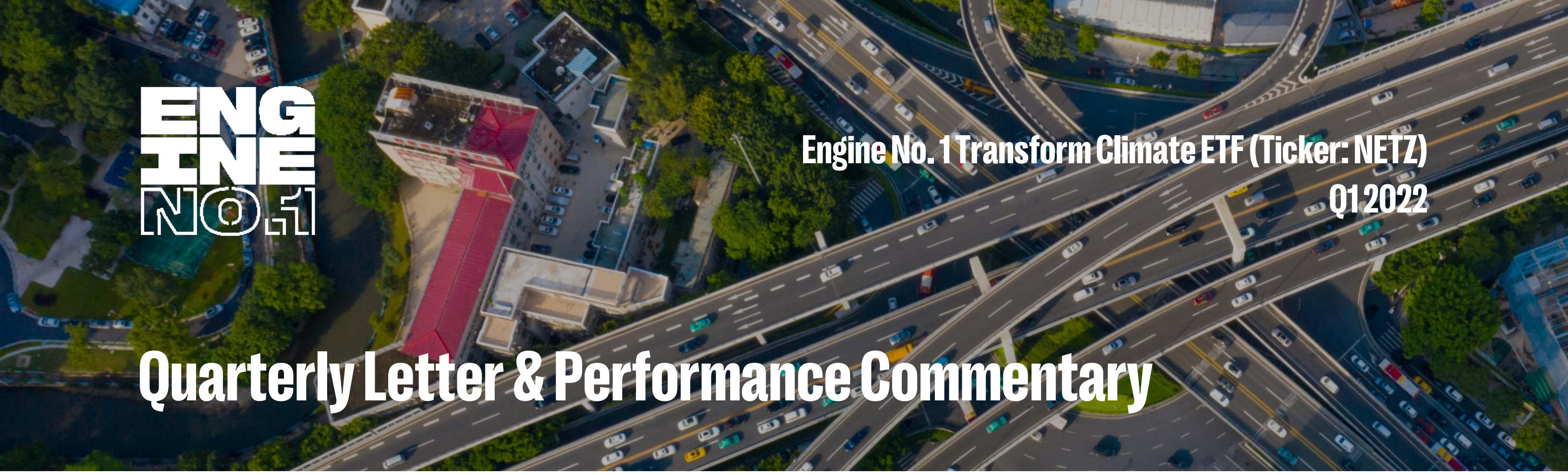

Engine No. 1 Transform Climate ETF (Ticker: NETZ)
Q1 2022

Quarterly Letter & Performance Commentary

This Is Our Moment

We are living through an unsettling time as one era comes to an end but before a new one fully emerges. We are moving steadily toward a decarbonized world, yet we're still dependent on fossil fuels to meet our immediate energy needs. And while we are headed toward a more just and resilient economy, our markets still depend on distant workforces linked by fragile supply chains. It's an awkward and uncertain moment, but one filled with opportunities to capitalize and create wealth as we drive the transition of businesses.

Engine No. 1 was created for this moment.

Like any pioneers crossing an unfamiliar landscape, we are guided by a constant belief: Ours is a very specific definition of sustainability. We define a sustainable business as one that covers its cost of capital while accounting for all of its externalities. We invest in sustainable businesses because they are the most durable and profitable enterprises. We believe that sustainable companies drive wealth creation over time.

At Engine No. 1, we use environmental, social, and governance (ESG) metrics and the dollar cost of a company's impacts or externalities in our Total Value Framework. Unlike divestment and negative stock screened "ESG" funds, we judge companies on how they maximize their positive impacts on society, not simply minimize their negative impacts. This enables us to see the universe of investment possibilities in an economic, nonideological way.

In our view, there are three powerful and converging secular trends that are driving our progress toward a more sustainable world: localization of supply chains, moving towards true living wages, and the decarbonization of everything. These positive trends predate the pandemic and the outbreak of war in Europe, although COVID and Ukraine have highlighted and accelerated them. Each are interrelated and each has an inflationary impact on the global economy. If there is a common theme to the transition to a more sustainable world, it is inflation for the period of this transition. Innovation that has driven deflation has been the dominant theme over the last several decades, we believe that transition is the dominant theme for the foreseeable future.

Decarbonization

We believe it's not hyperbole to say that the energy transition represents one of the single largest investment opportunities the world has ever seen. While others who share this view have avoided investing in what they consider to be incumbent firms in "brown" industries — or have divested some of their holdings — we take a different approach. We engage with those companies at the heart of the transition and help them become valuable participants in the new economy.

Engine No. 1 Transform Climate ETF (NETZ) aims to invest in companies that will drive and benefit from the energy transition. These include companies across multiple industries that have a clear strategy to create value on their path to net-zero carbon emissions. We select companies that we perceive are on the right path to generate stronger performance and higher value over time.

Right now we believe that the greatest immediate opportunities are in commodities and the supply chain — and our holdings reflect that. While breaks in the supply chain are having a direct impact on global commodity prices, the more interesting price driver is decarbonization. The problem – or *opportunity* if you look at it differently – is that customers are transitioning to a decarbonized world faster than the infrastructure enabling it.

In other words, demand is nonlinear and supply is linear.

For example, significant decarbonization will require ever greater reliance on batteries and minerals such as cobalt and lithium that are crucial to battery production. As demand for electric vehicles (EVs) increases, so too will it increase for these and other strategic commodities. But there simply isn't enough of these raw materials to meet that demand. Moreover, less than 2% of the world's lithium comes from the United States and barely any of its cobalt.

Not surprisingly, some of the best performers in NETZ since its inception in February are those companies that occupy strategic positions on the decarbonization frontier. Our top five contributors and top five detractors for the quarter were (in order):

Q1 2022 NETZ Top Contributors and Top Detractors[1]

Top Contributors			Top Detractors		
Ticker	% Return	% Exposure in NETZ	Ticker	% Return	% Exposure in NETZ
AA	2.28%	4.13%	GM	–1.02%	5.42%
SEDG	1.75%	2.07%	APTV	–0.69%	1.43%
OXY	1.67%	2.53%	F	–0.55%	5.49%
CF	1.62%	1.59%	SBGSY	–0.47%	0.00%
DE	0.84%	5.99%	BIRD	–0.47%	0.52%

Additional commentary on select contributors and detractors is as follows.

- **Alcoa Corporation (AA +2.28%):** Alcoa was NETZ's top contributor in Q1 2022. The stock's 52% rally from fund inception to 3/31/2022 was underpinned by rising aluminum prices, driven higher by new incremental demand from two ESG themes: electric vehicles and beverage cans.[2*] Lightweight aluminum helps offset the weight of heavy EV batteries, enabling longer battery charges and longer driving ranges. Aluminum beverage cans are recycled at a 50% rate, compared with 40% for glass and 27% for plastic, driving increased demand among sustainability-focused consumer packaged good (CPG) companies.[3] Our thesis, however, is based not only on our bullish forecasts for aluminum prices but also on AA's imaginative new products, such as a carbon-free aluminum (ELYSIS), which it plans to roll out at scale over the next few years. These products could be complete game-changers for the aluminum industry, and we believe AA is poised to benefit from leading its industry's transition.
- **Occidental Petroleum Corporation (OXY +1.67%):** Occidental Petroleum, a crude oil and natural gas producer, has benefited from the runup in oil and gas prices, which started before Russia invaded Ukraine and accelerated after the conflict began. Like AA, OXY is an inaugural NETZ holding, and it rallied +43% during our Q1 holding period.* OXY is pursuing a strategy that aligns with our thinking on short-lived versus long-lived assets. In short, accessing rapidly depleting reserves today will enable us to use oil and natural gas during the transition to cleaner energy, but their short-lived nature precludes us from relying on fossil fuels any longer than necessary. OXY's ESG initiatives, including its Direct Air Capture project and zero-flaring goals in the Permian by 2030, are well regarded in the space. OXY has signed up for the Oil & Gas Methane Partnership 2.0, whose signatories have committed to monitoring and reducing their methane emissions. The company also has net-zero targets across scopes 1, 2, and 3 for 2050.
- **CF Industries Holdings, Inc. (CF +1.62%) / Deere & Company (DE +0.84%):** Although the conflict in Ukraine has had a negative impact on our auto exposure (discussed below), it benefited our agriculture-related holdings. Restrictions on Russian imports of oil and natural gas propelled fertilizer prices and benefited CF Industries, a US supplier of nitrogen-based products. Similarly, food and fertilizer inflation also boosted Deere & Co, the leading global agriculture equipment manufacturer. We believe that DE's precision agriculture products, which can both reduce fertilizer use and improve yields, provide compelling value propositions to farmers, and we are seeing significant demand in today's macro environment. We held both CF and DE from NETZ launch through quarter-end, during which time the stocks appreciated +38% and +11%, respectively.

1 Gross performance is unaudited. Gross performance attribution is calculated before management fees and expenses. The Top Contributors and Top Detractors in the above table represent attribution to the Fund's gross return for the period from 2/2/22 to 3/31/22. The amount of the profit or loss includes market fluctuations for each position. Return figures shown here use the Carino algorithm, which is an industry standard smoothing algorithm. Carino Smoothing calculates a factor that scales each month's return and uses compound scaled factor to arrive at the total period return. The calculation of gross performance attribution does not correspond to the calculation of net performance for the Fund or any investor for the same period because of the difference in calculation methodology. The holdings identified do not represent all of the securities in the Fund's portfolio. Additional information with respect to the calculation methodology and/or a list showing each portfolio holding's contribution to the gross performance during the period is available for review upon request.

2 The inception of the Engine No. 1 Transform Climate ETF is 2/2/2022

3 EPA, Morgan Stanley Research, Plastics Recycling Primer 2021-06-01

* The percentage referenced relates to each security's price performance from February 2, 2022 to March 31, 2022, and do not reflect the security's performance as part of the Engine No. 1 Transform Climate ETF portfolio, and are provided for information purposes only.

Some of our NETZ holdings have not performed as well as we had hoped this quarter.

- **General Motors Company (GM -1.02%) / Ford Motor Company (F -0.55%):** Our investments in General Motors and Ford are predicated on their ambitious EV transformations. Unfortunately, both felt the impact of rising interest rates and materials inflation/shortages stemming from the conflict in Ukraine, as well as the recent COVID outbreak in China. Nonetheless, we remain confident that the easing semiconductor bottleneck will provide the launchpad for a multiyear cyclical recovery. GM and F each declined 18% between NETZ's inception and 3/31/2022, as the macro headwinds affected both similarly.*
- **Aptiv PLC (APTV -0.69%):** Aptiv is a global supplier of advanced electrical systems; its business is designing and assembling a car's electrical architecture, including wiring assemblies, cabling, and safety distribution. While we believe that APTV is poised to gain market share over the medium to long term as vehicles become electrified, it suffered from the same macro headwinds as GM and F. APTV's stock fell 14% from NETZ's launch through the end of Q1.*
- **Schneider Electric SE (SBGSY -0.47%):** We held Schneider Electric SE in NETZ's launch because it is a global leader in electrical energy management equipment and industrial automation solutions—two megatrends that support what NETZ is all about. By early March, however, we felt that its exposure to EU supply chains and expensive raw materials posed several near- and long-term risks that would prevent our thesis from playing out as we initially anticipated. We sold out of SBGSY with a holding period return of –18% and have diverted our focus toward similar opportunities in the United States, like Rockwell Automation, which is currently a top 10 holding for the fund.[5]

Differentiated Views, Differentiated Performance

NETZ outperformed the broad US equity market in Q1 2022 whereas ESG-screened ETFs underperformed. NETZ performance from inception of 2/2/21 to 3/31/21 = 7.88% and NETZ market price performance from inception 2/2/21 to 3/31/21 = 9.34.[4] While the performance is short term, we believe it validates our thesis that while ESG is a useful set of data for fundamental analysis, it is not an asset class or a strategy that can deliver performance or spur meaningful change in corporate behavior.

Specifically, NETZ outperformed the broad US equity market, as measured by the Morningstar® US Market Extended TR USD Index, by 7.88% from its inception to quarter-end, while thematic ETFs were mixed over the same period. Meanwhile, screened ESG US large-cap equity ETFs underperformed and had higher exposure to technology instead of sectors in transition.

The Future

The purpose of NETZ is to create value as we transition to a more sustainable world. That means scouting the terrain ahead and identifying the bottlenecks as well as the enduring secular tailwinds that create investment opportunities. Right now we are see opportunities emerging in transitioning sectors like mobility, energy, and agriculture. What they have in common is that they are being reformed and reshaped by the pressures, such as inflation, that accompany decarbonization.

Let's drive the transition together. Join us.

[4] **The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For the most recent month end performance please visit ETF.Engine1.com.**

[5] The percentage referenced relates to each security's price performance from February 2, 2022 to March 4, 2022, and do not reflect the security's performance as part of the Engine No. 1 Transform Climate ETF portfolio, and are provided for information purposes only.

* The percentage referenced relates to each security's price performance from February 2, 2022 to March 31, 2022, and do not reflect the security's performance as part of the Engine No. 1 Transform Climate ETF portfolio, and are provided for information purposes only.

Important Information

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 Transform Climate ETF (NETZ) is actively managed and may be susceptible to an increased risk of loss, including losses due to adverse events that affect the Funds' investments more than the market as a whole, to the extent that the Funds' investments are concentrated in the securities of a particular issuer or issuers, country, group of countries, region, market, industry, group of industries, sector or asset class. Shares are subject to the risks of an investment in a portfolio of equity securities in an industry or group of industries in which each Fund invests. Investments in emerging market countries may be subject to greater risks than investments in developed countries. The Funds may purchase and write put and call options on futures contracts that are traded on an exchange as a hedge against changes in value of its portfolio securities, or in anticipation of the purchase of securities, and may enter into closing transactions with respect to such options to terminate existing positions. There is no guarantee that such closing transactions can be effected.

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 environmental, social and governance ("ESG") 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 ESG 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 ESG 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 ESG 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 ESG criteria to screen out certain companies or industries.

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