



2019 Year-end CIO Letter

Dear investors and friends,

We are excited to report on the outperformance of our Climate Action Strategy for 2019. Our performance confirms our expectations that the strategy is able to outperform in both rising markets as well as during times of corrections. For the nine months ended 12.31.2019, Climate Action delivered net of fee performance of 26.51% compared to 13.52% for the MSCI World Index, resulting in net of fee outperformance of 12.99% over the period.

Reflecting on the major events of 2019, we would like to highlight:

1. the UN Climate Action Summit in September 2019, which issued a stark warning about the future of our planet if the current trajectory of GHG emissions isn't stopped.
2. the UNEP Emissions Gap report dated November 2019, stressing the glaring gap between emissions targets and reality, quantifying the yearly reductions necessary to remain below a 2-degree Celsius increase in global temperatures.
3. Europe's announcement of a Green Deal on December 11th, targeting a halving of emissions by 2030 and carbon neutrality by 2050. All 27 EU members, with the exception of Poland, agreed to adopt a sweeping package of reforms to be introduced as law in March, setting the stage for the world's first major region to commit to fighting climate change.

Echoing the above announcements was an increase in the frequency and magnitude of catastrophic climate-related events, including raging fires in California, the Amazon and Australia, the warmest temperatures on record in Europe in July, the highest glacier mass loss in Antarctica, record floods in the US Midwestern states and an acceleration of sea-level increases.

Despite such alarming news, there is much to look forward to in 2020. For starters, we see increased evidence that investors favor active and impactful investment managers to make a difference on the environment, as opposed to simply using the stock market as a vehicle for speculation. There will also be additional scrutiny on the UN preparation for the COP26 summit, highlighting the role of forests. Finally, there will be additional reports on GHG emissions per country, such as the Rhodium report on the US (published today), stressing the need for further declines from industries such as transportation, agriculture, or housing.

We therefore remain constructive on the progress ahead and our strategy's ability to ride out what promises to be another volatile year. As global leaders tackle one of the greatest challenges of humankind, with its well-known consequences including food scarcity, health and safety risks, power and water shortages, political instability, and loss of biodiversity, we remain convinced that our investment approach will deliver long-term solutions and meaningful performance.