

The Etho Climate Leadership Index – US

returned 21.93 percent.

April 1 to June 30, 2026. As of June 30, 2026. Prepared by Etho Capital, LLC in its capacity as creator and administrator of the index.

+21.93%

THE QUARTER

Measured from index closing levels at March 31 and June 30, 2026, on a net total-return basis. The equal-weight reference returned 11.24 percent over the same period. What follows accounts for the difference sector by sector, from a measured decomposition rather than an inferred one.

RETURNS

Performance through June 30, 2026

Net total return, US dollars. Every period measured from exact index closing levels on the dates named.

INDEX	QUARTER	YEAR TO DATE	1 YEAR	3 YR P.A.	5 YR P.A.	10 YR P.A.	SINCE LAUNCH P.A.	SINCE LAUNCH CUM.
Etho Climate Leadership Index - US	+21.93%	+23.43%	+38.31%	+14.84%	+6.40%	+12.69%	+11.99%	+234.16%
S&P 500 Equal Weight Index	+11.24%	+11.83%	+18.54%	+13.89%	+8.52%	+11.71%	+11.12%	+207.56%
MSCI USA Equal Weighted Index	+12.49%	+11.00%	+16.50%	+14.28%	+7.43%	+11.35%	+10.69%	+194.99%
S&P 500 Index	+15.10%	+10.01%	+21.88%	+19.42%	+12.92%	+14.92%	+14.00%	+304.17%

Periods longer than one quarter are annualised except the final column. Since launch runs from November 3, 2015. Past performance does not guarantee future results, and an index cannot be invested in directly.

CONTEXT

What happened in the market

Oil fell hard. West Texas Intermediate closed the first quarter at **\$101.38** and the second at **\$69.50**, a fall of **31.4 percent** across the three months. The quarter opened with the Strait of Hormuz closed and the US-Iran conflict unresolved; a memorandum of understanding and the prospect of the strait reopening took roughly a third off the price by June 30.

Consumer inflation came down with it, though not as far. Headline CPI ran at 4.2 percent year on year in May and **3.5 percent** in June, with core at 2.9 and then 2.6 percent. June's all-items index fell 0.4 percent month on month, seasonally adjusted, the largest monthly decline since April 2020. The energy component still sat **15.7 percent** above a year earlier at quarter end, which is the arithmetic of a base set before the conflict rather than a statement about the direction of travel within the quarter.

Equities recovered the ground lost in the first quarter and then some, and small and mid caps led. The Russell 2000 closed June 30 up **21.9 percent** for the year to date, having entered April up 2.3 percent. Ten-year Treasury yields drifted from 4.32 to 4.47 percent. The Federal Reserve held, with the effective rate at 3.63 percent at quarter end, and kept signalling that inflation was too high for comfort; the European Central Bank raised by a quarter point, the first major central bank to move. The dollar index rose 1.2 percent.

Volatility compressed steadily. The VIX opened the quarter at 25.25, reached 28.00 on April 7, fell to 15.18 on June 4, and closed the period at 16.45.

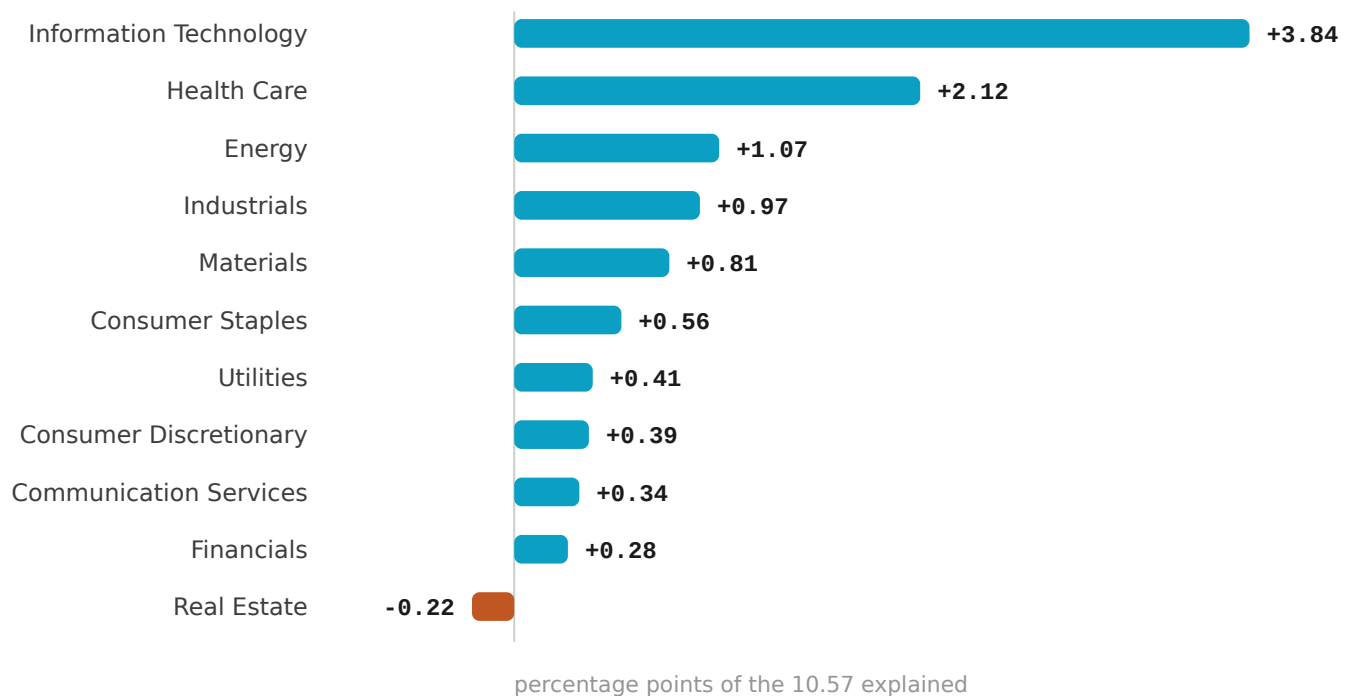
Late in the quarter, questions arrived about whether artificial-intelligence capacity was being built faster than it could be used. Chipmakers sold off in the last week of June.

ATTRIBUTION

What drove the index

Brinson-Fachler decomposition against the equal-weight reference, GICS sector level, March 31 to June 30, 2026.

The index outperformed its equal-weight structural reference by **10.69 percentage points**. The decomposition is measured against a fund tracking that reference and accounts for **10.57** of those points; the remaining twelve basis points are the gap between the fund's return and the index's own.



Information Technology is the largest single effect

The index held 24.9 percent of its weight there against 16.6 percent in the reference, in a quarter when the sector returned 43.4 percent. Most of the 3.84 points is that weight difference; the balance is that the index's technology holdings returned 49.8 percent against the sector's 43.4.

Health care is second, and it is almost entirely a holdings effect

The weights are nearly identical, 11.7 percent against 11.2. What differs is what sat inside them: the index's health care constituents returned **28.8 percent** against the sector's 10.3.

Holding no energy contributed 1.07 points, a tenth of the spread

The sector averaged 4.2 percent of the reference over the quarter and returned -9.9 percent. The effect is real and it is not the explanation. A fossil-fuel-free index outperforming by ten points in a quarter when oil fell is a coincidence of direction, not a mechanism, and the arithmetic says so: the most that excluding a four-percent sector can contribute is bounded by that weight.

Across all sectors, **6.26 points came from which companies the index held within sectors and 4.31 points from how it was weighted between them.** More of the quarter came from selection than from allocation.

Real estate was the only sector to detract, at -0.22 points.

COMPOSITION

The index at period end

At June 30 the index held **289 constituents**, equal-weighted at each annual reconstitution and drifting with price between them. By market capitalisation, 41.05 percent of index weight sat in companies above \$10 billion, 42.64 percent between \$2 billion and \$10 billion, and 16.31 percent below \$2 billion.

GICS SECTOR	INDEX WEIGHT	CARBON INTENSITY
Information Technology	25.26%	18.13
Industrials	18.55%	76.27
Financials	13.39%	6.50
Health Care	12.70%	6.61
Consumer Discretionary	10.10%	63.76
Real Estate	5.73%	6.13
Consumer Staples	5.07%	95.27
Communication Services	3.80%	7.20
Materials	3.08%	103.27
Utilities	2.32%	61.82
Energy	0.00%	—

Carbon intensity is weighted-average Scope 1+2+3 per unit of enterprise value including cash, as reported by Bloomberg across all 289 constituents. Energy carries no weight because the methodology excludes the sector; that is a construction fact, not an outcome.

The index's largest sector is also among its least carbon-intensive. Stated as an observation about this index at this date, not as a claim about the screen: establishing that would require the same measurement on an unscreened universe.

RISK

Since the index went live

Weekly net total-return levels from November 2015, measured against the S&P 500 Equal Weight Index. That reference is used because it holds the weighting rule constant.

	ETHO	S&P 500 EW	MSCI USA EW	S&P 500
Annualised standard deviation	19.68%	18.17%	18.47%	16.96%
Maximum drawdown	-35.01%	-36.69%	-37.18%	-31.70%
Sharpe ratio	0.473	0.465	0.436	0.625
Sortino ratio	0.677	0.656	0.615	0.887
Beta	1.041	1.000	1.009	0.876
Correlation	0.961	1.000	0.992	0.938
Jensen alpha	+0.51%/yr	0.00%/yr	-0.48%/yr	+3.20%/yr
Up capture	108.8%	100.0%	101.3%	93.1%
Down capture	109.3%	100.0%	102.8%	85.3%
Tracking error	5.50%	0.00%	2.30%	6.29%
Information ratio	0.155	0.000	-0.174	0.342

The index has carried more volatility than its equal-weight reference and slightly less drawdown. It captures more of the upside and more of the downside. Over a decade its risk-adjusted return sits marginally ahead of that reference and behind the cap-weighted market.

CLIMATE AND THE QUARTER

The sector that drove the quarter has a power bill

Information technology contributed more to the quarter than any other sector. What it takes to build the capacity behind that return is now a measurable constraint.

The index's largest single effect this quarter came from technology, in a sector that returned 43.4 percent on the strength of artificial-intelligence capacity building. The market spent the last week of June asking whether that capacity was being built faster than it could be used. There is a second question underneath it, and it is a physical one.

945 TWh

Projected global data-centre electricity consumption in 2030, roughly double the 415 TWh of 2024. Just under 3 percent of world electricity.

~half

Of all United States electricity demand growth to 2030 is expected to come from data centres.

43%

Of 9,055 data centres worldwide sit in areas of high water stress. In the United States, 38 percent.

By the end of this decade, on the International Energy Agency's projection, the United States will consume more electricity running data centres than producing **aluminium, steel, cement, chemicals and every other energy-intensive good combined**. Accelerated servers — the AI-specific hardware — account for close to half the net increase in global data-centre consumption between 2024 and 2030.

The constraint is not only generation. The IEA finds that roughly **20 percent of planned data-centre projects face delay risk**, that gas turbine orders now carry lead times of several years that could push commissioning past 2030, and that **half of US data centres under development sit inside existing clusters**, concentrating the demand rather than spreading it across available grid capacity.

Water runs alongside it. On S&P Global's physical-risk dataset covering 9,055 facilities, 43 percent of data centres globally and 38 percent of those in the United States are in high water-stress locations; in China the figure is about 60 percent. The IEA expects direct cooling water to rise from roughly 140 million cubic metres in 2023 to 300 million by 2030.

The question the market asked in June was whether demand for AI capacity would hold. The question these figures raise is different: whether the capacity can be built where it is planned, at the pace it is planned, given what it needs to draw. Those are separate risks and they do not resolve together.

Electricity and water projections: International Energy Agency, *Energy and AI*, 2025. Water-stress exposure: S&P Global Sustainable1 physical-risk dataset, published September 2025, water-stress index of 40 or above.

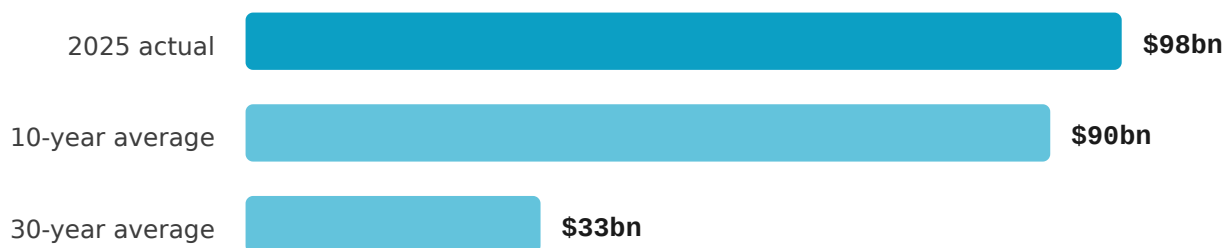
CLIMATE AND THE QUARTER

Where the cost is actually landing

Not in the headline catastrophe. In the diffuse, local perils that reach households and balance sheets first.

Munich Re’s annual review, published January 13, 2026, put 2025 natural-catastrophe economic losses at **\$224 billion** and insured losses at **\$108 billion**. Weather-related events accounted for 92 percent of the economic total and 97 percent of the insured total.

The figure worth sitting with is not the headline. It is the split.



Insured losses from wildfire, flood and severe thunderstorm. Averages inflation-adjusted.

Non-peak perils — wildfire, flood and severe thunderstorm, rather than hurricane or earthquake — produced \$98 billion of insured losses in 2025. Against the ten-year average of \$90 billion that is a modest overshoot. Against the thirty-year average of **\$33 billion** it is roughly a tripling, and the ten-year average has already absorbed most of that shift rather than standing apart from it.

US severe thunderstorms alone generated \$42 billion of insured losses against a ten-year average of \$29 billion. The costliest single event of the year was the Los Angeles wildfires, at \$40 billion.

These are the perils that are hard to diversify geographically, hard to price at a fine grain, and the ones that arrive at a household through a home insurance renewal rather than through a headline. For an index built on measured emissions intensity the connection is indirect — nothing here is an input to constituent selection. It is the part of the climate story that is already priced somewhere, and it is being priced in insurance markets rather than in equity markets.

Source: Munich Re natural catastrophe figures for 2025, published January 13, 2026. Averages are inflation-adjusted.

POLICY

The disclosure rule, as it currently stands

On May 29, 2026, inside the quarter, the Securities and Exchange Commission proposed rescinding its climate-related disclosure rules in their entirety, on the grounds that they exceed the agency’s statutory authority (Release No. 33-11421). The comment period runs 60 days from Federal Register publication. **As at the date of this commentary the proposal has not been adopted**, a status statement deliberately dated outside the reporting period because a live rulemaking has to be reported as it currently stands.

The index does not depend on that rule. Its constituent selection runs on measured Scope 1, 2 and 3 emissions per dollar of revenue, computed in house, and has done since 2015 — nine years before the rule was written and however long after it may be withdrawn. What changes for the market, if the proposal is adopted, is that comparable emissions data becomes harder to obtain rather than easier.

Two things worth separating

*The margin over the equal-weight reference was not produced by what the index leaves out. Holding no energy contributed 1.07 of the 10.57 percentage points the decomposition accounts for — real, and about a tenth of it. The larger part came from the companies the screen selected: **6.26 points from selection within sectors against 4.31 from how the index was weighted between them.***

The clearest single case is health care. Both sides carried almost the same weight, 11.7 percent against 11.2, and the index's holdings returned 28.8 percent against the sector's 10.3. No sector tilt produced that.

Both of those are statements about which companies were held, not about which sectors were avoided.

AMBERJAE FREEMAN • CHIEF EXECUTIVE OFFICER, ETHO CAPITAL, LLC
CREATOR AND ADMINISTRATOR OF THE INDEX

METHODOLOGY AND CAVEATS

The index is calculated, maintained and published by Solactive AG, independently of Etho Capital, and has been live since November 3, 2015. It carries a base value of 100 at December 1, 2005; any figure covering a period before the live date is hypothetical backtested data, and no figure here covers such a period. The headline index is a net total return series, calculated net of a 45 basis point annual index calculation fee — a feature of the index calculation, not the expense ratio of any investment product.

Every return is measured from exact index closing levels on the dates named: the quarter from March 31 and June 30, 2026; year to date from December 31, 2025; one year from June 30, 2025; five years from June 30, 2021; ten years from June 30, 2016; since launch from November 3, 2015. The three-year figure comes from the weekly series, whose June 30, 2023 anchor fell on a Friday and is therefore already exact. No return rests on a nearest-Friday approximation. Risk statistics stay on the weekly series, which is what a volatility calculation needs: 556 observations from November 6, 2015 to June 26, 2026, at a risk-free rate of 3.8105 percent, the three-month US Treasury yield at June 30.

Sector effects are Brinson-Fachler at GICS sector level, March 31 to June 30, 2026, with average weights and returns on both sides computed by Bloomberg PORT from daily holdings. The benchmark in that calculation is the Invesco S&P 500 Equal Weight ETF, because the index itself is not available in attribution form on this subscription; that fund returned 11.29 percent against the index's 11.24, so the effects sum to 10.57 points against a published spread of 10.69. Two cross-checks are held on file — the same decomposition against the MSCI USA Equal Weighted family, and one built from published index series and fact-sheet sector weights. All three rank the sectors identically, and the two computed by Bloomberg agree to within two hundredths of a point.

The carbon-intensity column is Bloomberg's data, not the output of Etho's in-house emissions accounting, which is a separate process; it is normalised per unit of enterprise value including cash, while Etho's methodology normalises per dollar of revenue, and the two are not comparable. Constituents are as of June 30, 2026, reflecting the April 2026 reconstitution. The electricity, water and catastrophe-loss figures are reported as published by the International Energy Agency, S&P Global Sustainable1 and Munich Re, with each publication date named in the text; they bear on the quarter but are not inputs to the index, and none is an Etho projection. Sector classification is GICS as reported in the constituent export. The index guideline uses a Solactive-defined scheme, and while the two agree that energy carries no weight, where they might diverge elsewhere has not been tested.

Macro levels are quarter-boundary readings at March 31 and June 30, 2026, except the VIX high and low, which are the highest intraday high and lowest intraday low across the 64 trading days inside the quarter; they are context, not index data. Consumer price figures are for the months named, as published by the Bureau of Labor Statistics, and are not seasonally adjusted except where stated. Monthly statistics are published in the month after the one they describe — June's index was released in July — so what governs every figure here is the period it describes rather than the date it became available, and retrieval dates for the underlying data pulls are held in the build record. No figure carries an as-of date after June 30, 2026. The one exception is the regulatory status in the policy note, dated explicitly because a live rulemaking has to be reported as it currently stands.

Sources of record: index levels, peer index levels and the risk-free rate from the Q2 2026 Bloomberg pull workbook; constituents, weights, sector classification, market capitalisation and emissions data from the June 30, 2026 index holdings export; sector effects from the Q2 2026 attribution export; exact closing levels from the Q2 2026 closes pull; macro levels from the Q2 2026 supplemental pull; consumer price figures for May and June 2026 from the Bureau of Labor Statistics; the disclosure rule proposal from SEC Release No. 33-11421; climate-section figures from IEA *Energy and AI* (2025), S&P Global Sustainable1 (September 2025) and Munich Re (January 13, 2026).

You cannot invest directly in an index. Index returns reflect no fees, expenses, brokerage commissions or trading costs, and are not the performance of any fund or account. Constituent lists reflect index membership at period end and change at reconstitution. Nothing here is an offer, a solicitation, or a recommendation regarding any security. Past performance does not guarantee future results.

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