



PLATINUM  
ECO  
CAPITAL

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ENVIRONMENTAL, SOCIAL, GOVERNANCE

## The ESG and Impact Investment Opportunity

1. Introduction

2. What is ESG?

3. Who is Platinum Eco Capital?

4. What is the Opportunity?

*“We have a longstanding commitment to Humanitarian causes because exemplary corporate citizenship is our highest goal. As a company with global reach and global interests, we have global responsibilities. Now sometimes I get asked if this commitment to ethical behavior affects the bottom line. My answer is always the same. Yes, it makes it stronger!”*

# What is ESG?

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1. Environmental

2. Social

3. Governance

# Platinum Eco Capital

- Platinum Eco Capital is an investment management firm specializing in sustainable investing
- Our mandate is to generate superior risk adjusted returns through active management from opportunities arising from the transition to a more sustainable economy
- Our equity strategy takes a concentrated approach based on fundamental analysis investing in publicly traded companies that are the leaders in the transition to a sustainable economy
- ESG and Impact seen as driving values and above-market returns
- Platinum Eco Capital is 100% employee-owned
- Management has an average of 25 years industry experience

# Impact and Returns-Focused Team

Deep and rooted relationships in sustainability/ESG/Impact, Cleantech and alternative energy alongside an extensive track record as sustainability investors who understand the landscape of investment opportunities.

	Joe Pastore	David Smith, CFA, CA
Experience	<ul style="list-style-type: none"> <li>&gt; CEO of Platinum Eco Capital, which he founded in 2019</li> <li>&gt; Portfolio Manager and Financial Advisor at Merrill Lynch and Morgan Stanley</li> <li>&gt; Portfolio Manager at Wilshire Associates focused on \$2b AUM hedge fund products targeted at major US pensions including CalPERS, Koch Industries and IBM</li> <li>&gt; Portfolio Manager for American Express Bank International in Beverly Hills headquarters, overseeing \$200m+ in accounts</li> <li>&gt; Pace University, Masters in Business Administration; New York University, BA</li> <li>&gt; Certified Divorce Financial Analyst (CDFA), Chartered Retirement Planning Counselor (CRPC), degree in Financial Planning</li> <li>&gt; Author of several publications including The Investment Handbook, How to Profit from Market Volatility, Eye of the Storm, Business Strategies for 2020, The Trump Trade, Inspirational Quotes, Balance and the Pursuit of Happiness, The Life Coaching Handbook and Digital Marketing and Social Media</li> </ul>	<ul style="list-style-type: none"> <li>&gt; CIO, Senior PM and partner of Platinum Eco Capital</li> <li>&gt; More than 20 years of experience covering the conventional and renewable energy, industrial, infrastructure and cleantech sectors on the buy- and sell-sides</li> <li>&gt; Partner, CIO and founder of Greentech Capital asset management business (2014 - 2019), Portfolio Manager of the developed markets (DM) Sustainable Growth LP, SMA and UCITS funds and thereafter the EM fund in 2017</li> <li>&gt; Portfolio Manager of the Gabelli Green Long Short Fund and the Gabelli RBI Long Only Fund</li> <li>&gt; Principal, Senior Analyst at Longbow Capital Partners, conventional and renewable energy, infrastructure and industrial sectors</li> <li>&gt; VP/Senior Research Analyst at Smith Barney/Citigroup leading small/mid-cap industrial growth, alternative energy and cleantech coverage</li> <li>&gt; University of Toronto, Finance and Accounting; Wilfrid Laurier University, Honors Business Administration (HBA); University of Western Ontario, Bachelor of Arts (BA) in Sociology</li> <li>&gt; CFA Charterholder and Chartered Accountant (CA)</li> </ul>

# Defining the ESG Investment Opportunity

**Directing capital to companies that either provide specific solutions to decarbonize or are transition leaders in decarbonizing and adopting social and governance measures internally as they stand to benefit the most from the resultant significant growth opportunities and competitive advantage that can result from implementing sustainable practices.**

- Climate Change – find the leaders making an impact and creating solutions
- Social Impact – the companies bringing people together through societal change
- Disruption – finding a “better way to do things”
- Do More with less – data, measurement lead shift to efficiency, smarter decision making
- Transitioning – new and old companies, growing universe – “the move to mainstream”
- Thematic growth – secular opportunities that solve a problem, competitive advantage
- Mainstream – today’s disruptors will become tomorrow’s incumbents
- Tap into investors’ desire to have an Impact with their investments – today!
  
- Generational opportunity for growth driven by change, disruptive innovation
- **The Sustainability Solutions opportunity** is large and growing: the CDP estimates a \$2.1 trillion\* opportunity for climate-friendly products and services that have an environmental impact in the coming 5+ years

ESG and sustainability investing started niche but has evolved to becoming a mainstream focus by investors broadly across all market sectors


# Evolving Approaches to ESG

Investment managers have adopted several approaches to investing in and around sustainability, and the process has evolved since the early 1970s to a focus on corporate citizenship. More recently, ESG investing targets sustainable business practices, products and services. This method seeks the leaders in both solutions and best-in-class operations and is an affirmative step toward the “mainstreaming” of ESG.

- **Negative Screening** – exclude companies/sectors from investment based on ESG concerns and controversies – “values-based investing”
- **Positive Selection** – capital allocation to companies seen as “best in sector” on ESG factors and scoring – “values plus a return”
  - Integration – combined analysis of ESG issues with fundamental, focus on transition risks and opportunities; applicable across entire universe
  - Thematic – allocates capital to **solutions** to sustainability challenges, picks best in class companies based on fundamentals, seeks to define impact



Fundamental  
Analysis, Risk  
Management



Cost and Risk  
Reduction



Value Creation and  
Solutions

- **Triple Bottom Line** – focus on People, Planet and Profits – managing risks while generating sustainable long-term returns

Negative screening has dominated asset flows historically, while positive selection has seen a significant growth uptick over the past 5 years as fund managers look at companies in transition and solutions leaders



# Direct and Measurable Environmental and Social Outcomes: SDGs Lead the Way

Invest in companies that help further the advancement of key UN Sustainable Development Goals (17 SDGs), emphasizing the social and environmental impact an investment can make.



## Green has to be Green

Funds targeting ESG and Impact need to be **performance focused, purpose-driven** and have an eye on the **impact delivered**.

Sustainable investing practices lead to **superior long-term alpha generation**. It is critical to own a **strategic and financial** interest in companies that make a measurable positive impact towards the transition to a lower carbon economy and social benefit.

The focus is not investing in a company just because it scores well on ESG measures -- its finding the best companies that are leading their respective industries and driving above-peer returns through risk abatement, market share gains and cost reductions as a result of driving efficiencies through the organization.

Every investment has either a positive or a negative effect. Consequently, no investment is neutral by default.

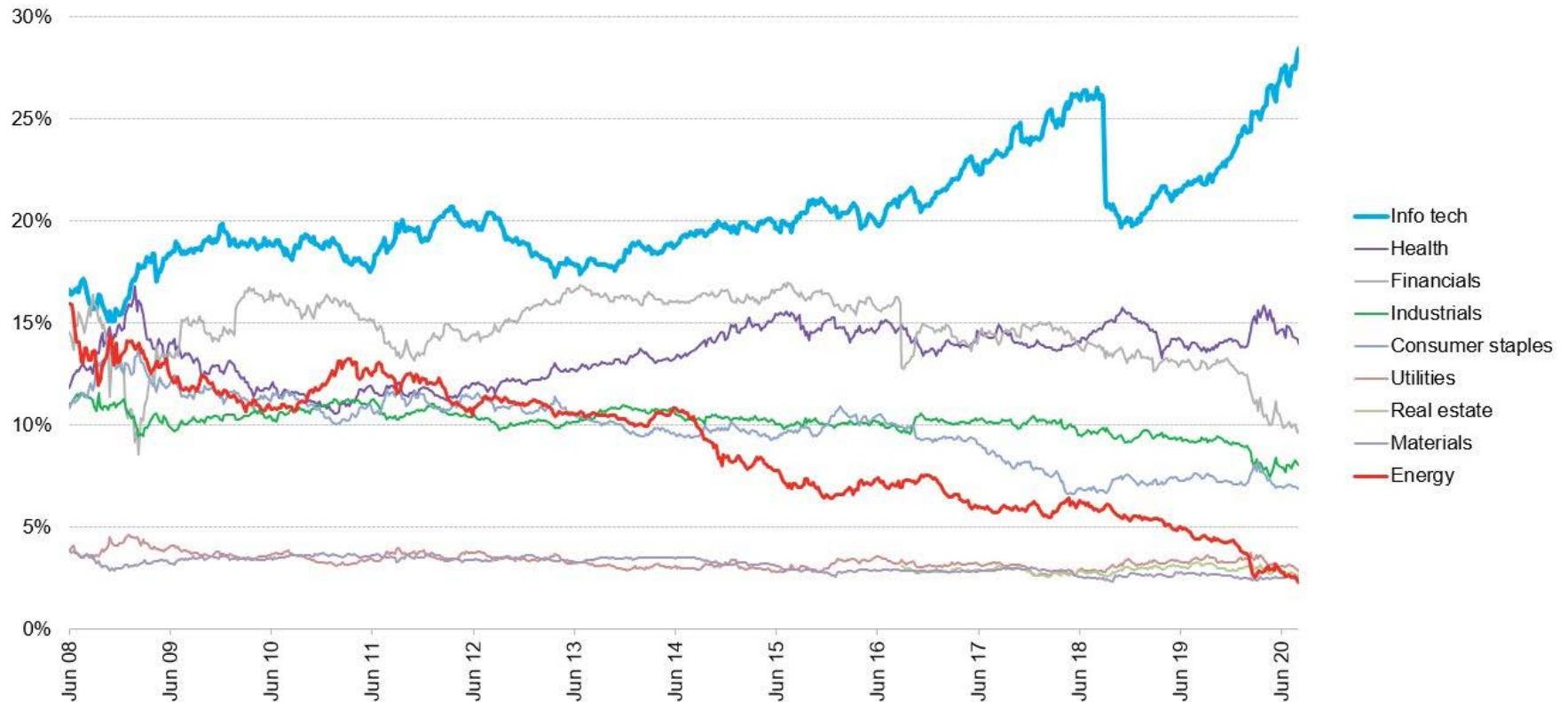
# Solutions: Impact and Disruption

- Generational shift in investor appetite towards ESG/sustainability/impact
  - Long-term “private investor” approach, low turnover focused on secular
- Sustainability is evoking a once-in-a-lifetime change through society
  - Focus on measurement/data and driving efficiency
  - Investable universe is growing – “evolve or become obsolete”
- Capitalism is best-suited to solve the environmental problems and risks of emissions through disruption facilitated by economics that result in a “better way of doing things”. Regulations are a catalyst, but economics will drive commercial market success and long-term sustainable solutions
  - We’ve seen this before: “experience curves”
    - LED lighting
    - Solar/wind
    - Now the electrification of cars/trucks
- More investors demanding an ESG focus – started in EU, US West Coast
- Expandable offering – infrastructure, disruption, water/ag/mobility funds
- Private investment is accelerating across sub-sectors

Investment model that capitalizes on value creation through an evolutionary societal shift toward sustainability

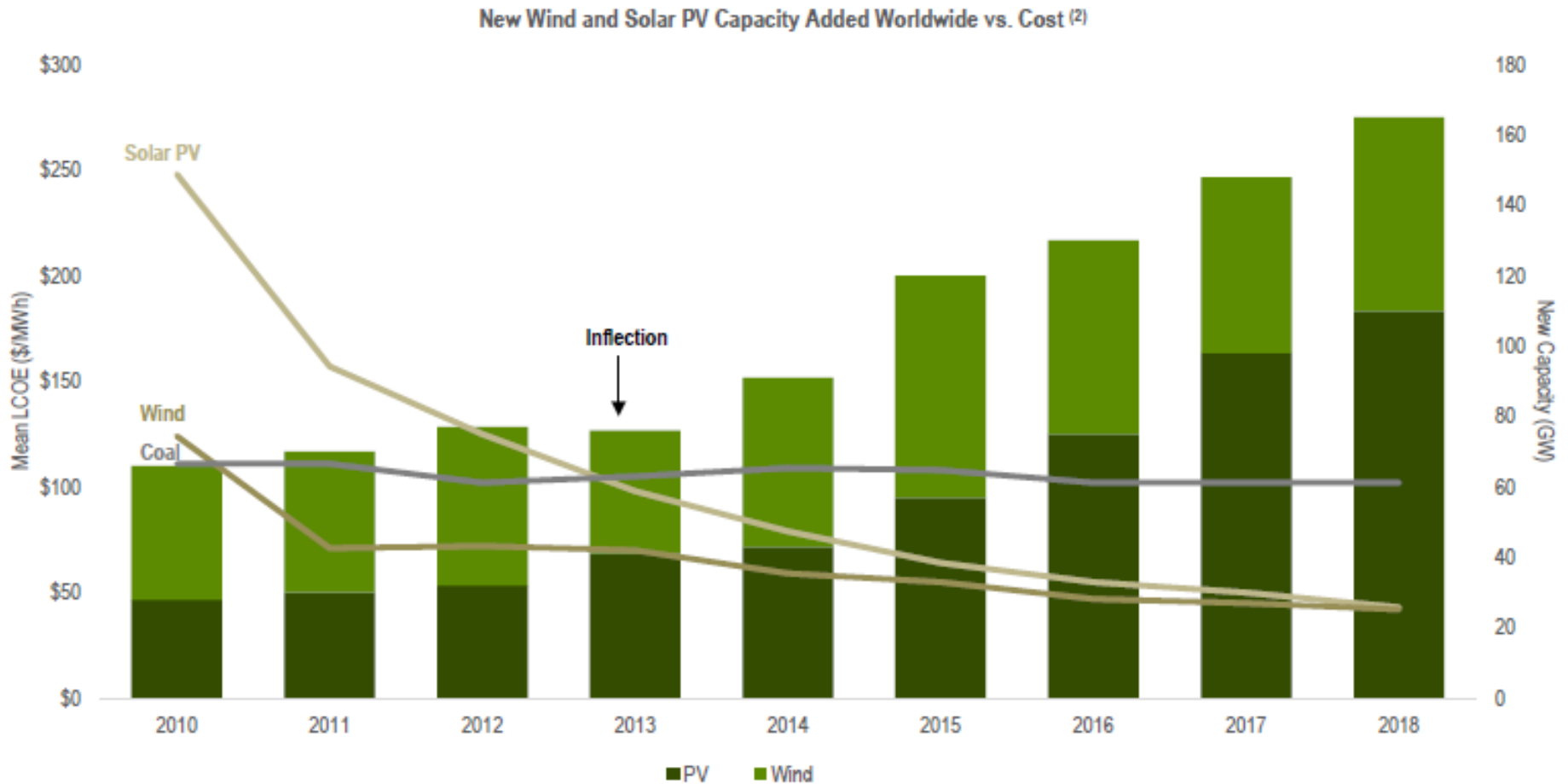
# The Rise of Tech and the Fall of Energy

S&P500 member weighting by sector



Energy markets have lost relevance as disruptors have revealed better and cleaner ways; technology drives disruption and enables sustainability opportunities

# Example: Digitization and the Rise of Clean Energy



Tech and energy efficiency are moving lockstep as cost declines

# Green has to be Green

- Emerging innovative technologies facilitate a low-carbon transition
  - Renewable energy (solar, wind) have reached scale
  - Cost has opened the door to commercialization
  - Volume-led experience curves are opening new markets
  - Utilities and corporates shun coal and nuclear for cost certainty of renewables
- Economics has (and will) continue to lead ahead of regulation
- ESG solution and transition leaders offer growth and value
  - Small/mid-cap growth names w/attractive valuations
  - Wide array of enablers in the value chain
  - In most cases these names/sectors are under-followed
- Upcoming expansion under-appreciated in
  - Vehicle electrification
  - Autonomy
  - Telematics
  - Battery storage
  - Renewables

An expanding universe of companies in higher growth areas yet still attractive relative valuations

# The Covid-19 Crisis

- “Once in a lifetime opportunity” to effect change as a result of the coronavirus pandemic: focus is on drivers of performance, investor beliefs
- ESG and Impact funds have outperformed in 2020 with lower volatility <sup>(1,2)</sup>
  - Lack of fossil fuel, mining exposure
  - Invested in growth and companies that better account for risks
  - High ESG score companies seen as beneficiaries to a kickstart to economic growth
- Evolutionary technology and disruption: (non-financial) risk reduction
  - Reduced emissions, waste
  - Accelerated digitization
  - Strong governance profiles
  - Social awareness toward employees and community
- Shareholders are becoming increasingly engaged and regulators are stepping up disclosure requirements that could have an impact on a company’s outlook and risks

A global wave of interest is recognizing the benefits of best-in-class companies that follow ESG principles

(1) Morningstar: 70% of sustainability funds ranked in the top halves of their respective categories, while 44% were in the top quarter through March 2020 while only 7% were in the bottom quartile

(2) Blackrock Q120 ESG study found >75% of sustainable indexes outperformed traditional indexes in market downturns from 2015-2018, with 94% in Q120

# Investment Themes Permeate: The Rise of Data



## Energy Supply Shift

Advantageous economics and zero emissions are driving a shift toward renewables and natural gas, and away from coal, oil, and nuclear



## Focus on Climate Change, Resource Scarcity

Companies self contract renewables. CERES, UNPRI focus companies on lowering their CO2 footprint, reusing water and minimizing scrap and waste



## Clean Water Supply

Supply challenges are complicated by geographic imbalances, rising water demand and increasing concerns over water quality



## New Solutions for Transportation

Electric and natural gas vehicles approaching mainstream adoption; ridesharing and urban autonomous driving are poised to scale



## Biofuel Mandates

Biofuels are gaining traction globally and could add to pressure on already tight crop inventories and farmer planting priorities



## Need for Storage

Electrification on the rise: massive cost declines of lithium ion due to EV growth supplants fossil fuel demand, reduces emissions and helps solve the intermittency of renewables within the electric grid



## Constraints on Arable Land

As population and incomes rise, the pressure to improve agriculture yields intensifies



## Building and Lighting Efficiency

Lower acceptance of energy waste and more energy management; lower LED and advanced building materials costs creates NPV positive projects



## Grid Upgrade

Distributed renewable energy leads to a decentralized, digital and storage enabled smart grid



## Sustainability-Focused Consumer

Higher secular growth of organic and sustainable products due to increased awareness and the rise of millennials

The sustainability paradigm: data and measurement drive secular change, cost reductions and efficiency

# Current and Future Energy and Resource Challenges Create Real Investment Opportunities

## Rising demand for finite resources mandates the disruption of essential infrastructure systems – creating a unique investment opportunity

Trends in environmental science and resource usage portray a clear picture: change is needed. Current trends are unsustainable, and a new global movement made up of governments, NGOs and a multitude of new corporations have formed to promote practices providing alternative solutions.

These shifts represent some of the biggest challenges of our time, and investors can respond by strategically deploying capital to support companies providing intelligent, innovative and efficient solutions.



### Agriculture & Consumer

- > 815 million people (11% of global population) have limited access to food
- > To feed an additional 2 billion people by 2050, food production will need to increase by 50% globally



### Power/Energy Infrastructure

- > 1.06 billion people globally have no access to energy
- > 1.8 billion people globally have no access to clean cooking facilities
- > Additionally, 3 billion people rely on polluting fuels and technologies for cooking



### Air & Environment

- > 92% of the world's population lives in a place where air pollution exceeds safe limits
- > Greenhouse gas emissions continue to rise and are now 50% higher than their 1990 level



### Advanced Mobility

- > Landlocked developing countries and small island developing States make up a mere 3.7% of air travel and freight volumes
- > The 2015 total estimated global economic impact of air transport was \$2.7 trillion



### Renewable Energy

- > 60% of greenhouse gas emissions are caused by activities related to energy
- > As of May 2018, around 74% of energy was generated through non-renewable sources



### Water

- > Water scarcity affects over 40% of the global population – and rising
- > 1,000 children die daily due to preventable water and sanitation-related diseases
- > 2.4 billion people do not have access to basic sanitation services



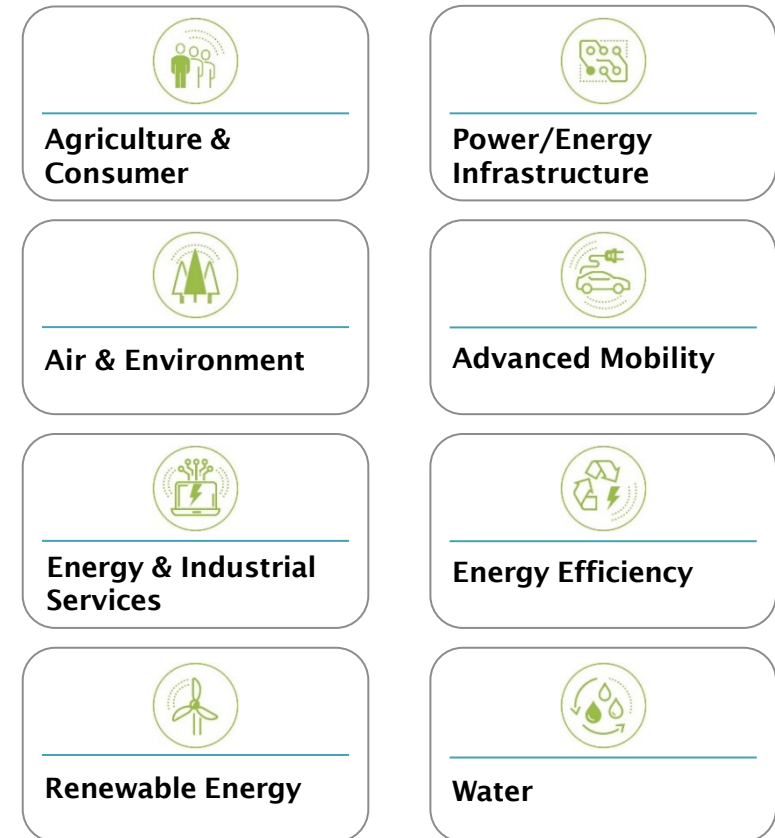
# Investing in Solutions with a L-T Perspective

The investment universe is impact-driven and comprised of companies either providing solutions or leaders in the transition and set to benefit from increased global focus on sustainability and a need to do more with less; companies that are making an impact and will drive superior long-term returns amid secular growth and disruption.

## Forces Driving Sustainability:

1. Economics Driving a Shift Towards Renewables
2. Increased Focus on Climate Change
3. Mandates for Lower Transportation Emissions
4. Rising Populations and Consumer Incomes, Urbanization
5. Water Scarcity and Quality Concerns
6. Need for Grid and Infrastructure Upgrades
7. Rise in Sustainability Focused Consumers, Brands

## Sub-Sector Focus:



# Where are the ESG leaders today?

The approach is in finding companies that provide solutions as well as transition leaders that are supporting a more sustainable, low carbon economy. Many of the companies are disruptors in their fields, often seen as leaders of “creative destruction”.

## Concentration

A concentrated portfolio along with long-standing management relationships yields a differentiated view by finding the agents of change early

## Deep Fundamental Research

A value-chain approach uncovers the enablers across the widening expanse of sub-sectors that encapsulates >400 global companies

## ESG Integration

Integrating material ESG factors into the research process helps find the factors that drive performance, mitigate risk and create positive change for stakeholders

## Long Term Approach

Take a long term view and invest in high quality companies with a secular growth driver, a competitive advantage and defined strategy that you want to own for many years

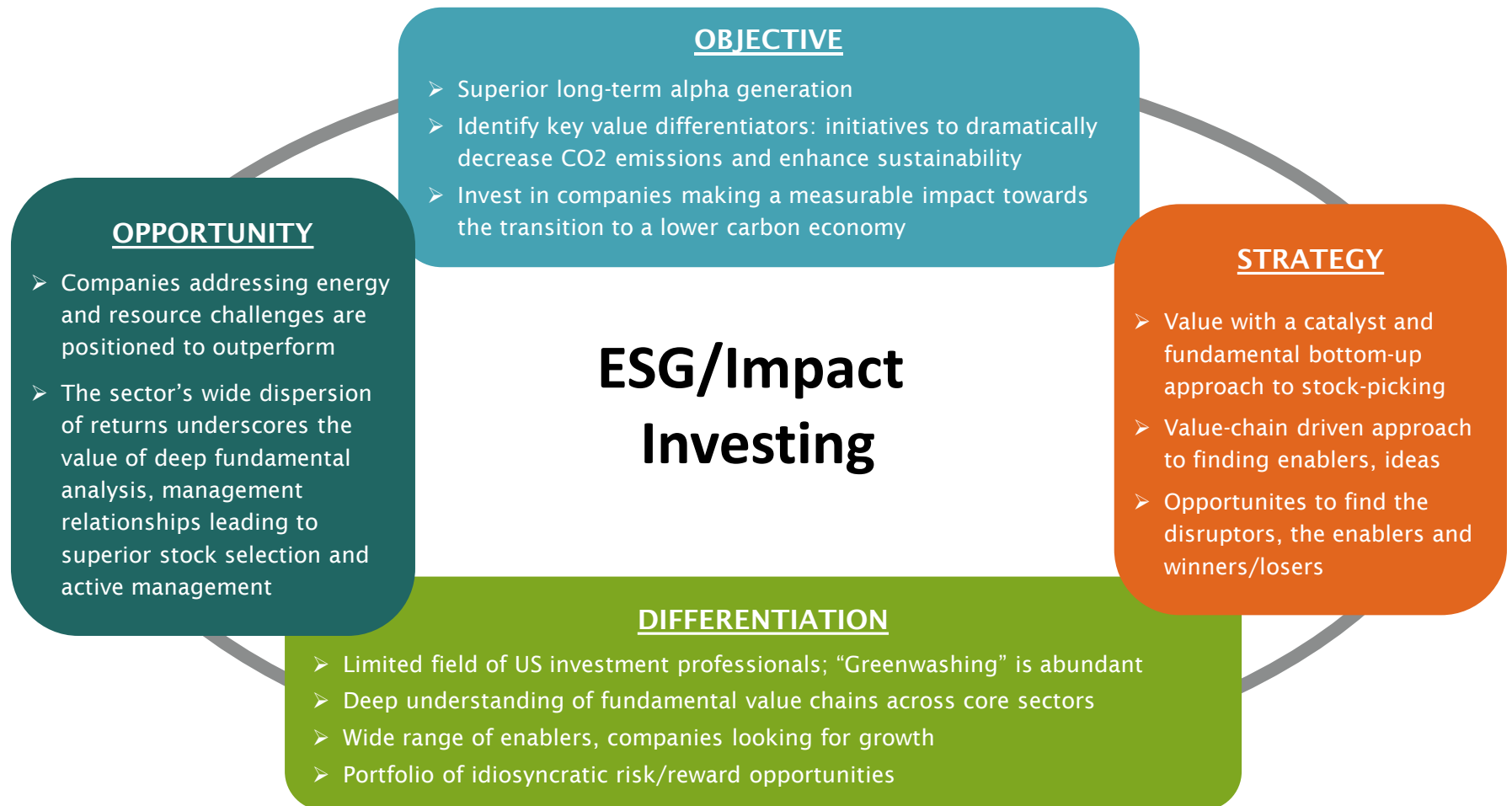
## Active Ownership

Know the management teams well and engage actively with the portfolio companies where there are opportunities to create additional value for all stakeholders

The result is sustainable, long-term alpha generation driven by secular growth alongside a definable catalyst

# Impact and Returns-Focused Strategy

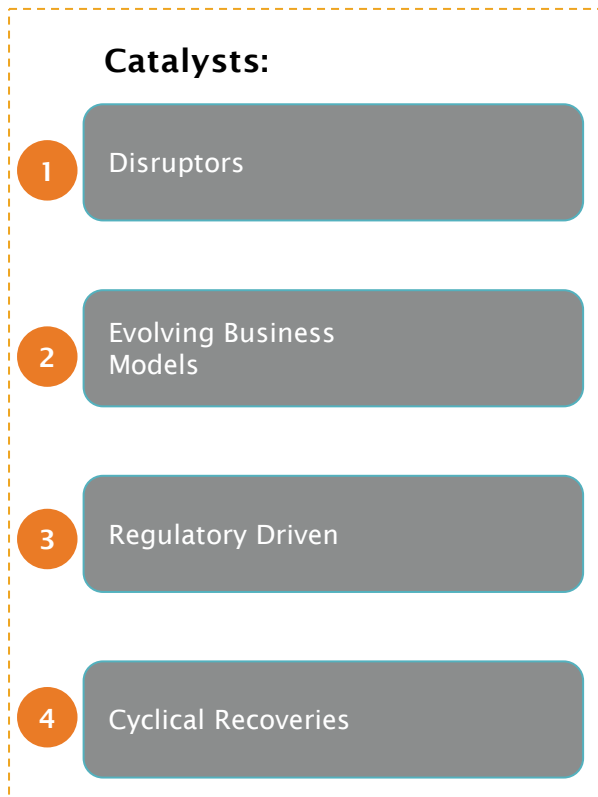
The strategy is focused in finding companies that have a positive environmental and social impact, as these companies will grow market share, have stronger returns, exhibit better risk awareness and see a lower cost of capital than those that do not embrace sustainability as a core tenet.



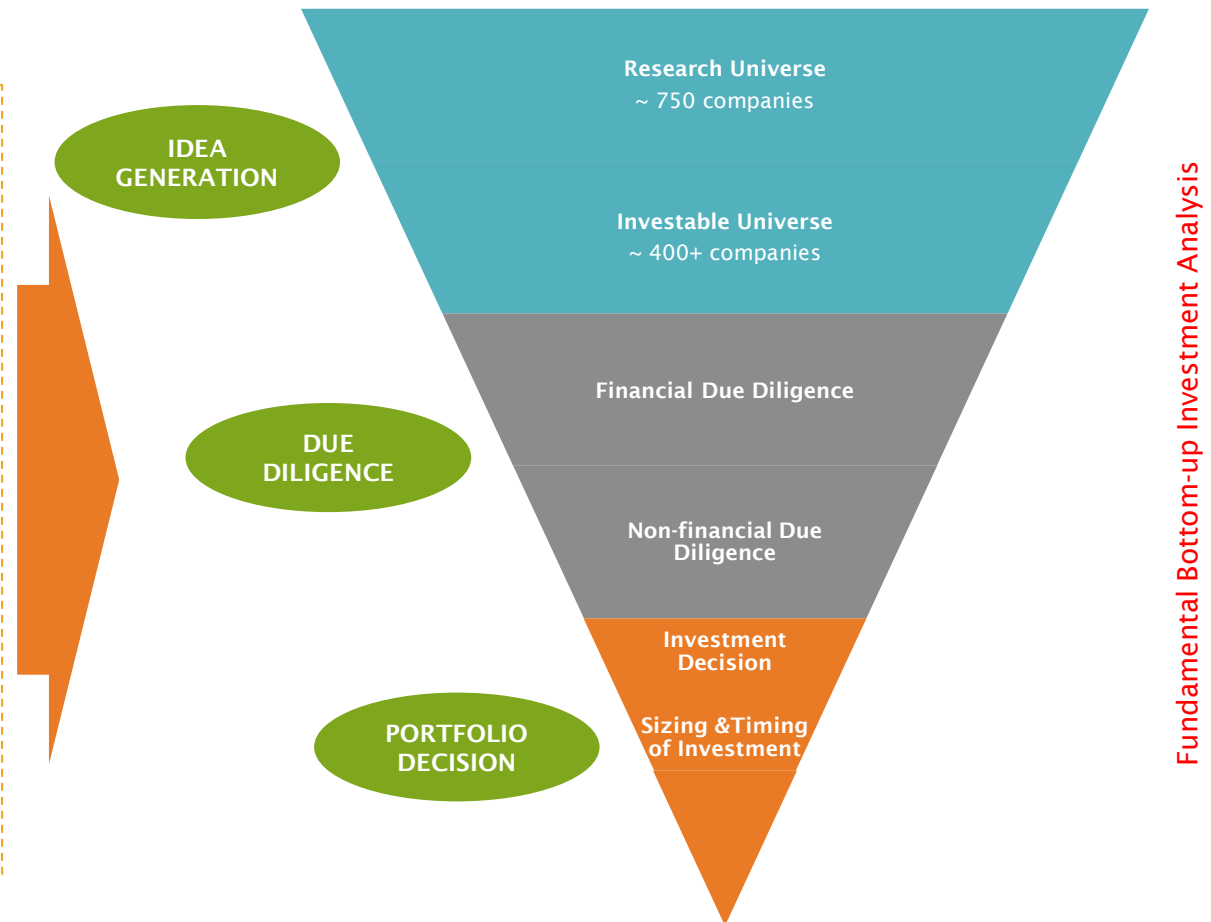
(1) MSCI World Index is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed market countries.

# Value With a Catalyst: Investment Process

## Identify Opportunities Unlocked by Four Key Catalysts



## Value Chain Analysis



Many ESG solutions companies trade at modest EV/EBITDA multiples yet are growing 30%-50% annually

# Bridging the Gap Between Disruption and Opportunity

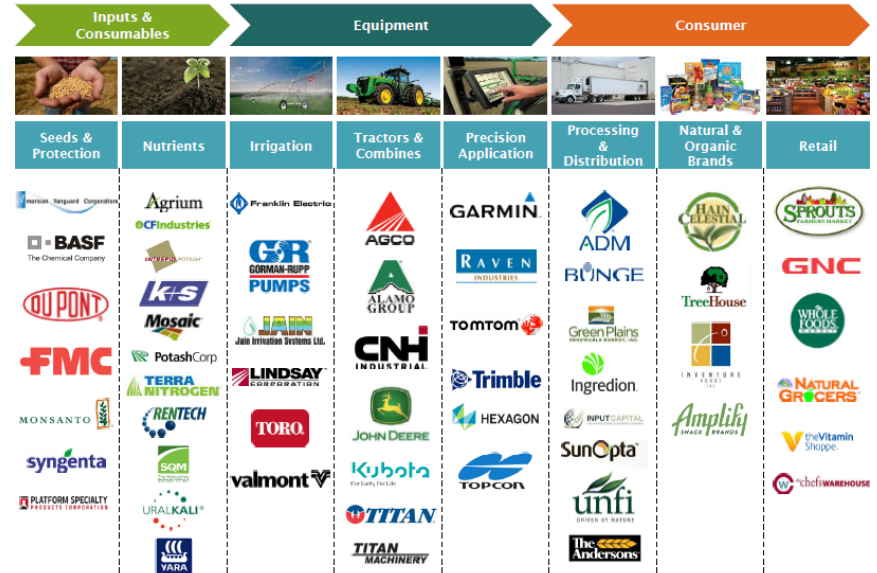
Disruptive innovation is leading the path to a more sustainable world and a better way of doing things. Public markets are seeing a convergence of technology and the commercial and industrial worlds, paving the road for the largest investment opportunity in a generation as secular growers both complement and supplant established incumbents in ESG/Impact-related products and services. Value chains sort the enablers:

## Advanced Mobility Value Chain



GCA / 5

## Agriculture & Consumer Value Chain

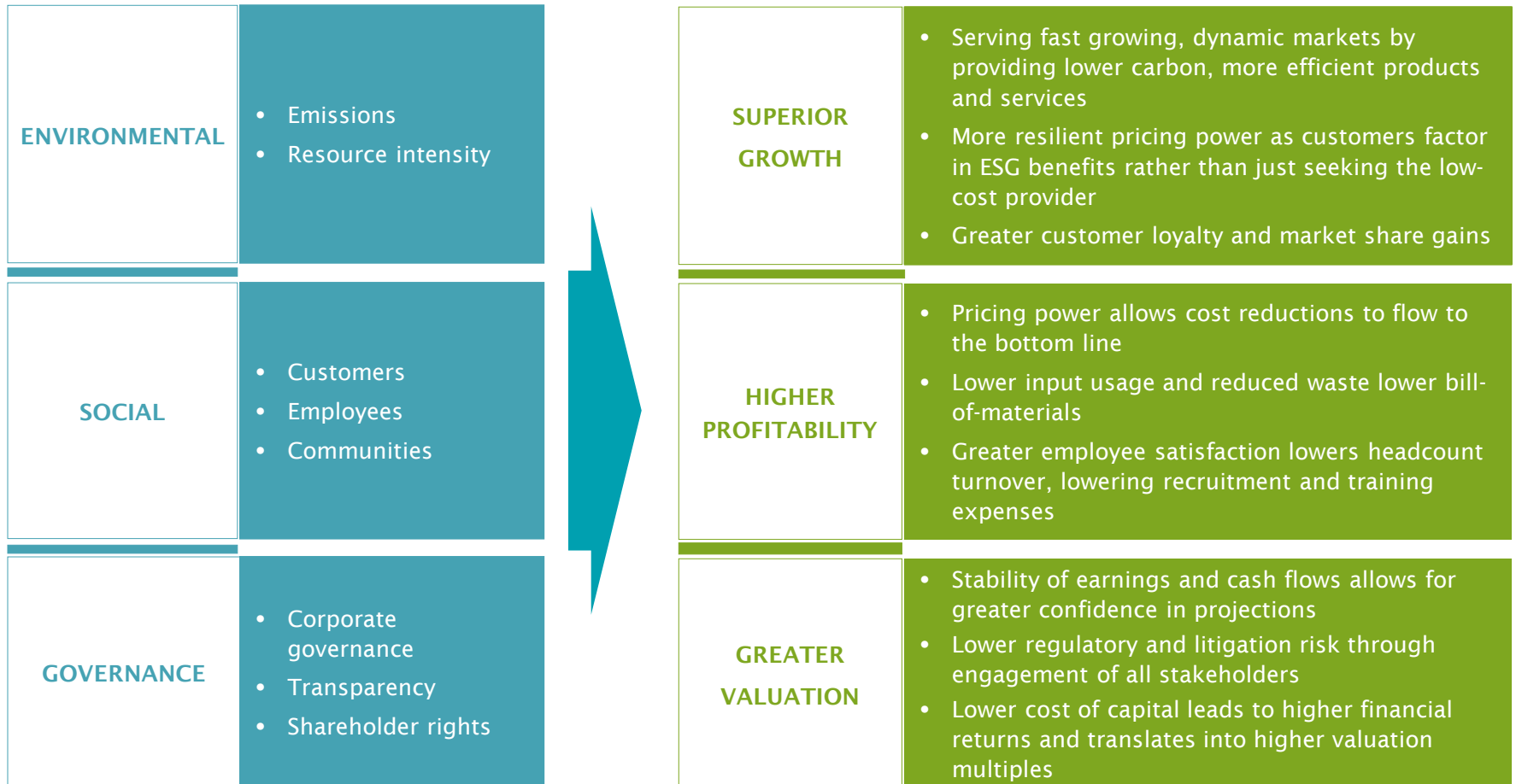


\*The GCA Sustainable Growth Funds will not invest in companies that use Genetically Modified Organisms (GMO). We track these companies as part of our investment process.

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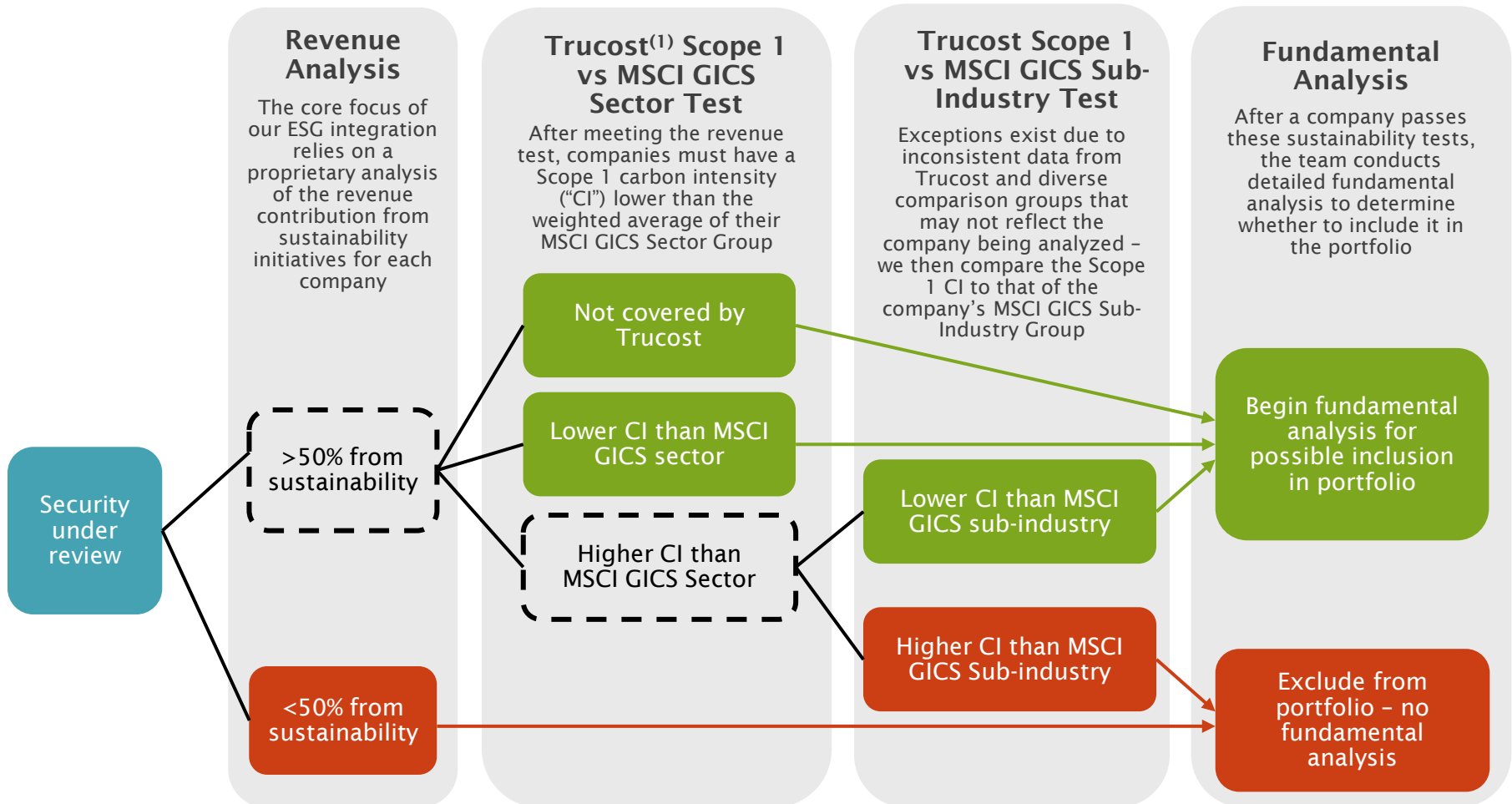
# ESG Integration into the Investment Process

Environmental, Social and Governance analysis is integral to identifying successful investment ideas that also reduce risk; corporate transparency as well as consistent data from providers will enable widespread adoption of ESG practices.



# ESG Integration Workflow

Proper environmental stewardship is a necessary, but not a sufficient condition for inclusion in the portfolio – fundamental investment analysis still rules decision making. Proprietary analysis is critical to a differentiated investment process.



(1) Trucost, part of S&P Dow Jones Indices, is a carbon and risk analysis provider that assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors.

# Active Engagement with Portfolio Companies

## ENGAGEMENT

- ESG-related disclosure continues to improve for publicly listed companies, however there is a lack of consistency on reported data-driven factors amongst companies
- It is imperative to engage directly and constructively with management teams to evaluate sustainability factors – quite often, we’ve found companies do not know how to how to effectively convey management’s sustainability actions to investors
- Company management teams increasingly ask us how they can and should be reporting on sustainability initiatives to the investor community; many have noted rising ESG processes being incorporated by investors
- Proxies can be voted in accordance with proactive changes related to the SDGs
- Engagement allows feedback to management and advocate for improvements in policies and practices
- Engagement strategies need to be prioritized by where investors can help create sustainable value – examples include plastics use, carbon emissions, energy efficiency and labor practices

Funds flows are directing to socially and environmentally responsible companies with measurable impact



# Redefining the Investment Landscape

ESG investing is going mainstream as investors demand companies become better corporate citizens. ESG and Impact are profit-laden movements as companies have realized they can “do good” by investor values as well as earn a strong rate of return for shareholders and other constituents.

- Record inflows being reported to ESG funds; seen as resilience amid uncertainty
  - Morningstar notes that inflows to sustainability funds doubled in the first half of 2020 to \$20.9b vs. \$21.4b for all of 2019 (and 2019 quadrupled y/y vs. 2018)
  - Global ESG saw \$71b net inflow in Q220, up 72% y/y
- ESG funds have outperformed relative to broader market funds with less downside (MS)
- Investors seeing growth potential of products/services that have impact
- Investor base – significant appeal to the “next generation”
  - Growing recognition of secular growth opportunity
  - Strong attraction to disruption, secular change
  - Younger investors demanding change
- Investor advocacy – Morgan Stanley sees rise of millennial, women investors
- Deloitte study sees \$24 trillion wealth transfer to millennials over the next decade
- Firm belief (increasingly supported by data) that sustainable investing can generate investment returns as good or better than strategies that do not incorporate ESG principles

Currently roughly one-quarter of all US assets under management are in sustainable strategies; inflows are poised for a fifth consecutive record growth year in 2020

(1) Morningstar: 70% of sustainability funds ranked in the top halves of their respective categories, while 44% were in the top quarter through March 2020 while only 7% were in the bottom quartile

(2) Blackrock Q120 ESG study found >75% of sustainable indexes outperformed traditional indexes in market downturns from 2015-2018, with 94% in Q120

# Cheat Sheet: Stay Current, Spot the Shifts Early

## Disruption drives investment opportunities

trends worth noting – shift away from energy to tech in US

## Where there is momentum today

### Near-term catalysts

Covid – catalyst, green recovery stimulus, infrastructure

acceleration of societal trends – WFH, digitization, home video, food, social, medicine

Election – US participation in Paris accord

Sustainability-linked loans – ESG scoring vs. cost of debt

### Longer-term trends

renewables – corporate shift – P&G, Unilever, Target, Apple, Microsoft, Amazon

corporations – which companies (tech) have most influence over legislators?

divestment from fossil fuels – first coal, now oil?

cost reduction of renewables, less impact of regulation

consumers getting more options – “generate your own” electricity

‘electrification’ of society

mobility shift

evolution of battery tech

# Appendix 1: Sub-Sector Focus

# Sub-Sector Focus: Advanced Mobility



## Advanced Mobility

### Key Issues:

- > Every liter of gasoline burned produces ~2.29 kg of CO<sub>2</sub>; transport accounts for ~24% of global emissions
- > Conventional vehicles produce emissions that contribute to climate change and smog, impacting public health and resulting in ecological damage
- > There were an estimated 40,100 motor vehicle deaths in the U.S. in 2017<sup>(1)</sup>

### Macro Themes Being Addressed:

- > Improve road safety
- > Promote sustainable transportation systems
- > Promote electrification of the vehicle

### Relevant SDGs:



Mkt. Cap: \$25.9bn

- > Manufactures connectivity and sensing solutions for a range of applications
- > Automotive solutions are furthering the advancement of electric vehicles, helping customers meet more stringent regulations, and reducing pollutants caused by diesel engines



Mkt. Cap: \$7.4bn

- > Improves efficiency and safety in both pure gasoline and hybrid/electric powertrains
- > Reduces tailpipe emissions and improves operating performance in powertrains
- > More broadly encourages the transition to EV by making EV powertrains more efficient, robust, cost efficient and safe

Note: Sample companies represent potential investment opportunities. Fund may not be invested in all companies depicted.

Market data as of 12/31/2018. All data in USD.

(1) Source: National Safety Council.

# Advanced Mobility Value Chain: Enablers



## The ESG and Impact Investment Opportunity

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# Q & A

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