

OneEarth ETF

HOLD the **MARKET**, VOTE for **CHANGE**

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THE PROBLEM

WHY AREN'T WE CREATING IMPACT IN PUBLIC MARKETS?



TRADITIONAL
INVESTORS

Short-term focus
ignores long-term
risks



ESG PRODUCTS

Divestment fails to
influence poor
performers



THE FIRM



Foregoes resilience;
Sacrifices long-term
value

Don't divest.

Engage.

OneEarth ETF

A passive fund that engages our largest companies
to **increase value** and **create sustainable impact**.

HOLD the **MARKET**, **VOTE** for **CHANGE**

OneEarth ETF

1. VEHICLE
2. IMPACT
3. SCALE

A scenic landscape featuring a dirt path that winds through a grassy field towards a coastline. In the background, there are mountains and a clear blue sky. The entire image has a blue color overlay.

THE VEHICLE

THE VEHICLE

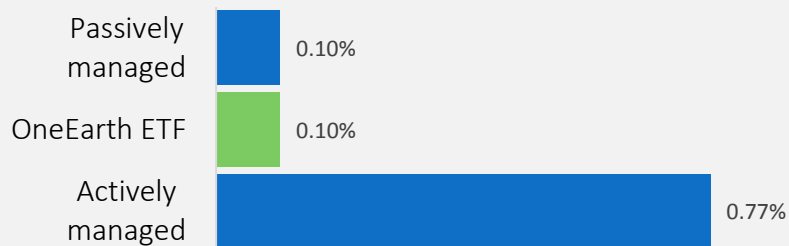
1. PRODUCT OVERVIEW

A passively managed index fund to track market returns.

Vehicle	Exchange Traded Fund
Ticker	ONEE
Target Fund Size	\$1,000,000,000
Asset Class	U.S. Public Equities
Benchmark	S&P500
Number of Holdings	505
Expense Ratio	.10%

3. COMPETITIVE FEE STRUCTURE

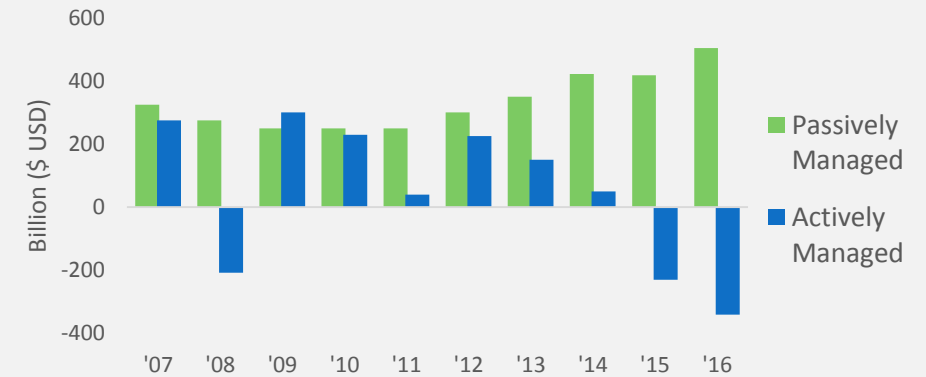
Average annual fees for U.S. stock mutual funds.



Source: Morningstar; WSJ;
Weighted by size of funds.

2. A PASSIVELY MANAGED FUND

Capitalizing on the trend toward passive investing.



Source: Morningstar.

4. RETURNS THE MARKET

Tracks the returns of the S&P500.

1 Year	3 Year	5 Year	10 Year
11.96%	8.87%	14.66%	6.95%



IMPACT

IMPACT GOALS

1. MEASUREMENT

What gets measured, gets managed.



Measure financially-material ESG factors



SASB accounting practices in 10-K filings



Increase accessibility and transparency of ESG data

2. PERFORMANCE

Meet companies where they are.



Benchmark material ESG performance for long-term value



Set targets based on sub-sector metrics



Publish requests and drive transparent engagement

MEASURABLE CHANGE

Five-step process to drive measurable impact in public markets.

STEP 1. **MEASURE** reporting and behavior

STEP 2. **BENCHMARK** to set targets

STEP 3. **PUBLISH** requests to companies

STEP 4. **ENGAGE** with management

STEP 5. **VOTE PROXIES** when practical

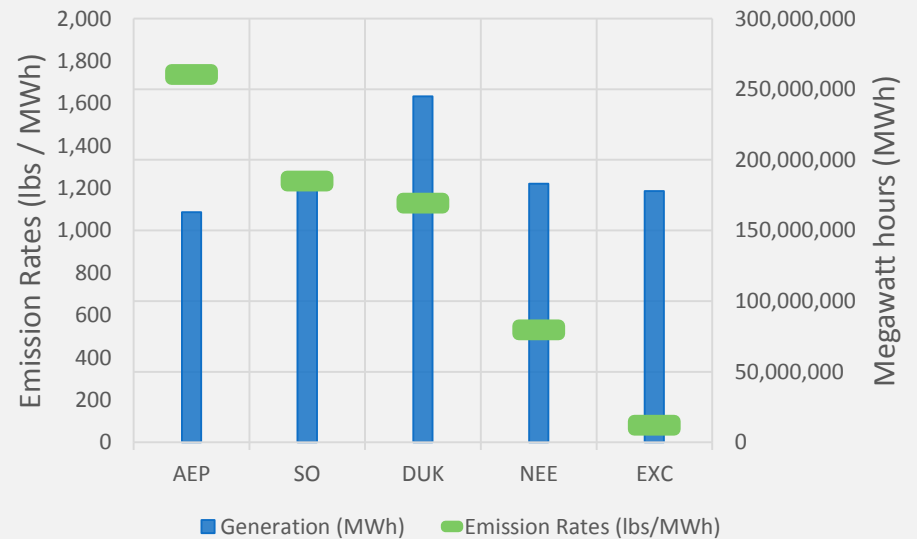
EXAMPLE – ELECTRIC UTILITIES

Duke (DUK)	Southern (SO)	NextEra (NEE)	Exelon (EXC)	American (AEP)
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MEASURE

% with Sustainability Reports	100%
% in SASB compliance	0%
Average Bloomberg Disclosure Score (out of 100)	49

BENCHMARK



Source: CERES Benchmarking Air Emissions, 2016



A scenic landscape featuring a dirt path that leads from the foreground towards a blue sea. The sky is a clear, deep blue. In the distance, a prominent, dark, triangular landmass is visible on the horizon. The foreground is filled with green grass. The word "SCALE" is overlaid in white, sans-serif capital letters, centered horizontally and positioned above a thin, light green horizontal line.

SCALE

HARNESSING EXISTING TRENDS



TARGETING LONG-TERM INVESTORS

1. INSTITUTIONAL INVESTORS

Focus on pensions, endowments, & foundations.



\$500 billion flowed into passive investment vehicles last year



Long investment horizon with ESG risk exposure



Mitigating reputational risks and conflicts of interest

2. MILLENNIALS

Building into retail channels for scale.



Projections show \$30 trillion of wealth transfer



Values-based investing that align with their ideals



Benefits of market returns for portfolio growth

MEASURING SUCCESS



FUND

\$ *Assets under management*

% *Growth YoY*

*Shareholders*

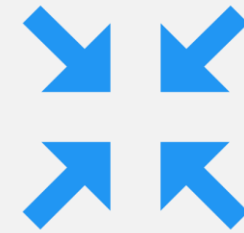


COMPANIES

% *Reporting SASB*

*Successful engagements*

% *Improvement on target materiality metrics*



COMMUNITY

\$ *External capital leveraged*

*Field-building materials published*

& *ONEE shareholder voice and participation*

OneEarth ETF

HOLD the **MARKET**, VOTE for **CHANGE**

A passively managed exchange-traded fund (ETF) that achieves risk-adjusted market-rate returns while using **shareholder engagement** and **proxy voting** to **change the behavior** of the largest companies in the public market.

Thank You

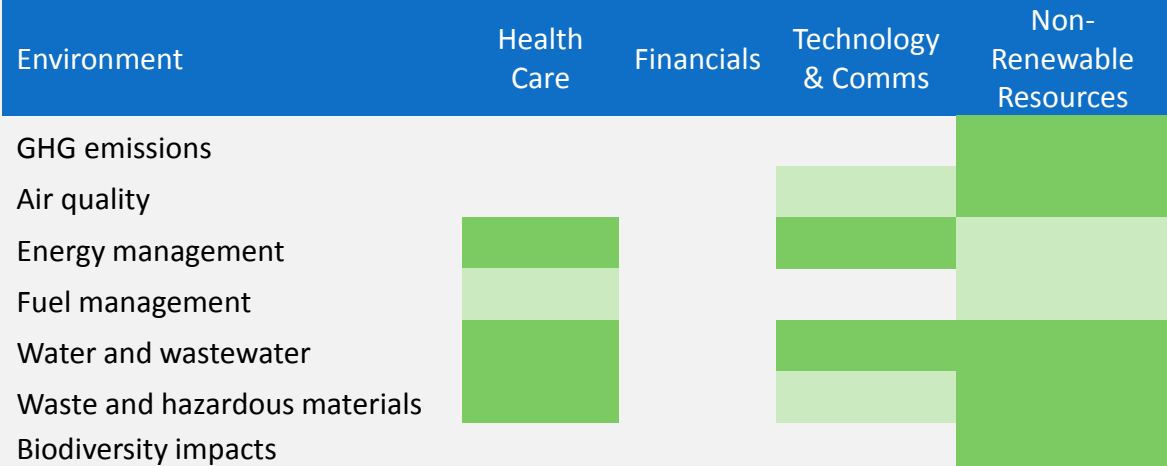
MATERIALITY, NOT MORALITY

MATERIALITY

Extent to which information in financial statements is considered to have an impact on users' decision making.

MATERIALITY OF ESG

Growing body of evidence that demonstrates the materiality of environmental, social, and governance factors.



Dark Green: Issue likely to be material for more than 50% of industries in sector
Light Green: Issue likely to be material for less than 50% of industries in the sector

©2017 SASB™ Materiality Map™

ENVIRONMENTAL

- carbon emissions
- renewable energy sourcing
- water & wastewater management

SOCIAL

- employee satisfaction
- employee health & safety
- supply chain labor standards

GOVERNANCE

- board diversity & female directors
- bribery and ethics
- long-term orientation

EVIDENCE OF APPETITE

1. ESG

Bank of America estimates that \$20 trillion will flow into U.S.-based ESG funds over the next few decades.

- *WSJ*

Global sustainable investment strategy assets now total \$22.89 trillion dollars.

- *Global Sustainable Investment Alliance*

Over 200 investors representing \$2.56 trillion in assets have filed resolutions on ESG issues.

- *U.S. SIF*

2. FIRMS

81% of S&P500 firms published sustainability reports in 2015.

- *G&A Report*

Only 10% of companies are integrating sustainability metrics into financial filings.

- *SASB*

Companies like Nestlé, Ford, and Tata Chemicals are using materiality maps in determining which sustainable investments to make.

3. INVESTORS

89% of global institutional investors will request sustainability information directly from companies.

- *SASB*

New ESG investment policies at CalPERS, CalSTRS and NYS Common.

BlackRock and State Street request climate disclosures from portfolio companies.

State Street pushing for female board representation.

ESG MATERIALITY & DATA SOURCES

1. EVIDENCE OF MATERIALITY

Growing body of evidence that demonstrates the materiality of certain ESG factors.

Khan, Mozaffar N., George Serafeim, and Aaron Yoon. "Corporate Sustainability: First Evidence on Materiality." Harvard Business School Working Paper, No. 15-073, March 2015.

Eccles, Robert G., Michael P. Krus, Jean Rogers, and George Serafeim. "The Need for Sector Specific Materiality and Sustainability Reporting Standards." Journal of Applied Corporate Finance. June 2012.

Koehler, Dinah A. and Hespenheide, Eric J. "Disclosure of Long-Term Business Value: What Matters?" Deloitte Research. Research Report. March 2012.

N. C. Ashwin Kumar, Camille Smith, Leila Badis, Nan Wang, Paz Ambrosy, and Rodrigo Tavares. "ESG Factors and risk-adjusted performance: a new quantitative model." Journal of Sustainable Finance and Investment. Vol 6, Issue 4. 2016.

Cheng, Beiting, Ioannou, Ioannis, and Serafeim, George. "Corporate Social Responsibility and Access to Finance." Strategic Management Journal, 35 (1): 1-23. May 2011.

2. DATA SOURCES

Varied and important sources of data for guiding decision making and benchmarking.

A. Sustainability Reports

B. Third-Party Providers

- MSCI
- RepRisk
- TruCost
- Sustainalytics
- CDP
- Bloomberg
- Thomson Reuters

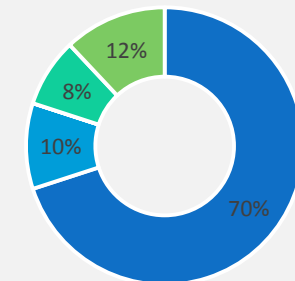
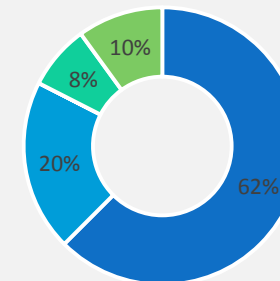
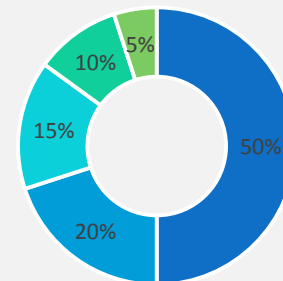
OPERATIONAL BUDGET & GROWTH

	Phase 1	Phase 2	Phase 3
Size of Fund	1,000,000,000	2,000,000,000	5,000,000,000
Fee	0.10%	0.10%	0.10%
Total Fees	\$ 1,000,000	\$ 2,000,000	\$ 5,000,000
Salaries	500,000	1,250,000	3,500,000
Operations	100,000	400,000	500,000
Launching the Fund	300,000	-	-
Marketing & Outreach	50,000	150,000	400,000
Legal fees	50,000	200,000	600,000
Total Costs	\$ 1,000,000	\$ 2,000,000	\$ 5,000,000

Additional scenario includes an initial .25% expense ratio targeting first movers to cover expenses.

The majority of expenses will be allocated for salaries. As the fund size increases, the team will grow from 3 to 6 to 10.

- Salaries
- Operations
- Launching the Fund
- Marketing & Outreach
- Legal fees



RISKS AND MITIGANTS

RISK FACTORS	MITIGATION / FEASIBILITY
ONEE fails to scale to the proportions necessary for engagement and impact	<p><i>Appeal to:</i></p> <ul style="list-style-type: none">- Long-term investor demographics- Focus on environmental risks and universal ownership <p><i>Focus on:</i></p> <ul style="list-style-type: none">- Building alliances to facilitate voting blocs- Benefits of diversification and low-cost, passive investing- Ability to actively engage with “screened out” firms
Cannibalization of existing ESG	<ul style="list-style-type: none">- ONEE has greatest appeal to passive index investors (Vanguard, Blackrock, etc.)- ONEE is distinct alternative to typical ESG: separate and complementary
Reputational Risk for Institutional Investors	<ul style="list-style-type: none">- ONEE is a standalone product- Platforms not directly exercising shareholder activism, and not directly challenging firm management

SHAREHOLDER PROXY VOTING

“Proxy voting is the sleeping giant of the investment world: an enormously powerful tool if used thoughtfully to shape corporate behavior.”

- Julie Fox Gorte, PaxWorld

- Key aspect of corporate governance, **but is often underutilized by mutual funds**
- **Any shareholder** can introduce resolutions.
- Managers **often negotiate** to implement proposed changes in exchange for withdrawal of resolution.
- Votes often prompt a response from management **when support is > 10%-20%**.
- Organizations and services like *Ceres*, *Proxy Impact*, and *As You Sow* are demystifying the voting process and empowering individual investors.
- **There has not been an organized, comprehensive push to scale an impact fund that leverages proxy voting.**

MILLENNIAL MOVEMENT

Millennials are poised to inherit wealth and invest that wealth in a way that aligns with their values.

- **92 million** millennial investors are anticipated to inherit up to **\$30 trillion** in the next 30-40 years
- **84%** of millennials are interested in sustainable investing
- Millennials are **twice as likely** as other cohorts to invest in companies and funds that target specific social and environmental outcomes

OneEarth ETF will access millennial investing through brokerage services and other retail channels, including:

- Vanguard
- Blackrock
- State Street
- Charles Schwab
- TD Ameritrade
- Fidelity
- E-Trade