

Next Economy Select

September 30, 2019

Green Alpha[®]

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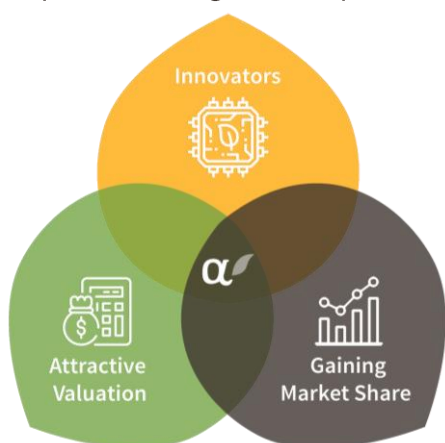
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Investment Philosophy

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 Next Economy Select?

- Active research, stock selection, and portfolio management
- Low minimum vehicle provides democratized access to institutional-quality investing
- Seeks long-term capital growth to preserve and grow purchasing power
- 45-65 global, market-leading companies developing solutions to core economic and environmental risks
- Fossil fuel free since inception

Inception Date: March 31, 2013

Style: All-Cap Global Growth Equities

Vehicles: Mutual Fund,
Separately Managed Accounts

Portfolio Construction

The Next Economy Select portfolio is available both in a mutual fund vehicle, and as a separately managed account, to provide democratized, low-minimum account size access to this institutional-quality, innovation-focused portfolio. Because of this, the portfolio’s primary objective is capital appreciation via high-conviction, market-leading Next Economy companies. Since the primary vehicle available within this strategy is a mutual fund, this product follows standard mutual fund industry diversification guidelines, such as: limited position sizes over 5% of the portfolio and no industry concentration in excess of 25%.

We seek investments:

- committing more capital to R&D than their peers
- run by effective, diverse leadership teams and boards of directors with consistent track records increasing revenues and earnings
- trading at compelling valuations for proven and expected growth, within acceptable levels of risk

Next Economy Select

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

Characteristics

- **Highest conviction stocks, two investment vehicles** – democratizing access to leading Next Economy companies via a mutual fund and separately managed accounts, to serve clients of all shapes and sizes
- **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 Next Economy Select	Benchmark: MSCI ACWI IMI (SPGM)	Green Alpha Next Economy Index	Green Alpha Next Economy Social Index	Green Alpha Growth & Income	Sierra Club Green Alpha
# of Securities	56	1,221	115	95	31	42
*Sales Growth, Trailing 1-Yr	65.10%	9.59%	10.43%	12.31%	12.98%	14.32%
**P/E, Current	41.36	27.74	50.67	57.79	36.71	50.64
P/E, 1-Year Forward [†]	23.12	15.42	24.35	27.34	21.17	20.12
Price/Sales	1.45	1.46	1.70	1.84	2.33	1.64
Price/Book	2.40	2.27	2.92	3.47	2.41	2.60
LT Debt/Equity	0.82	0.90	0.74	0.88	1.17	0.77
Current Ratio	2.86	1.66	2.62	2.59	1.99	2.75
Dividend Yield	1.67%	2.57%	1.43%	1.48%	4.32%	1.52%
Market Capitalization Weighted Avg (US\$B)	\$43.95	\$157.37	\$66.68	\$63.16	\$33.08	\$60.01
Turnover, Trailing 1-Yr	11%	-	24%	28%	13%	5%
Beta, Trailing 2-Yrs	1.04	0.98	1.05	1.06	0.84	0.97
Active Share	97.91%	-	94.82%	94.73%	98.27%	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 Next Economy Select portfolio is driving progress toward the Next Economy

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

Vestas Wind Systems (Energy, Renewable Energy)

- Arguably the world’s most advanced wind turbine manufacturer, and the clear leader in both onshore and grid-connected installations
- A leading turbine service contract provider, which provides higher-margin recurring revenue in addition to manufacturing
- In Q2, Vestas reached over 4.6GW of new turbine orders. On top of the 3GW it won in Q1, Vestas is already ahead of its 2018 total
- Senior Management includes award-winning female CFO; and three women on the Board of Directors

First Solar (Energy, Renewable Energy)

- Has developed, financed, engineered, constructed, and currently operates many of the world’s largest grid-connected solar PV power plants – also owns a large portion of the IP covering thin-film, CdTe solar
- Business spans utility-scale solar, corporate renewables, community solar, “turnkey” systems for developers, and operations and maintenance services
- Makes unique CdTe technology solar cells, which are inexpensive, more efficient than C-Si panels in hot environments, and also outperform in cloudy and shady conditions. CdTe tech is exempt from current U.S. tariffs

Applied Materials (Technology, Semiconductors)

- Global leader in materials engineering – their tech and IP can be found in most integrated circuits and displays. Next Economy™ applications include upstream equipment that enables manufacture of semiconductors, displays, solar cells, and modules
- Provides fundamental building blocks for efficiency-driving tech applications like AI, robotics, automation, solar energy, and IoT
- Also offers automation software, thereby improving efficiency in production of these essential technologies
- AMAT owns a strong portfolio of patents in the manufacturing and process technologies industry at 12,500+ patents
- The Board of Directors includes two women, both of whom are Chairs of key committees

Sunrun (Energy, Renewable Energy)

- Led by CEO Lynn Jurich, Sunrun has artfully navigated the U.S. solar market to gain market share leadership in states with favorable policy, and to fight for better policy in states that have been slower to adopt renewables. Sunrun installs more residential solar systems than any other company in the United States
- Sunrun has deployed ~255,000 systems for customers in 24 states. Their Brightbox product is also a leading home storage battery
- The company has five women (56%) on the Senior Management team, including the CEO, CPO, and General Counsel, and an even half of the Board of Directors are women, including two Committee Chairs

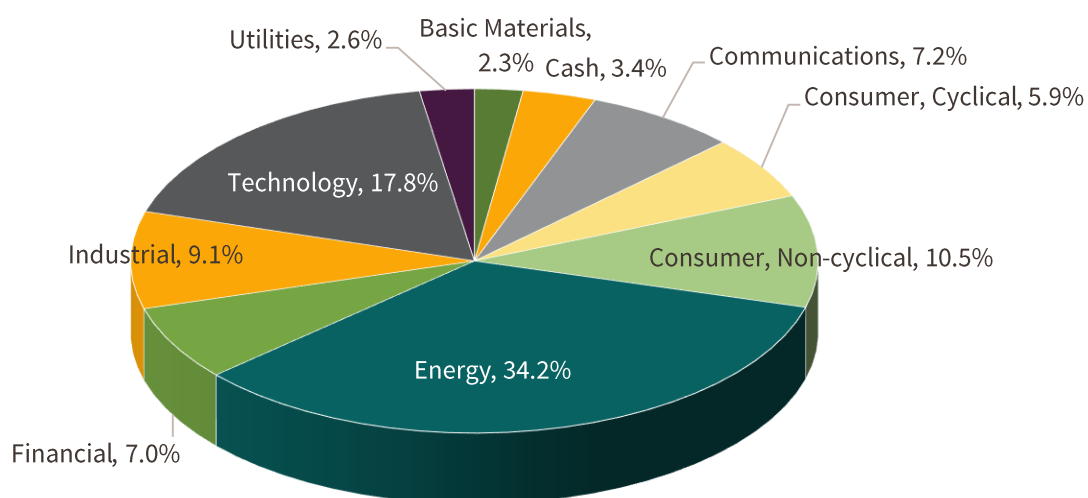
Company Name	Ticker	Weight
Pattern Energy Group	PEGI	6.43%
Vestas Wind Systems	VWDRY	5.60%
First Solar	FSLR	4.57%
Applied Materials	AMAT	4.28%
Sunrun	RUN	4.13%
Terraform Power	TERP	3.54%
Int’l Business Machines	IBM	3.34%
Hannon Armstrong Sustainable Finance	HASI	3.30%
Alphabet	GOOG	3.02%
Sunpower	SPWR	2.68%
% of Portfolio		40.89%

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

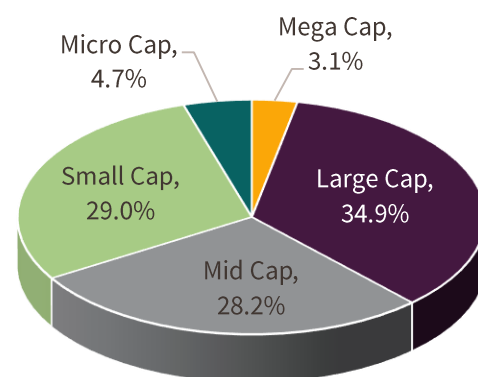
Portfolio Allocations

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

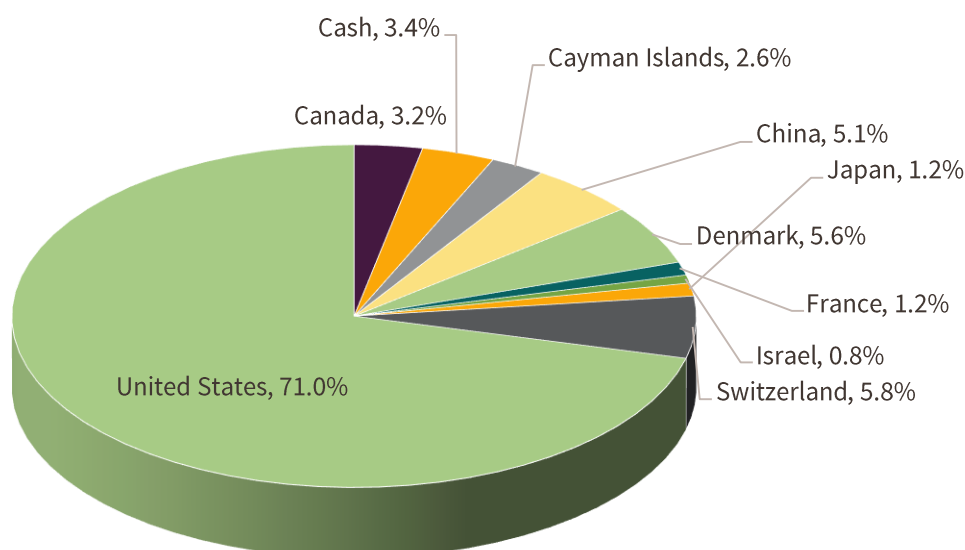
Economic Sectors^{††}



Market Capitalizations

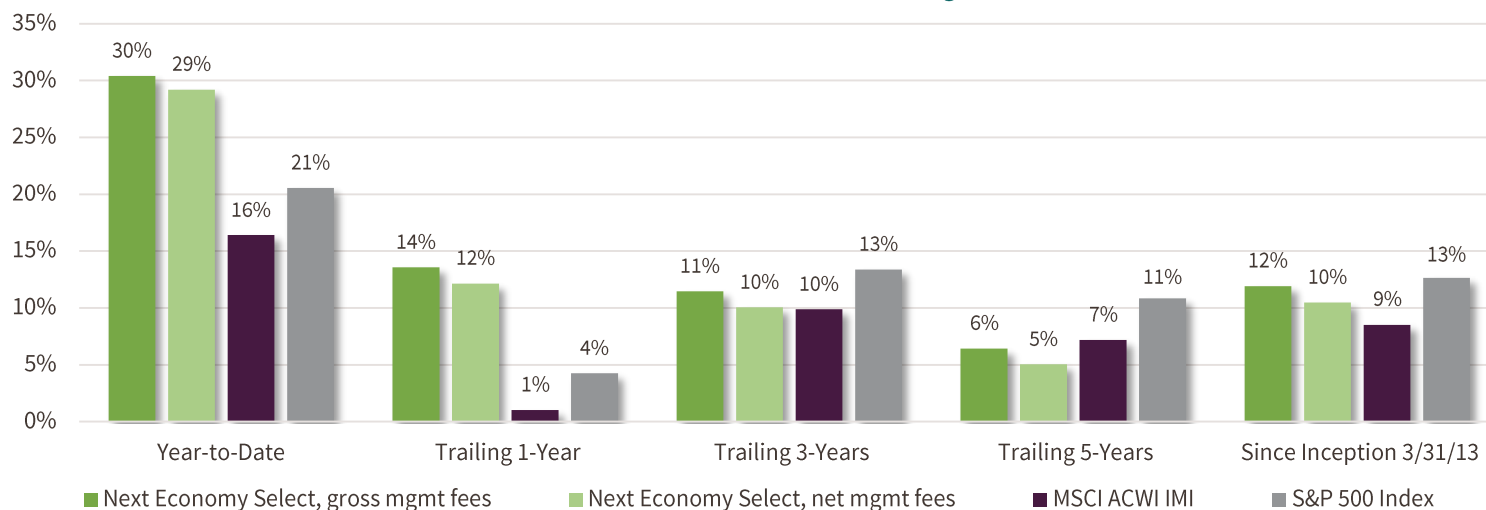


Companies' Main Headquarters



^{††} 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.

Unfortunately, for the third quarter of 2019 Green Alpha's Next Economy Select portfolio was the one that experienced negative short-term returns: down 1.66%, net of management fees, compared to the MSCI All Country World Investible Market Index (MSCI ACWI IMI) return of -0.06%. As you know, at Green Alpha we are investing for long-term capital preservation and growth, and even though it wasn't a great performance quarter for this portfolio, the portfolio's year-to-date return of 29.18% (through and including Q3), net of management fees, vs the MSCI ACWI IMI's return for the same period of 16.40%, remains quite strong.

The portfolio has positive performance from the Technology (contributing 0.88% to returns), Utilities (0.34% contribution), Financial (0.34%), and Industrial (0.19%) sectors.

In Technology, upstream semiconductor fabrication equipment providers were up. In addition, 5G and IoT connectivity, and processors for Artificial Intelligence ("AI") and autonomous robotics were up for the quarter. In Utilities, positive returns were provided by a desalination-based water utility that creates freshwater in arid areas not supported by sufficient local water sources. From Financials, sustainable real estate REITs located in some of America's key innovation hubs led returns, and positive returns from a renewable energy and efficiency project financing provider added to returns as well.

Negative returns for the quarter came primarily from the Consumer Non-cyclical (detracting 1.46% from performance) and Energy (-1.38% contribution) sectors.

In the Consumer Non-cyclical sector, losses were mainly from biotech and pharmaceuticals, as gene sequencing and editing, genomic therapeutics and diagnostics firms all faced selling pressure. While we see prospects for long-term returns from the leaders in genomic therapies, we understand that innovators and disruptors will often face volatility over short term periods.

Within the Energy sector, renewable energy equipment makers, from wind and solar, were down for the quarter, partially as a result of tariffs and slowing global trade. These losses were partially offset by gains in renewables-based utilities, as reliable dividend yields backed by multi-decade power purchase agreements attracted capital in a low interest rate environment, and amid worries of slowing global economic growth.

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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- MSCI ACWI IMI: The MSCI All Country World Investable Market Index (ACWI IMI) captures large, mid and small cap representation across 23 developed markets and 24 emerging markets countries. With over 8,700 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set. Investors cannot invest directly in this index.
- The SPDR MSCI Global Stock Market ETF (ticker: SPGM) seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the MSCI ACWI IMI. Investors can invest directly in SPGM.
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