Zevin Asset Management

INVESTOR'S GUIDE

THE BETTER PATH TO
STRONG INVESTMENTS

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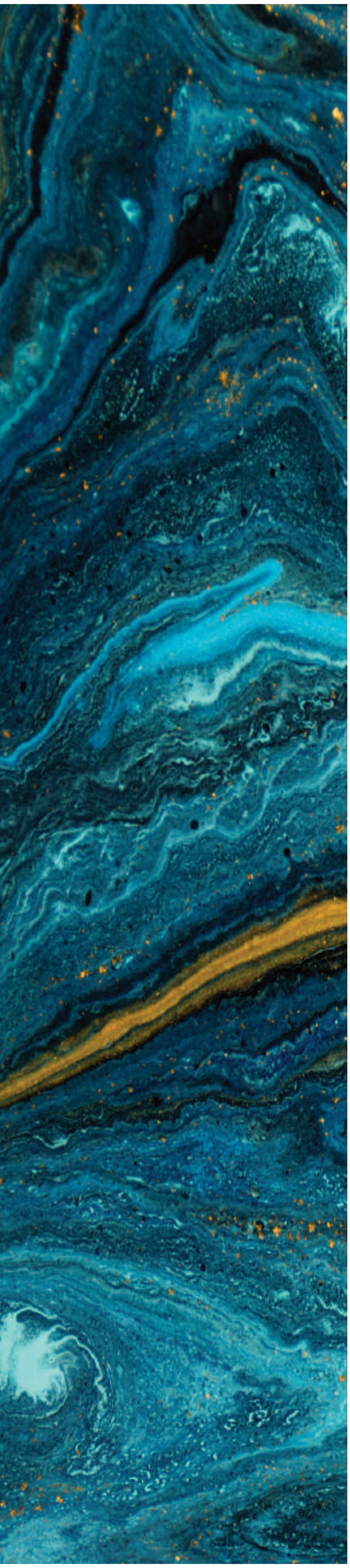
Certified B Corporation™



We find ourselves at a gateway to uncertainty.

We don't yet know the long-term economic effects of the incredible mix of dramatic issues we face. COVID-19, the political tensions, climate change, the emphasis on social justice…simply put, we have never been at such a complex crossroads.

To find investments you can have confidence in, you need to examine how companies operate in a transparent, connected, and turbulent world. During this unprecedented time, we're sharing our perspective on how to identify strong investments.

"We have an opportunity to uncover investments that bring together profit, performance, and sustainability. Those are the companies that strengthen portfolios and define our future."

Sonia Kowal
PRESIDENT

KEYS TO PICKING
THE RIGHT INVESTMENTS

At Zevin, our investment ideas are based on the big picture.

How are companies positioned for an unpredictable future?

How do they impact their employees, their customers, and the world around them?

Are they limiting risk by taking their roles in the community seriously?

Increasingly, investors see that risk and return include how a company manages business beyond its financials. Strong financial performance and positive impact often go hand-in-hand. That's why investors need to understand how corporate decisions, policies, and initiatives influence every piece of a company's value chain. This is the heart of prudent investing, and it's why Environmental, Social, and Governance (ESG) factors are as important as the bottom line.

We've been committed to a uniquely rigorous research process for decades. Risk mitigation permeates everything we do. Our perspective helps us protect portfolios from market downside, find opportunities, and avoid chasing returns into danger zones.

Investors who are looking for a path to more resilient portfolios should start with three key questions:

WHAT DOES TOMORROW LOOK LIKE?

IS THE COMPANY FINANCIALLY SOUND?

IS THE COMPANY LIVING IN A BUBBLE?

WHAT DOES
TOMORROW LOOK LIKE?

The past doesn't provide all the answers, but it does give a window into how converging conditions influence the financial markets at different points in time. Analyzing comprehensive historical data allows us to generate a guide to the future.

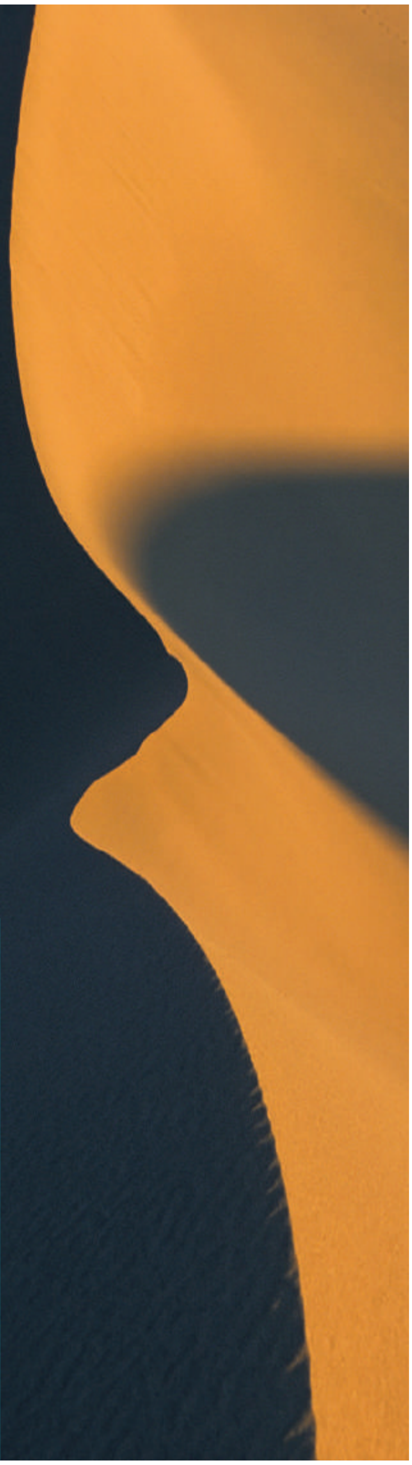
The team at Zevin uses a proprietary, dynamic econometric model that considers a wide range of future scenarios – hundreds of models based on inputs such as changes to interest rates, inflation, exchange rates, GDP growth, stock valuations, unemployment, earnings growth, and more. This data helps us identify risks and opportunities across industries and geographies.

Looking forward with such breadth helps us see signs of change ahead of the pack. Our models, for example, showed years ago that financial services companies would have margins stripped bare by an extended period of low interest rates. While this industry was at risk of underperformance prior to the pandemic, the severe rattling of global markets pushed them out of favor. By limiting our exposure to financial services, we helped insulate portfolios from some of the broader market decline.

Having a long-term picture is crucial, but staying nimble is just as important. When dramatic and unexpected events hit the markets, reacting quickly and decisively is key. This is different than "market timing," which we don't encourage: adjustments should be made in real time, but still must be based on where the market is headed rather than where it is at a given moment.

Zevin uses a proprietary, dynamic econometric model.

IS THE COMPANY
FINANCIALLY SOUND?



With the big picture sketched out, we drill down to industries and companies that are positioned to outperform.

Financial fundamentals come first. If a company is not financially sound, it shouldn't be considered – even if it shows promise for the future.

The portfolio must be built around stocks with proven, consistent revenue and earnings growth, strong balance sheets, committed industry leadership, enduring competitive advantages, and attractive returns on capital. Any analysis should start with these key foundational elements.

At Zevin, we go further to create a 4-year fundamental model that determines attractive entry and exit price levels. We re-examine a particular stock to sell 1) when the price target is realized, 2) if fundamentals change, 3) if macroeconomic analysis alters asset/region/industry outlooks, or 4) if a change in environmental, social and governance (ESG) factors introduces new risks.

This type of on-going analysis leads to well-researched opportunities like an emerging markets online retailer that promotes entrepreneurs and more universal access to commerce. When Zevin began adding the stock to client portfolios in 2009, it was well-positioned to benefit from secular trends towards ecommerce in emerging markets, while building a model that contributes to a community ecosystem and supports sustainable business practices.

Since that time, it has demonstrated the potential that comes from blending ideal market positioning, fundamental strength, and ESG. The firm's stock price performance underscores the power of a research process that identifies risk and opportunities based on an informed, holistic perspective.

IS THE COMPANY

LIVING IN A BUBBLE?

Companies that don't prioritize ESG are missing the point: in the real world, being aware of non-financial issues may well be the difference between thriving long-term or collapsing.

Employee and vendor treatment, income and equality gaps, climate change – all these items relate to tangible risks that build over time.

The turmoil of 2020 demonstrated how these factors can come to a head and directly impact company performance. The wildfires disrupted supply chains and laid waste to entire West Coast regions; employee treatment during the pandemic strengthened or weakened the reputational and cultural fabric of companies; and economic inclusion rose to the fore amidst the Black Lives Matter movement and related social outcry and unrest.

Climate change is often the most straightforward concern to assess and is worth using to illustrate the risk. A 2020 report issued by the Commodity Futures Trading Commission underscored the tremendous threat posed by dramatically shifting weather patterns, captured succinctly in its opening paragraph: "Climate change is already impacting or is anticipated to impact nearly every facet of the economy, including infrastructure, agriculture, residential and commercial property, as well as human health and labor productivity."

Climate change is a threat at the macro level, but also at a more granular corporate level. Environmental issues across supply chains, energy resiliency, and access to customers are just a few of the business-critical aspects at risk.

There are two major types of physical risks associated with climate change: acute risks that are driven by events (like extreme weather phenomena) and chronic risks linked to long-term climate patterns. Companies' financial results might be harmed by direct damage to assets, indirect impacts from supply chain disruption, changes in water availability and quality, food security, and extreme temperature changes affecting employees.

Physical climate risk presents differently in different industries

INDUSTRY	RISK
Energy	Equipment and infrastructure are vulnerable to drought, hurricanes, etc., which may lead to service disruption or pollution impacts.
Transportation	Transportation infrastructure is vulnerable and extreme weather could lead to service interruptions.
Real Estate and Materials	Buildings have fixed locations, which could be vulnerable in extreme weather events and also lose tenants or require costly retrofits.
Agriculture, Food and Forestry	Rising global temperatures and more severe weather events disrupt pollinations and also could endanger crops and herd safety.
Financial and Insurance	While not affected directly, companies that lend to or insure companies with material physical climate risks are on the hook financially. This can potentially lead to large losses at banks and insurers.

When companies are geared for this reality, they demonstrate better decision-making, greater brand strength, and a more sustainable growth path. We research these risks and how they regularly play out in various industries. This process produces insights for portfolio construction, as well as advocacy priorities to influence companies to improve through our shareholder engagement programs.

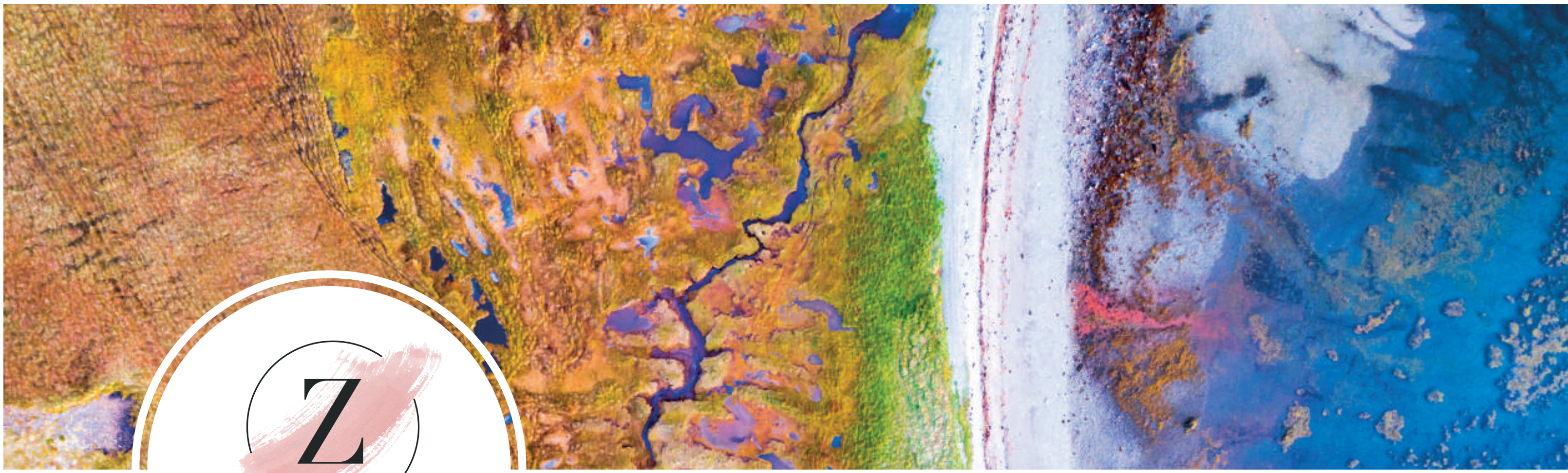
Climate is one of several key environmental and social issues that tie to company performance. A strong research process relies on both ESG data and direct qualitative research into companies to determine whether management is operating the company to succeed in the world as we know it – or is taking an isolated viewpoint that dismisses these very real challenges. Our experience points to the former as a better investment.

VESTAS WIND SYSTEMS (VWS)

Denmark-based Vestas manufactures and services wind power equipment that helps customers address the growing demand for cleaner energy. We expect the growth of alternative energy to continue unabated as countries struggle to address climate change. Vestas has led research and development helping to reduce the cost of wind power, thereby approaching parity with traditional energy sources on a levelized cost of electricity (LCOE) basis.

STRONG INVESTMENTS:

GREATER THAN THE SUM OF THE PARTS



Zevin Asset Management

Why take such a rigorous approach to assessing each investment? The answer is simple: it all matters. When we combine a rigorous top-down methodology with experienced fundamental research and ESG analysis, we are considering the full scope of factors that could raise or sink a stock's long-term value.

The key to this mindset comes with understanding that any one factor could make a difference, but it is the strength of the whole that provides protection from outsized risk. It may be that no single element takes center stage for a company, but the combination of strong corporate leadership, financial fundamentals, and a commitment to ESG creates a compelling investment combination for portfolios. We hope that you concur and will continue this dialog with us about the future of successful investing.

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