly ranked ESG companies while maintaining risk exposures similar to the index.

- **Sustainable Large Cap Core**
- **Sustainable Small Cap Core**
- **Sustainable International ADR**
- **Sustainable Emerging Markets ADR**

Quantitative Portfolio: Gender & Diversity

The Large Cap Core Gender & Diversity QP is constructed using ESG and gender data provided by Sustainalytics. This QP is comprised of companies focused on gender equality and diversity, as measured by the composition of companies’ boards of directors, diversity programs, and discrimination policies.

- **Large Cap Core Gender & Diversity**

Quantitative Portfolio: Climate Solutions

The Global Climate Solutions QP is constructed using data provided by Sustainalytics. The portfolio excludes fossil fuels and companies involved in major environmental controversies, while allocating to companies engaged in creating solutions for climate-related issues. The overall portfolio is optimized relative to the benchmark to ensure a positive environment score, a reduced fossil fuel footprint, and a better carbon risk rating.

- **Global Climate Solutions**

Quantitative Portfolio: Catholic Values

QRG builds the Large Cap Core Catholic Values QP by combining QRG’s proprietary quantitative research process with Sustainalytics’ faith-based ESG data. The strategy is constructed in accordance with the United States Conference of Catholic Bishops (USCCB) investment guidelines.

- **Large Cap Core Catholic Values**

Investment Methodology



Custom Quantitative Portfolios

The Next Evolution of Quantitative Portfolios

Custom Quantitative Portfolios (QPs) empower advisors to build highly personalized separate account solutions that can be tailored to a range of individual preferences along many investment dimensions. By customizing across sustainable investing themes, advisors can create uniquely designed portfolios for investors who want to go beyond a standard approach to environmental social and governance (ESG) integration in order to achieve alignment with personal environmental and social values and pursue their financial goals.

Each sustainable investing theme is thoughtfully constructed using a combination of ESG metrics, values based screening, and tilting to conscious companies, in an effort to target tangible, measurable positive social and environmental outcomes. Our data driven approach to sustainable investing adheres to industry leading standards, integrating third party ESG and thematic research from a variety of ESG data sources.

Through customizing QPs, advisors leverage QRG’s expertise in designing, building and managing its suite of Quantitative Portfolios strategies. These sophisticated quantitative models deliver low cost, tax efficient portfolios across asset classes that maintain similar risk characteristics relative to an underlying benchmark. This disciplined construction framework, using a patented risk-optimization process, allows investors to build portfolios that mimic the underlying benchmark but with a portfolio focused on addressing the investment issues or global concerns your clients care most about.

We believe that doing well and doing good are no longer mutually exclusive.

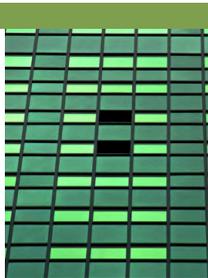
Sustainable Investing Themes



Environmental Tilts



Climate Risk



Climate Solutions



Sustainable Agriculture



Broad Environmental Change



Social Tilts



Women & Minority Empowerment



Community Action



Broad Social Change

Reporting

Our innovative Impact Reports for the Sustainable QPs include detailed descriptions of companies selected, including ESG challenges they face, and how they make an impact in their industry. These reports offer investors insight into the measurable environmental, social, and governance impact of a portfolio relative to its benchmark.

The quarterly performance commentary for the Envestnet | PMC Sustainable Portfolios also includes a performance summary, attribution analysis, fund commentary, and highlights on specific sustainable investing managers and how they incorporate ESG principles into their strategy.

Sample Impact Report

Q|R|G
Quantitative Research Group

Impact Report

Quantitative Portfolio: Impact Large Cap Core - ESG

The Quantitative Portfolio Impact Large Cap Core - ESG is a passive strategy that seeks to provide risk exposures and returns similar to those of the CRSP US Large Cap 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.

ESG Risk Rating

The ESG Risk Rating measures the degree to which a company's economic value (at risk) driven by ESG factors, as assessed through Sustainalytics' calculation of the company's normalized ESG risks.

Risk Level	Portfolio (%)	Benchmark (%)
Negligible	2%	1%
Low	44%	35%
Medium	41%	43%
High	10%	17%
Severe	3%	4%

This portfolio's ESG risk is 12% lower than the benchmark. The prevalence of high risk companies in the portfolio is 39% less than the benchmark.

Portfolio Exclusions

Avoid exposure to companies with severe controversies and those that generate significant revenues from the following areas:

Controversy Area	Portfolio	Benchmark
Alcohol	0	4
Firearms	0	0
Gambling	0	3
Military Weapons	0	13
Nuclear Power	0	16
Tobacco	0	2
Sexual Controversies	0	20

Q|R|G
Quantitative Research Group

The companies held within the portfolio produce approximately **27,531 Gigawatt hours (GWh) of renewable energy annually.** Enough to power **2.4 M homes** per year.

A \$100,000 investment results in **47% lower carbon emissions** than the holdings in the CRSP US large Cap Index. This relative reduction is equivalent to the approximate annual carbon emissions of:

- 394 Gallons of gasoline**
- 542 Daily commutes by the average driver in the US**
- 3,857 Pounds of coal**
- Carbon sequestered by 58 trees grown for 10 years, or 4.6 acres of US forest in one year**

A \$100,000 investment results in **587 cubic meters** less water use than the holdings in the CRSP US large Cap Index. This relative reduction is equivalent to:

- 1.2 M Water Bottles**
- 34% Less Waste**

Q|R|G
Quantitative Research Group

Impact Report

Quantitative Portfolio: Gender and Diversity

The Quantitative Portfolio Impact Large Cap Core - Gender and Diversity is designed to track the CRSP US Large Cap Index by maintaining similar risk characteristics relative to the index. The portfolio invests in companies that are fostering gender and diversity inclusion by focusing on those with strong leadership diversity, anti-discrimination policies, and programs aimed at increasing opportunities for women and minorities. These companies are more likely to create opportunities for women and minority groups to participate fully in business and society as leaders and stakeholders.

Invest in Equality - Invest with Impact

You Support:

- Equal opportunity for women and minorities across the workforce
- Inclusionary hiring and career development practices
- Encouraging cultural understanding and sensitivity in the workplace
- Respectful and safe work environments for women and minorities

You Avoid:

- The adult entertainment industry, which has historically exploited women
- Companies with controversial events related to severe sexual harassment cases

Gender and Diversity Score*

Category	Portfolio	Benchmark
Leaders	2%	10%
Average	23%	8%
Laggards	75%	82%

Q|R|G
Quantitative Research Group

Gender and Diversity

Diversity Program

80% of holdings have a strong diversity program. (QP vs. INDEX 50%)

Women on the Board

This portfolio has 8% more women on the board compared to the benchmark.

Discrimination Policy

85% of holdings have a strong discrimination policy. (QP vs. INDEX 76%)

Company Highlight: Kellogg Company (K)

Kellogg's diversity and inclusion strategy is a key driver of its success. The creation of Kellogg's Diversity and Inclusion Council (DICE) has been instrumental in driving the program's success. DICE is a cross-functional group of employees from across the organization who meet regularly to share best practices and address areas that require further attention. The work in North America is part of a broader effort to support gender equality. Kellogg's ongoing commitment to diversity and inclusion is a key driver of its success. The company's focus on diversity and inclusion is a key driver of its success. The company's focus on diversity and inclusion is a key driver of its success.

Practice Management

Investnet | PMC empowers advisors to have meaningful sustainable investing conversations with their clients. By providing a full spectrum of education, investment products, and technology solutions through our unified, low-cost platform, we help advisors and investors to achieve financial wellness by aligning financial goals with personal values. We recognize that sustainable investing is a complicated and highly nuanced investment philosophy. Our sustainable investing team is available to you as a resource for one-on-one advisor conversations, and for presentations on sustainable investing best practices to advisor teams and at enterprise symposiums and conferences.

Investnet | PMC provides institutional-level due diligence, client-friendly communications and reporting. Thought leadership and educational resources are available through the Investnet Institute.

Investnet | PMC also has partnered with The Investment Integration Project to provide a full sustainable investing educational curriculum for advisors. This curriculum consists of three heavily detailed guides that provide advisors with the fundamentals around sustainable investing. Each guide also has a coinciding one-page brief that provides a high-level overview. The main topics of these guides includes:

- **What Exactly is Sustainable Investing?**
- **Why Should Financial Advisors Care About Sustainable Investing?**
- **How Should Financial Advisors Apply Sustainable Investing in Their Practice?**



To learn more about Sustainable Investing Solutions, please visit investnet.com/sustainable or contact sustainable@investnet.com



Investnet Institute

Please visit us at InvestnetInstitute.com





Disclosure

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This material is not meant as a recommendation or endorsement of any specific security or strategy. Information has been obtained from sources believed to be reliable, however, Envestnet | PMC cannot guarantee the accuracy of the information provided. The information, analysis and opinions expressed herein reflect our judgment as of the date of writing and are subject to change at any time without notice. An individual's situation may vary; therefore, the information provided above should be relied upon only when coordinated with individual professional advice. Reliance upon any information is at the individual's sole discretion. Diversification does not guarantee profit or protect against loss in declining markets.

Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets. Income (bond) funds are subject to interest rate risk which is the risk that debt securities in a fund's portfolio will decline in value because of increases in market interest rates.

Investors should consider the investment objectives, risks, and charges and expenses of mutual funds carefully before investing. A prospectus or summary prospectus which contains this and other information about these funds can be obtained by contacting your Financial Advisor. Please read the prospectus carefully before investing.

Advisors should always conduct their own research and due diligence on investment products and the product managers prior to offering or making a recommendation to a client.

ESG and impact focused strategies are identified with the support of third-party research. Certain asset classes may not have an ESG or impact focused strategy that goes through our ESG due diligence standards. In this case, the portfolios will generally utilize alternative strategies that have been vetted by the PMC Research Team. Funds that incorporate ESG characteristics into the investment process may limit their exposure to certain types of investments. As a result, an investment in an ESG focused fund may be less diversified relative to funds with similar strategies that do not have an ESG focus.

The portfolios incorporate the impact and/or ESG criteria on a best-efforts basis. QRG utilizes several ESG research and ratings providers for portfolio management and reporting purposes. All ESG data, including impact scores, are believed to be from reliable sources; however, we make no representation as to its accuracy or completeness. The scores, ratings, and assessments are subjective by nature, and may or may not be accurate, complete, or reflect the beliefs of some investors.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS