

EXECUTIVE SUMMARY RESPONSIBLE INVESTING: A RIPPLE IN STILL WATER

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The PNC Institutional Advisory Solutions® (PNC IAS) Investment Strategy Team has formalized its views on responsible investing (RI) for institutional investors. The report discusses those views and key considerations for asset owners when considering integrating responsible investing into the management of their portfolios.

CHANGE, IT SEEMS, IS THE ONLY CONSTANT

As technology and scientific discoveries create new investment opportunities, they also create new responsibilities to continuously improve upon those solutions and pass them on to the next generation. What starts as a dismissive ripple transforms into a wave that could catch the consensus by surprise. Responsible investing is helping to change the dynamics between institutional investors and the ways they achieve their goals, in alignment with their values.

The overarching investment philosophy of PNC IAS incorporates an explicitly dynamic view of the world. How we approach investing is what, in our view, differentiates us from our peers. Often, investment managers tend to set an asset allocation, never re-evaluating it or making adjustments. Investors mistakenly treat the return on the stock market as an immutable constant, believing erroneously that opportunities are the same across time and space and end up sitting on a single strategic asset allocation for an extended horizon.

We believe long-term investment opportunities do change in systematic albeit imperfectly predictable ways over time. Investors who do not respond to those changing market dynamics may be passing on significant opportunities. The rise of responsible investing is a perfect example of the rapidly evolving investment landscape — it has created both challenges and opportunities for *all* investors to consider.

PNC Bank defines “responsible investing,” or RI, as a goals-based investment strategy that:

- Proactively supports certain values or causes
- Excludes or restricts certain portfolio exposures that may conflict with those views
- Defines a specific, targeted impact and allocates capital toward that objective

We do not view RI as an investment philosophy per se, but rather as an implementation strategy. We believe aligning your portfolio with your values can help your organization to further its mission.

RI requires a keen understanding of values coupled with portfolio knowledge and the ability to customize. Not every issue or concern is best addressed within an investment portfolio, but some may be. Thus, responsible investing can be implemented through various means at the asset class, manager and security selection levels. In the report, we explore RI in great detail and offer our views and recommendations on how best to implement it in a multiasset class portfolio.

The report is divided into several sections covering the following topics in extensive detail. Please [click here](#) for the complete report.

- *Spectrum of Responsible Investing*
 - *Evolution of Responsible Investing*
 - *Global Growth Trends*
 - *A Priority for Institutional Investors*
 - *Defining the Asset Class Universe*
- *Four Ways to Implement RI*
- *RI Portfolio Development: Goals-Based Investing*
- *Practical Considerations in Integrating RI*
- *Portfolio Performance and Evaluation*



READY TO HELP

Just as the RI industry has taken years to develop into a mainstream investment solution, it takes multiple conversations and steps to determine an appropriate course of action. Ultimately, each institution has unique needs, goals, and mission-driven values, creating multiple ways to integrate RI into portfolios. There is no simple highway to determine the best RI path; however, investors should feel confident they can use this report together with their investment advisor as their guide.

Please visit www.pnc.com/iam to learn more about how PNC IAS can help your organization to align its portfolio with its mission.

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