



Terra Alpha Newsletter

"...even as we grieved, we grew."

The implications of the events of 2020 (e.g. COVID, George Floyd's killing and the subsequent protests, the presidential election, and the early 2021 assault on our nation's Capital) will stay with us for decades. It seemed impossible to characterize the experience of living through the past year until Inaugural Poet Amanda Gorman offered these words:

"That even as we grieved, we grew
That even as we hurt, we hoped
That even as we tired, we tried"

The societal and environmental costs of 2020 will take some time to fully grasp, but we know they are massive. The direct costs from COVID, severe weather events, and wildfires can at least be quantified, but the damage wreaked by widening social, economic, and health inequities and growing political discourse are undoubtedly larger and more worrisome. The challenges we face can certainly justify a gloomy outlook, yet there is room for optimism.

While policy leadership was often absent in 2020, we did see a significant shift in the private sector's role. A growing number of business leaders acknowledged their companies' responsibilities, pledging action to help address societal and environmental challenges. Largely, investors drove this shift by beginning to hold companies accountable for more than shareholders' short-term interests.

For many years, consumers and employees have actively voiced their expectations regarding corporate practices. 2020 was a transformational year in which investors broadly joined the conversation by demanding more of the business community. Evidence of this is the growing interest in the inclusion of Environmental, Social, and Governance (ESG) factors in funds and portfolios. The growth of ESG investment strategies, along with the rapid changes in our economy, had a significant impact on individual company valuations last year, with laggards punished and leaders rewarded by investors.

Our firm fully supports this important shift from solely shareholder-focused to stakeholder capitalism. We believe it is an essential catalyst in building a sustainable economy that supports society's needs and preserves our planet's essential natural resources. We also believe the companies that recognize the value of all stakeholders will provide shareholders with superior long-term returns.

As we enter 2021, we are already seeing the new political leadership in the U.S. restoring federal policy's role in environmental and social issues. With regard to the Climate Crisis, specifically, President Biden has already issued an Executive Order to rejoin the Paris Agreement and has appointed climate science experts in senior roles at nearly every major government agency. It is very clear that the new administration will take a much more active role in protecting our planet's natural resources. We also expect the DOL and SEC to reverse recent actions that sought to limit the application of ESG factors in investing for ERISA accounts and to block shareholder resolutions by smaller investors.

Despite the challenges we face, we see a greater sense of urgency and optimism. We know there are no quick and easy solutions to many of the global challenges we face. But, we move forward knowing that the private sector, investors, and policymakers increasingly understand the challenges we confront and the importance of resolving them.

Terra Alpha's role in this effort is three-fold. First, to help investors allocate capital to companies that are successfully leading the transition to a truly sustainable economy. Second, to engage with companies and encourage best practices, particularly with regard to their use of and impact on natural resources. Third, to act as a thought leader and encourage improvements in our capital markets and government policies that support a sustainable economy.

Terra Alpha Firm Update

In the midst of global challenges this past year, our firm continued to increase capacity to fulfill our mission and to serve the long-term needs of our investors:

- We remained safe and productive working remotely, thanks to our collaborative culture supported by our distributed IT infrastructure and outsourced service providers.

- We surpassed the five year mark with our flagship diversified strategy, available via Terra Alpha Fund LP (Accredited Investors), Terra Alpha Global Equity Fund LP (Qualified Investors), and SMAs greater than \$5 million.
- We published our first Impact Report to better inform investors about the work we have been doing since 2015 to lead the charge toward a sustainable economy.
- We received high marks from both Principles of Responsible Investors (PRI) and Real Impact Tracker in their 2020 assessments.
- We launched Terra Alpha Voices to share valuable perspectives from thought leaders.
- We enhanced our investment team, hiring an additional research analyst (Hayley McCurdy) and promoting Dan Sanborn to Portfolio Manager to support the work of our CIO (Tim Dunn).
- We launched a new fund, Terra Alpha Concentrated Strategy Fund LP, in July.
- We grew the firm's assets under management to \$94 million at YE2020 from \$54 million at YE2019.

Terra Alpha Impact Report: Our First Five Years



In October, Terra Alpha released our first Impact Report. Highlights from our first five years include:

- Engaging with many of the world's largest companies, investment firms, leading NGOs, leading academics, and policymakers
- Broadening awareness that large multinational corporations can be agents of positive, scalable change
- Supporting the argument that meeting shareholders' goals need not be at odds with protecting the interests of all stakeholders
- Demonstrating that a well-designed investment process that integrates material environmental, social, and

governance information can create superior financial returns

While we are very proud of what we have accomplished, we know there is more work to be done. Terra Alpha is committed to doing our part to help drive our world to a sustainable future while serving the interests of our investors.

[Read our full Impact Report here.](#)

Thought Leadership: *Ten Mission Aligned Things that Biden's SEC Can Do for ESG*

Jean Rogers, PhD, Founder and Former CEO of SASB, and Terra Alpha Advisory Board Member, recently wrote an open letter to the expected SEC Chair, Gary Gensler, to share her well-grounded action list. Terra Alpha supports these recommendations and is pleased to share them with you:

“The **mission of the SEC** is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. Here are 10 simple ideas that the SEC can implement to support ESG investing.

PROTECT INVESTORS

1. Update prospectus requirements for ESG labelled mutual funds and ETFs.
2. Update suitability requirements for investment advisers and broker dealers to include ESG preferences.
3. Educate investors about ESG funds.
4. Inspect firms with ESG labelled funds.

MAINTAIN FAIR, ORDERLY, EFFICIENT MARKETS

5. Develop SEC industry guides for disclosure of ESG information.
6. Encourage high quality disclosure of material ESG information under Regulation S-K via comment letters.
7. Prohibit selective disclosure of material ESG information between companies and some investors in questionnaires.

FACILITATE CAPITAL FORMATION

8. Facilitate climate risk disclosure by creating a Form SD, similar to conflict minerals, that companies can furnish.
9. Conduct research through the Division of Economic and Risk Analysis (DERA) into the systemic nature of climate risk and the adequacy of the current SEC disclosure regime for addressing both idiosyncratic and systemic risks.
10. Refrain from mandating broad ESG disclosure, instead relying on the existing principles-based approach currently embodied in Regulation S-K and SEC rules, until the SEC enhances its internal capacity for oversight, and suitable frameworks and their efficacy can be evaluated.”

[Read Jean's full letter to SEC Chair Gary Gensler here.](#)

Terra Alpha Voices

November marked the debut of *Terra Alpha Voices*, featuring thought leaders who inform our investment process and impact work. This series, created in partnership with author

and photographer [KK Ottesen](#), seeks to shed light on the subjects' diverse perspectives rather than their illustrious careers. A few of our favorite excerpts included:

"[The view from space] didn't change my thoughts about *Earth's* fragility, it convinced me that the Earth would not be able to sustain *our* lives if we kept letting it deteriorate. It's human beings that are fragile. The planet will still be here the way it's done for billions of years. But we would be like the dinosaurs." - [Charlie Bolden](#)

"The power force in human affairs, for better or worse, is economic. So how do you connect more strongly to what I came to call 'environmental intelligence,' the information that matters, that has practical import, that you should have on your radar screen as you're shaping your decisions about where we put our money and how we build our society." - [Kathy Sullivan](#)

"I think much of [the stakeholder capitalism conversation] still is talk. But, talk has to come first, and then action has to follow. The Friedman theory about the responsibility to a corporation is, I think, at an end." - [Frank Loy](#)

TAI People Profile: Director of Business Development Tara Doyle



Tara Doyle joined Terra Alpha in December 2018. As Director of Business Development, she leads the marketing strategy by liaising with existing and prospective investors, developing external partnerships, and overseeing investor relations. She is also a member of the management team. Tara's energy and commitment to success have been instrumental in expanding our network and growing our investor base.

Tara is a lifelong distance runner who enjoys volunteering in her free time. She currently serves on the Board of

Directors for [Hero Dogs](#), a Maryland-incorporated nonprofit that raises, trains, and places service dogs and other highly skilled canines with wounded veterans and first responders. She is also an active board member for [EcoWomen](#), a national nonprofit dedicated to empowering women as professional leaders and stewards of the environment.

Tara previously served on the board of [America SCORES New York](#), where she caught the philanthropy bug: "My involvement with SCORES exposed me to the everyday realities of racial injustice. It was so powerful to feel like I was making a difference, particularly when my career at the time didn't fulfill me in that way. Contributing to my community and to causes I'm passionate about has helped me make a home for myself in DC."

Terra Alpha Events & Updates

Terra Alpha Founder and CIO Tim Dunn has been featured in several webinars and publications throughout the quarter, including:

- A panel titled, “Linking Climate Change to the Bottom Line,” for [IR Magazine’s](#) ESG Integration Forum US 2020
- A Q&A with [Trusted Insight](#) for their Institutional Forum, focused mainly on ESG integration
- [Confluence Philanthropy’s](#) Trailblazer series, which highlights “model investment advisors and managers from the Confluence membership who are willing to share how they manage their own personal portfolios.” Read Tim’s feature here: [My Journey from the Cold War to Climate Crisis Investor](#)



About Terra Alpha

Terra Alpha Investments is a public equity manager founded in 2014 by highly experienced investors who share the conviction that our rapidly evolving world requires a change in investing thinking. Our rigorous and proprietary Environmental Productivity (EP) analysis values our planet’s natural resources and sits at the center of our successful investment process. Our unique combination of quantitative and qualitative analysis helps us identify companies with the optimal combination of enduring business models and superior EP; which we believe is the primary driver of our ability to deliver superior long-term investment returns for our investors.

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