

Growth & Income

September 30, 2020

Green Alpha[®]

Contents

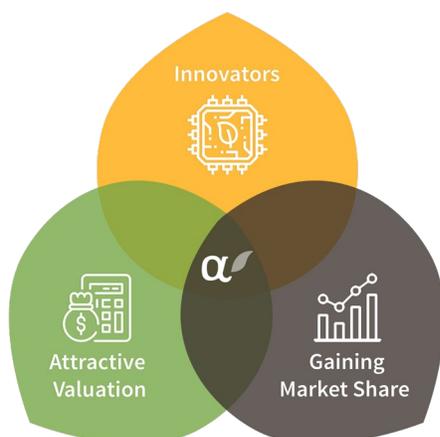
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Investment Philosophy

We believe companies that create or enable innovative solutions to climate change, resource degradation and scarcity, and worsening inequality are the greatest growth drivers of the twenty-first century. The idea is to invest in the best, growing industries and companies 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, economically competitive solutions.

We expect these companies to 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 Growth & Income?

- Active research, stock selection, and portfolio management
- Low volatility portfolio producing above-market income, while seeking long-term capital preservation and growth
- 25-35 global, market-leading companies developing solutions to core economic and environmental risks
- Fossil fuel free since inception

Inception Date: October 8, 2012

Style: All-Cap Global Growth Equities

Vehicle: Separately Managed Accounts

Portfolio Construction

The Growth & Income portfolio is designed to harness the powerful combination of growth and current income within one portfolio. 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

Growth & Income portfolio holdings are then selected for current or potential dividend yield coupled with strong revenue growth, bought at a reasonable price. The strategy typically exhibits lower short-term volatility than other Green Alpha portfolios, and the broad equity markets.

Our investments seek to de-risk the global economy, thus reducing our clients’ long-term investment risks.

Growth & Income

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

Characteristics

- **High Income** – a compelling combination of strong growth and dividend income that is higher than the broad equity market
- **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 Growth & Income	Benchmark: MSCI ACWI IMI (SPGM)	Green Alpha Next Economy Index	Green Alpha Next Economy Social Index	Green Alpha Next Economy Select	Sierra Club Green Alpha
# of Securities	35	1,521	120	93	52	42
Sales Growth, Trailing 1-Yr	455.79%	7.35%	155.48%	185.65%	682.84%	524.92%
P/E, Current	20.71	21.91	26.36	30.99	22.00	31.67
P/E, 1-Year Forward [†]	17.21	17.89	24.72	27.35	21.60	25.03
Price/Sales	1.97	1.70	2.11	1.36	2.39	2.12
Price/Book	2.15	2.40	4.27	5.08	4.86	4.97
LT Debt/Equity	0.94	0.97	0.84	1.22	0.75	0.71
Current Ratio	2.48	1.97	3.07	3.25	3.46	3.32
Dividend Yield	4.06%	2.63%	2.09%	2.30%	2.05%	1.88%
Market Capitalization, Weighted Avg (US\$B)	\$53.39	\$289.73	\$121.83	\$125.35	\$95.16	\$107.03
Market Capitalization, Median (US\$B)	\$23.53	Not Available	\$10.39	\$12.64	\$14.40	\$11.18
Turnover, Trailing 1-Yr	50%	-	20%	26%	19%	18%
Beta, Trailing 2-Yrs	1.09	1.00	1.09	1.08	1.22	1.18
Active Share	97%	-	93%	92%	95%	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 Growth & Income portfolio is driving progress toward the Next Economy

Horizon Technology Finance (Sector: Financial)

- Provides structured debt to innovative, mainly pre-IPO, companies, primarily in life sciences, healthcare information services, and cleantech. Horizon has deployed more than \$2 billion in venture loans to more than 235 growing businesses in the underserved venture loan space. The loan portfolio is conservatively managed with transactions usually well below their maximum of \$25 million, terms of 48 months or less, and backed by security of offering debt on a “first lien or first lien behind a bank revolver” basis.
- Horizon offers investors opportunity to invest in a venture loan fund that essentially constitutes a basket of private, Next Economy™ companies via a single stock.

Company Name	Ticker	Weight
Horizon Technology Finance	HRZN	6.66%
IBM Corp	IBM	5.44%
Brookfield Renewable	BEPC	5.37%
Vestas Wind Systems	VWDRY	5.26%
Hannon Armstrong Sustainable Infrastructure	HASI	4.65%
% of Portfolio		27.38%

IBM Corp (Sector: Technology)

- IBM has re-emerged as a Next Economy™ innovation powerhouse. Their primary initiatives to drive present and future revenues include blockchain code and technology, cloud computing, AI and machine learning, and quantum computing.
- Purchase of Red Hat has made IBM a leader in platform as a service, infrastructure as a service, and software as a service.
- IBM is a 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.
- In response to the coronavirus pandemic, IBM has made their AI tools and supercomputing capacity available to COVID-19 researchers, and is providing other key support in many other areas including enabling 3D printing of mask and ventilator parts.
- The Exec Team consists of five women (23% of total), including top roles such as Chief Human Resources Officer and Chief Marketing Officer. The Board of Directors includes three women, including the Executive Chairman.

Brookfield Renewable Corp. (Sector: Utilities)

- Brookfield Renewable is one of the world’s leading zero-carbon energy utilities. Brookfield’s 2020 acquisition of Terraform Power, as well as other M&A activity, has given it a present total of 19.3 GW of renewable electricity generation capacity globally.
- Financially, Brookfield Renewable is very stable. It is very conservatively managed, looks for acquisitions at very favorable prices, and has revenues largely backed by long-term power purchase agreements with high-quality clients
- Leadership includes five women, and the Board of Directors is 29% women, including Chair of the Audit Committee.

Vestas Wind Systems (Sector: Energy)

- The world’s most advanced wind turbine manufacturer, and the clear leader in both onshore and grid-connected installations. Also a leading turbine service contract provider, which provides higher-margin recurring revenue, in addition to sales revenues.
- For Q3 2020, Vestas announced another strong quarter of turbine order intake as well as continued growth in their wind farm service business, despite the ongoing coronavirus pandemic. These orders have pushed Vestas’ delivery dates well into 2022, giving transparency into revenue growth for the foreseeable future.
- They’re targeting carbon neutral operations by 2030 (without using carbon offset credits!), and zero-waste production by 2040.
- The Senior Management team consists of 29% women, including the CFO and Senior Director and Head of Sustainability at Vestas, and there are four women (33%) on the Board of Directors.

Hannon Armstrong Sustainable Infrastructure (Sector: Financials)

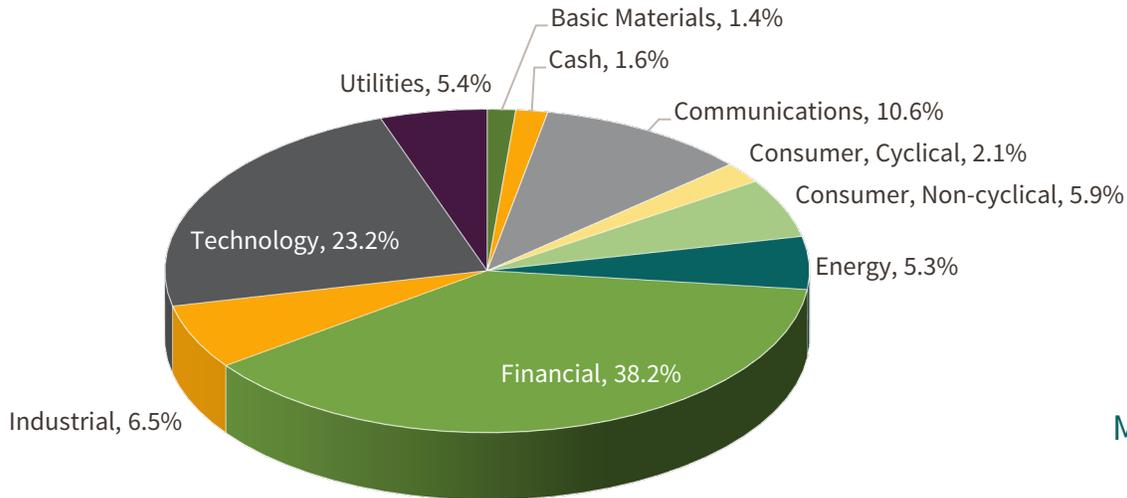
- They hold assets in multiple categories, all related to renewable energy and efficiency. The firm exists to be “solely dedicated to investments in climate change solutions.” Portfolio spans wind, solar, sustainable infrastructure (water delivery system, storm water remediation, seismic retrofits), and efficiency projects.
- Hannon Armstrong functions like a diversified financial/bank, funding renewable energy and efficiency projects, with more than \$6 billion in managed assets as of June 30, 2020. Their 205 projects investments and loans are typically senior to those of the project sponsor, so are high quality and unlikely to default. Their average investment size is \$10 million.

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

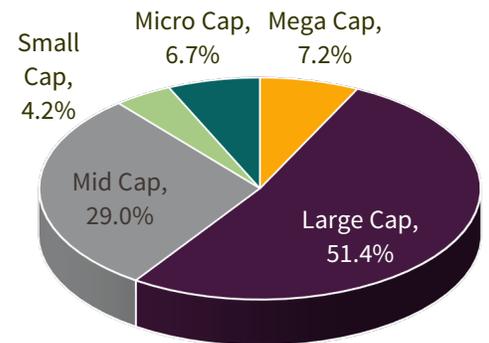
Portfolio Allocations

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

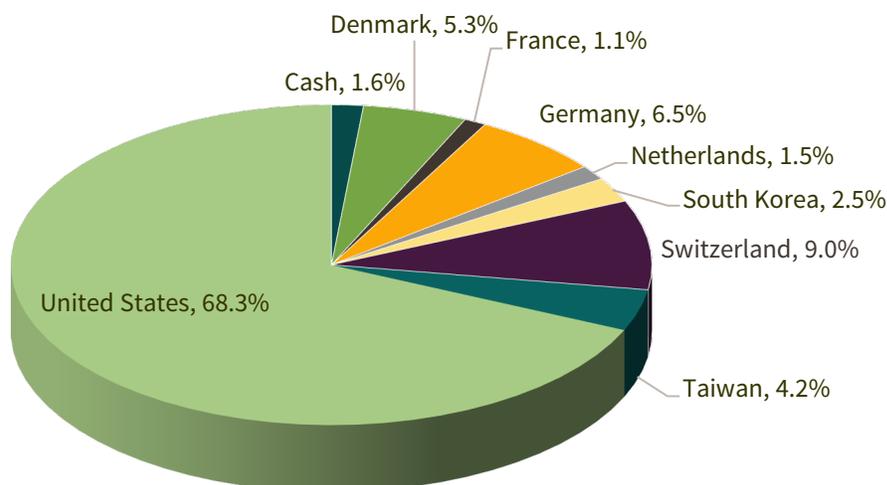
Economic Sectors ††



Market Capitalizations

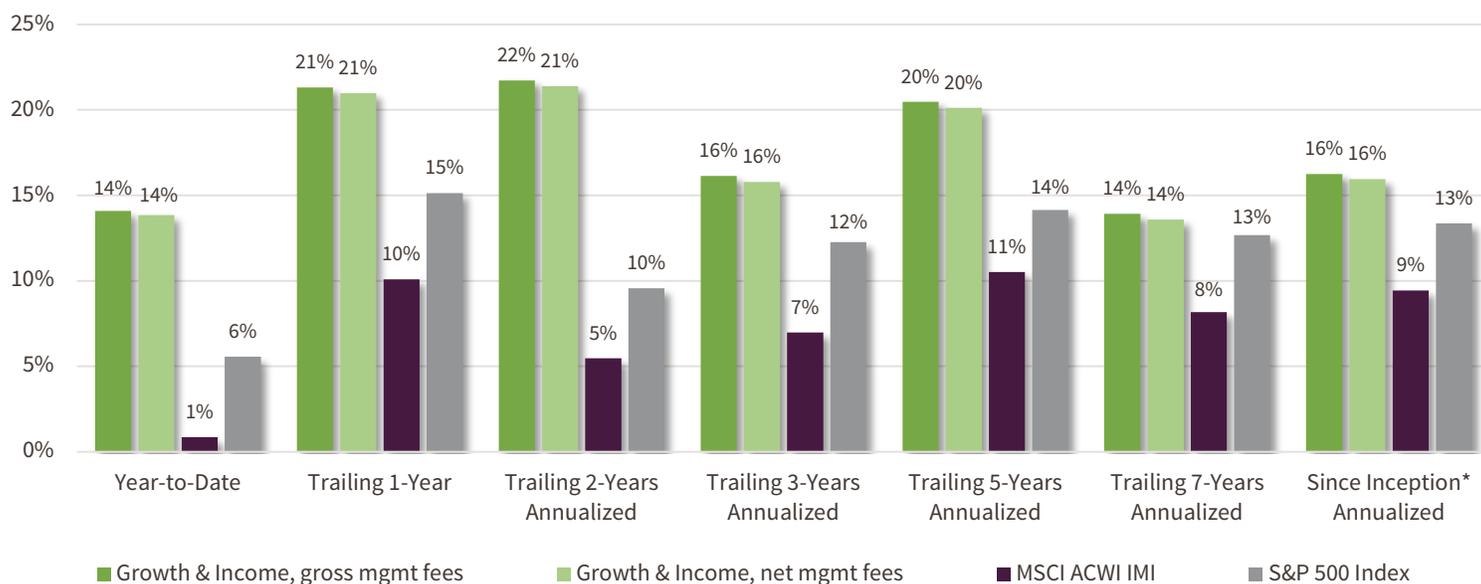


Companies' Main Headquarters



†† Bloomberg Industry Classification Standard. Please see the final page of this document for important disclosures about portfolio, benchmark and characteristic information.

Performance & Commentary



The pandemic era has revealed many things, not the least of which are the roles of innovation in addressing the largest threats to humanity, the environment, and to the global economy. In response, markets have begun rewarding companies at the intersection of innovation, large-scale problem solving, and economic competitiveness. This has involved a transition to active stock picking and away from indexing, which, in Green Alpha's opinion, is long overdue.

Put another way, if the majority of investment assets does not flow primarily to companies solving the climate crisis and other key systems risks, like health and inequality, we'll be in trouble and investing may seem like the least of our concerns.

Year-to-date, Green Alpha's Growth & Income portfolio has returned 13.85%, net of management fees, vs its benchmark the MSCI All Country World Investable Market Index (MSCI ACWI IMI) at 0.86%.

The top two contributing sectors to the portfolio's returns were Technology and Energy, contributing 4.98% and 4.79% respectively.

- In the Technology sector, gains were led by Semiconductors, with the leading mobile 5G chipmaker and the world's most innovative semiconductor fab contributing the most. Also contributing were a leading data-center chipmaker and an upstream manufacturing equipment provider. Within the sector, those gains helped offset losses from a memory storage maker and a large tech conglomerate, which leads in IP ownership for many Next Economy™ applications, such as artificial intelligence and quantum computing.
- Within the Energy sector, gains were driven by a leading renewable energy utility, and by the world's leading wind turbine manufacturer and service provider. Here, we have seen renewable energy demand and installations continue to grow despite the pandemic.

The lowest performing sectors in the portfolio were Consumer Cyclical and Communications, contributing -1.85% and -1.02% respectively.

- Within the Consumer Cyclical sector, losses were primarily from negative returns in sustainable office furnishings, as the ongoing pandemic motivated corporate buyers to postpone office improvements.
- In Communications, a basket of mobile bandwidth providers has been a slight drag on returns so far this year.

**Portfolio Inception: October 8, 2012. 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 8,766 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set. Investors cannot invest directly in this index.
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