

## A Letter from the CIO

We believe that the defining macroeconomic theme of this decade will be the reindustrialization of North America. This theme is driven by the confluence of deglobalization and decarbonization: two separate global trends that are increasingly converging in scope and intensity. Energy and natural resources play a central role in each of these trends.

North America, with its enormous market, innovative companies and rich natural resources, is attracting all the components of the supply chain and manufacturing process closer to the point of consumption. This, along with incentives in the Inflation Reduction Act, is driving reindustrialization<sup>1</sup>. Shifting manufacturing and production of everything from pharmaceuticals to semiconductors from Asia towards North America will mean greater investments by companies locally and higher wages for the workers required which will, in turn, rebuild the communities that have been negatively impacted by offshoring. This represents once-in-a-generation investment opportunities, and we see significant value being created as North America transforms its energy and transportation systems to meet new demands.

The COVID-19 pandemic and the conflict in Ukraine revealed the fragility of our global supply chains and our vulnerability to geopolitical threats far from our shores<sup>2</sup>. We believe re-shoring key industrial capacities will make us more resilient, more secure, and more efficient. It may also make our economy stronger and our industries cleaner.

Re-shored producers will likely electrify their operations to take advantage of the continent's relatively low energy costs, especially if you price carbon. We believe expanding demand will stimulate an overdue upgrade of our aging grid. This power will come from renewable energy sources combined with natural gas produced under the OGMP framework, which North America has in abundance.

We expect reindustrialization will have multiple cascading benefits for the United States and those who invest in its future. A cleaner and more resilient energy grid will mean more competitive industries.

Ramped up domestic production will mean cleaner and more secure sources of the goods we rely on. After decades of separating domestic creativity and overseas manufacturing, it is time for companies to bring the two back together again. Innovation will once again sit next to where the products are designed and built.

These transformations are all taking place now<sup>3</sup>. What is unknown and variable is the pace of change. Overly bureaucratic permitting processes and outdated regulations act as bottlenecks that slow progress. Fixing these will unlock enormous value for those who have the foresight to recognize them and will accelerate the transition to a more sustainable society.

Established legacy companies that have embraced fast changing technology have an opportunity to outgrow GDP for the first time in modern history. We work with a select few because they are better able to make meaningful disruptions to their industries than any start-up. Moreover, we've found they are receptive to the idea of transformation. After all, the leaders of these global enterprises have a fiduciary responsibility to their shareholders, and they see the transformations looming in their future just as we do. Our objective as active investors is to help them maintain their position and strengthen their profitability by taking a lead role in the transition.

Getting the big trends correct while having a process that is proven, repeatable, and teachable is the key to delivering value to our investors. We see this as powerful validation of our process-oriented approach.

We're excited to have you with us.



Christopher James,  
Founder & CIO, *Engine No. 1*

## Important Disclosures

© 2023 Engine No. 1 LP. All rights reserved.

Before investing you should carefully consider the fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained from <https://etf.engine1.com>. Please read the prospectus carefully before you invest. Investing involves risk, including the possible loss of principal. Shares of any exchange-traded fund (ETF) are bought and sold at market price (not net asset value (NAV)), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

The description of Engine No. 1's investment strategy is intended to be representative but may be changed from time to time by Engine No. 1, and Engine No. 1 may alter the information at its discretion. Engine No. 1 intends to be focused and directed in the selection of opportunities to actively engage with portfolio companies of the Fund. Engine No. 1 intends to measure the investment made by companies in their employees, communities, customers and the environment, including through the use of financial, operational, and sustainability metrics. While Engine No. 1 may seek an active ownership approach, such activities may not be successful or, even if successful, the Fund may incur additional costs or its investment may still lose value. In addition, while Engine No. 1 intends to seek opportunities to employ its active ownership beliefs, restrictions, corporate policies, regulatory and fiduciary concerns may limit the nature and extent of engagement under certain circumstances and such activities may not be successful.

This letter may contain forward-looking statements, which reflect Engine No. 1's current views with respect to, among other things, Engine No. 1's operations and performance. You can identify these forward-looking statements by the use of words such as "anticipate," "approximately," "believe," "continue," "estimate," "expect," "intend," "may," "outlook," "plan," "potential," "predict," "seek," "should," or "will," or the negative version of these words or other comparable words. Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Engine No. 1 undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Engine No. 1 may consider any sustainability factors as core to its investment process but its specific focus for the Fund will be on the environmental factors most relevant to climate change.

Engine No. 1 intends to incorporate sustainability insights and analysis to ultimately drive financial and operational performance however there is no guarantee that this strategy will be achieved, and such assessment is at Engine No. 1's discretion. Engine No. 1 does not use sustainability ratings or rankings to exclude specific companies, but instead uses its own proprietary analysis to attempt to make better informed decisions. The Fund may forgo certain investment opportunities that do not meet Engine No. 1's criteria and results may be lower than other funds that use different or no sustainability criteria to screen out certain companies or industries.

### **Investing involves risk, including the possible loss of principal.**

Funds have different risk profiles, objectives, and expenses, which should be considered when investing. All investments contain risk and may lose value. Investing in securities and other financial instruments entails substantial risk, including the possible loss of principal. The investment opportunities discussed or referenced herein may not be suited for all investors, and potential investors must make an independent assessment of the appropriateness of any investment opportunity in light of their own objectives and circumstances, including the possible risk and benefits of entering into such an investment opportunity. References to other securities are not an offer to buy or sell. The information contained herein is not complete, may change and is subject to, and qualified in its entirety by, the more complete disclosures, risk factors and other information contained in the Fund prospectus. The information is furnished as of the date shown. No representation is made with respect to its completeness or timeliness. This information is not intended to be, nor shall it be construed as, investment advice or a recommendation of any kind. Certain information has been obtained from third party sources and, although believed to be reliable, has not been independently verified and its accuracy or completeness cannot be guaranteed.

Economic, political, legislative and regulatory developments or even pandemics may occur that significantly affect certain sectors. These may cause the Funds' NAV to fluctuate more and have a greater impact on the Funds' performance.

The Fund is advised by Fund Management at Engine No. 1 LLC. Distributed by Foreside Financial Services, LLC. Fund Management and Foreside Financial Services are not affiliated with Engine No. 1.