

Next Economy Index

June 30, 2021

Green Alpha®

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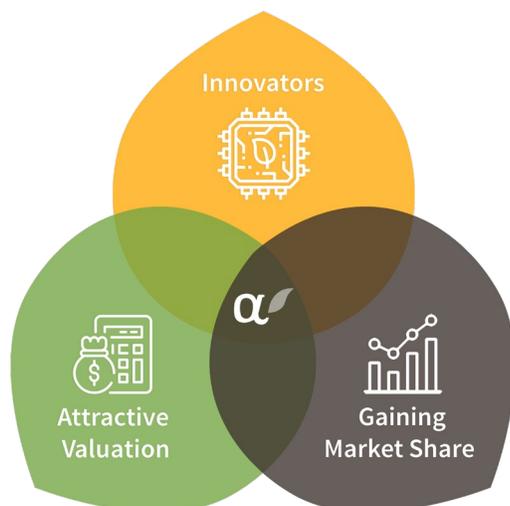
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Investment Philosophy

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 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™
- ~138 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 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. We seek 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

Like all Green Alpha portfolios, Next Economy Index investments seek to de-risk the global economy, thus 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, 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 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	138	1,667	87	60	35	45
Sales Growth, Trailing 1-Yr	124.25%	26.85%	111.86%	323.75%	268.98%	245.87%
P/E, Current	34.11	21.84	34.94	31.41	24.44	36.11
P/E, 1-Year Forward [†]	23.95	17.39	27.18	23.83	18.88	27.14
Price/Sales	3.46	2.11	3.35	2.66	2.59	2.30
Price/Book	4.76	2.86	5.05	4.41	2.97	4.74
LT Debt/Equity	0.84	0.88	0.90	0.92	1.04	0.96
Current Ratio	4.06	2.03	3.37	4.12	2.46	3.31
Dividend Yield	1.89%	2.21%	2.08%	2.31%	2.87%	2.17%
Market Capitalization, Weighted Avg (US\$B)	\$84.00	\$329.22	\$84.33	\$100.59	\$73.22	\$77.65
Market Capitalization, Median (US\$B)	\$12.24	Not Available	\$14.37	\$12.04	\$28.64	\$14.37
Turnover, Trailing 2-Yr Avg Annual	33%	-	40%	10%	22%	25%
Beta, Trailing 2-Yrs	1.04	1.03	1.01	1.10	1.10	1.18
Active Share	94%	-	95%	96%	97%	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 Next Economy Index is driving progress toward the Next Economy

NVIDIA (Sector: Technology)

- NVIDIA's processors are dominant in datacenters, machine learning, and AI. Their processors are used by many of the world's most advanced companies for hundreds of advanced products and applications.
- NVIDIA's proposed acquisition of Arm could unite two global leaders with different business models to create a premier AI hardware provider, widening the IP moat around both companies. The potential merger is attracting regulators, creating interesting dynamics. As Q2 drew to a close, Arm's CEO [wrote](#), "Combining with NVIDIA will give us the scale, resources and agility needed to maximize the opportunities ahead."
- The exec team is 40% women, including the CFO and EVP of Operations, and the board of directors includes three women.

BioNtech (Sector: Health Care)

- BioNtech is a biotech firm primarily engaged in developing treatments for cancer and various types of infectious diseases.
- In oncology, BioNtech focuses on unique, individualized therapies targeted at the specific genotype of each tumor. BioNtech possesses significant intellectual property, team talent and expertise, high quality partnerships, as well as solid company financial fundamentals.
- As with Moderna, we believe that the BioNtech-is-a-COVID-play narrative falls short of appreciating the long-term potential.

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.
- The exec team consists of 30% women, including Chief Commercial Officer, General Counsel, and Chief HR Officer, and the board of directors is comprised of 38% women, including the Chair of the Audit Committee, and the Product Development Committee.

ASML Holding (Sector: Technology)

- World's leading provider of advanced photolithography systems, which are proprietary platforms of high-tech hardware and advanced software necessary in the manufacture of advanced integrated circuits.
- Primary supplier of lithography to the world's key chip foundries, including Taiwan Semiconductor and Samsung. ASML's contributions to chipmaking are critical to these foundries, therefore to the global economy.
- Advancements in extreme ultraviolet lithography machines have entrenched ASML's market share lead.
- The board of directors is 33% women, including the Audit Committee Chair.

PayPal Holdings (Sector: Technology)

- In operating multiple global digital payment systems (including Venmo), PayPal has helped disrupt traditional, less efficient payments like checks and Fed wires, and it continues to innovate.
- PYPL has several initiatives aimed at reducing economic inequality, including "a \$530 million commitment to support Black and minority-owned businesses and communities in the U.S., especially those hardest hit by the pandemic," and partnerships with CodeHouse, INROADS, and the National Association of Black Accountants. PYPL not only approaches inequality with programs and partnerships, but it also gets exposure to traditionally underserved markets, and therefore more opportunities to grow.
- 30% of senior executives are female, including the Chief Business Affairs and Legal Officer, EVP, Global Sales, and Head of IR. Four of 11 board members are women, including the Chair of the Corporate Governance and Nominating Committee.

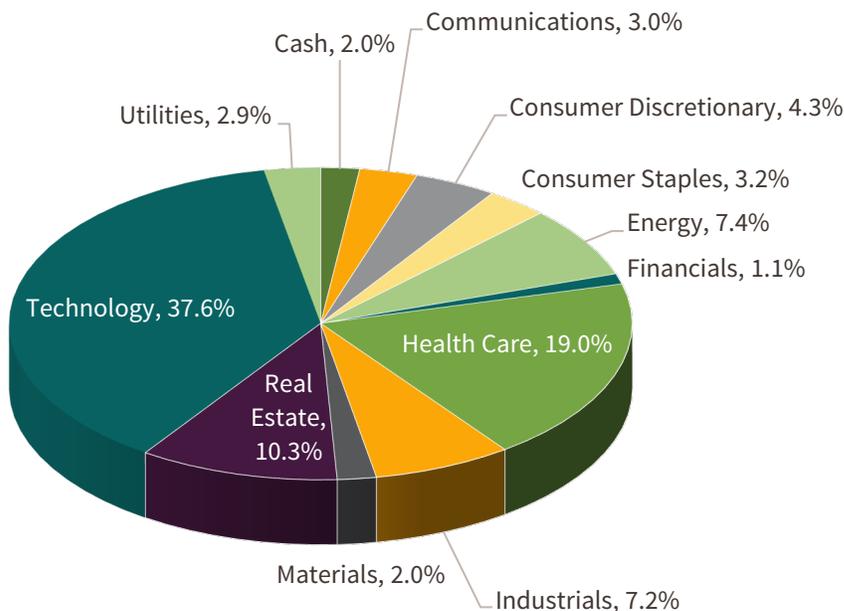
Company Name	Ticker	Weight
NVIDIA	NVDA	1.58%
BioNtech	BNTX	1.55%
Moderna	MRNA	1.39%
ASML Holding	ASML	1.36%
PayPal Holdings	PYPL	1.15%
Intellia Therapeutics	NTLA	1.12%
NIO	NIO	1.10%
Apple	AAPL	1.08%
American Tower	AMT	1.07%
Atlassian	TEAM	1.01%
% of Portfolio		12.41%

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

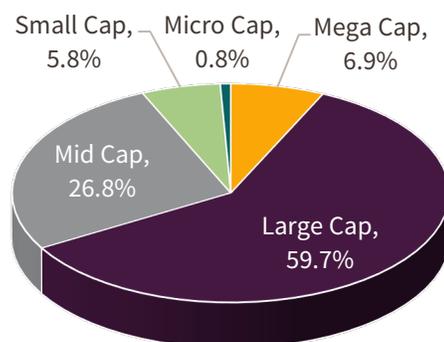
Portfolio Allocations

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.

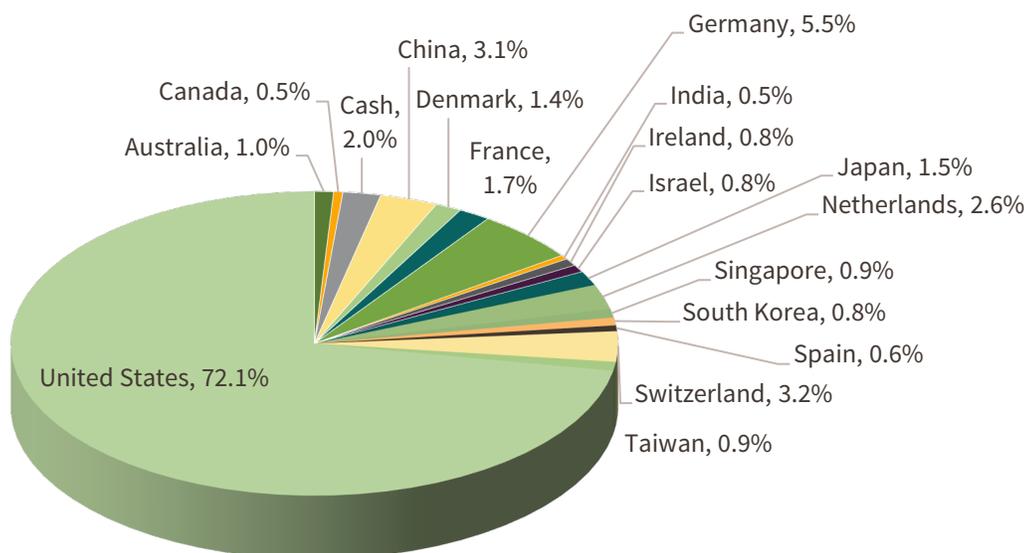
Economic Sectors ††



Market Capitalizations

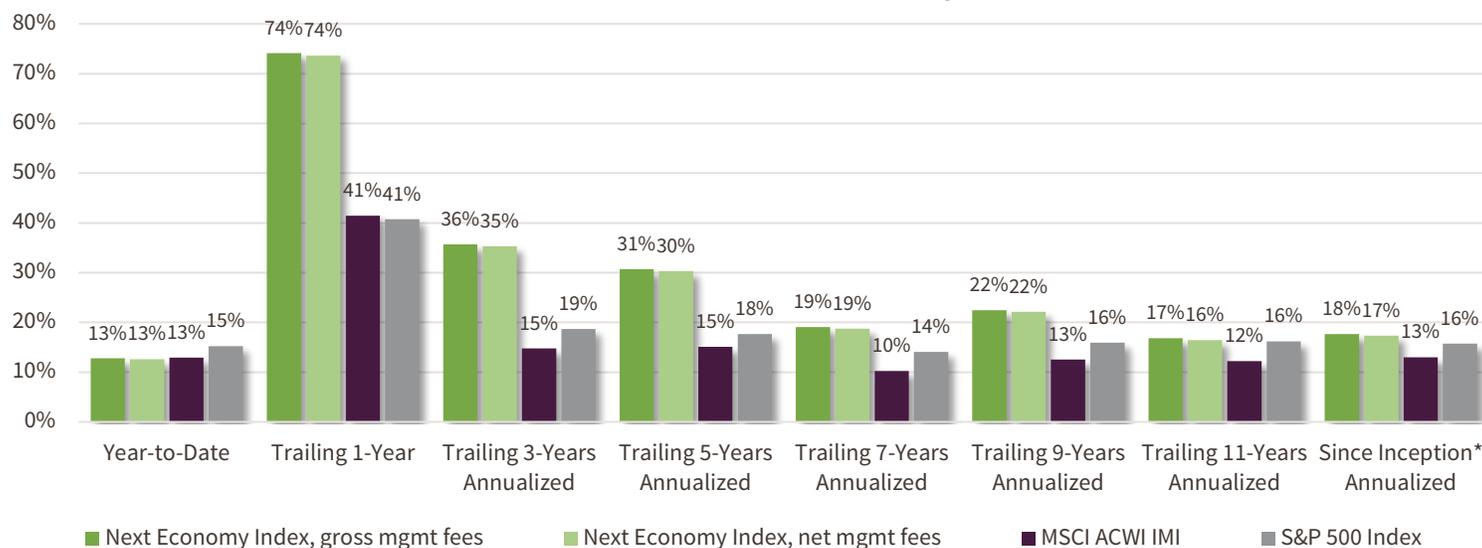


Companies' Main Headquarters



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

Performance & Commentary



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 Next Economy Index strategy returned 12.62% 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 Health Care. 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, with wireless infrastructure hardware, and storage, performing well, as did enterprise software providers. In Health Care, returns were led by biotech, as the mRNA-based tech behind some COVID-19 vaccines continued to rally, and as other genomics therapeutics makers effectively demonstrated the efficacy of their technologies.

The two detracting sectors from the Next Economy Index's returns were Energy and Utilities. The Energy sector detracted modestly from returns with solar PV makers as a group declining under geopolitical concerns and supply chain headwinds. Wind turbine manufacturers fell modestly as supply chains tightened and margins became squeezed. Also detracting from returns was the U.S.'s largest residential solar installer. The Utilities sector slightly detracted from returns as renewable, utility-scale electric utilities declined, while those losses were partially offset by gains in water utilities.

**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.*

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- Next Economy Index performance results reflect actual performance for a representative account, net of actual management fees and transaction costs. Assets managed in the Next Economy Index strategy representative account receive a reduced fee from the standard fee schedule. Next Economy Index performance results do not reflect the reinvestment of dividends and interest. 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. Please contact Green Alpha for information about the representative account selection process.
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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.
- 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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