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Third Annual Responsible Investing Survey

Investor interest in responsible investing soars

Advisors are recommending responsible investing less but assets are rising

EXECUTIVE SUMMARY

- The political and economic landscape appears to be sparking investment action among investors.
- Investor awareness, interest and preference for responsible investing (RI) soars, yet myths persist.
- All eggs in one basket? 52% of investors say they would be likely to put ALL of their investment holdings in a responsible investing portfolio. 92% of Millennials feel the same way.
- Though there has been an increase in advisors raising RI with clients, advisors are less likely to recommend RI products compared to last year. 22% of advisors who have heard of RI say they are currently recommending RI to clients, compared to 29% in 2015.
- Advisors who continue to recommend RI are recommending more assets and using RI as a competitive differentiator, perhaps because they have seen success in their practice, portfolio performance and client loyalty.
- The reasons for advisor hesitation range from difficulty in portfolio construction to a lack of access. One in 10 (11%) of advisors say they “completely understand” the due diligence process to incorporate responsible investing in portfolios.
- More than eight in 10 (82%) of investors would be more likely to work with an advisor who could give them competitive investment returns from investments that also make a positive impact on society.

76%

of investors

would prefer a visit to the dentist

over investing in a company that pollutes the environment

pg. 4

Rise in advisor and investor

familiarity with RI

pg. 6

Rise in advisors

bringing up RI

with clients

pg. 6

Decline in advisors

recommending RI

with clients

The RI category is expanding and those advisors who are recommending RI tend to be more satisfied with their practices

ABOUT THE SURVEY

The Third Annual Responsible Investing Survey is a trended analysis of key issues facing advisors and investors. Nuveen commissioned Harris Poll to conduct two surveys of both populations, enabling the study to identify gaps between the perceptions of investors and those of advisors. The advisor survey was conducted online from June 13 - 22, 2017 among 281 currently employed financial advisors in the U.S. (one-third wirehouse, one-third RIAs, one-third broker/ dealer affiliated). The affluent investor survey was conducted online from June 1 - 27, 2017 among 1,012 affluent investors: U.S. residents over age 21 with $100,000 in investable assets (excluding workplace defined contribution accounts or real estate), who consider themselves the decision maker for financial decisions and who currently work with a financial advisor.

ALTRUISTIC ATTITUDES SPARKING ACTION

Last year's responsible investing study highlighted the importance of environmental and social causes for many investors. For example, we found that nearly nine in 10 (88%) of investors recycle every day and seven in 10 (76%) prefer to use reusable bags. This year, we see investors wanting to take further action.

Dentists over disruptive companies

Three in four (76%) of investors say they would rather go to the dentist over investing in a company that pollutes the environment.

Political environment sparking investment action

More than seven in 10 (72%) of investors say "given today's political climate, I prefer to invest in ways that will positively impact the environment." Advisors report the same phenomena. 34% of advisors say their clients have become more interested in learning about adding RI to their portfolio since the presidential election.

72% ***and*** **34%**

of INVESTORS

SAY: "Given today's political climate, I prefer to invest in ways that will positively impact the environment."

of ADVISORS

SAY: "High-net-worth investors have become more interested in learning about and adding responsible investing to their portfolio since the presidential election."

Caring for the environment and society characterize modern American culture

Nine in 10 (88%) of Americans recycle every day.

Investors want responsible investing

Eight in 10 (80%) of investors say they want their investments to deliver competitive returns while promoting positive social and environmental outcomes.

Increased interest in incorporating environmental and social concerns in shopping, job searches and lifestyle

2017 2015

	Total Investors		Millennial	Non-Millennial
	2017	2015		
BASE	1012	1103	197	815
I tend to recycle everyday	88%	86%	93%	86%
I'd like to work for an employer that makes a positive social impact on the world	76%	73%	91%	70%
I prefer to use reusable bags, rather than paper or plastic, because it is more environmentally sustainable	76%	71%	91%	70%
I'd like to work for an employer that makes a positive environmental impact on the world	76%	70%	92%	70%
The Recession has made me more financially conservative than previous generations	76%	72%	89%	70%
I prefer to shop for brands that have environmentally sustainable business practices	72%	61%	90%	64%
Given today's political climate, I prefer to invest in ways that will positively impact the environment	72%	–	95%	63%
I grew up learning to care for the environment from TV shows, books and my parents	69%	60%	93%	59%
I care more about having a positive impact on society than doing well financially	64%	49%	92%	52%

ROSY ECONOMIC OUTLOOK AND PERSONAL PERSPECTIVE

Compared to last year, investors and advisors have a more positive outlook on the economy. As a result, advisors say their clients are less willing to revisit investment selections and are worrying less about their investments. Investors say they are more likely to focus on donating to charity, funding a loved one's education or purchasing a home, compared to last year.

Positive perspectives

Both advisors and investors have a stronger positive outlooks on the economy and on their personal financial situation compared to last year:

Positive outlook for the economy (%)

	2015	*2017*
Advisors	50	70
Investors	38	57

Positive outlook for household finances (%)

	2015	*2017*
Investors	54	65

Not disillusioned by periodic disruptions

Despite the positive outlook on the economy, investors expect fluctuations in the market. 92% of investors say it is likely for the markets to fluctuate.

57% of INVESTORS *HAVE: A positive outlook for the economy*

however

92% of INVESTORS *SAY: It is likely for markets to fluctuate*

Positive advisor economic outlook, does not translate to increased advisor business satisfaction

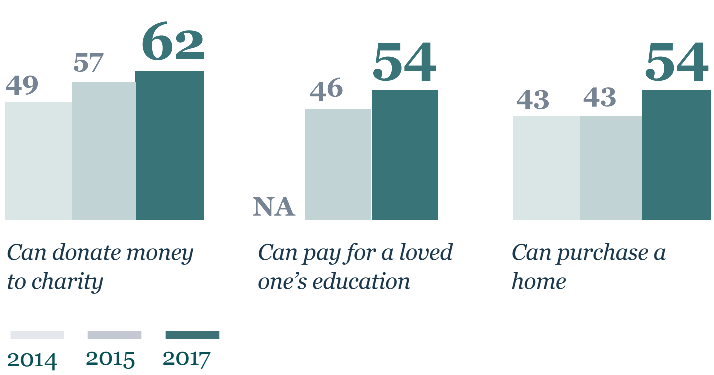
Although advisors are more positive about the economy compared to 2015, advisors have the same satisfaction with their businesses. 89% of advisors say they are satisfied with "the state of my business overall" compared to 90% in 2015.

Less investor worrying and less willingness to revisit investments = more confidence

Compared to 2015, there is a downward trend in advisors saying "a majority of their HNW clients are willing to revisit their investment" (64% 2017 vs. 72% 2015) and fewer "worry if they have made the right decision after making investment choices" (10% in 2017 vs. 17% in 2015).

Investing for charity, a loved one's education and home purchase on the rise from 2015

Reasons why investors invest (%)



INVESTOR AWARENESS, INTEREST AND PREFERENCE FOR RI SOARS, YET MYTHS PERSIST

Familiarity with responsible investing has grown over the past two years, as have investor and advisor participation and dialogue. The majority of investors are interested in RI, and would feel more committed to an advisor who takes their values into account. In significantly higher numbers than 2015, investors are actively seeking out investments that can make a positive impact on the environment and society. In fact, over half of investors – and an even higher proportion of Millennial investors – say they would be likely to put all of their investment holdings in RI.

Investor familiarity with responsible investing increased from 2015 (%)

	2015	2017
Very familiar	16	25
Somewhat familiar	25	32
Heard of it but not familiar	30	25
Never heard of it	28	19

Investor participation in RI also increased from 2015

34% in 2015 → **49%** in 2017

Over half of investors would put all of their investments in RI, and this percentage is much higher among Millennials

General HNW investors (Somewhat or very likely)

52%

Millennial HNW investors (Somewhat or very likely)

92%

Given a $100K windfall there would be a nearly even split between traditional and responsible investing

Responsible investing	*Traditional*
45%	55%

Over half of investors not currently investing in RI say they are interested in it

Interested in participating in RI in the next 12 months (%)

	2015	*2017*
Very	10	13
Somewhat	37	42
Not very	32	29
Not at all	21	17

Likelihood to ask their financial advisor about RI in the next 12 months (%)

	2015	*2017*
Very	18	29
Somewhat	43	41
Not very	24	20
Not at all	14	10

Myths about RI persist among advisors and investors

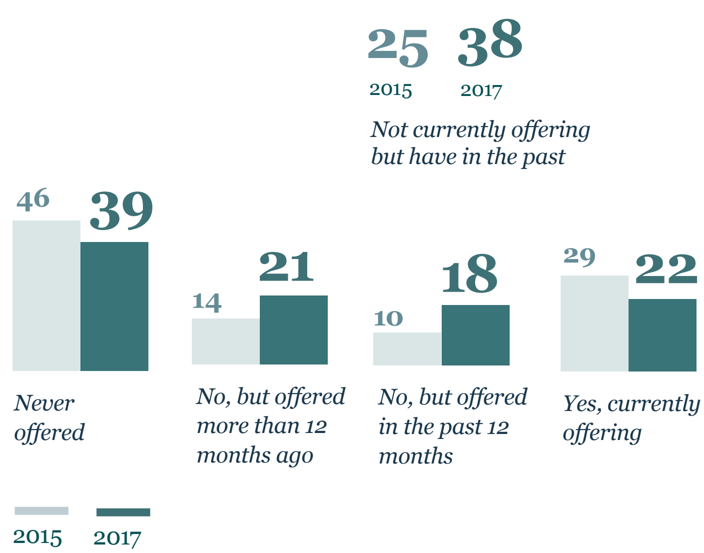
2017 / 2015

	Total Advisors 2017	Total Advisors 2015	Total Investors 2017	Total Investors 2015
BASE	281	275	1012	1103
Responsible investing is available in multiple asset classes	87%	82%	74%	75%
Responsible investing engages in long-term thinking	81%	80%	76%	81%
Responsible investing engages in sound governance practices	78%	78%	69%	–
Responsible investing is mostly about excluding companies that do not meet certain criteria	69%	72%	64%	65%
Responsible investing does not provide the same rate of return as other investment strategies	51%	51%	53%	47%
Talking about responsible investing with my clients helps foster a more long lasting relationship	49%	–	–	
Responsible investing options tend to have high fees	42%	35%	44%	41%
Responsible investing is merely about excluding controversial companies	23%	30%	42%	38%
Responsible investing is only something for the very rich	6%	8%	28%	23%

THE NUMBER OF ADVISORS RECOMMENDING RI HAS DECLINED THIS YEAR, BUT RI ASSETS ARE RISING

Advisors who are recommending RI are using RI as a competitive differentiator. The survey suggests that those advisors who are recommending RI have seen successes in their practice, portfolio performance and client loyalty. However, many advisors have experienced challenges in both dialogue and implementation of RI strategies, with nearly two in five (39%) saying they have never offered RI to their clients. While nearly all (92%) advisors say they have heard of RI, fewer understand how to incorporate it into their clients' portfolios. Perhaps this is why nearly half of advisors (48%) who've offered RI say they wait for their clients to bring up RI before discussing it as an option.

Advisors more likely not to offer RI this year compared to 2015 (%)



THE RI CATEGORY CONTINUES TO EXPAND

Sustainable investing appears to be here to stay

Source: US SIF, Barron's 10/9/17

Advisors who are recommending RI are using it as a competitive differentiator – and tend to be more satisfied with their practices

PRACTICE

Advisors who recommend RI are more likely to say they are satisfied with their practice. 97% of advisors who recommend RI say they are satisfied with the state of their business, compared to 86% of non-RI recommenders

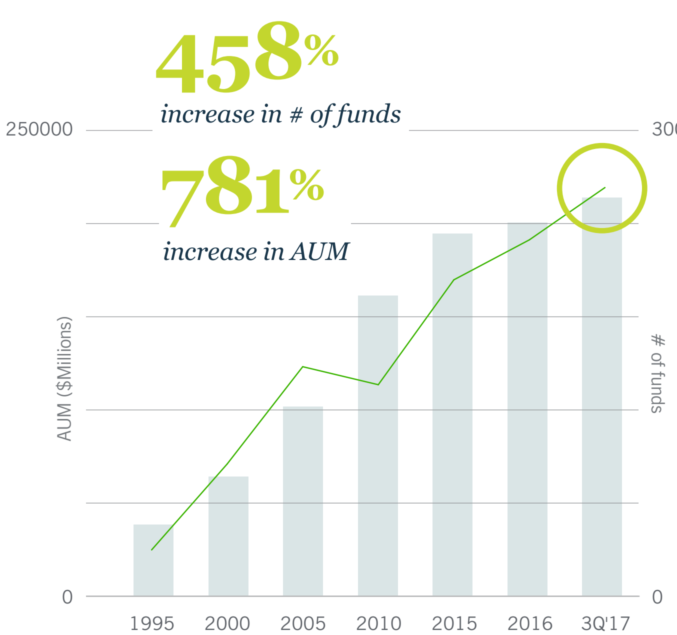
PORTFOLIO PERFORMANCE

Of advisors who recommend RI, 10% say their clients with RI portfolios achieved above market returns, 70% say their clients have average market returns and only 20% say below market returns

PREFERENCE (CLIENT)

Investors say that they would feel optimistic (45%), impressed (42%) and more loyal (31%) to advisors who bring up RI.

Growth of open end mutual funds



Increase in RI client conversations

Investors say their advisor brought up RI in the past year (%)

24% *in 2015* → **40%** *in 2017*

Most advisors lack clarity on the due diligence process to incorporate RI

Only 11% of advisors say they "completely understand" the due diligence process to incorporate RI into portfolios.

Nearly half of advisors (48%) say the due diligence process to include RI is confusing

Advisors face challenges explaining and implementing RI to their HNW clients

63%

of ADVISORS

SAY: "At times, it is challenging to help high-net-worth investors understand the true definition of responsible investing."

47%

of ADVISORS

SAY: "I've had challenges implementing responsible investing in my high-net-worth investors due to a lack of information about how to implement it."

33%

of ADVISORS

SAY: "I sometimes feel embarrassed talking about responsible investing to my high-net-worth clients because I do not feel like I know enough about the topic."

Over half of advisors (52%) want to learn more about RI

More than two in five advisors (43%) say they don't feel there are enough RI products on their platform

CLIENT LOYALTY AND RETENTION: How do advisors build long-lasting advisor practices? Millennial clients are here today, gone tomorrow. Responsible investing might be a tool.

Supernova returns can create client loyalty, but what happens when returns fizzle? Millennials seem to be surprisingly dissatisfied with advisors. 80% of Millennials sometimes feel overlooked by their advisor (compared to 29% of non-Millennials). Responsible investing might help bridge the gap and create sustainable advisor practices – and advisors know it. 53% of advisors say RI that makes a positive impact on the environment is important to investors, but 79% say RI will be important for the next generation.

Millennial madness

More social static appears to exist between Millennials and their advisors compared to non-Millennials. Eight in 10 Millennial investors feel "at times, I don't feel comfortable talking to my advisor" (80% of Millennials vs. 23% of non-Millennials), and "I sometimes feel overlooked by my advisors" (80% of Millennials vs. 29% of non-Millennials).

Here today, gone tomorrow

Seven in ten (70%) investors say "I would switch my financial advisor if they couldn't align my financial goals and objectives with my values." That number jumps to 92% for Millennials.

Advisors know RI can create long-lasting relationships

Half of advisors (49%) say "talking about responsible investing with my clients helps foster a more long-lasting relationship." Three in four (75%) of advisors who recommend RI share this feeling, compared to 41% of non-RI recommenders.*

Advisors don't seem to be paying attention today, but they know they have to get up to speed for Millennials

53% of advisors say RI that makes a positive impact on the environment is important to their current clients, but 79% say RI will be important for the next gen.

Practice makes perfect

Advisors who recommend RI are more likely to say they are satisfied with their practice. 97% of advisors who recommend RI say they are satisfied with the state of their business, compared to 86% of non-RI recommenders.*

*Caution small base size (n<100)

LIST OF NUVEEN RESOURCES

Responsible Investing: Delivering competitive performance
This paper analyzed leading RI equity indexes over the long term and found no statistical difference in returns compared to broad market benchmarks, suggesting the absence of any systematic performance penalty.

Why responsible investing is here to stay
Amy O'Brien, Head of Responsible Investing of TIAA Investments, Nuveen, looks at the main growth drivers behind RI and some key themes that we can expect to emerge over the coming year.

Clean and green fixed income: Bright prospects despite power shift in Washington
Stephen Liberatore, Lead Portfolio Manager of Responsible Investing Fixed Income Strategies, outlines how green bonds and fixed income securities support renewable energy under the Trump administration.

Integrating responsible investing into client portfolios
This one-hour advisor workshop by Nuveen's Wealth Management Services defines RI, debunks RI myths and hurdles and provides a five-step implementation framework to incorporate RI into client portfolios.

New DOL guidance encourages more retirement plans to offer responsible investing options
The DOL recently replaced 2008 guidance that – in the words of Labor Secretary Tom Perez – had given "cooties" to including RI in retirement plans. The Department's new framework enables retirement plan sponsors to more readily add RI options to DC plan menus.

Investor Piece: Myth or fact? Test your responsible investing (RI) knowledge!
This investor-facing piece debunks common myths about Responsible Investing.

In 2014, TIAA and Nuveen came together to expand our capabilities across all investment types. Today, our customers fully benefit from our combined history of stability, retirement leadership and innovation.[1]

Visit TIAA.org to learn more about responsible investing.

1 Reference to financial stability does not apply to the investment products offered

Risks and other important considerations

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