

## Help your clients align their investment goals with their personal convictions

The rapid growth of renewable energy, the hybrid revolution, and the organic and wellness boom are all indicators that the world is changing. Companies are working hard to adapt to these sustainability challenges through green product innovation, alternative energy advancement, and a transition to more responsible and responsive business practices.

We are witnessing a “green wave” of awareness to environmental, social, and governance issues (known as ESG factors) that help define sustainability—a dynamic process creating positive outcomes for people, companies, society and the planet for generations to come by optimizing social, economic and environmental resources.

More and more investors are realizing that companies in which they invest can have a significant impact on the sustainability challenges we are all facing. And they want to explore aligning their portfolios in this direction.

### Total “Sustainable” Assets



Source: Social Investment Forum, 2007 Report on Socially Responsible Investing Trends in the United States

One in every nine dollars under portfolio management in the U.S. is now slated towards sustainable and socially responsible investing.<sup>1</sup>

To meet your needs, Envestnet proudly offers a comprehensive suite of resources that combines investment intelligence with social awareness. We call it the **Sustainability Platform™**. Integrated within the Envestnet platform, this solution offers access to:

- A broad universe of separately managed accounts, mutual funds, and ETFs that incorporate ESG factors
- Sustainable Portfolios managed by leading investment managers
- SRI Personal Conviction Screens: SRI Best-in-Class and SRI Strict
- A Sustainable Unified Managed Account
- Proxy voting on important SRI-related decisions

<sup>1</sup> Source: Social Investment Forum, 2007 Report on Socially Responsible Investing Trends in the United States



## SUSTAINABLE SOLUTIONS

Combine investment intelligence with social awareness.

Sustainable investing is a fundamental investment philosophy that seeks to enhance performance by accounting for business factors affected by environmental, social and governance (ESG) issues. At Envestnet, we have available solutions that integrate the essence of sustainability into a range of targeted strategies.

### Sustainable Integrated Managers and Strategists

Also available on the platform are a selection of Sustainable Integrated Managers and Third-Party Strategists that incorporate the fundamentals of sustainable and socially responsible investing into their investment philosophy.

These managers include:



### Sustainable Unified Managed Accounts (UMA)

Like a traditional UMA, the Sustainable UMA is a single account that can hold multiple investment options and gives advisors the ability to address the full range of their clients' investment needs with a single registration. Within the Sustainable UMA, advisors are able to create a diversified portfolio where only those strategies that are identified as sustainable are incorporated. They include:

- Sustainable Integrated Managers who have ESG factors integrated within their investment process
- Traditional Equity Managers that incorporate our SRI Personal Conviction Screens

### SRI Managed Account Solution

**SRI Best-in-Class and SRI Strict** overlay screens can be incorporated into our existing managed account offering—creating a comprehensive **Sustainable Managed Account Solution** that gives advisors the ability to customize portfolios under certain ESG criteria. Integrated within the Envestnet platform, the **SRI Personal Conviction Screens** can be applied to:

- Traditional Equity Managers
- Sustainable Integrated Managers
- Fixed Income Separately Managed Accounts




### Two-tiered Overlay Screening Process

The **SRI Best-in-Class Screen** is designed for investors who wish to integrate Environmental, Social, and Governance (ESG) factors into their investments with limited deviation from their overall investment objective. The screen is a

best efforts attempt to exclude major manufacturers and retailers of specific products that do not meet the personal convictions criteria chosen by the client. The screen is designed to include companies whose ESG performance is higher than their industry peers and attempts to identify companies within each industry with the “best ESG practices”.

The **SRI Strict Screen** is designed for investors who wish to integrate Environmental, Social, and Governance (ESG) factors into their investments while at the same time maintain their overall investment objective. The screen is a best efforts attempt to minimize exposure to specific products, services and practices that do not meet the personal convictions criteria set by the client and is designed to exclude companies who derive more than minimal levels of revenue from major manufacturers and retailers of specific products.

### SRI Personal Conviction Screen Overlay Process

STEP ONE	→	Take a Separately Managed Account portfolio	→	
STEP TWO	→	Apply the selected <b>SRI Best-in-Class</b> or <b>SRI Strict Screen</b> to the SMA portfolio	→	
STEP THREE	→	The result is an SRI screened portfolio integrated with criteria set by the client's personal convictions	→	

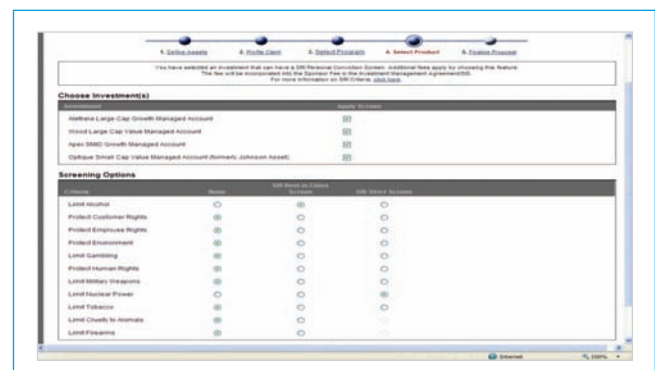
## Personal Conviction Screen Criteria Examples

Criteria	Best-in-Class Screen	Strict Screen	Examples
<p><b>Limit Gambling:</b></p>	<p>Excludes companies that derive more than <b>15%</b> of their revenue from the owning or operating of gambling facilities, or from manufacturing gambling products.</p>	<p>Excludes companies that derive more than <b>5%</b> of their revenue from the owning or operating of gambling facilities, or from manufacturing gambling products.</p>	<p><i>Carnival Corp</i> would pass both screens with only 4% of revenue from gambling. If <i>Carnival</i> revenues exceed 5% (but were less than 15%) the company would be excluded by the SRI Strict Screen only.</p> <p><i>IG Group Holdings</i> offers betting services for sporting events in the US and the UK. Gambling revenues account for approximately 10% of the company's revenues. <i>IG Group</i> would pass the SRI Best-In Class Screen, but not the SRI Strict Screen. Their primary business is spread betting services on financial markets and foreign exchange trading.</p>
<p><b>Protect Environment: KLD</b>  <i>Research analysts review and rate companies for their performance in the following areas of environmental concern: Negative Economic Impact, Hazardous Waste, Climate Change, Ozone Depleting Chemicals, Substantial Emissions, Regulatory Problems, Agricultural Chemicals, Nuclear Power, Employee Safety, and other Environmental concerns.</i></p> <p><i>KLD Research analysts review and rate companies for their performance in the following areas of environmental strengths: Pollution Prevention, Recycling, Clean Energy, Beneficial Products &amp; Services and Other Environmental Strengths.</i></p>	<p>This restriction excludes from the portfolio companies whose environmental performance <b>ranks in the bottom quartile by sector</b> as well as by the universe of companies that KLD covers. Therefore, a company must rank in the 4th quartile for its sector and the 4th quartile of its relevant universe in order to be excluded.</p>	<p>This restriction excludes from the portfolio companies whose environmental performance ranks in the <b>bottom quartile by the universe</b> of companies that KLD covers.</p>	<p>KLD Research analysts have assigned <i>Exxon Mobil Corporation</i> environmental concerns for Climate Change, Hazardous Waste, Regulatory Problems, Substantial Emissions, and other concerns, putting the company within the bottom quartile of companies both within its sector and the relevant universe for environmental issues. <i>Exxon Mobil Corporation</i> would be excluded from portfolios by both the SRI Best-in Class and the SRI Strict Screen.</p> <p>KLD Research analysts have assigned <i>Integrus Energy Group, Inc.</i> environmental concerns for Climate Change, Hazardous Waste, and Substantial Emissions, putting the company within the 3rd quartile of its sector for environmental issues, but within the 4th quartile overall. <i>Integrus Energy Group, Inc.</i> would be excluded from portfolios under the SRI Strict Screen but included under the SRI Best-in Class Screen.</p>

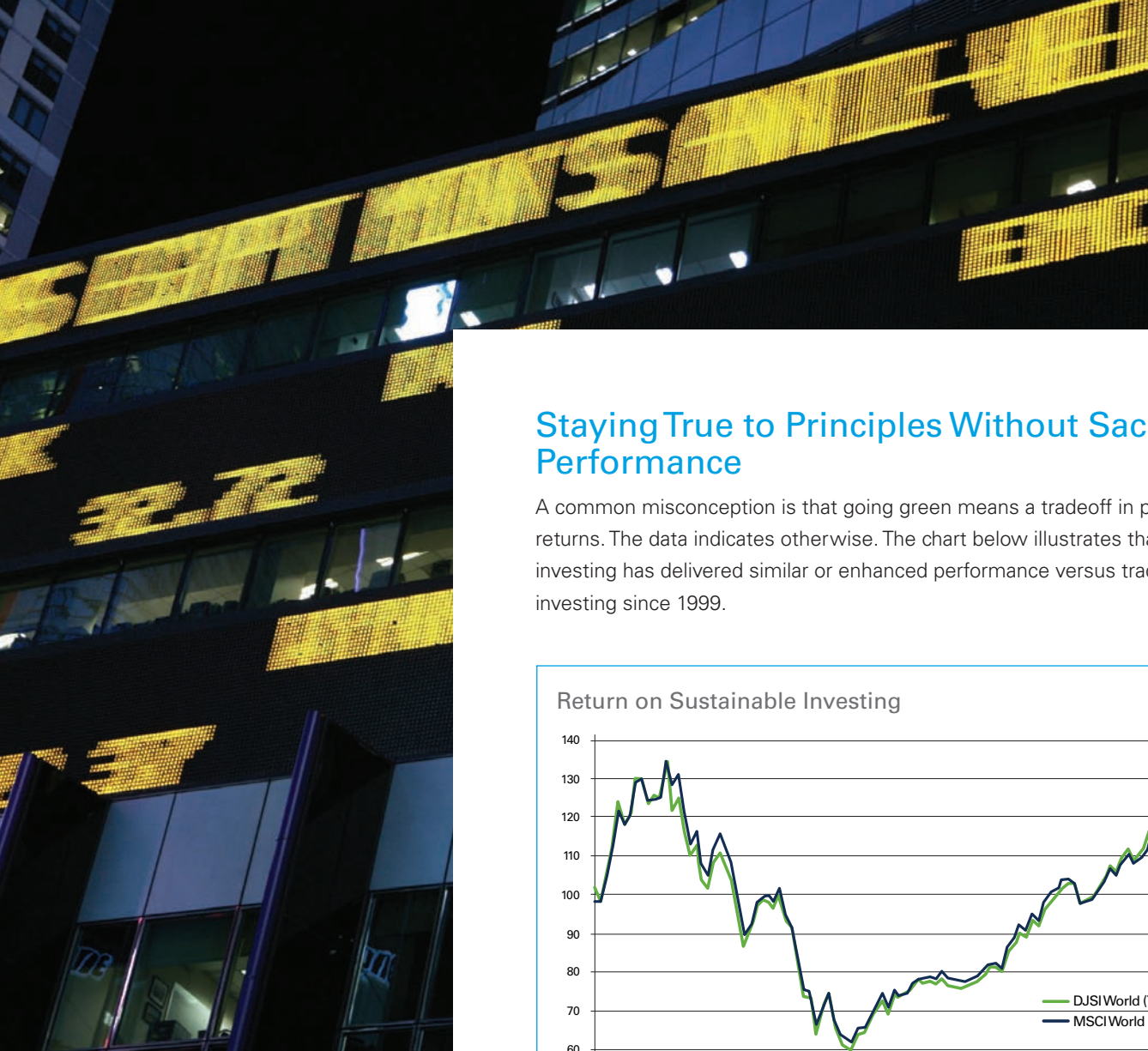
Both of the **SRI Personal Conviction Screens** are a best efforts attempt to exclude companies who derive significant levels of revenue from or have poor standing in, the following areas: Alcohol, Animal Welfare, Customer Rights, Employee Rights, Environment, Firearms, Gambling, Human Rights, Military Weapons, Nuclear Power, Tobacco, Abortion, Adult Entertainment, Contraceptives, Embryonic Stem Cell/ Fetal Tissue, and Landmines.

Within the Envestnet proposal generator, you can create a profile that matches your clients' personal convictions (illustrated at right). The resulting profile is then applied to the portfolio by removing stocks that do not meet the standards defined by your client.

## Apply a Custom SRI Screen Within Your Investment Proposal



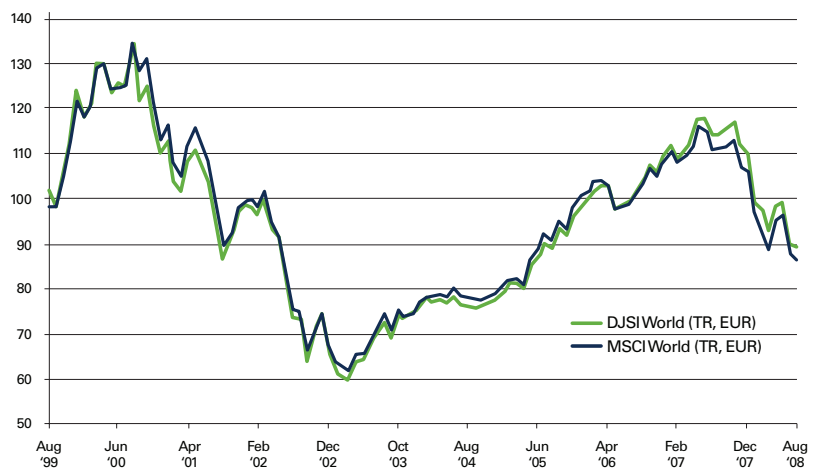
In Step 4 of the Proposal Generation Process advisors can choose from more than 17 social screens and choose the level of sustainable screens to apply to their client's portfolio.



## Staying True to Principles Without Sacrificing Performance

A common misconception is that going green means a tradeoff in portfolio returns. The data indicates otherwise. The chart below illustrates that sustainable investing has delivered similar or enhanced performance versus traditional index investing since 1999.

Return on Sustainable Investing



Source: "Indexes: Dow Jones Sustainability Indexes," [www.asam-group.com](http://www.asam-group.com)

## Partner firms serving the Envestnet Sustainability Platform



### Veris Wealth Partners

Veris Wealth Partners is the sustainability investment partner to Envestnet, providing program design and portfolio solutions for the Envestnet Sustainability Platform. Veris Wealth Partners is an independent registered investment advisor focused on values, wealth and sustainability.



### KLD Research & Analytics LLC

KLD Research & Analytics provides the comprehensive research database used to measure the social and environmental performance of corporations. Companies included in the SRI Best-in-Class and SRI Strict Portfolios have met the established criteria and are reviewed monthly by KLD. Since 1988, institutional investors, managers, trustees, consultants, and advisors have depended on the expertise of KLD for high-quality, comprehensive ESG research criteria.

### Egan-Jones

Egan-Jones is a proven provider of research, recommendations, and voting services for both domestic and foreign proxy proposals. With their depth of analytical savvy and real-time experience, Egan-Jones is uniquely positioned to unravel even the most complicated proxy voting issues.

Egan-Jones Proxy Services is completely independent. In order to safeguard the integrity of their recommendations, Egan-Jones does not sell consulting services to management or board members regarding any proxy-related issues.

Each proxy proposal is carefully weighed to understand its impact on overall shareholder value and to ensure that the rights and interests of labor are respected. Egan-Jones also fully understands the key characteristics of effective corporate governance and the cumulative benefits that accrue to a company whose management is able to preserve these values.



Client Services: 888-612-9300 [clientservices@investnet.com](mailto:clientservices@investnet.com)

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Envestnet is a registered investment advisor with the SEC and engages in the business of providing investment advisory and multi-product online technology services and products to financial intermediaries and end-customers.