

Growth & Income

June 30, 2019

Green Alpha[®]

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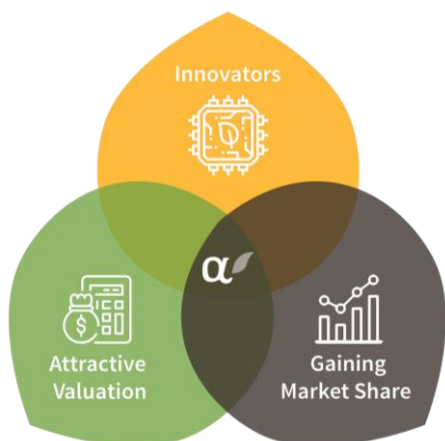
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Investment Philosophy

We believe companies that create or enable innovative solutions to climate change, resource degradation and scarcity, and widening inequality are the greatest growth drivers of the twenty-first century. The idea is to invest in the best, growing industries that are building an extremely efficient, sustainable economy – that’s what we call the Next Economy.

Green Alpha’s investment philosophy is straight forward: don’t invest in companies that cause global systemic risks; instead, invest in the most innovative, rapidly evolving solutions.

We believe these companies will gain market share from their legacy economy counterparts – today and into the future. That makes investing in them our best chance at helping clients preserve and grow their purchasing power.



Why Invest in Growth & Income?

- Actively managed, long-only equity portfolio combining current income and potential for capital growth
- Comprised of income producing, global Next Economy™ companies
- Invests in 25-35 companies developing innovative solutions to core economic and environmental risks
- Fossil fuel free since inception

Inception Date: October 8, 2012

Style: All-Cap Global Growth Equity

Vehicle: Separately Managed Accounts

Portfolio Construction: Growth & Income

The Growth & Income portfolio is designed to harness the powerful combination of growth and current income within one portfolio. The strategy seeks to provide long-term capital appreciation without excess volatility, while delivering dividend income at higher rates than the broad equity market.

Growth & Income portfolio holdings are carefully selected from our Next Economy universe of stocks, meaning they meet both top-down (evaluating contribution to a sustainable economy, and gaining market share away from legacy economy peers) and bottom-up (seeking the strongest financial positions and long-term growth expectations within acceptable levels of risk) criteria. Growth & Income stocks are then selected for current or potential dividend yield coupled with strong revenue growth, bought at a reasonable price. The portfolio typically exhibits lower short-term volatility than other Green Alpha portfolios, and the broad equity markets.

Like all Green Alpha portfolios, the Growth & Income portfolio is a fossil fuel free, all-cap, cross-sector, global growth equity portfolio.

Growth & Income

How the portfolio compares to the MSCI All Country World Investible Market Index (MSCI ACWI IMI) and other Green Alpha portfolios

Characteristics

- **High Income** – a compelling combination of strong growth and dividend income that is higher than the broad equity market
- **Fundamentals-driven** – the underlying quality of the companies you invest in and the price you pay for them matter
 - ✓ **High growth** – indicated by Sales Growth, drop in Current P/E to Forward P/E as revenue and earnings grow
 - ✓ **Compelling valuation** – demonstrated by Price/Sales, Price/Book metrics
 - ✓ **Strong balance sheet, solid management execution** – expressed by LT Debt/Equity, Current Ratio
- **Fossil fuel free since inception** – we have never invested in companies that prospect, extract, refine, or transport fossil fuels, nor fossil-fired utilities or internal combustion engine manufacturers
- **Diversified** – we look for solutions wherever we can find them – across the globe, companies of all sizes, in every industry
- **Public equities, long-only** – largest asset class, largest opportunity for impact

Characteristics	Green Alpha Growth & Income	Benchmark: MSCI ACWI IMI (ACIM)	Green Alpha Next Economy Index	Green Alpha Next Economy Social Index	Green Alpha Next Economy Select	Sierra Club Green Alpha
# of Securities	31	8,866	115	95	56	42
Sales Growth, Trailing 1-Yr	12.21%	10.61%	11.62%	13.84%	8.90%	12.00%
*P/E, Current	34.14	26.27	59.45	61.90	99.12	96.74
P/E, 1-Year Forward [†]	19.67	15.16	24.33	27.39	25.44	21.59
Price/Sales	2.20	1.46	1.66	1.78	1.49	1.64
Price/Book	2.22	2.20	2.87	3.43	2.38	2.52
LT Debt/Equity	1.14	0.83	0.71	0.87	0.77	0.75
Current Ratio	2.06	1.70	2.82	2.87	2.93	2.66
Dividend Yield	4.73%	2.56%	1.54%	1.56%	1.67%	1.55%
Market Capitalization Weighted Avg (US\$B)	20.87	150.34	58.86	56.53	38.21	51.72
Market Capitalization Median (US\$B)	13.05	1.03	5.82	7.40	2.98	3.59
Turnover, Trailing 1-Yr	14%	-	25%	28%	13%	10%
Beta, Trailing 2-Yrs	0.86	1.00	1.08	1.09	1.10	1.01
Active Share	98.37%	-	95.19%	95.13%	98.06%	97.63%

*P/E, Current is abnormally higher in Green Alpha portfolios this quarter due to one holding, which has a material weighting, that transitioned from negative earnings to slightly positive during the quarter.

[†] Bloomberg consensus estimates. Please see the final page of this document for important disclosures about portfolio, benchmark and characteristic information

Largest Positions

How the Growth & Income portfolio is driving progress toward the Next Economy

Terraform Power (Utilities, Power Generation)

- Owner of wind and solar power generations assets that serve utility, commercial and residential customers. Terraform owns zero natural gas or other fossil-fired generating capacity.
- Expanding global portfolio, with facilities located in the U.S., Canada, the UK, Spain, Portugal, Chile & Uruguay, with ~3.7 gigawatts of generating capacity
- Brookfield Renewable Partnership's sponsorship provides backing & credit security needed to continue TerraForm's expansion of its energy portfolio, while maintaining a high dividend payout proportion & overall yield

Pattern Energy Group (Utilities, Power Generation)

- 31 utility-scale wind power projects in the U.S., Canada, Japan, and Mexico, with ~3.7 gigawatts of generating capacity. Also own solar, transmission, and storage projects.
- Aggressive plans "to double the megawatts we own or manage by the end of 2020"
- High-quality, investment-grade, long-term power purchase agreements (PPAs) translate to steady revenue stream
- Conservative financial management; not dependent on ever-inflating share price or additional capital raises to continue to grow or provide a high dividend yield
- Above-average gender diversity for a utility company, with two women in Senior Leadership, and two on the Board of Directors, including the Chair of the Audit Committee

Hannon Armstrong Sustainable Infrastructure (Financial, Real Estate)

- Functions like a diversified financial/bank funding renewable energy and efficiency projects, with \$5.5 billion in managed assets
- Their 185+ investments and loans are generally senior to those of the project sponsor, so are high quality and unlikely to default
- Portfolio spans wind, solar, sustainable infrastructure (water delivery system, storm water remediation, seismic retrofits), efficiency. Possess aggregate assets in multiple categories, all related to renewable energy and efficiency
- Senior Management includes two women (16%), as does its Board of Directors (29%)

Horizon Technology Finance (Financials, Specialty Finance)

- Provides structured debt products (i.e., loans) to innovative, mainly pre-IPO, companies
- Has invested in more than \$1.2 billion in venture loans to 200+ growing businesses in the underserved venture loan space
- Portfolio includes technology, life science, healthcare information and services, and cleantech industries
- Offers public equity investors opportunity to invest in a loan venture fund (a basket of private, Next Economy companies) via a single stock

Qualcomm (Technology, Semiconductors)

- Multinational company that designs and markets wireless telecommunications products and services
- Global leader in 5G technology, at least a year ahead of closest competitor for device-level 5G enabled tech; major R&D expenditures signal that they are doing everything they can to remain global leaders
- Connectivity—swift data exchange and use between devices—is key to an efficient/sustainable economy, and Qualcomm enables this across applications: auto, health care, IoT, mobile computing and networking
- Women make up 25% of the Board of Directors, including the Chair of the Compensation Committee

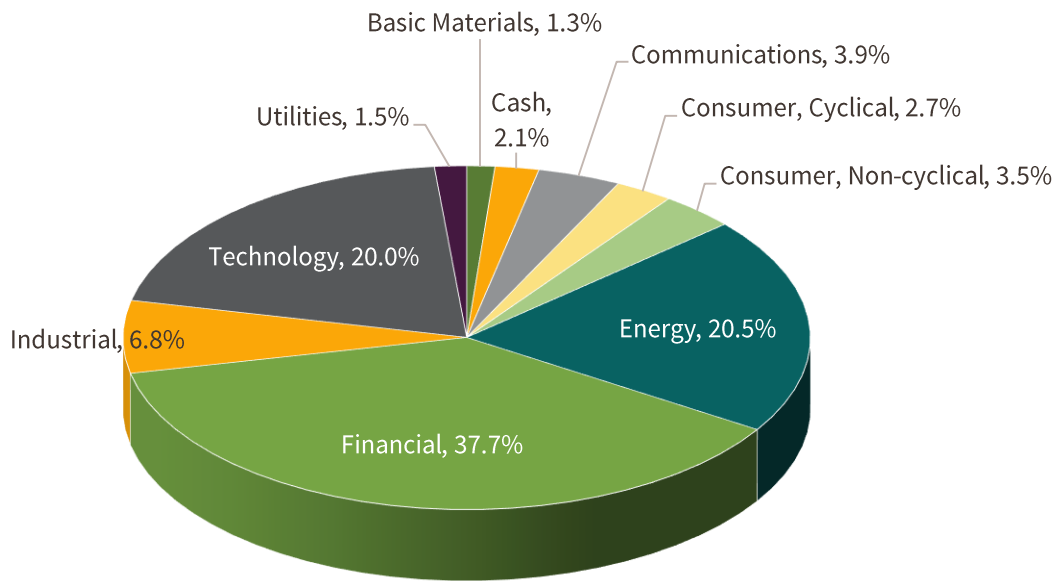
Company Name	Ticker	Weight
Terraform Power	TERP	8.51%
Pattern Energy Group	PEGI	8.38%
Hannon Armstrong Sustainable Infrastructure	HASI	7.88%
Horizon Technology Finance	HRZN	6.12%
Qualcomm	QCOM	4.57%
% of Portfolio		35.46%

Please see the final page of this document for important disclosures about portfolio, benchmark and characteristic information.

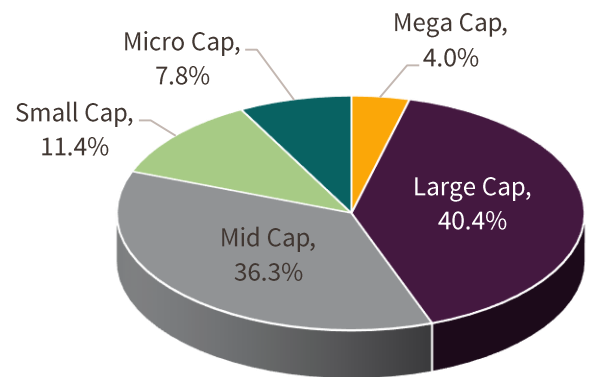
Portfolio Allocations

Our search for Next Economy companies is unconstrained. For the Growth & Income portfolio, we seek solutions to systemic risks wherever they exist – across sectors, market caps, and geographies.

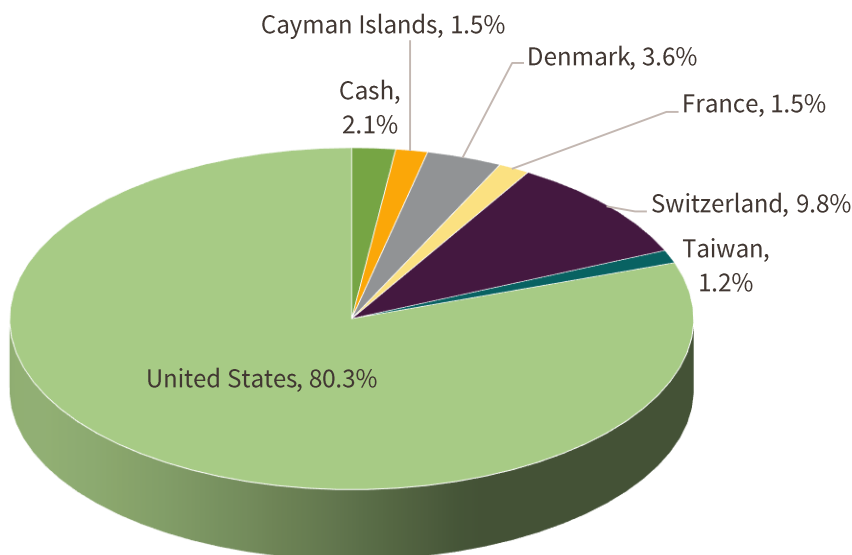
Economic Sectors^{††}



Market Capitalizations

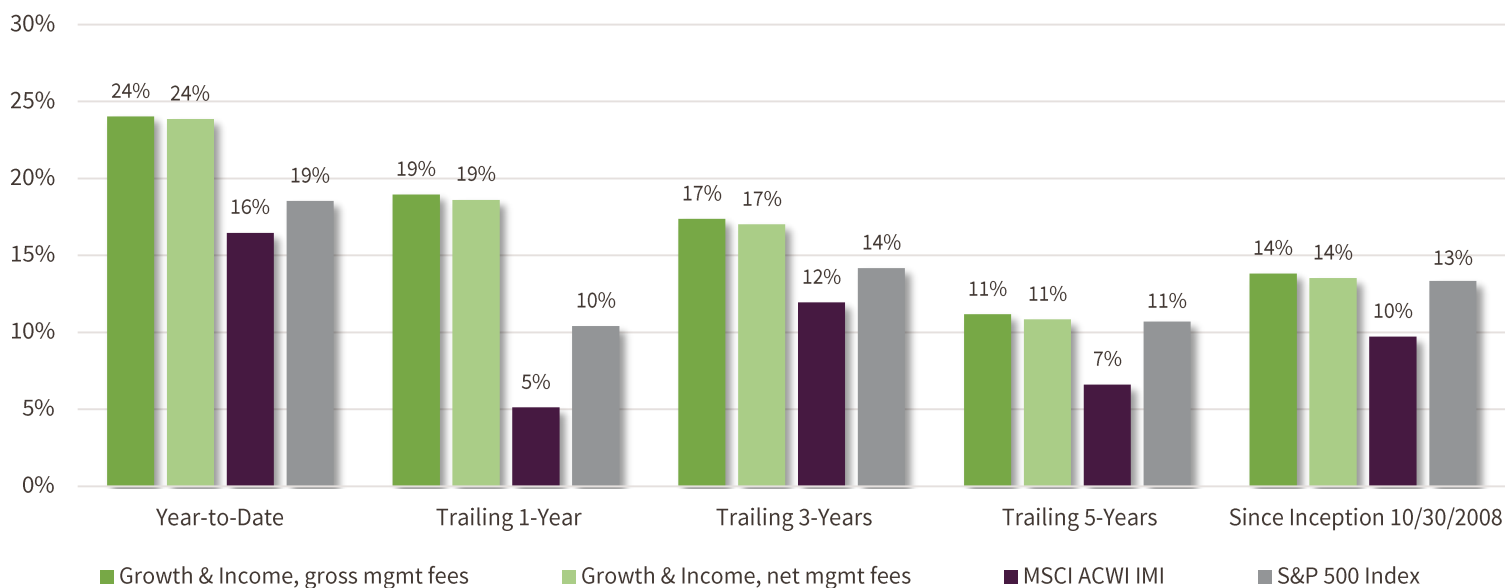


Companies' Main Headquarters



^{††} Bloomberg Industry Classification Standard. Please see the final page of this document for important disclosures about portfolio, benchmark and characteristic information.

Performance & Commentary



Markets experienced a positive second quarter of 2019, as, overall, optimism about interest rate cuts and strong employment numbers outweighed fears of a global trade war and associated economic slowdown.

Next Economy companies fared particularly well, as many of our holdings in renewable energies, semiconductors, and biotech reported strong earnings and upbeat forecasts. As a result, Green Alpha's portfolios—across the board—outperformed their benchmarks for the period.

In the second quarter of 2019, the Growth & Income portfolio returned 5.81%, net of management fees, compared to the MSCI All Country World Investible Market Index (MSCI ACWI IMI) return of 3.58%. As of June 30th, the portfolio also featured a 4.73% dividend yield.

The top two contributing sectors for the quarter were Technology, adding 1.87% to the portfolio's return, and Financials, which contributed 1.56%.

- The Technology sector benefitted from the rally in semiconductors that carried over from Q1 and was the lion's share of the sector's return in Q2 as well. Contributors in semiconductors were a diversified set, including makers of 5G connected chips, integrated circuits for general computing and communications, and manufacturing equipment upstream to finished chipset providers.
- The portfolio's Financials sector allocation benefitted from strength in companies providing renewable energy project financing, and sustainability-oriented REITs, which include data centers, data center infrastructure, fiber bandwidth, and cloud computing.

During the quarter, the lowest contributing sectors consisted of one positive and one negative contributor.

- The Growth & Income portfolio's worst performing sector was Industrials, detracting 0.30%, driven by three specific companies—one that manufactures LCD displays, a leader in wearable electronics, and a renewable energy infrastructure company.
- The second lowest contributor to the portfolio's return was the Basic Materials sector, which added 0.12% to overall performance, provided entirely by a 100% recycled metals producer.

All returns presented above that are greater than 1 year in length have been annualized. Performance data quoted represent past performance. Past performance does not guarantee future results and current performance may be lower or higher than the data quoted. Please see the final page of this document for important disclosures about portfolio, benchmark and characteristic information.

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