Next Economy Select

March 31, 2022

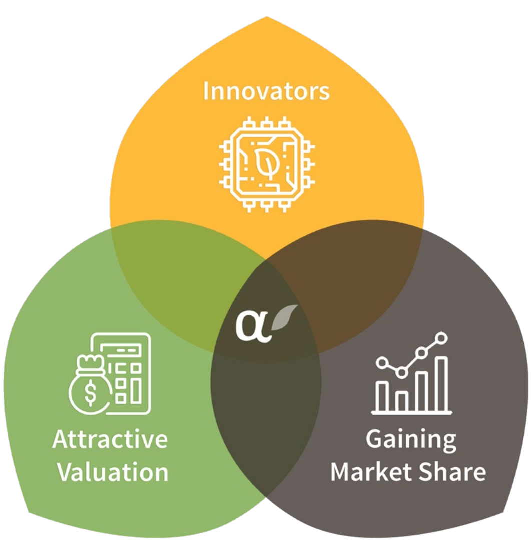
Green Alpha®

Contents

Investment Philosophy

We consider the greatest growth drivers of the twenty-first century to be high-functioning, inventive companies generating and accelerating solutions to system-level risks like the climate crisis, resource degradation, worsening inequality, and human disease burdens. Consequently, those companies are our chief opportunity for investments that preserve and grow clients' purchasing power.

Green Alpha's investment philosophy is straightforward: seek enterprises creating smart, scalable and rapidly evolving, economically-competitive solutions. Don't invest in companies causing global systemic risks.



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 diversified mutual fund, the strategy follows standard mutual fund 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 with consistent track records of increasing revenues and earnings, and expanding margins
- trading at compelling valuations for proven and expected growth, within acceptable levels of risk

Harness the Possibilities

Segment	Demand Outlook	Tailwinds	Headwinds
Zero-emission Transportation	+	• Scaling rapidly • Competitive total cost of vehicle ownership • Global gov't policies to limit or end ICE sales • Lethality of ICE emissions increasingly well known • Unbeatable user experience; ranges improving	• Incumbent ICE makers resistant to change • Incumbent dealer network resistant to selling EVs due to low maintenance profile • Non-universality of charging solutions • Length of charging time
Biotechnology	+	• Disruptive & transformative in medicine – limitless addressable market • One-and-done therapies less expensive than continuous legacy treatments of symptoms • Removing disease burden will greatly increase the productivity of the global economy • Also transforming materials & agriculture	• Still in preliminary stages • Extensive R&D required • Resistance from treatment providers • Gov't regulations slow to adapt • Progress is nonlinear & setbacks are inevitable
Renewable Energy	+	• Growing rapidly, gaining market share, represents large majority of new generation • Cheapest sources of energy • Key contributor to solving one of the greatest causes of the climate crisis	• Resistance from industry (e.g., fossil fuels & utilities) interests, including via gov't policies like no net metering, subsidies to fossil fuels companies, & red tape around renewable energy deployment

Technology & Data Infrastructure	+	• Wired, broadband, & satellite efficiency improving rapidly
		• Quantity of data flow increasing exponentially in era of data proliferation
		  – Requires speed, accuracy, & security
		  – Key to digitalizing, decarbonizing, & dematerializing the economy
			• Threats from bad actors
			• Stock-specific valuations can get relatively high, as the productivity gain benefits & need for the most innovative solutions is relatively obvious, & no major legacy incumbency is resisting

Artificial Intelligence & Machine Learning	+	• AI advancements make economic segments more productive, from advanced materials to medicine • Confluence between AI & ML is synergistic & transformative, enabling upstream advances • AI allows positive-sum confluence of multiple areas of new tech, including energy, fintech, biotech, medicine, robotics, & automation	• Some industries have slower adoption; key is selecting companies prioritizing beneficial AI acquisition • Adoption potentially slowed by workforce composition misperceptions • Could pose security threats if improperly deployed; can accelerate threats
Financials	+	• Huge addressable market of underserved population; AI-enabled fintech makes serving them possible & profitable • Best-in-class sustainable REITs are preferred homes to leading innovators, command premiums; sector includes renewable energy-powered data center REITs • Providing renewable energy financing for utilities, etc.	• Largest banks & investment institutions still investing to accelerate the climate crisis; careful stock selection is imperative • Greenwashing is pervasive in financial services; difficult for clients to disambiguate • Industry suffering from lack of inclusive banking & insurance options
Agriculture & Food	+	• Biotech & AI are making possible the end of pesticides, herbicides, & chemical fertilizers; farmland could regenerate • Consumers shifting to natural & organics • Transparent chain of custody: food safety, ethical labeling	• Clean freshwater is under threat • Distribution infrastructure often inadequate • Enormous levels of food waste exists
Water	+	• Elemental requirement for life • Opportunities to create more freshwater, track & measure where it is, & where it needs to be • Tech to find leaks & quickly resolve them	• Investment in old & aging infrastructure woefully insufficient • Regulations insufficient to protect supplies • Degradation by harmful industries

Macroeconomic Commentary

> The first quarter of 2022 was historic for the world, and dramatic for economies and markets. The dynamics involved are ongoing, so the geopolitical and economic story will continue to unfold, doubtless in surprising and unforeseen ways. Nevertheless, we can see new trajectories being established, and the picture thus far, though incomplete, provides some context.

First, the war in Ukraine. It is an unprovoked, needless, tragic, horribly destructive, ongoing series of war crimes, and must be condemned in the strongest terms. Geopolitically, it is a binary test for participatory democracy: will it stand up to and overcome authoritarianism, or will it, as it has so often before, dither and make excuses for why the dictator must be placated? The answer to this question will have severe and long-lasting impacts on civilization, scientific and cultural progress, and certainly on the world's economies. For example, will conflict erode social cohesion and trust, thereby reducing investment and trade, or will a resolute, unified response to the undisguised power grab foment trust and collaboration? These are medium and long-term questions; more proximally, the advent and continuation of the invasion has had several effects.

The economic picture is already complicated: an ongoing pandemic, supply chain shocks, inflation, tightening monetary policy. The invasion has added to each, further complicating the totality. The world must now deal with greater uncertainty around energy supplies and prices. If Europe should make the hard, but arguably correct, decision to cut off Russian oil and gas immediately and completely, Russia's war machine may be starved, but Europe's GDP would surely decline, potentially serving as a contagion for global recession.

The other side of that coin, one that so far has been beneficial to Green Alpha portfolios, is a growing conviction that renewable energies—being locally sourced, inexpensive, and non-volatile in price once installed—make a fantastic fortification against the current global paradigm of energy-as-a-potential-weapon. Renewable energy stocks were generally in decline in the year preceding the invasion but has since made a significant recovery. It seems likely the conflict will continue to catalyze the trends away from investing in fossil fuels and toward acceleration of renewables (albeit paired in the shorter run by a search for new sources of gas). This shift is fortunate on the climate front as well, as the IPCC warned us early in Q2 that the world has been dangerously underfunding the transition to renewables, to the extent that the COP26 agreements will be difficult to meet. Despite all the national, corporate, and financial services hollow words to net-zero goals, emissions of CO_2, CH_4, N_2O, and so on, are still not decreasing—they're accelerating. And yes, that's the result of the world's investment activities.

All this is causing a surge in energy prices, which is exacerbating inflation and leaving the world's central banks scrambling to determine appropriate responses to perhaps slow inflation without strangling economies and companies, the more indebted of which can ill afford large rate hikes.

The invasion of Ukraine is revealing the interconnectedness of the commodity systems—sourcing, distribution, and pricing—that underpin the global economy, and the vulnerabilities those systems have always been subject to. Though we've been discussing energy, food is critical in this picture as well: estimates are that combined Russian and Ukrainian grain exports provided 12% of the world's calories in 2021, and Russia is a dominant supplier of agricultural fertilizer. Some metals and other goods are core Ukrainian and Russian products as well. Disruption in these commodity systems adds further inflation pressures, placing additional stressors on central banks, policy makers, and consumers alike.

Still, we can invest to mitigate these risks. The opposite of vulnerability is diversification: diversification of energy sources, food supplies, lithium, and other materials critical to accelerate the energy transition, and so forth. For us at Green Alpha, the key to navigating all these risks—climate, geopolitical, and economic—is what it has always been: secure our portfolios against the destructiveness of these shocks by investing in the solutions to the risks that fuel them. Invest in and channel capital to greater energy security and independence, to lessen global warming, to greater social cohesion and trust. By believing that only solutions to these systemic risks have long term value—and investing that way—we position ourselves to earn competitive returns on a long-term average annual basis.

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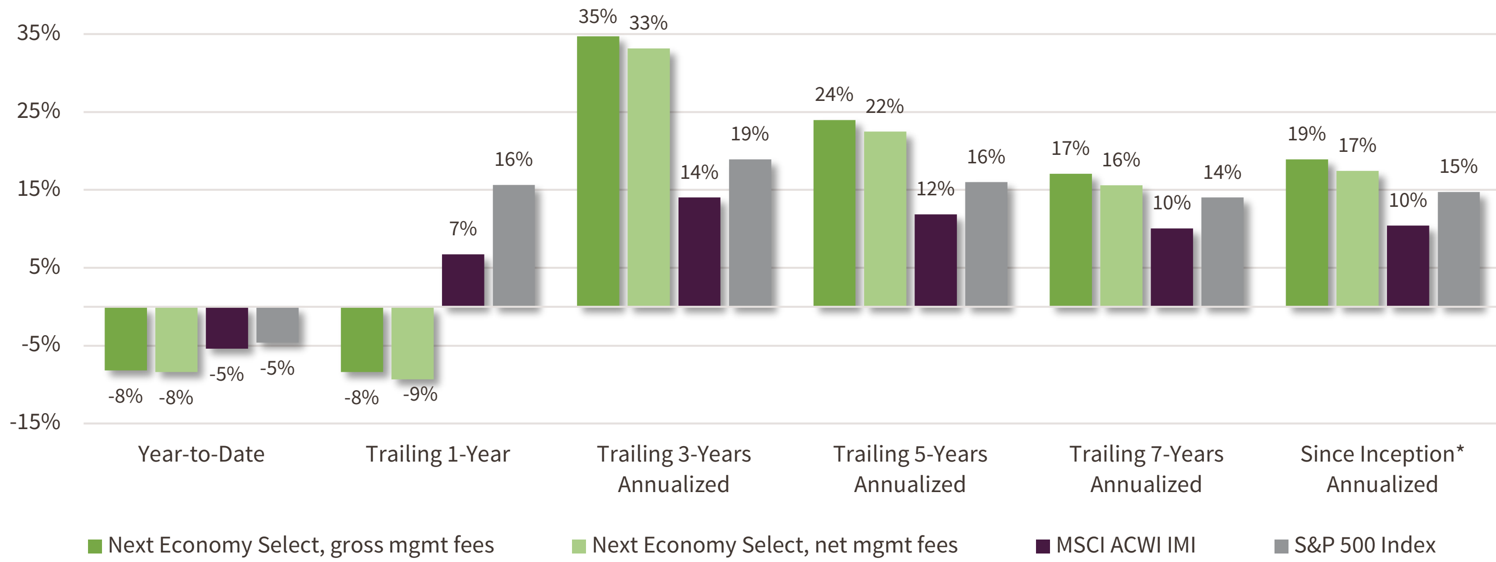
Portfolio Commentary & Performance



Predicated on this thesis, Green Alpha's portfolios consist of the most dynamic, innovative companies we can find, across all sectors, actively disrupting the destructive legacy economy and making the Next Economy safer and more economically productive. By selecting what we believe are the most fundamentally sound and well-managed exemplars, we are confident we've constructed portfolios positioned to resist the complicated risks of our economic future, and furthermore, to increase our clients' buying power into that future. We have conviction this will continue to be the case for our strategies, even during shorter-term periods of underperforming index benchmarks.

Rest assured: we won't revise our investment philosophy in response to short-term volatility, and you won't see style drift within our strategies. We're not here for that; we're here to build and benefit from the de-risked Next Economy.

For the first quarter of 2022, the Next Economy Select strategy returned -8.40% net of management fees, compared to its benchmark, the MSCI All Country World Investible Market Index (MSCI ACWI IMI), which returned -5.37%.

The two sectors detracting the most from the portfolio's returns were Health Care and Technology.

- Losses in Health Care were primarily from the biotech industry, as traders continued to shy away from growth names in a perceived flight to safety amid political and economic uncertainty. Also detracting in Health Care were Medical Equipment & Devices Manufacturing, with leading genome-sequencing equipment makers being generally grouped by markets into the biotech category.
- Within Technology, declines came from the semiconductor industry, with geopolitical and supply chain concerns weighing on shares across the value chain, from upstream capital equipment providers to midstream designers, developers, and manufacturers, and downstream to end-users. The software industry also declined modestly, mostly financial transaction processors.

Top contributing sectors to the Next Economy Select portfolio's returns were Utilities and Energy.

- Energy added the second most to returns, with a late-quarter rally by solar PV manufacturing, primarily driven by the war in Ukraine. This shed light on energy risks and the importance of locally-generated renewables, for both energy and geopolitical security, in addition to renewables' other established benefits.
- Gains in the Utilities sector were provided by a leading global electric utility, solely focused on generating renewables-based energy. Renewable energies did well in the latter half of the first quarter as geopolitical events highlighted the need for, and importance of, locally-generated, zero-carbon energies.

**Composite Inception: March 31, 2013. 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.*

Largest Positions

How the Next Economy Select portfolio is driving progress toward the Next Economy

Company Name	Ticker	Weight
Tesla	TSLA	5.34%
Brookfield Renewable	BEPC	4.99%
JinkoSolar Holding	JKS	4.77%
Vestas Wind Systems	VWDRY	3.97%
Taiwan Semiconductor	TSM	3.82%
Switch	SWCH	3.56%
Applied Materials	AMAT	3.48%
Moderna	MRNA	3.24%
CRISPR Therapeutics	CRSP	3.11%
IBM	IBM	2.92%
% of Portfolio		39.20%

Tesla *(Sector: Consumer Discretionary)*

- Tesla is a world-leading innovator of zero-emissions vehicles, energy and power solutions, and advanced AI including autonomous driving capabilities. Tesla is growing production capacity for all products, in a time of overwhelming demand, and is rapidly increasing both revenues and margins as a result. Their manufacturing innovations permit ultra high efficiency.
- Their software development capabilities are world class, enabling, for example, Tesla cars to use more and different semiconductor chips during the recent shortage by adjusting code to match new hardware. This meant that Tesla's production was not nearly as affected as other auto makers in 2021 or thus far in 2022. As evidence, Tesla established a new quarterly delivery record in Q1 2022, while most car OEMs reported supply-chain related declines in vehicle deliveries.
- Tesla is striving to run fully carbon zero and is making progress on waste-to-value in supply chains. Tesla does not landfill any lithium-ion batteries when their vehicles reach end-of-life—100% are recycled—and Tesla service centers will accept most consumer electronics at no charge. In addition, Tesla powers much of its global manufacturing with renewable energies (with a 100% goal) and intends to power all 30,000+ Supercharger stations with renewable energy by the end of 2022.

Brookfield Renewable *(Sector: Utilities)*

- Brookfield is one of the world's leading zero-carbon, 100% renewables-based energy utilities. Through project development, organic growth, and M&A activity, the company has grown to own ~21 GW of electricity production capacity with a pipeline of ~62 GW of renewable electricity generation capacity. Financially, Brookfield is conservatively managed, is continually looking for acquisitions at favorable prices, and has revenues largely backed by long-term power purchase agreements.
- BEPC: "Decarbonization will create an unparalleled commercial opportunity requiring $150+ trillion over the next three decades."

JinkoSolar Holding *(Sector: Energy)*

- JinkoSolar is among the world's largest solar panel manufacturers and is highly vertically integrated, making ingots, cells, panels, and modules. JKS distributes and earns revenues globally (70+ countries are active markets), thus mitigating political and trade-dispute-related growth obstacles. They have been able to largely withstand recent global supply chain disruptions.
- The world's top five module makers have 65-70% of global market share, making it difficult for smaller upstarts to gain traction. Of the top five, JKS alone has grown its global module market share from 11% to 15% in the last year. In March 2022, JKS announced that it's investing to add 30 GW of crystallization and wafers, 24 GW of high efficiency solar modules, and 100,000 tons of PV module aluminum frame capacity. Their flagship panel is rated at 25.4% efficiency, one of the most efficient available.
- JKS 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; and the company is planning to be run on 100% renewable energies by 2025.

Vestas Wind Systems *(Sector: Energy)*

- Vestas is the world's most advanced wind turbine manufacturer, and the global leader in onshore, offshore, and grid-connected installations. Vestas is also a leading service contract provider, which provides the company with meaningful higher-margin recurring revenue. Vestas' order intake velocity, always strong, has accelerated: 2.18 GW in new 2022 orders, which has pushed Vestas' delivery dates to the end of 2023 or early 2024, giving good transparency into revenue growth for the foreseeable future. The company's combined order backlog, as of February 2022, had reached a US dollar value of $51.5 billion.
- Vestas is targeting carbon neutral operations by 2030 and zero-waste production by 2040.

Taiwan Semiconductor *(Sector: Technology)*

- TSM is the largest semiconductor foundry in the world with a 54% market share overall and >85% market share among the most advanced chips. TSM is one of two companies capable of producing advanced 5-nanometer chips and is ahead on the next generation, preparing to produce 3-nanometer chips in 2022 via the most advanced technologies. TSM's Arizona plant will make advanced 5-nanometer transistors. TSM is a relentless competitor that has aggressively invested earnings in innovation and advanced equipment (such as ASML's EUV machines) over the last two decades while eschewing less competitive expenditures like share buybacks. The result is a (for now) nearly insurmountable lead in global advanced chip manufacturing.

Next Economy Select

How the strategy compares to its benchmark 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 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:** most investors' largest asset class; largest opportunity for impact

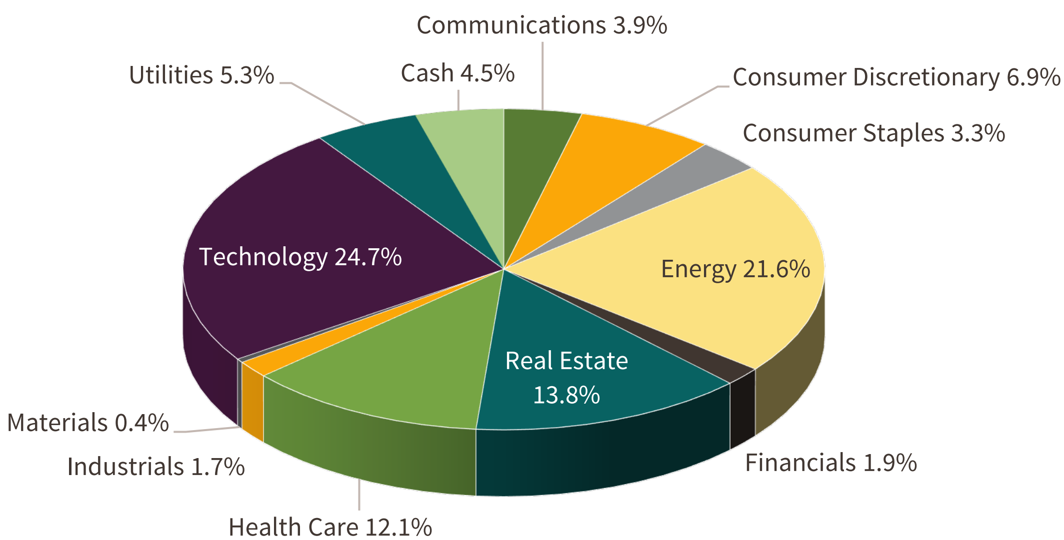
Characteristics	Green Alpha Next Economy Select	Benchmark: MSCI ACWI IMI (SPGM)	Green Alpha Next Economy Index	Green Alpha Next Economy Social Index	Green Alpha Growth & Income	Sierra Club Green Alpha
# of Securities	57	2,430	139	88	35	47
Active Share	96%	-	93%	95%	97%	96%
Sales Growth, Trailing 1-Yr	4,261%	39%	671%	504%	1,864%	2,640%
P/E, Current	17.79	17.26	21.82	24.64	16.16	19.86
P/E, 1-Year Forward†	20.10	15.71	21.09	23.88	18.28	22.99
Price/Sales	1.88	1.89	2.67	2.57	1.90	1.69
Price/Book	2.87	2.71	3.88	4.07	2.36	3.22
LT Debt/Equity	0.94	0.84	0.82	0.92	1.40	1.02
Current Ratio	3.12	1.90	2.87	2.71	1.77	2.80
Dividend Yield	2.35%	2.36%	1.85%	1.89%	3.50%	2.04%
Market Capitalization, Weighted Avg (US$B)	$149.09	$381.33	$121.92	$119.24	$69.79	$134.94
Market Capitalization, Median (US$B)	$8.59	Not Available	$10.24	$11.87	$32.19	$17.77
Turnover, Trailing 2-Yr Avg Annual	6%	-	20%	23%	25%	20%
Beta, Trailing 2-Yrs	1.19	1.04	1.11	1.09	1.07	1.21

The representative account utilized for portfolio characteristics and allocation of the Next Economy Select strategy is the Shelton Green Alpha mutual fund, ticker NEXTX. Due to the frequency and volume of cash flows into/out of the mutual fund, cash levels within and overall portfolio allocation of the mutual fund may be materially different than a separately managed account in the strategy. Please see the final page of this document for additional important disclosures about portfolio, benchmark, and characteristic information. *†† Bloomberg Industry Classification Standard.*

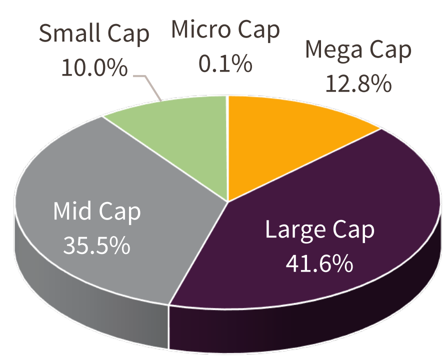
Portfolio Allocations

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.

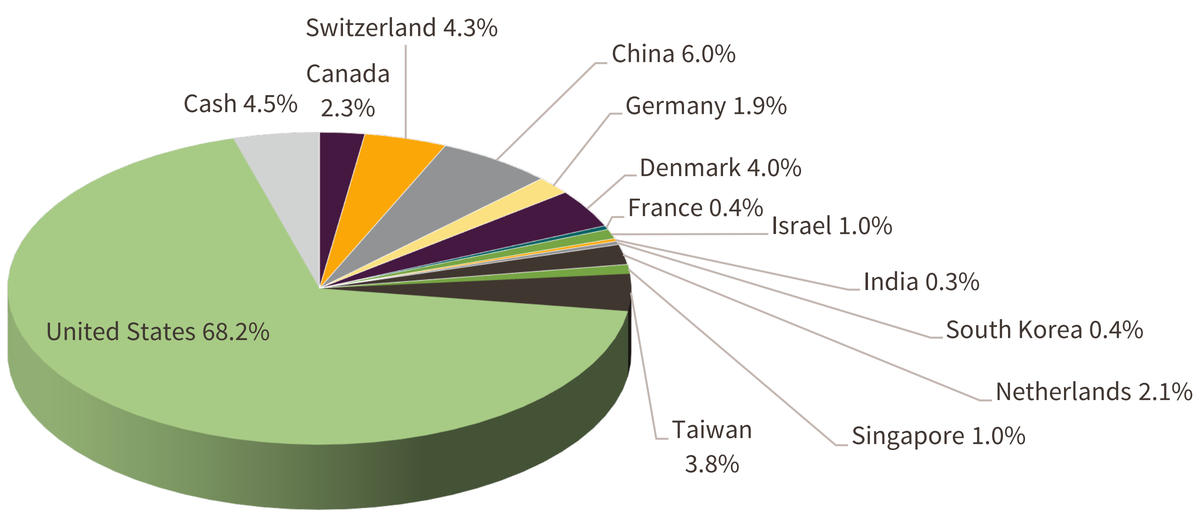
Economic Sectors ††



Market Capitalizations



Companies' Main Headquarters



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- 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 full-month periods under management with Green Alpha Advisors, LLC. Next Economy Select 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.
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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 more than 8,750 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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