

Next Economy Index

December 31, 2020

Green Alpha[®]

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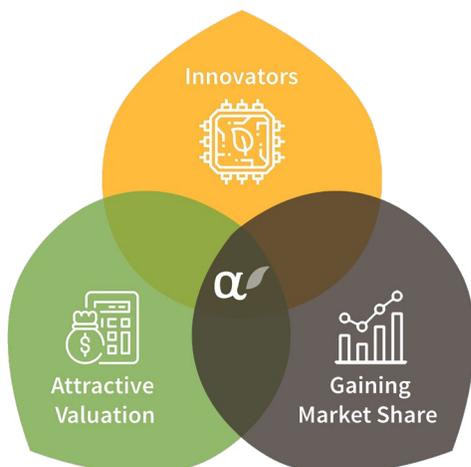
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Investment Philosophy

We understand that high-functioning, innovative companies creating and accelerating solutions to system-level risks like the climate crisis, resource, degradation worsening inequality, and the human disease burden are the greatest growth drivers of the twenty-first century.

Green Alpha's investment philosophy is straightforward: don't invest in companies that cause global systemic risks; instead, invest in the smartest, most rapidly evolving, economically competitive solutions.

We expect such companies to gain market share, which makes investing in them our best chance at preserving and growing our clients' 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 rapidly-developing Next Economy
- ~120 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 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 proprietary scores are included in the portfolio during the annual rebalancing process. We seek investments:

- with products and/or services lowering 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 executive teams and boards of directors with consistent track records of increasing revenue and expanding margins, leading to earnings growth and potential dividend increases
- that trade 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, thus, in turn, reducing our clients' long-term portfolio risks.

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 companies and the price paid for their shares are key drivers of LT returns
 - ✓ **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	120	1,522	93	54	35	42
Sales Growth, Trailing 1-Yr	35.59%	8.94%	44.31%	42.02%	12.60%	26.88%
P/E, Current	33.60	23.76	37.85	28.30	24.91	41.22
P/E, 1-Year Forward [†]	28.33	28.60	28.51	25.54	19.42	29.36
Price/Sales	2.66	1.93	1.64	2.95	2.41	2.73
Price/Book	5.23	2.68	6.06	5.05	2.71	5.80
LT Debt/Equity	0.88	0.96	1.29	1.07	1.12	0.98
Current Ratio	2.67	2.01	2.73	2.89	2.38	2.75
Dividend Yield	1.86%	2.36%	2.23%	2.15%	3.15%	1.59%
Market Capitalization, Weighted Avg (US\$B)	\$148.17	\$293.59	\$150.40	\$125.81	\$63.54	\$138.58
Market Capitalization, Median (US\$B)	\$14.84	Not Available	\$16.70	\$14.75	\$29.89	\$19.16
Turnover, Trailing 2-Yr Avg Annual	10%	-	13%	12%	26%	9%
Beta, Trailing 2-Yrs	1.10	1.00	1.06	1.08	1.11	1.19
Active Share	93%	-	93%	95%	97%	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 (Sector: Consumer Discretionary)

- Tesla is a leader in design and manufacture of electric vehicles, software delivery, and energy storage systems for homes, commercial properties, and utility-scale power. All divisions within the company are technology and innovation leaders, and are gaining market share.
- A manufacturing leader, they are employing world-leading technologies and processes to speed up production and lower costs.
- 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.
- Collaboration with SpaceX gives Tesla unique access to leading science and engineering, such as the Cybertruck exoskeleton.

Daqo New Energy (Sector: Energy)

- Chinese maker of high-quality mono- and polysilicon for use in solar photovoltaic panel manufacture.
- They provide upstream, non-module/maker specific exposure to the solar PV industry, and gives global exposure as they derive 100% of revenues in China. This is important, as approximately 70% of global solar modules are manufactured in China.
- Daqo has a strong track record of increasing production capacity, while maintaining profit margins.
- As demand for solar energy increases, leading upstream suppliers like Daqo should benefit from the growing TAM, especially those with production capacity advantages and reputations for quality product.

Enphase Energy (Sector: Energy)

- Enphase is a technology leader in microinverters for residential and commercial solar PV systems, and in combining those with energy storage systems to deliver integrated smart systems for homes and businesses.
- Enphase's technology is distinct from competitors in that it connects a microinverter to each panel in a system, as opposed to connecting many panels to a large inverter. Their system is more energy efficient, delivering more electricity for use or storage.
- Enphase has grown revenues dramatically the last two years, reflecting both its participation in a fast-growing market, and also its ability to gain market share within that market.

Moderna (Sector: Health Care)

- Discovery-to-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.
- Moderna is not just pioneering new medicines, but new *categories* of medicines, potentially transforming healthcare overall.
- The exec team consists of 25% women, including the General Counsel and Chief HR Officer, and the board of directors is comprised of 29% women, including the Chair of the Product Development Committee.

Alphabet (Sector: Communications)

- Google was first and remains the leader in democratization of access to and relevance-ranked organization of the world's information and data. The company is also a leader in cloud services and computing, as well as mobile and hardware.
- 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.
- All global operations run 100% on renewable energy. Female executives include the Chief Marketing Officer, the Global Head of Women and Black Community Engagement, the Chief Diversity & Inclusion Officer, the CFO, the Director of Inclusive Machine Learning & Accessibility Engineering, and more. And Alphabet's board of directors is comprised of 27% women.

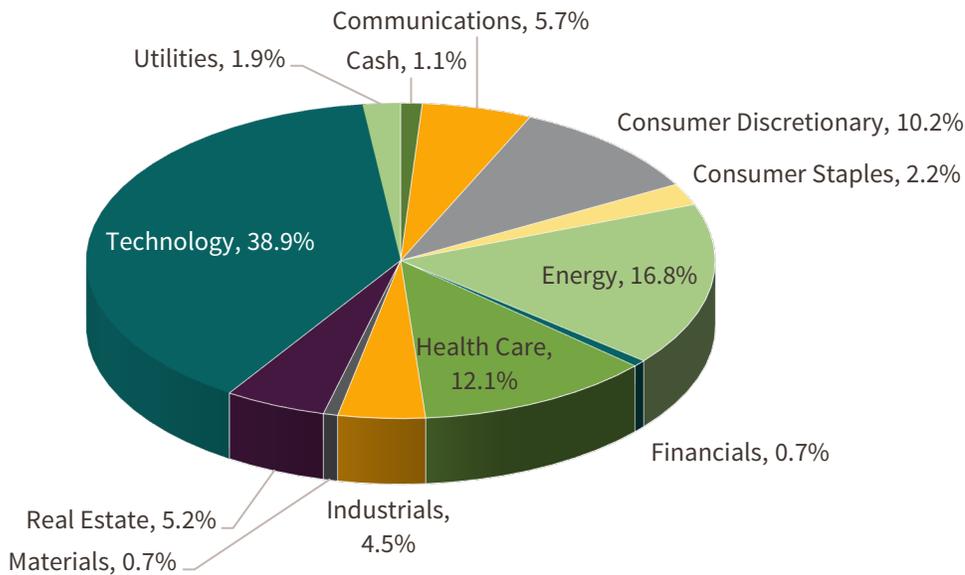
Company Name	Ticker	Weight
Tesla	TSLA	7.79%
Daqo New Energy	DQ	3.48%
Enphase Energy	ENPH	2.91%
Moderna	MRNA	2.54%
Alphabet	GOOG	1.93%
NVIDIA	NVDA	1.73%
Square	SQ	1.68%
Sunrun	RUN	1.53%
SolarEdge Technology	SEDG	1.41%
Vestas Wind Systems	VWDRY	1.38%
% of Portfolio		26.39%

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

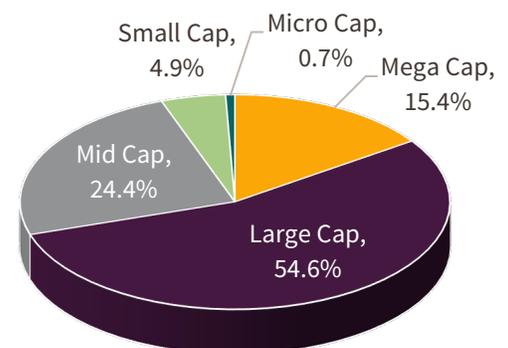
Portfolio Allocations

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.

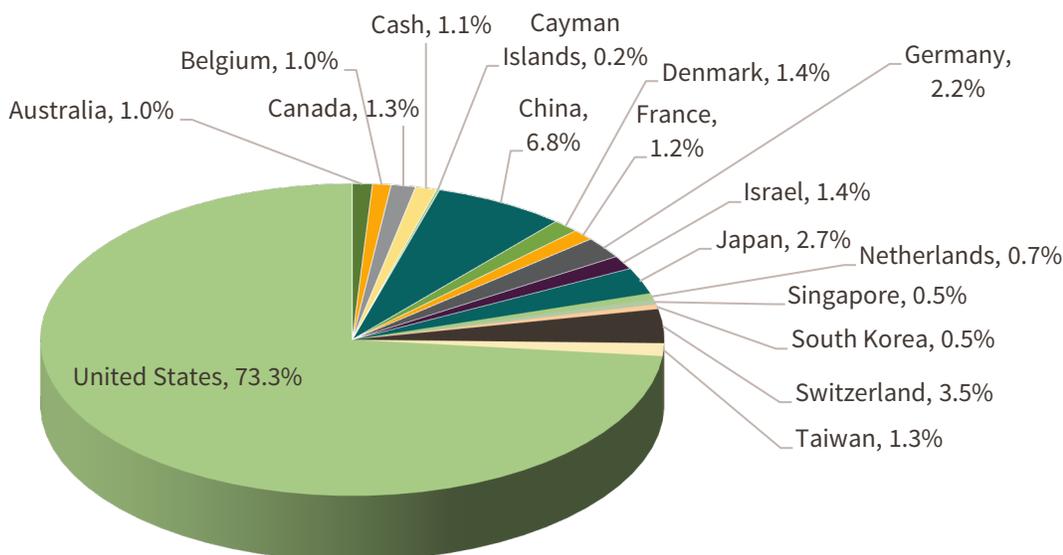
Economic Sectors ††



Market Capitalizations

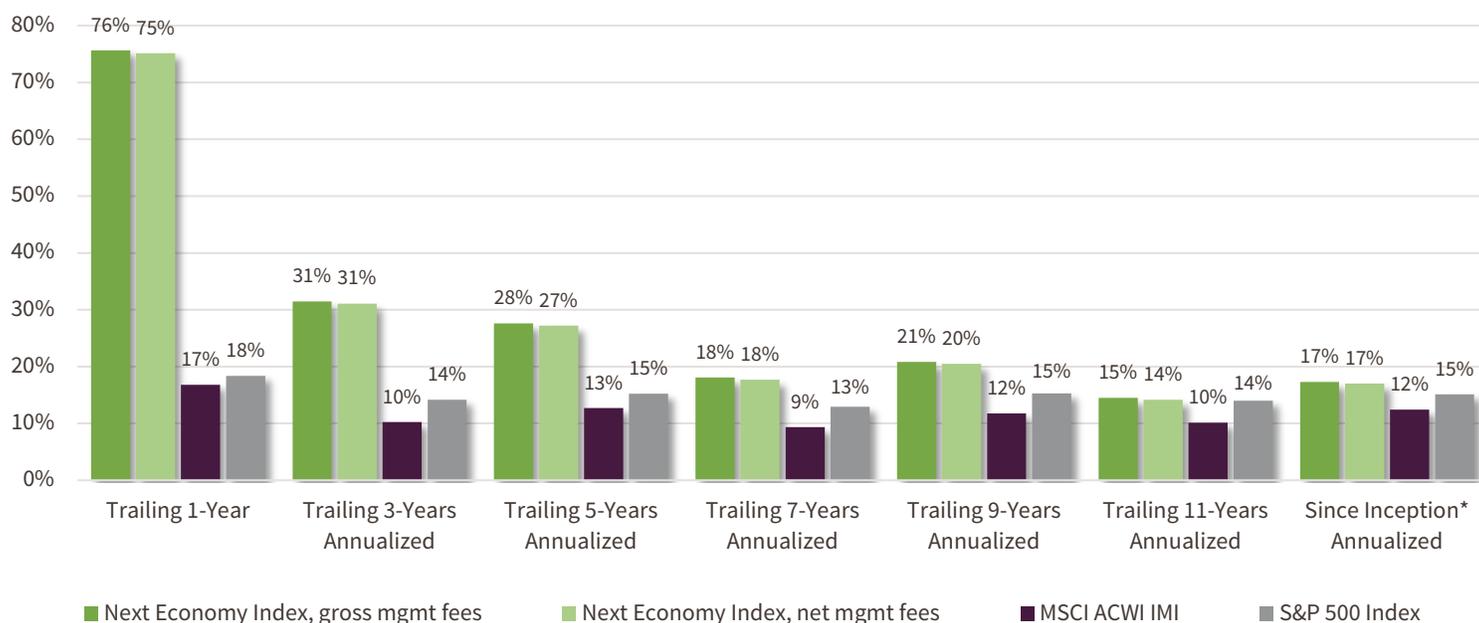


Companies' Main Headquarters



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

Performance & Commentary



For 2020, Green Alpha's Next Economy Index strategy returned 75.16% (net of management fees) while the portfolio's benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI IMI) returned 16.78%.

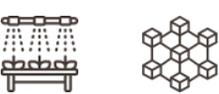
The Next Economy Index portfolio's two largest contributing sectors to performance for the period were Technology and Energy.

- Within the Technology sector, the semiconductors industry, all along its value chain, contributed the most to overall returns. Particular standouts include integrated circuit designers of chips for artificial intelligence (AI), machine learning, and data centers; two makers of chips for power management and control; a maker of system-on-chip technology for communications including mobile phones; and semiconductor capital equipment makers along with foundry services also provided meaningful contributions to returns. Software also boosted returns within the Technology Sector, with infrastructure and application software providers, including for design, test, rendering, and cloud and security software leading the way.
- In Energy, renewable energy equipment makers led returns, with solar PV module makers; and solar energy equipment manufacturers, including inverters, leading the charge. Upstream, a high-quality mono-and-polysilicon provider also added meaningfully. Also providing significant contributions were two leaders in wind energy: a top turbine maker, and a developer of advanced materials for high-strength, low-weight blades. In addition, a developer of residential and commercial solar projects, including virtual power plants, had a standout year.

The sectors that contributed the least to the Next Economy Index portfolio's returns were Financials and Materials.

- Only one sector, Financials, had a modest negative impact on returns for 2020. The loss was entirely from one company, a leading global reinsurer that suffered as it was required to honor payouts for policies covering climate-related events including wildfires, floods, and hurricanes. The loss from this one holding was partially offset by gains from other securities in the sector.
- The second lowest contributing sector was Materials, which provided modest gains to the strategy from one firm providing waste-to-value building materials.

**Portfolio Inception: December 30, 2008. 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.*

Next Economics™ Theme	Demand Outlook	Tailwinds	Headwinds
 <p>Zero-emission Transportation</p>		<ul style="list-style-type: none"> • Rapidly falling prices, particularly batteries • Competitive total cost of vehicle ownership • Global gov't policies to limit or end ICE sales • Deadliness of ICE emissions becoming increasingly well known • Unbeatable user experience 	<ul style="list-style-type: none"> • Incumbent industry resistant to change • Support infrastructure limited, including charging • Non-universality of charging solutions • Need charging time reductions • Limited makes/models available
 <p>Biotechnology</p>		<ul style="list-style-type: none"> • Disruptive & transformative in medicine – limitless addressable market • One-and-done therapies less expensive than continuous legacy-economy treatments • Removing disease burden will greatly increase the efficiency of the global economy • It is also transforming materials & agriculture 	<ul style="list-style-type: none"> • It's still early • Extensive R&D required • Resistance from incumbent treatment providers • Gov't regulations slow to adapt • Nonlinear progress will occur, and setbacks are inevitable
 <p>Renewable Energy</p>		<ul style="list-style-type: none"> • Is a minority of global energy mix & growing rapidly, large addressable market • Cheapest sources of energy • Net contributor to solving one of the largest causes of the climate crisis 	<ul style="list-style-type: none"> • Resistance from incumbent industry interests, including via gov't policies like no net metering, subsidies to fossil fuels companies, and red tape around renewable energy deployment
 <p>Technology & Data Infrastructure</p>		<ul style="list-style-type: none"> • Wired, broadband, satellite & IoT efficiency Quantity of data flow increasing exponentially <ul style="list-style-type: none"> – all needing to be transmitted, assimilated, interpreted, and made actionable – requires speed, accuracy & security 	<ul style="list-style-type: none"> • Threats from bad actors • Stock-specific valuations are relatively high, as the productivity gain benefits and need for the most innovative solutions is relatively obvious
 <p>Artificial Intelligence (AI) & Machine Learning</p>		<ul style="list-style-type: none"> • AI advancements make every segment of the economy more productive, from advanced materials to medicine • Confluence between AI & ML is synergistic & transformative, enabling upstream advances 	<ul style="list-style-type: none"> • Some industries have slower adoption • Adoption potentially slowed by workforce composition misperceptions • Could pose security threats if improperly deployed
 <p>Financials</p>		<ul style="list-style-type: none"> • Huge addressable market of underserved population; AI-enabled fintech makes serving them both possible and profitable • Best-in-class green REITs are preferred homes to leading biotechs & other innovators • Renewable energy-powered data centers • Renewable energy financing for utilities, etc 	<ul style="list-style-type: none"> • Lack of inclusive banking options • Lack of inclusive insurance options • Largest banks and investment institutions still not doing enough to stop climate crisis • Greenwashing is pervasive in financial services; difficult for clients to disambiguate
 <p>Agriculture & Food</p>		<ul style="list-style-type: none"> • Biotech and AI are making possible the end of pesticides, herbicides & chemical fertilizers • Consumer shifting to natural & organics • Transparent chain of custody for food safety & ethical labeling 	<ul style="list-style-type: none"> • Ample supplies of clean water under threat • Distribution infrastructure often inadequate • Enormous levels of food waste exists
 <p>Water</p>		<ul style="list-style-type: none"> • Elemental requirement for life • Opportunities to create more freshwater, track & measure where it is, & where it needs to be • Tech to address need to find leaks and quickly address them 	<ul style="list-style-type: none"> • Not enough investment in aging infrastructure • Insufficient regulations to protect supplies • Inequitable access to clean, safe supplies • Degradation by harmful industries

Macroeconomic Outlook



Many things changed in 2020. The pandemic accelerated the transition to the Next Economy™ and the interconnections between seemingly disparate issues like the climate crisis and social justice became clearer.

We saw major financial institutions finally realize (in rhetoric, if not yet actions) that fossil fuels make terrible long-term investments. Banks have been led to this conclusion by major indicators, such as IEA predicting that renewables would make up at least 80% of all new energy to come online from now on. Even in the sometimes renewables-hostile U.S., solar energy's economic competitiveness was strong enough to overcome tariffs, a pandemic, and local red tape. ~13 GW of new solar was added domestically in 2020, helping bear out at least the beginnings of IEA's prediction.

The market sent clear signals to legacy economic actors that solutions to the climate crisis have value, whereas causes of the climate crisis do not. The amazing increase in the market cap of the world's leading electric vehicle (EV) maker, for example, finally motivated some traditional internal combustion engine (ICE) manufacturers to make meaningful commitments to electrified transportation. Other signals of the transition came from government policy, such as the United Kingdom banning the sale of ICE vehicles beginning in 2030.

What about outside of energy and transportation; what about solution sets to other critical risks to our economy?

Here again, we've seen significant transformations already, and a broad understanding that disruptive innovations are where we will find solutions. Green Alpha's portfolio strategies earned significant gains this year from the biotechnology sector, as leading owners of intellectual property (IP) in the field of transcriptomics proved their worth in rapid vaccine development; similarly, leading companies in genomics showed that they have working therapies for genetic disorders, such as sickle cell anemia and some types of congenital blindness. When it comes to genomic medicine, we are only still at the very early stages of what will be accomplished, and the addressable market for these therapeutics and vaccines is everyone, everywhere, multiple times throughout their lives.

It's also been a transformative year in terms of the diversity and inclusion of leadership teams of publicly-traded stocks. California Gov. Gavin Newsom signed a bill requiring companies headquartered in the state to have at least one minority member on their Board of Directors. And in December NASDAQ filed a proposal with the U.S. SEC to adopt new listing rules related to board diversity and disclosure – requiring at least one woman, and at least one minority or LGBTQ+ person to be sitting on each of the 3,000+ NASDAQ-listed companies. And yet, the fact that each of these rules and proposals requires companies to put in place just one member is preposterous. We should be further along than that.

The fact that homogeneous executive teams and boards of directors are still the rule, and not the exception, in the corporate world shows just how far we have yet to go. Because of this, Green Alpha includes counts of women, and other demographics, in decision-making positions as part of our fundamental stock research – we look forward to the time when we can dispense with those analyses as it will be safe to assume that a truly heterogeneous leadership team exists across most organizations. Until then, we'll leverage the asymmetry between more and less diverse leadership teams to seek additional alpha for our clients.

As a result of these and other variables, Green Alpha's investment strategies earned outsized returns in 2020. And, we want to be clear: the transition to economic and environmental sustainability is just getting started. In 2019, for example, solar accounted for about 2% of the global electricity mix; by 2050, IEA reckons it will account for half. So, the total addressable market for solar PV is expected grow 25-fold in the next couple of decades. Similarly, EVs

Macroeconomic Outlook *(continued)*

accounted for 1% of global car sales last year, and yet by 2030, depending on whose estimates you read, they will be between 20% and 80% of all new vehicles sold. So, the addressable market will grow between 18 and 80 times in just the next decade. This not only gives room for existing EV makers to grow appreciably, but also makes plenty of room for new entrants and for legacy automakers to pivot and become competitive once again.

Risks remain and continue to accelerate. In recent days, we have learned that there is a newly mutated variant of the coronavirus in the wild. It isn't that surprising; the flu virus changes every year as well. The good news is that we know that leading mRNA companies developed formulas for SARS-CoV-2 vaccines in as little as 48 hours after receiving digital copies of the genomic sequence. That means that mRNA companies will be able to respond rapidly to new strains of the coronavirus as they emerge, and we may well end up in a world where we need our annual booster, just like we do with the flu shot today. But, we will need rapid production and distribution facilities to make those rapid formulations effective in a way that sustains our lifestyles and the global economy. That will require innovation, and people willing to look forward and invest in that innovation.

Fortunately, there are a lot of people doing just that. 2020 saw the first demonstration of computational quantum supremacy, the first room temperature superconductivity of electricity, advances in space travel, and the promise of step-change innovations that will result.

Risks remain, innovation is rising to meet them, and this is truly just the beginning. It is clear that the climate crisis will get worse before it gets better. Like the pandemic, the climate crisis is ultimately impervious to populist denials, and so will be addressed. Unlike the pandemic, there is no simple immunization for it – it will be larger, longer, more dangerous, and require more and better solutions, and unprecedented levels of coordination. Here again, we see heretofore unimagined ways to invest in the responses to these challenges.

So, where are the forward opportunities? Where they've always been: in the most innovative and disruptive solutions to our systemic, existential threats. Here's what we said previously:

“Earth’s economies may stagnate or grow; either way, we believe things like renewable energy, clean transportation, sustainable infrastructure, and water resources must grow in value. Over time, the value of stocks in our models will not be dependent on Wall Street gamesmanship, but on simple necessity.

As awareness of the magnitude of our growing resource-climate-security problems advances, so will the valuations of our portfolio companies.” *(2012 shareholder letter)*

Immanuel Kant defined the Enlightenment as civilization’s assumption of self-responsibility. Inherent in that definition is humanity’s wherewithal to confront its existential risks and proactively address them. Where money flows is where the economy and civilization are defined and built. Where we invest; therefore, is a direct manifestation of our desire to take responsibility for ourselves, and to self-insure our wellbeing, if not our existence. That means sustainability. It also means that the brightest solutions will continue to gain market share until they, effectively, represent the entire global economy. That’s why this is where we invest the assets with which our clients, their wealth advisors, and institutional consultants entrust us.

Important Disclosures

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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 27 emerging markets countries. With over 8,982 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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