

Next Economy Index

June 30, 2020

Green Alpha[®]

Contents

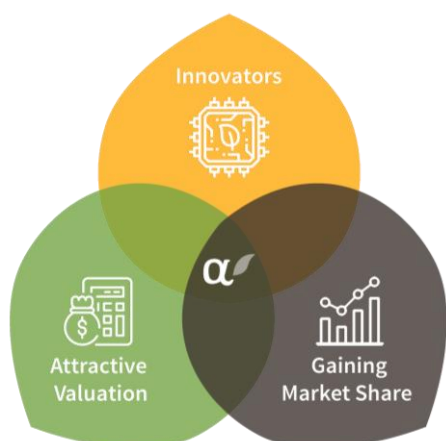
Portfolio Characteristics	2
Largest Positions	3
Sector, Geographic, and Market Cap Allocations	4
Performance and Commentary	5
Disclosures	7

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 Next Economy Index?

- Active research and stock selection
- Passively managed through an annual rebalance
- Demonstrates the diversity, growth, breadth, and depth of the already-emerging Next Economy
- ~119 global, market-leading companies developing solutions to core economic and environmental risks
- Fossil fuel free since inception

Inception Date: December 30, 2008

Style: All-Cap Global Growth Equities

Vehicle: Separately Managed Accounts

Portfolio Construction

The Next Economy Index utilizes both active stock selection and passive management to reflect and benchmark the Next Economy – the innovation-driven, highly efficient, solutions-oriented sustainable economy that is unfolding. All companies that pass both our top-down and bottom-up research processes with sufficiently high scores are included in the portfolio during the annual rebalancing process. 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

Like all Green Alpha portfolios, Next Economy Index investments seek to de-risk the global economy while reducing our clients’ long term portfolio risks.

The Next Economy Index

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

Characteristics

- **Largest Next Economy basket** – by definition, the Index is the most diversified Green Alpha portfolio by number of stocks; all stocks that pass Green Alpha's top-down and bottom-up investment processes enter the Index
- **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 Index	Benchmark: MSCI ACWI IMI (SPGM)	Green Alpha Next Economy Social Index	Green Alpha Next Economy Select	Green Alpha Growth & Income	Sierra Club Green Alpha
# of Securities	119	1,364	92	49	33	41
Sales Growth, Trailing 1-Yr	105.07%	10.85%	125.06%	474.14%	251.28%	352.25%
P/E, Current	28.00	18.46	29.86	20.41	19.16	22.89
P/E, 1-Year Forward [†]	23.25	17.92	25.60	18.76	17.17	22.12
Price/Sales	1.78	1.49	1.17	1.77	2.26	1.65
Price/Book	3.60	2.19	4.46	3.28	2.52	3.41
LT Debt/Equity	0.80	0.93	1.21	0.78	1.09	0.75
Current Ratio	3.03	1.84	3.05	3.54	2.60	3.47
Dividend Yield	2.30%	2.90%	2.53%	2.82%	4.05%	2.41%
Market Capitalization Weighted Avg (US\$B)	\$90.04	\$245.80	\$90.52	\$64.24	\$47.72	\$76.79
Market Capitalization, Median (US\$B)	\$8.34	Not Available	\$12.06	\$15.90	\$24.97	\$7.53
Turnover, Trailing 1-Yr	22%	-	29%	18%	28%	21%
Beta, Trailing 2-Yrs	1.05	1.01	1.02	1.19	1.07	1.13
Active Share	94%	-	93%	97%	98%	96%

[†] 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 Index is driving progress toward the Next Economy

Tesla (Consumer Cyclical, Auto Manufacturers)

- Tesla is a 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 Tesla Energy. Both divisions are gaining market share.
- Tesla's innovations, represented by their impressive patent portfolio and world-leading products, have given the company first-mover advantage in EVs, and a tech advantage in the stationary storage space. Tesla is capitalizing on these leads via continual reinvestment and expanding production capacity; their motto of nonstop innovation seems to be their actual practice as well.
- In addition to their main products, Tesla's means of production are very efficient and they can manufacture and sell EVs profitably today. In addition, collaborations with SpaceX gives Tesla unique access to advanced science and engineering.

Alphabet (Communications, Internet)

- Democratization and relevance-ranked organization of access to the worlds of information and data
- Innovation-driven venture capital structure (Google Ventures and Google X) with dozens of subsidiaries and Next Economy™ "moonshots" (e.g., "Project Loon – the balloon-powered internet for everyone," Deepmind AI, fiber bandwidth for everyone, Calico and Verily, both on the forefront of innovation in their respective health and medical fields, and much more)
- First to actualize a programmable superconducting processor to effect quantum computing. Google's quantum machine is said to have solved a calculation that would take the world's fastest supercomputer 10,000 years to solve. Innovation with unknowable, innumerable use cases
- All global operations run 100% on renewable energy

Moderna (Consumer Non-cyclical, 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. Robust pipeline means their future may be impressive COVID-19 notwithstanding
- 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

NVIDIA (Technology, Semiconductors)

- NVIDIA's GPUs and other processors are dominant in datacenters and AI, and the company's gaming business is experiencing long-term, secular growth. Their strong software ecosystem presents wide moat for competitors
- NVIDIA's acquisition of Mellanox, a provider of advanced networking products, adds a critical vertical to their offering is anticipated to provide double-digit revenue growth for several years.
- The Exec team is highly gender diverse for the tech industry at 40% women, and the Board of Directors includes two women

Teladoc Health (Consumer Non-cyclical, Health Care Services)

- Teladoc 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

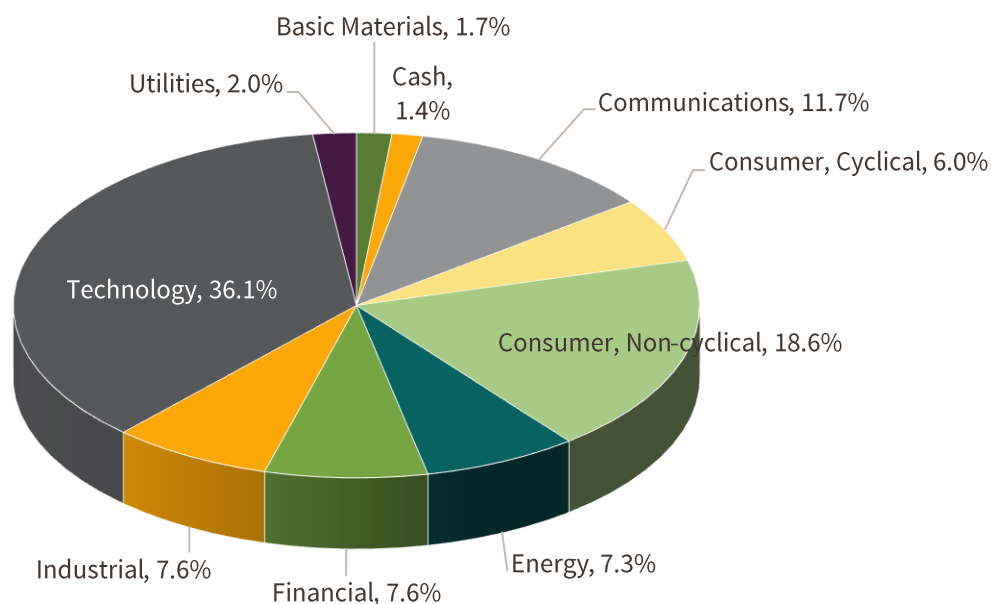
Company Name	Ticker	Weight
Tesla	TSLA	3.66%
Alphabet	GOOG	2.40%
Moderna	MRNA	2.40%
NVIDIA	NVDA	1.93%
Teladoc Health	TDOC	1.62%
Daqo New Energy	DQ	1.39%
Square	SQ	1.25%
Apple	AAPL	1.24%
Atlassian	TEAM	1.22%
Autodesk	ADSK	1.22%
% of Portfolio		18.33%

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

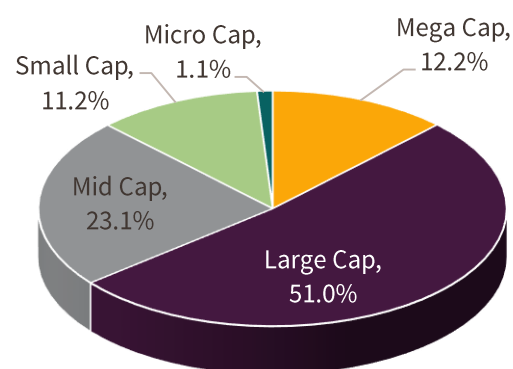
Portfolio Allocations

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

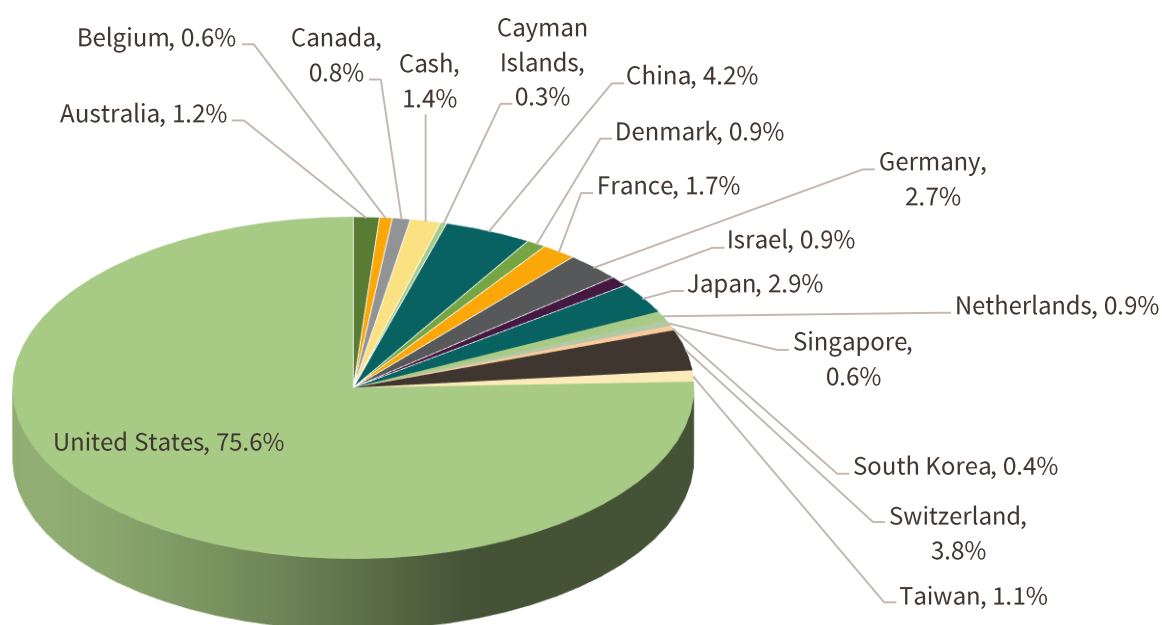
Economic Sectors^{††}



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 half of 2020 was a unique time in the markets and in the global economy. While the economy as a whole is struggling to adapt and transition to new realities, those companies that were already pursuing solutions to systemic risks – including, but not limited to, pandemics – are growing and gaining market share.

Green Alpha's investment thesis and portfolio construction processes are based on our model of a global economy that can thrive indefinitely, without succumbing to the various system-level risks confronting the world. So far this year, our unique thesis has resulted in our portfolios – across the board – providing both significant downside protection and upside capture.

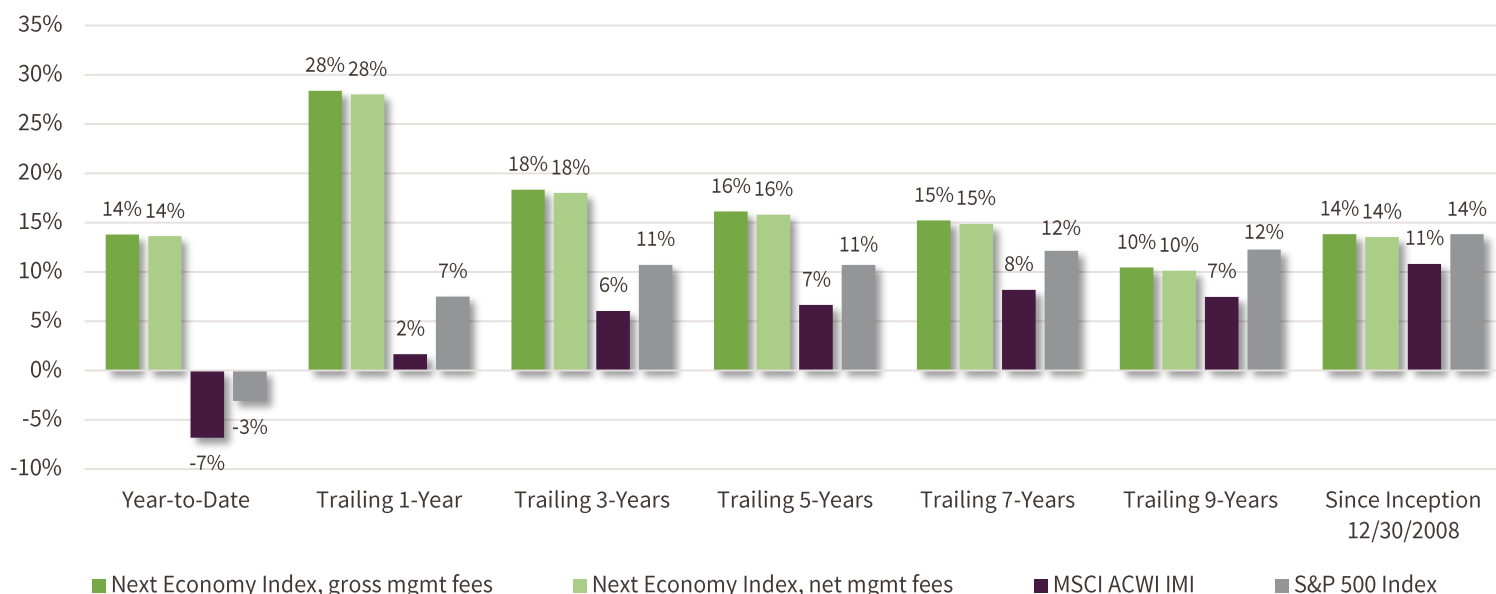
Our thesis predicates that **the Next Economy™ will necessarily rest on four pillars**, and our stock selection approach mandates that every holding is a leader in advancing one or more pillar(s).

Next Economics™ Pillars of Sustainability

- **Massive economic productivity gains.** We recognize that to provide the global population with a good standard of living, without crossing planetary boundaries, or overtopping Earth's carrying capacity, it is necessary for productive capacity to be far greater than it is today. In economic terms, that means the economy must generate more outputs per unit of input, be those inputs primary geological resources, money, or person hours. Increasing productivity gains can be found in areas such as: digitalization, automation, and communications networks.
- **Renewable energies.** The means of productivity gains cited in the first pillar must be entirely powered by true renewable energies. To achieve sustainability, it is necessary that these energies operate with low-to-zero input requirements. This means energies like wind and solar qualify, but biomass, biofuels, and natural gas do not. Green Alpha seeks investments like wind and solar-based utilities, and advanced wind turbine manufacturing.
- **Waste-to-value supply chains.** We need to appreciate the nearness and sensitivity of planetary boundaries, and therefore understand that extraction of primary geological resources must be reduced to some irreducible minimum, and eventually halted altogether. We seek companies delivering 100% recycled steel for industrial purposes, recycled textiles, and post-consumer derived, high-quality building materials.
- **Equitable distribution of wealth.** Economic and environmental sustainability will prove impossible under a system of great inequality, because a high degree of social cohesion is required to achieve realization of sustainability. Investments that seek to mitigate inequality include those that democratize access to banking and financial services, those with equitable healthcare solutions and pricing, and those providing broad-based access to accurate, reliable information.



Performance & Commentary *(continued)*



As far as we can observe, employing this Next Economy™ framework makes us nearly unique among public equity managers, including impact-oriented managers and ESG practitioners. We hope this will change, and more managers will devise and implement similar methodologies, because where investment flows is where the economy happens; therefore where change happens. As long as investment managers prioritize things like index correlation above the necessary endgame of an indefinitely sustainable global economy, we will all continue, to some degree, to live in the business-as-usual economy, with all the destructiveness that entails. It is better, by far, to grow client assets via investing in our most innovative ways out of the climate crisis as they gain market share.

For the first half of 2020, the Next Economy Index was up 13.62%, net of management fees, while its benchmark, the MSCI All Country World Investible Market Index (MSCI ACWI IMI), returned -6.80% for the period.

The top contributing sectors to the Next Economy index returns were Consumer Non-cyclicals and Technology.

- Within Consumer Non-cyclicals, biotechnology stocks led gains, particularly the companies associated with responding to the COVID-19 pandemic. Selections within the Healthcare Services, and Natural and Organic Food industries also supported gains in the sector. Most, if not all of these businesses, were/are key in responding to the ongoing health crisis.
- Gains in the Technology sector were led by advanced semiconductor makers, primarily those enabling AI and data centers, and also by software enabling both remote collaboration and research and innovative design.

The sole negatively contributing sector was Industrials, while Communications, the second lowest contributing sector, provided a modest positive contribution.

- In Industrials, losses came mostly from an advanced display maker, as fears that consumer sales of items like televisions and phones would decline amidst an economic slowdown, although we do note that the world's greenest smartphone maker helped contribute to gains within the Technology sector. Electrical and water infrastructure providers also returned negative contributions.
- As the second-lowest contributor to the portfolio, the Communications sector contributed modestly to returns as gains in search and digital security were offset by losses in wireless and mobile networking.

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.

Important Disclosures

- Performance quoted throughout this document represent past performance. Past performance does not guarantee future results, and current performance may be lower or higher than the data quoted. Investment returns and principal will fluctuate with market and economic conditions and investors may have a gain or loss when shares are sold.
- Next Economy Index performance results reflect actual performance for a representative account, net of actual management fees and transaction costs. Assets managed in the Next Economy Index strategy representative account receive a reduced fee from the standard fee schedule. Next Economy Index performance results do not reflect the reinvestment of dividends and interest. Extreme periods of underperformance or outperformance are due to the concentrated nature of the strategy and the impact of specific security selection. Such results may not be repeatable.
- All performance and characteristics data are sourced from Bloomberg Finance L.P. Green Alpha portfolios may invest in companies with small and medium market capitalizations, which may have more limited product lines, markets and financial resources than larger companies. In addition, their securities may trade less frequently and in more limited volume than those of larger companies. Small or mid-cap stocks may be more volatile than those of larger companies and, where trading volume is thin, the ability to dispose of such securities may be more limited. Green Alpha portfolios may also invest in foreign domiciled companies. Investing in foreign securities may involve additional risks, including exchange-rate fluctuations, limited liquidity, high levels of volatility, social and political instability and reduced regulation. Emerging markets are often more volatile than developed markets, and investing in emerging markets involves greater risks. International investing may not be suitable for everyone. An investment in Green Alpha portfolios should be considered a long-term investment.
- The holdings identified throughout this document do not represent all of the securities purchased, sold or recommended for advisory clients. You may request a list of all recommendations made by Green Alpha in the past year by emailing a request to info@greenalphaadvisors.com. It should not be assumed that the recommendations made in the past or future were or will be profitable, or will equal the performance of the securities cited as examples in this document.
- The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity and industry group representation. It is a market-value weighted index. The S&P 500 Index figures do not reflect any fees expenses or taxes. Investors cannot invest directly in this index.
- 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 8,786 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.
- This presentation is for informational purposes only and should not be construed as legal, tax, investment or other advice. This presentation does not constitute an offer to sell or the solicitation of any offer to buy any security. Any mention of an individual security is for illustrative purposes only and should not be considered a recommendation to buy or sell any security. The presentation does not purport to contain all of the information that may be required to evaluate Green Alpha Advisors and its investment strategies.
- Green Alpha Advisors, LLC is a registered investment advisor. Registration as an investment advisor does not imply any certain level of skill or training.
- Green Alpha is a registered trademark of Green Alpha Advisors, LLC. Green Alpha Advisors also owns the trademarks to “Next Economy,” “Next Economics,” “Next Economy Portfolio Theory,” “Investing in the Next Economy,” and “Investing for the Next Economy.”
- For additional legal information and Form ADV Part 2, please see <http://greenalphaadvisors.com/about-us/legal-disclaimers/>.