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E-S-G

How 3 letters may help make a positive impact to your investment portfolio



Environmental, Social and Governance (ESG) criteria may help position your portfolio for tomorrow's economy



What is responsible investing?

Responsible investing considers ESG criteria and issues that impact the world we live in.



ENVIRONMENTAL

Climate Impact, Energy Consumption, Biodiversity, Waste Management and Natural Resource Use



SOCIAL

Employee Engagement and Development, Labor Relations, Human Rights Practices, Product Safety and Consumer Protection



GOVERNANCE

Management Structure, Board Accountability and Independence, Executive Compensation, Audits and Internal Controls and Shareholder Rights

Today, many different words can be used to describe responsible investing. While each can have slightly different meanings, they all share similar goals: help enhance long-term performance, manage risk and align to investor values.

Responsible Investing

Sustainable Finance	Business Ethics	Community Investing
Environmental	Mission Related Investing	Governance
Place Based Investing	SRI	Socially Responsible
Sustainability	Program Related Investing	Stewardship
Impact Investing	ESG	Values Driven Investing

Why should you consider responsible investing?

You may already be incorporating sustainable practices in your everyday life: favoring reusable bags, shopping brands that give back to a charity, supporting environmentally conscious businesses or even using metal straws. But, did you know you could apply this same approach to your investments? Have you ever thought?

- It's absolutely essential for companies to actively manage against the risk of pollution, spills or other disasters. You are not alone. **93%** of investors agree that **Environmental** concerns are important¹
- A company that does not actively monitor human rights abuses in its' or partners' facilities may face catastrophic reputational damage. You care about **Social** issues and **88%** of investors agree with you.¹
- Companies should take action to guard against the risk of sexual harassment scandals. **92%** of investors agree that corporate **Governance** is an important issue to be addressed¹

¹ Source: Nuveen Fourth Annual Responsible Investing Survey, 2018.

Responsible investing and your portfolio

The use of ESG criteria can provide an additional lens to analyze companies; this may help manage investment risk and identify potential upside. ESG criteria digs deeper into a company by providing a potentially better understanding of the business than traditional financial analysis may do.



ESG ANALYSIS RAISES RED FLAG

On 19 March 2018, it was reported that Cambridge Analytica had obtained unauthorized access of up to 50 million Facebook users' personal data. With concerns over privacy and data security, the Federal Trade Commission announced an investigation into Facebook's practices. The company's woes continued with the release of disappointing second-quarter results. On 26 July 2018, Facebook suffered the largest one-day loss in market capitalization by any company in U.S. stock market history, shedding \$119 billion in value in the aftermath of this scandal.² Could investors have been alerted to potential risks?

MSCI, an ESG ratings provider, had expressed concerns about lax privacy and data security oversight at the company since 2012, downgrading the stock from BBB to BB in March 2018.³ MSCI had long believed that Facebook's handling of data and data sharing would spark increased regulatory scrutiny, and even more importantly, damage customers' trust.

² <https://www.cnbc.com/2018/07/26/facebook-on-pace-for-biggest-one-day-loss-in-value-for-any-company-sin.html>

³ Source: MSCI. MSCI rates companies on a "AAA-CCC" scale relative to the standards and performance of their industry peers across ESG key issues.



MSCI ESG Rating Report:

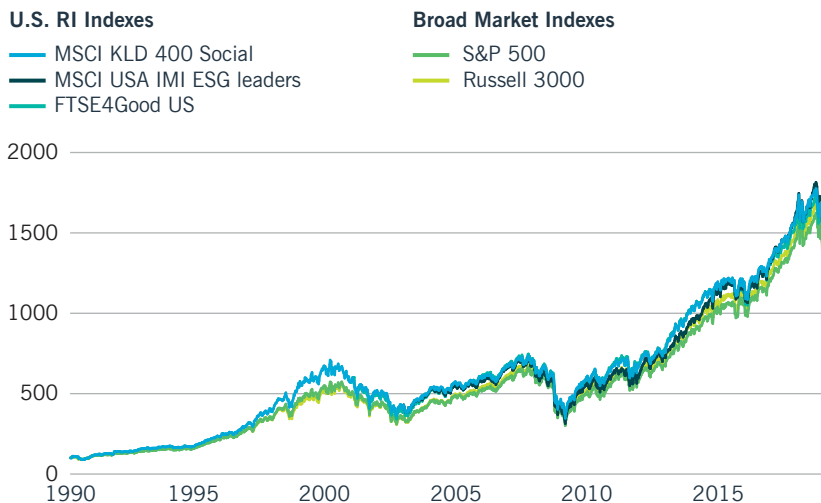
“... privacy and data security remains the most significant ESG risk for Facebook in our analysis. The Privacy and Data Security Key Issue in the MSCI ESG Ratings model evaluates the extent to which companies may face regulatory risks, cost increases or reputational damage from a data breach or controversial use of personal data. Scores are based on involvement in handling sensitive personal data and exposure to evolving regulations; strength of policies and practices to control data collection and usage, strength of data security management systems based on evaluating the company’s publicly disclosed information; and involvement in data breaches and controversies.”³

3 ways responsible investing can benefit you

1. COMPETITIVE RESULTS.

Responsible investing has the potential to enhance financial performance over time.

Cumulative returns of three U.S. RI Indexes vs. S&P 500 and Russell 3000 Indexes (1990 – 2018)



Data through 31 Dec 2018. Series indexed to 100, inception date 03 Jan 2003. MSCI indexes include aggregated, multisource histories prior to acquisition on 01 Sep 2010. **Past performance does not guarantee future results.** It is not possible to invest in an index. Performance for indices does not reflect investment fees or transactions costs.

Sources: FactSet Research Systems Inc., Morningstar, Inc., MSCI Inc., and Nuveen.

The **MSCI KLD 400 Social Index** is a capitalization weighted index of 400 US securities that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes companies whose products have negative social or environmental impacts. The **MSCI USA IMI ESG Leaders Index** is a capitalization weighted index that provides exposure to companies with high Environmental, Social and Governance (ESG) performance relative to their sector peers. MSCI USA IMI ESG Leaders Index consists of large-, mid- and small-cap companies in the US market. The **FTSE4Good Index Series** is a tool for investors seeking to invest in companies that demonstrate good sustainability practices. It also supports investors that wish to encourage positive change in corporate behavior and align their portfolios with their values. To create the FTSE4Good US Index, the standard FTSE4Good Index Series selection criteria have been applied to the FTSE USA Index. The **S&P 500** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. The **Russell 3000 Index** measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

RI index performance, volatility and risk-adjusted returns (the amount of return for the risk taken) are similar to broad market benchmarks.

2. COMPARABLE RISK.

Responsible investing does not require taking on additional risk.

10-year average (2009 – 2018)

	Volatility (standard deviation)	Volatility difference vs. broad market index⁶	Risk-adjusted returns (sharpe ratio)
FTSE4Good US ⁴	14.09%	0.54%	0.98
MSCI KLD 400 Social ⁴	13.59%	0.04%	0.94
MSCI USA IMI ESG Leaders ⁵	13.96%	0.01%	0.91
RI index average	13.88%	0.20%	0.94
S&P 500	13.55%		0.94
Russell 3000	13.95%		0.92

4 Benchmark: S&P 500.

5 Benchmark: Russell 3000.

6 Differences reflect the RI index volatility minus benchmark volatility (absolute value).

Past performance does not guarantee future results.

Standard deviation is a statistical measure of the historical volatility of a mutual fund or portfolio; the higher the number the greater the risk. **Sharpe Ratio** is a risk-adjusted return measure calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the historical risk-adjusted performance. Data based on weekly returns for 10-year period through 29 Dec 2018.

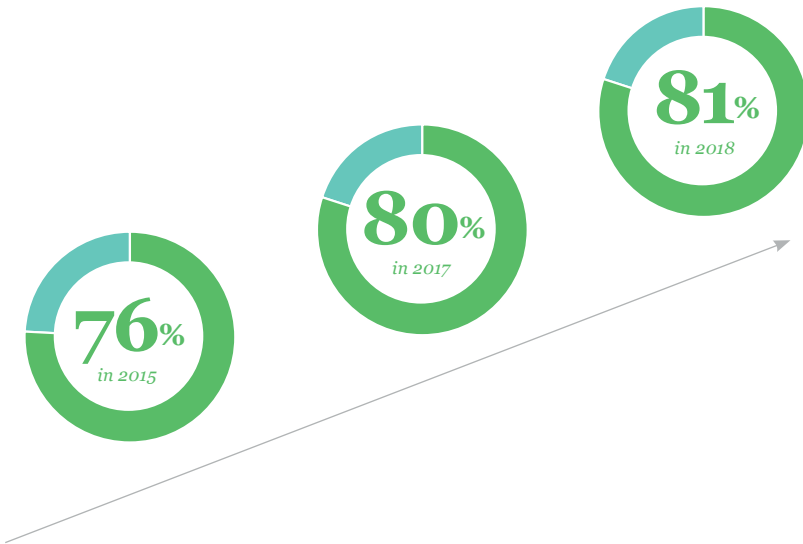
Sources: FactSet, Morningstar, MSCI, and Nuveen.

3. DOUBLE BOTTOM LINE.

Responsible investing can make a positive impact to your portfolio and benefit the world in which we live. There are many ways to align your portfolio to your responsible investing goals and causes that you are passionate about. Options range from investments that address a wide range of ESG criteria to those that focus on specific issues. For example, if you care deeply about the environment, you could focus on investments committed to green energy or if increasing opportunity in the workplace is important to you, you may be interested in investments that focus on companies with leading diversity and inclusion initiatives.

Responsible investing options have expanded, providing you with many choices from mutual funds to ETFs to meet your responsible investing goals. And, more people are choosing responsible investments in their workplace retirement plan, IRA or brokerage account. Now, may be the time for you to consider responsible investing.

Investors are increasingly looking for their investments to deliver competitive returns while also promoting social and environmental outcomes⁷



GET STARTED TODAY

Talk to an expert. Consult your financial advisor to learn how responsible investing can support your investment goals and personal values.

Learn more about RI. Look for organizations or companies that provide leadership in responsible investing such as the United Nations Principals for Responsible Investment (PRI) at unpri.org.

⁷ Source: Nuveen Fourth Annual Responsible Investing Survey, 2018.

About Nuveen

A legacy of responsible investing

5 decades

*Spent championing
RI and building a
better world*

20+

*Dedicated RI professionals,
who lead and connect RI
activities across the firm*

\$650B

*Committed to UN
Principles for RI*

**For more information about responsible investing, contact
your financial advisor or visit nuveen.com/RI.**

Risks and other important considerations

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her advisors.

Investing involves risk; principal loss is possible. There is no guarantee an investment's objectives will be achieved. An investment which includes only holdings deemed consistent with applicable **Environmental Social Governance (ESG)** guidelines may result in available investments that are more limited than those that do not apply such guidelines. ESG criteria risk is the risk that because the criteria excludes securities of certain issuers for nonfinancial reasons, an investment may forgo some market opportunities available to those that don't use these criteria.

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