April 4, 2026

Dear Sustainable Equity Strategy Clients and Friends,

As we've reinforced in these pages for years, our approach as long-term stewards of your capital is to monitor day-to-day news, prognostications, macro crosscurrents and sentiment swings, but to avoid being unduly reactive to them. Instead, we strive to find and stay invested in high-quality, all-weather compounders whose growth prospects are materially reinforced by durable secular trends. But sometimes the news is big and globe-shaking enough that it holds the potential for lasting effects — reorganized geopolitics and trade flows, and the potential for structural adjustments in sectoral winners and losers. Such events cannot be dismissed as transient noise, but rather warrant extra attention even by fundamental, bottom-up investors like us.

The war in Iran is such an event and in this letter we will first recap for you the general resilience and "anti-fragility" attributes we have sought in our holdings since the inception of the Sustainable Equity Strategy's over nine years ago.[1] These attributes infuse us, and hopefully you, with a degree of perspective and equanimity when such events occur.

At the same time, each "big" event is different, so we will then give you a glimpse into how we've stress-tested our portfolio against the specific contours of this ongoing war. While geopolitical analysts may see such hostilities coming, markets rarely do an efficient job of pricing them in before they occur. Once they're upon us, we often see a rapid repricing of affected materials and assets, rising risk premiums and reactive, often opportunistic, efforts to reallocate capital. For example, the war has demonstrated that critical supplies of oil and liquefied natural gas (LNG), fertilizer, helium, aluminum, sulfur and petrochemicals rest on Persian Gulf shipping lanes that can be turned off overnight. Prices for all of them are up sharply.

Before going any further, we want to say that we regard the financial implications of war as secondary to the profound humanitarian costs, and we extend our concern and sympathies to all those affected — whether members of our military, civilians in the warzone or people around the world coping with energy prices and rationing, and rising food insecurity.

Resilience Redux

Resilience was, you may recall, also the theme of our [Q1-2025 letter] almost exactly one year ago, but the trigger then was the "Liberation Day" tariffs, not war. One can certainly hope that we will not need to make April stress tests an annual tradition going forward! Both events were foreshadowed — by campaign signaling and troop movements, respectively — but still managed to surprise in terms of the final decision to proceed and the scope of the ultimate actions. Neither arose from a process of Congressional or public deliberation that could be monitored. Unlike tariffs, however, a war cannot be ended by a single decision-maker. The consequences, such as challenges re-starting the bombed Ras Laffan LNG hub in Qatar or Iran's newly expressed intention to exert sovereignty and tolling rights over the Strait of Hormuz, can linger.[2] Despite this, the oil markets are in steep, near-record "backwardation," meaning that spot prices remain elevated far above futures prices dated later in 2026. This suggests that investors still anticipate a short and contained conflict. Specific effects aside, the fact of elevated uncertainty itself impairs business planning and investment in productive assets and therefore future growth, as we've seen through the course of the tariff odyssey.

Note that when we refer to resilience, we are referring to our companies' ability to sustain their operating and financial performance, not necessarily their equity price over a short timeframe. Equity prices often deviate from intrinsic value for reasons that nobody can predict, especially during the compressed time and trading pressures surrounding a sudden exogenous event.[3] The market's willingness to pay a certain multiple of earnings for a given company at a point in time is one of the great mysteries that have baffled investors for ages. In the face of this puzzle, we: a) use conservative terminal multiples in our modeling of a company's intrinsic value, assuming they may retreat to at least this level at any time, and b) adhere to the principle that equity returns over the long-term tend toward earnings growth (per share) plus dividends. In other words, be conservative and project real earnings power.

Take 2025: our portfolio companies, weighted by position size, generated 28% growth in Earnings Per Share (EPS) more than double the 13% generated by the S&P 500, but our aggregate Price-to-Earnings (P/E) multiple contracted by 14%, while the S&P 500's expanded by 4%. In other words, the market decided to pay less for our companies' earnings and more for the market's earnings as a whole, at least for now. The net result is that while we returned an attractive 14.12% gross / 13.22% net in 2025, we trailed the return of that index. Over time, this kind of divergence tends to resolve. While we can never promise that our portfolio is full of coiled springs that will rapidly surge in equity value, one can reasonably read our positioning as compelling going forward.

In the first quarter of 2026, the Sustainable Equity Strategy returned -6.92% gross / -7.10% net. More relevantly for our long-term approach, it has returned 14.4% annualized gross / 13.43% net in the 9.25 years since inception. Please see the attached one-pager for full performance details. Past performance is no guarantee of future results.

Selecting for Resilience and Anti-Fragility

Trying to time portfolio exits and re-entries around macro or geopolitical events has historically been a losing proposition. Our approach is to stay invested through such stresses by holding quality companies that feature the attributes of resilience and even "anti-fragility", NYU Professor Nassim Taleb's term for companies that may actually perform even better during volatile times.[4] For example, our holdings **Aon** and **Verisk** provide insurance, data and risk advisory services that are more in demand when companies need to cope with war-related risks. This strengthens their pricing power and deepens their role as essential risk intermediaries. Let's proceed to recount the resilience attributes we've selected for:

- ***Low debt leverage***, so our companies don't face default risk during market stress or need to go to the capital markets at inopportune times of rising interest rates or crisis-induced illiquidity. Our portfolio's ratio of Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is 1.06, favorably lower than the S&P 500 (1.47) and the MSCI World (1.79)
- ***Essentiality of product or service***, so that customers rely on them and do not easily walk away when inflationary or other war-related pressures mount. Our companies provide electricity (**Schneider Electric**, **Constellation Energy**), food (**Deere**), sanitation (**Waste Management**), cooling that is increasingly precious in a rapidly warming world (**Carrier**, **Trane**), water (**Core & Main**) disease-fighting drugs (**ThermoFisher**, **Danaher**) and transportation (**Uber**, **Union Pacific**, **Wabtec**).
- ***Pricing power***, so that our companies can pass along the rising costs of inputs without losing customers, whether the price increase is driven by a pandemic, tariff or war. Reflecting their wide competitive moats, 77% of our companies have been able to pass through pricing increases above the inflation rate for the past 10 years.
- ***Large scale and leading market share***, so that our companies receive priority treatment in competitive procurement for goods made scarcer by events like the war. Also, our companies allocate a higher-than-market share of revenues to R&D, enhancing their engineering ingenuity for substituting around war-constrained inputs if necessary. Fully 94% of our companies hold the #1 or #2 market share in their primary segments.
- ***Durable secular demand***, driven by trends such as water stress, climate change or demographics,

rather than short-term cycles or temporary events. This is where we bring domain expertise and focus. Investing in alignment with secular trends affords us visibility into long-term growth dynamics that are often underappreciated by the market.

One "proof in the pudding" statistic that grows out of the attributes above is that the average age of our companies is 80 years old. They have endured and prospered through dozens of economic cycles and exogenous events. Fourteen are over 100 years old, including **Schneider Electric** (189 years), **Deere** (188 years), **S&P Global** (165 years) and **Ball** (145 years).

Testing Resilience Attributes Against the War

Considering these attributes above, we stress-tested the portfolio against five war-specific factors:

- **Strait of Hormuz input exposure** — dependence on materials that transit Persian Gulf shipping lanes, including ultra-pure helium for semiconductors, fossil fuels, fertilizer inputs such as urea and sulfur, and industrial metals including aluminum and titanium.
- **Interest rate sensitivity** — the war has put the risk of rising U.S. rates back on the table in 2026, reversing prior Fed signaling of at least one cut this year.
- **Revenue share from war-exposed geographies** — whether from the Middle East directly, or from economies whose growth is most threatened by the fuel crisis the war has induced, including LNG-dependent Japan, South Korea, Taiwan, and Europe.
- **Consumer revenue exposure** — companies whose customers may pull back on discretionary spending as rising fuel costs and broader inflation squeeze household budgets.
- **Geopolitical domicile risk** — war reshuffles the calculations of major powers around other potential flashpoints, Taiwan among them.

This process revealed significant but generally manageable exposures across the portfolio under most likely scenarios — though not necessarily under extreme tail risks such as global escalation or a multi-year Strait of Hormuz closure, which are best addressed by an appropriate allocation to low-risk assets such as Treasuries.[5] Where a company scored as more highly exposed on one factor, it tended to show lower, offsetting exposure on another. The highest factor exposures were distributed across companies rather than concentrated, surfacing no obvious sale candidates — but identifying areas we will continue to monitor carefully as events unfold. This exercise demonstrated that the overarching resilience and anti-fragility attributes described earlier appear positioned to do their job, not merely limiting downside exposure to war-specific risks but capturing upside by helping customers — and society more broadly — navigate the consequences of the conflict. Here are a few illustrative examples:

War is Accelerating Shift from Fossil Fuels to Clean Electrification: This disruption to Persian Gulf fuel supplies makes more visible a cost that has long been hidden: the U.S. spends billions annually defending oil shipping lanes — a subsidy to fossil fuels that never appears in the price at the pump. The war makes that subsidy quantifiable, compounding the climate change externality from burning fossil fuels. The war is reinforcing the case for electrification, renewables and batteries as sectoral winners. The short-term effect of current shortages is a compensatory surge in coal use in certain economies, but investments in clean electricity are already accelerating.[6] Today, electricity is about 20% of final energy use globally, while the other ~80% is direct combustion of fossil fuels in cars, boilers, furnaces and industrial heat. Of that 20%, only ~30% is generated from low-carbon sources (renewables + nuclear). This means 6% of final energy use is clean electricity today, offering a long runway for the transition. Due to the war, we are now more likely to sprint than jog. Companies in our portfolio should benefit, including **Brookfield Asset Management**, which operates one of the world's largest renewable power franchises, with 46 Gigawatts globally across hydro, wind, solar and nuclear; **Schneider Electric**; **Carrier**'s heat pump unit Viessmann which is most focused on Europe where the LNG crisis is acute; and **Vinci**, which develops and operates renewable energy assets through its Cobra IS subsidiary and whose Omexom unit is modernizing electrical grids across 37 countries.

Leadership Mitigates Sensitivity to Rising Input Prices: Taiwan Semiconductor (TSMC) relies on ultra-high-purity helium, and the war has tightened the global market. But TSMC sources helium through diverse suppliers and recycles it on-site. Its dominant position gives it an ability to pass through input cost inflation to customers. TSMC's scale and priority access make it one of the best-positioned players to secure supply in a constrained market. TSMC accounts for 9% of Taiwan's GDP today, reducing its exposure relative to other users should the country's LNG crisis lead to industrial curtailment. As for geopolitics, the Iran war could embolden China's Xi Jinping to take corresponding coercive action regarding Taiwan while depleting and stretching U.S. defense capabilities to respond. But paradoxically it could also reduce the risk that China invades Taiwan by increasing the geo-strategic and trade value to China of being the comparatively responsible superpower, in effect reducing risk to TSMC and our other semiconductor holdings **ASML**, **Synopsys** and **Nvidia**. We continue to assess both scenarios.

Rising Fuel Prices Enhance the Sharing Economy Value Prop: We scored **United Rentals** (URI) as a high interest rate exposure because rising rates can prompt its customers to defer the financing and launch of major projects that drive their equipment rental business. However, higher rates, and war-induced uncertainty about market conditions, also improve the value proposition of renting rather than owning — accelerating the secular trend at the core of our thesis and conferring a degree of anti-fragility. URI is the Uber of heavy equipment, but the same applies to **Uber** itself. The war could depress consumer spending on discretionary rideshares, but inflation of car and fuel costs could also drive people to defer car ownership in favor of ridesharing with Uber.

The Eco-Efficiency Advantage of E-Commerce Shines: ~21% of global retail is now e-commerce, up from ~16% in 2019, a clear secular trend offering a visible runway for growth.[7] The e-commerce growth rate in Latin America has been faster, and regional leader **MercadoLibre** just delivered its 28th consecutive quarter of +30% year-over-year growth, a record unmatched by any of 83,000 listed companies in the world. We expect the war to weigh on consumer spending, as households conserve cash to afford rising fuel bills and cope with stagflation risks ahead. This may dampen the revenues of **Amazon**, **Coupang** and **MercadoLibre**. However, consistent with our sustainability thesis, rising fuel costs also play to the logistical and fuel efficiency advantages of e-commerce. Instead of everyone driving to the store, delivery vans (increasingly electrified) can optimize routes and deliver goods with maximum point-to-point efficiency. Why not join Amazon Prime, Mercado Libre's Meli+ and Coupang's RocketWOW for discounted or free delivery and let them sweat the rising fuel costs? What our e-commerce companies lose in muted sales or compressed margins from higher fuel costs may be partly offset by acceleration of share gains against traditional brick & mortar retail.

Rising Diesel Prices Could Boost Truck-to-Rail Modal Shift: Our rail holdings like **Canadian National** and **Union Pacific** spend 9-11% of their revenue on diesel, which has spiked ~30% in price due to the war. However, diesel accounts for a much higher 18-25% cost as a share of revenue at major trucking companies like JB Hunt and Knight-Swift. So, our core thesis around the shift of freight volumes from trucking to rail, which uses ~65–75% less fuel per ton-mile, should be reinforced by higher diesel prices. So again, war-induced margin compression may be offset by share and revenue gains — a helpful anti-fragility tradeoff. Our railtech company **Wabtec** provides solutions that enhance the electrification and fuel efficiency of railroads and could similarly see a pull-forward of demand for locomotive replacement and modernizations due to the war.

Resource Efficiency, including by AI Optimization, Becomes Even More Valuable: One-third of the world's fertilizer trade passes through the Strait of Hormuz.[8] Rising prices are hurting farmers who were already struggling with rising input costs before the war, and if not resolved, this should weigh on Deere's equipment sales. At the same time, we expect such stress to accelerate growth in Deere's already fast-growing precision agriculture segment, which helps farmers reduce inputs while boosting yields. Similarly, while there is genuine risk that the war could slow the AI buildout, it is also true that AI is the most revolutionary emergent tool for continuously optimizing, and therefore reducing, resource use across agriculture, buildings, grids, industry, and transportation. The urgency of deploying AI for such purposes should be increased not just by the war's effect on prices, which could prove transient, but by farmers and others seeking to mitigate recurrence of this newly vivid vulnerability in the future.

Alert Steadiness

Geopolitics and rapid technological change make this an especially complicated and high-stress time. Many of the company attributes we've selected for in relation to climate change and other secular trends appear to confer comparative resiliency to resource constraints and certain other effects of war, though not full insulation of course. Given the likelihood of more volatility ahead, our posture will remain one of alert steadiness as we strive to protect and grow your capital. Thank you for your trust in our stewardship.

Sincerely,

The Douglass Winthrop SES Team

Please see endnotes and important disclosures below, as well as a one-page attachment below with performance details and other statistics.

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[1] In *Antifragile* (2012), Distinguished Professor of Risk at New York University Nassim Nicholas Taleb argues that the best systems don't just survive shocks—they improve because of them. He extends this reasoning to companies, arguing that some are positioned to gain from disorder (e.g., volatility increases their opportunities or pricing power).

[2] Officials predict it will take 3-5 years to bring the Ras Laffan LNG plant, the world's largest, fully online again, after Iran bombed it in retaliation. See: https://www.nytimes.com/2026/04/01/opinion/oil-crisis-iran-electric-solar.html

[3] By exogenous we mean an event originating outside the world of markets and finance, but which can significantly distort markets and modify corporate behavior and competition.

[4] Note that we use Nassim Talib's evocative term "anti-fragile" and some of its basic tenets but infuse it with our own modified criteria when evaluating companies.

[5] This war could clearly escalate further. Asymmetric retaliation could intensify, including up to large-scale terrorism. A global recession could be induced by the mounting energy crisis. Given these extreme tail risks, it is prudent to take a fresh look at your risk tolerance and asset allocation. We strive to deliver an equity portfolio offering comparative resilience to such events, but outright insulation is of course not possible. Tail risks are usually best addressed by allocating sufficient capital – e.g., 1-3 years of living expenses or endowment draws -- to safer assets such as cash and fixed income. Based on history, this has often, though not always, been enough to avoid needing to sell equities too cheaply during an extended equity pullback.

[6] https://apnews.com/article/middle-east-wars-energy-asia-gas-coal-f8ea1e10a6bb47085e5e6141fc3f1d3e

[7] https://www.quantumrun.com/consulting/ecommerce-business-statistics/?utm_source=chatgpt.com and https://redstagfulfillment.com/what-share-of-global-retail-sales-is-ecommerce/?utm_source=chatgpt.com

[8] https://www.nytimes.com/2026/03/12/business/war-iran-farmers-agriculture-costs.html?searchResultPosition=2

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DWA Sustainable Equity Strategy

March 2026

Performance (as of 3/31/2026)[1]

Annualized Returns	DWA Sustainable Equity (Gross)	DWA Sustainable Equity (Net)	MSCI SRI TR USD	S&P 500 TR	MSCI World TR USD
1 Yr	10.13%	9.66%	14.61%	17.80%	18.90%
3 Yr	11.18%	10.29%	12.59%	18.32%	16.77%
5 Yr	6.84%	5.95%	8.35%	12.06%	10.27%
Since Inception	14.44%	13.43%	11.72%	14.16%	11.90%

Past performance is no guarantee of future results.

5-Year Historical (2021-2025)

	DWA Sustainable Equity	S&P 500	MSCI World
Calendar Year End (Avg)			
Return on Invested Capital	15%	8%	6%
Net Leverage	1.0x	1.4x	1.6x
R&D % of Sales	6%	4%	4%
Annualized			
EPS Growth	21%	14%	14%

Overview of Sustainable Equity Strategy

Core beliefs:

- Fundamental equity research should encompass material environmental risks and opportunities
- Sustainability performance will help distinguish companies that succeed over the long-term
- Environmental risks and opportunities are not yet fully priced by the markets, creating an opportunity for long-term outperformance through application of DWA's domain expertise

All holdings are selected based on six criteria:

- Enduring competitive advantages: switching costs, network effects, IP, long-term contracts
- Financial strength / pristine balance sheet: high free cash flow generation, sensible leverage
- Shareholder-oriented management: insider ownership, comp. based on long-term performance
- Opportunities to compound through reinvestment: R&D, new product introduction, new markets
- Attractive valuations relative to our assessment of intrinsic value: margin of safety
- Strategic performance with respect to environmental risks and opportunities, enabling both financial success and favorable impact on the world

Our differentiated and repeatable process enables us to identify high-quality companies that:

- Demonstrate environmental performance that materially reinforces core economic drivers such as our first five criteria above (E-Advantaged) or
- Derive a substantial / growing proportion of revenues from products and services that address intensifying environmental challenges related to energy, food, water, ecological integrity or the physical, regulatory and transition risks & opportunities presented by climate change (*E-Solution Providers*)

Proprietary DWA tools include:

- *DWA E-Map:* 9 strategic roadmaps of our investable universe: addressable market, profitability across value chain, leaders/disruptors, changing axes of competition, regulatory progression
- DWA E-Assess: Structured 90-point assessment integrating sustainability factors to core economic thesis

Illustrative Holdings vs. DWA E-Map

	% of Assets as of 3/31/2026
Sustainable Transport:	
Canadian National Railway	1.5
Uber	2.9
Renewables, Storage & Grid:	
Constellation Energy	2.8
Schneider Electric	4.0
Food, Fisheries & Sustainable Ag:	
Deere	3.6
Chipotle	1.2
Smart Buildings & Cities:	
Trane Technologies	3.7
Carrier	2.1
Water Quality and Efficiency:	
Core & Main	1.4
Thermo Fisher	3.2
Environmentally Related Human Health:	
Danaher	2.7
L'Oreal	2.7
Sustainable Finance:	
Brookfield Asset Management	2.9
Aon	3.1
Sustainable Data:	
ASML	4.0
Taiwan Semiconductor	4.9

Portfolio Characteristics (as of 3/31/2026)	DWA Sustainable Equity	S&P 500
# of Equity Holdings	35	503
Top 10 Positions	42.1%	36.5%
Beta (3Yr)	1.10	1.00
Dividend Yield	1.1%	1.3%
3Yr Projected EPS Growth	17.0%	16.2%
Weighted Avg P/E Forward	22.9x	19.4x
Return on Equity (5Yr)	28.8%	18.1%
Net Debt / EBITDA (TTM)	1.1x	1.5x

Sector Distribution (as of 3/31/2026)	% of Equity
Discretionary	12.2
Staples	2.7
Communications	5.0
Healthcare	6.0
Industrials	36.1
Technology	22.3
Materials	1.5
Financials	11.6
Energy	0
Utilities	2.5
Real Estate	0

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DWA Sustainable Equity Strategy

Douglass Winthrop Advisors, LLC (“DWA”) is a registered investment adviser with the United States Securities and Exchange Commission (SEC) in accordance with the Investment Advisers Act of 1940, as amended. Note that registration with the SEC does not imply a certain level of skill or training.

The DWA Sustainable Equity Strategy (the “Strategy”) invests primarily in U.S. and developed non-U.S. equity securities, regardless of capitalization, and seeks longterm capital appreciation while aiming to contain the risk of permanent capital loss. It uses a concentrated and low turnover investment approach and seeks to invest in companies the firm believes are high-quality and possess sustainable competitive advantages. The Strategy does not seek to match the market capitalization, geographic, or economic sector exposure of any broad market index.

Reference Index Disclosure: The Strategy is not managed to a benchmark. The benchmarks most commonly chosen by our clients based on the DWA Sustainable Equity Strategy are the MSCI World SRI Index, the S&P 500 Total Return Index, and the MSCI World Index (Total Return, US Dollars). The MSCI World SRI Index is a capitalization weighted index that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes companies whose products have negative social or environmental impacts. The S&P 500 Total Return Index includes reinvested dividends. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. The MSCI World Index captures large and mid cap representation across 23 Developed Markets (DM) countries. With 1,542 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Index figures do not reflect the deduction of any fees, expenses, or taxes. Investors cannot invest directly in an index. The indices’ performance results are intended to illustrate the general trend of the equity market for DWA’s investable universe and are not intended as a benchmark for the composite.

Risk Disclosure: Investing involves risk, including the possible loss of principal. There may be market, economic, or other conditions that affect client account performance, or the performance of the referenced market index. The Strategy may invest in smalland medium-capitalization companies. Investments in these companies, especially smaller companies, may carry greater risk than is customarily associated with larger companies. A client account invested in the Strategy will hold fewer securities and have less diversification across industries and sectors than a diversified portfolio, such as a portfolio based on an index. Consequently, a client account and/or the composite performance may diverge significantly from the referenced market index, positively or negatively.

Gross and Net Performance: Gross returns are calculated gross of management fees and net of transaction costs. Net returns are calculated net of management fees. Fees for accounts in a composite may differ from the stated fee schedule for new accounts. Performance is calculated on an asset weighted, time weighted return basis. Valuations and performance are reported in U.S. dollars.

GIPS Documentation: A GIPS compliant presentation is available at douglasswinthrop.com/disclosures. A list of the composite descriptions and/or our DWA GIPS Policies and Procedures can be made available upon contacting our New York office.

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1 Client portfolios in the DWA Sustainable Equity Composite contain all fee-paying, discretionary accounts that have been managed according to the DWA /Sustainable Equity Strategy and have been managed by DWA for at least a full calendar month. The Sustainable Equity Composite is intended to present the performance of portfolios of equity securities selected by the DWA Sustainable Equity Investment Committee. Inception Date 1/1/2017.

2 Data reflects the composite of the DWA Sustainable Equity Strategy. Portfolio characteristics data reflects only the equity holdings of the composite portfolio normalized to 100%, sourced from Bloomberg and Factset and calculated by DWA . Calculations do not include companies which would represent an outlier, e.g., negative earnings for P/E calculation. Details are available upon request.

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