Next Economy Select

June 30, 2022

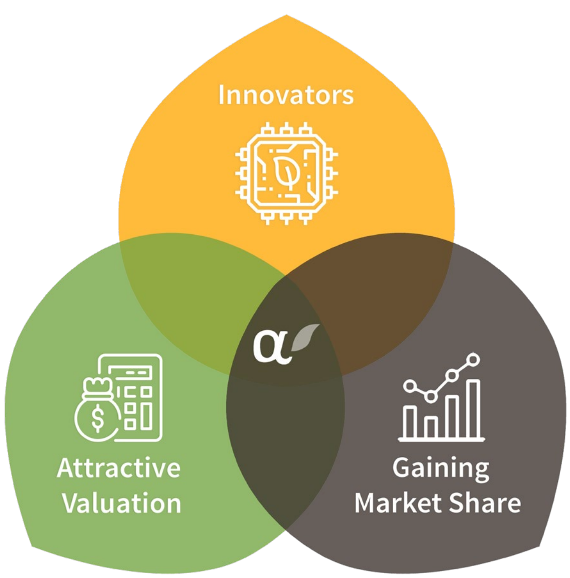
Green Alpha®

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

Largest Positions

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

Company Name	Ticker	Weight
JinkoSolar Holding	JKS	8.23%
Brookfield Renewable	BEPC	4.89%
Switch	SWCH	4.66%
Tesla	TSLA	4.02%
Taiwan Semiconductor	TSM	3.93%
IBM	IBM	3.82%
CRISPR Therapeutics	CRSP	3.62%
Vestas Wind Systems	VWDRY	3.40%
Moderna	MRNA	3.24%
Applied Materials	AMAT	2.89%
% of Portfolio		42.70%

JinkoSolar Holding *(Sector: Energy)*

- JinkoSolar (JKS) is one of the world's largest solar panel manufacturers and is the most vertically integrated, making ingots, cells, panels, and modules. JKS distributes globally (shipping to 160 countries) and manufactures products in the U.S., China, Malaysia, and Vietnam, thus mitigating political and trade dispute-related growth obstacles. They have been able to largely withstand recent global supply chain disruptions.
- JKS's solar module production capacity is projected to reach 60 GW in 2022. Of the top five manufacturers, JKS alone has grown its global module market share in the last year, ranking 1st in global shipments for four years.
- JKS is the top-ranked firm on the Silicon Valley Toxics Coalition's Solar Scorecard, receiving 100 out of 100 available points for sustainability of their operations. The company is planning to run on 100% renewable energies by 2025.

Brookfield Renewable *(Sector: Utilities)*

- Brookfield (BEPC) is one of the world's leading zero-carbon, 100% renewables-based energy utilities. The company has grown to own ~21 GW of electricity production capacity with a pipeline of ~69 GW of renewable electricity generation capacity, making the company one of the world's largest pure-play public renewable companies.
- Financially, Brookfield is conservatively managed, is continually looking for acquisitions at favorable prices and organic development to grow generation capacity, and has revenues largely backed by long-term power purchase agreements. The company's internal policy is to finance projects featuring a 12% or higher IRR.
- BEPC: "Decarbonization will create an unparalleled commercial opportunity requiring $150+ trillion over the next three decades." The company's renewable electricity generation displaces 11 million metric tons of emissions annually.

Switch *(Sector: Communications)*

- Switch, a long-time Green Alpha conviction name in the data center space as a builder and manager providing co-location, telecommunications, cloud services, and other services, has agreed to be taken private at a reasonable premium above market price. The deal is expected to close in the second half of 2022.
- Switch is the most sustainable technology infrastructure provider covered by Green Alpha, with all their data centers powered 100% by renewable energy, and in some cases owning large solar generating capacity co-located with facilities.

Tesla *(Sector: Consumer Discretionary)*

- Tesla is a leading innovator of zero-emissions vehicles, energy and power solutions, and advanced AI capabilities. They are growing production for all products and rapidly increasing both revenues and margins. Tesla established a new delivery record in Q1 2022, while most auto OEMs reported supply chain-related declines in deliveries. Tesla delivered 26.5% more vehicles in Q2 2022 than Q2 2021. They are expanding production capacity via new manufacturing facilities in Austin and Berlin, as well as speeding up production at existing plants. Shanghai alone is expected to reach a run rate of 1M+ vehicles/year by the end of 2022.
- Tesla is striving to be carbon zero and is making progress on waste-to-value in supply chains. They do not landfill any lithium-ion batteries when vehicles reach end-of-life—100% are recycled—and Tesla service centers will accept most consumer electronics for free. 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 (Tesla owns the world's largest charging network).

Taiwan Semiconductor *(Sector: Technology)*

- Taiwan Semiconductor (TSM) is by far the largest semiconductor foundry in the world with a 54% market share overall and greater than 85% market share among the most advanced chip makers. TSM is one of two companies capable of producing advanced 3-nanometer chips and is ahead on the next generation as it prepares to produce its 2-nanometer chips in 2023 via the most advanced foundry technology in the world. Their strategic Arizona plant will make advanced 5-nanometer transistors. TSM is a relentless competitor that has aggressively invested to grow production capacity and innovate while eschewing less competitive expenditures like share buybacks. The result is a *(for now)* nearly insurmountable lead in global advanced chip manufacturing.

Macroeconomic Commentary

“Though not inevitable, the probability of a U.S. recession increased in Q2 with the Fed significantly increasing interest rates to tame rising inflation. Although inflation hurts the economy, so does fighting it, and a slowdown in some sectors is already visible. At the end of Q2, the Commerce Department confirmed that the U.S. economy shrank 1.6% in the first quarter, downgrading their previous prediction. Commerce's report also showed that consumer spending rose at a much reduced 0.2% rate from April to May, and May to June it shrank outright, seemingly in response to inflation, but also possibly in response to the nonstop news narrative of an impending recession. Reductions in spending have led to retailers reporting they are experiencing inventory buildups, and some have planned price reductions as a result. In this we see the first inklings of inflation moderation.

On the growth side, rebounding sectors like hospitality and travel have had a hard time hiring employees fast enough as people return to restaurants, airports, and hotels. Evidently, the spending increases in May were for experiences rather than material goods, and amid the May-to-June spending slowdown, travel and leisure continued to grow. Unemployment is still at record lows and wage growth has doubled from 2019, which one would expect with two job openings currently available for every unemployed person. In addition, the end of Q2 saw data indicating that manufacturing supply chains are getting back on track in key industries like semiconductor manufacturing—another potential deflationary influence. The economic picture is far more complex than a ‘looming recession,’ and the next 12 months could turn out to be very surprising in any number of ways, no doubt both boosting and detracting from stock market valuations.

In energy, the recent spike in oil and other fossil fuel prices has pushed a more rapid increase in renewable and clean energy development. Data shows that investment in global energy—mostly in clean energy—is projected to increase by 8%, reaching $2.4 trillion in 2022 alone. Although these trends are encouraging, they are nevertheless insufficient to fix either the current energy crisis in Europe (and elsewhere) or the climate crisis. The IPCC report released on April 4th made special effort to warn the world that the transition to renewables has been underfunded—to the extent that the COP26 agreements will be difficult to meet. The gap between written pledges and financial investments to meet those pledges is significant and ultimately must be addressed. As awareness of this disconnect advances, we expect the emergence of further catalysts in the energy sector.

During the first half of 2022, most major global indexes, including the MSCI ACWI IMI and the S&P 500 Index, benefitted from exposure to fossil fuels suppliers and producers, which rallied for most of the period. Green Alpha believes that fossil fuels are in the throes of a long-term pattern of demand (therefore price) destruction, and that their current rebound is a temporary condition that will be repeated less often, as the economic transition to sustainable energies and transportation is further established.

What all this signifies is that we can and should continue to expect the unexpected. For Green Alpha, that means remaining fully invested in our long-term thesis of transition from existing economics to Next Economics™. In the face of all the complexity occurring amid and contributing to the current bear market in equities, Green Alpha strategies as a group held up relatively well during Q2. Although our portfolios underperformed our own stated benchmark, the IMI, we did realize outperformance versus leading growth indexes, which generally share our lack of exposure to fossil fuels.

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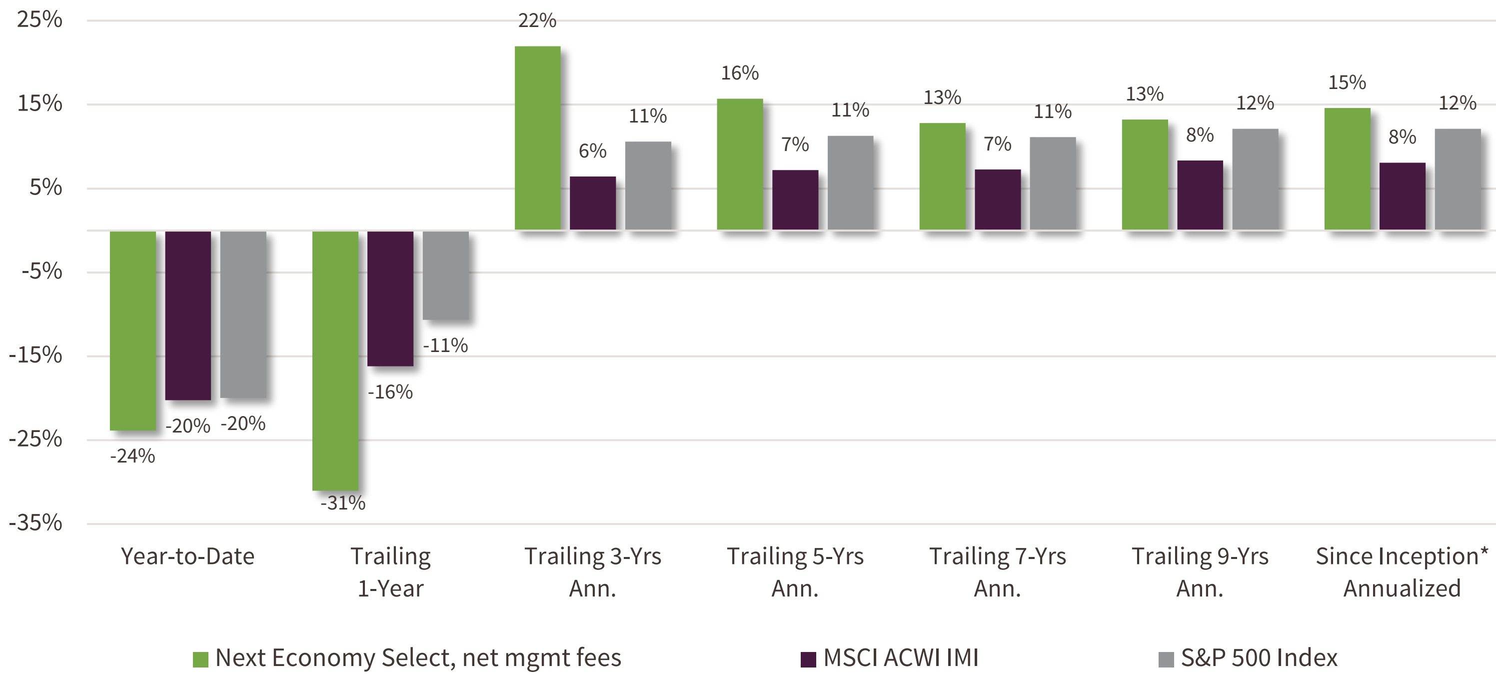
Portfolio Performance & Commentary



Likely due in part to the interest rate pressure here in the States, U.S. companies generally underperformed foreign-domiciled companies year-to-date. All Green Alpha portfolios have greater exposure to U.S. companies compared to the MSCI ACWI IMI. Furthermore, our exposure tends to consist of companies exhibiting high growth characteristics; meaning that year-to-date, most of our portfolios experienced the dual negative impact of exposure to more U.S. companies, as well as ones that are growthy and thus out of favor in the market. In the Next Economy Select portfolio, U.S. exposure detracted a whopping 5.2% from returns relative to the MSCI ACWI IMI.

For the first half of 2022, Green Alpha's Next Economy Select strategy returned -23.8% net of management fees vs. its benchmark, the MSCI All Country World Investible Market Index (MSCI ACWI IMI), which returned -20.2%.

The sectors that detracted the most from the Next Economy Select portfolio returns were Technology and Health Care.

- Technology was down across subsectors, as the secular rotation away from growth and toward perceived value and "safety" continued its pattern from Q1. Losses were led by the portfolio's exposure to leading companies in the semiconductor value chain, including the world's most productive and advanced foundries, chip designers, and vertically down to packaging and device fabrication. Software and hardware leaders added to declines, although more modestly.
- In Health Care, losses were primarily from exposure to the Biotech and Pharma industry, followed by the Medical Equipment and Devices industry. Here again, broad rotation away from growth played a meaningful role in the pullbacks.

The top two contributing sectors in the Next Economy Select investment strategy were Energy and Communications.

- In Energy, gains were led by a global provider of mono- and polysilicon wafers and ingots upstream of the Solar PV Manufacturing industry, and a top global maker and distributor of finished solar PV panels and modules.
- In Communications, gains were provided by a leading green data center builder and manager.

**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.*

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

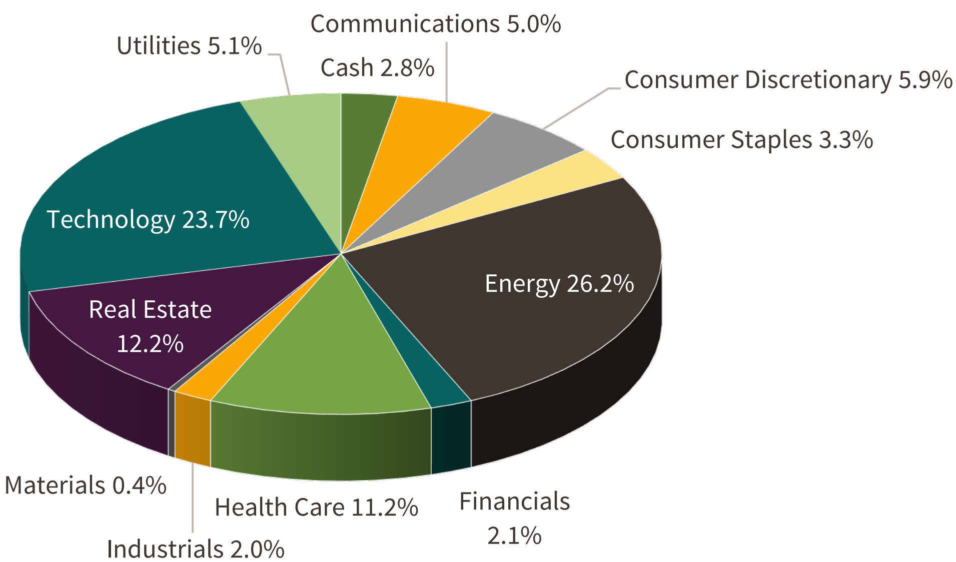
Characteristics	Green Alpha Next Economy Select	Benchmark: MSCI ACWI IMI (SPGM)	Green Alpha Next Economy Index	Green Alpha Next Economy Social Index	Green Alpha Growth & Income	Sierra Club Green Alpha
# of Securities	59	2,413	145	100	35	47
Active Share	96%	-	93%	95%	97%	96%
Sales Growth, Trailing 1-Yr	3,186%	43%	3,037%	5,302%	1,402%	1,940%
P/E, Current	15.89	14.50	16.11	16.46	14.01	18.35
P/E, 1-Year Forward†	17.24	13.25	16.28	16.92	15.59	19.91
Price/Sales	1.44	1.55	2.10	1.91	1.47	1.30
Price/Book	2.40	2.27	2.57	2.23	2.01	2.75
LT Debt/Equity	0.87	0.84	0.70	0.67	1.25	0.86
Current Ratio	3.13	1.79	3.46	3.37	1.80	2.54
Dividend Yield	2.93%	2.82%	2.64%	2.57%	4.31%	2.43%
Market Capitalization, Weighted Avg (US$B)	$95.13	$289.82	$65.40	$62.13	$58.41	$87.90
Market Capitalization, Median (US$B)	$6.11	Not Available	$7.85	$6.94	$26.61	$15.16
Turnover, Trailing 2-Yr Avg Annual	5%	-	31%	39%	23%	18%
Beta, Trailing 2-Yrs	1.16	1.00	1.14	1.15	0.93	1.16

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.

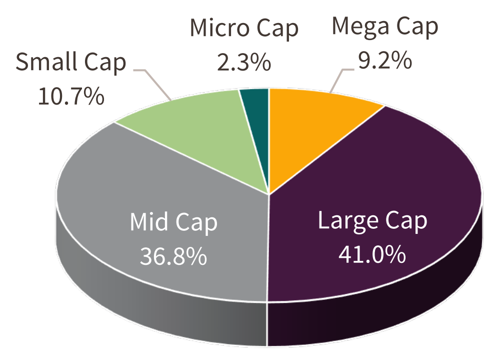
Portfolio Allocations

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.

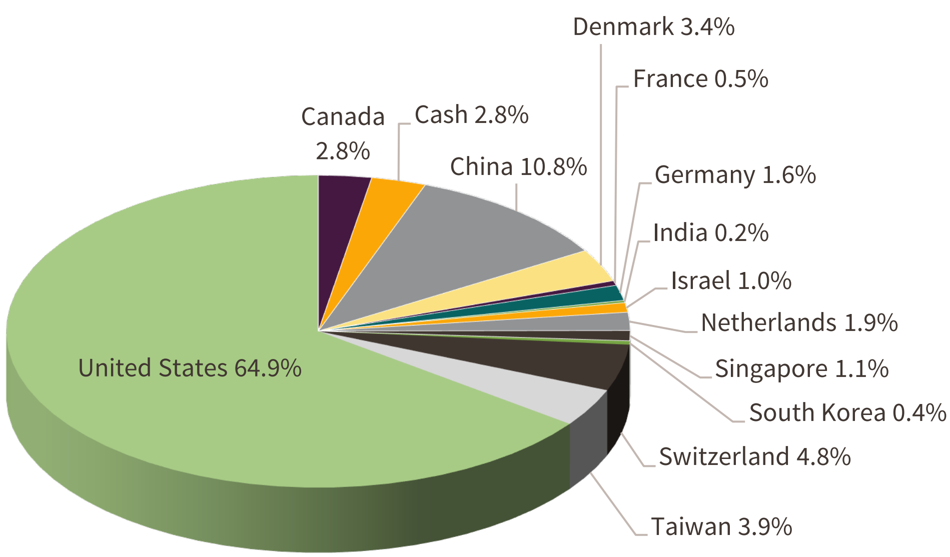
Economic Sectors ††



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 Investments. 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.
- From the strategy's inception through June 30, 2021, performance data are sourced from Bloomberg Finance L.P. Beginning June 30, 2021, the composite and all performance results are maintained and calculated by Green Alpha's portfolio accounting system Advent APX.
- Actual advisory fees may vary among clients with the same investment strategy. Green Alpha's standard fee schedules are available within Form ADV Part 2. For those details and additional legal information, please see information and files here: http://greenalphaadvisors.com/about-us/legal-disclaimers/.
- Regardless of time frame, all characteristics information presented throughout this document are sourced from Bloomberg Finance L.P. and are based on a representative account rather than the full composite. The representative account is the Shelton Green Alpha Fund (ticker NEXTX) since it is the investment vehicle that started the strategy.
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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.
- 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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