

July 1, 2025

Dear Sustainable Equity Strategy Clients and Friends,

The first half of 2025 has taught a masterclass in volatility. At one point in early April, the S&P 500 was down more than 20% from its year-to-date high. Since then, the index has rebounded 26%. Markets have swung sharply in response to shifting U.S. trade policies, geopolitical strife, dampening consumer and investor sentiment, and an ongoing debate about the direction of inflation, interest rates and fiscal policy. For many investors, it has been a time of uncertainty and second-guessing. Clients of the Strategy stayed nearly fully invested through it all, adhering to our philosophy of long-horizon investing. Further volatility surely lies ahead. But steadiness has its rewards: even as war began between Israel, the United States and Iran, the equity and bond markets demonstrated remarkable resilience and the S&P 500 finished the quarter at an all-time high.

Mindful of his admonition that “The stock market is a device for transferring money from the impatient to the patient,”¹ our team decided to make a pilgrimage to honor one of our investment heroes, Warren Buffett. Anticipating Mr. Buffett might announce his retirement from the company he has helmed for six decades, Berkshire Hathaway, we traveled to Omaha to witness what is likely to be his final turn presiding over Berkshire’s storied annual meeting, the “Woodstock of Capitalism.”

Buffett’s investment history offers perspective on volatility. His career weathered, among other turbulent events, the Vietnam War and associated citizen unrest, the Arab Oil Embargo, the resignation of President Nixon, double-digit inflation, 1987’s Black Monday, the Dotcom Bomb, the Great Financial Crisis, and the Covid pandemic. Through it all, Buffett’s approach has remained steadfast: buy high-quality businesses, hold them through thick and thin, and let time and compounding do the heavy lifting. Since Buffett took control of Berkshire Hathaway in 1965, the company’s shares have earned a compound annual return of 19.9% compared to a return of 10.4% for the S&P 500.² In a vivid example of the power of compounding, \$100 invested in Berkshire Hathaway shares in 1965 would be worth \$5.5 million at the end of last year.³ In contrast, the same sum invested in a yet-to-be-invented S&P 500 index fund would be worth around \$39,000 today, dividend reinvestment included. Our sense of loss upon Buffett’s announcement that he would step down as CEO was tempered by our appreciation of the grace, wisdom and humility that characterized his extraordinarily successful career as an investor.

“I buy [stocks] on the assumption that they could close the market the next day and not reopen it for five years.”⁴ Warren Buffett, Berkshire Hathaway 1997 Annual Meeting

The Sustainable Equity Strategy (SES) attempts to emulate the many lessons taught by Mr. Buffett, most particularly owning for long, preferably indefinite, holding periods a concentrated portfolio of high-quality businesses supported by or aligned with secular trends that will endure through the many economic cycles to come. Buffett frequently refers to the long-term driver of America’s secular growth, repeating that the “American Tailwind” is the reason for Berkshire’s success, not the other way around.⁵ Extending Buffett’s playbook, we believe intensifying environmental risks and opportunities are poised to have more enduring effects on the prospects for company performance than the shorter-term concerns which preoccupy most investors: the direction of interest rates and fluctuation of the ordinary business cycle. We believe Mr. Buffett would appreciate SES’s integration of material environmental factors into an assessment of company risk, opportunity and impact on future cash flows, although he may only recently have recognized their significance. Berkshire Hathaway’s Q1 2025 results were materially impacted by climate-driven catastrophe losses, particularly from Southern California wildfires, which led to a sharp drop in insurance underwriting profits and overall earnings.⁶ Buffett’s successor, Greg Abel, acknowledged at the annual meeting that

the \$48 billion in wildfire claims facing Berkshire's PacifiCorp complicates his readiness to continue allocating capital to the utility sector. Buffett echoed Abel, noting that due to such risks the public utilities business "is not as good a business as it was a couple of years ago."⁷

While 8.5-years is far shorter than Mr. Buffet's 60-year run, we are encouraged by the early results from our strategy. Year to date through the 2nd quarter of 2025, the SES returned 11.69% gross/11.24% net of fees vs. 6.20% for the S&P 500 and 9.47% for the MSCI World. More relevantly, given our long-term horizon, our annualized return over the 8.50 years since inception is 16.50% gross/15.46% net vs. 14.69% for the S&P 500 and 12.16% for the MSCI World. (Past performance is no guarantee of future results.) Please see the one-pager attached to the end of this letter for additional performance details and further disclosures. During the 2nd quarter, we made no sales. We did take advantage of the April swoon in the market to add attractively priced shares to our positions in **Nvidia**, **Synopsis** and **Chipotle Mexican Grill**.

"Someone is sitting in the shade today because someone planted a tree a long time ago."⁸ Warren Buffett

While not as widely acknowledged a milestone as Buffett's 60-year track record, 2025 marks the 80th anniversary of Alan Turing's publication of his groundbreaking work on a programmable digital computer. Dr. Turing is likely as much of a celebrity to computer scientists as Buffett is to investors. Turing is most famous for inventing and building a machine at Bletchley Park that could decipher the coded communications of the Nazi war machine, an achievement that some believe shortened WWII by two years, saving perhaps 14 million lives.

With the war over, Turing turned his attention to hypothesizing and building intelligent machines. Commenting later in a BBC interview, Turing said, "...our digital computer, suitably programmed, will behave like a brain...I think it is probable for instance that at the end of the [20th] century it will be possible to programme a machine to answer questions in such a way that it will be extremely difficult to guess whether the answers are being given by a man or by the machine."⁹ The "Turing Test," as it became known, reflected his belief that the operations of the human brain could be simulated by a computer. Turing's work laid the foundation for artificial intelligence (AI).

In recent years, groundbreaking progress in AI has made clear that intelligent machines will have a pronounced impact on every aspect of human activity. While we are concerned that unregulated development of AI could expose us to unanticipated risks, as well as potential grid destabilizing spikes in energy demand from AI data centers, we are also convinced that AI will play a transformational role in solving the challenge of making the global economy more sustainable. According to a 2025 study by researchers from the Federal Reserve Bank of St. Louis, Vanderbilt University, and the Harvard Kennedy School, AI adoption is growing at as much as double the rate of previous transformative technologies such as the personal computer or the internet.¹⁰ Real-time examples of how AI is deployed within our SES portfolio companies abound:

Energy and Utilities: Smart grids and AI-driven systems balance supply and demand, minimize losses, enable more efficient energy use, and can accelerate the transition to cleaner energy. SES portfolio company **Constellation Energy** has implemented AI and machine learning tools at its nuclear power plants.¹¹ These tools analyze large volumes of operational data to improve sensor calibration, fuel usage, and overall plant efficiency, resulting in enhanced operational reliability and lower costs. AI is helping to prevent shutdowns and optimize fuel configuration for maximum output and revenue. Additionally, Constellation supports the growth of AI data centers by providing a reliable source of low-carbon energy to companies like SES holding **Microsoft**, which has made commitments to continue reducing greenhouse gas emissions even as it grows its AI and cloud services datacenter business. After decades of stagnant electricity demand, the accelerating use of AI has driven U.S.

electricity demand and prices up. Constellation has been a beneficiary, signing long-term contracts at elevated prices and serving its AI customers' need for assured supply.

Agriculture: AI enhances agricultural productivity by promoting precision irrigation, crop monitoring, and resource management. These systems help reduce waste, improve yields, and support regenerative farming practices. SES holding **John Deere** is a global leader in agricultural technology. Through internal R&D together with smart acquisitions of AI technology companies, Deere has integrated AI and machine learning across its operations.¹² During the quarter, some of our team visited Deere's headquarters in Indiana, partly to learn more about the management team's vision around AI.¹ The company uses AI and advanced sensors to monitor soil, crops, and pests, enabling precise application of water and pesticides—reducing usage by up to 25% and 20%, respectively. Deere's autonomous tractors and sprayers use AI vision for real-time field optimization, cutting waste and costs. With growing recurring revenue from customer subscriptions to these tools, Deere's business model is becoming moderately less cyclical. Management expressed the belief that by employing AI enabled tools it will achieve its goal of fully autonomous production cycles for major crops by 2030.

Waste Management: AI automates sorting, optimizes collection routes, and reduces methane emissions from landfills, resulting in more efficient recycling, less landfill waste, and lower operational costs. SES portfolio company **Waste Management** equips collection trucks with sensors and cameras that use AI to analyze images of waste containers during pickup, allowing real-time identification of contamination and overfilled bins and reducing contamination rates.¹³ The company utilizes AI-driven robotics and computer vision at waste recovery facilities to automate the sorting of recyclables, thereby reducing manual labor, and improving the quality and market value of recovered waste.

Insurance: AI-powered models improve climate change projections, monitor biodiversity, and detect illegal deforestation. These systems provide real-time insights that help businesses and governments plan for and respond to environmental risks. SES portfolio company **Aon** integrates advanced analytics, machine learning, and climate science to help clients better measure, manage, and transfer climate-related risks, supporting resilience and compliance.¹⁴

“Investment must be rational; if you don't understand it, don't do it.” and “I don't understand the [iPhone] at all, but I do understand consumer behavior.” Warren Buffett

The examples above of how several of our companies implement AI across their businesses are replicated across the entire SES portfolio and the global economy. Applied AI increases efficiency in manufacturing by optimizing resource use, reducing emissions, and supporting greener supply chains. Predictive analytics and automation help minimize waste and energy consumption. In transportation, AI optimizes logistics, reduces fuel consumption, and supports the development of sustainable mobility solutions, such as electric and autonomous vehicles. AI's ability to analyze vast datasets, provide actionable insights, and automate complex processes is crucial for advancing sustainability across nearly every sector. By improving efficiency, reducing waste, and enabling smarter decision-making, AI is paving the way for more sustainable human behavior and resilient economies. A central tenet of the SES is that greater operational and resource efficiency drives margin improvement and higher returns on

¹ As part of our process of staying close to our companies, we make regular visits to talk with management at both the HQ level and at operational branches where we can meet local teams. In recent months we have visited Deere, United Rentals, Carrier, WillScot and Trane.



investment, while also delivering urgently needed benefits for our environment. Sustainability and productivity are often flip sides of the same coin, and both are significantly accelerated by AI adoption.

The SES proprietary E-Map led us to a thorough analysis of investment opportunities arising from AI's rapid expansion. By integrating sustainability criteria with fundamental economic analysis, we identified investable companies in the AI ecosystem. The portfolio has evolved such that approximately 15% of the SES is now invested in companies we consider leaders in the "picks and shovels" of supplying the AI tools required for applications such as those described above. These companies include **Nvidia** (leading designer of advanced AI chips and software); **ASML** (dominant manufacturer of the machines required to make the most advanced chips, including Nvidia's); **Taiwan Semiconductor** (most dominant manufacturer of advanced chips); **Synopsys** (supplier of mission critical software and IP for advanced chip design); and **Schneider Electric** (an energy management leader we have owned for about 8 years, its fastest-growing segment supplies critical infrastructure and cooling solutions for energy-intensive AI data centers). Except for Synopsys, a company we believe is not well understood by investors, these companies have all contributed materially to the SES's outperformance year to date.

Looking Ahead

The SES was launched to clients on January 1, 2017 on the premise that deep environmental expertise could be combined with sound investment principles to create a portfolio of companies exhibiting resilience through the many economic cycles to come. Understanding sustainability data and trends underappreciated by most investors could provide a material information edge and the SES offers a case for why actively managed sustainable investing can outperform. The SES holds about 34 companies with sustainable competitive advantages, high returns on invested capital, abundant opportunity to reinvest earnings, strong balance sheets and identifiable advantages in navigating environmental change and offering solutions to some of the world's most pressing problems. The SES portfolio is grounded in investment fundamentals which are largely agnostic to and independent of the kinds of rapid government policy changes we've witnessed this year. For long-term investors such as multi-generational families, pension funds, foundations, and endowments, we believe integrating sustainability into valuation models is becoming critical. Ignoring these signals amounts to flying blind in a changing world of risks and opportunities, increasingly shaped by environmental factors.

While surely Alan Turing was aware that his work at Bletchley Park shortened World War II and saved millions of lives, he probably did not fully appreciate that 80 years on, his contributions would form the foundation for improving the lives of billions, rendering human activity more sustainable, and creating many trillions in economic value. Both Buffett and Turing planted trees in whose shade we sit, ever mindful of the responsibility we bear to expand upon their vision of a better world.

Sincerely,

The Douglass Winthrop SES Team

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

This communication contains the opinions of Douglass Winthrop Advisors, LLC about the securities, investments and/or economic subjects discussed as of the date set forth herein. This communication is intended for information purposes only and does not recommend or solicit the purchase or sale of specific securities or investment services. Readers should not infer or assume that any securities, sectors or markets described were or will be profitable, or are appropriate to meet the objectives, situation or needs of a particular individual, group or entity, as the implementation of any financial strategy should only be made after consultation with your attorney, tax advisor and investment advisor. All material presented is compiled from sources believed to be reliable, but accuracy or completeness cannot be guaranteed. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENTS BEAR RISK INCLUDING THE POSSIBLE LOSS OF INVESTED PRINCIPAL.

¹<https://economictimes.indiatimes.com/markets/stocks/news/5-timeless-warren-buffett-quotes-every-investor-should-know/be-fearful-when-others-are-greedy-and-greedy-when-others-are-fearful-/slideshow/120868681.cms>

² <https://www.cnbc.com/2025/05/05/warren-buffetts-return-tally-after-60-years-5502284percent.html>

³ <https://www.berkshirehathaway.com/2024ar/2024ar.pdf>

⁴ https://github.com/pzponge/Yestoday/blob/main/Warren_Buffett/Berkshire_Hathaway_Annual_Meeting/1997_Annual_Meeting.md

⁵ <https://www.berkshirehathaway.com/2018ar/2018ar.pdf>

⁶ <https://www.reinsurancene.ws/berkshire-hathaways-geico-offsets-underwriting-losses-at-reinsurance-and-primary-units-in-q125/>

⁷ <https://www.reuters.com/world/us/berkshire-hathaway-meeting-warren-buffett-speaks-tariffs-shake-markets-2025-05-03/>

⁸ <https://greatnewspodcast.com/great-episode/warren-buffet/>

⁹ <https://academic.oup.com/mind/article-abstract/LIX/236/433/986238?redirectedFrom=fulltext&login=false>

¹⁰ <https://s3.amazonaws.com/real.stlouisfed.org/wp/2024/2024-027.pdf>

¹¹ <https://s3.amazonaws.com/real.stlouisfed.org/wp/2024/2024-027.pdf>

¹² <https://openai.com/index/john-deere-justin-rose/>

¹³ <https://www.wastedive.com/news/wm-president-john-morris-fleet-ai-upgrades-route-optimization/748456/>

¹⁴ <https://pitchgrade.com/companies/aon-ai-use-cases>

DWA Sustainable Equity Strategy

Performance (as of 6/30/2025)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	14.30%	13.38%	13.06%	15.16%	16.26%
3 Yr	18.23%	17.27%	16.29%	19.71%	18.31%
5 Yr	14.50%	13.54%	13.25%	16.64%	14.55%
Since Inception	16.50%	15.46%	12.60%	14.69%	12.16%

Past performance is no guarantee of future results.

5-Year Historical (2020-2024)

	DWA Sustainable Equity	S&P 500	MSCI World
Calendar Year End (Avg)			
Return on Invested Capital	15%	10%	7%
Net Leverage	1.0x	1.4x	1.7x
R&D % of Sales	6%	4%	4%
Annualized			
EPS Growth	19%	9%	7%

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

Sustainable Transport:

% of Assets
as of 6/30/2025

Canadian National Railway	2.2
Uber	4.1

Renewables, Storage & Grid:

Constellation Energy	2.6
Schneider Electric	3.7

Food, Fisheries & Sustainable Ag:

Deere	2.7
Chipotle	2.3

Smart Buildings & Cities:

Trane Technologies	3.7
Carrier	2.0

Water Quality and Efficiency:

Core & Main	1.5
Thermo Fisher	2.4

Environmentally Related Human Health:

Danaher	2.6
L'Oreal	2.9

Sustainable Finance:

Brookfield Asset Management	3.7
Aon	3.1

Sustainable Data:

ASML	3.0
Taiwan Semiconductor	3.9

Portfolio Characteristics (as of 6/30/2025)

DWA Sustainable Equity

S&P 500

# of Equity Holdings	34	504
Top 10 Positions	42.5%	35.8%
Beta (3Yr)	1.13	1.00
Dividend Yield	0.8%	1.4%
3Yr Projected EPS Growth	14.6%	12.0%
Weighted Avg P/E Forward	26.5x	24.4x
Return on Equity (5Yr)	34.9%	17.9%
Net Debt / EBITDA (TTM)	0.56x	1.55x

Sector Distribution (as of 6/30/2025)

% of Equity

Discretionary	15.0
Staples	3.0
Communications	4.4
Healthcare	5.1
Industrials	33.9
Technology	21.2
Materials	1.6
Financials	13.1
Energy	0.0
Utilities	2.7
Real Estate	0.0



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.

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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