

# Next Economy Select

March 31, 2021

## Green Alpha<sup>®</sup>

### Contents

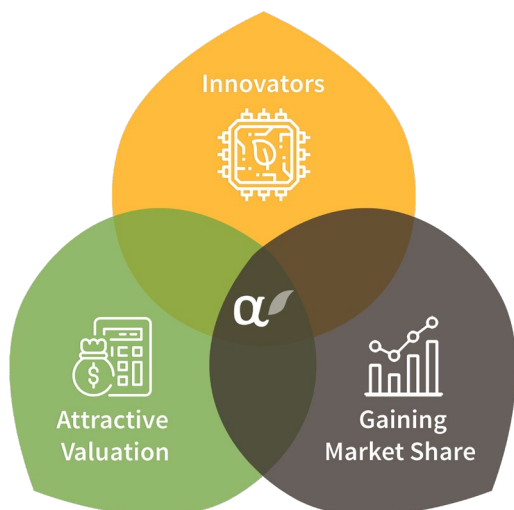
|  |   |
|--|---|
| Portfolio Characteristics .....                      | 2 |
| Largest Positions .....                              | 3 |
| Sector, Geographic, and Market Cap Allocations ..... | 4 |
| Performance and Commentary .....                     | 5 |
| Disclosures .....                                    | 6 |

### 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; invest in the smartest, most scalable and rapidly evolving, economically-competitive solutions.

We expect Next Economy™ companies to gain market share, which makes investing in them our best chance at preserving and growing our clients' purchasing power.



### Why Invest in Next Economy Select?

- Active research, stock selection, and portfolio mgmt
- Low minimum investment mutual fund provides democratized access to institutional-quality investing
- Seeks long-term capital growth to preserve and grow purchasing power
- 45-65 global, market-leading companies developing solutions to core economic and environmental risks
- Fossil fuel free since inception

**Inception Date:** March 31, 2013

**Style:** All-Cap Global Equities

**Vehicles:** Mutual Fund, and  
Separately Managed Accounts

### Portfolio Construction

The Next Economy Select portfolio is available both in a mutual fund vehicle and as separately managed accounts to provide democratized, low-minimum investment size access to this institutional-quality, innovation-focused portfolio.

The portfolio's objective is capital appreciation through investments in high-conviction, market-leading Next Economy companies. Since the primary vehicle available within this strategy is a mutual fund, this product follows standard mutual fund industry diversification guidelines, such as: limited position sizes over 5% of the portfolio and no industry concentration in excess of 25%.

We seek investments in companies:

- committing more capital to R&D than their peers
- run by effective, diverse executive teams and boards of directors with consistent track record of increasing revenues and earnings, and expanding margins
- trading at compelling valuations for proven and expected growth, within acceptable levels of risk

# Next Economy Select

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

## Characteristics

- **Highest conviction stocks, two investment vehicles** – democratizing access to leading Next Economy companies via a mutual fund and separately managed accounts, providing clients of all shapes and sizes with institutional-quality options
- **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, and decrease 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 capital stewardship, 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 in fossil-fired utilities or internal combustion engine manufacturers
- **Diversified – we look for solutions wherever we can find them** – across the globe, in companies of all sizes & every industry
- **Public equities, long-only** – largest asset class; largest opportunity for impact

| Characteristics                             | Green Alpha Next Economy Select | Benchmark: MSCI ACWI IMI (SPGM) | Green Alpha Next Economy Index | Green Alpha Next Economy Social Index | Green Alpha Growth & Income | Sierra Club Green Alpha |
|---|---------------------------------|---------------------------------|--------------------------------|---------------------------------------|-----------------------------|-------------------------|
| # of Securities                             | 60                              | 1,613                           | 138                            | 93                                    | 35                          | 42                      |
| Sales Growth, Trailing 1-Yr                 | 68.34%                          | 16.39%                          | 43.04%                         | 85.95%                                | 49.21%                      | 93.95%                  |
| P/E, Current                                | 30.70                           | 23.88                           | 34.62                          | 31.92                                 | 25.59                       | 37.88                   |
| P/E, 1-Year Forward <sup>†</sup>            | 23.81                           | 18.08                           | 24.90                          | 23.81                                 | 19.92                       | 25.46                   |
| Price/Sales                                 | 2.58                            | 2.02                            | 3.28                           | 1.67                                  | 2.49                        | 2.76                    |
| Price/Book                                  | 4.21                            | 2.70                            | 4.52                           | 5.21                                  | 2.77                        | 5.32                    |
| LT Debt/Equity                              | 0.90                            | 0.94                            | 0.85                           | 1.04                                  | 1.07                        | 0.77                    |
| Current Ratio                               | 3.03                            | 1.90                            | 3.73                           | 2.56                                  | 2.20                        | 2.67                    |
| Dividend Yield                              | 2.28%                           | 2.22%                           | 1.89%                          | 2.06%                                 | 2.98%                       | 1.60%                   |
| Market Capitalization, Weighted Avg (US\$B) | \$95.04                         | \$284.65                        | \$71.83                        | \$144.03                              | \$69.90                     | \$135.14                |
| Market Capitalization, Median (US\$B)       | \$11.81                         | Not Available                   | \$12.36                        | \$16.63                               | \$31.33                     | \$18.41                 |
| Turnover, Trailing 2-Yr Avg Annual          | 13%                             | -                               | 37%                            | 12%                                   | 24%                         | 8%                      |
| Beta, Trailing 2-Yrs                        | 1.10                            | 1.03                            | 1.07                           | 1.05                                  | 1.11                        | 1.20                    |
| Active Share                                | 96%                             | -                               | 94%                            | 93%                                   | 97%                         | 96%                     |

<sup>†</sup> 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 Select portfolio is driving progress toward the Next Economy

| Company Name                   | Ticker | Weight        |
|--------------------------------|--------|---------------|
| Vestas Wind Systems            | VWDRY  | 4.71%         |
| Brookfield Renewable           | BEPC   | 4.63%         |
| Applied Materials              | AMAT   | 3.90%         |
| JinkoSolar Holding             | JKS    | 3.81%         |
| Tesla                          | TSLA   | 3.66%         |
| CRISPR Therapeutics            | CRSP   | 3.56%         |
| Moderna                        | MRNA   | 3.44%         |
| Taiwan Semiconductor           | TSM    | 3.37%         |
| TPI Composites                 | TPIC   | 2.86%         |
| Hannon Armstrong Sust. Finance | HASI   | 2.52%         |
| <b>% of Portfolio</b>          |        | <b>36.46%</b> |

## Vestas Wind Systems (Sector: Energy)

- Vestas is the world's most advanced wind turbine manufacturer, and the global 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 their record turbine order intake in 2020, at greater than 15 GW of capacity booked, in Q1 Vestas booked an additional 1.1 GW in wind turbine orders. This has pushed Vestas' delivery dates well into 2023, giving transparency into revenue growth for the foreseeable future. Vestas also strengthened its partnership with Mitsubishi Heavy Industries in the offshore wind market, accelerating the company's role in the clean energy transition.
- They're targeting carbon neutral operations by 2030, and zero-waste production by 2040.
- The exec team consists of 22% women, including the CFO, CHRO, Sr. Director, and Head of Sustainability; there are four women (25%) on the board of directors

## Brookfield Renewable (Sector: Utilities)

- Brookfield Renewable is one of the world's leading zero-carbon, 100% renewables-based energy utilities. Brookfield's 2020 acquisition of TerraForm Power, as well as organic growth and other M&A activity, has given it a present total of 20 GW of renewable electricity generation capacity globally.
- Financially, Brookfield is very conservatively managed, is continually looking for acquisitions at favorable prices, and has revenues largely backed by long-term power purchase agreements with high-quality clients. Their long-term goal is to provide annualized investment returns of 12%-15%, which includes planned annual dividend increases.
- The exec team includes six women (30%), and the board of directors is 22% women, including chair of the Audit Committee.

## Applied Materials (Sector: Technology)

- A leading upstream equipment provider to the semiconductor and advanced display industries, and a key supplier to the world's integrated circuit foundries, including Taiwan Semiconductor. AMAT has a large intellectual property estate with 14,000+ patents, and an average of four new patent applications filed daily, which are key indicators of ability to maintain leadership.
- Connected devices, AI, and datacenters will cause the addressable market for AMAT, TSM, and other leaders to continue to grow rapidly, providing revenue growth opportunities for the foreseeable future.
- Female Execs include the Chief Legal and Chief HR Officers. The board of directors is 40% female, including key committee chairs.

## JinkoSolar Holding (Sector: Energy)

- JKS is the world's largest solar panel manufacturer and a tech leader on a competitive cost-per-watt basis. They're highly vertically integrated, making ingots, cells, panels, and modules. They shipped 18-20 GW of modules in 2020, up from 14.2 GW in 2019. Jinko is working on a major capacity expansion and expects to deliver up to 30 GW in modules in 2021.
- JKS earns revenues globally (70+ countries), thus mitigating political and trade-dispute-related growth obstacles. On the Silicon Valley Toxics Coalition's Solar Scorecard, the company receives 100 out of 100 available points for sustainability of operations. In addition, the stock represents a strong value proposition, trading at 0.30x annual revenues as of the end of Q1 2021.

## Tesla (Sector: Consumer Discretionary)

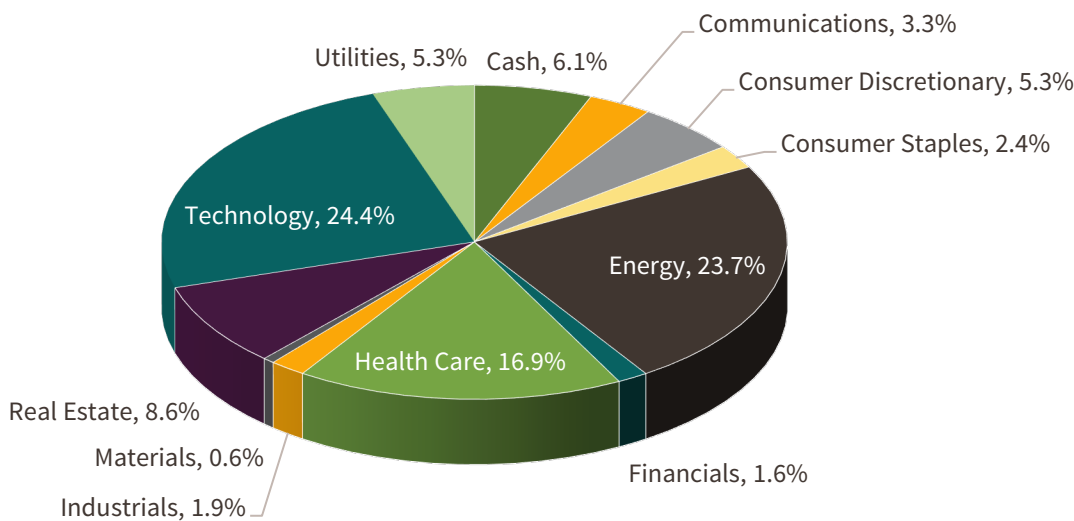
- A leader in design and manufacture of electric vehicles, software delivery, and energy storage systems. Tesla leverages world-leading technologies and processes to speed up production and lower costs. Tesla's automotive division posted record Q1 2021 deliveries, selling more vehicles than Q4 2020 during the auto industry's cyclically-low demand quarter of Q1.
- Innovations, represented by patents, have given TSLA first-mover advantage in EVs and a tech advantage in battery storage; as evidenced by a recent deal to provide Apple with a large storage facility at one of Apple's solar power plants. Also, collaboration with SpaceX gives unique access to leading science and engineering, such as the Cybertruck exoskeleton.
- The Board Chair is female, and she also chairs the Audit and Disclosure Controls Committees, alongside a female Independent Director (22.2% of board seats).

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

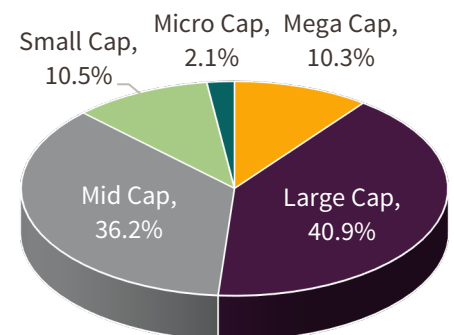
# Portfolio Allocations

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

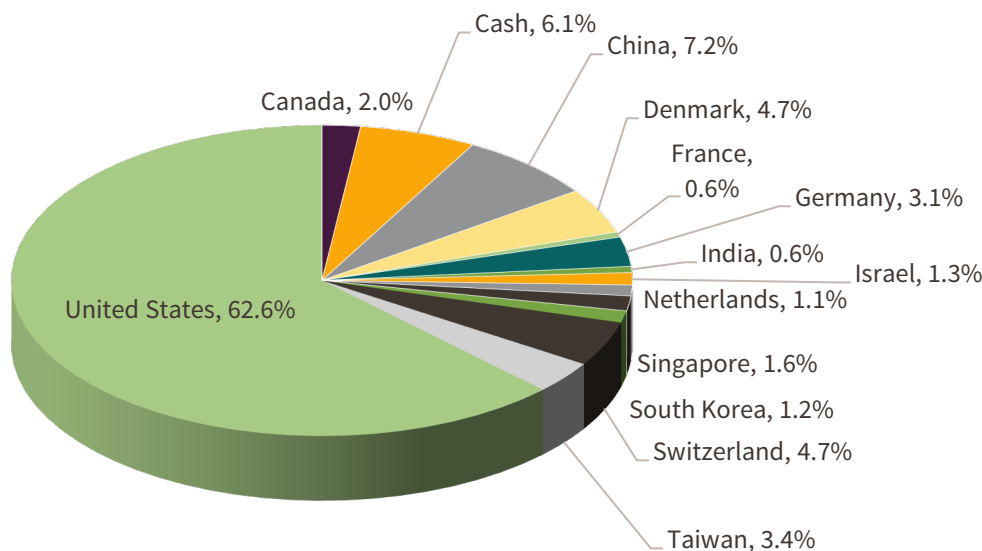
## Economic Sectors <sup>††</sup>



## Market Capitalizations

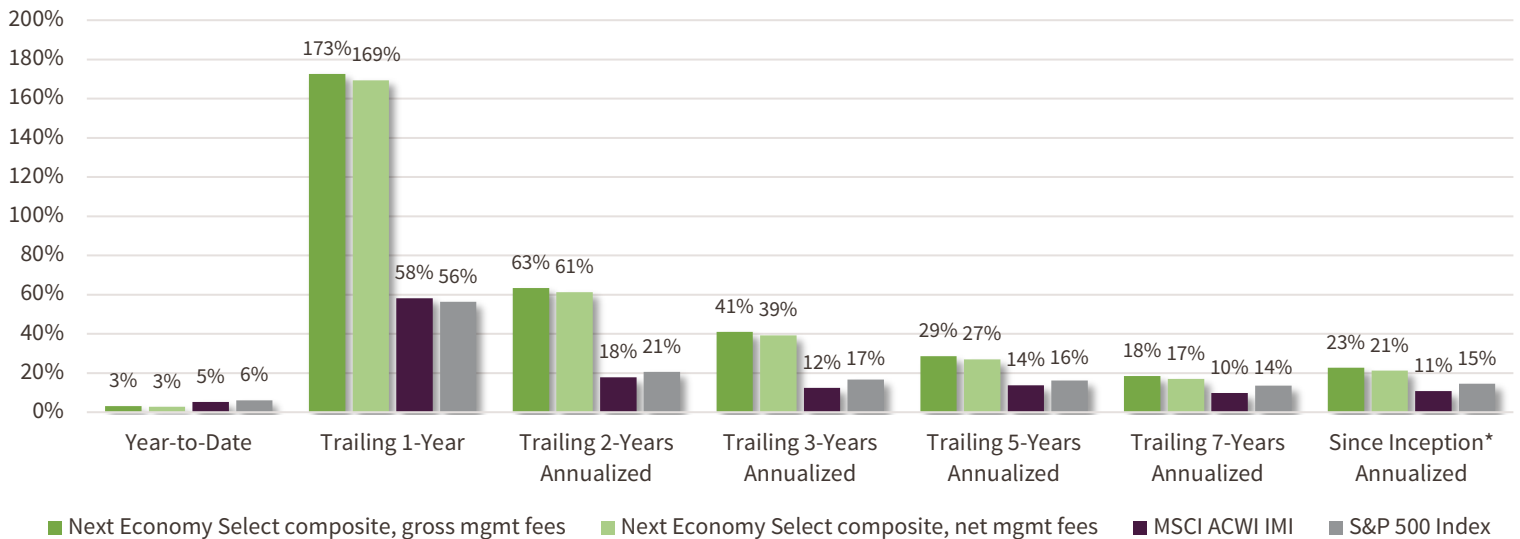


## Companies' Main Headquarters



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

# Performance & Commentary



In Green Alpha's investment strategies, and in markets overall, the first quarter of 2021 was characterized by increased volatility, particularly with respect to downward pressure on some stocks considered by markets to be in an aggressive growth category. Specifically, increases in the 10-year U.S. Treasury yield triggered programmatic selling across many growth companies, particularly those that had appreciated significantly in 2020.

While we agree that some depressed stocks, and even industries, became oversold during the pandemic, particularly high-quality, sustainability-focused office REITs and furnishings suppliers, we believe that the interest rate on the 10-year note has little to do with the overall trajectory of the global economy. Companies providing superior products, services, and value, often at lower relative costs, will continue to gain market share in their respective markets, many of which are themselves rapidly growing. We believe that Q1 2021, while overall providing positive returns, represented a good entry point to invest in stocks with better-than-average chances of earning significant growth into the next 5-to-10-year timeframe, as the rotation away from the causes of our primary risks toward the solutions to those risks continues to gain momentum, dwarfing near-term cyclical rotations into or out of short-term oriented notions of growth and value.

For the first quarter of 2021, Green Alpha's Next Economy Select composite returned 2.9% net of management fees vs. its benchmark, the MSCI All Country World Investible Market Index (MSCI ACWI IMI), at 5.2%. The portfolio's top-contributing sectors were Technology and Consumer Staples.

- Within Technology, gains were led by front-end capital equipment for semiconductor manufacturing, as a global chip shortage spurred capital expenditures on foundry equipment. Gains from fabrication facilities, chipmakers, and foundries in general were augmented by gains from an infrastructure software provider. Additional gains came from a leading IT services provider and patent leader in multiple Next Economy™ areas.
- In the Consumer Staples sector, two of America's top regional organic grocery outlets contributed meaningfully to returns, as natural and organic food, beverage, and personal care product demand continued to gain market share.

The Next Economy Select composite's detracting sectors were Utilities and Real Estate.

- Although the sector was the leading detractor from portfolio performance, Utilities only modestly detracted from returns as two renewable utility-scale electric utilities declined during the quarter.
- The Real Estate sector experienced declines from a specialty financier of renewable energy and efficiency projects. Data center REITs also declined, but was partially offset by the share price recovery in sustainable and well-run office REITs as pandemic fears began to subside.

*\*Composite Inception: March 31, 2013. 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 Select performance results reflect actual performance for a composite, net of actual management fees and transaction costs. Some assets managed in the Next Economy Select strategy within the composite receive a reduced fee from the standard fee schedule. Actual client returns experienced will vary from the composite returns based on a variety of factors, and we encourage you to ask about specific factors. Accounts are included in the composite for all full-month periods under management with Green Alpha Advisors, LLC. Next Economy Select performance results reflect the reinvestment of dividends and interest for some client accounts in the composite, but not all, as that is dictated by each client. 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](mailto: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 27 emerging markets countries. With over 8,930 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/>.