



HOW WE SEE THE WORLD IN 2023

A case for optimism in the face of climate change

Creating a sustainable world can sometimes look like an insurmountable challenge. That's not how we see it. In this update, we would like to explain our optimism, in the context of our recent activities and a selection of our portfolio companies.



There is no doubt about it. We face a huge challenge ahead to create a more sustainable world. When faced with such a serious problem, the temptation can be to cling to things we know – to find some certainty in an uncertain world.

The problem with this is, if we already know it, then it's not the solution we need. Existing renewable technologies are very welcome and positive, but if they were enough, we could just order up 'more of the same.'

So how do we find the conviction to put our efforts behind what we don't yet know?

In fact, there is a strong rationale behind doing so.



THERE IS SOME CERTAINTY, EVEN IN CHAOTIC SYSTEMS

First of all, there are things that seem very uncertain, but on closer inspection, tend to follow a much more ordered pattern. For instance, nobody can say what any individual might do, but we can say with some certainty how large groups of people will behave. Similarly, we can't predict what the weather will be like in a month, but we can be more certain about the general pattern of weather and climate over years.

More positively, we can also have a high degree of certainty about the rate of efficiency growth of existing renewable technologies. The price of solar energy, for instance, has plummeted 90% in the past decade, obeying a kind of 'learning rate' law observed in other industries. Most famous is 'Moore's Law', that the number of transistors that can fit on a chip will double every 18 months. This

seems like wild speculation, but it is a highly predictable pattern that has underpinned the information technology revolution of the past 70 years.

From another perspective, such miracles of advancement become mundane: after all, whatever you practice, you are going to get good at. That's why, after just a decade or so, many renewable solar and wind technologies no longer need subsidy to be competitive.

We must also build on such incremental improvement with great leaps, by finding new technologies and ways of doing things, not just to fuel the energy transition, but also to address the many sustainability issues unrelated to CO2 emissions. The more resource humankind puts into this, the more likely a sustainable future becomes. ETF Partners has been at the forefront of this effort for two decades.

PRINCIPLES AND PURPOSE CAN GUIDE SUSTAINABLE INVESTMENT

Of course, making investments into individual growth businesses *is* fraught with uncertainty. Unlike traditional company investment, which can rely on historic cashflow analysis, identifying potential requires a large mix of skills and experience, much of it intangible and judgement laden. But again, there can be solid foundations to any business, no matter how nascent it may be.

A classical way of confronting uncertainty is to rely on principles as a guide towards your ultimate purpose, and as a defence against short-termism. It is striking, when looking at our portfolio companies, how purpose-driven they all are.

As an example, below we have taken the companies that presented at our recent AGM and matched them with broad sustainability principles (some will apply to several, it's not intended to be comprehensive.)



PRINCIPLES / PURPOSE	COMPANIES
BE RESOURCE-EFFICIENT	Shippeo, Wirepas, Vullog Zeelo
ATTEND TO YOUR IMPACT	Normative, Net Purpose, Fairly Made
DON'T WASTE	Phenix, The Modern Milkman
CONSIDER OTHERS' WELFARE	Flyability, FairlyMade



By contrast to these, a simplistic principle of capitalism might be 'to give people what they want', or rather, what they will pay for. (Henry Ford is often quoted as saying, if he'd asked what they wanted, his customers would have said a faster horse - the quote is apocryphal.) Today, people might say they want faster, bigger, shinier, but maybe what they would actually pay for is a more considerate, more sustainable mode of being.

It takes an entrepreneur to see what consumers would 'demand', if only they knew to demand it. And it is the job of ETF Partners to identify and support those entrepreneurs that we believe have the best shot at changing the world for the better.

We might conclude that a reason to put your faith in the unknown derives from your principles and sense of purpose. They provide the foundation from which to prosecute an investment strategy, or to implement a business plan that is confident and purpose-driven, and that will survive contact with an unforgiving world, and change it for the better.

**We call it sustainability
through innovation.**

Purpose, enacted

A PRINCIPLES-BASED LOOK AT A SELECTION
OF OUR INVESTMENTS



NORMATIVE

 Attend to your impact

Normative's goal is nothing less than to make known and reduce the sustainability impact of all economic activity on the planet.

It does so by delivering the world's most accurate carbon emissions profiling, across all three carbon emissions scopes, so companies can put a meaningful figure on their greenhouse gas impact. So far, the company has calculated 198m tonnes of CO₂ emissions.

Today, it's about compliance. But tomorrow, Normative's insights will be a fundamental component in any company's ability to compete.



FAIRLY MADE

 Consider others' welfare

Two fashion-conscious young entrepreneurs spent time on-the-ground in Asia, visiting farmers, spinners, dyers, factories, to really understand the impact of the fashion industry.

When they returned home, they created Fairly Made, a business that helps brands and retailers track their production chain and measure their real social and environmental impact.

Their SaaS platform allows customers to give this information to consumers via labels and QR codes.

Fairly Made joined the ETF Partners portfolio in October 2022.



THE MODERN MILKMAN

🌿 Don't waste

The founder of the Modern Milkman was initially moved by the BBC's Blue Planet's coverage of packaging waste. But the company quickly identified a broader problem: food waste.

By having the courage to look back at what used to work (such as returns and re-use) and marrying this with the latest app-driven technology, the company has already saved 59 million plastic bottles and is doubling, year-on-year.

The Modern Milkman is a trailblazer of the circular economy, acting as a conduit between producer and consumer and allowing both to develop more sustainable habits.



SHIPPEO

🌿 Be resource-efficient

We all rely on the shipping industry, but rarely give it a thought. And yet a small increase in efficiency from this hard-to-abate can have huge environmental benefits.

Shippeo is the data hub between shippers and thousands of carriers, increasing the efficiency of journeys by providing real-time visibility into goods delivery.

By allowing customers to control their supply chains, its technology can make a real dent into the carbon footprint of this heavy industry.



ZEELO

 Be resource-efficient

Zeelo gives people access to affordable, sustainable, everyday journeys.

By running bus routes in remote and car-heavy areas on behalf of employers, it not only decreases carbon emissions from journeys, but supports local communities by creating accessible employment opportunities.

It has completed three million rides, with customers including Amazon, Tesco and UPS, and saved more than a million car trips in 2022.



NET PURPOSE

 Attend to your impact

There is real money in sustainability, but is it really sustainable? Net Purpose helps financial investors understand the environmental and social credentials of assets.

It's in the name, but let's be clear: Net Purpose is on a mission to close the gap between sustainability claims and commitments with actual deployment.

The company's approach breaks the mould, away from ratings (with numbers and letters) to facts.



VULOG

 Be resource-efficient

Vulog is encouraging a move away from the private ownership of vehicles in cities by making mobility-as-a-service a reality.

The company is enabling less polluted, more pleasant urban environments in cities from Vancouver to Paris.



FLYABILITY

🌿 Consider others' welfare

Flyability was born in a laboratory by academics who had the foresight and drive to see the real-world benefits of their discovery.

Its mission is that humans no longer do dangerous inspection jobs.

Today, the company's sci-fi like drone is changing the face of heavy industrial inspections, lowering cost and ensuring the health and safety of workers is paramount.



WIREPAS

🌿 Be resource-efficient

Wirepas is at the forefront of the fastest growing wireless market and is enabling smart metering and the internet of things revolution.

Its decentralised, nodal technology is orders of magnitude cheaper, more resilient and uses a tiny fraction of the energy consumption of cellular systems.



PHENIX

🌿 Don't waste

Food waste is the third largest source of carbon emissions. Phenix connects food surplus with food deficiency.

The company identifies ageing food and filters it to consumers at a discount, to charities and finally to animal feed suppliers.

The company turns a cost-centre into a profit-centre and saves 44 million meals from the bin a year.



Sustainability through Innovation

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