Smart Sustainability = Superior Returns
Mission: Build the world’s best investment solutions driven by superior environmental, social, and financial performance.

Smart Sustainability = Better Data + Better Process
Better Data: Volkswagen vs. Tesla Motors

Most existing ESG / SRI 1.0 ratings systems are based on voluntary CSR reports, lack supply chain data (Scope 3), are biased towards large companies, and subject to reporting error and fraud.

Etho Capital’s Scope 1-3 “climate efficiency” GHG data gives a much more accurate company-level sustainability picture from mandatory financials:

**EXAMPLE**

**Volkswagen vs. Tesla**

Typical ESG Grade = **A**
[nice ESG reports]

**Climate Efficiency**
= 1033 g CO₂e / $

**Etho Grade** = **F**

Typical ESG Grade = **F**
[no ESG reporting]

**Climate Efficiency**
= 4 g CO₂e / $

**Etho Grade** = **A**
Numbers Aren’t Enough:

Even the best data has flaws.

You need to combine the best quantitative data with a better qualitative screening process.
Quantitative + Qualitative ESG Sustainability: Etho Climate Leadership Index & ETHO ETF

- **Quantitative Climate Leader Selection**
  - Etho analyzes total greenhouse gas emissions from nearly 6,000 equities to select the ‘climate leaders’ in every industry.

- **Unsustainable Industry Screen**
  - Etho removes unsustainable industries such as tobacco, weapons, gambling, and oil/coal/natural gas.

- **ESG Company Screen**
  - Etho removes specific companies with poor performance on Environmental, Social and Governance (ESG) issues.

- **ESG Expert & Stakeholder Review**
  - ESG experts and stakeholders give qualitative input for Etho’s consideration when deciding to remove additional equities.

- **Equal Weighting**
  - Etho then equally weights the remaining equities so that each represents the same proportional amount within the portfolio.
Back-tested Returns: Beating Benchmarks

The Etho Climate Leadership Index – US (ECLI-US) outperformed numerous common benchmark indexes in a 10 year rolling historical back-test.

**THESIS:** better climate efficiency = better management = better investments
Real Financial & Climate Returns: ETHO ETF

Etho Climate Leadership Index – US ETF (NYSE ticker = ETHO):

+10.46% vs. +7.41% S&P 500
(2016 YTD as of August 23rd)

-61% GHGs vs. S&P 500
(grams CO₂e per $1 invested)
Contact: ian@ethocapital.com
Visit: ethocapital.com