

## Q3 2021 Riverwater ESG Large Cap Value Strategy Update

The Large Strategy slightly underperformed its benchmark, the Russell 1000 Value for the quarter, which was down 1%. There was nothing significant from a sector perspective either to the positive or negative as sector attribution had no variance more than 1% from the benchmark. The largest negative was the Financials sector where we underperformed by .85% and the largest positive was Health Care where we outperformed by .7%. From a stock perspective, there were several names up double digits, and they were all in Health Care. The main laggards were Newmont Mining down 13% and Teradyne down 18%. We are frustrated with our performance but are sticking to our process and believe dividend paying stocks should come into favor as the market shifts to favoring quality companies.

In the quarter, we sold our position in Maxim Technologies after it was purchased by ADI and trimmed our position in Starbucks given the elevated risk profile with their Chinese exposure. We bought two new positions. The first is First Solar which we also purchased in the SMID and that is discussed above.

We also bought Caterpillar (CAT) which should be familiar to most of you. They engage in the manufacture of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives. CAT has a multi-year opportunity in the mining business as electric vehicles take more market share in the automotive industry.

This will increase the demand for battery metals that will need to be mined not only around the world, but specifically in North America as the US government will want to control its own supply. In the shorter-term, CAT has tailwinds with the spike in commodity prices, low inventory supply in the dealer network, a positive backdrop for the housing market, and a potential infrastructure bill.

There are headwinds that have been a drag on the stock price in the form of supply chain disruptions and a slowdown in China's growth. However, we believe both issues should be transitory, setting up a positive setup for CAT in 2022. On the ESG front, CAT has been a leader for a long time. Based on their 2030 goals 100% of Caterpillar's new products through 2030 will be more sustainable than the previous generation. CAT already has zero emission products on the market, and they are being used in the field, helping their customers hit carbon neutral goals.

*Disclosures: Performance is presented net of fees and includes the reinvestment of income. Past performance is not indicative of future results. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.*

# ESG Large Cap Value Strategy Largest Contributors & Detractors

Q3 2021

## 5 Best - Absolute Contribution

| Ticker              | Company                | Average Weight | Contribution   |
|---------------------|------------------------|----------------|----------------|
| TMO                 | Thermo Fischer         | 3.47 %         | 37 bps         |
| PFE                 | Pfizer                 | 3.7 %          | 30 bps         |
| HOLX                | Hologic                | 3.61 %         | 26 bps         |
| EXC                 | Exelon                 | 3.37 %         | 26 bps         |
| PNC                 | PNC Financial Services | 5.46 %         | 14 bps         |
| <b>5 Best Total</b> |                        | <b>19.6 %</b>  | <b>133 bps</b> |

## 5 Worst - Absolute Contribution

| Ticker               | Company            | Average Weight | Contribution    |
|----------------------|--------------------|----------------|-----------------|
| NEM                  | Newmont Corp       | 4.57 %         | -60 bps         |
| GLW                  | Corning Inc        | 4.89 %         | -52 bps         |
| PSX                  | Phillips 66        | 2.35 %         | -50 bps         |
| UNP                  | Union Pacific Corp | 3.11 %         | -50 bps         |
| PGR                  | Progressive        | 4.01 %         | -34 bps         |
| <b>5 Worst Total</b> |                    | <b>18.9 %</b>  | <b>-264 bps</b> |

Contribution reflects the impact of performance and the portfolio weight to total portfolio return.

Data shown is from a representative account of the Strategy Name Composite. All Returns Are Gross-of-Fees. Included as supplemental information and complements a full disclosure presentation, which can be found in the appendix section of this presentation. Reader should not assume that investments in the securities identified were or will be profitable. Timing differences of purchases and sales may have a modest impact on the actual contribution numbers presented. The holdings identified do not represent all of the securities purchased, sold, or recommended. The calculation's methodology along with details on all holding's contribution to the overall account's performance during the measurement period are available upon request. Past performance does not guarantee future results.