

Next Economy Social Index

September 30, 2019

Green Alpha[®]

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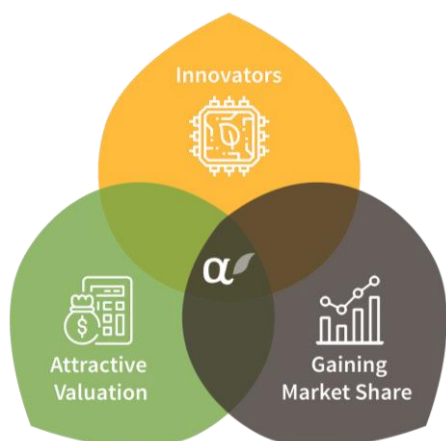
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Investment Philosophy

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 the Social Index?

- Active research and stock selection
- Passively managed through an annual rebalance
- Applies unique gender and social inclusion criteria to create a portfolio with a powerful one-two punch of innovative companies led by diverse, empowered teams
- 95 global, market-leading companies developing solutions to core economic and environmental risks
- Fossil fuel free since inception

Inception Date: December 31, 2015

Style: All-Cap Global Growth Equities

Vehicle: Separately Managed Accounts

Portfolio Construction

The Social Index construction is based on the premise that the cognitive power, execution and risk management abilities of groups exceeds that of individuals, and the more diverse the group the greater potential.

To manage the portfolio, we start by seeking 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

We select weights based on market cap size, then assign additional weighting to companies where women hold positions of significant decision making authority, have especially strong representation in leadership, and/or corporate policies are eminently inclusive.

Next Economy Social Index

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

Characteristics

- **Next Economy innovators, diversity leaders** – harnessing the performance enhancing and risk reducing potential offered by diverse teams, we apply gender and social inclusion criteria to the Next Economy universe
- **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 Social Index	Benchmark: MSCI ACWI IMI (SPGM)	Green Alpha Next Economy Index	Green Alpha Next Economy Select	Green Alpha Growth & Income	Sierra Club Green Alpha
# of Securities	95	1,221	115	56	31	42
*Sales Growth, Trailing 1-Yr	12.31%	9.59%	10.43%	65.10%	12.98%	14.32%
**P/E, Current	57.79	27.74	50.67	41.36	36.71	50.64
P/E, 1-Year Forward [†]	27.34	15.42	24.35	23.12	21.17	20.12
Price/Sales	1.84	1.46	1.70	1.45	2.33	1.64
Price/Book	3.47	2.27	2.92	2.40	2.41	2.60
LT Debt/Equity	0.88	0.90	0.74	0.82	1.17	0.77
Current Ratio	2.59	1.66	2.62	2.86	1.99	2.75
Dividend Yield	1.48%	2.57%	1.43%	1.67%	4.32%	1.52%
Market Capitalization Weighted Avg (US\$B)	\$63.16	\$157.37	\$66.68	\$43.95	\$33.08	\$60.01
Turnover, Trailing 1-Yr	28%	-	24%	11%	13%	5%
Beta, Trailing 2-Yrs	1.06	0.98	1.05	1.04	0.84	0.97
Active Share	94.73%	-	94.82%	97.91%	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 Social Index is driving progress toward the Next Economy

IBM (Technology, Technology Services)

- Adroitly managing transition from legacy IT and consulting services to Next Economy™ innovation powerhouse. (*Mythbusting: IT hardware only represents 9% of IBM revenues*)
- Top patent holder across many domains; cloud and cognitive software, quantum computing, enabling distributed ledger; pioneering AI; developing security methods atop lattice cryptography; advancing nanotechnology; developing and applying Watson (AI) across industries, including medicine, water, food safety; and the most accurate weather forecasting tech available
- Female CEO is building a diverse team to maximize the company's ability to innovate, with six women (30%) in Senior Management and five on the Board of Directors (36%), including key Committee Chairs

Switch (Communications, Telecomm)

- Switch designs, builds, and runs some of the world's most advanced datacenters - leading tech powered 100% by renewables
- Earned Greenpeace's "highest rating for any class of company"
- Switch's Senior Management team is an impressive 52% women, with ladies holding many of the company's top spots, and 17% of the Board of Directors are also women, including the Audit Committee Chair

Universal Display (Technology, Semiconductors)

- IP creator of organic light emitting diodes (OLED) technologies and materials, which it licenses to display manufacturers
- OLED displays are more energy and materials efficient than other technologies - more than 2x as energy efficient as LCD displays, and offer superior brightness despite less power use, light weight, short response times, and wider visible viewing angles
- Universal Display Corp's IP is found in most smartphone, tablet, notebook computer, desktop monitor, smart watch and TV displays available today; you're probably reading this with their IP right now
- OLED boasts 40% Executives being female, and the Board of Directors 25%, including the Compensation Committee Chair

Autodesk (Technology, Software)

- Leading design software provider with tools spanning architecture, engineering and construction, platform solutions and emerging business, manufacturing, media and entertainment. Their software has revolutionized design and engineering times from idea to finished product, and is a recognized global leader among product lifecycle management (PLM) software providers
- Designing the new wave of efficient products requires effective, data-driven tools to create them. Recurring revenues constitute 93% of total revenue. Successfully growing subscription revenue. They also offer and enable 3D printing, which is instrumental in growing waste-to-value product lifecycles
- Women make up 27% of Senior Management and 44% of the Board of Directors, including key top executive seats and two Committee Chair positions

AT&T (Communications, Telecomm)

- Connecting tens of millions to voice and data, AT&T is the world's largest telecommunications company, and the largest provider of mobile telephone services. AT&T leverages its scale and networks for beneficial applications like mobile health devices, including a device for uninterrupted monitoring of patient vitals from any location
- First to launch high-speed 5G services in the U.S., and provides critical infrastructure for smart cities and autonomous vehicles
- Impressive diversity initiatives include achieving four women on the Board (31%), including the Chairs of two key committees

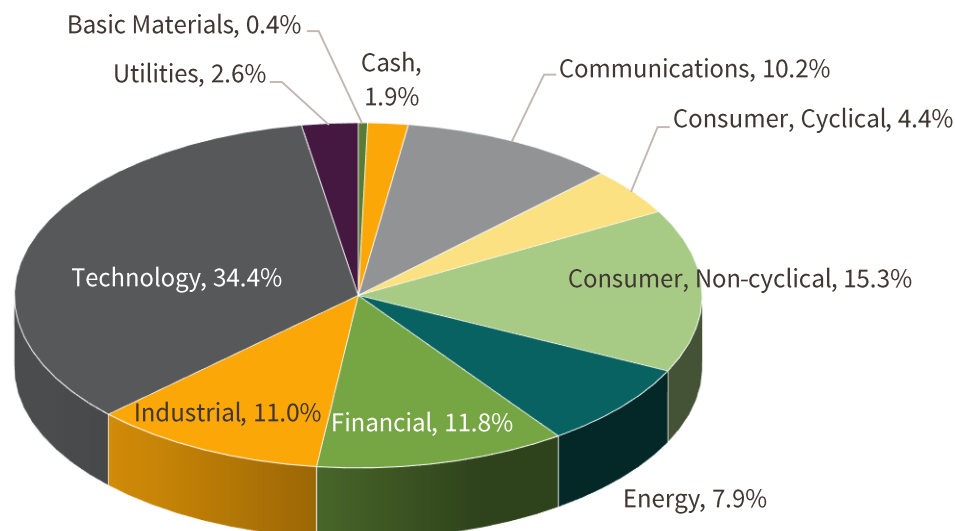
Company Name	Ticker	Weight
Int'l Business Machines	IBM	2.33%
Switch	SWCH	2.05%
Universal Display	OLED	1.88%
Autodesk	ADSK	1.68%
AT&T	T	1.66%
NVIDIA	NVDA	1.63%
Danone	DANOY	1.62%
Equinix	EQIX	1.61%
Splunk	SPLK	1.56%
Apple	AAPL	1.55%
% of Portfolio		17.57%

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

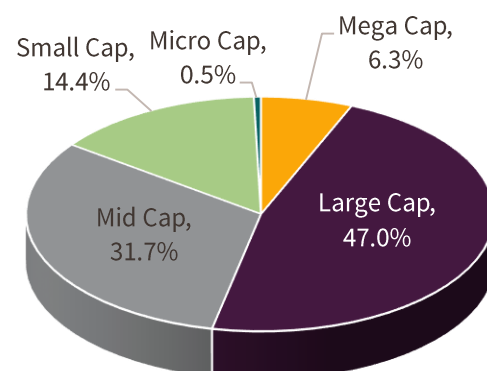
Portfolio Allocations

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

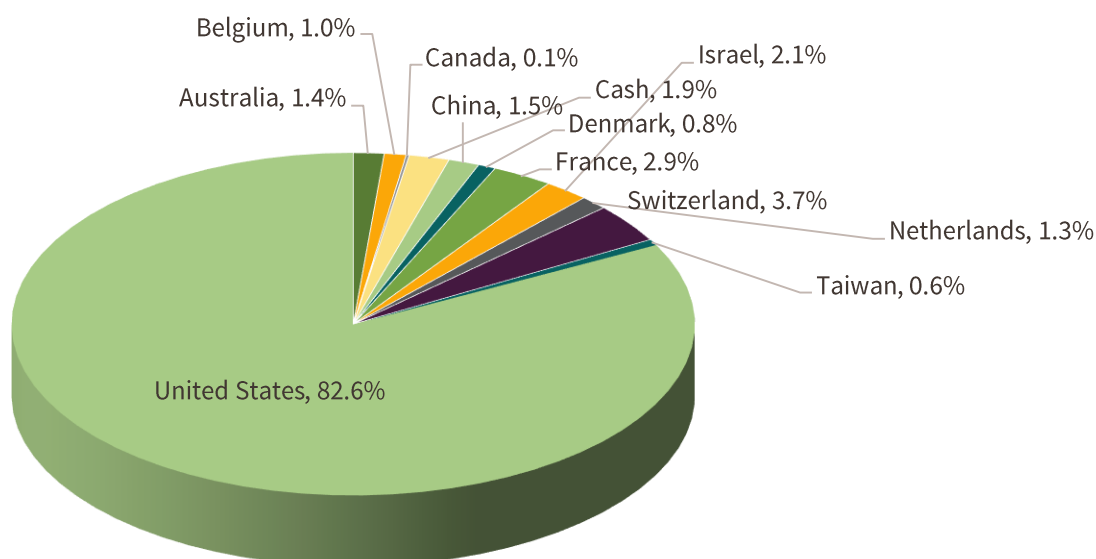
Economic Sectors^{††}



Market Capitalizations

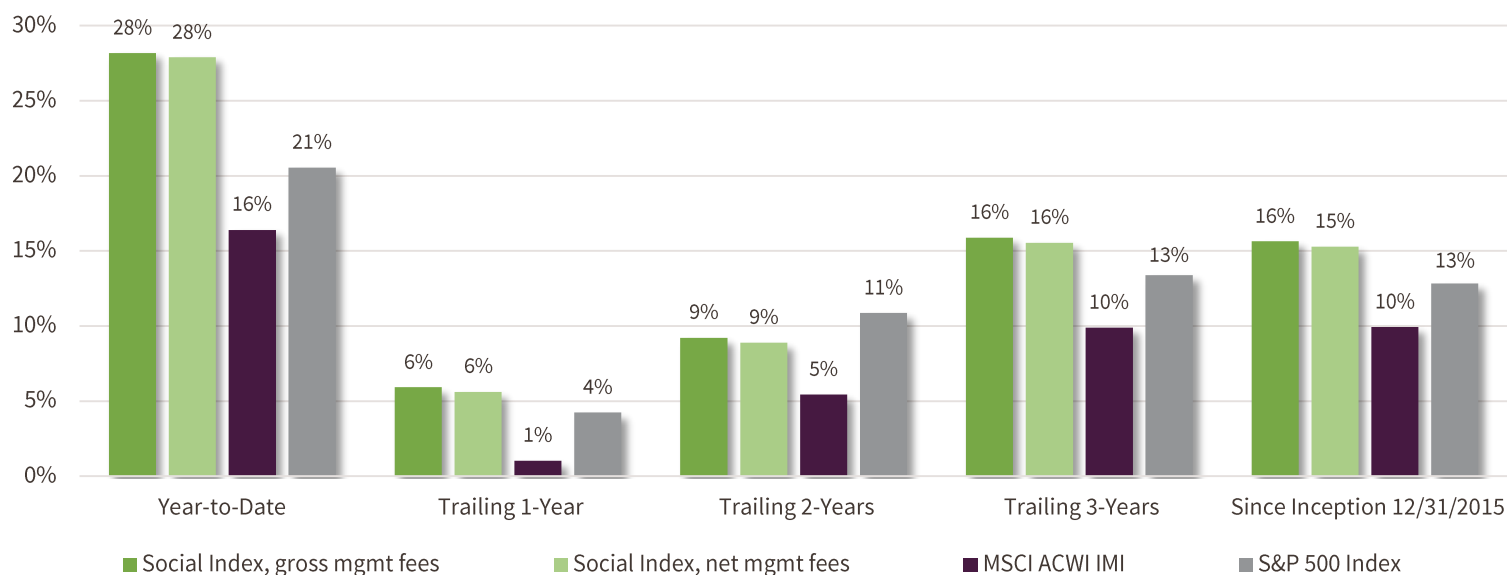


Companies' Main Headquarters



^{††} 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, the Next Economy Social Index returned 1.54%, net of management fees, compared to the MSCI All Country World Investible Market Index (MSCI ACWI IMI) return of -0.06%.

Gains in the portfolio were led by the Financial, Communications, and Technology sectors.

Financials, contributing 1.16% to the portfolio's returns, were aided by strong news in infrastructure REITs, especially advanced datacenter providers, as well as by sustainable real estate REITs located in some of America's key innovation hubs.

In Communications, which contributed 0.65%, gains were provided by connectivity and bandwidth providers, including mobile communications, fiber and dark fiber networks, and leading Internet companies.

Within the Technology sector, returns were dominated by exposure to upstream semiconductor fabrication equipment providers, as well as by chips for 5G and Internet of Things ("IoT") connectivity, and processors for Artificial Intelligence ("AI") and autonomous robotics.

Detracting 1.25% from the quarter's returns for the Social Index was the Consumer Non-cyclical sector, with losses mainly coming 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. Commercial services also hurt the sector, with a leading mobile payments and cash management provider declining during the quarter.

The Basic Materials sector also declined, detracting 0.11% from performance, as a recycled steel provider 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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- 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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