




# **NETZ: Making Money on the Path to Carbon Neutral**

# What is \$NETZ?

- ETF in the ESG realm
  - Not a normal ESG ETF, but environment themed
- Goal is to make money off the transition to “net zero”
  - By investing in what will profit from the transition
  - This can include companies who are “bad” for the environment now but have a plan for moving forward
- Inception Date: 2/2/22
- Expense Ratio: 0.75%
- Actively Managed, ~92 MM AUM
  - Run by the Engine 1 Management Team, who have done activist investor activities targeting XOM
- 29 Holdings

# The DES1 Screenshot from Bloomberg

\$ **↓ 54.2302** +0.157  Z54.28/54.32Z 7x7  
 17:05 d Vol 1,130 0 54.29Z H 54.4113D L 54.2302Z Val 61,418.1

Equity Export Page 1/5 Security Descrip

1) Profile 2) Performance 3) Holdings 4) Allocations 5) Organizational

**ENGINE 1 TRANSFORM CLIMATE** FIGI BBG0151Q71J8  
Category Equity Thematic

The Transform Climate ETF is an actively-managed exchange-traded fund incorporated in the USA. The Fund seeks to invest in companies that are creating value by transforming themselves and others to meet the growing demands of climate change. Target companies are primarily those that the Adviser believes are transitioning towards more sustainable business practices.



**Bloomberg Classification**

|                   |                     |
|-------------------|---------------------|
| Fund Type         | ETF                 |
| Asset Group       | Sector Equity       |
| Category Group    | Equity Thematic     |
| Market Cap        | Broad Market        |
| General Attribute | Climate Change, ESG |
| Geo. Focus.       | U.S.                |

**Appropriations**

|                      |                |
|----------------------|----------------|
| Leverage             | No             |
| Actively Managed     | Yes            |
| Swap Based           | No             |
| Derivatives Based    | No             |
| Currency Hedged      | No             |
| Replication Strategy | Not Applica... |
| Securities Lending   | Yes            |

7) Price USD 54.2302  
 8) NAV 03/30/22 USD 54.27  
 INAV Not Current  
 Fund Percent Premium N.A.  
 52 Wk H 03/30/22 USD 54.4113  
 52 Wk L 02/24/22 USD 47.01  
 Options No

**Trading Data**

|                       |            |
|-----------------------|------------|
| Bid Ask Spread        | 0.040      |
| 90D Avg Agg Vol       | 47.1k      |
| 10) Implied Liquidity | 6.2M       |
| Market Cap            | USD 94.36M |
| Shares Out            | 1.7M       |
| Total Assets          | USD 94.42M |

**Characteristics**

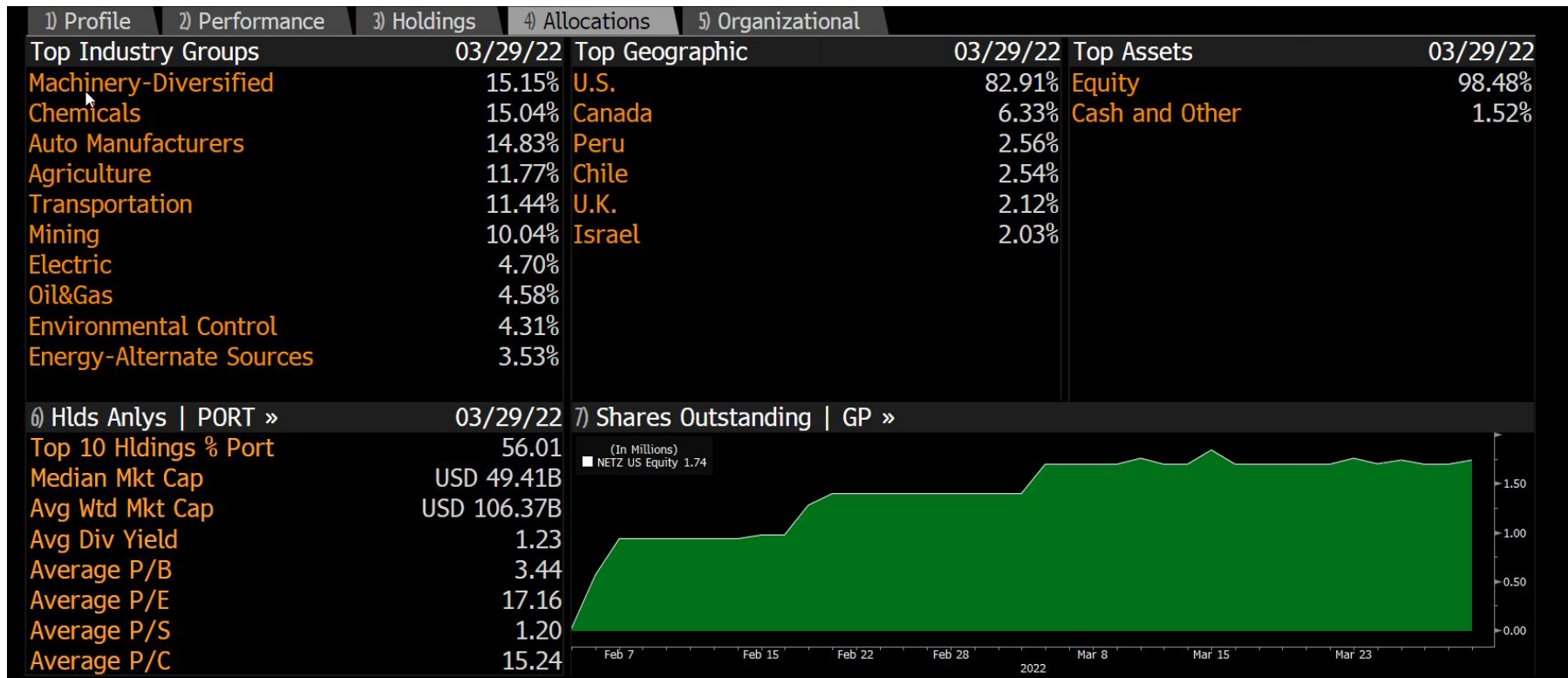
|                     |                |
|---------------------|----------------|
| 1) Und. Index       | N.A.           |
| Index Weight        | Not Applicable |
| 1M Px Track. Error  | 17.793         |
| 1M NAV Track. Error | 17.386         |
| Inception Date      | 02/03/22       |
| Expense Ratio       | .750%          |

# Top Holdings

| Group By                        | None    | Show Asset Type | All      | Currency | USD   | Total Curr Mkt Val | 92.2M | Num of Holdings | 29 |
|---------------------------------|---------|-----------------|----------|----------|-------|--------------------|-------|-----------------|----|
| Security                        | Ticker  | Source          | Position | Pos Chg  | % Out | % Net↓             |       |                 |    |
|                                 |         | All             |          |          |       |                    |       |                 |    |
| 1) Albemarle Corp               | ALB US  | ETF             | 30,191   | 0        | .03   | 7.02               |       |                 |    |
| 2) Archer-Daniels-Midland Co    | ADM US  | ETF             | 63,417   | +10,128  | .01   | 6.35               |       |                 |    |
| 3) Canadian Pacific Railway Ltd | CP CN   | ETF             | 70,553   | 0        | .01   | 6.34               |       |                 |    |
| 4) Deere & Co                   | DE US   | ETF             | 12,891   | -4,367   | .00   | 6.05               |       |                 |    |
| 5) Bunge Ltd                    | BG US   | ETF             | 48,592   | +24,340  | .03   | 6.00               |       |                 |    |
| 6) General Motors Co            | GM US   | ETF             | 110,821  | 0        | .01   | 5.32               |       |                 |    |
| 7) Ford Motor Co Common Shares  | F US    | ETF             | 289,996  | 0        | .01   | 5.24               |       |                 |    |
| 8) Union Pacific Corp           | UNP US  | ETF             | 17,178   | 0        | .00   | 5.13               |       |                 |    |
| 9) Republic Services Inc        | RSG US  | ETF             | 29,668   | 0        | .01   | 4.28               |       |                 |    |
| 10) Rockwell Automation Inc     | ROK US  | ETF             | 13,627   | 0        | .01   | 4.14               |       |                 |    |
| 11) AGCO Corp                   | AGCO US | ETF             | 25,538   | 0        | .03   | 4.12               |       |                 |    |
| 12) Alcoa Corp                  | AA US   | ETF             | 41,043   | -10,292  | .02   | 4.12               |       |                 |    |
| 13) CF Industries Holdings Inc  | CF US   | ETF             | 32,692   | 0        | .02   | 3.73               |       |                 |    |
| 14) Tesla Inc                   | TSLA US | ETF             | 3,062    | 0        | .00   | 3.63               |       |                 |    |
| 15) Livent Corp                 | LTHM US | ETF             | 126,788  | 0        | .08   | 3.45               |       |                 |    |
| 16) Southern Copper Corp        | SCCO US | ETF             | 30,766   | 0        | .00   | 2.55               |       |                 |    |

What are the substantial changes on this fund?

# Holding Breakdown Continued



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# In their own words

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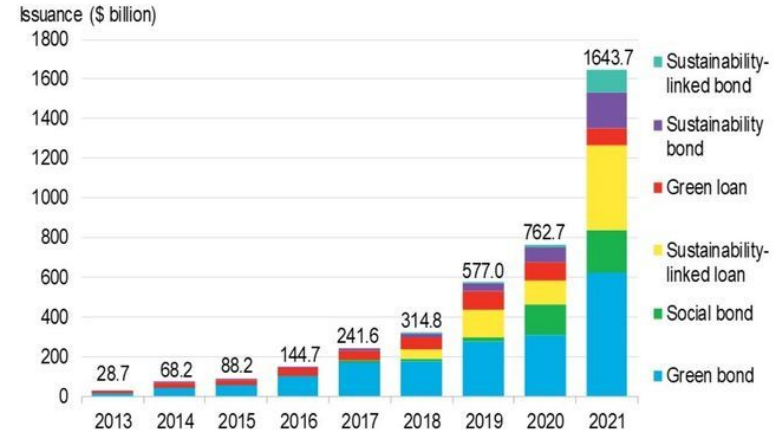
Total Value: NETZ takes a data-driven approach that puts a tangible value on a company's environmental and social impact and ties that impact to long-term value creation.

Fundamental Analysis: NETZ is constructed with long-term, high-conviction positions in the industries that most need to decarbonize, including agriculture, energy, and transportation. It **does not rely on traditional ESG scores or passive ESG indices.**

Transformation: Through the work we do as active owners, Engine No. 1 seeks to catalyze transformation where it's needed most—including at some of the economy's largest and most polluting companies.

# The reason this is being pitched

→ ESG is not going away anytime soon



→ Lots of companies have already made pledges to reach “carbon neutrality” or net zero in the coming years

- ◆ And those that haven’t will be forced to by industry pressure, regulatory requirements, etc
- ◆ This change/pivot affects companies large and small; even RIT is doing it by 2030

→ Current portfolio has no attempt at focusing on environment (or even energy)

- ◆ If not NETZ, this opens the door to investing in other weird environment stuff (eg. carbon capture)

→ NETZ has a thesis that aligns with our “long-only” portfolio requirements

# Likes and Dislikes

Belief in their long-term thesis

Exposure to ESG in a way that's not "SPY with no oil"

Very transparent - updates the holdings daily on website

We need somewhere to park our cash

Very low liquidity - average volume this week is 1k-1.5k

Thesis execution is untested over the long term (I have not done backtesting)

We have been burned before on actively managed ETFs

Would like more insight into their methodology



past performance does not indicate future returns



# My recommendation

✓ Buy 100 shares @ \$54.23 (today's closing price)

with conditions:

✗ Sell if NETZ underperforms the S&P Index by more than 15% for a month

✓ Re-evaluate in August 2022