



CHANGE FINANCE
INVESTING IN SERVICE TO LIFE

Understanding

CHGX

The Change Finance Diversified Impact U.S. Large Cap Fossil Free ETF (CHGX) uses rigorous, broadly diversified impact screens that allow you to invest in large U.S. companies, demonstrating a range of characteristics indicative of good corporate citizenship.¹ CHGX's impact screens are designed to filter out companies engaged in activities harmful to people and the environment, in the hopes of changing finance—and the world—for the better.

What are impact screens, and why do they matter?

Impact screens—often referred to by abbreviations such as “ESG” (Environmental, Social, Governance), “SRI” (Socially Responsible Investing), or “CSR” (Corporate Social Responsibility)—are tools that use quantitative and qualitative measures to “filter out” companies engaged in business practices that are harmful to people and/or the environment, irresponsible in terms of corporate management, or otherwise misaligned with one’s values.

Impact screens matter because they let investors align their portfolios with their values. They can also spur change as companies seek to address the concerns of impact-minded investors.^{2a}

Broadly diversified impact screens

CHGX takes a comprehensive approach to impact investing. It applies a series of ESG screens to the 1,000 largest U.S. companies by market capitalization. The selection and implementation of these screens is informed by the United Nations Sustainable Development Goals (SDGs). The SDGs are internationally agreed-upon standards set out in 2015 that seek to eradicate poverty, protect the planet from degradation, achieve lasting peace, and secure enduring prosperity for the people of planet earth.³

CHGX excludes companies from its holdings that:

- Operate in the oil, gas, coal, or tobacco industries
- Produce or process fossil fuels
- Produce nuclear power, GMOs, military weapons, or pesticides
- Have ignored human rights, labor rights (including, but not limited to, forced labor, child labor, and discrimination), the environment, or engaged in business malpractice (including, but not limited to, corruption and tax evasion)
- Fail to meet standards related to other social and environmental impacts including, but not limited to, pollution, land use and biodiversity, renewable and alternative fuels, human trafficking, health impacts of products, and management of hazardous substances

The fund’s in-depth screening methodology uses impact ratings data produced by Oekom Research AG, an independent research firm with 20 years of experience in sustainable investing.

Truly fossil fuel free

CHGX excludes from its holdings any company involved in producing fossil fuels. It also excludes primary processors of fossil fuels: pipelines, refineries, fossil fuel-burning power plants, and more. This results in a truly fossil fuel-free fund with zero exposure to fossil fuel producers and processors.⁴

But isn't there a trade-off in performance when you choose impact investing?

In short: no. Investing with one's values does not have to mean sacrificing performance. ESG factors have been demonstrated in numerous academic studies to correlate with superior risk-adjusted returns.⁵ The adoption of CSR (Corporate Social Responsibility) resolutions by companies has been shown to lead to boosted positive announcement returns and superior accounting performance, as well as an increase in labor productivity and sales growth.^{1b} High sustainability companies tend to be more long-term oriented, and exhibit high degrees of transparency with regards to financial disclosures.⁶ Plainly put, responsible business practices are just better business.

After screening out all these other companies, what's left?

Large cap, U.S.-based good global corporate citizens across a range of sectors. The companies that remain eligible for inclusion in CHGX after the application of its broad set of impact screens are conscientious regarding their impact on employees, people, society, and planet. They do what they can to reduce their carbon footprints, cut their use of hazardous chemicals, pay their fair share of taxes, implement inclusive employment practices, and seek to do good in the communities where they do business.

Conclusion

Finance is the mother of all human systems. Where capital flows, change follows. Through the use of a diversified set of impact screens informed by UN Sustainable Development Goals, CHGX enables investors to invest with their values without sacrificing performance, in the hopes of changing the world for the better.

¹ <https://www.foreignaffairs.com/articles/2008-01-01/global-corporate-citizenship>

² Eccles, Robert G., Ioannis Ioannou, and George Serafeim. *The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance*. Rep. N.p.: Harvard Business School, 2012. Print.

³ <https://sustainabledevelopment.un.org/post2015/transformingourworld>

⁴ Source from fossilfreefunds.org

⁵ Fulton, Mark, Bruce M. Kahn, and Camilla Sharples. *Sustainable Investing: Establishing Long-Term Value and Performance*. Rep. N.p.: n.p., 2012. Print.

⁶ Eccles, Robert G., Ioannis Ioannou, and George Serafeim. *The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance*. Rep. N.p.: Harvard Business School, 2012. Print.

The fund's investment objectives, risks, charges and expenses must be carefully considered before investing. The prospectus contains this and other important information about the investment company. It may be obtained by calling 1-303-339-0524 or emailing info@change-finance.com. Read it carefully before investing.

Investments in Real Estate Investment Trusts (REITs) involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. The social, governance, and/or environmental policy of the Fund could cause it to make or avoid investment that could result in the portfolio underperforming similar funds that do not have such policies. The Fund is a recently organized, diversified management investment company with no operating history. As a result, prospective investors have no track record on which to base their investment decisions.

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