Next Economy Social Index

June 30, 2020

Green Alpha

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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	1,364	119	49	33	41
Sales Growth, Trailing 1-Yr	125.06%	10.85%	105.07%	474.14%	251.28%	352.25%
P/E, Current	29.86	18.46	28.00	20.41	19.16	22.89
P/E, 1-Year Forward†	25.60	17.92	23.25	18.76	17.17	22.12
Price/Sales	1.17	1.49	1.78	1.77	2.26	1.65
Price/Book	4.46	2.19	3.60	3.28	2.52	3.41
LT Debt/Equity	1.21	0.93	0.80	0.78	1.09	0.75
Current Ratio	3.05	1.84	3.03	3.54	2.60	3.47
Dividend Yield	2.53%	2.90%	2.30%	2.82%	4.05%	2.41%
Market Capitalization Weighted Avg (US$B)	$90.52	$245.80	$90.04	$64.24	$47.72	$76.79
Market Capitalization, Median (US$B)	$12.06	Not Available	$8.34	$15.90	$24.97	$7.53
Turnover, Trailing 1-Yr	29%	-	22%	18%	28%	21%
Beta, Trailing 2-Yrs	1.02	1.01	1.05	1.19	1.07	1.13
Active Share	93%	-	94%	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 Social Index is driving progress toward the Next Economy

Company Name	Ticker	Weight
Moderna	MRNA	3.14%
Tesla	TSLA	3.09%
Teladoc Health	TDOC	2.66%
Square	SQ	2.19%
NVIDIA	NVDA	2.12%
United Natural Foods	UNFI	1.94%
Invitae	NVTA	1.86%
Vertex Pharmaceuticals	VRTX	1.85%
Autodesk	ADSK	1.84%
Splunk	SPLK	1.78%
% of Portfolio		22.47%

Moderna (Consumer Non-cyclical, Biotechnology)

- Clinical-stage biotechnology 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

Tesla (Consumer Cyclical, Auto Manufacturers)

- 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 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.
- The Board of Directors includes two women (20%), including the full-time employed Board Chair, Chair of the Disclosure Controls Committee, and Chair of the Audit Committee

Teladoc Health (Consumer Non-cyclical, 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

Square (Consumer Non-cyclical, Commercial Services)

- In addition to Square's core product allowing small business to accept credit cards, disintermediating traditional and expensive POS systems, the company is rapidly growing its Cash App product
- Cash App began as a competitor to Venmo, allowing users to send money to friends, businesses, etc. seamlessly and easily. Since then, Cash App's additional features have led it to become a primary money management resource for many people, including populations underserved by traditional banks
- Square participated in the SBA's Paycheck Protection Program, processing more than $820 in the forgivable loans in six weeks. Their average loan size was approximately $11,000, again serving businesses often ignored by traditional banks. In fact, most recipients did not have a previous relationship with Square.
- SQ boasts an Exec Team of four c-suite women (40%), and the three women on the Board of Directors also chair key committees

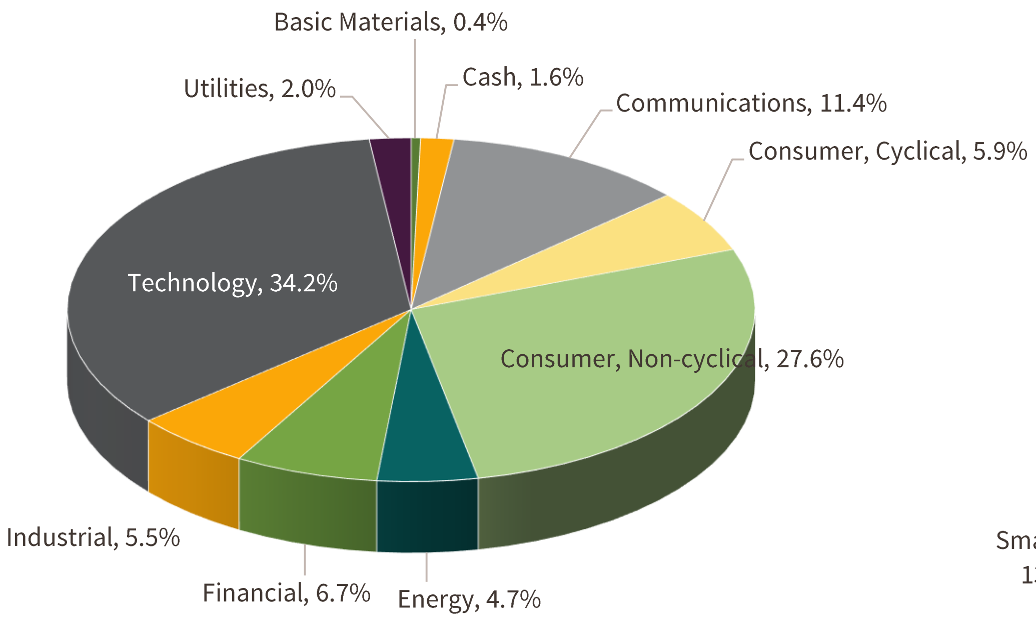
NVIDIA (Technology, Semiconductors)

- 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 Exec Team is highly gender diverse for the technology industry at 40% women, and their Board of Directors also includes two powerhouse ladies.

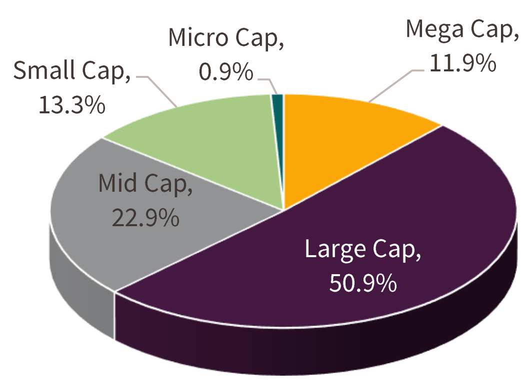
Portfolio Allocations

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.

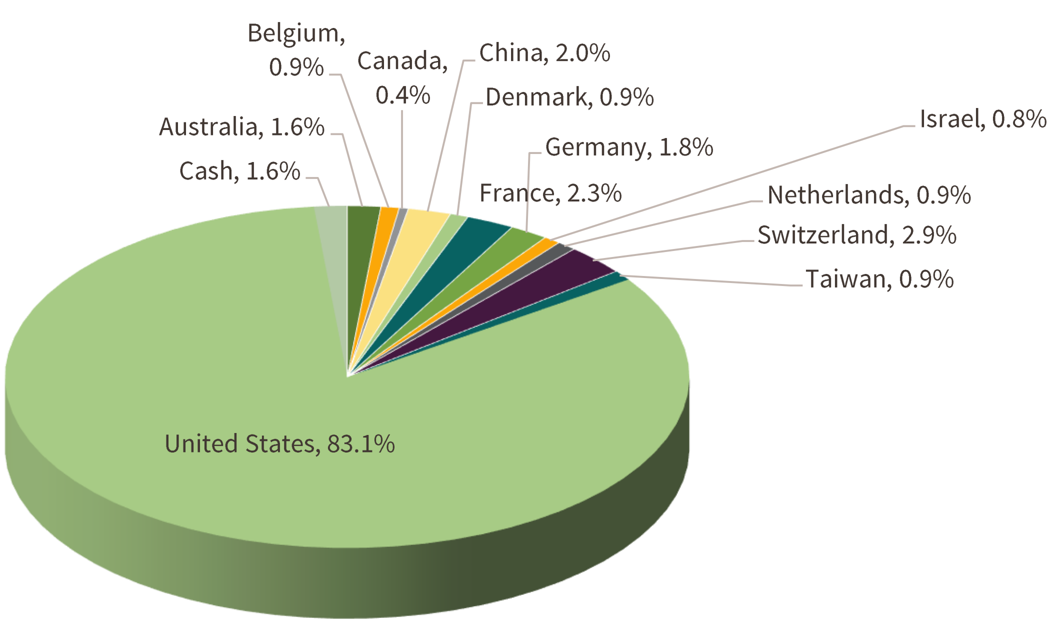
Economic Sectors ††



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 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.

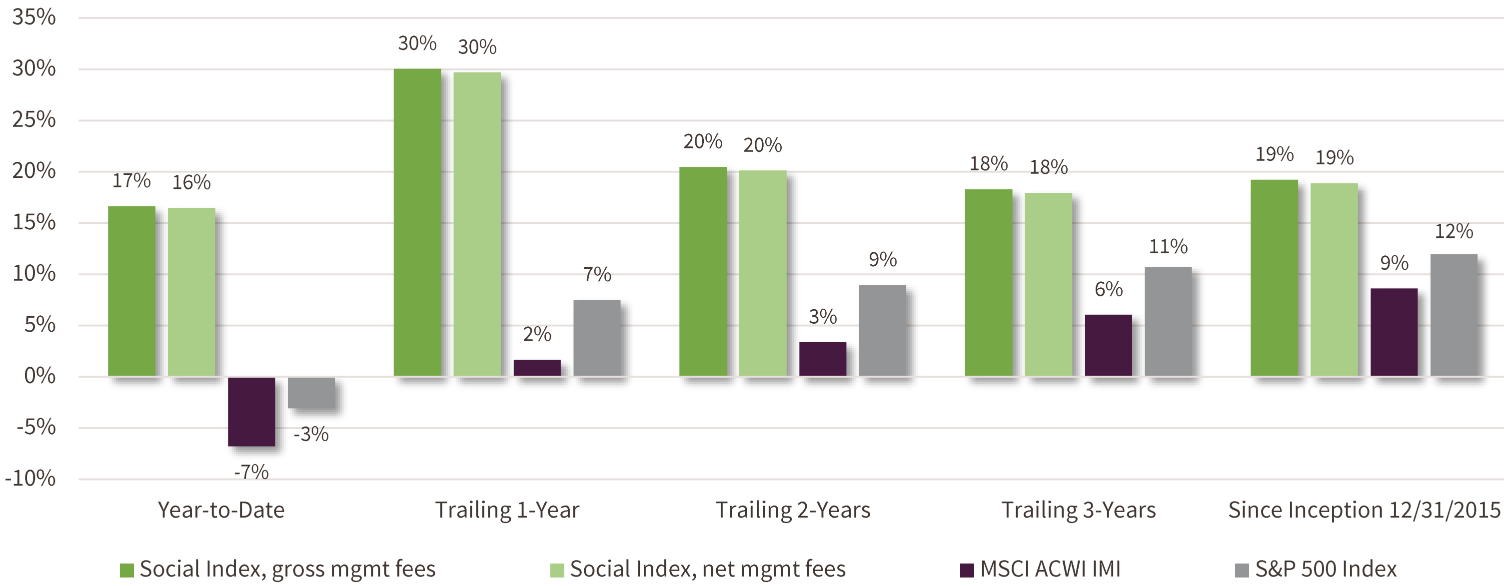
Green Alpha's investment thesis and portfolio construction processes are based on our model of a global economy that can thrive indefinitely, without succumbing to the various system-level risks confronting the world. So far this year, our unique thesis has resulted in our portfolios – across the board – 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 Social Index was up 16.48%, 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 Social Index's positive returns were Consumer Non-cyclicals and Technology

- Within Consumer Non-cyclicals, biotechnology stocks led gains, particularly companies associated with responding to the COVID-19 pandemic. The Healthcare Services and Natural and Organic Foods industries also supported gains in the sector. A disruptive financial services provider that is helping to enfranchise individuals underserved by traditional banks also contributed significantly. 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 software enabling both remote collaboration/social distancing, and research and innovative design. In addition, advanced semiconductor makers, particularly those enabling AI, wireless networks, and data centers, contributed to the outperformance as well.

Two sectors that detracted from portfolio returns for the period were Industrials and Basic Materials.

- In the Industrials sector, losses came mostly from an owner of advanced display manufacturing IP, as fears that consumer sales of items like televisions and phones would decline amidst an economic slowdown, although we note that the world's greenest smartphone maker contributed to gains in the Technology sector. Electrical and water infrastructure providers also returned negative contributions.
- Slightly negative returns from the Basic Materials sector were entirely from a recycled steel manufacturer, as global trade slowed and a domestic U.S. infrastructure bill seemed less likely.

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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