

Growth & Income

June 30, 2021

Green Alpha[®]

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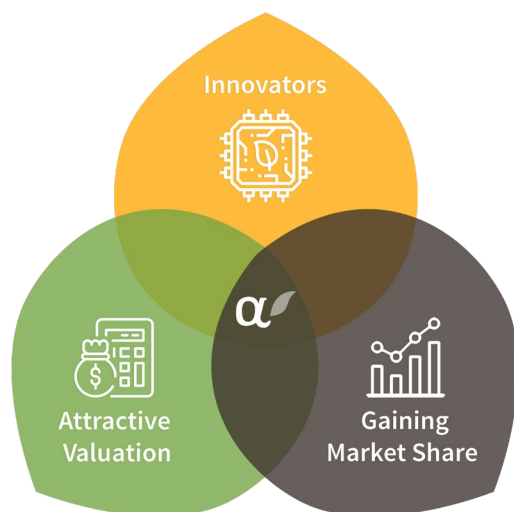
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Investment Philosophy

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; seek out those creating smart, 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 Growth & Income?

- Active research, stock selection, and portfolio mgmt
- 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 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 in companies:

- with products and/or services lowering the global 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 revenues and expanding margins, leading to earnings growth and potential dividend increases
- that trade at compelling valuations relative to proven and anticipated 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 broad equity markets.

Our investments seek to de-risk the global economy, which in turn reduces 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 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 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	1,667	138	87	60	45
Sales Growth, Trailing 1-Yr	268.98%	26.85%	124.25%	111.86%	323.75%	245.87%
P/E, Current	24.44	21.84	34.11	34.94	31.41	36.11
P/E, 1-Year Forward [†]	18.88	17.39	23.95	27.18	23.83	27.14
Price/Sales	2.59	2.11	3.46	3.35	2.66	2.30
Price/Book	2.97	2.86	4.76	5.05	4.41	4.74
LT Debt/Equity	1.04	0.88	0.84	0.90	0.92	0.96
Current Ratio	2.46	2.03	4.06	3.37	4.12	3.31
Dividend Yield	2.87%	2.21%	1.89%	2.08%	2.31%	2.17%
Market Capitalization, Weighted Avg (US\$B)	\$73.22	\$329.22	\$84.00	\$84.33	\$100.59	\$77.65
Market Capitalization, Median (US\$B)	\$28.64	Not Available	\$12.24	\$14.37	\$12.04	\$14.37
Turnover, Trailing 2-Yr Avg Annual	22%	-	33%	40%	10%	25%
Beta, Trailing 2-Yrs	1.10	1.03	1.04	1.01	1.10	1.18
Active Share	97%	-	94%	95%	96%	98%

[†] 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

Company Name	Ticker	Weight
Horizon Tech. Finance	HRZN	6.96%
IBM	IBM	4.75%
Moderna	MRNA	4.68%
Vestas Wind Systems	VWDRY	4.46%
Applied Materials	AMAT	4.44%
% of Portfolio		25.29%

Horizon Technology Finance (Sector: Financials)

- Horizon provides structured debt to innovative companies, primarily in life sciences, healthcare information services, and cleantech. Horizon has deployed more than \$2 billion in venture loans to more than 250 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 backed by security of offering debt on a “first lien or first lien behind a bank revolver” basis. HRZN often partners with institutions like Silicon Valley Bank to reduce risk.
- For example, one new Q1 loan (made alongside Silicon Valley Bank) was to Canary Medical, which makes smart medical devices that, according to them, “self-report on function, diagnostic information, patient activity, side effects, and treatment failure.”
- Horizon offers investors opportunity to invest in a venture loan fund that essentially constitutes a diversified basket of private, Next Economy companies via a single stock. Due to their innovative structure, the company offers an attractive dividend yield.

IBM (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.
- In 2021, IBM plans to split into two companies, IBM, which will focus on Next Economy™ applications, and “Kyndryl,” which will handle the traditional managed infrastructure services business. This decision is illustrative of IBM’s pivot towards innovation and is the latest in a series of divestments (like selling the PC hardware business in the early 2000s) aimed at that goal.
- 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.

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 future growth may be impressive with or without revenue contributions from a COVID-19 vaccine, although the vaccine has accelerated their time to profitability, as well as their ability to fund further research and trials.
- Moderna is not just pioneering new medicines, but *new categories* of medicines, potentially transforming medicine overall.

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 service contract provider, which provides meaningful higher-margin recurring revenue.
- In addition to record turbine order intake in 2020, at greater than 15 GW of capacity booked, and their large Q1 booking of an additional 1.1 GW in wind turbine orders, Vestas in Q2 2021 booked a remarkable 4.127 GW in forward deliveries. This has pushed Vestas’ delivery dates to the end of 2023 or early 2024, giving good transparency into revenue growth for the foreseeable future.
- Vestas is targeting carbon neutral operations by 2030, and zero-waste production by 2040.

Applied Materials (Sector: Technology)

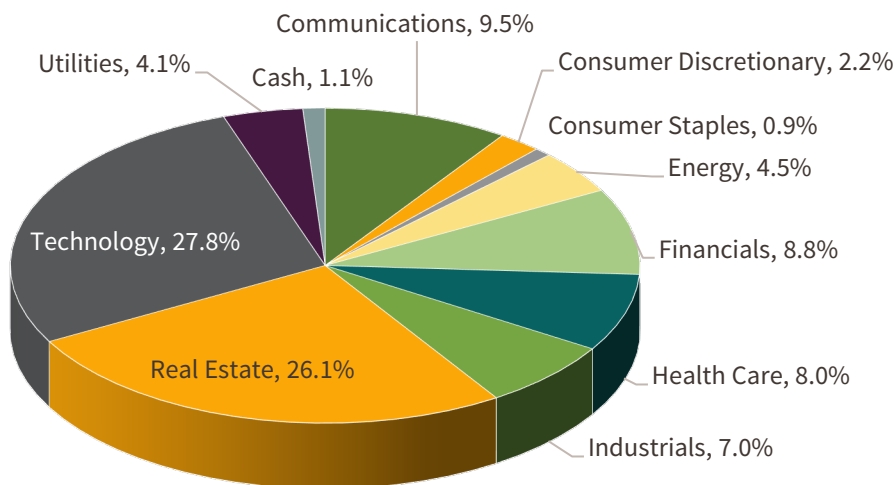
- AMAT is a leading upstream equipment provider to the semiconductor and advanced display industries, and a key supplier to the world’s integrated circuit foundries, including Taiwan Semiconductor. AMAT has a large intellectual property estate with 14,000+ patents and an average of four new patent applications filed daily, which are key indicators of ability to maintain leadership.
- Connected devices, AI, and datacenters will cause the addressable market for AMAT and other leaders to continue to grow rapidly, providing revenue growth opportunities for the foreseeable future.

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

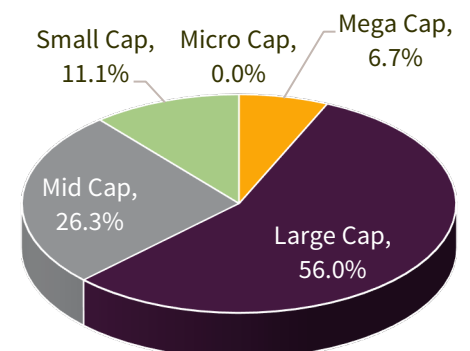
Portfolio Allocations

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.

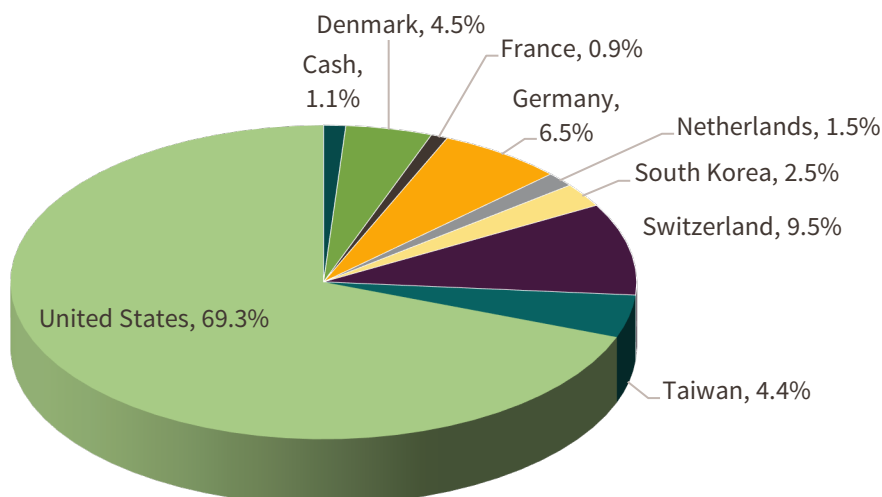
Economic Sectors ††



Market Capitalizations

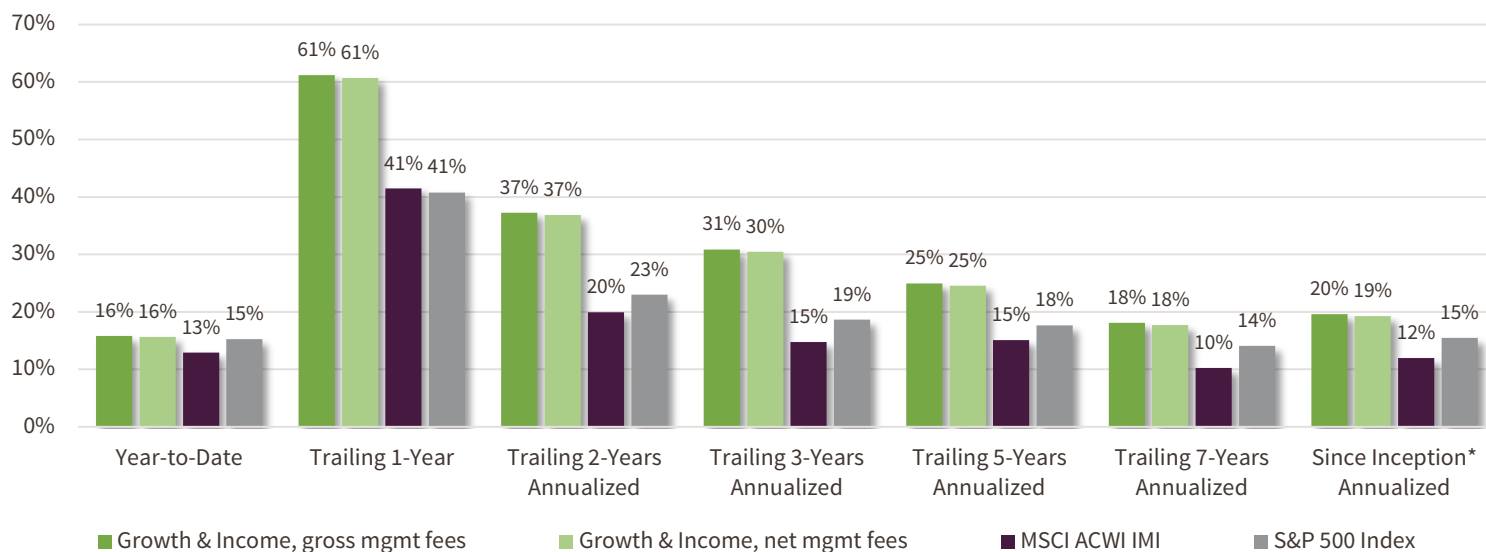


Companies' Main Headquarters



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

Performance & Commentary



As mentioned in our March 31st commentary, Green Alpha's strategies – and markets overall – saw increased volatility during the first quarter, often in the form of selling pressure on stocks considered to be in the growth category. Q2 saw that landscape change in our portfolios, as the market narratives around tech and biotech companies began to improve. In tech, many companies along the semiconductor value chain became more highly valued amid the global semi shortage, and it seems to have become more apparent to markets that data proliferation is now an indefinite economic fixture, and the key enablers of that seem likely to continue expanding as the digitalization (and, from a sustainability point of view, dematerialization) of the economy continues. In biotech, a leading gene editing company published results that for the first time showed that a one-time, in vivo gene edit-based intervention can safely treat genetic disease. While this result had been widely anticipated, it seemed to represent the proof of concept some market participants were waiting for.

More generally, the return-to-normal economic narrative meant that in Q2 some perceived growth stocks were once again in favor, and several of our holdings' earnings reports demonstrated that many Next Economy™ companies are continuing to gain market share from their riskier counterparts.

For the first half of 2021, Green Alpha's Growth & Income strategy returned 15.66% net of management fees, vs. its benchmark, the MSCI All Country World Investible Market Index (MSCI ACWI IMI), at 12.90%.

The portfolio's top-contributing sectors for the half were Technology and Real Estate. Within the Technology sector, gains were led by front-end capital equipment for semiconductor manufacturing, as the global chip shortage spurred capital expenditures in the upstream value chain, such as foundry equipment, and downstream semiconductor designers. Tech hardware and services also added to gains, as well as enterprise software providers and consumer electronics makers. The Real Estate sector added to returns with the return-to-work trend helping green office REITs rally off of their lows as they maintained industry-leading occupancy rates while largely avoiding deferred or defaulted rent payments. Data center REITs continued their run, as the economic trend of data proliferation continues unabated. Additional gains were from a leading data infrastructure REIT and from a warehouse logistics company.

The two most detracting sectors from the Growth & Income's year-to-date returns were Utilities and Energy. Losses in these sectors were entirely the result of the underperformance of one company in each. The Utilities sector detracted from returns as a renewable, utility-scale electric utility declined. The Energy sector detracted from returns as the world's largest wind turbine manufacturer fell modestly as supply chains tightened and margins became squeezed.

**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 27 emerging markets countries. With over 9,620 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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