

July 11, 2021

Dear DWA Environment Strategy Clients and Friends,

As climatic extremes pile up, it may grow tempting to concede that the “alarmists” were right and throw in the towel: Portland, for example, hit 116°F a couple of weeks ago — hotter than it’s ever been in “Hotlanta” or any other U.S. city other than Phoenix and Las Vegas, though actually cooler than it was up north in British Columbia, where the mercury struck a Canadian national record 121°F.<sup>1</sup> That’s not a typo and no, we’re not talking about Abu Dhabi. Hundreds died<sup>2</sup> and all that evaporative energy intensified the drought now spanning 93% of the American West. Our nation’s two biggest water reservoirs — Lake Powell and Lake Mead — are two-thirds empty, imperiling the 11% of the country’s agricultural production sourced from California’s irrigated farmland. Climate scientists trained in real-time attribution were busy explaining that human-caused climate change had loaded the dice and increased the likelihood, severity and duration of these events by disrupting the jet stream and installing an epic heat dome.<sup>3</sup> Meanwhile the wildfire and hurricane seasons, underway early, are poised for what may prove to be historic runs in the balance of the year.<sup>4</sup>

“Optimists,” on the other hand, have been celebrating human ingenuity for the accelerating invention and diffusion of climate solutions. The U.S. Energy Information Agency just reported that nearly all of the record, pandemic-induced decline in U.S. energy use last year came from reduced consumption of fossil fuels. U.S. coal consumption in particular fell to its lowest level in 116 years,<sup>5</sup> while renewables gained share in a disrupted year that could have set them back. And stand back Tesla: in May, Ford announced the “Lightning,” an all-electric version of its F-150 pickup truck (the best-selling motor vehicle of all time by a large margin). *60 Minutes* featured Ford’s promotional video<sup>6</sup> showing a single Lightning truck pulling 10 double decker freight train cars totaling 1 million pounds from a standing start, astonishing the die-hard F-150 loyalists in the video who do not appear to be latte-drinking vegans from the local birdwatching chapter. In other words, the mainstreaming of the low-carbon economy is upon us!

So who is right? The alarmist who foresees increasingly inevitable collapse or the optimist who believes that climate solutions will be invented and deployed just in time to secure an abundant future?

Put differently, is the reservoir one-third full or two-thirds empty?

The truth is we don’t know...yet. But how private capital is deployed over the next decade-plus, including by the Douglass Winthrop Environment Strategy, will be pivotal in answering the question.

The alarmist is right that we’ve waited too long to mount concerted global action and, as the unfolding evidence shows, a “soft landing” is now out of reach. But there are degrees of hard landing — literally, in the case of climate change, where each successive degree of average global temperature increase over pre-industrial levels drives much more disruptive consequences<sup>7</sup> — and the optimist is right to focus on the remarkable things we can still do to engineer the best possible outcome along the spectrum on this side of collapse.

But there is an important wrinkle. Industrialist Ray Anderson, who famously steered Interface, the carpet tile company he founded, onto a more sustainable path, once wrote about how green architect Bill McDonough had counseled him on how to talk to his fellow captains of industry who were “foot dragging” rather than acting urgently on the sustainability imperative because these executives were optimistic that

<sup>1</sup> <https://www.washingtonpost.com/weather/2021/07/01/wildfires-british-columbia-lytton-heat/>

<sup>2</sup> <https://www.npr.org/2021/07/02/1012467409/hundreds-are-believed-to-have-died-during-the-pacific-northwest-heat-wave>

<sup>3</sup> <https://www.nytimes.com/2021/06/29/opinion/heat-dome-climate-change.html> and <https://www.worldweatherattribution.org/western-north-american-extreme-heat-virtually-impossible-without-human-caused-climate-change/>

<sup>4</sup> <https://news.climate.columbia.edu/2021/06/28/summer-forecast-dangerous-heat-fire-and-an-active-hurricane-season/>

<sup>5</sup> <https://www.eia.gov/todayinenergy/detail.php?id=48576>

<sup>6</sup> <https://www.youtube.com/watch?v=VWwNOMFJhX4>

<sup>7</sup> <https://www.ipcc.ch/sr15/>



solutions would arise and be ramped up later if needed. Paraphrasing their exchange, Bill advised Ray as follows: you are the alarmist and you have a bet with the foot-dragging optimist that you're "working like hell to lose."<sup>8</sup>

The blithe optimism of the foot-dragger is clearly outdated: 121°F in Canada is only the latest of many wake-up calls. We're now into an era that calls for the optimists among us to be alert and engaged. Or to strike perhaps a more intellectually honest middle ground, and sidestep Ray's bet altogether, it's time for engaged pragmatism.

Capital markets are the natural habitat of the pragmatist and the Douglass Winthrop Environment Strategy is indeed an engaged pragmatist. This means we invest in the companies that we believe will be more resilient to the plausible range of climate scenarios that lie ahead and in those we believe are positioned to grow profitably at above-GDP rates by providing vital solutions that can nudge us to the favorable end of that range. We believe this is the best way to protect and grow our clients' capital (and our own, since we're aligned and invested right alongside you), while also meeting urgent needs. We have also commenced efforts to engage our companies directly to do even better on climate change and other imperatives such as preserving viable oceans and fisheries, as we'll discuss later in this letter.

As we're pleased to report in the Performance section below, our approach has been working well and the Environment Strategy was substantially ahead of benchmarks in Q2. While we counsel all clients that that this is a long-term strategy (and past performance is no guarantee of future results), it has now accumulated 4.5 years of consistent outperformance since inception, producing a 24.5% annualized return, net of fees (compared to 17.8% for the S&P 500 and 16.9% for the MSCI Socially Responsible Index).

### Recapping our Approach: Study Change, Capitalize on Inefficiency, Seek Enduring Business Models

Stepping back, here is how we think about the opportunity for private capital:

1. Corporate environmental performance is tightly linked to societal outcomes and to enterprise (and therefore shareholder) value — this is already manifesting and will intensify. The world is changing and the future will not look like the past, in significant part because we're heading into uncharted territory with climate change and other environmental stressors. Companies that act on this — authentically and strategically — will make material contributions to a better outcome and will be rewarded for doing so, diverging systematically to the upside from those that do not.
2. Large inflows to ESG funds notwithstanding, the "market" does not fully understand this yet, which creates a big market inefficiency and a valuable opportunity for alpha generation by active managers who cultivate an edge in the relevant analytics. The inefficiency and associated mispricing stem from: incomplete and opaque datasets on corporate environmental performance; human biases with respect to non-linear trends, such as the rate of climate change itself or the steepening curve of electric vehicle penetration<sup>9</sup>; and outdated beliefs that environmental factors are soft ethical matters that constrain the investible universe and impede the pursuit of profit.
3. We at Douglass Winthrop have created a differentiated and repeatable process to capitalize on this inefficiency in pursuit of strong risk-adjusted returns for clients. Ours is a *full-integration* approach that incorporates environmental risks and opportunities into a more holistic version of fundamental economic analysis. We focus on what we know best and deem most material: the E in ESG. We look to invest in profitable and enduring business models — about 30 at a time — that are further enhanced by environmental advantages and growing addressable markets across nine categories we track through the DWA E-Map. These span nearly all geographies and sectors. We perform bottom-up assessments of these businesses and how their environmental positioning will

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<sup>8</sup> Ray C. Anderson, *Mid-Course Correction - Toward A Sustainable Enterprise: The Interface Model* (1998), page 59.

<sup>9</sup> [https://www.bbc.com/news/business-57253947?utm\\_source=pocket-newtab](https://www.bbc.com/news/business-57253947?utm_source=pocket-newtab)



be affected by three interrelated drivers — technology, regulation and consumer demands — over a 10-year modeling period (longer than is typical even in the ESG arena).

While the above distills our high-level approach, let us share specific examples of how this has played out in the portfolio so far in 2021.

## Q2 Examples from the Portfolio: Cooling, Optimizing Clean Grids, Insuring against the Climate Minsky Moment

Sometimes our thesis formation starts with a simple question: as the world gets hotter, including in unexpected places like Portland where air conditioning is under-penetrated, is there a company that can deliver the needed cooling service while meeting our fundamental economic criteria: a defensible moat such as a trusted brand with pricing power and a differentiated capability to handle the most complex commercial installations; high-quality, recurring earnings from contracted services; a visible growth runway against which to profitably deploy internal reinvestment; and a commitment to innovation, in this case to reducing the potent heat-trapping refrigerants that contribute to the climate problem in the first place. This had led us to **Trane**, a position we boosted in size in 2020 and which has been one of the top contributors to our portfolio return for the first half of 2021.

Trane possesses one other attribute we look for: an embedded — and still underappreciated, in our view — growth option with an even lower carbon footprint in the form of a line of electric heat pumps. Despite their confusing name, heat pumps deliver highly efficient cooling in summer as well as heat in winter<sup>10</sup> in a single appliance. They are powered by electricity that can be decarbonized over time (as renewables increasingly power the grid), unlike furnaces that are permanently committed to burning natural gas on-site. Trane has quietly indicated that its heat pumps are selling nicely in Europe, and the overheating Pacific Northwest could prove an attractive market given that there is less sunk cost in an installed base that would need to be switched out to make way for this climate-friendly alternative.

In other cases, our thesis is more complicated than “it’s getting hotter, invest in the best cooling company” and requires study of things like the interplay of centralized versus distributed electricity generation in grid decarbonization. For example, take those renewables mentioned above, the ones that enable the full decarbonization benefit of electric heat pumps. Experts have long contended that the grid would only be able to handle a limited amount of solar and wind because they produce intermittently when the sun shines or wind blows, and would therefore need to be “firmed” by dispatchable sources like natural gas power that can be turned on and off. New research<sup>11</sup> argues that the cheapest carbon-free U.S. grid (which the Biden Administration has called for by 2035) involves not only vastly more centralized, utility-scale renewables, but also more Distributed Energy Resources (DERs) such as solar generation on residential and commercial roofs or stationary batteries in the garage. Even though DERs are ostensibly more expensive per unit of electricity delivered because they don’t benefit from economies of scale, they provide a complementary “buffering” piece of the low-cost puzzle because they allow utility operators to dial up or down the moment-to-moment level of demand to which their centralized facilities must respond.

We’ve carefully selected pieces on this puzzle board of the changing grid. We own the world’s largest generator of utility-scale solar and wind energy in **NextEra** and we also boosted our complementary portfolio exposure to DERs in 2021. First, in January we upsized our position in **Generac**, a leading integrator of generators, batteries and solar, and it has since been one of the top contributors to our 2021 return with a near double in price, while NextEra’s share price has been flat over this timeframe. Second, we initiated in May a new position in **SolarEdge**, a DER company that had long resided on our “focus list” while we waited patiently for a good entry point. The Israel-headquartered company offers what we regard as a more cost-effective and scalable inverter + optimizer topology for efficiently maximizing the output from rooftop solar, as well as a coupled battery offering that is poised for scale-up later this year. SolarEdge was among the pure-play renewable stocks that experienced what we deemed a momentum-driven price run-up in 2020, and cautiously avoided. It also joined its renewable peers in suffering a 30%-40% pull-back in early 2021 as the exuberance faded and the same interest rate concerns weighing on

<sup>10</sup> <https://www.nytimes.com/2021/06/30/climate/heat-pumps-climate.html?searchResultPosition=1>

<sup>11</sup> <https://www.volts.wtf/p/rooftop-solar-and-home-batteries>



growth stocks led the market to discount renewable players' proportionally longer dated cash flows. Our conviction is that the secular drive for renewables adoption will overwhelm interest rate effects, but we remain cautious about rising tides like solar due to intense competition and commoditization pressure, unless we can find a particularly seaworthy boat – and in SolarEdge, we believe we have.

Extending our Ford Lightning example from earlier, note that the pickup truck's oversized battery is not only capable of cinematically pulling a freight train, but it can also substitute for standalone generators at worksites, tailgate parties and campsites and even act as yet another DER by supplying electricity to a home for three days in a power outage. In other words, these batteries will supply the grid operator with additional tools to buffer the intermittency of higher renewables penetration. Despite all our free advertising for Ford in this letter, we have chosen not to own it in the Environment Strategy, but we do own **Aptiv**, a differentiated supplier of critical software and high-voltage components to Ford as well as GM, Volkswagen and dozens of other carmakers to enable their aggressive transition to EVs.

So what else is needed to create a decarbonized, smart, two-way grid absorbing power from DERs such as electric pickup trucks as it interacts intelligently and near instantaneously with five quintillion bytes of data<sup>12</sup> streaming in from the rapidly expanding Internet of Things? How about advanced semiconductor chips! In February we initiated a position in **Taiwan Semiconductor** (NYSE: TSM), perhaps the most strategic company in the world today and a strong fit in DWA E-Map category #9 on sustainable data, specifically with respect to our "embedded intelligence" thesis. TSM owns a dominant market share supplying astonishingly intricate, ultra-low power (ULP) chips to nearly every major chip company in the world. The company has an 80% share in the most advanced "process nodes" that use Extreme Ultraviolet Lithography, a process some have admiringly described as "close to black magic."<sup>13</sup> TSM-made chips enable innovation across virtually all digitalizing end-markets and, more importantly for our E-thesis, will enable step-changes over the next decade in smarter homes, smarter factories and smarter cities. As noted earlier, humanity is in catch-up mode in taking on climate change. In this race, advanced technology has become an indispensable tool for acceleration and TSM is at the beating heart of it.

We believe TSM's competitive moat remains underestimated by the market, which tends to value it as a contract outsourcer and cyclical "asset play" rather than a high-tech co-designer working in secretive labs with Apple and others to design next-generation products that depend integrally on TSM's unique ability to push the frontier of manufacturability. While TSM's capital intensity scares some investors away, we are more focused on how profitably it's been able to use that capital over a sustained period as its market share steadily grew – generating a 5-year average of 23% return on invested capital.

Finally we turn to illustrative holdings in the financial sector. We believe long-term investing is best practice generally, and especially in a strategy designed to benefit from environmental trends. One advisor to university endowments facing divestment pressures asked us to be more specific about what we mean by "long term," in effect asking us to predict when the market will come to recognize the gravity of climate change and adjust asset prices accordingly. Will this be a gradual process, she asked, or will we experience what former Bank of England Governor Mark Carney called a Climate "Minsky Moment" (named for economist Hyman Minsky during the 1997 Asian crisis, it refers to an abrupt decline in sentiment and asset prices following a period of reckless speculation and overleveraging)?

Specifying the timing and magnitude of any systemic event that depends on human sentiment is not possible, but we believe the direction of travel is now ascertainable and investible. The companies that are most obviously exposed to a potential Climate Minsky Moment are REITs with low-lying coastal real estate in places like Miami, as well as energy companies with coal, oil and gas reserves – which we exclude from our portfolio for their unacceptable "stranded asset" risk. But climate exposures will be far more pervasive, and we have invested in businesses supplying the "picks and shovels" to support the wider economy in engineering as orderly a repricing of assets as possible. **S&P Global Inc.** and **Moody's** have incorporated climate risk into their ratings of corporate issuers and both, coincidentally, produced a 24.9% return in the first half of 2021, placing them among our top performers. We also added, in May, a new position in **Aon**, the world's second largest insurance broker and a diversified risk advisor to companies as they navigate risks like climate change. We believe Aon's intended

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<sup>12</sup> [https://www.tsmc.com/english/dedicatedFoundry/technology/platform\\_loT\\_connectedFuture](https://www.tsmc.com/english/dedicatedFoundry/technology/platform_loT_connectedFuture)

<sup>13</sup> <https://www.latimes.com/world-nation/story/2020-12-17/taiwan-chips-tsmc-china-us>



acquisition of Willis Tower Watson will be a positive given the latter's dedicated Climate Resiliency Hub and its own earlier acquisition of Acclimatise, a market leader in climate change adaptation advisory services. But even if substantial anti-trust hurdles block the deal, we believe Aon will remain well positioned to benefit from growing client demand for risk management as climate, cyber and other risks intensify. We appreciate that it is not taking direct underwriting risk as climate extremes are poised to impose large insured losses.

As clients will see directly in their accounts — a transparency benefit of our Separately Managed Account model — we've executed other buys and sells during the quarter that we don't have space to discuss here. We've also re-sized and re-balanced other positions, a process that drives aggregate portfolio returns and reflects our frequent re-appraisal of company operating performance, valuations and considerations related to portfolio construction.

### **Active Ownership, DWA's 'Universal Operator,' Amending Your IMA for Proxy Voting**

We described our approach earlier as engaged pragmatism. "Engaged" characterizes our proactive, research-driven approach to deploying capital in addressing the most daunting global challenges rather than passively taking their unfolding course as a given. It also refers to engaging our companies as active owners through our shareholder voice and vote. This entails direct dialogue with our management teams about how they can do even better on environmental performance in furtherance of both shareholder value and societal outcomes.

This duality is worth pausing on. We believe, given the progression of climate change to a more dangerous phase, that corporate and societal outcomes have become two sides of the same coin for many of our large portfolio companies. To crystallize and disseminate this concept, Douglass Winthrop is originating the term "universal operator." Our white paper on this is still to come, but the synopsis follows. The analogous "universal owner" concept has been around for some time and refers to the idea that the world's largest asset owners — Japan's \$1.6 trillion Government Pension Investment Fund (GPIF), Norway's GPF, CalPERS in the U.S. and others — possess such substantial, widely diversified holdings that overall global economic performance (and systemic risks thereto such as climate change) matters more for the future value of their portfolios than the performance of any individual company or sector.<sup>14</sup> This has formed the theoretical underpinning of their growing collaborations to take on systemic risks.

It may seem paradoxical for us to translate this concept of universality, which is anchored at the owner level, down to some of the constituent companies these owners possess in their diversified portfolios. But we believe it is appropriate, and timely. Most of our individual companies — including but not limited to those that exceed \$1 or \$2 trillion in market capitalization — have globe-spanning operations, markets and supply chains. They are, in other words, "universal operators."

If droughts and temperatures increase unabated, our food service and retail companies will face growing risks in sourcing agricultural commodities. If deforestation is not slowed, our apparel and cosmetics companies will confront input cost and availability concerns for "forest risk commodities" (FRCs) such as palm oil, soy, timber and cattle. If climate change is not mitigated and sea level rises six feet or more in coming decades, our technology and industrial companies with coastal facilities will face asset write-downs and enormous relocation disruptions. If triple-digit temperatures come to afflict more regions of the world, labor well-being and productivity will be strained in sectors such as farming or renewable power installation for which outdoor exposure is unavoidable.

We strive to own companies that are investing strategically in resiliency to these physical and market risks from climate change, and those selling solutions that will support others in coping with them. These insights about differential and advantaged exposures are instrumental to how we construct a concentrated portfolio in pursuit of alpha. But we also recognize that even the better positioned companies will share in worsening systemic exposures if climate action is not accelerated. As such we are encouraging our companies to think like "universal operators" and to act more urgently. By design, our portfolio includes both leaders who have already pioneered climate action, as well as

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<sup>14</sup> <https://www.institutionalassetmanager.co.uk/2020/11/16/292233/worlds-largest-asset-owners-adopting-esg30-strategies-growth-continues-says>

companies that are earlier in an ongoing improvement arc that we believe will drive shareholder value as their efforts bear fruit and are recognized by customers, employees, communities and investors.

We have recently taken two important steps to consider. First, for those clients who authorize us to do so, we will vote your proxies for all of our Environment Strategy portfolio companies in line with strong climate action. We have subscribed to Institutional Shareholder Services' (ISS) Climate Proxy Voting Policy and will be using their voting infrastructure to execute on these votes. Launched in March 2020, the ISS Climate Policy is based on principles developed from widely recognized international frameworks such as the Taskforce for Climate-related Financial Disclosures ("TCFD"), using a scorecard approach that reflects climate-related risk factors and performance indicators.

Second, the Douglass Winthrop Environment Strategy has joined *Say on Climate* ([www.sayonclimate.org](http://www.sayonclimate.org)), an effort initiated and led by Dan Abbasi's former partner Sir Chris Hohn, whose firm The Children's Investment Fund ([www.tcifund.com](http://www.tcifund.com)) and affiliated foundation The Children's Investment Fund Foundation ([www.ciff.org](http://www.ciff.org)), have been globally influential. *Say on Climate* uses engagement and shareholder resolutions to prompt companies to: 1) disclose their emissions; 2) present a credible, multi-stage plan to reduce them; and 3) submit their plans and progress to an annual shareholder vote (where appropriate). We believe this initiative is enhancing the drive for corporate accountability, and we will encourage all of our companies in the Environment Strategy to meet its conditions, while also voting in favor of shareholder resolutions to this end. We have offered to ISS, and they have accepted, to share our domain expertise with their climate team as it continues to evolve the ISS Climate Policy, including its case-by-case review of *Say on Climate's* shareholder proposals, which ISS has largely supported to date. (Note: We will discuss our engagements with portfolio companies on sustainable fishing in a future letter.)

Clients in the Environment Strategy will shortly be receiving an amendment to their Investment Management Agreement (IMA) that will, if you chose to sign, enable us to vote your proxy as we have described above. Please let us know if you would like to discuss it.

## Performance

The following table summarizes our performance for the second quarter of 2021 and cumulatively over various periods, including since inception 4.5 years ago. (Note: Inception Date is January 1, 2017)

Performance through 06/30/2021	Cumulative Inception to Date	Annualized Inception to Date	3 year Cumulative	3 year Annualized	1 year	Q2 - 2021
DWA Environment Strategy -- Net of Fees	168.21	24.54	105.60	27.16	50.20	12.12
DWA Environment Strategy -- Gross	178.35	25.57	110.73	28.21	51.33	12.35
MSCI World SRI Index	101.77	16.90	61.45	17.31	37.14	8.10
S&P 500 Total Return Index	109.01	17.82	67.13	18.67	40.79	8.55

In recent discussions with institutional platforms, a few recurring questions have arisen for which answers may be of wider interest to clients. First, in noting our strong outperformance, some have asked whether it has been driven by being overweight in the "hot" tech sector. We have actually been underweight technology for the 4.5 years from inception through June 30, 2021. Our active performance (the outperformance relative to the S&P 500 Index) has been 88% driven by individual stock selection, and 12% by sector weights.<sup>15</sup> Furthermore, our stock selection positively contributed to this active return in 9 of the 10 sectors in which we've been invested (as noted earlier, we have

<sup>15</sup> Sources: Benchmark return data: Bloomberg; Composite return data and calculations: Douglass Winthrop Advisors.



no exposure to the energy sector).<sup>16</sup> Nor have we swung for the fences with high-beta stocks to enhance returns: our volatility — a market-favored measure of risk, though one we consider imperfect — has been lower than the S&P 500, and our Sharpe Ratio (an industry standard measure of risk-adjusted return) has been 1.59, favorably higher than the S&P 500 and MSCI SRI over this period. Blackrock has written recently that ESG strategies appear to be more resilient to market-wide pullbacks but to underperform in up markets.<sup>17</sup> However, from inception through the end of the first quarter of 2021 (the latest period for which data is available from eVestment, a third-party data aggregator), the DWA Environment Strategy has outperformed in both up and down markets, capturing 112% of the S&P 500 upside and experiencing only 82% of the downside.<sup>18</sup> Over the same period, we were a top 9% performer among the 144 Global ESG Funds reported in eVestment's database. Our active share, which measures how much our holdings differ from the S&P 500 index, is 84%, validating that we are indeed active managers and are not “hugging the index.” Finally, there are passive, highly diversified alternatives for securing an index return with a lower carbon footprint, such as Blackrock's iShares MSCI ACWI Low Carbon Target ETF (NYSE: CRBN). This fund included 1,383 holdings and registered a 3-year cumulative gross return of 42.93% through March 31, 2021. Over the same period, the Environment Strategy's concentrated portfolio of roughly 30 stocks delivered 91.04%, more than doubling CRBN's returns. Together, we believe these statistical measures suggest the ESG arena remains attractive for active managers like Douglass Winthrop and that we are providing a differentiated offering within the competitive landscape of active managers. Moreover, we are positioned to conduct the kind of portfolio company engagement to drive climate action described in this letter, which passive investing rarely offers.

#### **Final Notes: The E-Team Grows Stronger, Welcoming Referrals**

We are pleased to announce that Christina Zhang has joined Douglass Winthrop as a dedicated research analyst on the Environment Strategy. We cast a wide net to find the best candidate for this important role, considering hundreds of resumes and interviewing dozens through the spring. Christina interviewed with nearly everyone at the firm, many more than once, impressing all of us with her macro and micro analytical skills and her cultural fit with DWA. She joins us directly from the MBA program at Columbia, where she also earned her BA. She brings a global perspective to the firm, having worked in Shanghai, Uruguay and Geneva, in various roles including as a Junior Portfolio Manager with Galena Asset Management and a Research Analyst with Trafigura PTE.

We are eager to continue growing the assets under management in the Environment Strategy, so we can further expand our team bandwidth for the kind of in-depth research and engagement with portfolio companies discussed in this extended quarterly letter. As such, we welcome any and all referrals you might wish to make to individuals, endowments or other institutions who you think might benefit from an allocation to this strategy. Please reach out to Mary Kush ([mary@douglasswinthrop.com](mailto:mary@douglasswinthrop.com)) or Dan Abbasi ([dan@douglasswinthrop.com](mailto:dan@douglasswinthrop.com)) if you would like to set up a call with the team. Mary leads our institutional engagement and Dan serves on the Environment Strategy Portfolio Management Committee along with Josh Huffard and Bowdy Train.

Best regards,

The Douglass Winthrop Environment Strategy Team

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<sup>16</sup> Performance for estimated attribution analysis comes from Bloomberg LP and is the equities-only portion of the DWA Environment Strategy (i.e., no cash). Holdings for this estimation are updated weekly so the estimation may not capture all day-to-day pricing changes within a weekly interval.

<sup>17</sup> <https://www.blackrock.com/institutions/en-us/insights/investment-actions/global-insurance-report-2019/portfolio-resilience-through-sustainability>

<sup>18</sup> Source: eVestment