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Douglass Winthrop

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Dear Clients and Friends,

You have probably never heard of Verkhoyansk, but this Siberian town well north of the Arctic Circle hit a record-high temperature of 100.4 degrees Fahrenheit a few weeks ago, following months of anomalous heat that alarmed scientists and accelerated thawing of the no-longer-so-permanent permafrost. The softened ground destabilized the foundation under a massive oil storage facility in Norilsk, leading to a rupture that spilled five million gallons of oil into a Russian river system. The greenhouse gas emissions that are the root cause of this disaster, and other intensifying climatic events around the world, hit a record high in 2019. This has pushed accumulated concentrations in the atmosphere to a level experts estimate have not been seen in at least three million years.

We are entering uncharted territory for humanity and the market economies on which we depend. The Siberian record – searing heat in our planetary icebox – should be receiving more attention, and would be were it not for the COVID-19 pandemic. This continues a long pattern whereby climate change is crowded off the front pages by a succession of major events, each worthy in their own right, but together leading to systematic underestimation (and, we believe, market mispricing) of the risks and opportunities that lie ahead.

We're Paying Attention . . .

At Douglass Winthrop Advisors, we are paying close attention to what all of this means for our clients' wealth in the coming years. We have always believed that the best way to protect and grow client capital is to own a concentrated but diversified portfolio of 25-30 companies that have wide competitive moats, ample reinvestment opportunities, strong balance sheets and shareholder-oriented management teams. We also believe that using an environmental leadership lens can help identify companies within this elite group that are building resilience to environmental challenges like climate change and are benefitting from growing market opportunities to help society mitigate and adapt to them. This thesis is the foundation of the DWA Environment Strategy. In our opinion, financial markets are just beginning to price in the emerging risks and opportunities associated with climate change, and this creates an opening for our differentiated thesis and authentic expertise in this domain to enhance performance.

Performance Update

Speaking of performance, the DWA Environment Strategy is long-term by design and therefore best assessed over time. Our long investment horizon matches the needs of our clients and creates powerful compounding of capital. We provide quarterly updates to our clients to monitor our progress, and the results continue to be encouraging. The following table summarizes the strategy's performance through June 30, 2020. Please be sure to read the important disclosures at the end of the letter. Past performance is no guarantee of future results.

Performance All figures through 06/30/2020	Cumulative Inception to date	Annualized Inception to date	3 year Cumulative	3 year Annualized	1 year	Q2 - 2020	YTD
DWA Environment Strategy – Net of Fees	78.57	18.03	54.79	15.68	14.34	24.30	5.79
DWA Environment Strategy – Gross	83.93	19.03	58.74	16.65	15.34	24.56	6.24
MSCI World SRI Index	47.13	11.67	32.83	9.92	8.46	19.14	-1.68
S&P 500 Total Return Index	48.45	11.96	35.77	10.73	7.51	20.54	-3.08

Learning from the Lockdown

The economic shutdown caused by COVID-19 led to a 17% drop in greenhouse gas emissions from energy and heavy industry worldwide in the first half of the year. The International Energy Agency estimates that full-year emissions will decline by 8%-9% in 2020. Oil demand during the pandemic has been cut by about a third. We think this is a harbinger of things to come as consumers, governments and businesses change behavior faster than any of us could have imagined. In a May interview with the Financial Times, BP's new CEO Bernard Looney said the reduction in oil consumption was likely to endure beyond the pandemic due to remote work, travel reduction and other permanent behavior changes. As plunging crude prices undermined the investment case for oil, BP has increased its investments in renewable energy projects and announced a new ambition to become a "net zero" company for carbon emissions by 2050 or sooner.

We see this as validation -- from surprising quarters -- for the business case in which we have been diligently investing. Dramatic and continuing reductions in the cost of renewable and storage technologies, combined with supportive policy and consumer expectations, create a long runway ahead for renewable energy growth, especially given that only 10% of U.S. electricity today is renewably generated.

On the policy front, the World Bank reported in its annual update in May that 61 carbon pricing initiatives (i.e., carbon taxes or carbon trading systems) now exist around the world, covering 22% of global emissions. This includes California's cap-and-trade system and the Regional Greenhouse Gas Initiative, an 11-state program covering the electricity sector in 20% of the US economy after it added Virginia this year. The European Union, in planning for its ambitious "Green Deal," has just issued detailed quantitative guidelines to guide companies and investors toward alignment with a net zero objective and we believe that others will follow suit.

Investing in a More Sustainable Future . . . To Extend Already Strong Competitive Advantages

Our investment watch list includes many companies on the supply and demand side of the renewable energy value chain, from solar technology component and materials providers to wind systems manufacturers to developers, financiers and operators. While many of these play crucial roles in the energy transition to renewables, only a select few will meet the other operating and financial criteria for inclusion in our high-conviction portfolio. One company that passes all of our filters for quality and leadership is **NextEra Energy**.

NextEra is widely regarded as one of the best managed utilities in the country, with durable competitive advantages that have created strong cash flows and a healthy profit margin with attractive and growing geographic markets. NextEra owns two utilities that are earning a reliable regulated return investing in renewable generation. One of these, Florida Power & Light, has a strategic plan to install 30 million solar panels by 2030, the largest installation by any regulated utility in the world. NextEra also owns a high growth, non-regulated business unit -- NextEra Energy Resources -- which is one of the largest developers and operators of renewable energy across the U.S., with 51 gigawatts in operation and a development pipeline that is on track to install 9 gigawatts each of solar and wind power by 2024. The business case behind these aggressive commitments to renewable energy is a more secure, clean, often lower cost source of energy that customers are increasingly demanding and that regulators are going to require over time. The DWA Environment Strategy invests across sectors from consumer staples and discretionary to technology, communication services, finance, industrials and materials. Most of our portfolio companies operate at a scale that can provide meaningful impact in addressing environmental problems. These companies also hold strong market positions that are enhanced by their environmental leadership, which we believe will lead to above-average growth for years to come. Our holdings include **Trane**, a global leader in commercial air conditioning and refrigeration that serves a warming planet with cooling solutions that compete based on efficiency, reliability and total cost of ownership; **Autodesk**, the industry standard software toolkit relied upon by the architects, designers and engineers who are designing and building the future infrastructure of the world, which increasingly embeds capabilities to do so sustainably; and **Unilever**, the global consumer products company (Dove soap, Ben & Jerry's ice cream and Seventh Generation cleaning products) that has announced they will take purpose-led marketing to a new level by labelling 70,000 products with greenhouse gas disclosure across the product lifecycle, information that we believe will create compelling marketing advantages with billions of consumers.

A number of our portfolio companies are positioned to benefit from COVID-recovery spending, such as repair and retrofit of essential aging infrastructure. Public pressure is building for such funding around the world to be invested in a way that builds resiliency to climate change. Chief executives from more than 330 businesses, including portfolio companies **Microsoft**, **Nike** and **Salesforce**, recently called on lawmakers to include climate solutions in any recovery measures from COVID-19.

We also appreciated Salesforce CEO Marc Benioff's agile leadership during COVID-19 in launching work.com, an integrated online platform to help the company's corporate customers orchestrate a safe reopening. In our view, management teams that meet vital customer and community needs during major crises like COVID-19 will be rewarded with greater loyalty and growth over time, and will rise to the occasion again as potentially more challenging environmental change unfolds in the future.

Parting Thoughts

The work we are doing on the DWA Environment Strategy benefits our firm and all of its clients. We are devoting significant energy and resources to this initiative because we believe an environmental leadership lens can help us identify material opportunities and risks for both our flagship Equity Strategy and the Environment Strategy (there are currently eight overlapping holdings). The key to our success over the past twenty years and the reason for our excitement about both strategies in the years ahead is our commitment to following our disciplined and repeatable investment process. It is worth noting for our clients and friends that the addition of the environmental leadership filter in our process for the Environment Strategy has tilted this portfolio to a slightly more growth-oriented profile than the Equity Strategy, which is more value-biased; both have achieved their returns with lower volatility than the S&P 500 index. We believe that this provides clients with a simple allocation opportunity to tailor their investments to align with their specific goals and risk tolerances. The important thing for us is that we are one firm, with a cohesive team and a consistent and repeatable investment process across both strategies.

As you assess which strategy, or combination of strategies, will best serve your goals, we will work with you and always put your best interests first. We mentioned in our last quarterly letter that after several years of validating our thesis, we were just commencing outreach to existing and new clients to consider investing in the DWA Environment Strategy and we want to reiterate the value proposition that this strategy offers to clients of the firm. First, this is a performance-based strategy that adheres to the rigorous, fundamental criteria used in our Equity Strategy to identify companies for inclusion in the portfolio. Second, as a fiduciary dedicated to protecting and growing our clients' wealth, we maintain a portfolio of companies that we regard as best positioned to prosper over the long-term, including managing the risks and participating in the opportunities that will arise from addressing climate change and other environmental challenges.

Despite the challenges ahead, we are optimistic that the combined efforts of consumers, businesses and governments around the world are up to the challenge and that our DWA strategies are well positioned to protect and grow capital over the long-term.

To our clients, thank you for your support and encouragement. To our friends, we would appreciate the opportunity to discuss the Environment Strategy with you in greater detail. Please contact Josh Huffard (josh@douglasswinthrop.com), Bowdy Train (bowdy@douglasswinthrop.com) or Dan Abbasi (dan@douglasswinthrop.com) to schedule a conversation. We can all be reached at 212-557-7680.

Sincerely,

Douglass Winthrop Advisors LLC

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 the 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 Firms ADV Part 2A 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: A compliant presentation, a list of the composite descriptions and/or our DWA GIPS Policies and Procedures can be made available upon contacting our New York office.