

# Sierra Club Green Alpha

June 30, 2021



## Green Alpha®

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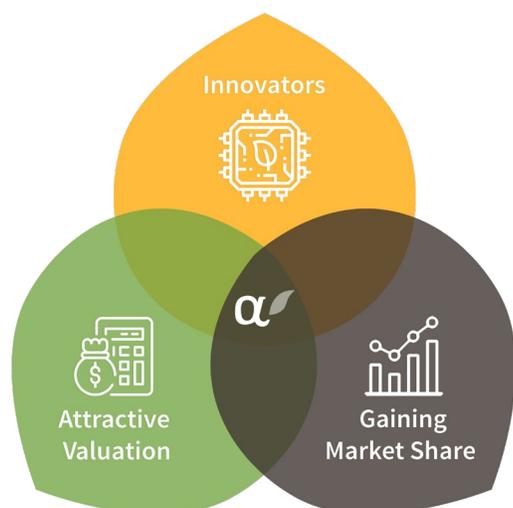
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### Investment Philosophy

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 Sierra Club Green Alpha?

- Active research, stock selection, and portfolio mgmt
- 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 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 criteria are applied to our Next Economy investing philosophy and research, resulting in what may be the most progressive, sustainability-focused stock portfolio available. 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

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<sup>®</sup> 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 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	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	45	1,667	138	87	60	35
Sales Growth, Trailing 1-Yr	245.87%	26.85%	124.25%	111.86%	323.75%	268.98%
P/E, Current	36.11	21.84	34.11	34.94	31.41	24.44
P/E, 1-Year Forward <sup>†</sup>	27.14	17.39	23.95	27.18	23.83	18.88
Price/Sales	2.30	2.11	3.46	3.35	2.66	2.59
Price/Book	4.74	2.86	4.76	5.05	4.41	2.97
LT Debt/Equity	0.96	0.88	0.84	0.90	0.92	1.04
Current Ratio	3.31	2.03	4.06	3.37	4.12	2.46
Dividend Yield	2.17%	2.21%	1.89%	2.08%	2.31%	2.87%
Market Capitalization, Weighted Avg (US\$B)	\$77.65	\$329.22	\$84.00	\$84.33	\$100.59	\$73.22
Market Capitalization, Median (US\$B)	\$14.37	Not Available	\$12.24	\$14.37	\$12.04	\$28.64
Turnover, Trailing 2-Yr Avg Annual	25%	-	33%	40%	10%	22%
Beta, Trailing 2-Yrs	1.18	1.03	1.04	1.01	1.10	1.10
Active Share	98%	-	94%	95%	96%	97%

<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 Sierra Club Green Alpha portfolio is driving progress toward the Next Economy

## JinkoSolar Holding (Sector: Energy)

- JinkoSolar is the world's largest solar panel manufacturer, and is highly vertically integrated, making ingots, cells, panels, and modules. JKS shipped 18-20 GW of modules in 2020, up from 14.2 GW in 2019. This focus on capacity expansion into a rapidly growing addressable market is valuable, as JKS maintains a leadership position in a competitive market. JKS distributes and earns revenues globally (70+ countries are active markets), thus mitigating political and trade-dispute-related growth obstacles.
- The company 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.

## 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.
- The exec team includes women in key positions of authority, including the CFO, CHRO, Sr. Director, and Head of Sustainability; there are four women (25%) on the board of directors.

## Moderna (Sector: Health Care)

- Discovery-to-clinical-stage biotechnology firm using messenger RNA to develop therapies and vaccines. Moderna's revolutionary science has potential applications for many areas, including oncology, infectious diseases, 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 and 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.

## Brookfield Renewable (Sector: Utilities)

- Brookfield is one of the world's leading zero-carbon, 100% renewables-based energy utilities. Their acquisition of TerraForm Power, as well as organic growth and other M&A activity, has given it 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.

## SunPower (Sector: Energy)

- SunPower is the top installer of solar PV for the commercial market in the U.S. five years running. Installations can also include battery storage systems.
- SPWR's deep relationship with sister-firm Maxeon Solar Technologies, gives them exclusive access to the world's highest-efficiency solar panels. Together with Maxeon, SPWR has been awarded more than 1,000 patents for solar innovation, many of which involve their co-branded "SunPower Maxeon cell technology."
- The exec team includes two key women, the Chief Legal Officer and the Corporate Controller & Principal Accounting Officer.

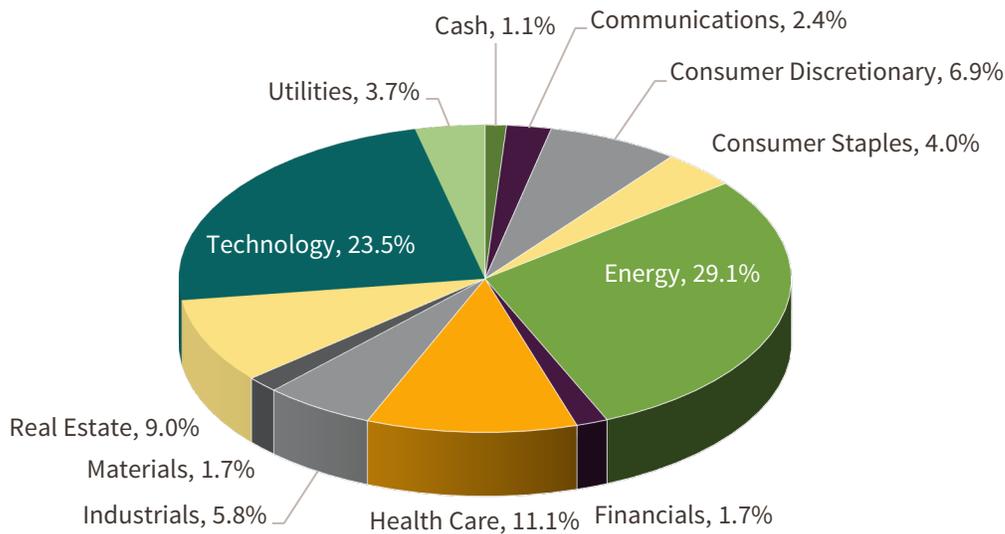
Company Name	Ticker	Weight
JinkoSolar Holding	JKS	5.03%
Vestas Wind Systems	VWDRY	4.00%
Moderna	MRNA	3.72%
Brookfield Renewable	BEPC	3.68%
SunPower	SPWR	3.53%
<b>% of Portfolio</b>		<b>19.96%</b>

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

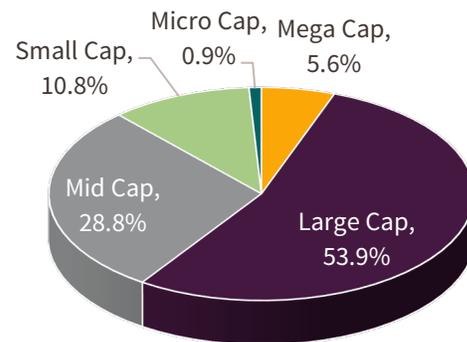
# Portfolio Allocations

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.

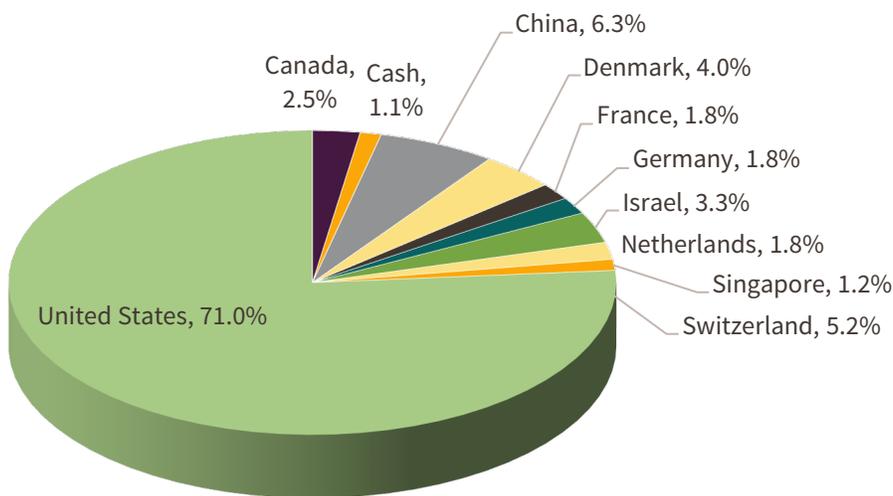
## Economic Sectors ††



## 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



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, the Sierra Club Green Alpha strategy returned 8.49% 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 Health Care and Technology.** In the Health Care sector, returns were overwhelmingly led by biotech, as the mRNA-based tech behind some COVID-19 vaccines continued to rally and other genomics therapeutics makers effectively demonstrated the efficacy of their technologies. Within Technology, 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, cybersecurity providers, and consumer electronics makers performing well.

**The two most detracting sectors from the Sierra Club Green Alpha's returns were Energy and Utilities.** Energy detracted 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 was the U.S.'s largest commercial solar installer and a global leader in microinverters for solar installations. The Utilities sector modestly detracted from returns as a renewable, utility-scale electric utility and a desalinization-based water utility both declined.

*\*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.*

# Important Disclosures

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- Sierra Club Green Alpha strategy performance results reflect actual performance for a representative account, net of actual management fees and transaction costs. Performance of other accounts managed in this strategy vary and may be higher or lower than the performance of the representative account. Assets managed in the Sierra Club Green Alpha strategy representative account receive a reduced fee from the standard fee schedule. Sierra Club Green Alpha strategy 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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