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Envestnet | PMC Strategist Network

Strategist Portfolio Research

PMC Strategist Approved List Guide

PMC's Strategist Approved List is comprised of a diversified set of asset managers, asset allocation styles, and portfolio attributes. Rigorous quantitative and qualitative research is used to curate this specialized list, which features those strategies that are well aligned with the demands of our clients and stand out from their peers.

This guide is designed to help you navigate through the comprehensive rosters of over 50 strategist managers and 90 unique product suites on PMC's Approved List. The guide contains key data points that allow you to easily sift through the roster of approved strategies and find the ones that are best suited to your clients' needs.

Strategy Suite

A strategy suite represents a unique investment mandate and process carried out by a strategist manager. This unique process can be carried out in a single portfolio or through a series of many portfolios. The number of portfolios represented by each strategy suite is displayed under the *# of portfolios* column. When there are multiple portfolios represented by a single strategy suite, the investment team and their process will be consistent across all portfolios under that same strategy suite. The portfolios are typically distinguished by different risk tolerances or target income levels.

Strategist Style

The strategist style of a suite of portfolios describes the investment nature of the strategy and how assets are allocated within and among different asset classes. Each strategy suite has a unique strategist style associated with it and applies to all portfolios represented by that strategy suite. Knowing a portfolio's strategist style is a useful tool to help determine whether a portfolio is a suitable fit for an investor's portfolio.

In many cases, a manager may run different types of portfolios that encompass several distinct strategist styles. In these cases, Envestnet's analyst research team will leverage their research and due diligence to approve only those strategies that are true to the firm's core competencies, resulting in a list of best of class strategist solutions.

Risk-Based strategies are sets of fully diversified portfolios offered in several distinct risk profiles. These portfolios typically follow a strategic or moderately flexible, dynamic, asset allocation framework. The level of risk inherent in each portfolio is determined by the size of the allocation to risky assets (e.g. equities) versus less risky assets (e.g. bonds). These solutions are often best used as a core holding or a portfolio complement and should be the primary driver of returns for an investor's portfolio over the long run.

Multi-Sector Fixed Income strategies take on a variety of forms. These strategies use a wide range of fixed income sectors such as municipals, treasuries, high yield, and investment grade bonds. These strategies most often employ a flexible asset allocation approach and can be used as portfolio diversifiers or to generate additional income.

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Multi-Asset Income strategies take on a variety of forms and use the full spectrum of asset classes to seek income. These portfolios often employ a flexible asset allocation approach and can be used as a portfolio diversifier or to generate additional income.

Retirement Income strategies are a unique set of portfolios designed for investors in retirement or planning for retirement. These portfolios invest in an income-focused manner and take into consideration the risks faced by retirement assets, such as longevity risk, inflation risk, and interest rate risk.

Multi-Alternative strategies invest in a wide range of alternative investments, such as hedge-fund-like strategies that use merger arbitrage, global macro, or long/short equity mandates, for example. Multi-Alternative strategies are typically absolute return strategies that have a low correlation to traditional investments.

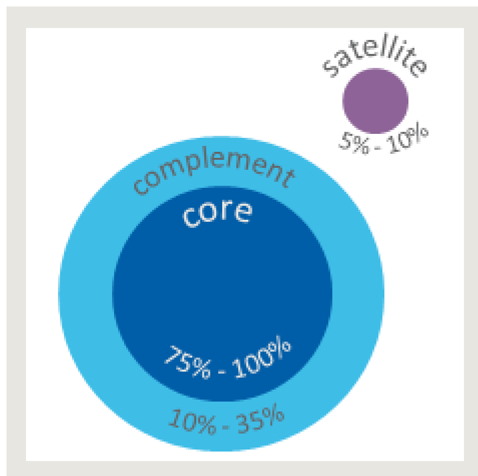
Real Asset strategies focus on maintaining real purchasing power and mitigating the effects of rising inflation. They do so by investing in physical assets such as real estate, commodities, precious metals, and oil. These strategies typically have low correlation to traditional investments and are best used as diversifying strategies.

Tactical strategies come in three forms: Tactical - *Equity*, Tactical - *Fixed Income*, and Tactical - *Multi-Asset*. These strategies are best identified by their unconstrained investment approach and their ability to make material shifts.

Portfolio Use

Portfolio Use indicates the recommended way to implement a strategy within a client portfolio. A strategy suite may have more than one recommended portfolio use as their suitability will also depend on unique client circumstances. In general, portfolios can be used as a *Core*, *Core Complement*, or *Satellite* solution.

Core solutions are typically fully diversified, risk-based portfolios and should be the primary driver of returns for an investor's portfolio over the long run. They serve as the majority of a client's portfolio or act as a standalone total portfolio solution. Core solutions seek to capture broad capital market returns and are most often offered in multiple portfolios that span across various risk tolerance levels. We recommend between 75%-100% of a portfolio be invested in a core solution.



Core Complement solutions are mostly outcome-based strategies that can be used to supplement an existing globally diversified portfolio. These strategies often provide exposure to non-traditional assets missing from a traditional core solution and in doing so produce a unique, outcome-based solution. We recommend between 10%-35% of a portfolio be invested in a core complement.

Satellite solutions are typically single-strategy, highly opportunistic solutions. They can be used in small amounts alongside a globally diversified portfolio to help provide alpha and/or preserve capital through active asset allocation decisions. These are specialist mandates with inherent idiosyncratic risks due to their flexible investment approach and lack of global diversification. We recommend between 5%-10% of a portfolio be invested in a satellite solution.

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Investments in smaller companies carry greater risk than is customarily associated with larger companies for various reasons such as vol-atility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources. Investing overseas involves special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic insta-bility, and relatively illiquid markets. Income (bond) funds are subject to interest rate risk, which is the risk that debt securities in a fund's portfolio will decline in value because of increases in market interest rates.

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