

# Sierra Club Green Alpha

September 30, 2021



## Green Alpha®

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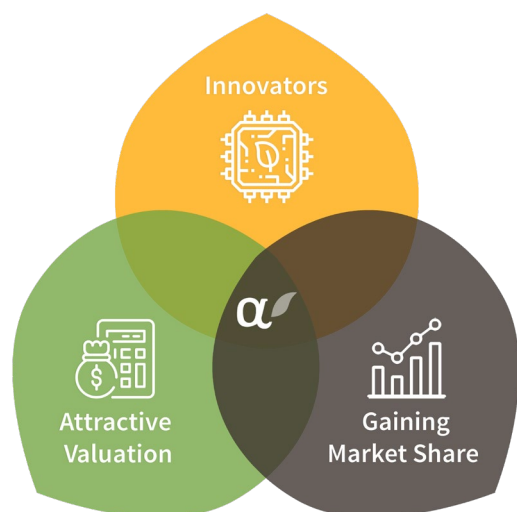
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### Investment Philosophy

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; do 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 a decrease from Current P/E to Forward P/E as revenue and earnings grow
  - ✓ **Compelling valuation:** demonstrated by Price/Sales and Price/Book metrics relative to growth expectations
  - ✓ **Strong balance sheet and management execution:** conveyed by capital stewardship, LT Debt/Equity, and 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 seek solutions wherever we can find them:** across the globe, in companies of all sizes, and 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	1,709	138	87	60	34
Active Share	97%	-	94%	95%	96%	98%
Sales Growth, Trailing 1-Yr	634%	41%	347%	176%	504%	373%
P/E, Current	31.02	18.83	29.04	31.76	26.53	24.43
P/E, 1-Year Forward <sup>†</sup>	24.26	16.34	22.33	25.48	22.04	20.20
Price/Sales	2.04	1.96	3.14	3.00	2.22	2.44
Price/Book	4.22	2.72	4.48	4.75	3.71	2.76
LT Debt/Equity	0.75	0.86	0.86	0.89	0.73	0.91
Current Ratio	3.02	1.99	3.54	3.05	4.36	2.05
Dividend Yield	2.28%	2.32%	1.85%	2.13%	2.54%	3.23%
Market Capitalization, Weighted Avg (US\$B)	\$95.00	\$340.00	\$91.57	\$90.91	\$106.66	\$72.61
Market Capitalization, Median (US\$B)	\$14.03	Not Available	\$12.17	\$13.97	\$10.00	\$35.18
Turnover, Trailing 2-Yr Avg Annual	22%	-	31%	36%	10%	30%
Beta, Trailing 2-Yrs	1.15	1.03	1.04	1.01	1.07	1.09

<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

## 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, and cardiovascular diseases. Robust early-and-advanced stage pipeline means future growth may be impressive even excluding revenues 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 is 40% female, including the 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.

## 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.

## 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.
- The company is led by a 29% female executive team and 33% female board of directors.

## Fortinet (Sector: Technology)

- Pure-play digital security firm providing both hardware and software to address security across the entire digital infrastructure including networked, application, multi-cloud, or edge environments.
- Ranks #1 in the most security appliances shipped worldwide, and 500,000+ customers trust Fortinet to protect their businesses.
- Well positioned in a massive and growing market as cyberattacks are on the rise, and more data is created and managed daily.
- Provider of broad cyber security training programs via the Fortinet Network Security Institute.
- Fortinet is led by a 20% female executive team and 38% female board of directors.

## 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 25% women, including chair of the Audit Committee.

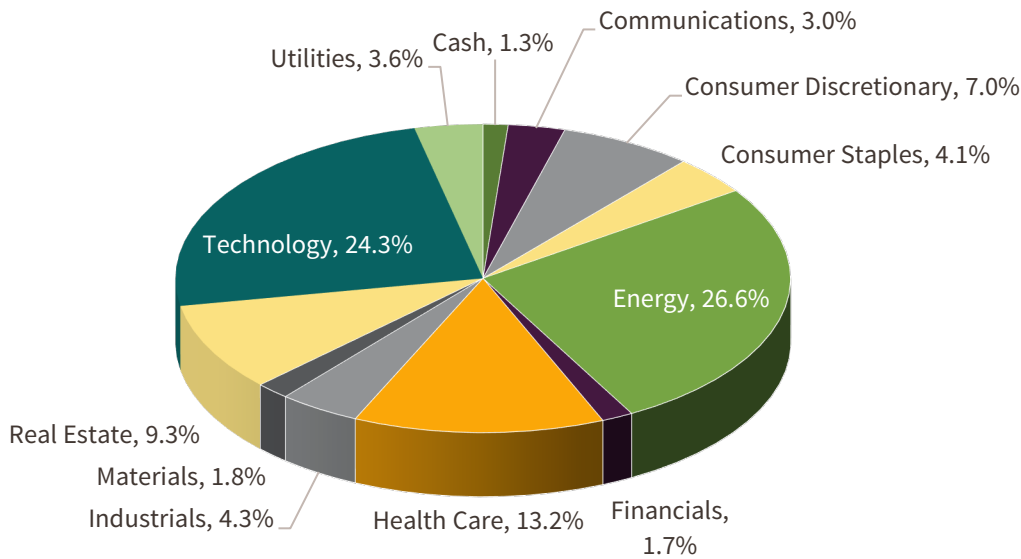
Company Name	Ticker	Weight
Moderna	MRNA	6.43%
Vestas Wind Systems	VWDRY	4.37%
JinkoSolar Holding	JKS	4.33%
Fortinet	FTNT	3.86%
Brookfield Renewable	BEPC	3.59%
<b>% of Portfolio</b>		<b>22.59%</b>

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

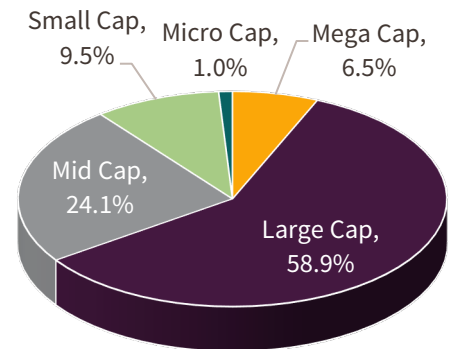
# Portfolio Allocations

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.

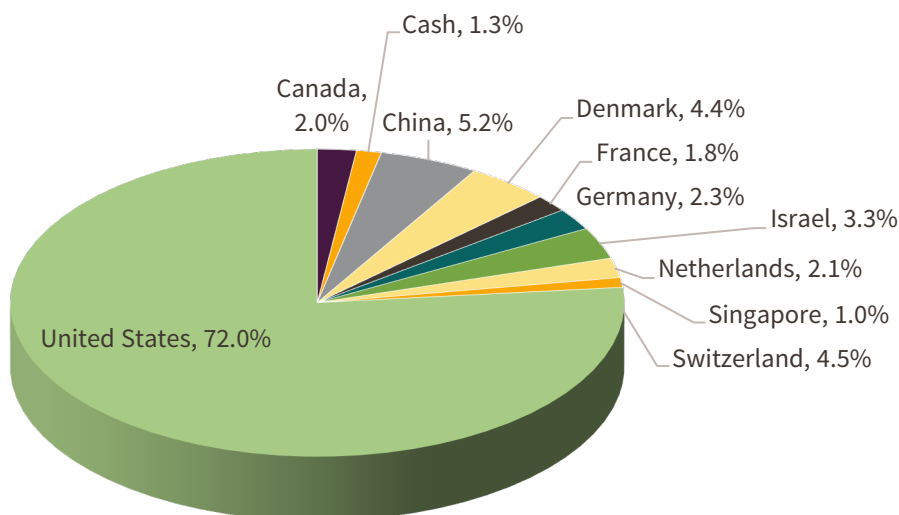
## Economic Sectors <sup>††</sup>



## Market Capitalizations

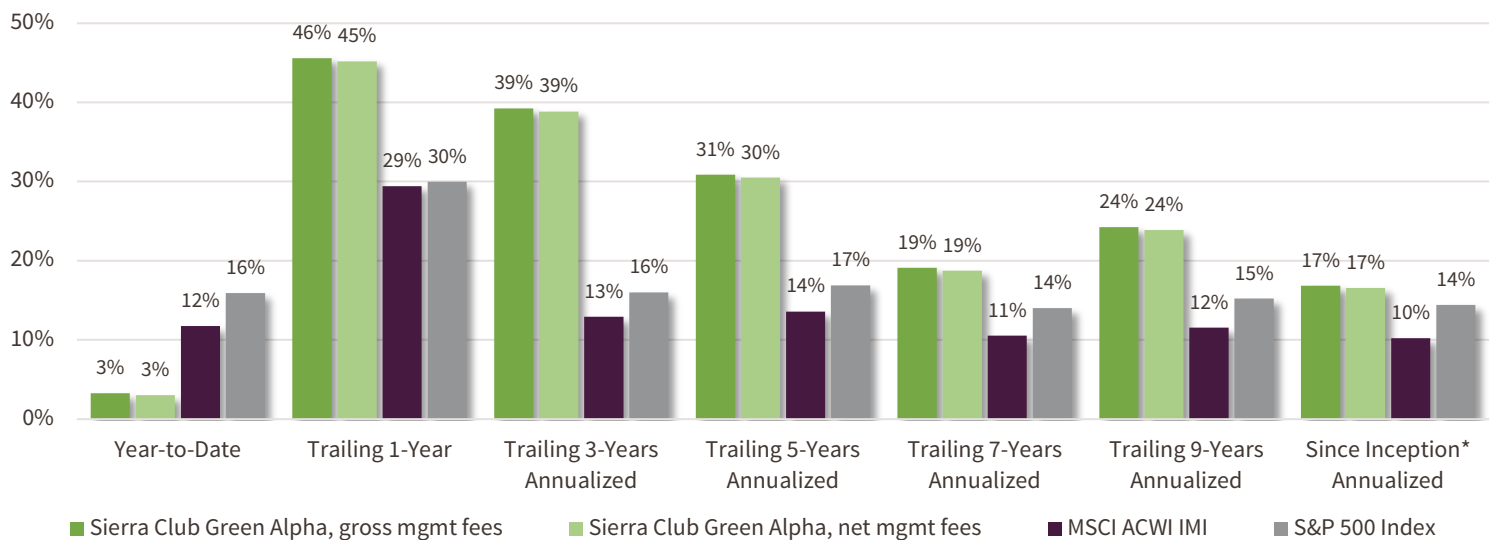


## Companies' Main Headquarters



<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 Q3 2021, several different, and at times countervailing, narratives and macroeconomic forces increased market volatility. Early in the quarter, buoyant economic data and a return-to-normal narrative led equities higher, underlining a general sense of optimism. But by quarter-end, bond selling due to fears of supply chain shortages, inflation, and interest rate increases began to rattle equity markets, and—perhaps unintentionally—pushed interest rates higher; rarely a good environment for share prices. This is especially true of perceived growth stocks and the shares of more innovative companies.

The underlying business results of our holdings have generally been strong, as innovators and fixers of the economy's worst risks gain market share. Exceptions have been companies hit by supply chain constraints and/or international trade disputes, and subsequent margin pressures caused by those things, primarily within the renewable energy industry. Renewable energy continues to proliferate globally. However, in the current difficult environment for obtaining basic resources and securing supply chains, tighter margins have resulted in some lower-than-expected earnings, particularly compared to 2020 results. We expect this to ameliorate as suppliers respond to meet demand and the simultaneous need for zero emissions energies continues to grow.

**Year-to-date, the Sierra Club Green Alpha portfolio returned 3.03% net of management fees, compared to its benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI IMI), returning 11.78%.**

**The top two contributing sectors to the Sierra Club Green Alpha's returns were Health Care and Technology.** In Health Care, the two biotech firms first to develop and distribute messenger RNA-based COVID-19 vaccines continued to add significantly to portfolio returns, although these gains were modestly offset by losses in other biotechs working on therapeutics for some of humanity's worst diseases. Within the Technology sector, gains were led by the infrastructure software industry, as demand for their products grew as a result of seemingly continual news about data breaches and ransomware attacks. Semiconductors also contributed meaningfully, with the front-end capital equipment sub-industry furnishing most of the gains as a global semiconductor supply chain squeeze continued to affect nearly every industry in the economy, permitting providers of equipment required to make semiconductors to raise prices.

**The two most detracting sectors were Energy and Utilities.** Renewable Energy detracted significantly from the strategy's returns year-to-date, as solar and wind equipment manufacturers experienced supply chain issues, and margin pressures grew worse as the year wore on. Solar inverter manufacturers also saw declines for similar reasons. The Utilities sector detracted from returns as a renewables-based, utility-scale electric utility declined on generalized concerns around economic growth and rising interest rates.

*\*Portfolio Inception: December 27, 2010. All returns presented above that are greater than 1 year in length have been annualized. Performance data quoted represents 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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- 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.”
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- 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.
- 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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- 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 ~9,226 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.
- The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. It is market-value weighted. The S&P 500 Index figures do not reflect any fees, expenses, or taxes. Investors cannot invest directly in this index.
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