# **Ecofin** Global Energy Transition Fund
## (EETIX/EETAX)

## Q2 2022 QUARTERLY COMMENTARY

MSCI ESG RATINGS: A (CCC | B | BB | BBB | A | AA | AAA)

Represents the aggregate ranking of the Fund's holdings as of 6/30/2022. Certain information ©2022 MSCI ESG Research LLC. Reproduced by permission; no further distribution.

The fund returned 17.80% in the second quarter, underperforming the MSCI ACWI by 2.1 percentage points (pp). The fund returned -28.85% in the first half of the year, underperforming the MSCI ACWI by 8.7 pp.

**Performance** Total returns before taxes

| | | as of 6/30/2022 | | | |
|---|---|---|---|---|---|
| | Class | 3 Month | 1 Year | 3 Year | Since inception* |
| EETIX | Institutional | -17.80% | -28.41% | 7.09% | 7.73% |
| EETAX | A Class (excluding load) | -17.70% | -28.58% | 6.83% | 7.47% |
| EETAX | A Class (maximum load) | -22.22% | -32.51% | 4.83% | 5.56% |
| M1WD | MSCI ACWI Index (Net TR) | -15.66% | -15.75% | 6.21% | 5.95% |

**5/1/2019. Performance shown in the table above for periods longer than 3 months is performance of the predecessor fund; see ** on page 4. The inception date of the Ecofin Global Energy Transition Fund was October 15, 2021 and October 18, 2021 for the Institutional shares and A Class shares, respectively. Note: For periods over one year, performance reflected is for the average annual returns.*

*The fund's gross expense ratios are 1.86% and 2.11% and the fund's net expense ratios are 0.90% and 1.15% for the Institutional and A Class Shares, respectively.*

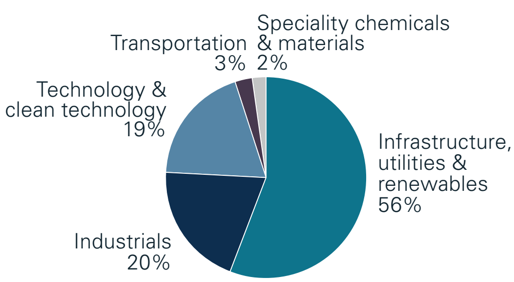
*TCA Advisors (the "Adviser") has contractually agreed to reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, front-end or contingent deferred loads, taxes, leverage/borrowing interest, interest expense, brokerage commissions, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization, or extraordinary expenses) do not exceed 0.90% of the average daily net assets of the Fund. Expenses reimbursed by the Adviser may be recouped by the Adviser for a period of 36 months following the month during which such reimbursement was made if such recoupment can be achieved without exceeding the expense limit in effect at the time the expense reimbursement occurred and at the time of the recoupment. The Operating Expenses Limitation Agreement will be in effect and cannot be terminated through at least March 31, 2023. The net expense ratio is as of the most recent prospectus and is applicable to investors.*

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 855-822-3863. Performance data shown reflecting the A Class (maximum load) reflect a sales charge of 5.50%. Performance data shown "excluding load" does not reflect the deduction of the maximum sales load. If reflected, the load would reduce the performance quoted.*

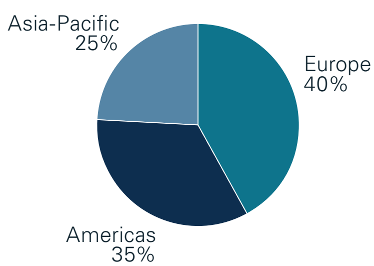
At the end of June, the fund had 25 positions and by region was invested 35% in the Americas, 40% in Europe and 25% in Asia. Almost half the position weights have primary exposure to the electrification master theme while the remainder is divided equally between clean transportation and industrial & building efficiency.

**Portfolio** (as of 6/30/2022)

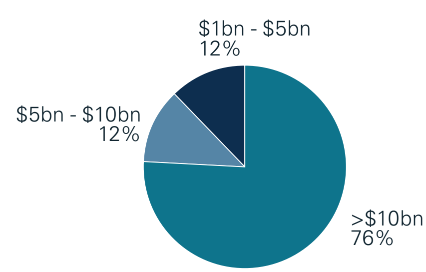
**By target sector**




**By geography**




**By market cap**



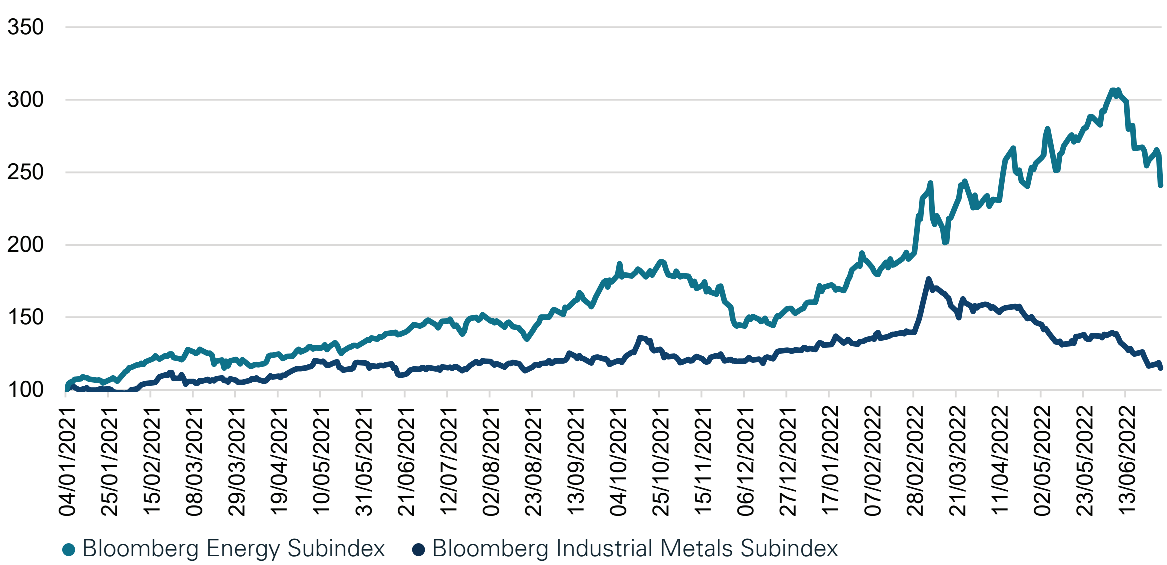

*Due to rounding, totals may not equal 100%.*

The varied macro impulses outlined in the Q1 commentary persisted into Q2 and were a major contributor to the fund's negative returns during the period. The ongoing underperformance of growth relative to value in the quarter additionally contributed to the fund's underperformance relative to the market, though it should be noted that with little exception we have not seen any material reductions or slowdowns relating to our core secular growth exposure in energy transition themes. This is quite different from the more generic 'growth' category slowdowns seen in high profile technology names, which were largely exposed to the COVID demand cycle.

Over the course of the quarter, consumer confidence deteriorated further in both the U.S. and Europe, a result of increasing costs of living exacerbated by energy shocks and the rapid move higher in mortgage rates. The drop in consumer sentiment and decline in savings rates are impacting the demand for consumer goods and pricing power of companies selling those goods (a correction exacerbated by the overshoot in demand for goods versus services during the COVID lockdown). For companies in the investment universe with exposure to consumer goods, especially consumer electronics, as there is a risk of margin erosion and inventory build-up in the months ahead. The greater relevance to this portfolio is that this dynamic potentially extends to the Automotive sector, although there will likely be a delay to pricing power erosion for new cars as automotive production is still running well below demand levels because of the semiconductor shortage. The risk is more to reduced pricing power for automotive original equipment manufacturer (OEM) in 2023, as we may well see sales volumes positively impacted ahead given the industry is already producing well below current demand levels; on a relative basis a better backdrop for suppliers versus OEMs. Meanwhile, electric vehicle (EV) sales continue to show strong growth and rising overall market penetration and, as a result, companies with higher electric vehicle exposure within the automotive industry should fare better on a relative basis. Our strategy is focused on these volume and EV exposures.

A more positive development in the energy transition investment universe during the quarter was the sequential decline in many metal commodities prices. The declines in metals prices exceeded the declines in energy prices (see Figure 1). In fact, in some regions, Europe in particular, energy prices continued to reach new highs. Freight costs also began to recede from highs. Rising metals and freight costs emerged as a growing headwind to the renewable asset and equipment value chain during the second half of 2021, given these would feed into higher equipment and project deployment costs which would, in turn, erode renewable project returns and equipment manufacturer margins. This development is now unwinding; metals and freight costs are falling which should result in plateauing or declining project costs. Concurrently, energy prices (gas, coal and electricity in particular) in many regions remain elevated. The outcome is threefold: renewable project returns have scope to stabilise or improve, the spread between fossil fuel power generation costs and renewable power generation costs (which are lower) are at all-time highs, and the pricing power of renewable generators is improving. While this is generally a positive trend for the entire renewable power value chain, it is worth noting that some important inputs such as lithium carbonate and polysilicon prices have remained elevated owing, in part, to no evidence of a slowdown in demand.

**Figure 1. Bloomberg Energy Subindex vs Bloomberg Industrial Metals Subindex[1]**




[1]Industrial Metals Subindex: the index is composed of futures contracts on aluminium, copper, nickel and zinc. It reflects the return of underlying commodity futures price movements only. It is quoted in USD.

Energy Subindex: the index is a commodity group subindex of the Bloomberg CI. It is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return of underlying commodity futures price movements only and is quoted in USD.

It merits mention that, when assessing the portfolio's performance YTD, the primary influence has been the valuation multiple de-rating rather than negative earnings or revenue revisions. Equities tend to move ahead of revisions, and we would expect that the almost negligible level of negative earnings revisions seen thus far at the portfolio level may increase, with the magnitude and scope of the global economic slowdown dictating the size of downward revisions to come. Our portfolio consists of companies with a variety of end-market exposures and business modules: some should indeed see positive revisions (such as the renewable asset owners/operators mentioned earlier); some companies are not cyclical (such as pureplay cleantech equipment manufacturers) and are therefore less exposed to the global economic slowdown; and the portfolio indeed also contains cyclical businesses with structural exposure to the energy transition mega trends. Within the more cyclical exposures we continue to focus predominantly on the higher quality cyclicals – those with superior pricing power and the ability to execute well through this period of turbulence. Such "quality" cyclicals have already de-rated meaningfully year-to-date and therefore may have better potential for relative outperformance over the next six months (compared to the last six months).

## WHAT WORKED WELL THIS QUARTER

**Constellation (CEG US)**, a merchant nuclear power generation business in the U.S., was spun out from Exelon (EXC US) in January 2022. The company has the largest merchant nuclear fleet in the U.S. which can benefit from growing demand for zero-carbon electricity as well as the increase in electricity prices driven higher by rising U.S. gas prices.

**Acciona Energias Renovables (ANE SM)**, a Spanish renewable energy company with a global asset base, was up slightly in the quarter. The company recently spun out from its parent and has ambitions for substantial growth in its renewables asset base. In addition, the company should stand to benefit from higher power prices in Europe from next year onwards as it has increasing levels of unhedged power price exposure in the years ahead.

## WHAT DIDN'T WORK WELL THIS QUARTER

**Lyft (LYFT US)**, a U.S. ride hailing business, was a significant detractor in the quarter. The company beat Q1 results on revenue and EBITDA but Q2 guidance missed consensus estimates. The company claims that Q1 ride volumes were at 70% of ride volumes pre-COVID, sees a recovery accelerating in H2, and wants to get ahead of that by increasing short term investment in driver incentives. The street is concerned this is structural rather than transitory. Meanwhile the backdrop of rising wages, a tight labour market, higher gasoline prices and declining consumer confidence add further uncertainty. On the earnings call management reiterated expectations of FY revenue growth rate above 2021 levels, which implies a significant second half reacceleration. We think the stock is likely range-bound until Lyft can disprove these concerns over the next couple of quarters. Management needs to continue to execute and reiterate a focus on free cash flow generation.

**Infineon (IFX GY)**, a leading global power semiconductor company, fell in the quarter as a result of ongoing concerns about a global economic growth deceleration and the possible risk of a rapid inventory build in semiconductors. It is worth noting that Infineon has a large exposure to the automotive sector, which should see some volume recovery, as opposed to the consumer electronics end-markets where growth is more uncertain.

**Schneider Electric (SU FP)**, a leading global provider of low & medium voltage electrical equipment, underperformed in the quarter due to its relatively large exposure to China which was under strict lockdown. Investors also worry about the company's expectations for a H2 weighted recovery given the uncertain macro outlook.

## LOOKING AHEAD

The second quarter reporting season is likely to deliver a generally reasonable set of results, however investors are likely to disregard historical performance in this fast moving macro environment and focus on guidance and commentary regarding current operating conditions. The major macro themes will remain the most significant drivers of overall equity performance in the near term: the Fed, inflation, Ukraine/Russia impacts on energy (particularly in Europe), China zero-COVID policy and stimulus programs there.

More specifically to the energy transition strategy, progress on U.S. climate policy ahead of or after the mid-term elections could also act as a material positive catalyst. Visibility on a positive outcome is still very low but can evolved rapidly. We also expect a conclusion on the Californian rooftop solar net metering 3.0 regulations during Q3 which would remove a regulatory overhang from companies exposed to rooftop solar.

The threat to Europe of a Russian gas supply shortfall remains acute and is a significant risk to the European economy and the broader global economy. The European energy market is very fragile due to its dependence on imported gas and currently weak hydro conditions. In this context, it becomes probable that Europe will need to contain energy consumption. Moreover, policy intervention to control power prices is increasingly likely in order to limit the rise in the costs of living. Forced moderation in energy consumption could set the stage for a recession and a difficult operating environment for many industries, even if renewables should fare better given their long-term contracts and lower-than average cost positions.

From a regional perspective, China has the potential to show the best sequential growth after a weak Q2 resulting from COVID lockdowns, enhanced by a watering down of COVID restriction measures and a ramp-up of focused stimulus measures. In the last weeks we have already seen purchase tax cuts for the automotive industry.

We are expecting supply chain bottlenecks for critical components, such as semiconductors, to continue to improve which will materially reduce the impact of supply constraints on availability and pricing of products, reduce the false signal of double-ordering within supply chains, and alleviate some of the acute inventory management issues within supply chains. Aside from gas (in some regions) supply bottlenecks, the supply-driven market distortions should dissipate. The main question now is demand.

| **Top 10 holdings (as of 6/30/2022)** | | | |
|---|---|---|---|
| 1. China Longyuan Power Group | 6.4% | 6. Schneider Electric S.E. | 4.7% |
| 2. TE Connectivity | 6.3% | 7. Nidec Corporation | 4.5% |
| 3. NextEra Energy | 6.0% | 8. Enel SpA | 4.4% |
| 4. Constellation Energy Corporation | 5.7% | 9. Rohm Co., Ltd | 4.4% |
| 5. Infineon Technologies AG | 5.3% | 10. Acciona Energias Renovables | 4.1% |

**As of the date of the Prospectus the Fund does not have a full calendar year of performance as a mutual fund. Prior performance shown at the top of this document for the period prior to the Fund's registration as a mutual fund in October 2021, is for a series of the Long Only sub-fund of the Ecofin Vista Master Fund Limited, established in May 2019 (the "Predecessor Fund"), an unregistered Cayman Islands limited liability company. The Predecessor Fund was reorganized into the Fund by transferring substantially all of the Predecessor Fund's assets to the Fund in exchange for Institutional Class shares of the Fund on October 15, 2021 (and for A Class shares of the Fund on October 18, 2021), the date that the Fund commenced operations (the "Reorganization"). The Predecessor Fund was managed in a materially equivalent manner as the Fund. The Sub-Adviser served as the investment adviser to the Predecessor Fund for the entire performance period shown and is responsible for the portfolio management and trading for the Fund. Each of the Fund's portfolio managers was a portfolio manager of the Predecessor Fund at the time of the Reorganization. The Fund's investment objective, policies, guidelines and restrictions are, in all materially equivalent respects, the same as those of the Predecessor Fund.

The above information shows the returns of the Class B3 Shares of the Predecessor Fund since its inception in May 2019. The Class B3 Shares are similar to the Fund's Institutional class but, at a point in time, were subject to performance and other fees. Although the management fee of the Fund is slightly higher than the Predecessor Fund, the Fund is not subject to the performance fee of the Predecessor Fund. From its inception through the date of the Reorganization, the Predecessor Fund was not subject to certain investment restrictions, diversification requirements and other restrictions of the Investment Company Act of 1940, as amended (the "1940 Act") or Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), which, if they had been applicable, might have adversely affected the Predecessor Fund's performance. The Predecessor Fund's performance was calculated using a methodology of timeweighted total returns from official net asset values. Since the Reorganization, the Fund's performance has been calculated using the standard formula set forth in rules promulgated by the SEC, which differs in certain respects from the methods used to compute total return for the Predecessor Fund.

Beta is a measure of a stock's volatility in relation to the overall market. Correlation is a statistical measure of how two securities move in relation to each other. A percentage point is one hundredth of a given value, used to measure the difference of two percentages.

TCA Advisors is the adviser to the Fund and Ecofin Advisors Limited is the sub-adviser. Primary responsibility for the day-to-day management of the Fund's portfolio is the joint responsibility of Matthew Breidert and Max Slee, both of the Sub-Adviser. Mr. Breidert is a Senior Portfolio Manager and Managing Director of the Sub-Adviser. Mr. Slee is a Portfolio Manager and Managing Director of the Sub-Adviser. Each portfolio manager has managed the Fund since its inception in October 2021. Mr. Breidert and Mr. Slee were portfolio managers of the Predecessor Fund since its inception in May 2019.

## Disclaimers

***The fund's investment objective, risks, charges and expenses must be considered carefully before investing. The summary and statutory prospectus contains this and other important information about the fund and may be obtained by calling 855-822-3863 or visiting www.ecofininvest.com. Read it carefully before investing.***

**Mutual fund investing involves risk. Principal loss is possible. The fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the fund is more exposed to individual stock volatility than a diversified fund. Investing in specific sectors such as energy infrastructure and renewable energy infrastructure may involve greater risk and volatility than less concentrated investments. If for any taxable year the Fund fails to qualify as a RIC, the Fund's taxable income will be subject to federal income tax at regular corporate rates. The resulting increase to the Fund's expenses will reduce its performance and its income available for distribution to shareholders. Investments in foreign companies involve risk not ordinarily associated with investments in securities and instruments of U.S. issuers, including risks related to political, social and economic developments abroad, differences between U.S. and foreign regulatory and accounting requirements, tax risk and market practices, as well as fluctuations in foreign currencies. These risks are greater for investments in emerging markets. The fund invests in small and mid-cap companies, which involve additional risks such as limited liquidity and greater volatility than larger companies. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. The fund may also invest in derivatives including options, futures and swap agreements, which can be highly volatile, illiquid and difficult to value, and changes in the value of a derivative held by the fund may not correlate with the underlying instrument or the fund's other investments and can include additional risks such as liquidity risk, leverage risk and counterparty risk that are possibly greater than risks associated with investing directly in the underlying investments.**

**The fund applies ESG criteria to the investment process and may exclude securities of certain issuers for non-investment reasons and therefore the Fund may forgo some market opportunities available to funds that do not use ESG criteria.**

Index performance reflects no deduction for fees, expenses, or taxes. The MSCI ACWI Index captures large and mid cap representation across 23 Developed Markets and 27 Emerging Markets countries. The index covers approximately 85% of the global investable equity opportunity set. MSCI Net Total Return (Net TR) indices reinvest dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

Fund holdings and sector allocations are subject to change.

[†]In 2015, the UN announced the Sustainable Development Goals (SDGs) as a call to action for countries, governments, funders, and investors to unite to accomplish 17 global goals. These goals recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. The UN has provided a framework of specific indicators to measure progress and a timeframe to achieve them by 2030, both of which reinforce the urgency and crucial nature of this work.

[‡]The United Nations-supported Principles for Responsible Investment (PRI) initiative is recognized as the leading global network for investors and financial industry participants who are committed to integrating environmental, social and governance (ESG) considerations into their investment practices and ownership policies.

MSCI ESG Research LLC's ("MSCI ESG") Fund Metrics and Ratings (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 31,000 multi-asset class Mutual Funds and ETFs globally. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

The MSCI ESG Fund Ratings is designed to assess the resilience of a fund's aggregate holdings to long term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks.

- AAA, AA: Leader- The companies that the fund invests in tend to show strong and/or improving management of financially relevant environmental, social and governance issues. These companies may be more resilient to disruptions arising from ESG events.
- A, BB, BB: Average- The fund invests in companies that tend to show average management of ESG issues, or in a mix of companies with both above-average and below-average ESG risk management.
- B, CCC: Laggard- The fund is exposed to companies that do not demonstrate adequate management of the ESG risks that they face or show worsening management of these issues. These companies may be more vulnerable to disruptions arising from ESG events.

The Fund ESG Rating is calculated as a direct mapping of "Fund ESG Quality Score" to letter rating categories.

- 8.6- 10: AAA
- 7.1- 8.6: AA
- 5.7- 7.1: A
- 4.3- 5.7: BBB
- 2.9- 4.3: BB
- 1.4- 2.9: B
- 0.0- 1.4: CCC

The "Fund ESG Quality Score" assesses the resilience of a fund's aggregate holdings to long term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks, based on a granular breakdown of each issuer's business: its core product or business segments, the locations of its assets or revenues, and other relevant measures such as outsourced production. The "Fund ESG Quality Score" is provided on a 0-10 score, with 0 and 10 being the respective lowest and highest possible fund scores.

The "Fund ESG Quality Score" is assessed using the underlying holding's "Overall ESG Scores", "Overall ESG Ratings", and "Overall ESG Rating Trends". It is calculated in a series of 3 steps.

Step 1: Calculate the "Fund Weighted Average ESG Score" of the underlying holding's "Overall ESG Scores". The Overall ESG Scores represent either the ESG Ratings Final Industry-Adjusted Score or Government Adjusted ESG Score of the issuer. Methodology for the issuer level scores are available in the MSCI ESG Ratings Methodology document.

Step 2: Calculate adjustment % based on fund exposure to "Fund ESG Laggards (%)", "Fund ESG Trend Negative (%)", and "Fund ESG Trend Positive (%)".

Step 3: Multiply the "Fund Weighted Average ESG Score" by (1 + Adjustment %).

The stated rating only applies to the Institutional share class and other share class ratings may differ.

For more information please visit https://www.msci.com/esg-fund-ratings

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