

Next Economy Social Index

March 31, 2020

Green Alpha[®]

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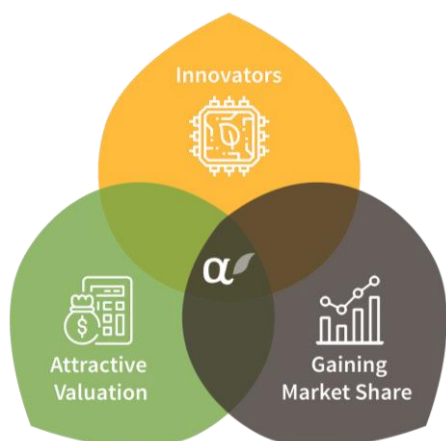
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Investment Philosophy

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
- ~92 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 science that the cognitive power, execution abilities, and risk management skills 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 rigorous 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 from 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	92	1,362	119	53	33	42
Sales Growth, Trailing 1-Yr	75.82%	10.89%	60.40%	252.39%	101.43%	192.88%
P/E, Current	21.99	14.36	22.11	16.64	15.80	18.31
P/E, 1-Year Forward [†]	19.39	13.59	17.67	13.59	14.04	16.09
Price/Sales	0.87	1.20	1.35	1.30	1.88	1.38
Price/Book	3.20	1.76	2.66	2.19	2.08	2.45
LT Debt/Equity	1.17	0.89	0.79	0.70	1.07	0.73
Current Ratio	2.88	1.73	2.84	3.35	2.22	3.25
Dividend Yield	3.06%	3.45%	2.83%	3.32%	4.84%	2.94%
Market Capitalization Weighted Avg (US\$B)	\$72.31	\$177.97	\$77.96	\$51.67	\$41.17	\$71.12
Market Capitalization, Median (US\$B)	\$8.80	Not Available	\$6.84	\$6.22	\$16.82	\$8.04
Turnover, Trailing 1-Yr	30%	-	23%	15%	24%	17%
Beta, Trailing 2-Yrs	1.00	0.99	1.03	1.02	1.01	1.07
Active Share	94%	-	94%	97%	97%	97%

[†] 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

Company Name	Ticker	Weight
Teledoc Health	TDOC	2.93%
Gilead Sciences	GILD	2.18%
Vertex Pharmaceuticals	VRTX	2.05%
Tesla	TSLA	2.03%
Moderna	MRNA	1.99%
NVIDIA	NVDA	1.99%
Int'l Business Machines	IBM	1.98%
Alibaba Group Holdings	BABA	1.92%
Arista Networks	ANET	1.69%
Apple	AAPL	1.66%
% of Portfolio		20.42%

Teledoc Health (Consumer Non-cyclicals, Health Care Services)

- Teledoc provides remote medical services via phone and video consultations including diagnoses, treatment recommendations, and prescriptions
- It serves patients worldwide, democratizing access to medical care and revolutionizing simple, less expensive access to professional intervention
- In response to the coronavirus pandemic, the U.S. is planning to make telehealth available for Medicare beneficiaries
- Senior management includes four female C-suite officers (27%), and the Board of Directors includes two women

Gilead Sciences (Consumer Non-cyclicals, Biotechnology)

- Gilead is a research biopharmaceutical company that develops therapeutics for life-threatening diseases, including HIV/AIDS, liver disease, cardiovascular and respiratory conditions, and more recently, COVID-19
- Deep research teams and significant R&D expenditure give them significant IP ownership and a promising pipeline of discoveries
- One of the few large pharmaceutical companies that makes a meaningful attempt to address issues of health care inequality. Gilead has a Dedicated Access team with responsibility for providing their therapeutics to low and middle income countries.
- Executives include four women (~44%), and four of the 11 (~36%) board members are female, including key committee chairs

Vertex Pharmaceutical (Consumer Non-cyclicals, Biotechnology)

- Vertex is a global provider of treatments of cystic fibrosis, cancer, inflammatory bowel, autoimmune disease, and neurological disorders. The firm is distinguished from competitors by its focus on disruptive innovation, and its interdisciplinary approach
- The company collaborates with advanced gene-therapy firms CRISPR Therapeutics and Moderna Therapeutics, which potentially means that Vertex will have an exclusive license to any successful therapies those leaders create
- Vertex's workforce is 51% female overall, and has five women in the C-Suite, including the CEO

Tesla (Consumer Cyclical, Automotive)

- Tesla is a world leader in design and manufacture of electric vehicles under the Tesla Motors brand and stationary battery packs for homes, commercial properties, and utility-scale power via the Tesla Energy division. Both divisions are gaining market share in their niches
- Tesla's innovations, represented by their impressive patent portfolio and world-leading products, have given the company first-mover advantage in the electric vehicle space, and a tech advantage in the stationary storage space. Tesla is capitalizing on these leads via continual reinvestment and expanding production capacity
- In addition to their main products, Tesla's means of production are also disruptive and mean that they can manufacture and sell EVs profitably today. Collaborations with sister firm SpaceX gives Tesla unique access to advanced science and engineering
- The Board of Directors includes three women (27%), including the full-time employed Board Chair

Moderna (Consumer Non-cyclicals, Biotechnology)

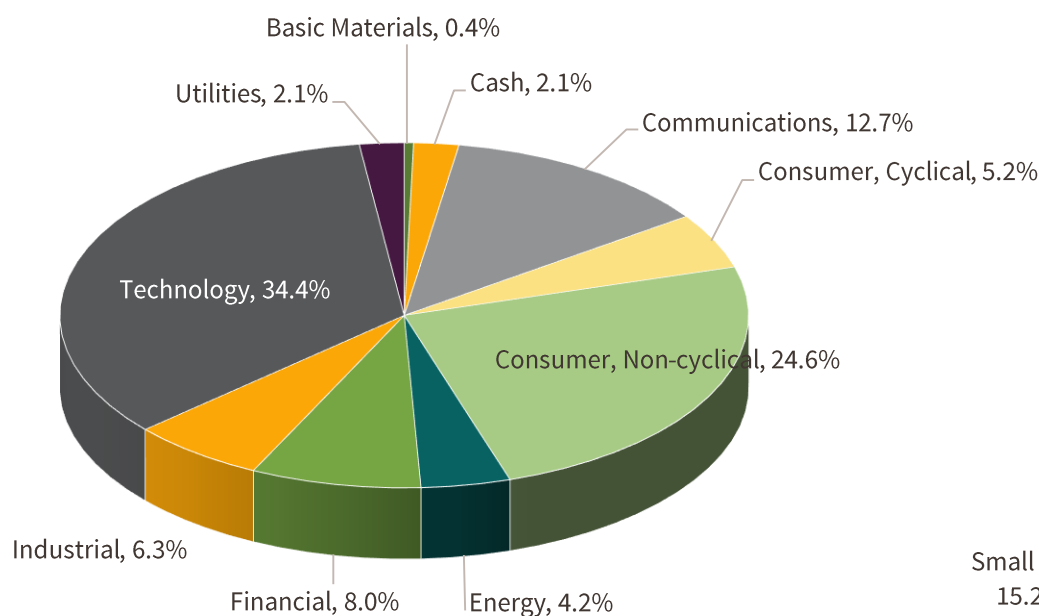
- Clinical-stage biotechnology firm focused on using messenger RNA to develop therapies and vaccines
- Moderna's revolutionary science has potential applications for many areas, including: oncology, infectious diseases (including COVID-19), and cardiovascular diseases
- Strong example of innovation gaining market share in times of crisis
- Senior Management team consists of 25% women, including the critical General Counsel and the Chief Corporate Affairs Officer

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

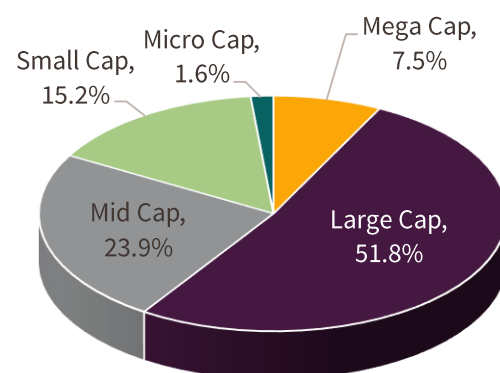
Portfolio Allocations

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.

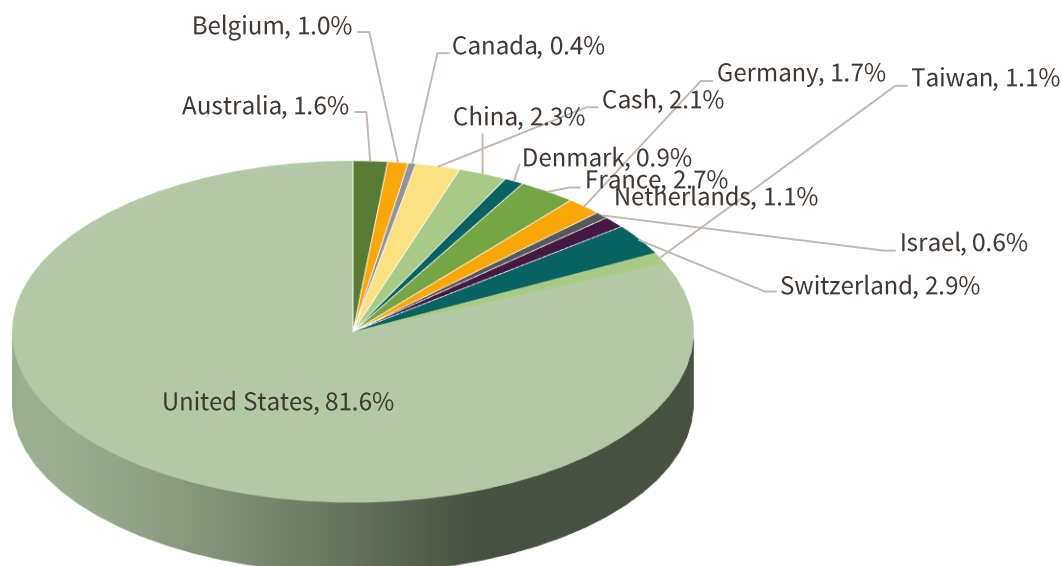
Economic Sectors^{††}



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



The first quarter of 2020 was unique. The market peaked on February 19th, so it is about right to say that Q1 was approximately half normal-market conditions (with the caveat that “normal” here is pretty relative), and half COVID-19-induced volatility, most of it downward. Generally, our strategies held up well relative to major indices (providing “downside protection” in the industry parlance).

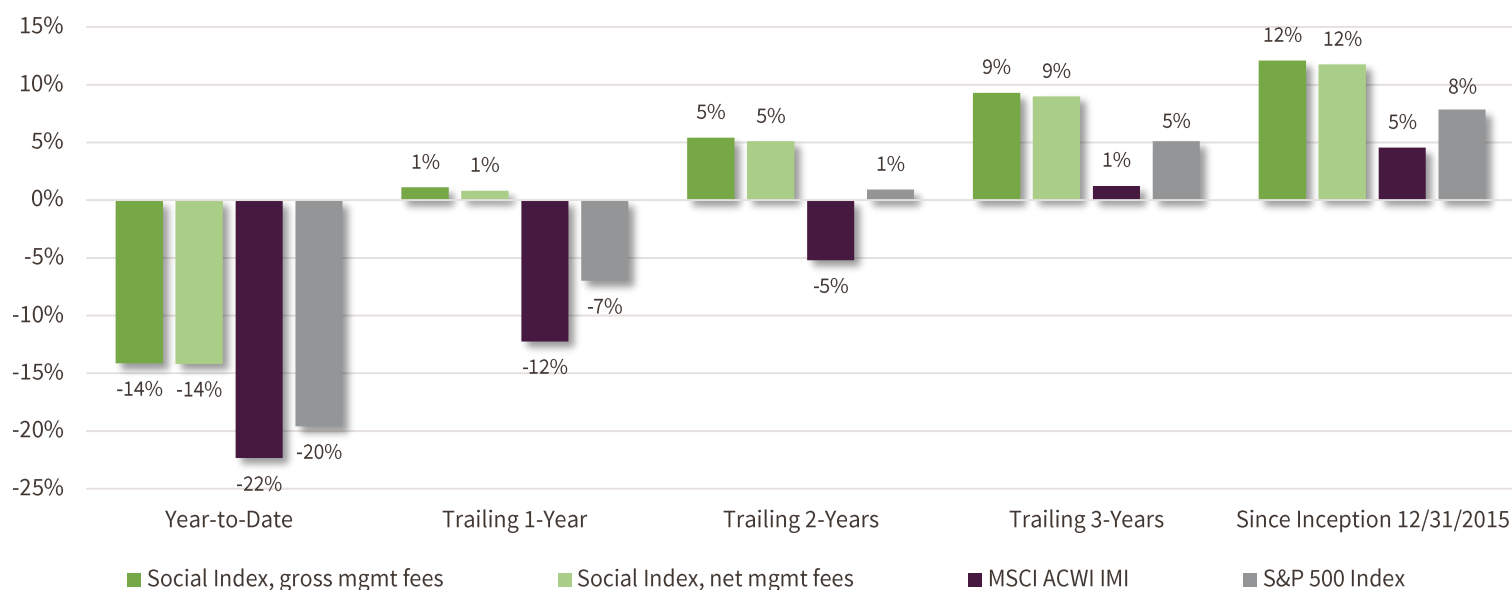
While naturally we're not excited that our portfolios are down year-to-date, operationally, we are comfortable functioning as asset managers in this environment, since our thesis has always been about operating at a time of exponential change. Rapid change has been upon us for a while now, but the current economic crisis brought about by the COVID-19 pandemic throws this into stark relief. It is more clear than ever that innovation is both key to finding solutions to system-level risks, pandemics included, and is the cornerstone of investing to preserve and grow wealth and purchasing power into the future.

Two of the reasons we provided downside protection recently are that:

1. Our portfolios had exposure to some of the biotechnology innovations addressing the pandemic, and
2. Our portfolios don't have—never have, and never will—exposure to fossil fuel extractors, refiners, pipelines, fossil-burning utilities, or any other company that derives material revenue directly from fossil fuel consumption. Why not? It's the cause of arguably our greatest system-level risk: the climate crisis. The current and future economies don't resemble the economy of the past, so we continue to believe that backwards-looking correlation with an old-economy benchmark doesn't make sense. Now, it is clear that our industry's obsession with low tracking error to a benchmark makes less sense than ever, because we can now really see firsthand how rapidly the global economy can change. The best way to future-proof Green Alpha's investment portfolios is to look ahead, and never back. Yes, it sure was a rough quarter, but this is when we have even greater opportunity to get in front of the future, at better company-specific valuations (aka: current stock prices relative to expected future revenue and earnings growth).

Social Index-specific details are provided on the following page.

Performance & Commentary *(continued)*



For the first quarter, Green Alpha's Next Economy Social Index was our most resilient, returning -14.18% net of management fees, compared to the MSCI All Country World Investible Market Index (ACWI IMI) was -22.34%, and the S&P 500 Index was -19.60%.

The strategy's top contributing sectors were Utilities, detracting 0.08%, Basic Materials at -0.23, and Consumer Non-cyclicals at -0.25%.

- In Utilities, a Western U.S. water utility was flat for the quarter, which is more-or-less expected. Modest losses came from an electric utilities service provider, which was down modestly in the general flight from equities, but even so, showed a little more immunity from the selloff than most equities.
- In the Basic Materials sector, losses from a provider of high-quality recycled steel detracted from portfolio-level performance.
- In Consumer Non-cyclicals, the picture was mixed. Several biotechnology stocks were up for the quarter, but a more broadly diversified health care company was down modestly. Our biotech companies that did best were the ones in front of efforts to mitigate the COVID-19 pandemic, as well as technology to remotely connect people with their health care providers. Similarly, some food companies related to wholesale production and distribution were up, while some consumer brands did less well.

The three worst performing sectors in the portfolio were Technology, which detracted 4.74% from total performance, Communications at -2.35%, and Industrials at -2.27%.

- In the Technology sector, the entire value chain of semiconductors performed poorly, and was responsible for 60% of the sector's negative contribution. Concerns over consumer electronics demand drove this decline, yet our opinion is that data center and infrastructure demand will keep these companies buoyant until consumer demand returns. Hardware and software were net detractors as well, but some of the web-enabled providers that enable distributed, remote working; cloud computing; design and analytics held up relatively well.
- In the Communications sector, wireless communications and data infrastructure – arguably the same technologies currently holding the economy together – were down for the quarter and represented the vast majority of losses from the sector. Digital security performed poorly in the quarter in spite of increased demand from an increasingly distributed workforce.
- In Industrials, the losses came from a high-efficiency display maker for consumer devices; a provider of precision power conversion; measurement, and control devices; and global providers of electrical infrastructure and smart meters.

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 26 emerging markets countries. With over 8,976 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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