

DiversiTerra

December 31, 2024

Green Alpha[®]

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Investment Philosophy

The driving forces behind economic growth are:

- companies accelerating productivity, and
- businesses tackling urgent global challenges.

High-performing enterprises can revolutionize efficiency while also developing solutions for critical issues like climate change, resource depletion, social inequality, and public health crises. By doing so, they can create economic expansion and actualize a more sustainable and equitable future. These innovative companies offer the most promising investment opportunities, providing security and growth potential for our clients' capital.

Our strategy is clear: we focus on identifying and investing in businesses that are developing brilliant, scalable, adaptable, and economically viable solutions to global challenges.



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 select companies for our portfolios based on:

- *Impact:* Businesses offering innovative solutions to critical economic, environmental, and other global challenges.
- *Innovation Leadership:* Companies investing heavily in R&D, intellectual property, and capital expenditures.
- *Strong Management:* Diverse, effective teams aligned with shareholders, demonstrating revenue growth, expanding profit margins, and potential dividend increases.
- *Financial Health:* Businesses with robust balance sheets and smart capital allocation strategies.
- *Value:* Companies whose stock prices offer attractive value relative to proven performance and growth prospects.

These and other factors help us construct portfolios that aim for strong returns and build a more sustainable economy. We concentrate on long-term success in an evolving landscape.

Portfolio Construction

DiversiTerra is an actively managed subset of our Social Index portfolio, and it concentrates on companies with greatest leadership diversity, growing faster than peers, in industries where we have the most conviction in near-term results. We apply a diversity screen to this portfolio, because:

- Diverse teams typically outperform homogeneous ones.
- Women are disproportionately affected by environmental and social challenges, so
- Sustainability solutions disproportionately benefit women

This approach aims to leverage diversity for portfolio performance while promoting positive impact.

Largest Positions

How DiversiTerra is driving progress toward the Next Economy

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

- Sprouts is a specialty grocery chain that has 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. Unique selling propositions include:
 - *Store Layout*: Sprouts stores are designed to resemble old-fashioned farmers markets, with produce at the center, creating a more engaging shopping experience.
 - *Natural, Organic, and Locally-Grown*: They emphasize natural, organic, and non-GMO products with a large percentage of each store's produce grown within a certain radius.
- *Commitment to Sustainability*: Sprouts has initiatives to reduce food waste and improve environmental sustainability throughout their operations.
- *Diversity and Inclusion*: 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, with half of the board committees chaired by women. In addition, the senior management team has a strongly above-average age spread of 31 years (41 to 72 years old).

Natural Grocers by Vitamin Cottage (Sector: Consumer Staples, Industry: Retail – Consumer Staples)

- Natural Grocers by Vitamin Cottage is a grocery store chain focused on natural and organic products. They have strict quality standards for their products, including bans on artificial colors, flavors, sweeteners, preservatives, and hydrogenated oils.
- *Nutrition Education*: They offer free nutrition education programs, including classes, seminars, and one-on-one consultations with Nutritional Health Coaches.
- *Community Focus*: They are committed to supporting local communities and sustainable agriculture.
- Other key Features include:
 - *Always AffordableSM Prices*: They aim to make healthy food accessible to everyone.
 - *100% Organic Produce*: They are committed to offering only certified organic produce.
 - *No Artificial Ingredients*: They ban artificial ingredients in all their products.
 - *Sustainable Practices*: They support sustainable agriculture and environmentally friendly practices.
- Natural Grocers' senior leadership team is notable 40% women, and the board of directors is 38% women.

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

- IBM is a global leader delivering solutions to address the world's most pressing challenges. Following strategic divestiture of the legacy IT consulting business (now Kyndryl), IBM is focused on high-growth markets with significant potential:
 - *Hybrid Cloud*: IBM provides comprehensive hybrid cloud solutions, encompassing hardware, software, and services, enabling businesses to effectively manage complex IT environments across public, private, and on-premises clouds.
 - *AI & Automation*: IBM, a recognized leader in AI, offers the Watson platform and a suite of AI-powered solutions that optimize decision-making, enhance customer experiences, and streamline operations across diverse industries.

IBM, Arista Networks, and Broadcom's Next Economy attributes are on the following page.

Company Name	Ticker	Weight
Sprouts Farmers Market	SFM	6.54%
Natural Grocers by Vitamin Cottage	NGVC	5.80%
IBM	IBM	5.72%
Arista Networks	ANET	4.25%
Broadcom	AVGO	3.93%
Brookfield Renewable	BEPC	3.74%
Palo Alto Networks	PANW	3.29%
Lam Research	LRCX	3.27%
Apple	AAPL	3.12%
ABB Ltd.	ABBNY	2.88%
% of Portfolio		42.54%

Largest Positions *continued*

IBM *continued*

- *Cybersecurity & Blockchain*: IBM prioritizes data protection with industry-leading cybersecurity offerings. Additionally, they are developing and deploying blockchain solutions to facilitate secure and transparent transactions in multiple industries.
- *Quantum Computing*: IBM is at the forefront of quantum innovation. The IBM Quantum platform and Qiskit open-source SDK democratize access to quantum computing, enabling researchers and businesses to explore and accelerate discoveries in fields like drug discovery, materials science, and financial modeling.
- *Commitment to Progress*: IBM is dedicated to accelerating scientific discovery and business innovation through its advanced technologies and commitment to research and development.
- *Sustainability*: IBM is committed to environmental sustainability and responsible technology use, actively pursuing initiatives to reduce its carbon footprint and develop environmentally friendly solutions.
- *Diversity & Inclusion*: They fosters a culture of diversity and inclusion, promoting equal opportunities for all employees and supporting initiatives that champion diversity within the technology sector. IBM demonstrates their commitment through robust pay equity programs and the representation of women and diverse individuals in key leadership roles. Importantly, the management team has above-average diversity with a 29-year age spread (41 to 70 years old).

Arista Networks (Sector: Technology, Industry: Technology Hardware)

- Arista Networks provides high-performance networking solutions for large data center and cloud computing environments. They design, manufacture, and sell multilayer network switches for software-driven cloud networking.
- *EOS (Extensible Operating System)*: The heart of Arista's innovation is EOS, a single, consistent network operating system that runs across their entire product line. This means easier management, better stability, and faster troubleshooting.
- *Cloud Networking Prowess*: Arista excels in providing solutions for large-scale cloud environments. Their switches and software are designed to handle the massive data flows and complex demands of cloud giants and data centers.
- *Software-Driven Networking*: Arista is a champion of software-defined networking (SDN). This approach makes networks more flexible, programmable, and easier to manage in the face of ever-changing business needs.
- *High-Performance Hardware*: Arista builds some of the fastest and most powerful network switches available. These devices are engineered to keep pace with the explosive growth of data and bandwidth demands.
- *Commitment to Open Standards*: Arista actively supports open networking standards, promoting interoperability and giving customers more freedom in their network designs.

Broadcom (Sector: Technology, Industry: Semiconductors)

- Broadcom is a global leader that designs, develops, and supplies semiconductor and infrastructure software solutions.
- *Pervasive Connectivity*: Broadcom's technology enables connectivity in virtually every aspect of our lives, from smartphones and Wi-Fi to data centers and industrial automation.
- *Legacy of Innovation*: With roots tracing back to 1961, Broadcom has a long history of pioneering advancements in broadband communication, semiconductor technology, and enterprise software.
- *Cloud Infrastructure Enabler*: Broadcom's data center solutions are critical to cloud computing, providing the foundation for the massive data storage and processing power that drives today's digital world.
- *Advancements in Connectivity*: Broadcom continues to push the boundaries of connectivity with ongoing innovations in Wi-Fi, 5G, and broadband technologies, ensuring faster, more reliable, and secure connections.
- *Global Industry Leader*: Broadcom is a multinational technology giant with a significant global presence, employing a large workforce and serving a diverse range of industries.
- Broadcom's senior leadership team is 38% women, and the board is 33% women.

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

Macroeconomic Commentary



In 2024, the pace and magnitude of change became more extraordinary. The interplay of climate transition, geopolitical dynamics, and technological advancement continues to reshape the investment landscape at an unprecedented rate. Successfully navigating these transformative forces requires both adaptability and disciplined risk management. And amid the complexity, we find compelling evidence of human ingenuity and progress that creates meaningful investment opportunities.

In Green Alpha's macroeconomic commentary, we examine how these transformational forces are reshaping our world, and what they mean for long-term investors. This page includes brief summaries; you can find the article [here](#).

Market Environment

Global markets navigated significant challenges in 2024 amid persistent inflation, geopolitical tensions, and unprecedented climate impacts. Despite these headwinds, markets demonstrated resilience as inflation moderated without triggering a recession. Key risks remain, particularly around trade policies, government debt levels, and demographic shifts in major economies.

Macroeconomic Trends

Aging populations in Europe, Japan, and China continue to pressure fiscal sustainability and labor markets. The U.S. faces similar demographic headwinds, with declining worker-to-retiree ratios threatening entitlement programs. Government debt levels and higher interest rates may force continued austerity measures across developed markets in 2025.

Sector Transformation

The energy sector is undergoing structural change as renewables achieve cost advantages over traditional sources. Solar deployment accelerated in 2024, and battery costs fell to below \$100/kWh. This technological shift suggests continued margin pressure on traditional energy assets while creating opportunities in the renewable supply chain.

Technology & Innovation

Artificial intelligence deployment accelerated across sectors, driving productivity gains and margin expansion. Notable developments in biotechnology, particularly in multi-omics and AI applications, are creating new addressable markets in healthcare, agriculture, and materials. These innovations present both opportunities and disruption risks across portfolios.

Investment Implications

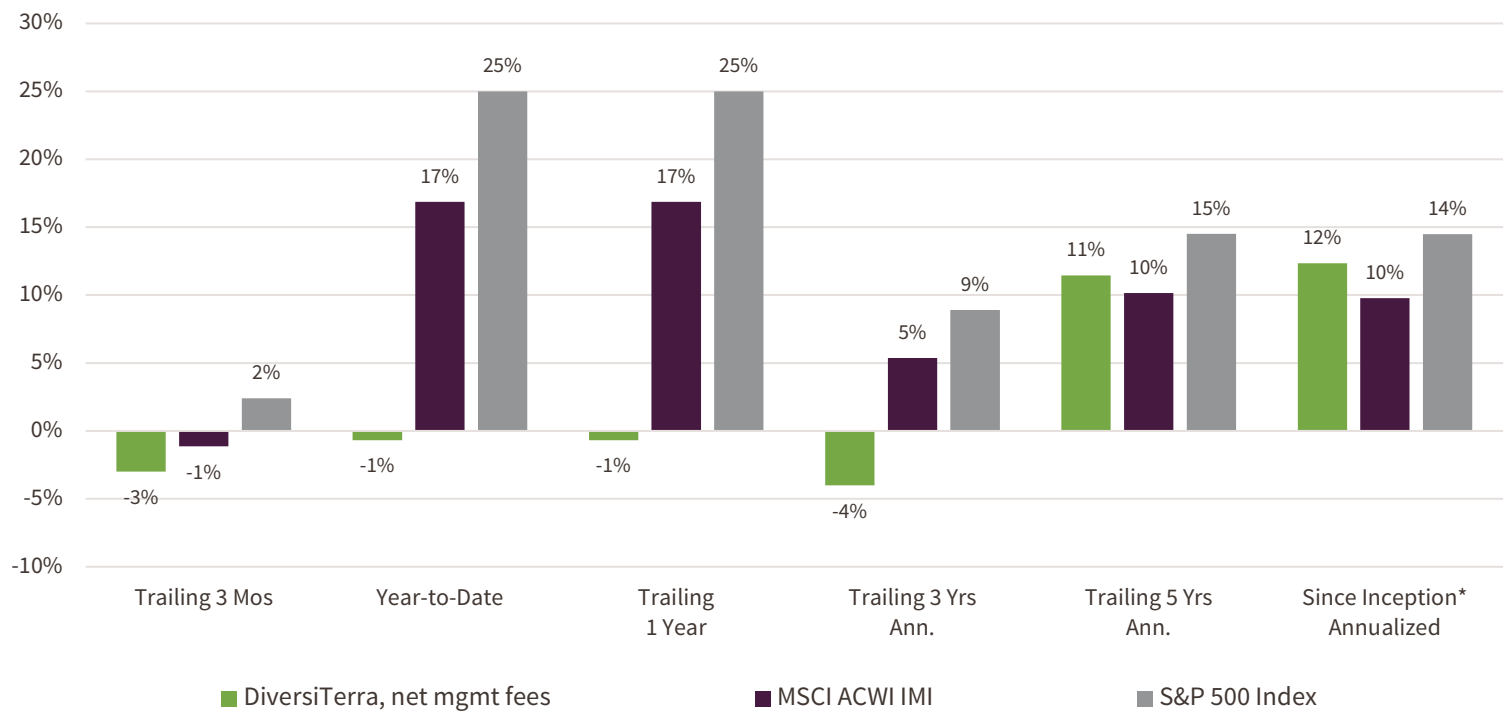
The pace of technological change and climate transition demands portfolio flexibility and careful risk management. We see compelling opportunities in:

- Companies leveraging AI for operational efficiency
- Renewable energy supply chain leaders
- Biotechnology innovators with strong intellectual property positions
- Firms successfully navigating demographic shifts

While macroeconomic headwinds persist, technological advancement continues to create attractive secular growth opportunities for long-term investors. The rapid pace of innovation across these sectors presents significant investment opportunities despite climate challenges. Success requires unprecedented market flexibility and institutional adaptation as the world undergoes transformative change.

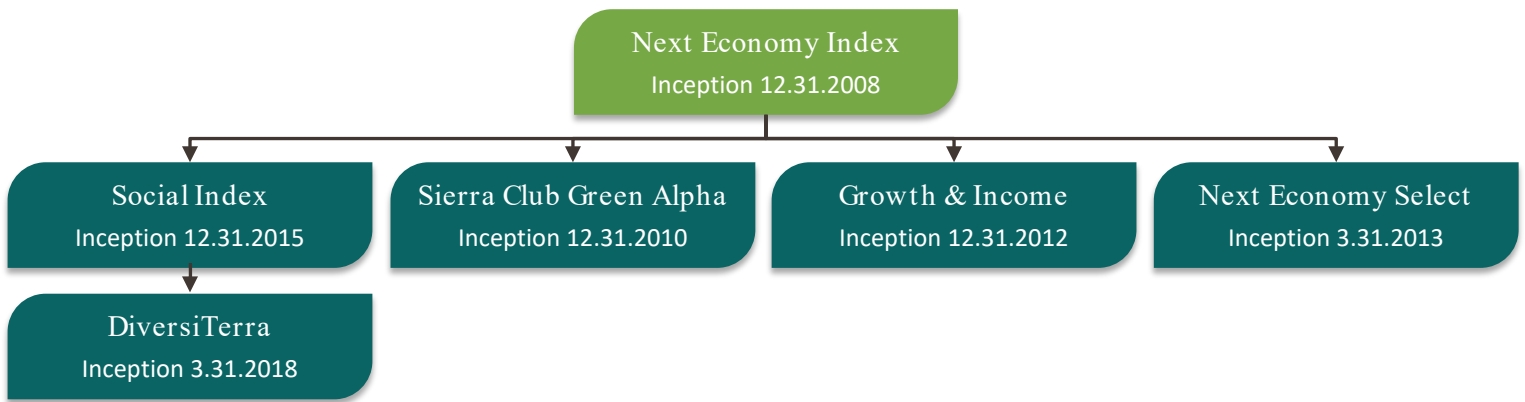
Full content: <https://greenalphaadvisors.com/2024-macro-commentary-next-economy-forces-reshaping-markets/>

Portfolio Performance & Attribution



Year-to-Date Sector Attribution by Bloomberg Industry Classification Standard	Average Weight (%)		Total Return (%)			Contribution to Return (%)		
	Portfolio	MSCI ACWI IMI (SPGM)	Portfolio	MSCI ACWI IMI (SPGM)	+/-	Portfolio	MSCI ACWI IMI (SPGM)	+/-
Consumer Staples	10.47	6.43	156.32	6.50	149.83	9.46	0.48	9.74
Technology	34.50	22.98	27.08	30.58	-3.51	8.29	6.56	2.44
Communications	1.95	8.15	28.23	30.15	-1.92	0.50	2.31	-1.80
Financials	1.47	16.42	20.67	26.48	-5.81	0.31	4.15	-3.90
Utilities	3.90	2.10	1.39	12.65	-11.26	0.14	0.27	-0.13
Consumer Discretionary	6.58	10.16	1.41	16.77	-15.36	0.04	1.67	-1.64
Cash	0.82	0.65	0.00	5.53	-5.53	0.00	0.07	-0.07
Industrials	5.23	11.15	-5.38	13.10	-18.48	-0.32	1.49	-1.83
Materials	3.54	4.51	-11.42	-6.74	-4.68	-0.45	-0.31	-0.18
Real Estate	10.44	2.14	-13.60	-0.63	-12.96	-1.84	-0.03	-1.97
Energy	6.42	4.53	-54.28	-3.55	-50.73	-5.06	-0.12	-5.39
Health Care	14.67	11.22	-42.86	2.00	-44.86	-7.91	0.38	-9.03
Government	0.00	0.05	0.00	1.37	-1.37	0.00	0.00	0.00

**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. The sector attribution table is supplemental to the fully compliant composite returns presented at the top of the page. 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

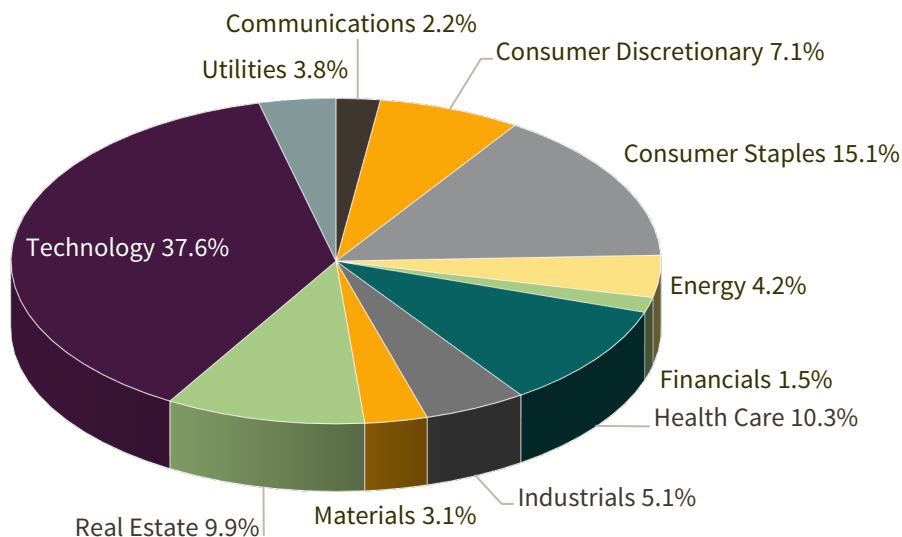
Characteristics	DiversiTerra	Benchmark: MSCI ACWI IMI (SPGM)	Next Economy Index	Social Index	Next Economy Select	Growth & Income	Sierra Club Green Alpha
# of Securities	56	2,691	152	113	57	36	49
Active Share vs MSCI ACWI IMI	94%	-	91%	94%	97%	96%	98%
Active Share vs Next Economy Index	68%	-	-	36%	68%	75%	70%
Sales Growth, Trailing 3-Yr	33%	16%	34%	40%	25%	23%	27%
P/E, Current	32.8	21.6	30.4	29.0	27.5	26.0	30.0
P/E, 1-Year Forward	23.9	18.9	25.6	24.5	22.3	16.9	21.0
Price/Sales	2.2	0.3	2.0	2.3	1.4	1.0	0.7
Price/Book	2.6	0.3	2.3	2.1	2.1	1.4	1.6
LT Debt/Equity	57%	84%	70%	85%	71%	227%	69%
Current Ratio	3.3	2.6	3.4	3.8	4.6	4.2	3.9
Dividend Yield	1.35%	1.86%	1.01%	1.08%	2.01%	4.25%	2.23%
Market Cap, Wtd Avg (\$B)	\$212.64	\$680.55	\$162.15	\$109.05	\$138.32	\$138.71	\$105.88
Market Cap, Median (\$B)	\$6.34	\$2.81	\$7.73	\$11.67	\$5.24	\$16.41	\$5.66
Turnover, Trailing 2-Yr Avg	17%	Not Available	25%	36%	20%	13%	15%
Beta, Trailing 3-Yrs	1.45	1.00	1.41	1.52	1.50	1.34	1.45
U.S.-Domiciled Companies	84%	63%	81%	89%	70%	70%	70%
% Revenue Derived in U.S.	58%	45%	52%	62%	52%	54%	53%

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

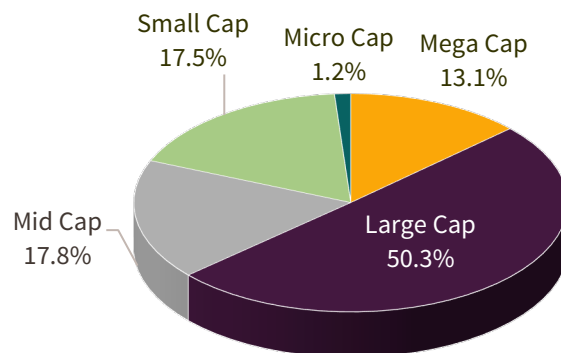
Portfolio Allocations

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.

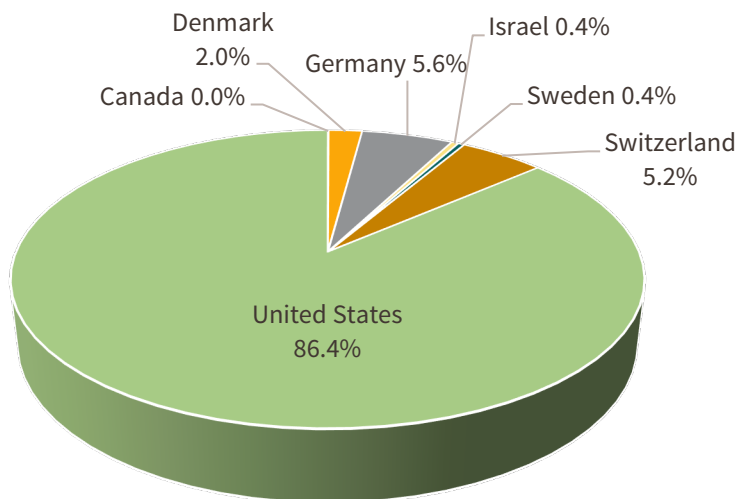
Sectors



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

- Green Alpha Advisors, LLC is a registered investment advisor. Registration as an investment advisor does not imply any certain level of skill or training.
- 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) is a free float-adjusted market capitalization-weighted index that is designed to measure the combined equity market performance of developed and emerging markets. The Index covers approximately 99% of the global equity investment opportunity set. The MSCI ACWI IMI figures do not reflect any fees, expenses, or taxes. 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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