April 7, 2021

Dear DWA Environment Strategy Clients and Friends,

We are pleased to provide you with a Q1 2021 update as we head into a warm spring that saw the earliest blossoming of Japan's Kyoto cherry trees in more than 1,200 years of records[1]. We see this as both an iconic signifier of nature's regenerative bounty after a grueling winter of pandemic lockdown and a reminder that climate change's impact on this and other ecosystems is intensifying.

The first quarter contained two milestones that we believe are positive for the Douglass Winthrop Environment Strategy. The first is the Biden Administration's rapid engagement on tackling climate change, including executive orders rejoining the Paris Agreement; conserving land and restoring soil carbon; de-subsidizing fossil fuels; and harnessing federal procurement to drive faster adoption of renewable energy and electric vehicles[2]. In the first 100 days we have also seen fiscal commitments and proposals totaling nearly $4 trillion (18% of U.S. GDP) to provide financial assistance to Americans impacted by the COVID-19 pandemic and to invest in upgrading electricity, broadband, transportation and water networks in ways that will mitigate and adapt to climate change. The second milestone is perhaps of even greater immediate import than the first: as of this writing, more than 100 million Americans have received at least one dose of the approved COVID-19 vaccines, well ahead of the ambitious goal established by the President in January.

Both developments support our long-term thesis that the world will continue to encounter daunting global problems rooted in environmental disruption and humanity will rise to the occasion by harnessing the public and private sectors to deliver innovative, large-scale solutions. Your Environment Strategy portfolio is positioned well to benefit from fiscal and regulatory tailwinds the new Administration is unleashing to accelerate renewable energy, electric vehicles, clean water and even broadband. Focusing just on water, the Biden infrastructure proposal (before Congressional sausage-making!) calls for $111 billion to upgrade water systems and monitor water quality. Specific portfolio companies poised to benefit in this category alone include: **Xylem**, **Danaher** (Trojan, Hach and Pall units), **Ecolab** (Nalco division), **Trimble**'s Water division, and **Thermo Fisher**'s water diagnostics solutions. **Autodesk** also announced a timely $1 billion acquisition in February of Innovyze, a leader in modeling, simulation and artificial intelligence solutions for sustainably designed water collection, treatment and distribution systems. Our aging and leaking water systems require hundreds of billions in remediation and resiliency investments[3] as we face a decade ahead in which water stress (and prices) are expected to increase.

A Quick Strategy Recap

The DWA Environment Strategy is a performance-first strategy conceived more than five years ago. It invests in business models that we believe will deliver superior returns over our 7-10 year forecast period, and to prosper thereafter toward a 2050 timeframe. Our thesis is that climate change and related environmental challenges require large flows of capital into mitigation and adaptation, resulting in opportunities for businesses that are investing not just in resiliency, but looking ahead and playing offense.

To create a disciplined and repeatable process, we started with what we know well: our five-filter research approach. We seek companies that have durable competitive advantages, attractive reinvestment opportunities, strong financials, management teams skilled at allocating capital, and whose shares are trading at a discount to our assessment of intrinsic value. For the Environment Strategy we added a sixth filter aimed at identifying companies that demonstrate one or more environmental advantages that interact with, and materially reinforce, the other five fundamental filters (E-Advantaged); or that generate substantial and growing sales of products and services that address environmental challenges (E-Solution Provider). For example, portfolio holding **L'Oreal** sources sustainable palm oil for its skincare and cosmetic products,

[1] https://www.washingtonpost.com/weather/2021/03/29/japan-kyoto-cherry-blossoms-record/
[2] https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/27/fact-sheet-president-biden-takes-executive-actions-to-tackle-the-climate-crisis-at-home-and-abroad-create-jobs-and-restore-scientific-integrity-across-federal-government/
[3] https://infrastructurereportcard.org/cat-item/drinking-water/

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advancing toward its deforestation-free goal while solidifying customer loyalty to widen its already formidable brand moat[4]. We believe this helps it turn the global trend toward supply chain transparency from a reputational risk into an E-advantage. In our judgment, these kinds of advantages are often overlooked, misunderstood and mispriced by the market, enabling us to form a differentiated thesis in pursuit of outperformance.

We also recognized early on that some of our clients would appreciate the values-alignment of seeing their capital invested in companies making a positive environmental impact at scale. To expand *our* impact beyond investments alone, we have begun to engage with selected portfolio companies to share our domain expertise and to offer company-specific insights with management teams as they formulate strategic environmental initiatives important to consumers, investors, communities and other company stakeholders.

Portfolio Changes in the Quarter

During the quarter we sold **Tesla**, **Veolia** and **Novozymes.** We added **Aptiv** and two other investments we will write about in a coming letter. We sold Novozymes based on valuation relative to our assessment of its business progress, including pricing dynamics in its end markets. We sold Veolia based on concerns that however its hostile acquisition offer for leading competitor Suez comes out, we foresee post-acquisition challenges in its culture and productivity as it manages heterogeneous water, waste and energy offerings across an enlarged set of global markets. As for Tesla, you may recall from our last quarterly letter that we risk-managed our position through three successive trims in 2020 as the stock ascended throughout the year. In January of this year, it surpassed our long-term price target and exceeded our risk tolerance, and we exited at a price just below its all-time high and before the significant first quarter pullback. We can't promise that we will always benefit from such exquisite timing, but our discipline is to sell "momentum," and we did.

We maintain high conviction in the accelerating transition to electric vehicles (EVs), a secular trend that is poised to benefit from near-term support, including the Biden Administration's inclusion of $174 billion for EV charging and other point-of-sale EV incentives in its proposed infrastructure plan. We debated allocating the proceeds from our Tesla sale to a stake in one of the legacy automakers most committed to transitioning its fleet to EVs. We continue to monitor this landscape, but we have so far refrained from an investment due to the high transitional capital intensity and differentiation challenges each of the legacy companies faces as they navigate a disruption of existential significance to their business prospects.

Instead of handicapping who will win, we migrated upstream into the auto supply chain and invested in Aptiv, which serves 23 of the 25 largest automakers in the world with differentiated components and software that are purpose-built for electric vehicles. The company garners approximately 18% of its sales from General Motors and Volkswagen, the companies that have commenced the largest EV transition efforts in the sector thus far. Aptiv is enabling the transition to software-defined vehicles supported by intelligently connected architectures, including the computing "brain" and the electrical "nervous system" that connect sensors, software, power and data to make cars smarter, lighter and more efficient.

We believe an underappreciated piece of the Aptiv story is its Autonomous Vehicle (AV) joint venture with Hyundai called *Motional*. In late 2020, Nevada approved Motional's testing of fully driverless vehicles on its public roads with its long-time ride-share partner Lyft, and the companies plan to launch the service across multiple U.S. cities in 2023. We believe AVs will be an explosive growth market in the coming decade. The environmental benefits include fuel economy-optimized driving, route optimization and urban decongestion as vehicles talk to each other. As AV penetration grows, crashes based on human error should decline, enabling vehicle bodies to shed much of the extra armor they currently carry and to become lighter and more efficient. But we recognize that pulling this off constitutes an enormous technical feat, given the real-world variables that must be instantaneously processed by AVs and the safety implications of even rare errors. Our confidence in Aptiv's ability comes partly from an assessment that its market-leading expertise in Advanced Driver-Assistance Systems (ADAS) gives it a running start and a sustainable advantage. For example, a widely deployed ADAS technology such as lane-

[4] https://www.loreal.com/en/articles/sharing-beauty-with-all/loreal-takes-palm-oil-sustainable-sourcing-one-step-beyond/

centering, designed originally to protect a drowsy driver from a dangerous meander, uses sensing and computing capabilities that are also the organic roots of the fully driverless platforms now emerging. This is a technology race where we believe it is judicious to invest in a blend of proven history and bold vision - Aptiv fits this profile in our estimation.

Performance

The following table summarizes our performance for the first quarter of 2021 and cumulatively over various periods, including since inception 4.25 years ago. We continue to counsel clients to focus on the long-term, as many of our theses will take time to unfold. Past performance is no guarantee of future results. (Note: Inception Date is January 1, 2017)

Performance through 03/31/2021	Cumulative Inception to Date	Annualized Inception to Date	3 year Cumulative	3 year Annualized	1 year	Q1 - 2021
DWA Environment Strategy -- Net of Fees	139.26	22.81	86.39	23.07	66.55	2.97
DWA Environment Strategy -- Gross	147.80	23.82	91.04	24.08	67.81	3.17
MSCI World SRI Index	86.65	15.83	52.09	15.00	51.15	4.06
S&P 500 Total Return Index	92.55	16.68	59.25	16.78	56.35	6.17

Progress Report

We currently have seven DWA team members (out of 30) committed to the Environment Strategy on a daily and weekly basis, and will be adding a new equity analyst shortly. We have full support from the entire DWA team, and have seen how having two strategies makes our firm's research process better and more holistic. The flagship DWA Equity Strategy tilts toward value and the Environment Strategy leans somewhat more into growth, reflecting exponential dynamics in the addressable markets for environmental solutions. At the end of the first quarter, we had eight holdings that overlap both strategies, representing approximately 24% of the firm's $4.2 billion of assets under management.

Over the past year we have reached out through friends, consultants and partners to tell our story more broadly. We have recruited talent and investment dollars to support the Environment Strategy as a strong second pillar of our firm's equity investment offering. As of March 31, 2021, assets in the strategy have grown to $100 million. We think that 2021 will be another transformative year for the Environment Strategy and believe that our current portfolio represents an attractive long-term investment at current valuations.

We are grateful for our existing clients' trust and we look forward to welcoming new clients and partners to the DWA family in the months and years ahead. Please reach out to Mary Kush (mary@douglasswinthrop.com) or Dan Abbasi (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.

Thank you for your support and consideration. We welcome your questions, comments and suggestions.

Kind regards,

The Douglass Winthrop Environment Strategy Team

DWA is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940, as amended. Registration of an Investment Advisor does not imply any level of skill or training. The DWA Environment Strategy (the "Strategy") invests primarily in U.S. and developed non-U.S. equity securities that demonstrate environmental leadership, regardless of capitalization, and seeks long-term capital appreciation while aiming to contain the risk of permanent capital loss. The Strategy does not seek to match the market capitalization, geographic, or economic sector exposure of any broad market index. For additional information, please review a current copy of the Firm's ADV accessible from https://www.adviserinfo.sec.gov/.

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The DWA Environment Composite (the "Composite") contains all fee-paying, discretionary accounts that are managed according to the Strategy. DWA also manages accounts outside of the Strategy. A composite of all DWA accounts would have higher or lower performance over different time periods, with increased dispersion among accounts due to meaningful differences in holdings.**Reference Index Disclosure**: The Strategy is not managed to a benchmark. The benchmarks most commonly chosen by our clients based on the Strategy are the MSCI World SRI Index and the S&P 500 Total Return Index. The MSCI World SRI Index is a capitalization-weighted index 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 S&P 500 Total Return Index includes reinvested dividends. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Index figures do not reflect the deduction of any fees, expenses, or taxes. Investors cannot invest directly in an index. The indices' performance results are intended to illustrate the general trend of the equity market for the Strategy's investable universe and are not intended as a benchmark for the Composite.

Risk Disclosure: Investing involves risk, including the possible loss of principal. There may be market, economic, or other conditions that affect client account performance, or the performance of the referenced market indexes. The Strategy may invest in small-and medium-capitalization companies. Investments in these companies, especially smaller companies, may carry greater risk than is customarily associated with larger companies. A client account invested in the Strategy will hold fewer securities and have less diversification across industries and sectors than a diversified portfolio, such as a portfolio based on an index. Consequently, a client account and/or the composite performance may diverge significantly from the referenced market index, positively or negatively.

Net Performance: Net returns are calculated net of actual management fees incurred and transaction costs. Fees for accounts in a composite may differ at the firm's sole discretion from the stated fee schedule for new accounts. Performance is calculated on an asset weighted, time weighted return basis. Valuations and performance are reported in U.S. dollars. Returns are not audited.

GIPS Documentation: Douglass Winthrop Advisors claims compliance with the Global Investment Performance Standards (GIPS®). A compliant presentation is available at www.douglasswinthrop.net/gips (password: DWAGIPS2020). A list of the composite descriptions and/or our DWA GIPS Policies and Procedures is available upon contacting our New York office.