

Growth & Income

September 30, 2019



Green Alpha[®]

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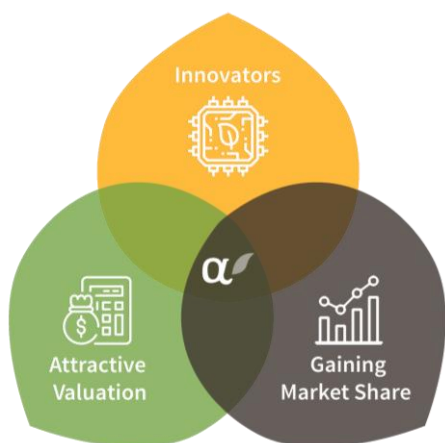
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Investment Philosophy

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 straightforward: 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?

- Active research, stock selection, and portfolio management
- Low volatility portfolio producing above-market income, while seeking long-term capital preservation and growth
- 25-35 global, market-leading companies developing solutions to core economic and environmental risks
- Fossil fuel free since inception

Inception Date: October 8, 2012

Style: All-Cap Global Growth Equities

Vehicle: Separately Managed Accounts

Portfolio Construction

The Growth & Income portfolio is designed to harness the powerful combination of growth and current income within one portfolio. We seek investments:

- whose products and/or services lower the economy’s risk profile by creating solutions to our most pressing economic and environmental risks
- committing more capital to R&D, and owning more intellectual property than their peers
- run by effective, diverse leadership teams and boards of directors with consistent track records of increasing revenue, and expanding margins, leading to earnings growth and potential dividend increases
- trading at compelling valuations for proven and expected growth, within acceptable levels of risk

Growth & Income portfolio holdings are then selected for current or potential dividend yield coupled with strong revenue growth, bought at a reasonable price. The strategy typically exhibits lower short-term volatility than other Green Alpha portfolios, and the broad equity markets.

Our Investment Team seeks to de-risk the global economy while reducing our clients’ long term investment risks.

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 (SPGM)	Green Alpha Next Economy Index	Green Alpha Next Economy Social Index	Green Alpha Next Economy Select	Sierra Club Green Alpha
# of Securities	31	1,221	115	95	56	42
*Sales Growth, Trailing 1-Yr	12.98%	9.59%	10.43%	12.31%	65.10%	14.32%
**P/E, Current	36.71	27.74	50.67	57.79	41.36	50.64
P/E, 1-Year Forward [†]	21.17	15.42	24.35	27.34	23.12	20.12
Price/Sales	2.33	1.46	1.70	1.84	1.45	1.64
Price/Book	2.41	2.27	2.92	3.47	2.40	2.60
LT Debt/Equity	1.17	0.90	0.74	0.88	0.82	0.77
Current Ratio	1.99	1.66	2.62	2.59	2.86	2.75
Dividend Yield	4.32%	2.57%	1.43%	1.48%	1.67%	1.52%
Market Capitalization Weighted Avg (US\$B)	\$33.08	\$157.37	\$66.68	\$63.16	\$43.95	\$60.01
Turnover, Trailing 1-Yr	13%	-	24%	28%	11%	5%
Beta, Trailing 2-Yrs	0.84	0.98	1.05	1.06	1.04	0.97
Active Share	98.27%	-	94.82%	94.73%	97.91%	97.41%

*Sales Growth is abnormally higher in the Next Economy Select strategy this quarter due to one holding that experienced abnormally higher sales growth during the period. We expect the growth rate to normalize as revenues increase.

**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, skewing the appearance of the overall portfolio statistic.

[†] 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 generation assets that serve utility, commercial, and residential customers
- Expanding global portfolio, with facilities located in the U.S., Canada, the UK, Spain, Portugal, Chile, and Uruguay, with ~3.7 gigawatts of generating capacity
- Brookfield Renewable Partnership's sponsorship provides backing and credit security needed to continue TerraForm's expansion of its energy portfolio, while maintaining a high dividend payout

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 with 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 growing 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), and efficiency. Possess aggregate assets in multiple categories, all related to renewable energy and efficiency
- Senior Management includes two women (17%), as does its Board of Directors (29%), including key Executives, the Lead Independent Director, and Chair of the Nominating, Governance, and Corporate Responsibility Committee

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 venture loan 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 the next closest competitor for device-level 5G-enabled tech; major R&D expenditures signal that they likely 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

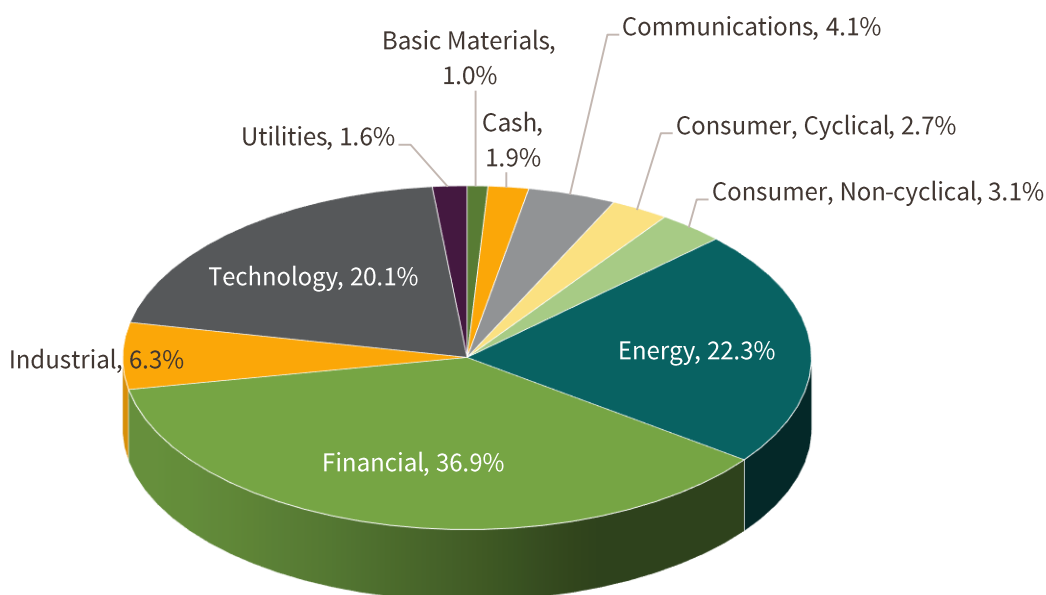
Company Name	Ticker	Weight
Terraform Power	TERP	10.13%
Pattern Energy Group	PEGI	9.17%
Hannon Armstrong Sustainable Infrastructure	HASI	7.62%
Horizon Technology Finance	HRZN	5.81%
Qualcomm	QCOM	4.27%
% of Portfolio		37.00%

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

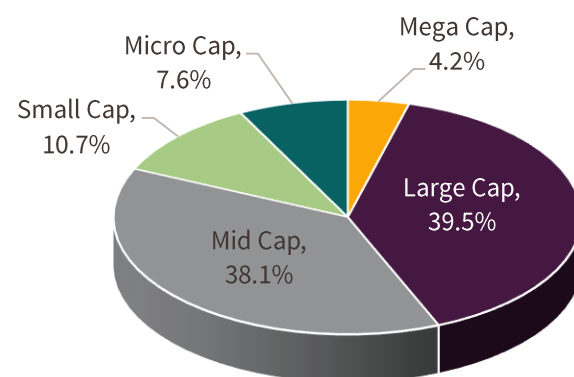
Portfolio Allocations

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.

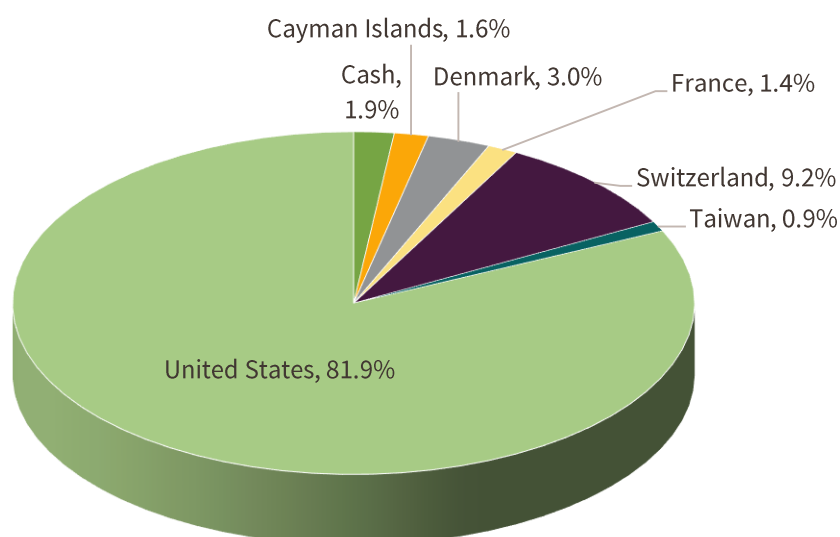
Economic Sectors^{††}



Market Capitalizations

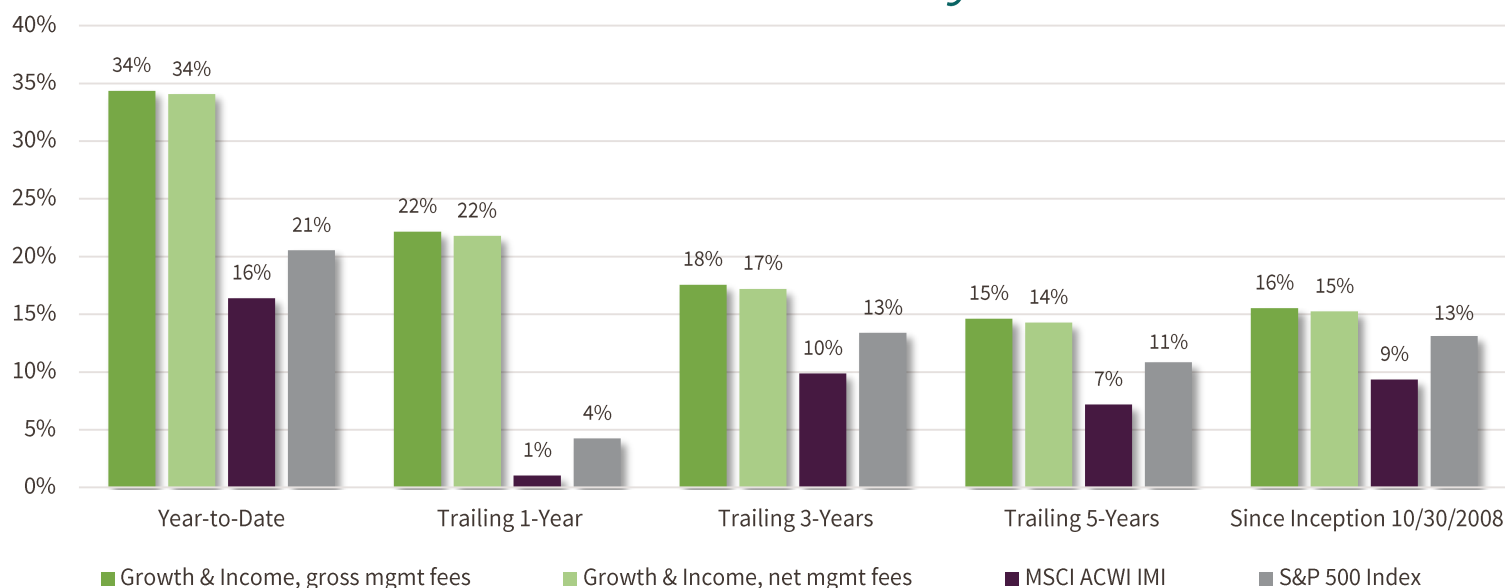


Companies' Main Headquarters



^{††} 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 mixed third quarter of 2019. The US-China trade friction seemed to get more complicated, and more signs emerged that global growth is slowing (although not stalling or reversing in Q3); however, central banks remained accommodative, and corporate earnings, while uneven, were often better than markets had previously priced into expectations.

Next Economy™ companies fared well, as many of our holdings, particularly in technology, financials, communications and renewable energies-based utilities, continued their rallies from the first and second quarters of this year. Biotech and pharmaceuticals were generally down for the period, along with consumer stocks. Overall, four of Green Alpha's five portfolio strategies outperformed their benchmarks during the third quarter, adding to their 2019 gains.

For the third quarter of 2019, Green Alpha's Growth & Income portfolio returned a standout 8.24%, net of management fees, compared to the MSCI All Country World Investible Market Index (MSCI ACWI IMI) return of -0.06%.

The portfolio's strong returns were led by the Energy (contributing 3.70% to performance), Financials (contributing 2.25%), and Technology (contributing 1.72%) sectors.

In the Energy sector, a solar electricity utility, and a wind power utility dominated returns, as reliable dividend yields backed by multi-decade power purchase agreements attracted capital in an overall low interest rate environment, and amid worries of slowing global economic growth.

In the Financial sector, performance was led by datacenter and sustainable real estate REITs located in some of America's key innovation hubs. In addition, returns were bolstered by renewable energy and efficiency project financing, as well as from an advanced tech venture loan provider.

In the Technology sector, upstream semiconductor fabrication equipment provided the lion's share of returns. However, 5G connectivity, and processors for AI and autonomous robotics were also up during the quarter.

Not very much detracted from the portfolio's performance in the third quarter, and came entirely from Basic Materials (-0.27%) and the Consumer Non-cyclicals (-0.13%) sectors. Genomic therapies and diagnostics were down in consumer stocks, as volatility due to their early stage of development weighed, and a recycled steel manufacturer was down amidst continuing counter tariffs on steel and other commodities.

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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