

Second Quarter 2025

July 28, 2025

Overview

Global seismic shifts in politics, technology, and human rights are colliding with each other, in our view. Most of us are in constant crisis mode and wondering how we can cope with, much less make sense of, the disruption, instability, and outright cruelty as wars escalate and communities are violated here and around the globe. Distrust is woven into our lives:

- Immediate gratification has become the name of the game in politics with Congress, the Executive branch, and even the Supreme Court abandoning any commitment to the public good in favor of blind loyalty to an autocrat.
- There are no generally accepted news sources. Rather than openness to learning and discovering other perspectives, we are locked into belief systems that leave no room for civil debate and exchange of ideas. Divergent views remain encapsulated and siloed by complex algorithms.
- Technology, particularly in the form of artificial intelligence (AI) and the accompanying gigantic data centers, will continue to impact jobs, social systems, and natural resources while raging forward with the conviction that faster and more “efficient” is always better.

In what we feel is the absence of compassionate and caring leadership when many are suffering, there appear to be no constraints on greed, single-mindedness, or the profit motive. Put simply, the market mantra seems to be, “Whatever makes money for me is good and right, no matter the longer-term consequences.”

This is a problem for us. We care about where we invest. The current beneficiaries of global greed include fossil fuel production, nuclear energy, defense manufacturers, and the global banks that happily enable their efforts. NorthStar avoids these sectors in favor of companies that are addressing ecological limits, demographic shifts, and the wealth and income gap. Granted, there are no perfect companies; however, we combine careful selection with our robust activism to work toward what we believe is the greater good.

Our quarterly letters provide information about our investment philosophy and practices as well as details related to trends and behaviors that challenge our approach. Right now, it’s our opinion that financial markets are ignoring long-term hazards in favor of short-term gratification and transactional wins. While this shouldn’t be surprising, it is definitely disappointing to us. We remain steadfast in reaching for the North Star.

Update on Economic Outlook and NorthStar’s Strategy

Q2, 2025: Equity markets rebounded sharply as Trump reversed course on his sweeping tariff plan

Equity markets rallied and bond markets stabilized after the Trump administration announced a 90-day extension on the implementation of the proposed across-the-board 10% tariffs and additional reciprocal duties initially announced on April 2, 2025. The pause not only averted a major economic shock to the global economy and trade but also signaled to investors that President Trump was unwilling to tolerate significant financial market disruption. Notably, the U.S. dollar continued to weaken against a basket of key currencies¹, which we believe

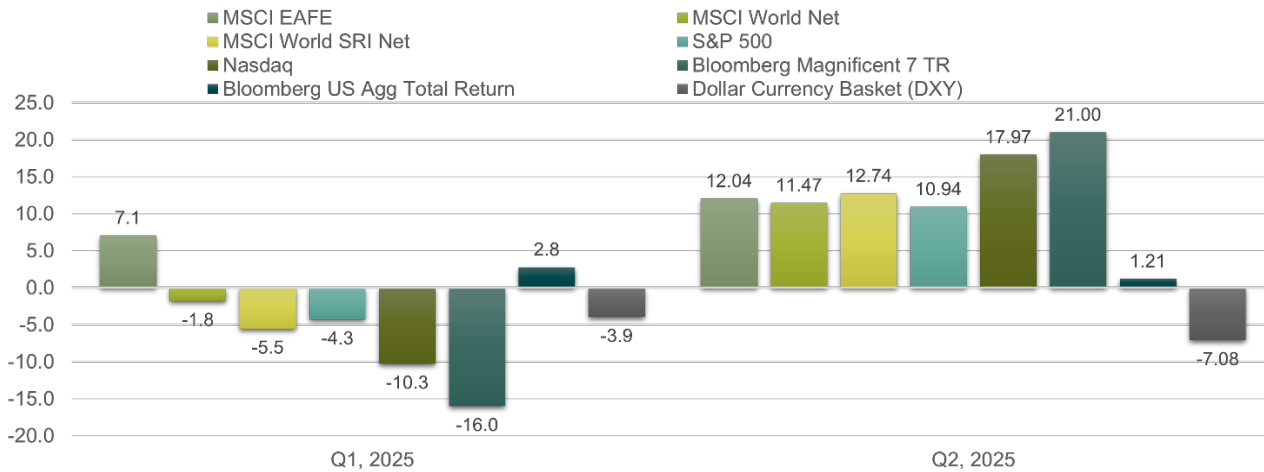
¹ Price performance of the DXY Currency Index from Bloomberg.

indicates a shifting global order where central banks and international investors are increasingly seeking longer-term alternatives to the U.S. dollar.

S&P 500 Performance and % Tariff Rate on China



Top Return Performance (%)²



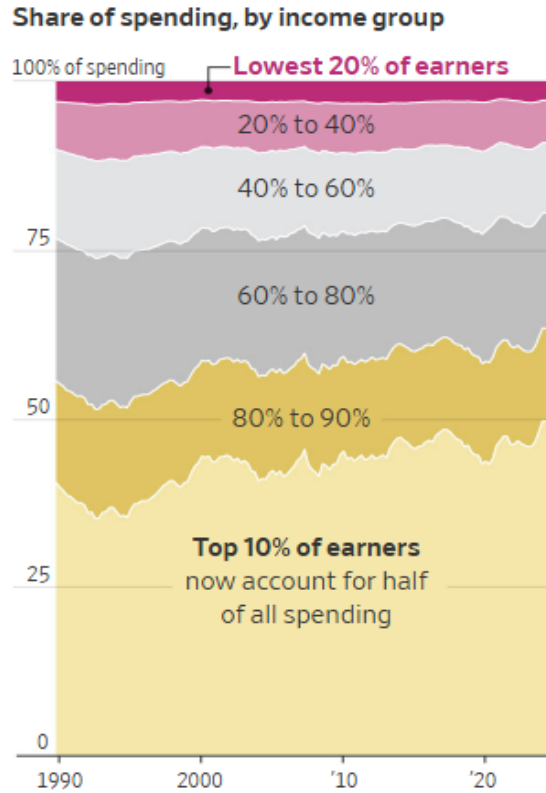
Source: Bloomberg 7/2/2025 and <https://www.weforum.org/stories/2025/06/trumps-us-china-trade-tariffs-timeline/>

² Indices are presented herein for illustrative and comparative purposes only. Such indices may not be available for direct investment, may be unmanaged, assume reinvestment of income, do not reflect the impact of any trading commissions and costs, management fees, or performance fees, and have limitations when used for comparison or other purposes because they, among other things, may have different strategies, volatility, credit, or other material characteristics. In considering performance results discussed here, prospective clients should note that equity portions of individually managed accounts may differ from the results shown here because of client-specific restrictions, client circumstances, client legacy positions, different fee and expense structures, actual trading, tax considerations, and other reasons.

The U.S. Economy Conundrum

At the end of Q1, we argued for increased caution, as heightened business and trade uncertainty was negatively impacting both corporate and consumer sentiment. However, despite a highly unpredictable business and economic environment, the US economy continues to demonstrate resilience--job market growth and consumer spending have moderated but remain steady. The two significant factors that may explain this resilience are:

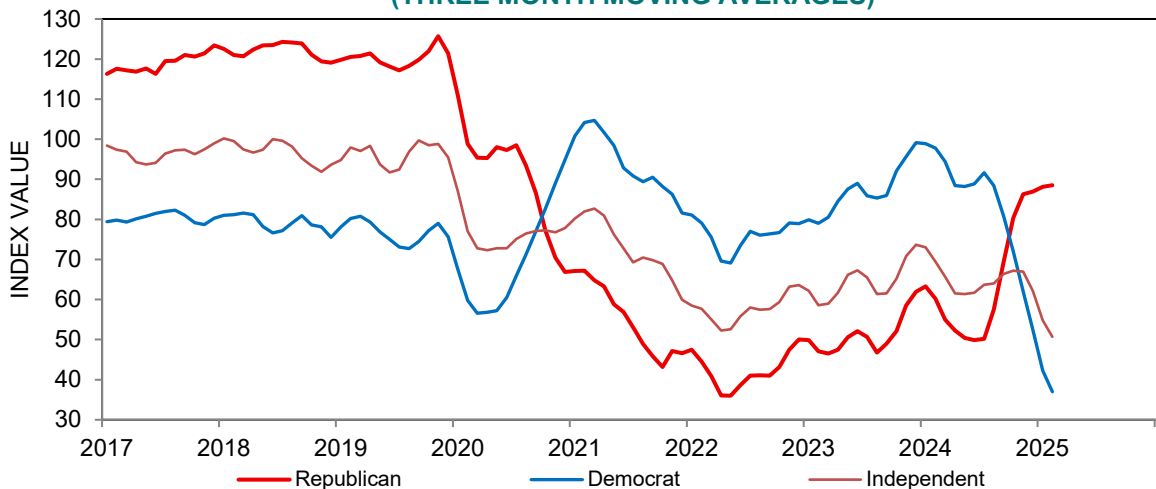
1) **The Increasing Contribution from Wealthier Americans:** The top 10% of earners (households making \$250,000 or more annually) account for 50% of consumer spending, while the lowest 20% of earners contribute approximately 5%³. Consequently, the financial pain and distress experienced by lower-income households are not proportionately impacting the broader economy. Unfortunately, President Trump's 'Big Beautiful Bill' is poised to exacerbate this inequity by directing tax subsidies and incentives to corporate America, funded by reductions in social safety net programs intended to serve the most vulnerable segments of our society.



Source: Moody's Analytics

2) **Increased Societal Polarization:** Political leanings are increasingly shaping news consumption and social media feeds. As a result, traditional survey data sources are proving less reliable as indicators of overall economic and consumer trends than in prior years. For example, the widely-cited University of Michigan consumer sentiment survey (as shown in the accompanying chart) illustrates a stark divergence: sentiment among Democrats reflects an extremely challenging period and independents turn negative on the economy, while Republicans report significantly less pessimism.

INDEX OF CONSUMER SENTIMENT BY POLITICAL PARTY (THREE MONTH MOVING AVERAGES)

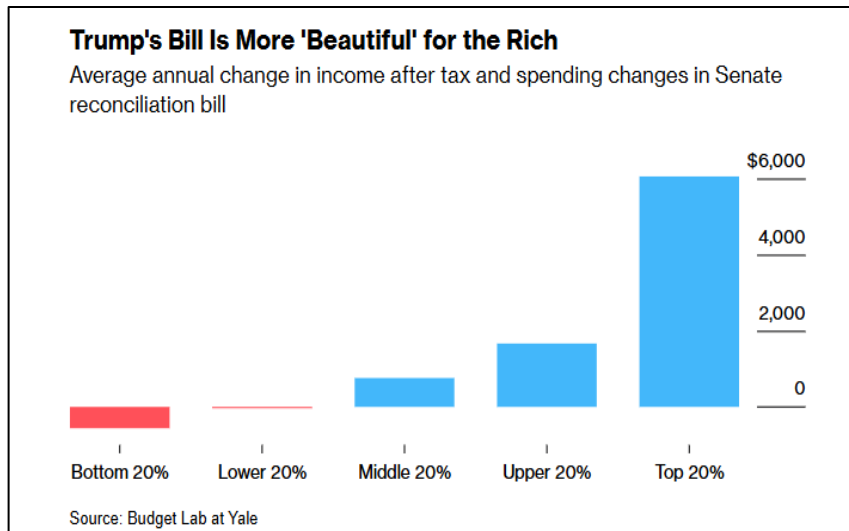


³ Wall Street Journal February 25, 2025

Source :
<https://data.sca.isr.umich.edu/charts.php>

The Big Beautiful Bill⁴

President Trump's flagship legislation secured permanent extension of the 2017 individual tax cuts and introduced exemptions for overtime pay and tips, deduction for auto interest loans, and additional deductions for some seniors. Corporate America scored a major win with permanent expensing for investments in short-lived assets and domestic research and development costs⁵. Big oil and fossil fuel companies also



received tax credits, subsidies, and a license to drill on public land and federal waters. Semiconductor chipmakers also benefit from expansion of tax credits from 25% to 35%. Defense companies are set to receive an additional \$150 billion in projects over five years. Private equity and venture capital investors win from expansion of the qualified small business stock tax exclusion and preservation of the lower tax rate on carried interest income.

All this spending bonanza comes at the expense of our planet and people as tax incentives and subsidies enacted under the Inflation Reduction Act (IRA) for electric vehicles as well as solar and wind projects were rolled back. It is estimated that 11.8 million people will lose their insurance by 2034⁶ as federal spending on Medicaid and Medicare will be reduced by \$1.1 trillion.

Another theme of the bill is the focus on short-term gains ahead of the long-term pain. For example, the tax cuts are effective immediately, but the reductions to social programs are delayed until after the midterm elections. The tax incentives for corporate America are likely to create a short-term boost for the US economy. Longer term, we worry about the consequences of increased dependence on fossil fuels and extractive growth.

Top performing stocks⁷ are dominated by defense, fossil fuel, and extractive industries

This trend is driven by several factors. Governments across Europe, Japan, and Asia are significantly increasing their investments in defense, we believe partly in response to the increasingly isolationist stance adopted by the United States. Consequently, defense companies are projected to experience higher growth and profitability in the coming years⁸.

Similarly, as artificial intelligence has become a priority for both corporations and governments globally, its substantial computing requirements—which are highly energy and water-intensive—are driving a worldwide resurgence in power generation from natural gas and nuclear sources.

At NorthStar, we maintain a long-standing commitment to avoid seeking profit from investments in defense, fossil fuels, nuclear energy, or extractive industries. Our stance remains unchanged, and it is more crucial than ever that we champion our clients' ability to make investment choices aligned with their values. Below we highlight the top 5 performing stocks for the S&P 500 Index, iShares MSCI EAFE ETF (EFA)⁹, and iShares MSCI World Socially Responsible UCITS ETF (SUWS LN) in the first six months ending June 30, 2025.

As we have often noted, our approach to navigating what we feel are treacherous moments is to ensure that we understand your financial needs and objectives and establish an appropriate target asset allocation and liquid

⁴ <https://www.wsj.com/business/trump-megabill-winners-losers>

⁵ <https://taxfoundation.org/blog/one-big-beautiful-bill-pros-cons/>

⁶ <https://www.nytimes.com/2025/06/29/us/politics/trump-policy-bill-health-insurance-cuts.html>

⁷ In S&P 500 Index, iShares MSCI EAFE ETF (EFA)⁷, and iShares MSCI World Socially Responsible UCITS ETF (SUWS LN).

⁸ Bloomberg Intelligence, "Europe Prioritizes Defense Amid Volatility," July 3, 2025

⁹ NorthStar references the ETF when access to underlying index is restricted

reserves. Secondly, we remain disciplined and committed to strategic asset allocation, maintaining appropriate diversification, and managing risk.

S&P 500		
Company	YTD Return %	Driver of Outperformance
PALANTIR TECHNOLOGIES INC-A	80.25%	Defense
NRG ENERGY INC	79.44%	Natural gas power generation
HOWMET AEROSPACE INC	70.43%	Defense
SEAGATE TECHNOLOGY HOLDINGS	69.45%	Semi-conductors
GE VERNOVA INC	60.99%	Natural gas power generation turbines
iShares MSCI World SRI ETF (SUWS)		
Company	YTD Return %	Driver of Outperformance
EVOLUTION MINING LTD	61.95%	Gold Mining
NEWMONT CORP	56.53%	Gold Mining
NEC CORP	53.75%	Defense
MERCADOLIBRE INC	53.70%	E-commerce
WHEATON PRECIOUS METALS CORP	51.35%	Gold Mining
iShares MSCI EAFE ETF (EFA)		
Company	YTD Return %	Driver of Outperformance
RHEINMETALL AG	190.84%	Defense
SAAB AB-B	125.76%	Defense
SIEMENS ENERGY AG	94.64%	Natural gas power generation
LEONARDO SPA	84.27%	Defense
THALES SA	80.02%	Defense

Source: Bloomberg 7/5/25

Selectivity in adding Fixed Income Exposure

Our base case assumption has included a high probability that interest rates will remain at current or higher levels over the mid-to-long term, as our government and others will need to fund Social Security, Medicare, and defense programs as well as interest on US debt while grappling with challenges related to ecological limits and socio-political upheaval. That hypothesis has been further supported by the recent developments on tariffs, longer term re-shoring of manufacturing back to the US, and the recently approved 2025 budget paving the way for \$4.5 trillion in tax cuts. Since the beginning of this year, yields on 10-year bonds have see-sawed from a low of 4.0% to a high of 4.8% in response¹⁰ to economic and inflation data points. We have maintained our discipline of buying bonds only when we believe yields are at attractive levels.

Where appropriate, we will continue to diversify across duration and add government bonds in the one-to-ten-year maturity range to our clients' portfolios. We believe that bonds in this maturity range offer an optimal combination of flexibility, higher income returns, and stability for the portfolio. We are also researching alternatives to the US government debt and will keep you updated.

High quality stocks with low debt can still provide long-term growth

Over the mid-to-long term, companies with low financial debt and that make products or sell services we believe are beneficial to human life and that solve or mitigate some of the most pervasive problems of our time are likely to continue thriving. We focus our research on companies providing solutions and products to cope with:

¹⁰ Bloomberg

- Ecological Limits: We believe our planet’s resources are increasingly under threat from ecological imbalances and decades of extractive growth.
- Aging and changing demographics: The world’s population aged 60 and over is growing faster than all younger groups and is expected to reach 1.4 billion by 2030, up from 1 billion in 2020.¹¹
- Leveling the playing field: Digital transformation and new business models are enabling small businesses and entrepreneurs to compete with big business.

We aim to own and add stocks that offer competitive returns and diversification while also providing opportunities to create the greatest impact by changing corporate behavior via our shareholder activism work.

As a refresher, our investment strategy for the global equity portfolio involves independent research into each company’s growth prospects and financials combined with diligently examining the ethics of management and company behavior. The resulting portfolio, we believe, is more resilient, sustainable, and stable because of our broad-based focus. In addition, we follow our systematic quarterly rebalancing strategy in which we trim individual stocks that we feel are well past their target weights and reallocate to stocks that are under their target levels. Of course, past performance is not an indicator of future performance, and all investing involves risk!

Shareholder Activism Update

This quarter, we have continued to field attacks on the shareholder proposal process through collaborative action led by ICCR and the Shareholder Rights Group. We recently analyzed the impact of Texas Law SB 2337, which is scheduled to take effect on September 1, 2025. While this law is aimed at proxy advisors, the definitions are so vague and the penalties so severe that it could apply to a broad range of companies and shareholders. The law applies to parties that provide proxy advisory services to shareholders of companies incorporated in Texas, or where Texas is their primary place of business. The law mandates that any recommendation a proxy advisor gives that goes against a board’s recommendation on a shareholder proposal and that considers any non-financial factors must provide extensive disclosure. The law defines “non-financial” factors as: any environmental, social, or governance objections; diversity, equity and inclusion considerations; or any sustainability factors or scores. The law assumes that “non-financial factors” and ESG or DEI considerations are mutually exclusive even though this contradicts reality. We know that considering what the law defines as ESG or DEI factors has financial implications and excluding them poses material reputational risks to companies. Our hope is that the large proxy advisor services will challenge the law, but, if not, we are prepared to make necessary adjustments and work with our collaborators on this issue.

In lighter news, we wrapped up the 2025 proxy season after successfully presenting all five of our shareholder proposals, successfully reaching withdrawal agreements with three proposals, and voting proxies with more than 200 companies.

Proposal	Company	Supportive Vote
Fair Chance Employment (Proactive Recruitment of people with incarceration or arrest records)	IDEX A.O Smith	14.5% 4.0%
Equal Shareholder Voting	Meta Alphabet (Google)	25.8% 31.0%
Human Right to Water	Digital Realty Trust	10.8%

While most proposals saw dips in support, our more than decade-long proposals at both Meta and Alphabet (Google) held strong. 2025 marks 11 years of presenting these proposals, which call for the initiation and adoption of a recapitalization plan for all outstanding stock to have one vote per share. For the Alphabet proposal, we partnered with the Alphabet Worker’s Union for the second year, who presented on behalf of NorthStar at Alphabet’s Annual General Meeting. Proposals at both companies garnered enough support to be refiled next

¹¹ Source: United Nations Department of Economic and Social Affairs, World Population Prospects 2022

year. We calculated the voting support for both the Meta and Alphabet proposals not including insiders whose one share equals ten votes. At Meta the support is 88% and at Alphabet it is 98%. We also presented our first human right to water proposal at Digital Realty Trust.

Regarding our ongoing dialogue with our portfolio companies this quarter, with advances in artificial intelligence (“AI”) evolving daily, we as socially responsible investors must continually adapt our approach to reviewing the policies and practices of our portfolio companies as they expand their use or offering of AI technology. For example, tech companies are now reconsidering previously restricted use cases for their AI technologies, with military applications being one of the most notable areas that was once explicitly banned. Over the past quarter, we have engaged in active dialogue with our tech holdings to better understand their approach to these use cases and the guardrails they have in place to prevent misuse or complicity in human rights abuses. As part of our pathways to create social change, NorthStar is choosing to remain invested in these companies, leveraging our position as shareholders to help shift their practices. In conversations with SRI peers in this space, it feels that this is a new territory for everyone as we navigate how to approach the issue.

At the same time, we recognize the power of shareholder action to drive social change within these companies. Therefore, in partnership with the American Friends Service Committee, Racial Justice Investing Coalition, Investor Advocates for Social Justice, and the Religious of the Sacred Heart of Mary, we have co-filed a shareholder proposal at Microsoft with other shareholders and current and former employees. With approximately 60 co-filers representing \$80 million in Microsoft shares, this proposal requests that the Board of Directors publish a report, at reasonable cost and omitting proprietary information, assessing the effectiveness of Microsoft’s human rights due diligence processes in preventing, identifying, and addressing customer misuse of its AI and cloud products or services in ways that violate human rights or international humanitarian law.

Continuing with this focus on AI, in April we released our latest whitepaper “Drinking From An Empty Cup: An Investor Toolkit for Addressing AI’s Growing Water Demands.” Last year, the OECD warned: “The world faces a growing water disaster. For the first time in human history, the hydrological cycle is out of balance, undermining an equitable and sustainable future for all.” Since 2015, the World Economic Forum has also ranked the water crisis among the world’s top five risks annually. At the same time, AI is experiencing rapid growth. While often championed as a solution to society’s toughest problems, AI carries a hidden cost—its training and deployment require enormous volumes of water to cool the data centers powering it. With 20% of U.S. data centers located in drought-prone regions, the rapid growth of AI is worsening local water shortages, often in already vulnerable communities. Shaped by input from water activists, scientists, environmental lawyers, and communities, our whitepaper equips investors with tools to engage tech companies on responsible water use. As we only have a handful of tech companies in our portfolio, we felt compelled to share our findings through this toolkit to help peers engage tech companies in their portfolios, aiming to lead collective action to safeguard community water supply in response to AI demand. Following its publication, our paper was spotlighted by the MSCI Sustainability Institute, and our Director of Impact Research and lead author, Whitney Nguyen, CFA, was invited to be a lead speaker at the Ceres Valuing Water Finance Initiative High Tech Webinar and was recently invited to speak at the United Nations Principles for Responsible Investment (PRI) in Person conference in Brazil, the largest annual gathering of responsible investors globally.

Regarding engagement updates, we recently learned that, following NorthStar’s successful engagement with Xylem in 2023 on adopting fair chance employment (FCE) practices, the company is now expanding the initiative to six new cities: Buffalo, NY; Charlotte, NC; Colorado Springs, CO; Pittsburgh, PA; and two additional cities planned for 2026. This expansion supports Xylem’s strategy to attract and retain reliable talent while advancing its DEI goals. As part of its commitment, Xylem has launched a dedicated FCE page on its careers website, signaling to the justice-involved community that they are welcome and valued at the company. According to an analysis by Envoy, NorthStar’s engagement led to 135 individuals with criminal records being hired—135 lives meaningfully transformed, not to mention the broader ripple effect on their families and communities.

Heading into the summer, our focus will be planning for the next proposal filing season.

Sincerely,



Julie N.W. Goodridge
Founder & Chief Executive Officer



Nimrit Kang
Chief Investment Officer

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