



The Institute for Wealth Management

2018 CAAP[®] Camp

Investment Stewardship

Sustainable, Responsible & Impact Investing

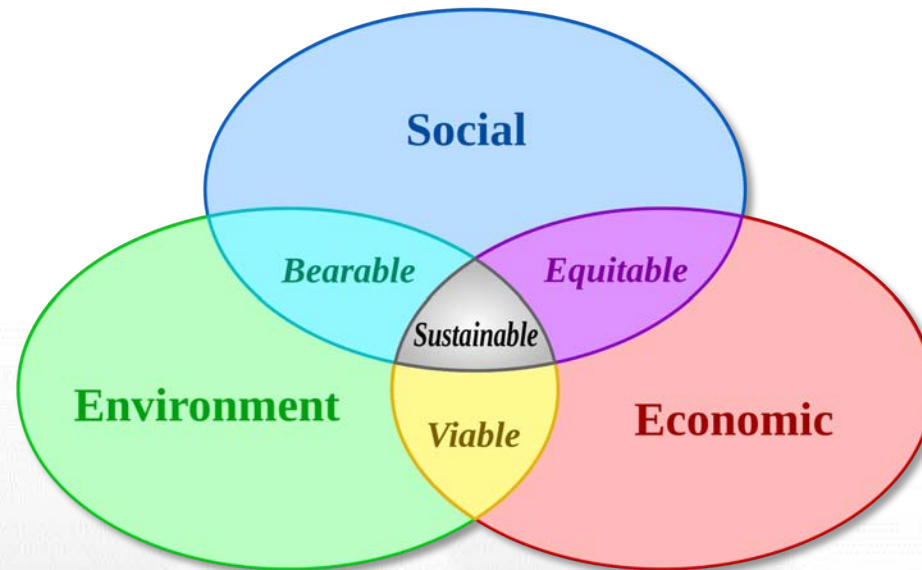


The Institute has been managing SRI/ESG portfolios since 2009

According to US/SIF, the broad outlines of the ESG issues incorporated by money managers include:

1. **Environmental Investment Factors** – Climate change, clean technology...
2. **Social Criteria** – Conflict risk, equal opportunity, labor and human rights...
3. **Governance Issues** – Shareholder actions, corporate boards and proxy actions...
4. **Criteria** –
 - Exclusion - Tobacco, alcohol, firearms, gambling...
 - Inclusion – Best practices by industry...

Dimensions of Sustainability



Environment	Social	Governance
<ul style="list-style-type: none"> • Climate change and emissions • Resource scarcity • Pollution • Water availability 	<ul style="list-style-type: none"> • Health & safety • Population/consumption • Stakeholder relations/reputation • Supply chains • Working conditions 	<ul style="list-style-type: none"> • Accounting & audit quality • Board structure • Remuneration • Shareholder rights • Transparency



Why Is Socially Responsible Investing Important to Your Practice?

A Large & Growing Market

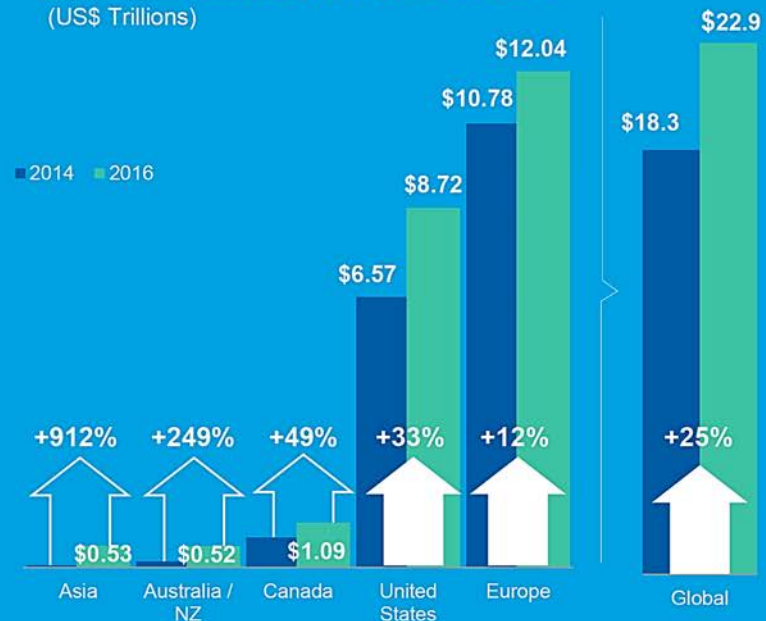
Morgan Stanley

Reminder: Sustainable Investing is Growing Globally

US Sustainable Assets, 1995-2016
(US\$ Trillions)



Sustainable Assets by Region, 2014-2016
(US\$ Trillions)



Source: GSIA 2016 Trends Report, Global Sustainable Investing Alliance, 2016, Report on the Sustainable and Responsible Investing Trends in the United States, 2016. U.S. SIF Foundation, Nov. 2016.

An Accelerating Capture Rate

- It is estimated that SRI/ESG approaches are capturing 1 out of every 6 dollars in new US AUM.
- Between 2012 and 2016, the pace of US ESG asset growth was about 19 percentage points higher than that of traditional assets.

Source: Investment News, "Why It's Time to Believe The Hype behind ESG Investing", 4/8/15; Morgan Stanley, "The Case for Sustainable Investing", 7/9/18.

The Advisor/Prospect Disconnect



74% of Investors
Seeking More
Information about
SRI/ESG



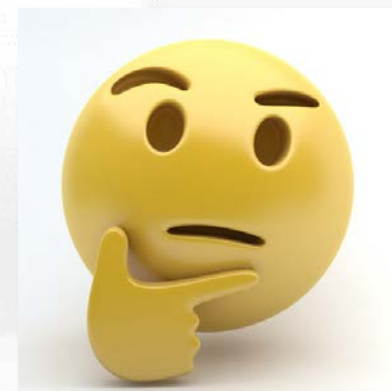
6% of Advisors
Interested in
SRI/ESG Portfolios



Source: Allianz Global Investors Study, June 2017.

A Differentiation Opportunity

Only 49% of advisor/representatives have an SRI/ESG solution available for clients...



Source: Allianz Global Investors Study, June 2017.

Who Is Interested In SRI/ESG?

Morgan Stanley Individual and Institutional Investor Interest

Strong Majority of Individual Investors Interested



84% of Institutions Incorporating, or Actively Considering, Sustainable Investing



Source: Institute for Sustainable Investing, Sustainable Signals: New Data from the Individual Investor, Morgan Stanley, 2017; Institute for Sustainable Investing, Sustainable Signals: Asset Owners Embrace Sustainability, Morgan Stanley, 2018

About Those Millennials...

- Millennials stand to inherit \$59 Trillion by 2060.
- They rank social impact as a “crucial criterion” in investment decision making.
- Their median age is now 30, the typical age for first-time investors.

*Source: Investment News, “Why It’s Time to Believe The Hype behind ESG Investing”, 4/8/15;
Morgan Stanley, “The Case for Sustainable Investing”, 7/9/18.*



People are thinking more and more about values-based investing. Would you like clients to hear about it from somewhere else, or would you like to be the person that brings it to their attention?

Performance That Matches Values

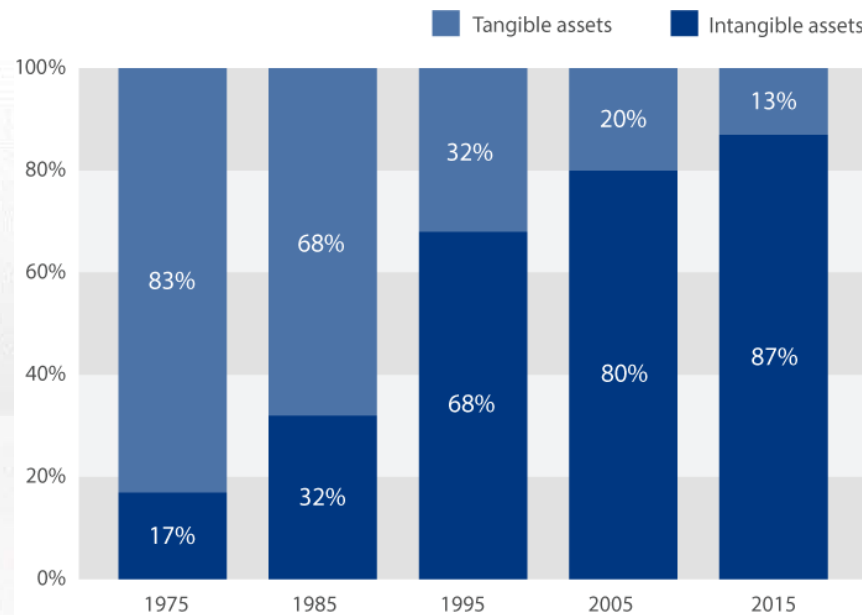
- Studies show that companies with high ESG ratings tend to run many other aspects of their business well, correlating to 100% lower costs of capital, 89% market outperformance and 85% accounting outperformance.
- ESG screens match or outperform broad market indices in 64% of rolling periods (but definitely feature differing factor exposures.)
- Among best performing strategic programs at the Institute for 2017. It is equally critical to The Institute that investing objectives be achieved over a full market cycle.

Source: Deutsche Bank, "Sustainable Investing: Establishing Long-Term Value and Performance", 2012; Alliance, "ESG Is Going Mainstream Because It's Business Critical", 5/21/18.

Performance That Matches Values

- ESG factors are arguably increasingly mission critical to safety, reputation, intellectual property, and brand, all impacting valuation.

Relative impact of tangible versus intangible assets on market valuation through time:



Source: Deutsche Bank, "Sustainable Investing: Establishing Long-Term Value and Performance", 2012; Alliance, "ESG Is Going Mainstream Because It's Business Critical", 5/21/18.



SRI Portfolios at a Glance

- Focus on Risk First, Return Second
- Institutional, Research-Driven
- Global & Alternative Allocations
- Socially Responsible Screens

Investor Profile

- Environmental, Social, and Governance-Minded
- Seeks Diversified Global Exposure
- Conservative, Moderate, and Growth Objective Variations

Global Portfolios for the Environmental, Social & Governance-Minded

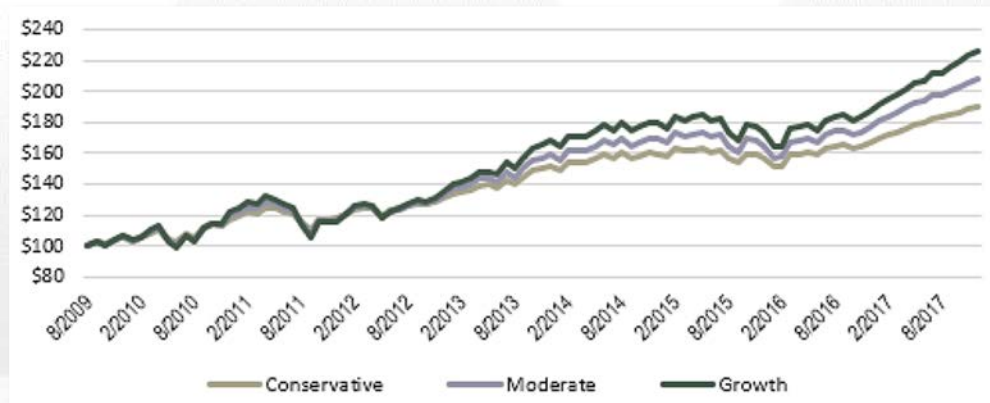
As the world grows in its awareness of corporate practices and their impact on society and the environment, *The Institute* has kept pace with its Socially Responsible Investing (SRI) portfolios for environmental, social, and governance-minded investors (ESG). Although the criteria for selecting appropriate funds can be stringent, *The Institute* believes that ESG investors ultimately desire the same outcomes that all investors want: potential return on investment. Beyond the necessary screening criteria, ESG investors should expect their manager to address risk first and return second, which is precisely *The Institute* way.

For these portfolios, *The Institute* employs the same thorough approach as it does to the construction of all its portfolios. With our SRI portfolios, we incorporate screens guided by *Morningstar*™ to the security selection process, creating efficient, values-based portfolios.

**Model Portfolio Performances
(Sept 2009–Dec 2017):***

Metric	Conservative	Moderate	Growth
Gross of Advisor Fees:			
Ave. Annual Returns	8.0%	9.2%	10.3%
Year-to-Date (12/29/17)	13.8%	17.4%	20.9%
Net of Maximum Fees (2.25% pa):			
Ave. Annual Returns	5.7%	6.9%	8.0%
Year-to-Date (12/29/17)	11.6%	15.1%	18.7%
Positive Months	67%	67%	67%
Worst Month	-5.1%	-7.0%	-8.4%
Maximum Drawdown	-11.4%	-16.3%	-19.9%
Volatility (Standard Dev.)	7.1%	9.5%	11.4%
Beta vs. S&P 500 Index	0.46	0.62	0.75

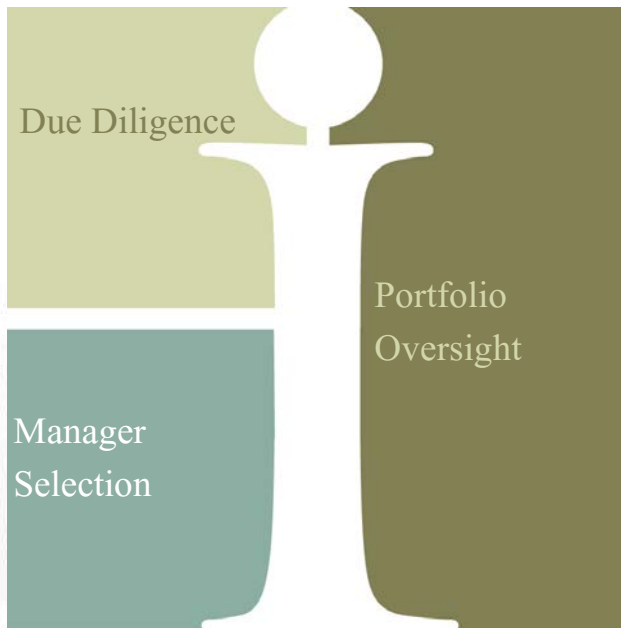
Model Growth of \$100 by Portfolio Objective before Advisor Fees (Inception September 2009):



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If you raised the opportunity to invest in SRI/ESG values-based portfolios daily, how many more clients would you have by the end of 2018?



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