Engine No. 1 Transform Climate ETF (Ticker: NETZ) Q4 2022

Quarterly Letter and Performance Commentary

We're different... and each quarter brings that difference into sharper focus.

Nearly 75% of global greenhouse gas emissions come from just three segments of our economy – energy, agriculture, and transportation – and to drive decarbonization at scale, you need to go where the emissions are.[1] While most climate-focused strategies invest in early-stage green technology companies, NETZ invests in the heart of the energy transformation – directly through the companies in the most carbon-intensive industries. We believe that these system transformations present an opportunity to unlock tremendous value and we have allocated the fund's capital accordingly.

Our Fourth Quarter Performance

In Q4, NETZ returned 3.70% bringing our year-to-date performance to -4.35%. This compares to the Morningstar® US Market Extended TR USD Index which increased by +7.21% in Q4 and declined by -15.01% for 2022. Consistent with the trend of 2022, the markets experienced their fair share of volatility in Q4 and we would expect that to continue in 2023. While performance fared well in 2022, we recognize that our strategy will have periods of both relative outperformance and underperformance. Our job is to focus on what we can control: the quality of our investment process and decision making to compound at superior rates of return versus the market over a multi-year period.

2022 was a year of significant change in the market and the economic backdrop as we rapidly transitioned from a world where generational-low rates of capital were supported by central bank policy to an economic environment that began to assign a more historically reasonable cost of capital to future risk. To put that into context, the yield on 10yr US Treasury bonds began the year at 1.51% and ended at 3.88%. Unsurprisingly, businesses with a greater portion of their value derived from cash flows realized well in the future were the most impacted by these rate changes. On the other hand, value stocks or companies with higher free cash flow yields outperformed in 2022 after a long period of underperformance.

For the year, the S&P 500 declined by -18.11% inclusive of dividends. More than 100% of this decline was driven by the earnings multiple which fell from 21.5x at the beginning of the year before finishing at 16.8x which is right in-line with its 10year average. While the market's performance on its own was notable, underneath the hood there was significant dispersion.

From the *Industry Performance* chart on the following page, you can see that the Energy Index was the notable outperformer in 2022 delivering a total return of 64%, far greater than the Technology sector which lost (28%). Digging a layer further, the dispersion between individual stocks was even greater.

[1] Global Greenhouse Gas Emissions Data, US EPA

Our Fourth Quarter Performance *(cont'd)*

This dispersion is a function of the rising cost of capital being required by the market today and companies with superior fundamentals will be rewarded. While there are many pitfalls to be avoided, this is a stock pickers market and one that excites us as investors.

2022 also delivered further evidence of our hypothesis that the energy transformation is accelerating. It's also worth noting that despite the recent outperformance, the "old economy" sectors have still significantly underperformed the technology sector over longer-term periods.

We anticipate that many of these "old economy" businesses will experience accelerating growth, earnings and returns on invested capital over the next decade compared to the prior decade in part due to their role in the energy transition. We believe there will be significant upside for many of these businesses.

Industry Performance

	1 Year	5 Year	10 Year
Energy	64%	55%	78%
Industrials	(6%)	42%	214%
Materials	(12%)	42%	154%
Technology	(28%)	106%	399%

Q4 2022 NETZ Top Contributors and Top Detractors

Top Contributors

	% Contribution Q4 2022	Avg. Weight Q4 2022
Deere & Company (NYSE: DE)	2.09	8.17
Airbus SE (OTCMKTS: EADSY)	1.17	3.93
Archer-Daniels-Midland (NYSE: ADM)	1.13	2.37
Rockwell Automation Inc (NYSE: ROK)	0.97	5.19
Shell Plc (NYSE: SHEL)	0.85	6.12

Top Detractors

	% Contribution Q4 2022	Avg. Weight Q4 2022
Republic Services Inc (NYSE: RSG)	(0.29)	7.07
Quimica y Minera Chil (NYSE: SQM)	(0.31)	0.77
First Quantum Minerals (OTCMKTS: FQVLF)	(0.37)	0.31
Tesla Inc (NASDAQ: TSLA)	(2.20)	2.61
Livent Corp (NYSE: LTHM)	(2.41)	6.37

NETZ Performance (Quarter end as of December 31, 2022)[2]

	Cumulative %					Annualized %				
	1 MO	3 MO	6 MO	YTD	Since Inception[3]	1 YR	3 YR	5 YR	10 YR	Since Inception
NAV	(8.07)	3.70	9.53	–	(4.35)	–	–	–	–	(4.35)
Market Price	(7.93)	3.67	9.78	–	(4.31)	–	–	–	–	(4.31)
Index	(5.89)	7.21	2.35	–	(15.01)	–	–	–	–	(15.01)

[2] Engine No. 1 Transform Climate ETF Total Expense Ratio: 0.75

[3] Engine No. 1 Transform Climate ETF incepted February 2, 2022.

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. Fund performance (since inception) can be found at etf.engine1.com/netz.

Index refers to the Morningstar® US Market Extended TR USD IndexSM. Index returns are calculated based on changes in closing index levels. An investor cannot invest directly in an index. NAV return represents the total return of the fund based on changes to the net assets and accounts for distributions from the fund. Market Price returns are calculated using the closing price and account for distributions from the fund.

A Deeper Dive on Top Contributors and Detractors

Top Contributors

Deere & Company (NYSE: DE)

Deere continues to benefit from record low inventories of large ag machinery. Deere's production & precision ag products are sold out through the middle of the year with solid double-digit pricing. With supply chain easing, we are closely monitoring when backlogs will begin to roll off peak levels. As we look through the cycle, Deere continues to look best positioned with their precision ag lead and unrivaled ability to transition to a subscription, recurring revenue model.

Airbus SE (OTCMKTS: EADSY)

Commercial air travel continues its recovery following the unprecedented impact from the COVID-19 pandemic. China had been the laggard as tight restrictions had held back both intra-China and international travel. Signs of a stark shift in policy began to emerge in December and the market became more optimistic that China could re-open sooner than expected. That realization was a clear positive for Airbus which will benefit from the growing travel demand translating into growing aircraft demand for years to come.

Archer-Daniels-Midland (NYSE: ADM)

Operating performance continues to support our thesis on the importance of food security, biofuels and renewable feed stocks in the energy transformation. The company is executing well, and crush margins continued to maintain their strength driving another strong quarter of results for Archer-Daniels-Midland versus expectations. This strong operating performance has resulted in accelerated free cash flow which has driven increasing capital returns to shareholders via share buybacks.

Top Detractors

Livent Corp (NYSE: LTHM)

Lithium prices experienced strong gains over the course of 2022 with lithium carbonate prices increasing by 94% in US dollar terms from the end of 2021 to November 14, 2022 when they peaked. From November 14 until the end of 2022 prices fell by 11%, for a net gain of 72% over the course of the year. Livent has limited exposure to spot prices as 70-80% of the Company's sales are made under long term contract at fixed prices however the stock nonetheless traded down on fears that the lithium price would steeply decline. We believe that Livent has one of the strongest growth profiles of any lithium producer, high quality production and development assets, and that they will benefit over the medium and long term from a tight lithium market.

Tesla Inc (NASDAQ: TSLA)

Towards the end of the year, we saw a significant softening in demand for Tesla vehicles across the globe. While Tesla is beholden to the consumer to determine the appropriate price of their products, we strongly believe that what is in Tesla's control—cost—is heavily in their favor. We are carefully monitoring near-term demand but remain bullish on Tesla's lowest cost and tech advantage.

First Quantum Minerals (OTCMKTS: FQVLF)

Copper demand is expected to be a major beneficiary of the energy transition with the potential for significant deficits arising in the future. First Quantum is a mid-sized producer of copper with an attractive cost profile and excellent track record of delivering growth projects. First Quantum operates primarily in Panama, Zambia, and Australia. In mid-December, negotiations between the Panamanian government and First Quantum over its Cobre Panama copper mine reached an impasse. This came as a surprise to the market and the shares traded off relatively sharply on the news.

Our Outlook

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 two separate global trends that are increasingly converging in scope and intensity: 1) deglobalization and 2) decarbonization. At the center of each of these trends is the role of the energy transformation.

Looking into 2023, most macroeconomic indicators are decelerating. We are facing slowing growth and the implications of higher interest rates on company performance. This type of environment will separate the best businesses from those with inferior products or services, business models, balance sheets and management teams.

Our portfolio is comprised of dominant franchises in their respective categories that are conservatively capitalized and run by managers that we trust and admire. While no company is immune from cycles, we are invested in businesses with structural growth at their back from the energy transformation and the reindustrialization of North America.

That's our competitive advantage. And yours.

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 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.

SPX refers to the Standard and Poor's 500, a stock market index tracking the stock performance of 500 large companies listed on exchanges in the United States.

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.

Cash flow duration is the weighted-average time to maturity of the cash flows generated by the stock.

The Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange.