

Confidence  
must be earned

**Amundi**  
ASSET MANAGEMENT

# A Balanced Approach to ESG Investing

Balanced Sustainable Fund

As of December 31, 2022

CUSIP: 97183C629

[amundi.com/us](http://amundi.com/us)

## Portfolio Facts

### Vehicle Type

Collective Investment Trust (CIT)

### Fee

32 basis points, Class R1

### Trustee/Administrator

Wilmington Trust, N.A.

### Subadvisor

Amundi Asset Management US, Inc.

### Investment Objective

Capital growth and current income

### Benchmark

Morningstar Moderate Target Risk Index

## Portfolio Management

### Howard Weiss†

Senior Vice President,  
Director of Multi-Asset Solutions, US  
Portfolio Manager

- Joined Amundi US in 2007
- Investment experience since 2005

### Brad Komenda

Senior Vice President  
Deputy Director of Investment Grade Corporates  
Portfolio Manager

- Joined Amundi US in 2008
- Investment experience since 1993

### Lawrence Zeno

Vice President  
Portfolio Manager

- Joined Amundi US in 2001
- Investment experience since 1989

### Fergal Jackson†

Vice President  
Portfolio Manager

- Joined Amundi US in 2008
- Investment experience since 1998

**The investment team of the Balanced Sustainable Fund believes integrating environmental, social and governance (ESG) factors with a balanced approach to investing in equity and fixed income securities can help pursue attractive, risk-adjusted performance over time.**

- **Integration of ESG analysis is essential** – Management’s due diligence on companies includes an assessment of their ESG practices. This provides an opportunity to invest in companies that may be improving their ESG practices rather than simply exclude poor performers.
- **A diversified<sup>1</sup> ESG portfolio can help balance risk and potential return** – A blend of primarily large-cap, US equities and a broad range of fixed income asset classes helps pursue competitive performance while managing risk.
- **Sustainability drives performance** – Amundi US believes businesses that are sustainable from an ESG, competitive and financial perspective can provide competitive performance over time.

## ESG risk considerations can include the following:

	Climate Change	Natural Resources	Pollution & Waste
E Environmental	<ul style="list-style-type: none"> <li>• Carbon Emissions</li> <li>• Financing Environmental Impact</li> <li>• Product Carbon Footprint</li> <li>• Climate Change Vulnerability</li> </ul>	<ul style="list-style-type: none"> <li>• Water Stress</li> <li>• Raw Material Sourcing</li> <li>• Biodiversity and Land Use</li> </ul>	<ul style="list-style-type: none"> <li>• Toxic Emissions and Waste</li> <li>• Electronic Waste</li> <li>• Packaging Material and Waste</li> </ul>
S Social	<ul style="list-style-type: none"> <li>• Labor Management</li> <li>• Human Capital Development</li> <li>• Health and Safety</li> <li>• Supply Chain Labor Standards</li> </ul>	<ul style="list-style-type: none"> <li>• Product Safety and Quality</li> <li>• Privacy and Data Security</li> <li>• Chemical Safety</li> <li>• Responsible Investment</li> <li>• Financial Product Safety</li> <li>• Health Risks</li> </ul>	Stakeholder Opposition
G Governance	Corporate Governance	Corporate Behavior	
	<ul style="list-style-type: none"> <li>• Board</li> <li>• Ownership Structure</li> <li>• Management Compensation</li> <li>• Accounting</li> </ul>	<ul style="list-style-type: none"> <li>• Business Ethics</li> <li>• Anti-Competitive Practices</li> <li>• Tax Transparency</li> <li>• Corruption and Instability</li> </ul>	<ul style="list-style-type: none"> <li>• Controversial Sourcing</li> </ul>

**Balanced Sustainable Fund generally will not invest in companies significantly involved in:**

Production of alcohol	Tobacco products	Specific controversial weapons	Operation of coal mines	Gambling casinos and other gaming businesses
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<sup>1</sup> Diversification does not assure a profit or protect against loss. † Effective July 31, 2022, Howard Weiss and Fergal Jackson became Portfolio Managers on the Fund.



# Integration of ESG Analysis is Essential

Amundi US’s founder, Phil Carret, believed in investing only in companies that provide useful goods and services to society. As a result, the Fund’s fundamental research process includes an analysis of a company’s ESG practices. Portfolio management integrates ESG analysis into the assessment of a company’s competitive position, growth prospects and financial condition. This helps develop a holistic understanding of a company’s ability to sustain itself over time, and pay dividends,<sup>2</sup> which are an important part of the total return Amundi US seeks to generate for investors.

For fixed income, the Fund’s portfolio managers seek to invest in sectors that offer attractive relative value on a risk-adjusted basis. They invest across a broad range of fixed income asset classes and seek to avoid at-risk sectors and securities. Credit analysts compare systematic risks across sectors and assess ESG risk rankings in an effort to identify companies with “strong ESG practices” to aid in sector relative value analysis. To assess potential outcomes, the portfolio management team develops a historical perspective, and then consults with management and industry experts to identify company and industry level trends.

<sup>2</sup> Dividends are not guaranteed.

## ESG is Woven into the Investment Process

The Fund has a three-part process related to ESG: 1) exclusions; 2) integration; and 3) engagement.

1	Exclusions	2	Integration	3	Engagement
Occurs both at the industry and security level through a screening process		Occurs throughout the research process		Occurs in calls and meetings with company management teams	
<ul style="list-style-type: none"> <li>• <b>Industry exclusions include:</b> companies significantly involved in alcohol production, casinos and other gaming businesses, coal mining operators, specific controversial weapons, and tobacco manufacturers.</li> <li>• <b>The Fund also excludes:</b> securities based on MSCI Sustainability ratings, that score in the bottom of their industries, and are also in the bottom of the overall universe. This is designed to eliminate the worst ESG offenders, while allowing for diversification at the industry level.</li> </ul>		<ul style="list-style-type: none"> <li>• The Fund’s portfolio managers work with Central Research teams to incorporate ESG analysis into fundamental analysis of companies, using data collected from company publications, Amundi’s own ESG team and other ESG data providers, such as MSCI, Sustainalytics and ISS.</li> <li>• The Fund’s valuation discipline considers companies where the potential reduction in ESG risk may not be reflected in the share price.</li> </ul>		<ul style="list-style-type: none"> <li>• Discussions revolve around sustainability practices, shared views, assessment of management’s commitment to addressing key ESG risk and monitoring of progress over time.</li> <li>• Proxies are voted according to the Amundi US Proxy Policy and are voted based on the economic effect of the proposal on the value of the holding. Amundi US believes that ESG factors can affect corporate performance &amp; economic value and since they are considered as part of the investment process, they are considered during the proxy voting process. .</li> </ul>	

**PLEASE NOTE:** The Internal Guidelines referenced do not necessarily represent Trust limitations. These internal guidelines are used as guidance in the daily management of the Portfolio’s investments. These guidelines are subject to change and should not be relied upon as a long-term view of the Portfolio’s exposures, limitations, and/or risks.

## A Diversified ESG Portfolio Can Help Balance Risk and Potential Return

- The Portfolio assesses ESG practices for both equity and fixed income holdings, with the goal of maximizing risk-adjusted returns of the overall portfolio.
- The portfolio managers leverage the vast resources of a global ESG investment firm in conducting their assessments, including Amundi’s own internal ESG research team and ratings.
- A blend of equities and fixed income can provide income and capital appreciation while seeking to mitigate risk when markets have declined.

# Amundi US Believes Sustainability Can Drive Performance

The portfolio's approach to ESG includes fundamental analysis and use of proprietary ESG ratings, as well as consideration of quantitative factors. These quantitative factors include Balanced Sustainable Fund's internal guidelines, which state that any stock in the bottom 15% of its industry, and in the bottom 30% of the overall S&P 500 universe, be excluded from the portfolio.\* This is only one step in the ESG process.

The chart below from S&P Dow Jones shows the comparative returns of the S&P 500 Index and the S&P 500 ESG Index ("the Index"). The S&P 500 ESG Index excludes tobacco, controversial weapons and companies not in compliance with the UN Global Compact, as well as companies with low ESG scores relative to their industry peers around the world. Using the Index's exclusions would have added over 9% of aggregate performance over the past five years. While the exclusions used by the Index are not identical to those used by the Balanced Sustainable Fund, similar factors are considered, and we believe the Fund's integrated ESG process can be additive to returns. **The hypothetical index returns should not be relied upon as an indication of actual past performance.**

Returns for the S&P 500 ESG Index prior to its launch in January 2019 are hypothetical, based on methodology that was in effect at the Index's inception. Such pre-inception returns are hypothetical and based on past returns of the Index. Hypothetical returns have inherent limitations, including the benefit of hindsight, and do not reflect the impact that material economic and market factors might have had. Actual returns may differ from, and be lower than hypothetical pre-inception returns.

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## Effects of Exclusions on Index Returns

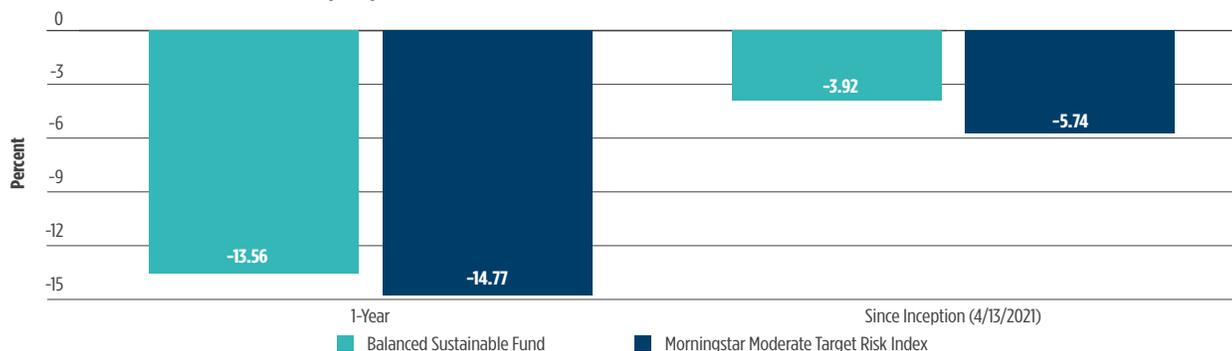
5-Year Cumulative S&P 500 vs. S&P 500 ESG Performance as of December 31, 2022



**The hypothetical index returns should not be relied upon as an indication of actual past performance.** Not intended to represent performance of any Amundi US product.

Source: S&P Dow Jones Indices LLC as of 12/31/22. The above performance shows S&P 500 Index returns for the past five years compared to the S&P 500 ESG Index. S&P DJI ESG Scores are derived from the SAM Corporate Sustainability Assessment (CSA), which analyzes ESG factors to identify companies well-equipped to recognize and respond to emerging sustainability opportunities and challenges in the global market. ESG indicators are calculated for each company covering various sustainability topics. Additionally, certain types of companies, as well as companies below a minimum threshold, are excluded.

## Net Performance as of 12/31/22



**Performance data quoted represents past performance and does not guarantee future results.** The table shows Net Performance of the Balanced Sustainable Fund as of December 31, 2022. Current performance may be lower or higher than return data quoted herein. Performance data reflects a fee of 32 basis points for this specific class of units (RI). Other fee classes may currently be available or may become available in the future. Not all fee classes are available for investment by all plans.

The **S&P 500 ESG Index** is a broad-based, market-cap-weighted index that is designed to measure the performance of securities meeting sustainability criteria, while maintaining similar overall industry group weights as the **S&P 500 Index**, a commonly used measure of the broad US stock market. The **Morningstar Target Risk Index** family is designed to meet the needs of investors who would like to maintain a target level of equity exposure through a portfolio diversified across equities, bonds and inflation-hedged instruments. The **Morningstar Moderate Target Index** seeks approximately 60% exposure to global equity markets. This Index does not incorporate Environmental, Social, or Governance (ESG) criteria. Indices are unmanaged, and their returns assume reinvestment of dividends but do not reflect any fees or expenses. It is not possible to invest directly in an index.

#### A Word About Risk

The market prices of securities may go up or down, sometimes rapidly or unpredictably, due to general market conditions, such as real or perceived adverse economic, political, or regulatory conditions, recessions, inflation, changes in interest or currency rates, lack of liquidity in the bond markets, the spread of infectious illness or other public health issues or adverse investor sentiment. The Fund generally excludes corporate issuers that do not meet or exceed minimum ESG standards. Excluding specific issuers limits the universe of investments available to the Fund, which may mean forgoing some investment opportunities available to funds without similar ESG standards. The market price of securities may fluctuate when interest rates change. When interest rates rise, the prices of fixed income securities in the Fund will generally fall. Conversely, when interest rates fall, the prices of fixed income securities in the Fund will generally rise. Investments in the Fund are subject to possible loss due to the financial failure of issuers of underlying securities and their inability to meet their debt obligations. Prepayment risk is the chance that an issuer may exercise its right to prepay its security, if falling interest rates prompt the issuer to do so. Forced to reinvest the unanticipated proceeds at lower interest rates, the Fund would experience a decline in income and lose the opportunity for additional price appreciation. The securities issued by U.S. Government-sponsored entities (e.g., FNMA, Freddie Mac) are neither guaranteed nor issued by the U.S. Government. The portfolio may invest in mortgage-backed securities, which during times of fluctuating interest rates may increase or decrease more than other fixed-income securities. Mortgage-backed securities are also subject to pre-payments. Investments in high-yield or lower rated securities are subject to greater-than-average price volatility, illiquidity and possibility of default. Investing in foreign and/or emerging markets securities involves risks relating to interest rates, currency exchange rates, economic, and political conditions. The portfolio invests in REIT securities, the value of which can fall for a variety of reasons, such as declines in rental income, fluctuating interest rates, poor property management, environmental liabilities, uninsured damage, increased competition, or changes in real estate tax laws.

#### About flexPATH Strategies

flexPATH Strategies, LLC is inspired to help create successful retirement outcomes for plan participants. As a fiduciary to our clients, we partner with financial professionals, plan sponsors and investment managers to offer next-gen investment solutions that are flexible, yet easy to utilize for any investor. With over \$40 billion in assets under management as of 12/31/2022, flexPATH is a pioneering investment firm dedicated to creating and managing customized investment solutions for retirement plan fiduciaries and their employees. Visit [flexpathstrategies.com](https://flexpathstrategies.com) for more information.

#### About Wilmington Trust, N.A.

Wilmington Trust, N.A. Collective Investment Funds ("WTNA Funds") are bank collective investment funds; they are not mutual funds. Wilmington Trust, N.A. serves as the Trustee of the WTNA Funds and maintains ultimate fiduciary authority over the management of, and investments made in, the WTNA Funds. The WTNA Funds and their units are exempt from registration under the Investment Company Act of 1940 and the Securities Act of 1933, respectively. Investments in the WTNA Funds are not bank deposits or obligations of, and are not insured or guaranteed by Wilmington Trust, M&T Bank, any other bank, the FDIC, the Federal Reserve, or any other governmental agency. The WTNA Funds are commingled investment vehicles, and as such, the values of the underlying investments will rise and fall according to market activity; it is possible to lose money by investing in the WTNA Funds.

Participation in Collective Investment Trust Funds is limited primarily to qualified defined contribution plans and certain state or local government plans and is not available to IRAs, health and welfare plans and, in certain cases, Keogh (H.R. 10) plans. Collective Investment Trust Funds may be suitable investments for participants seeking to construct a well-diversified retirement savings program. Investors should consider the investment objectives, risks, charges and expenses of any pooled investment company carefully before investing. The Additional Fund Information and Principal Risk Definitions (PRD) contains this and other information about a Collective Investment Trust Fund and is available at [www.wilmingtontrust.com/PrincipalRiskDefinitions](https://www.wilmingtontrust.com/PrincipalRiskDefinitions) or ask for a copy by contacting Wilmington Trust, N.A. at (866)427-6885.

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No minimum plan size or contribution requirements for Collective Investment Trusts subadvised by Amundi Asset Management US, Inc.

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