

## INTRODUCTION

We follow science and innovation, not the crowd. We have been redefining asset management since 2007 by investing for the Next Economy, one in which solutions to our greatest systemic risks drive economic growth and allow the economy to thrive indefinitely. We believe companies that create or enable innovative solutions to the risks of climate change, resource scarcity, and widening inequality are the greatest growth drivers of the twenty-first century.

## HIGHLIGHTS

- Executive Team: **60 years** investment industry experience
- Co-portfolio managers: successfully managing **sustainable, fossil fuel free** investment strategies together since 2002
- Long-only equity portfolios: **low turnover & no style drift**
- Investing in companies seeking **innovative solutions** to core systemic **economic & environmental risks**

## INVESTMENT PHILOSOPHY

As economic and environmental risks continue to materialize, and technology-based solutions rapidly accelerate, the next decade is unlikely to look economically like the past decade. So why would we follow the crowd and invest using the same backward-looking views of portfolio risks and underlying assumptions? The legacy economy gave rise to our most pressing risks – it's time to skip that and invest in what's next.

Green Alpha's investment philosophy is straight forward: don't invest in companies that cause global systemic risks; instead, invest in the solutions. That's the Next Economy.

## TOP-DOWN PROCESS: DETERMINE RISKS & SOLUTIONS

We initiate the investment process by researching scientific consensus – learning what leading scientists think are the most likely mitigation and adaptation solutions to a warmer climate, scarcer natural resources and expanding populations. Once solutions have been identified, we examine how they can be deployed in our economy, where they can scale rapidly, and in which sectors they are likely to be utilized.

Next, we create a Next Economy investment universe by identifying companies that are driving the transition to sustainability by either directly developing or enabling progress toward these solutions.

*Next Economy universe companies that also exhibit outstanding quantitative fundamentals will qualify to be portfolio candidates. Read more on page 2.*

## Investment Portfolios

We invest wherever we find solutions to our greatest economic & environmental risks, so our portfolios are:

- all-cap
- cross-sector
- global
- fossil fuel free

We use risk-factor allocation to put the heaviest weights in on fast growing solutions to the risks with the greatest probability of hindering economic development, rather than using a benchmark to define our asset allocations.

Portfolio Fact Sheets: [www.greenalphaadvisors.com](http://www.greenalphaadvisors.com)

### Green Alpha Next Economy Index (GANEX)

Designed to reflect the Next Economy as a whole, the universe grows every year as the economy transitions, currently approx. 110 holdings, rebalanced annually

### Sierra Club Green Alpha portfolio (SCGA)



Actively managed, targeting 30-40 holdings, and incorporates the Sierra Club's proprietary screening criteria alongside our Next Economy investment approach

### Green Alpha Growth & Income portfolio (GAGIP)

Actively managed, targeting 30-40 holdings, designed to produce capital growth and above-average current income

### Nia Global Solutions portfolio

Actively-managed, gender-diversity-focused sustainability portfolio targeting 30-50 holdings, designed to produce long-term capital growth

## Sub-Advised Portfolios

### Green Alpha Next Economy Select (GANES)

We are the sub-advisor to the Shelton Green Alpha Fund (ticker: NEXTX) and also manage SMAs in the same strategy: an actively-managed portfolio seeking long-term capital growth through 45-65 holdings

For more information about the Fund:

<http://sheltoncap.com/mutual-funds/domestic-equity/shelton-green-alpha-fund-fossil-free-investing/>



Green Alpha looks for stocks at the intersection of innovation, profitability & growth. We pair a macro-economic growth thesis based on scientific, demographic and climate trends with bottom-up research.

## Innovation

Key solutions to warming, resource scarcity, extreme weather, rising sea levels & increasing population

- Inexpensive, indefinitely renewable energy
- Waste-to-value economics (near- perfect recycling)
- Careful management of scarce resources, like water and farmland

## Profitability

Companies that deliver solutions most efficiently and profitably

- Observable high EPS growth
- Proven management skill and execution
- Areas of current or expected high demand

## Growth

Residing in fast growing, scalable industries experiencing tailwinds from the inevitable transition to a sustainable economy

- Solar: cheap & efficient; fastest growing energy in the world
- Water management, treatment & creation
- Advanced materials
- Production & information efficiency gains

## BOTTOM-UP PROCESS: STOCK SELECTION

Once a company has been identified as a Next Economy candidate, it is evaluated using time-tested Graham-Dodd valuation methodologies, which include analysis of:

- management team – desiring those that are seasoned, diverse, effective and aligned with our Next Economy vision
- diversified & predictable revenue streams
- high barriers-to-entry, intellectual property
- strong & expanding cash flow
- healthy balance sheet
- low price/book, price/sales & forward price/earnings

## SELL DISCIPLINE

We believe in identifying quality companies, investing in them, and watching them grow. If we determine that one or more of the fundamental reasons we invested in a company no longer holds true, we will sell the position. As long as a company exhibits the characteristics of a Next Economy investment and shows favorable quantitative fundamentals, we will continue to hold the position, regardless of short-term price volatility.

## FOSSIL FUEL FREE SINCE INCEPTION

No investment portfolio should contain the causes of global systemic risks. Securities of fossil fuel companies represent substantial portfolio risk commensurate with the global risks precipitated by their products. We did not divest client portfolios of fossil fuels, because we never invested in them - they are simply not a meaningful part of an indefinitely thriving economy.

## INVEST WITH US

Green Alpha works with individuals, financial advisors, foundations, endowments, corporations and non-profit organizations by providing investment solutions to meet their financial goals. We strive to provide long-term investors with portfolios that preserve wealth and outperform the broad market. That is why our investment committee assesses a spectrum of systemic risks and investment opportunities missed by traditional managers, by vetting all investment universe candidates using rigorous sustainability criteria and time-tested valuation methodologies. The result? Carefully-constructed, diversified portfolios of innovative companies positioned to capitalize on the global transition to the Next Economy.

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