

Impact Report

Quantitative Portfolio: Global Climate Solutions

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 Total Market and 31% BNY Mellon Dev Mkt Classic ADR. The portfolio excludes fossil fuels and companies involved in major environmental controversies, while allocating to companies involved in creating solutions for climate-related issues. The overall portfolio is optimized relative to the benchmark to target a positive environmental score, a reduced fossil fuel footprint, and a better carbon risk rating.

You Support:



Companies that are environmental leaders and prioritize resource efficiency



Companies with lower carbon emissions relative to their industry



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, increased pollution levels, and disruptors of natural habitats



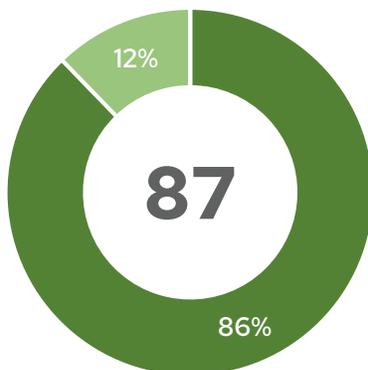
Companies that poorly manage carbon risks



Companies with severe environment-related controversies

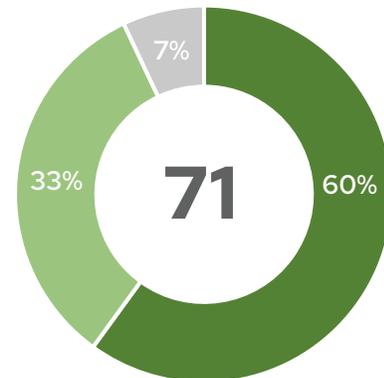
Environment Score

Climate Solutions QP



- Environmental Innovators
- Average
- Environmental Laggards

Global Equity Benchmark



Portfolio Coverage: 100% Benchmark Coverage: 91.04%

Benchmark: 69% CRSP US Total Market/31% BNY Mellon Dev Mkt Classic ADR

Source: Sustainalytics

Investments that utilize an 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.

Tilting the Portfolio

QRG's optimization process aims to enhance exposure to companies in these climate-conscious categories relative to the index. As a result, the portfolio has an increased allocation to companies solving climate-related issues.



Renewable Energy

Portfolio: ~222% more exposure compared to the benchmark towards companies providing renewable energy production and transmission

Portfolio Coverage: 99.27% Benchmark Coverage: 99.94%

Energy Efficiency

Portfolio: ~170% more exposure compared to the benchmark towards companies that are helping implement energy efficient practices

Portfolio Coverage: 93.96% Benchmark Coverage: 99.53%



Green Transportation

Portfolio: ~167% more exposure compared to the benchmark towards companies providing green transportation options

Portfolio Coverage: 98.12% Benchmark Coverage: 99.84%

Green Buildings

Portfolio: ~267% more exposure compared to the benchmark towards companies involved in the construction of green buildings

Portfolio Coverage: 99.24% Benchmark Coverage: 99.94%



Sustainable Agriculture

Portfolio: ~187% more exposure compared to the benchmark towards companies providing sustainable agriculture products

Portfolio Coverage: 99.87% Benchmark Coverage: 99.98%

Coal Exposure

Portfolio: 0.21% value of holdings
Benchmark: 3.09% value of holdings



Source: Sustainalytics and S&P Trucost

Benchmark: 69% CRSP US Total Market/31% BNY Mellon Dev Mkt Classic ADR

Company Highlight:

Sector

Utilities

American Water Works Co., Inc.

American Water Works provides water and wastewater services to residential, commercial, and industrial customers in the United States and Canada. The company operates surface water treatment plants, groundwater treatment plants and wells, wastewater treatment facilities, treated water storage facilities, water stations, and water pipes. American Water Works Company provides water services to commercial, residential, and, to a lesser extent, industrial and military customers. The firm's regulated business segment accounted for 79.5% (USD 3,003 million) of the company's revenues and wastewater services accounted for 4.9% (USD 185 million) of the company's revenues, with the majority of sales from residential customers. Therefore, revenues derived from solution-based water utilities are reported to account for at least 84.4% of total revenue amounting to USD 3,187.8 million of the total annual revenue of USD 3,777 million in FY2020.

Source: Sustainalytics

Sector

Real Estate

Boston Properties, Inc.

Boston Properties is a real estate investment trust that develops, redevelops, acquires, manages, operates, and owns a diverse portfolio. As of December 31, 2019, its portfolio consisted of 52.0 million net rentable square feet comprised of 177 primarily Class A office properties (including nine under construction or redevelopment), 12 retail properties, six residential properties (including two under construction) and one hotel. The company reported that 24.3 million square feet of its floor area is LEED certified and 17.3 million square feet is Energy Star certified in FY2019. Given that 61% of its managed portfolio was LEED certified, and additionally, certain properties are also Energy Star certified, it is estimated related green buildings management revenues accounted for 70% of total company revenue (USD 2,646.261 million) in FY2020.

Source: Sustainalytics

Translating Holdings to Carbon Emissions

Tilts are helpful in understanding how the portfolio is aligned with a client’s values, but through QRG’s reporting capabilities, the portfolio’s holdings can be broken down into data clients can easily relate to.



The portfolio holdings’ carbon emissions are **76%** lower than its benchmark.

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



689 gallons of gasoline burned



1 passenger vehicle driven for one year



6,775 pounds of coal



Carbon sequestered by **101** trees grown for 10 years, or **7** acres of forest in one year

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

A \$100,000 investment results in approximately

485 Kilowatt hours (kWh) of renewable energy produced annually.

Enough to power **17** homes per day.

Source: S&P Trucost; US Energy Information Administration
 Benchmark: 69% CRSP US Total Market/31% BNY Mellon Dev Mkt Classic ADR

Company Highlight:

Sector

Industrials

East Japan Railway Company

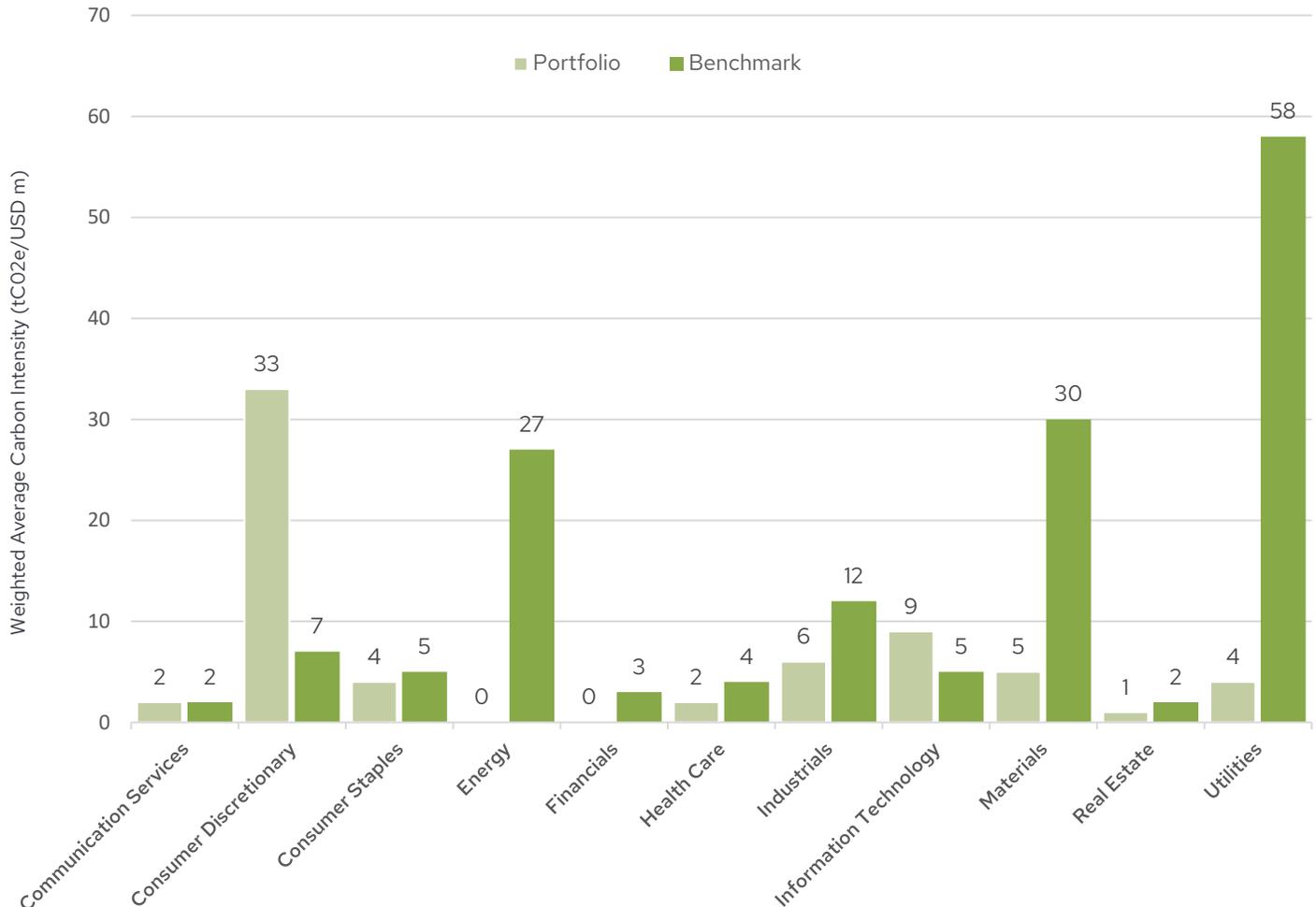
East Japan Railway Company, along with its subsidiaries, operates as a passenger railway company. The company’s transportation business segment provides rail and bus services and engages in railcar manufacturing operations. East Japan Railway Company operates a rail network of approximately 7,402km. East Japan Railway operates one of the most environmentally-friendly forms of transport and constantly works on further reducing its carbon footprint as well as solid waste generated at stations, on trains, and from maintenance of railway vehicles. The company reports that revenues from railway operations amounted to JPY 1,792,849 million, representing 60.84% of the company’s total reports revenues (JPY 2,946,639 million) in FY2019/2020.

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 Total Market/31% BNY Mellon Dev Mkt Classic ADR

Company Highlight:

Sector



Information Technology

Microchip Technology Inc.

Microchip Technology provides specialized semiconductor products to industrial, automotive, consumer, aerospace and defense, communications, and computing markets. The company states that they provide cost-effective embedded control solutions that also offer the advantages of small-size, high-performance, and extreme low-power usage. Examples of such products include single-chip monitoring solutions for solar inverters, smart lighting, cloud servers, temperature sensors and energy monitoring for commercial buildings, and smart homes. The majority of the company's chips, controllers, and integrated circuits are energy efficient materials used in industrial and consumer products and also generate revenue through licensing. It's estimated that revenue derived from such products was 95% from the total revenue (USD 5,274.2 million) in FY2020.

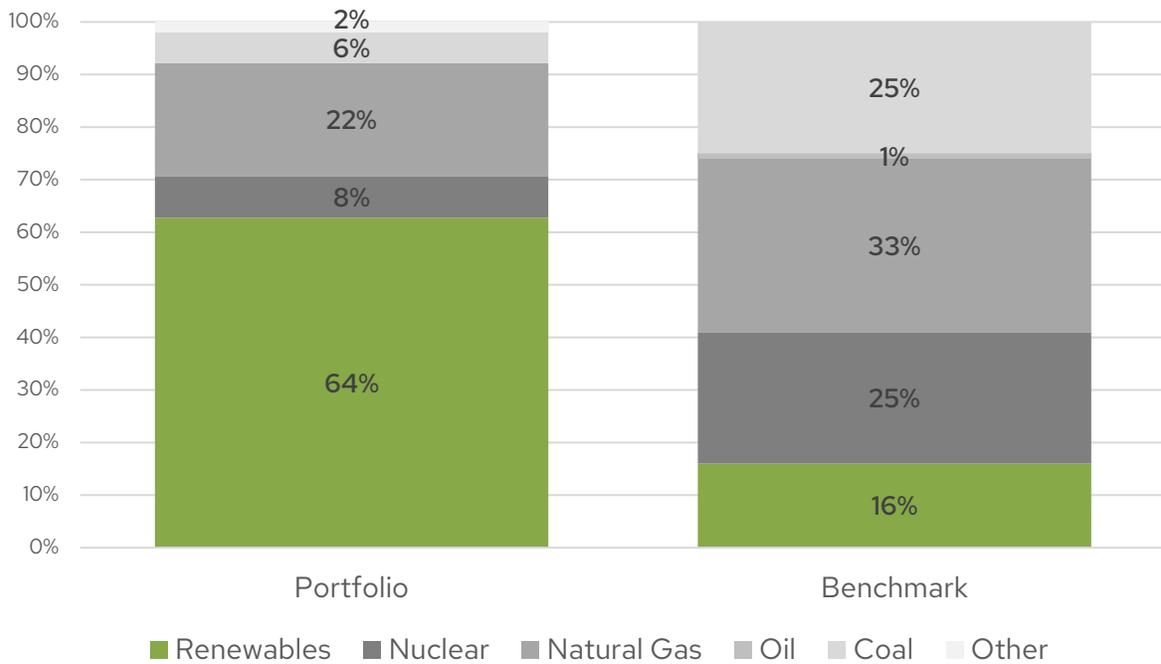
Source: Sustainalytics

Moving Towards a Low-Carbon Economy

At the portfolio level, QRG’s tilts lead to holding companies that rely less on coal and more on climate-conscious energy sources, such as renewables and nuclear energy.

Energy Generation Mix

Based on the ownership of power-producing companies, this chart shows the apportioned electricity generation (in GWh) in the portfolio by the source of energy, relative to the benchmark.



 **This portfolio has 20% less coal exposure compared to the benchmark.**

Source: S&P Trucost; Sustainalytics
 Benchmark: 69% CRSP US Total Market/31% BNY Mellon Dev Mkt Classic ADR

Company Highlight:

Sector



Energy

Siemens Gamesa Renewable Energy, S.A.

Siemens Gamesa operates in the renewable energy industry. The company constructs, develops, and sells wind energy plants, wind farms, and wind turbines, along with providing onshore and offshore wind energy services, as well as hybrid power and electric energy storage, operation, and maintenance services. The company derived all its revenue (EUR 9,483 million) from wind turbine construction, operation, and maintenance in FY2020.

Source: Sustainalytics

Appendix – Sustainalytics Definitions

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 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.

The **Environmental Innovators and Environmental Laggards** are a percentage of companies in the portfolio with a high Environment Score, according to Sustainalytics data. Companies are assessed on a 0-100 scale, on industry specific environmental criteria, with 100 being the best, and 0 being the worst. An innovator is a company that scores in the top quartile and a laggard is a company that scores in the bottom quartile.

Appendix – S&P Trucost Definitions

The **Portfolio Coal Exposure** shows the portfolio and benchmark exposure to companies exceeding the coal thresholds as defined in the upper bar. This report pulls the companies that are generating revenues from the following three coal sectors as defined by Trucost: Bituminous Coal Underground Mining, Bituminous Coal and Lignite Surface Mining, and Coal Power Generation.

The **Revenue Derived from Extractive Activities** shows the portfolio and benchmark dependency on fossil fuel revenues, by calculating the percentage of apportioned revenues coming from fossil fuel extraction activities, in the portfolio and benchmark. Trucost tracks fossil fuel involvement in the following fossil fuel extractive sectors: Crude Petroleum and Natural Gas Extraction, Tar Sands Extraction, Natural Gas Liquid Extraction, Bituminous Coal and Lignite Surface Mining, Bituminous Coal Underground Mining, Drilling Oil & Gas Wells, and Supportive Activities for Oil & Gas Operations.

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.

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.

To learn more, visit: [envestnet.com/qrg/strategies/sustainable](https://www.envestnet.com/qrg/strategies/sustainable)

Overview

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 Total Market 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.

BNY Mellon Dev Mkt Classic ADR is capitalization-weighted and designed to track the performance of approximately 100 developed market-based ADRs.

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.

All investments carry a certain risk, and there is no assurance that an investment will provide positive performance over any period of time. An investor may experience loss of principal. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment advisor to determine the appropriate investment strategy. Investment decisions should always be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance.

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An investment in these portfolios is subject to market risk and an investor may experience loss of principal. By incorporating impact or environment, social, and governance ("ESG") characteristics into the investment process, the portfolios will limit the types and number of certain issuers. As a result, a portfolio's ESG or impact investment strategy may result in the portfolio investing in securities or sectors that underperform the market as a whole or underperform other investment strategies that are not ESG integrated or screened for ESG-related criteria.

The portfolios incorporate ESG and/or impact criteria on a best-efforts basis. QRG utilizes several ESG research and ratings providers for portfolio management and reporting purposes. All ESG and/or impact 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.

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PMC-IR-QP-CS-0222