Impact Report

Quantitative Portfolio: Global Climate Solutions

May 3rd, 2024

The **Quantitative Portfolio: Global Climate Solutions** strategy is designed to provide passive exposure to the largest global equity asset classes, including domestic large cap and international developed markets. The portfolio seeks to provide risk exposures and returns similar to those of the benchmark which is a blend comprised of 69% CRSP US Large Cap Index and 31% S&P Developed Markets Classic ADR while also targeting climate solutions and minimizing portfolio carbon risk.

You Support:

- Companies offering products and services that improve resource efficiency
- Companies supporting a more sustainable and energy efficient economy
- Companies creating products and services to help mitigate pollution and climate change

You Avoid:

- Exposure to fossil fuel companies and increased pollution levels.
- Companies that poorly manage carbon risks
- Companies with severe environment-related controversies

Tilting the Portfolio

In addition to excluding fossil fuel companies, QRG's optimization process aims to enhance exposure to companies in these climate-related categories relative to the index.

Renewable Energy

Portfolio: **~219% more exposure** compared to the benchmark towards companies providing renewable energy production and transmission

Portfolio Coverage: 81.11% Benchmark Coverage: 73.61%

Energy Efficiency

Portfolio: **~182% more exposure** compared to the benchmark towards companies that are helping implement energy efficient practices

Portfolio Coverage: 81.11% Benchmark Coverage: 73.61%

Benchmark: 69% CRSP US Large Cap Index/31% S&P Developed Markets Classic ADR
Source: Sustainalytics
Exposure is defined as the weighted average of portfolio company revenues tied to sustainable solutions. See **Appendix – Sustainalytics Definitions** for more information.

Green Transportation

Portfolio: ~200% more exposure compared to the benchmark towards companies providing green transportation options

Portfolio Coverage: 81.11% Benchmark Coverage: 73.61%

Green Buildings

Portfolio: ~199% more exposure compared to the benchmark towards companies involved in the construction of green buildings

Portfolio Coverage: 81.11% Benchmark Coverage: 73.61%

Sustainable Agriculture

Portfolio: ~293% more exposure compared to the benchmark towards companies providing sustainable agriculture products

Portfolio Coverage: 81.11% Benchmark Coverage: 73.61%

Source: Sustainalytics
Benchmark: 69% CRSP US Large Cap Index/31% S&P Developed Markets Classic ADR
Exposure is defined as the weighted average of portfolio company revenues tied to sustainable solutions. See **Appendix – Sustainalytics Definitions** for more information.

Company Highlight:

Sector

Industrials

Vestas Wind Systems

Vestas Wind Systems A/S is a Danish manufacturer, seller, and installer of onshore wind turbines, leading in the space with the highest installed capacity under service in the world. With 45,000 MW installed and 40,000+ MW underservice across North America, the company has two reporting segments: power solutions and service, which performs operating and maintenance service work on wind turbines. In 2023, Vestas secured the largest onshore wind project in the world at 1.1 GW generated from 242 wind turbines.

Source: Sustainalytics

Carbon Emissions Savings

The portfolio holdings' carbon emissions are **44%** lower than its benchmark.

With a **$100,000** investment, the relative reduction in carbon emissions is equivalent to the annual carbon emissions of:

338 gallons of gasoline burned

557 passenger vehicle driven for one year

3,312 pounds of coal

Carbon sequestered by **50** trees grown for 10 years, or **3.5** acres of forest in one year

Source: S&P Trucost; Environmental Protection Agency; NPR, 2018

This portfolio has **82%** less coal exposure compared to the benchmark.

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

2,903 Kilowatt hours (kWh) of renewable energy produced annually.

Enough to power **100** homes per day.

Source: S&P Trucost; US Energy Information Administration
Benchmark: 69% CRSP US Large Cap Index/31% S&P Developed Markets Classic ADR
For informational purposes only. The portfolio is not constructed to achieve any particular metric using data obtained by S&P Trucost.

Company Highlight:

Sector

Industrials

Trane Technologies

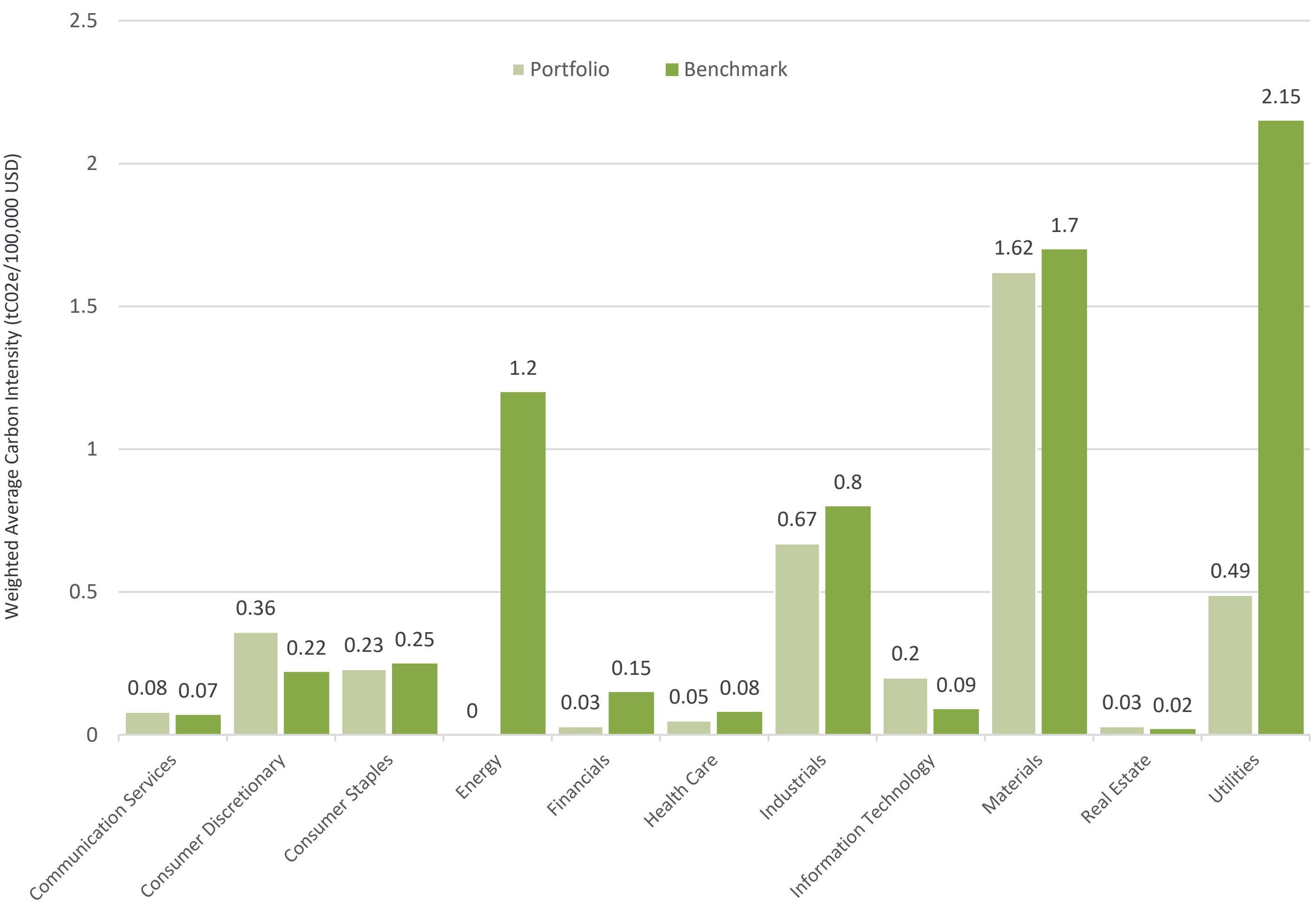
Trane Technologies is an Irish industrial manufacturing company that manufactures and services commercial and residential HVAC systems and transportation refrigeration solutions. Trane has been an industry leader in the path toward net-zero. With a commitment to reducing one gigaton of carbon emissions (CO2e) from their customers' footprint by 2030, Trane has made a 93M metric tons of CO2e reduction since 2019. They've simultaneously made a 31% reduction in their own scope 1 and scope 2 emissions across that same timeframe. In 2022, for example, they began development on a new artificial intelligence (AI)-based offering to reduce energy consumption and carbon emissions in buildings without compromising human comfort. Using predictive and self-adapting AI models, Trane controllers receive information, which adapts the heating, ventilation, and air conditioning (HVAC) system behavior in a way that simultaneously optimizes energy consumption and comfort levels in the building while reducing emissions and equipment wear.

Source: Sustainalytics

Reducing the Carbon Footprint

In addition to excluding fossil fuel companies, this portfolio invests in companies that are less carbon intensive relative to peers, reducing the overall carbon footprint.

GICS Sector Carbon Intensity



Source: S&P Trucost
Benchmark: 69% CRSP US Large Cap Index/31% S&P Developed Markets Classic ADR
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

Consumer Staples

Danone

Danone, a French food packaging company, has three broad business segments: essential dairy and plant-based products, which represents just over half of group revenue; specialized nutrition; and bottled water. The company has been a leader in pioneering and scaling regenerative agriculture, leading the way for regenerative dairy farming models. They also have a commitment to preserving and restoring watersheds where they operate, as well as a commitment to a circular and low-carbon economy. In 2022, the company had reduced its absolute total Forest, Land, and Agriculture emissions by 8.3% since 2020 with 70.5% of their electricity used coming from renewable sources. Also as of 2022, 84% of their packaging was reusable, recyclable, or compostable, while 86% of their production sites have implemented the 4R approach to water management: Reduce, Reuse, Recycle, and Reclaim. Danone is one of only 13 countries in the world to receive a “Triple A” rating from the CDP.

Source: Sustainalytics

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Appendix – Sustainalytics Definitions

Sustainble Solution Tilts

These metrics indicate the portfolio's exposure to companies engaged in the following Sustainable Solutions: Energy Efficiency, Green Buildings, Green Transportation, Renewable Energy, and Sustainable Agriculture, Food & Forestry. For each Sustainable Solution, QRG calculates a Sustainable Solutions Score based on data provided by Sustainalytics, who tracks and measures a company's solutions activity using revenues as proxy. The Sustainable Solutions Score is the weighted sum of company revenue percentages generated across several areas, which are mapped to each Sustainable Solution.

Sustainalytics measures percentage of revenues a company derives from climate solutions through:

1. **Reported revenues**
   If a company reports actual revenues or percentage of revenues derived from a particular category of involvement, Sustainalytics capture this reported figure in the Percentage of Revenue, and Product Revenue data fields.
2. **Estimated revenues**
   If a company does not report actual revenues or a percentage of revenues derived from a particular category of involvement, Sustainalytics:
   a. estimate a revenue range based on a review of business segment revenues, sales data, and quantity and quality of disclosed product information; and then,
   b. take the mid-point of the estimated revenue range as the Percentage of Revenue. For example, if the estimated revenue range is 10-20%, the Percentage of Revenue figure will be the mid-point of this range, 15%.

The **Renewable Energy theme** allocates to companies that generate of renewable energy or in the manufacture of products and services that support renewable energy generation.

The **Energy Efficiency theme** allocates to companies that provide products and services that significantly improve energy efficiency across a broad range of applications.

The **Sustainable Agriculture, Food and Forestry theme** allocates to companies that produce agriculture, food and forestry products and services that are considered sustainable, according to credible global or national certification schemes.

The **Green Buildings theme** allocates to companies that develop, manage, or provide products for sustainable buildings.

The **Green Transportation theme** allocates to companies that provide sustainable transportation products and/or services.

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

Appendix – S&P Trucost Definitions

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.

The **Carbon Emissions Savings** show the portfolio weighted difference in carbon emissions produced by the portfolio compared with the benchmark, translated into real-world equivalents. Carbon emissions are defined as scope 1 emissions, from sources that are owned or controlled by the company, and scope 2 emissions, from consumption of purchased electricity, heat or steam by the company (both categorized by the Greenhouse Gas Protocol).

The **Renewable Energy Produced** shows the portfolio weighted amount of energy in kWh produced by companies in the portfolio generated from wind, solar, biomass, geothermal, hydroelectic, and wave & tidal power.

The **Coal Exposure tilt** shows the portfolio weighted difference of coal power generation in GWh produced by companies in the benchmark compared with the portfolio.

Overview

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.

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.

CRSP US Large Cap Index is comprised of nearly 4,000 constituents across mega, large, small and micro capitalizations, representing nearly 100% of the U.S. investable equity market.

S&P Developed Markets Classic ADR is capitalization-weighted and designed to track the performance of approximately 100 developed market-based ADRs.

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

Disclosure

The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this brochure is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type.

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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 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.

The portfolio incorporates climate criteria on a best-efforts basis. Envestnet utilizes climate-related data provided by a third party for portfolio management and reporting purposes. All climate data 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.

A climate focused investment strategy may limit the types and number of investment opportunities available to the strategy. This may have a positive or negative effect on investment performance relative to strategies which do not utilize climate focused approaches. There is no guarantee that a climate focused strategy will be successful and meet its investment objective. Companies selected for inclusion in a strategy may not exhibit positive or favorable climate characteristics at all times and may shift into and out of favor depending on market and economic conditions.

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