

Quarterly Commentary – PMC Sustainable Portfolios

4th Quarter (Q4) 2023

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Market Environment

In a stunning turn of events, 2023 defied the gloomy forecasts of economists and market participants, who had anticipated a looming recession and a bear market. Contrary to expectations, the U.S. economy expanded in every quarter of 2023 and the equity market staged an impressive rally, surging by more than 20%. Despite grappling with significant challenges, such as the worst banking crisis since 2008, rapid Fed rate hikes, debt ceilings, budget battles in Washington, the ongoing war in Ukraine, conflicts in the Middle East, concerns over China's economy, and a deeply inverted yield curve, the markets displayed remarkable strength. The last two months of the fourth quarter witnessed robust performance across most asset classes, with U.S. equities leading the way and outperforming international markets. Despite initial struggles, smaller-cap stocks rebounded strongly in the final nine weeks of the year, surpassing their large-cap counterparts. Growth outperformance returned, with growth equities outperforming value by a wide margin. The Federal Reserve (Fed) left rates unchanged at 5.25% to 5.5%, and at its December meeting, hinted that rates are at their cycle peak. After trending higher for most of October, the 10-year Treasury yield reversed course in the last two months of the year, dropping sharply to a level of 3.88% at the end of December. This moderation in interest rates spurred a recovery in bond prices, especially for longer-dated issues. The weakening U.S. dollar contributed to the outperformance of global bonds over domestic fixed income. The combination of falling interest rates and tightening corporate credit spreads favored investment-grade bonds over high yield. Commodities stood out as one of the few asset classes posting negative performance, attributed to softness in energy prices. Our portfolios posted positive absolute returns for the quarter, with the more aggressive allocations outperforming the more conservative ones.

Key Portfolio Drivers

	Q4 2023	Trailing 12 Months
CONTRIBUTORS	<p>Small cap equities experienced a notable melt-up in the final weeks of 2023, reversing a third quarter sell-off and ending the quarter ahead of their large cap counterparts. Initially reflecting concerns about a potential recession, small-cap prices rebounded strongly as the robust performance of the U.S. economy and positive signals from the Fed propelled the Russell 2000 Index to a quarterly gain of 14.03%. In comparison, large caps, represented by the Russell 1000 Index, followed suit with a return of 11.96%.</p> <p>Domestic equities outperformed both developed and emerging markets equities in the fourth quarter, even in the face of a weakened dollar. The Russell 3000 Index soared 12.07% in the quarter, ahead of the MSCI EAFE and MSCI EM indices which gained 10.42% and 7.86%, respectively. Our slight overweight positioning in international equities dragged from performance as a result.</p>	<p>Large cap equities were the clear winner in 2023. For the majority of the year, the return of the S&P500 Index was largely propelled by a select few large-cap growth stocks. Despite a broadening of the market in the final two months of the quarter, resulting in substantial gains for small caps, the Russell 2000 Index concluded the year trailing its larger counterpart. The Russell 2000 Index posted a return of 16.93%, while the Russell 1000 Index outpaced it with a notable gain of 25.63%.</p> <p>Domestic equities outpaced international equities by a wide margin over the trailing 12 months. The MSCI EAFE Index rose 18.24% for the year, while the Russell 3000 Index gained 25.96%. Our slight overweight positioning in international equities, both developed and emerging detracted from relative performance of the portfolios.</p>
DETRACTORS	<p>Short duration overweight proved to be another relative detractor for the quarter, as yields on shorter duration debt dropped less than those on longer duration issues. The market's optimism for a soft landing and a dovish central bank pivot in the final two months of the quarter fueled a substantial market rally, particularly benefiting longer-dated bond prices. The Bloomberg US Aggregate 10+ Year Index gained an impressive 11.91% vs a return of 2.71% for the Bloomberg US Aggregate 1-3 Year Index.</p> <p>Global bonds underweight detracted from relative results over the last quarter as the asset class outperformed domestic bonds, boosted by the dollar weakness. The Bloomberg Global Aggregate Ex US Index rose 9.21% whereas the Bloomberg US Aggregate Bond Index gained 6.82%.</p>	<p>Short duration positioning had a negative impact on our portfolios over the full year, as longer-dated securities experienced increased demand in the last two months of 2023. Investor optimism about the economy and expectations of upcoming rate cuts contributed to a strong rally in longer-dated securities. The Bloomberg US Aggregate 1-3 Year Index registered a gain of 4.65%, whereas the Bloomberg US Aggregate 10+ Year Index rose 6.36%.</p> <p>Global bonds underweight detracted from relative results over the trailing 12 months as the asset class outperformed domestic bonds. This outperformance was primarily driven by the difference in magnitude and speed of rate hikes between the U.S. and the rest of the world. The Bloomberg Global Aggregate Ex US Index gained 5.72% over the last 12 months, whereas the Bloomberg US Aggregate Bond Index rose 5.53%.</p>

Past performance is not indicative of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect our fees and expenses. Please refer to Appendix for Definitions and Index Disclosures. 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.

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Key Portfolio Drivers (continued)

Q4 FUND CONTRIBUTORS	<p>Parnassus Mid-Cap <i>Mid Cap Core</i></p> <p>The Parnassus Mid Cap fund outpaced the Russell Mid Cap Index, driven by the fund's zero exposure to the energy sector, as well as stock selection within the Consumer Cyclical, Real Estate and Technology sectors. Holdings within Industrials struggled and detracted the most from cumulative performance. The fund also experienced a factor tailwind, benefitting from their upwards size bias. The fund employs a benchmark-agnostic approach relative to the Russell Mid Cap Index and constructs a relatively concentrated portfolio with 40-45 holdings, with a quality tilt and a focus on downside protection. Portfolio Managers Matthew Gershuny and Lori Keith have been co-managing the fund since November of 2008 and have each been with the firm for over 15 years. The team utilizes a comprehensive process that fully integrates fundamental and ESG research to assess the business quality and valuation of potential portfolio companies. The ESG assessments include both exclusionary screens and a bottom up ESG evaluation of each company that is under consideration for investment. The team considers five primary factors when performing its ESG evaluation: governance, workplace, environment, community, and customers. The fund's quality tilt and ESG integration approach leads them away from more cyclical sectors (including no Energy exposure) and into more defensive sectors, which has helped them preserve capital even though they may lag during strong market rallies. The strategy avoids investment in alcohol, weapons, tobacco, and gambling. The fund also avoids investing in companies engaged in the extraction, exploration, production or refining of fossil fuels.</p>
Q4 FUND DETRACTORS	<p>PIMCO Low Duration ESG Institutional <i>Short Bond</i></p> <p>The PIMCO Low Duration ESG Fund beat the ICE BofAML 1-3 Year U.S. Treasury Index in the fourth quarter, but the fund overall detracted from portfolio returns. The fund's interest rate, spread sector and currency strategies contributed to relative performance over the quarter. However, the portfolio underweight to duration detracted from relative returns. The Fund, though benchmarked to the ICE BofA 1-3 Year Treasury Index, is a benchmark agnostic strategy that seeks to maximize total return and preserve capital through an ESG focused lens. The three-person PM team includes CIO and Head of ESG Portfolio Integration Scott Mather, along with Jerome Schneider, and Jelle Brons. All three have impressive credentials and average more than 20 years of investment experience, each with more than a decade at PIMCO. Supporting the three portfolio managers are PIMCO's eight dedicated ESG research analysts. PIMCO uses its own proprietary assessments of material ESG issues and will engage with issuers, creating a conservative short-term bond offering that supports favorable ESG outcomes. The team also invests in green labeled bonds with attractive valuations in-line with comparable non-green bonds issued by the same company. PIMCO's alpha thesis is rooted in a global macro-orientation and identifying cyclical and secular investment trends, believing it can uncover relative value opportunities as a means to generate outperformance. This is a conservative, low volatility, multisector bond strategy with an emphasis on downside protection.</p>

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PMC Sustainable Portfolio – Moderate

ESG Risk Score³

19.8

↓ 8.6% lower risk than benchmark¹



Product

✓ Sustainability coverage : 81%⁴

Benchmark

✓ Sustainability coverage : 72%⁴

Alignment Score⁵

Community Builder

✓ Sustainability coverage : 77%²



Wellness Champion

✓ Sustainability coverage : 77%²



Diversity Advocate

✓ Sustainability coverage : 72%²



Natural Resource Protector

✓ Sustainability coverage : 77%²



Climate Actor

✓ Sustainability coverage : 69%²



Carbon Intensity⁶

Product

157.4 metric tCO₂e/million \$ revenue



✓ Sustainability coverage : 72%

Benchmark⁷

135 metric tCO₂e/million \$ revenue



✓ Sustainability coverage : 66%

Sustainable Solutions: Portfolio (%)⁸

Product

4.7%

Benchmark⁷

4.7%

Energy Efficiency



4.0

4.3

Healthcare



2.0

1.9

Green Buildings



1.8

0.9

Renewable Energy



1.1

0.6

Water



0.9

1.2

Green Transportation



0.5

0.5

Sustainable Agriculture



0.4

0.1

Resource Efficiency



0.2

0.2

Pollution Prevention



0.2

0.5

Financial Inclusion



0.1

0.1

Affordable Housing



0.0

0.0

Education



Product

✓ Sustainability coverage : 81%⁴

Benchmark

✓ Sustainability coverage : 72%⁴

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PMC Sustainable Portfolio - Moderate

Controversial Activity: Portfolio (%)⁹

Product	Benchmark ⁷	
2.6%	2.9%	Customers
0.5	1.0	Business Ethics
0.3	0.5	Operations
0.2	0.4	Society & Community
0.0	0.0	Environmental Supply Chain
0.0	0.0	Public Policy
0.0	0.0	Social Supply Chain
0.0	0.0	Employees
0.0	0.0	Governance
0.0	0.0	Products & Services

Product

✓ Sustainability coverage : 81%⁴

Benchmark

✓ Sustainability coverage : 72%⁴

Product Involvement: Portfolio (%)¹⁰

Product	Benchmark ⁷	
11.7%	11.6%	Animal Testing
4.2	4.8	Oil & Gas
2.3	2.6	Thermal Coal
1.2	0.9	Nuclear Energy
0.4	1.5	Military Contracting
0.4	0.1	Pesticides
0.4	1.1	Controversial Weapons
0.2	0.6	Alcohol
0.1	0.4	Gambling
0.0	0.1	Cannabis
0.0	0.0	Small Arms
0.0	0.0	Fur & Leather
0.0	0.1	GMOs
0.0	0.0	Palm Oil
0.0	0.4	Tobacco
0.0	0.0	Predatory Lending
0.0	0.1	Riot Control
0.0	0.0	Adult Entertainment

Product

✓ Sustainability coverage : 81%⁴

Benchmark

✓ Sustainability coverage : 72%⁴

- Blend represents a benchmark composed of 40% Russell 3000 TR, 30% Bloomberg U.S. Aggregate Bond TR, 20% MSCI All Country World Index exUS GR, 8% FTSE World Govt Bond Index Non-Usd 3-7 Us, 2% BOFAML 3-Month U.S. T-Bill TR (Inception to 3/31/2022), 40% Russell 3000 TR, 30% Bloomberg U.S. Aggregate Bond TR, 20% MSCI All Country World Index exUS GR, 8% Bloomberg Global Aggregate Bond TR, 2% BOFAML 3-Month U.S. T-Bill TR (4/1/2022 to date)
- Alpha** - A measure of a stock's risk-adjusted performance, considering the risk due to the specific stock, rather than the overall market. Alpha can be thought of as how the stock performed if the market has had no gain or loss. A large alpha indicates that the stock or mutual fund has performed better than would be predicted given its beta (volatility). **Beta** - A measure of a manager's performance relative to the market (benchmark index). A manager with a beta coefficient of 1.00 has experienced up and down movements of roughly the same magnitude as the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels. **Capture Ratio** - Up(Down) Capture Ratio is a measure of managers' performance in up(down) markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 1.10 suggests that the manager captured 110% of the market gain (performed ten percent better than the market) when the market was up. A down-market capture ratio of 0.90 suggests that the manager captured only 90% of the market loss when the market was down. **R-squared** - A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100.00. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0. **Sharpe Ratio** - A measure of risk-adjusted return. To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) is divided by the asset's standard deviation. **Standard Deviation** - A gauge used to measure risk, or volatility. It is a number indicating the variability of a set of numerical values about their arithmetic average. For example, a \$1 million portfolio with a quarterly standard deviation of 5% will fluctuate \$50,000 (5% of \$1 million) or less per quarter two-thirds of the time. The lower the manager's standard deviation, the more stable the portfolio's performance. High standard deviation suggests a portfolio with more fluctuation and volatility.
- ESG risk measures the degree to which the portfolio's economic value may be at risk because of holdings exposure to and management of environmental, social, and governance (ESG) issues. Some examples of ESG issues could include energy use, worker safety, and diversity efforts. ESG Risk Score is based on a scale of 0 to 100, where a lower score indicates the portfolio faces lower financial risks from ESG issues and a higher score indicates higher financial risk.
- 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 metrics are calculated using an asset-weighted average of company-level data from Sustainalytics 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. Company ratings are current as of the most recent month end.
- Envestnet has identified five themes that represent key facets of sustainability. Alignment scores reflect the extent to which an investment product or portfolio is in alignment with a particular impact theme. The alignment score is comprised of metrics across ESG Risk, Carbon Risk, Controversies, Product Involvement, and Sustainable Solutions. The components of each alignment score were selected based on their relevance and applicability to the theme. Each metric is standardized on a scale of 1 to 100. The alignment score is the weighted aggregate of these individual metrics, multiplied by the portfolio weight of each holding in a portfolio. It is interpreted relative to a universe of products on the Envestnet platform that have an alignment score calculated. These products include mutual funds, exchange-traded funds, and separately managed accounts. The universe is comprehensive and does not represent a specific impact theme or investment strategy. This allows for a broad comparison of products where sustainability data is available.
- Carbon intensity measures the carbon emissions that are attributable to each underlying holding in the portfolio. Emissions include direct emissions from a company's internal operations as well as indirect emissions from the generation of purchased energy. Carbon Intensity is measured as metric tons of Co2 equivalent per Million USD revenue.
- The benchmark indicates a blend composed of 5.30% Vanguard Short-Term Bond ETF, 14.20% iShares MSCI EAFE ETF, 29.40% iShares Russell 1000 ETF, 3.60% iShares Russell 2000 ETF, 4.00% iShares Core MSCI Emerging Markets ETF, 23.30% iShares Core US Aggregate Bond ETF, 8.80% iShares Russell Mid-Cap ETF, 1.90% SPDR Blackstone Senior Loan ETF and 7.50% SPDR® Blmgb Intl Trs Bld ETF.
- Sustainable solutions measures the portfolio's exposure to companies with revenue streams that are aligned with creating a more equitable and sustainable economy.
- Controversial activity measures the portfolio's exposure to companies involved in severe incidents that impact the environment or society and pose risks to the company involved.
- Product involvement measures the portfolio's exposure to companies that are involved in a range of controversial business products, services, and activities, generally using revenue as a proxy.

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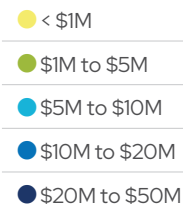
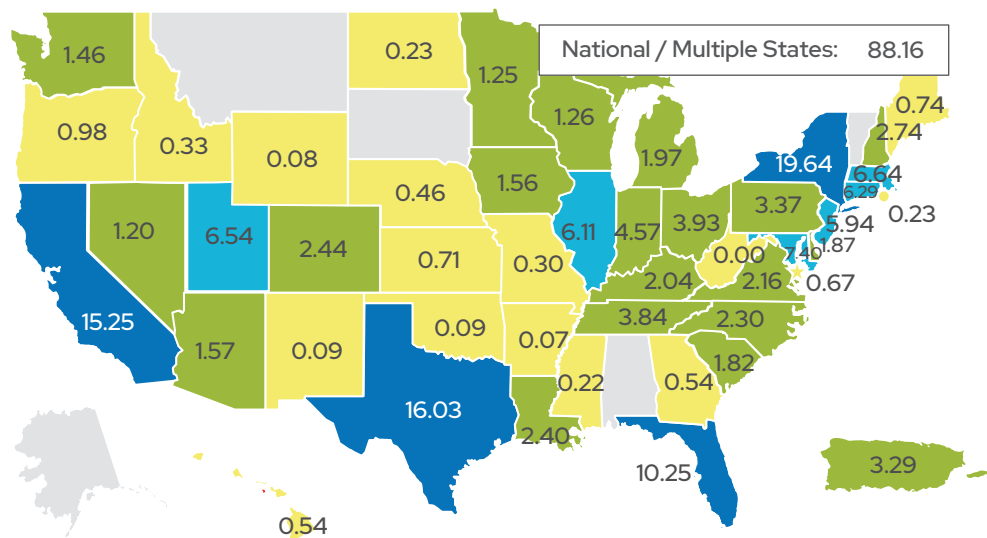
Fixed Income Manager Highlight: CCM Community Impact Bond Fund

Fund Impact

In 4Q 2023, the Fund invested approximately \$241 million in impact and ESG initiatives nationwide on behalf of its shareholders.

Impact by Geography¹ In \$Millions

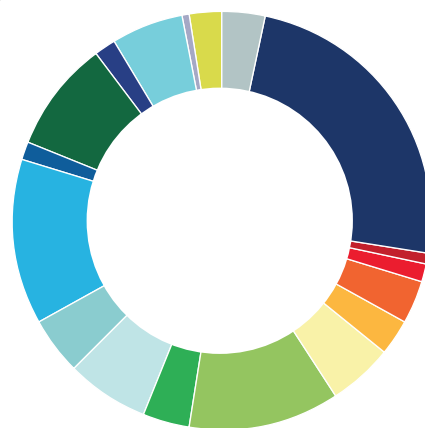
In 4Q 2023, the Fund invested in 46 states plus the District of Columbia.



Impact by Theme¹

CCM uses a proprietary impact and ESG tracking methodology that evaluates each investment in the Fund and its alignment with one or more of their impact themes. The below chart shows these metrics for Fund holdings as of 12/31/23.

Affordable Health and Rehabilitation Care	2.5
Affordable Housing	25.8
Art, Culture, and the Creative Economy	0.7
Disaster Recovery, Resilience, and Remediation	1.4
Economic Inclusion	4.0
Education and Childcare	2.4
Enterprise Development and Jobs	4.1
Environmental Sustainability	11.0
Gender Lens	3.3
Healthy Communities	6.6
Human Empowerment	4.1
Minority Advancement	12.7
Neighborhood Revitalization	1.5
Poverty Alleviation	8.8
Rural Community Development	1.6
Seniors, Veterans, and the Disabled	6.1
Sustainable Agriculture	0.8
Transit-Oriented Development	2.6



Source: <https://www.ccminvests.com/wp-content/uploads/2024/01/CCM-CIB-Fund-Impact-Summary-4Q23.pdf>

¹ Impact numbers are approximate figures. Some data in the impact by geography may show as 0.0 due to rounding. Impact by state is calculated over time during the quarter. Impact themes are calculated using holdings in the Fund as of the last day of the quarter

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Index 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.

The S&P 500 Index is an unmanaged index comprising 500 widely held securities considered to be representative of the stock market in general. The MSCI EAFE Index represents 21 developed markets outside North America. The MSCI Emerging Markets Index is a market-capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell 2000 Index is an unmanaged market-capitalization-weighted index measuring the performance of the 2,000 smallest US companies, on a market-capitalization basis, in the Russell 3000 Index. The Bloomberg BarCap U.S. Corporate High Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The Index may include emerging markets debt. The Bloomberg BarCap Municipal Bond Index is a widely recognized, unmanaged index of municipal bonds with maturities of at least one year. The NASDAQ Composite is an index of the common stocks and similar securities (e.g., ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market, meaning that it has more than 3,000 components. It is highly followed in the US as an indicator of the performance of stocks of technology and growth companies. Since both US and non-US companies are listed on the NASDAQ stock market, the Index is not exclusively a US index. The MSCI Europe Index captures large and mid cap representation across 15 developed markets countries in Europe.* With 432 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe. The Russell 1000 Index is a market-capitalization-weighted benchmark index made up of the 1000 largest US companies in the Russell 3000 Index. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The MSCI ACWI Ex-U.S. Index is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of US-based companies. The MSCI All Country World Index Ex-U.S. includes both developed and emerging markets. The MSCI China Index captures large and mid cap representation across China H shares, B shares, Red chips, and P chips. With 143 constituents, the Index covers about 85% of this China equity universe. The MSCI Emerging Markets (EM) Asia Index captures large and mid cap representation across 8 emerging markets countries (China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan, and Thailand). With 535 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in each country. Sector performance is represented by the Global Industry Classification Standard (GICS) sectors, developed by Standard & Poor's and MSCI Barra. The CBOE Volatility Index (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. Bloomberg Barclays Capital U.S. Aggregate Bond Index is an unmanaged index of prices of U.S. dollar-denominated investment grade fixed income securities with remaining maturities of one year and longer.

Disclosure

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The portfolio incorporates sustainability criteria on a best-efforts basis. Envestnet utilizes sustainability data provided by a third party for portfolio management and reporting purposes. All sustainability 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.

An ESG integrated or ESG data screened investment strategy may limit the types and number of investment opportunities available to the strategy. This may have a positive or negative effect on investment performance relative to strategies which do not utilize ESG integrated investment approaches. There is no guarantee that an ESG integrated strategy will be successful and meet its investment objective. Companies selected for inclusion in a strategy may not exhibit positive or favorable ESG characteristics at all times and may shift into and out of favor depending on market and economic conditions.

Envestnet utilizes several data providers for portfolio management and reporting purposes. Sustainable investment strategies are identified with the support of third-party research. All data, including data used to initially identify sustainable investment strategies, are believed to be from reliable sources; however, we make no representation as to its accuracy or completeness. The assessments are subjective by nature, and may or may not be accurate, complete, or reflect the beliefs of some investors.

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