

NEXT ECONOMY™

Defining and Mapping the Next Economy

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Insight Brief

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MAPPING THE NEXT ECONOMY

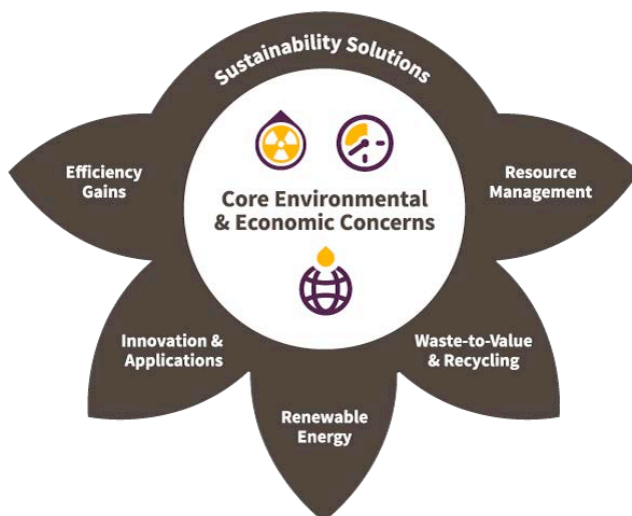
Green Alpha believes that the most promising way to generate portfolio returns is to invest in companies that offer innovative sustainability solutions and avoid companies that contribute to resource scarcity and global warming. While much progress has been made in global economic and environmental sustainability, we are still a long way from an innovation-driven, global economy that allows humans (and the planet) to thrive indefinitely. As we look to the future we envision the Next Economy; one that is ecologically efficient, helps mitigate climate change, promotes both energy security and national security and, importantly, helps produce high quality, enduring job growth.

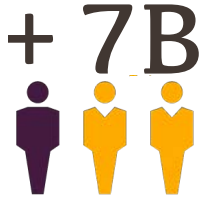
Companies in Green Alpha portfolios are selected because they are in some way working toward these goals. Each is a leader in its field and each has what we believe are above average prospects for growth.

To qualify as a 'Next Economy' candidate, a company must be an aggregate contributor to the global economy and the environment. The Green Alpha approach isn't concerned as much with incremental change, rather we seek companies around the globe and across every economic sector who have made it their business to work towards a world wherein the economy and our underlying ecosystems can persist side by side indefinitely.

SUSTAINABLE ECONOMY, SUSTAINABLE PLANET

One of the key observations underlying Next Economy investing is that we all desire an indefinitely growing economy with good standards of living, but we live on a world with finite space and resources. Dollars, Euros and Yen, are proxies for all that has to be farmed, mined, netted, or otherwise extracted from Earth. But unlike currencies, when a natural resource is done, it's done. No amount of cash printing will bring back lost glacial water, extinct species, coral reefs, eroding beaches, arable land, or a cooler climate.





Earth now has more than seven billion people, all of whom are striving for greater affluence.

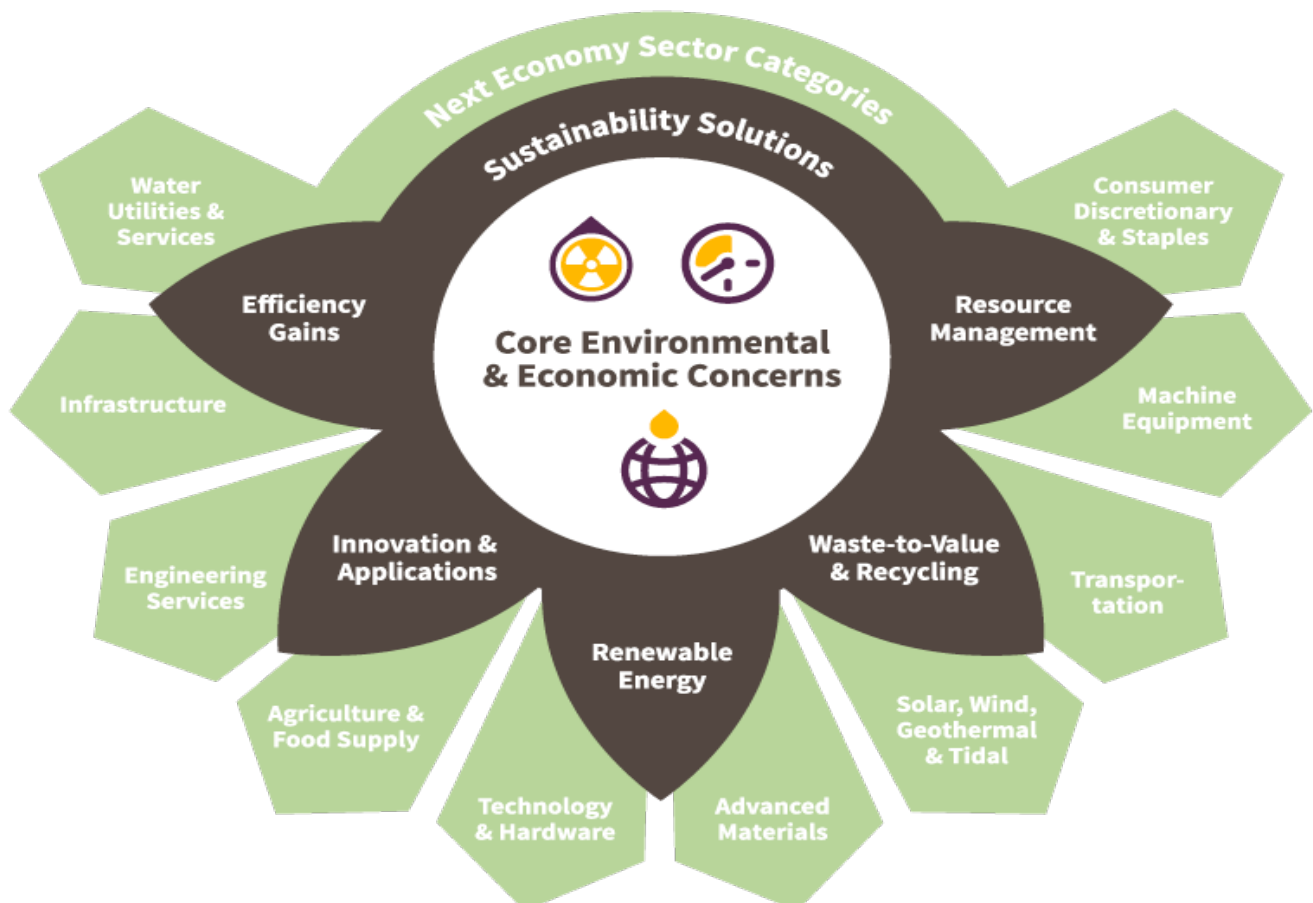
Those of us alive today are the first humans to be testing the physical limits of Earth’s carrying capacity (a term from ecology referring to the maximum number of organisms a given environment can support). Simultaneously, our economic output is limited by the total amount of commodity resources we can extract or reuse. We now, after 200,000 years of human existence and 12,000 years of culture, are forced to conclude that Earth is essentially just one giant bio-enclosure, and

we have to learn to live within its increasingly limited physical and material constraints.

Whether ecology or economy, the more energy put into a system, the greater its potential productive output. Economic systems respond to the same laws and behave like natural ones. Ecological systems can and do thrive and collapse for basic fundamental reasons that are more or less understood, and we can say the same for markets. This is what we mean when we say that the global economy and Earth’s environment must be made to come into equilibrium. Earth, unlike a federal ledger, won’t tolerate a deficit balance.

BROAD SECTOR EXPOSURE:

All Sectors Must Function for the Next Economy to Support Mankind and the Planet Indefinitely



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