

Sierra Club Green Alpha

September 30, 2020



Green Alpha[®]

Contents

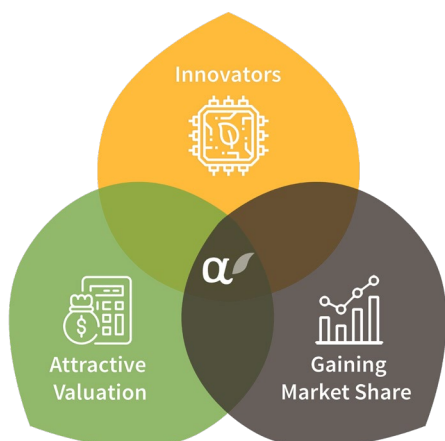
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Investment Philosophy

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 Sierra Club Green Alpha?

- Active research, stock selection, and portfolio management
- Blend of Green Alpha’s forward-looking Next Economy research processes, and the Sierra Club’s[®] proprietary social and environmental criteria applied to each company’s operating history
- 30-50 global, market-leading companies developing solutions to core economic and environmental risks
- Fossil fuel free since inception

Inception Date: December 27, 2010

Style: All-Cap Global Growth Equities

Vehicle: Separately Managed Accounts

Portfolio Construction

Green Alpha is proud to be the only financial services firm licensed to utilize the Sierra Club’s rigorous investment guidelines. These provide a criterion that is applied to our Next Economy investing philosophy and research, creating what very well may be the most progressive, sustainability-focused portfolio available. 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

Every portfolio holding is a forward-looking solutions provider contributing to the transition to a sustainable economy, with a Sierra Club-compliant operating history.

Sierra Club Green Alpha

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

Characteristics

- **Sierra Club[®] criteria** – the only portfolio available in the market that utilizes the Sierra Club’s proprietary, rigorous social and environmental screening criteria
- **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	Sierra Club Green Alpha	Benchmark: MSCI ACWI IMI (SPGM)	Green Alpha Next Economy Index	Green Alpha Next Economy Social Index	Green Alpha Next Economy Select	Green Alpha Growth & Income
# of Securities	42	1,521	120	93	52	35
Sales Growth, Trailing 1-Yr	524.92%	7.35%	155.48%	185.65%	682.84%	455.79%
P/E, Current	31.67	21.91	26.36	30.99	22.00	20.71
P/E, 1-Year Forward [†]	25.03	17.89	24.72	27.35	21.60	17.21
Price/Sales	2.12	1.70	2.11	1.36	2.39	1.97
Price/Book	4.97	2.40	4.27	5.08	4.86	2.15
LT Debt/Equity	0.71	0.97	0.84	1.22	0.75	0.94
Current Ratio	3.32	1.97	3.07	3.25	3.46	2.48
Dividend Yield	1.88%	2.63%	2.09%	2.30%	2.05%	4.06%
Market Capitalization Weighted Avg (US\$B)	\$107.03	\$289.73	\$121.83	\$125.35	\$95.16	\$53.39
Market Capitalization, Median (US\$B)	\$11.18	Not Available	\$10.39	\$12.64	\$14.40	\$23.53
Turnover, Trailing 1-Yr	18%	-	20%	26%	19%	50%
Beta, Trailing 2-Yrs	1.18	1.00	1.09	1.08	1.22	1.09
Active Share	96%	-	93%	92%	95%	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 Sierra Club Green Alpha portfolio is driving progress toward the Next Economy

Tesla (Sector: Consumer Cyclical)

- Tesla is a leader in design and manufacture of electric vehicles and stationary battery packs for homes, commercial properties, and utility-scale power. All divisions within the company are technology and innovation-leaders gaining market share.
- Tesla's innovations, represented by an impressive patent portfolio and world-leading products, have given them first-mover advantage in EVs, and a tech advantage in stationary storage. Tesla is capitalizing via continual reinvestment and expanding production capacity; their motto of nonstop innovation seems to be their actual practice. Collaborations with SpaceX gives them unique access to advanced science and engineering.
- Their production is highly efficient. They manufacture and sell EVs profitably, and in pandemic-restricted Q1 2020 Tesla reported 20% automotive gross margin, excluding regulatory credits.

SolarEdge Technologies (Sector: Energy)

- Makes and distributes advanced solar inverters, smart optimizers, and energy monitoring products installed in 130 countries across five continents.
- Gives investors direct exposure to fast-growing solar PV industry without selecting any one panel maker. Solaredge's panel optimizers are applicable anywhere solar energy is generated, from residential rooftops to large utility-scale solar farms, and they also enable integration of battery storage to any system. Solaredge enjoys a position in what is effectively a tri-opoly serving the rapidly-growing global smart inverter market, and their large IP portfolio gives them a defensible moat.
- SEDG features two women in Exec roles, the General Counsel/Corporate Secretary, and GM of the Commercial Business Unit.

Vestas Wind Systems (Sector: Energy)

- The world's most advanced wind turbine manufacturer, and the clear leader in both onshore and grid-connected installations. Vestas is also a leading turbine service contract provider, a role that provides meaningful higher-margin recurring revenue, in addition to manufacturing and sales revenue.
- 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.

JinkoSolar Holding Co (Sector: Energy)

- JinkoSolar is the world's largest solar panel manufacturer, and is highly vertically integrated, making ingots, cells, panels, and modules. JinkoSolar shipped 14.2 GW of modules in 2019 the closest competitor shipped 10.3 GW. Moreover, Jinko has announced its intention to nearly double its assembly capacity to as much as 30 GW by the end of 2020. They distribute and earn revenues globally (70+ countries are active markets), thus mitigating political and trade-dispute-related growth obstacles.
- JinkoSolar is also a technology leader, providing panels that are globally competitive on a cost-per-watt basis.
- JinkoSolar is the top-ranked firm worldwide on the Silicon Valley Toxics Coalition's Solar Scorecard, receiving 100 out of 100 available points for sustainability of their operations.

Moderna (Sector: Consumer Non-cyclical)

- 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 early-and-advanced stage pipeline means their future growth may be impressive with or without major revenue contributions from a COVID-19 vaccine.
- Both the Exec Team and Board of Directors consist of 25% women, including General Counsel and Chief HR Officers.

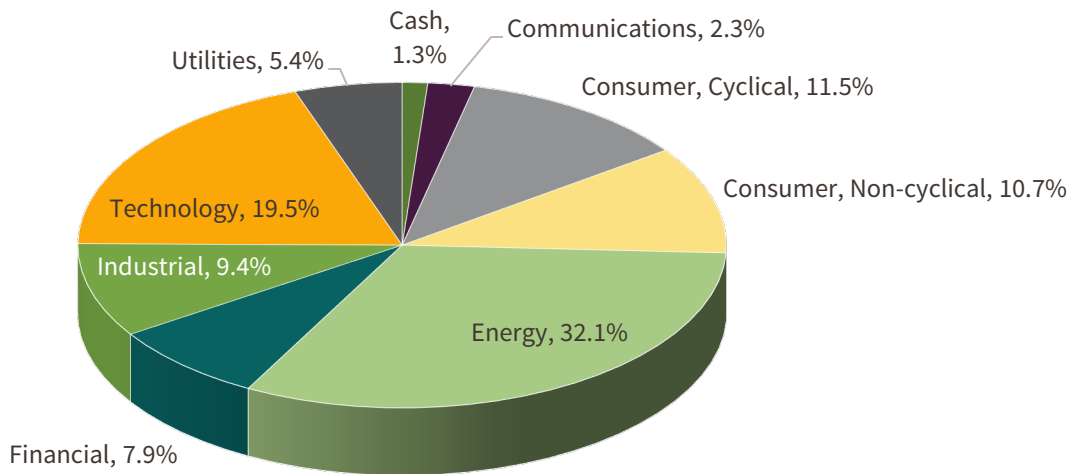
Company Name	Ticker	Weight
Tesla	TSLA	8.66%
SolarEdge Technologies	SEDG	6.26%
Vestas Wind Systems	VWDRY	5.76%
JinkoSolar Holding Co	JKS	5.14%
Moderna	MRNA	4.86%
% of Portfolio		30.68%

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

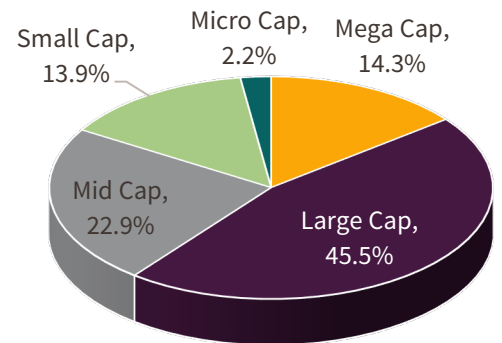
Portfolio Allocations

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

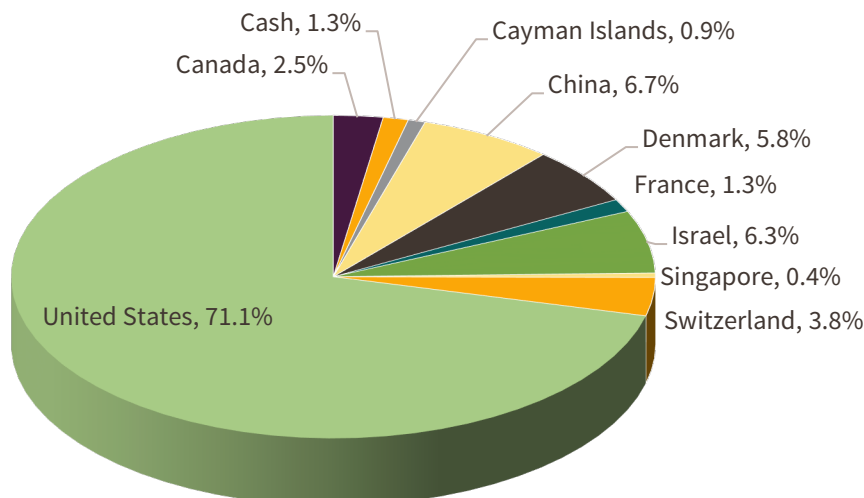
Economic Sectors^{††}



Market Capitalizations

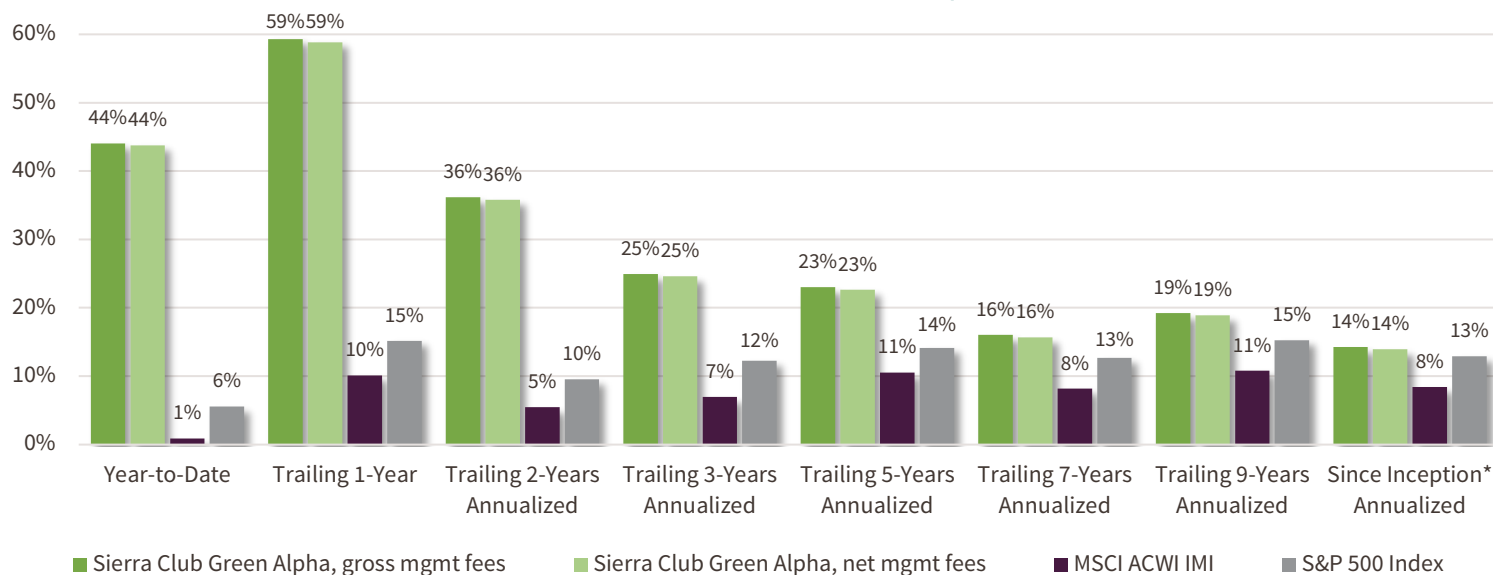


Companies' Main Headquarters



^{††} 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, the Sierra Club Green Alpha portfolio has returned 43.75%, 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 Energy and Consumer Cyclical, contributing 19.31% and 7.82% respectively.

- Within the Energy sector, one of the world's leading makers of smart inverters and energy management systems for solar applications led the way, followed closely by the world's leading PV solar manufacturer by GW shipped, and by the world's leading wind turbine manufacturer and service provider. In this sector, we have seen renewable energy demand and installations continue to grow despite the pandemic.
- In the Consumer Cyclical sector, significant gains from the world's leading EV manufacturer offset small negative contributions from a producer of sustainable office furnishings.

The lowest performing sectors in the portfolio were Industrials and Communications, contributing -0.58% and 0.42% respectively.

- Losses in the Industrials sector were from a world-leading supplier of smart meters for residential and commercial utility customers, and from a maker of upstream semiconductor manufacturing componentry. These declines offset significant gains from recycled composite decking materials, as homeowners went to work improving their living spaces amid quarantine and social distancing situations.
- The modest gains within the Communications sector were provided by the world's leading search engine provider and a provider of datacenter infrastructure.

**Portfolio Inception: December 27, 2010. 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.
- 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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