

DiversiTerra

March 31, 2024

Green Alpha[®]

Largest Positions	2
Macroeconomic Commentary	4
Performance and Attribution Commentary	5
Portfolio Characteristics	6
Sector, Geographic, and Market Cap Allocations	7
Disclosures	8

Investment Philosophy

Today's economy derives its most significant growth from innovative, high-performing businesses actively developing and expediting economic productivity gains, and those expanding solutions addressing critical systemic issues such as the climate crisis, resource degradation, inequality, and diseases.

These companies represent the most promising investment opportunities for both safeguarding and increasing our clients' capital.

Green Alpha adheres to a straightforward philosophy: we actively seek out companies pioneering swiftly scalable and rapidly adaptable, economically competitive solutions.



Why Invest in DiversiTerra?

- Active research, stock selection, and portfolio mgmt
- Invests in a curated selection of the most diverse and promising companies in our Next Economy™ universe
- 45-65 global, market-leading, solutions-oriented companies led by diverse executive teams and boards

Inception: March 31, 2018

Vehicle: Separately Managed Accounts

Research

We aim to identify companies meeting the following criteria:

- They offer products and/or services that mitigate the risk profile of the global economy by providing solutions to pressing economic and environmental challenges.
- Companies allocating a significant portion of revenue to R&D, CapEx, and possessing more IP than their peers.
- Those led by shareholder-aligned, effective, and diverse executive teams and BODs with a record of increasing revenues and expanding profit margins, which in turn drives earnings growth.
- Companies with prudent capital allocation priorities and strong balance sheets.
- Those with shares trading at attractive valuations relative to proven and anticipated growth prospects.

Portfolio Construction

DiversiTerra invests in companies led by diverse executive teams and boards, as numerous critical metrics indicate that diverse groups outperform homogeneous ones. DiversiTerra represents a carefully curated subset of Green Alpha's Social Index and is an actively managed gender-lens portfolio.

Our approach underscores the fact that diverse teams tend to be more effective, while also acknowledging that women are disproportionately affected by the climate crisis, resource degradation, and inequality. Consequently, investments in solutions to those crises can have a strong positive impact on women, making them major beneficiaries of shifts to sustainability.

Largest Positions

How DiversiTerra is driving progress toward the Next Economy

IBM (Sector: Technology, Industry: Software & Tech Services)

- IBM is a global technology leader driving innovation to tackle the world's most pressing challenges. After its strategic divestiture, the company focuses on areas with significant future growth potential:
 - Hybrid Cloud: IBM offers advanced hybrid cloud solutions, including hardware, software, and services, empowering businesses to manage their complex IT environments across public, private, and on-premises clouds.
 - AI & Automation: A pioneer in artificial intelligence, IBM's Watson platform and other AI solutions optimize decision-making, improve customer experiences, and enhance operations across industries.
 - Cybersecurity & Blockchain: IBM prioritizes data protection with leading-edge cybersecurity offerings. It also explores the transformative potential of blockchain technology for secure and transparent transactions.
 - Quantum Computing: IBM is at the forefront of quantum innovation. Their IBM Quantum platform and Qiskit open-source SDK democratize access to quantum computing, driving exploration and discovery for researchers and businesses alike.
- Commitment to Progress: IBM believes its technologies will "exponentially alter the speed and scale" of problem-solving, aligning with its mission of accelerated discovery.
- Diversity & Inclusion Focus: While IBM still has room for improvement, the company demonstrates awareness and efforts through strong pay equity initiatives and female representation in several key senior leadership roles (23%). Importantly, both the management team and board of directors have a 20-year age spread.

Lam Research (Sector: Technology, Industry: Semiconductors)

- Lam Research is a global leader in the design, manufacture, and service of advanced equipment used to create the semiconductor chips powering our digital world.
- The company's cutting-edge technologies in deposition, etching, cleaning, and other processes enable the production of smaller, faster, and more energy-efficient chips. This drives innovation in industries such as AI, 5G, automotive, and cloud computing.
- Lam Research's commitment to innovation is evident in its significant R&D investments, resulting in over 17,000 patents granted or pending. This focus fuels technological breakthroughs in semiconductor manufacturing. A Q1 example of this leadership was in the announcement the world's first production-oriented pulsed laser deposition (PLD) tool to enable next-generation MEMS-based microphones and radio frequency (RF) filters.
- Lam serves a global customer base of leading semiconductor companies. Their collaborative partnerships and focus on customer needs solidify their position as a driving force within the industry.
- The company supports diverse perspectives with female representation on the executive team, including roles in Corporate Strategy, Legal, HR, and Communications.

CRISPR Therapeutics (Sector: Health Care, Industry: Biotech & Pharma)

- Their Core Innovation: CRISPR-Cas9 technology allows for precise editing of DNA sequences. With CRISPR, scientists can potentially correct the underlying cause of genetic disorders, rather than just addressing the symptoms.

CRISPR Therapeutics, Brookfield Renewable, and Sprouts' Next Economy attributes are on the following page.

Company Name	Ticker	Weight
IBM	IBM	5.31%
Lam Research Corp	LRCX	4.70%
CRISPR Therapeutics	CRSP	3.99%
Brookfield Renewable	BEPC	3.55%
Sprouts Farmers Market	SFM	3.54%
Trex Company	TREX	3.19%
Arista Networks	ANET	2.98%
Moderna	MRNA	2.90%
Natural Grocers by Vitamin Cottage	NGVC	2.81%
Palo Alto Networks	PANW	2.49%
% of Portfolio		35.72%

Largest Positions *continued*

CRISPR Therapeutics *continued*

- Transforming "Untreatable" into Curable: Many devastating genetic conditions currently lack effective treatments. CRISPR technology holds the promise of developing cures by directly targeting and correcting the faulty genes at the root of these diseases. CRISPR Therapeutics' core focus areas:
 - CRISPR/Cas9 Gene Editing: They utilize the revolutionary CRISPR/Cas9 technology, which allows for precise editing of DNA, opening doors for treating genetic diseases and modifying cell functions for therapeutics.
 - Ex Vivo Therapies: They primarily utilize ex vivo therapies, where cells are extracted from a patient, edited outside the body, and then reintroduced, providing a personalized and potentially curative approach.
 - Diverse Pipeline: They are developing a broad range of therapies, including hemoglobinopathies like sickle cell disease and beta-thalassemia, oncology for various cancers, regenerative medicine, and rare diseases.
- Key Achievements and Milestones:
 - Exa-cel (CTX001): Their leading therapy for sickle cell disease and transfusion-dependent beta-thalassemia has conditional marketing authorization in some countries and continues to show promising results in clinical trials.
 - Partnerships: They actively collaborate with leading pharmaceutical companies and research institutions, including Vertex Pharmaceuticals, the University of California Berkeley, and Editas Medicine.
 - Investment in R&D: They continually invest in research and development, exploring new applications of CRISPR/Cas9 technology and expanding their pipeline of potential therapies.
- Women in executive leadership include the Chief Medical Officer, Head of Programs and Portfolio Management, and the Chief HR Office, and the leadership team has an above-average age spread of 31 years. The board is 22% female.

Brookfield Renewable (*Sector: Utilities, Industry: Electric Utilities*)

- Brookfield is a renewable power company that owns and operates a portfolio of solar, wind, hydroelectric power generation, and energy storage facilities across North America, South America, Europe, and Asia. As one of the largest publicly traded renewable power platforms globally, they boast ~8,000 power generating facilities, with installed capacity surpassing 31,300 MW. In the first half of 2023, the company commissioned roughly 1,500 MW of new capacity, further expanding its footprint. Moreover, during the second quarter of 2023, Brookfield announced the acquisition of Duke Energy Renewables, a strategic move expected to generate robust cash flows and enhance their market position.
- Known for its conservative management approach, Brookfield consistently seeks strategic acquisitions at attractive valuations while fostering organic growth to expand its generation capacity. Their revenues are largely secured through long-term power purchase agreements (PPAs), providing stability and predictability to cash flows. Notably, their business model exhibits resilience in the face of inflation, as its generating costs remain fixed while its PPAs are indexed to inflation. This unique characteristic positions the company to potentially benefit from inflationary environments.

Sprouts Farmers Market (*Sector: Consumer Staples, Industry: Retail*)

- Sprouts is a specialty grocery chain emphasizing healthy options with a large selection of produce, bulk foods, vitamins and supplements, and other natural and organic products. Their aim is to make healthy eating accessible and affordable, offering quality products at competitive prices. Their focus on affordability complements their health-conscious brand.
- They boast consistent revenue growth and are strategically expanding their store footprint, particularly smaller-store formats. They currently operate 400+ stores in 23 states. Omnichannel Presence & Convenience: Sprouts recognizes the evolving shopping landscape. They offer online ordering and delivery alongside their physical stores.
- Private Label Strength & Value Proposition: Sprouts offers a robust selection of their own private-label brand products, ensuring quality and value for their customers. Control over product lines allows them to maintain competitive pricing.
- The company demonstrates a commitment to diversity and inclusion, which can be a positive indicator of long-term stability. Their Chief Forager, CMO, and Chief HR Officer are each female, as is 25% of the board of directors.

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

Macroeconomic Commentary



The first quarter of 2024 revealed a more-persistent-than-hoped picture of inflation. While showing significant deceleration compared to 2023 peaks, inflation rates remained stubbornly above central bank targets. This defied earlier expectations of a rapid return to price stability, forcing a retrenchment in interest rate expectations. The Federal Reserve, and its global counterparts, signaled that rates will likely stay higher for longer than previously anticipated. Stock markets, with their fixation on immediate, and even incorrect but narrative-promoted results, entered a realm of extreme short-termism. Share prices became increasingly volatile, exhibiting rapid reactions to the smallest shifts in inflation data or monetary policy announcements. The focus on short-term fluctuations often overshadowed longer-term trends during the period; therefore, overlooked potential growth opportunities.

Disruptive sectors like electric vehicles (EVs) and renewable energy faced misleading criticisms in Q1. Despite visible [growth](#) and [advancements](#), narratives emerged suggesting a slowdown in EV demand and the [failure of the renewable energy transition](#). These narratives circulated primarily among market commentators, who focused on short-term share price dips. This underscores a dangerous disconnect between on-the-ground business results and their corresponding stock performance.

Some Key Observations and Themes from the Quarter

- **Resilient, but Weakening Consumer:** Consumer spending, a prime driver of the economy, showed signs of strain due to high prices and borrowing costs. Yet, household balance sheets remained strong, providing a buffer for consumption.
- **The Labor Market Paradox:** Job reports continued to defy expectations with low unemployment and [robust job growth](#). This, however, increased wages and contributed to the sticky inflation. It raised concerns about a potential wage-price spiral.
- **Geopolitical Volatility:** Renewed geopolitical tensions impacted energy prices and global supply chains, creating further hurdles for policymakers trying to tame inflation.

EVs and the Green Transition: A Reality Check

The skepticism directed towards EVs and renewable energy in Q1 stems from a misunderstanding of long-term transformational trends. While short-term fluctuations in demand or input costs exist, the broader trajectory remains undeniably clear:

- **EV Adoption is Accelerating:** Sales of EVs continued their upward trend. Major automakers ramped up production to meet demand. Charging infrastructure steadily expanded, further driving adoption. China's leading EV makers are producing [compelling cars at extremely competitive](#) prices relative to internal combustion engine automobiles.
- **Renewable Energy Installations are Soaring:** Deployment of wind and solar grew significantly, driven by falling costs and favorable policy support. Storage technologies continued to improve, addressing intermittent supply concerns.

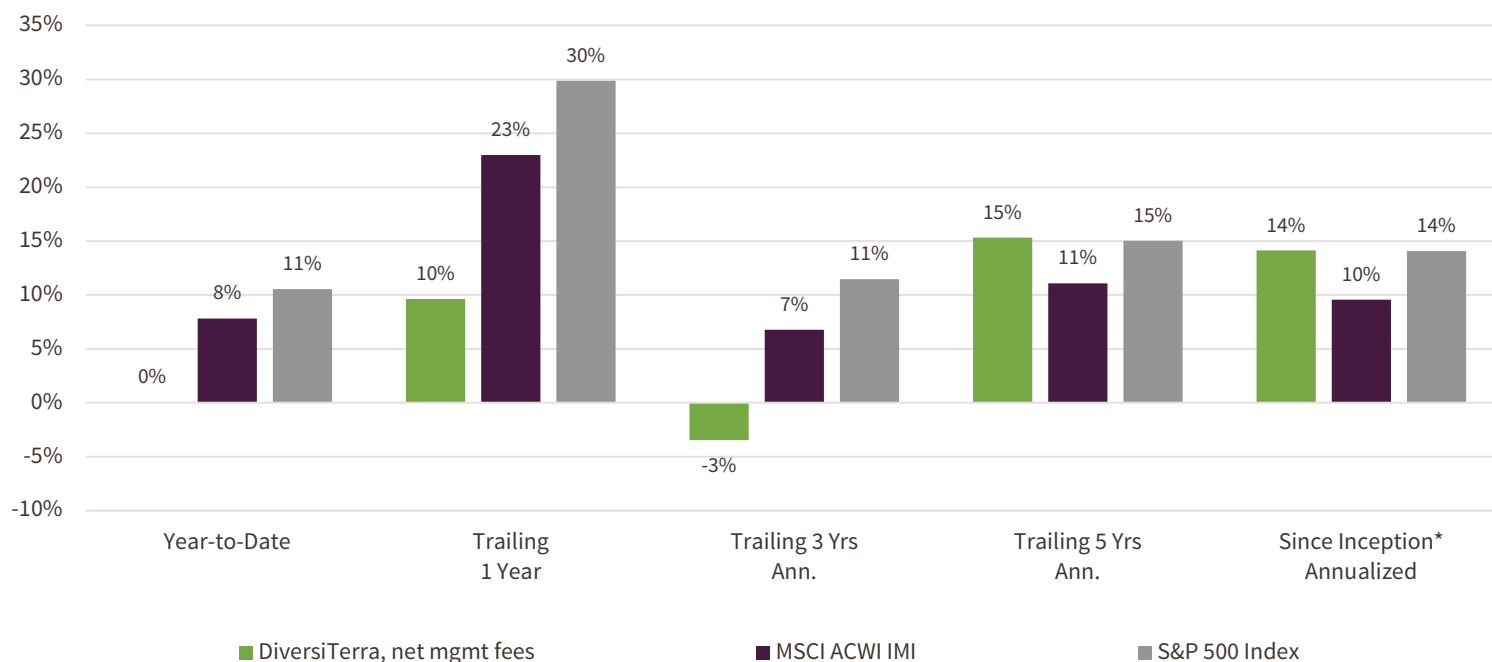
The Stock Market Disconnect

The negative narratives around promising sectors contrasted starkly with their business fundamentals. Many EV manufacturers reported record production and sales in Q1, with strong growth projections. Renewable energy companies [announced](#) major capacity expansions. This performance was decoupled from stock valuations, suggesting that the market remains fixated on immediate returns, missing the potential of future growth.

Conclusion

Q1 2024 demonstrated that taming inflation would be a more arduous task than many had hoped. It also highlighted a market environment where short-term noise reigns, threatening to overshadow promising long-term economic shifts. Discerning investors can navigate this landscape by grounding their decisions on verifiable data—as opposed to on narrative—and a recognition of the transformational forces at play in the global economy.

Portfolio Performance & Commentary



For the first quarter 2024, the DiversiTerra portfolio returned 0.06% net of management fees, versus its benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI IMI), which returned 7.82%.

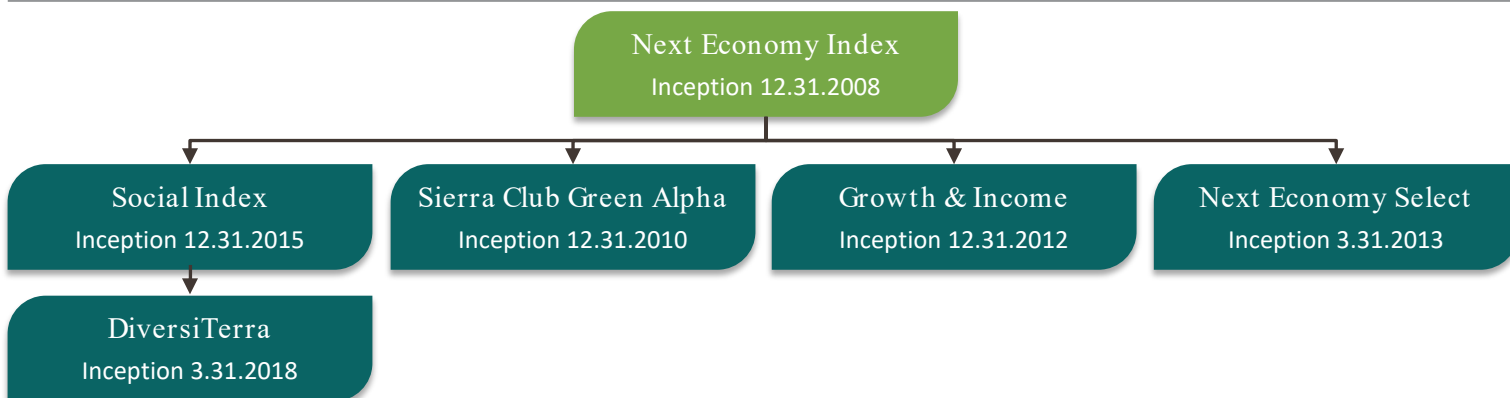
The sectors detracting the most from the strategy's returns were Energy and Real Estate.

- Within the Energy Sector, underperformance versus the benchmark was the result of the portfolio's exposure to renewable energy—specifically wind turbine manufacturing and service, U.S. residential solar installers, energy storage, and many balance-of-systems providers such as inverter makers, and cabling and distributed system providers. Interestingly, the business results for many renewable energy companies were quite strong in the quarter, revealing a continuing disconnect between markets and reality, which we believe is the result of a prevailing negative news narrative.
- While the Real Estate sector's returns were negative overall, company-specific share price returns were mixed, with two of the stocks being up and four declining. The most negative names were in the sustainable office REIT area, and a specialty REIT focusing on renewable energy projects and efficiency projects financing. Losses were partially offset by gains in a data center REIT and a biotech-focused lab REIT.

The strategy's top performing sectors were Technology and Consumer Staples.

- Technology was the best performing sector. Semiconductors, including the entire value chain, from design to hardware sales, contributed meaningfully to returns, followed by tech hardware and storage, and IT services. Consumer electronics, technology services, and financial transaction processes also contributed. Software was the sole detracting industry, but even here, it was a mixed bag as security and application software declined, and engineering software was up.
- In Consumer Staples, gains were led by consumer products and retailers, including natural and organic food and beverage makers, and the retail locations that distribute them. We note that consumers remained resilient during Q1 and continued to shift spend to more natural and organic products.

**Portfolio Inception: March 31, 2018. 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 additional important disclosures.*



- **Gender-lens criteria:** diverse teams demonstrably outperform homogenous teams—namely increased innovation levels, reduced governance controversies, greater customer orientation, and lower employee turnover
- **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, Current Ratio
- **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, so their largest opportunity for impact
- **Fossil fuel free since inception:** we never invest in companies that prospect, extract, refine, or transport fossil fuels, nor in fossil-fired utilities or internal combustion engine manufacturers

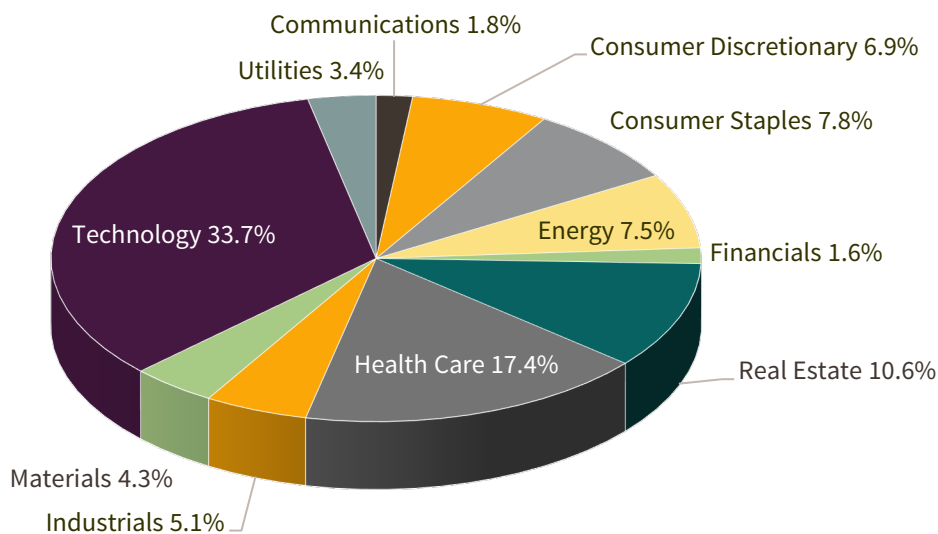
Characteristics	DiversiTerra	Benchmark: MSCI ACWI IMI (SPGM)	Next Economy Index	Social Index	Next Economy Select	Growth & Income	Sierra Club Green Alpha
# of Securities	58	2,644	150	114	61	36	46
Active Share vs MSCI ACWI IMI	95%	-	92%	93%	97%	97%	96%
Active Share vs Next Economy Index	61%	-	-	29%	66%	69%	68%
Sales Growth, Trailing 3-Yr	44%	15%	34%	49%	32%	23%	25%
P/E, Current	29.8	20.2	27.7	30.1	23.3	19.8	19.4
P/E, 1-Year Forward	21.8	17.8	25.1	26.6	20.7	16.0	17.7
Price/Sales	2.1	1.9	2.3	2.3	1.7	1.2	0.9
Price/Book	2.5	2.8	2.9	2.8	2.3	1.8	1.9
LT Debt/Equity	55%	165%	54%	54%	45%	86%	56%
Current Ratio	4.1	2.4	3.7	3.8	5.1	3.3	3.7
Dividend Yield	1.56%	1.95%	1.16%	1.03%	1.85%	3.90%	2.00%
Market Cap, Wtd Avg (\$B)	\$114.34	\$484.77	\$126.15	\$120.81	\$124.18	\$108.03	\$131.65
Market Cap, Median (\$B)	\$5.99	\$2.66	\$7.21	\$9.29	\$5.46	\$28.20	\$8.01
Turnover, Trailing 2-Yr Avg	28%	Not Available	25%	39%	16%	10%	10%
Beta, Trailing 3-Yrs	1.35	1.00	1.35	1.43	1.40	1.27	1.36
U.S.-Domiciled Companies	82%	60%	79%	88%	66%	67%	72%
% Revenue Derived in U.S.	59%	45%	52%	60%	51%	51%	52%

Characteristics are sourced from FactSet, based on a representative account and include cash. Please see additional disclosures on last page.

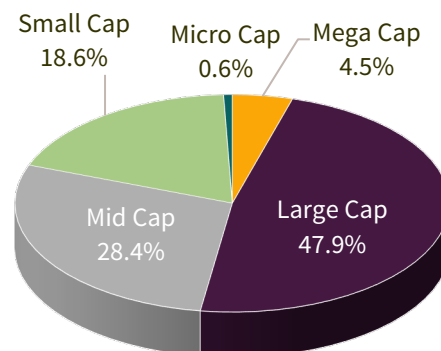
Portfolio Allocations

Our search for Next Economy companies is unconstrained. For the DiversiTerra portfolio, we seek solutions to systemic risks wherever they exist – across sectors, market caps, and geographies.

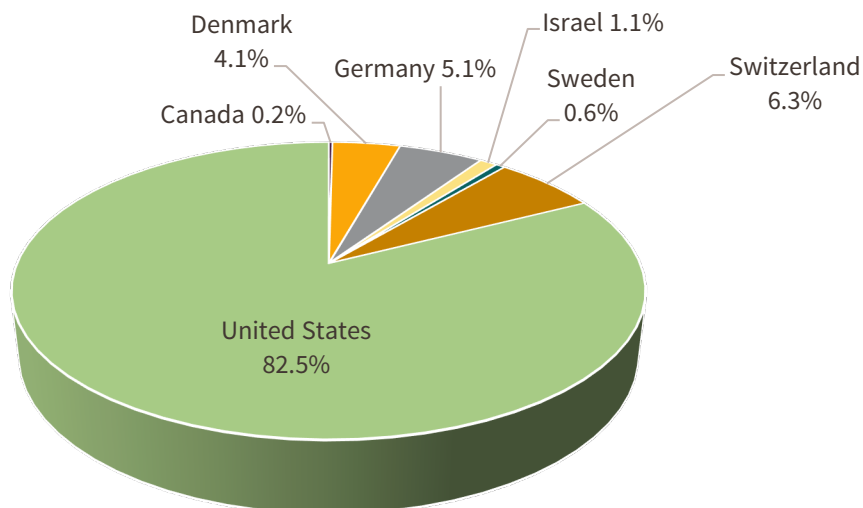
Sectors



Market Capitalizations



Companies' Main Headquarters



Allocation data is sourced from FactSet and is based on a representative account. The exception is the sector chart, which utilizes the Bloomberg Industry Classification Standard from Bloomberg, and is based on a model portfolio. All charts on this page are shown as percent of equity. Please see the final page of this document for additional important disclosures.

Important Disclosures

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- Green Alpha Investments is a trade name of Green Alpha Advisors, LLC. 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.”
- 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.
- Beginning June 30, 2022, the DiversiTerra performance results are a composite of discretionary client accounts invested in the DiversiTerra strategy on specific custodial platforms. Green Alpha’s discretionary client accounts that are not included in the composite are those custodied at Folio Institutional due to operational limitations of Folio’s data feeds to Green Alpha’s portfolio accounting system Advent APX. Beginning May 31, 2023, composite membership also includes a minimum account size of \$25,000. The DiversiTerra composite performance results reflect actual performance for a composite of discretionary client accounts meeting custodian and minimum account size requirements. Net-of-fee returns reflect the deduction of actual management fees and transaction costs. Some assets managed in the DiversiTerra strategy within the composite receive a reduced fee from the standard management fee schedule. Actual client returns experienced will vary from the returns presented 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. DiversiTerra composite performance results do not reflect the reinvestment of dividends and interest.
- Prior to June 30, 2022, the performance results represent a single account managed to the strategy. The performance results shown are not materially higher than if all related accounts were included prior to July 2022. Please contact Green Alpha for information about the representative account selection process.
- 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/>.
- The DiversiTerra strategy contains equity stocks that are managed with a view towards capital appreciation. 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.
- Green Alpha portfolios may invest in companies with small and medium market capitalizations, which may have more limited product lines, markets, and financial resources than larger companies. In addition, their securities may trade less frequently and in more limited volume than those of larger companies. Small or mid-cap stocks may be more volatile than those of larger companies and, where trading volume is thin, the ability to dispose of such securities may be more limited. Green Alpha portfolios may also invest in foreign domiciled companies. Investing in foreign securities may involve additional risks, including exchange-rate fluctuations, limited liquidity, high levels of volatility, social and political instability, and reduced regulation. Emerging markets are often more volatile than developed markets and investing in emerging markets involves greater risks. International investing may not be suitable for everyone. An investment in Green Alpha portfolios should be considered a long-term investment.
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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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