

# DiversiTerra

March 31, 2025

## Green Alpha<sup>®</sup>

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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

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

- Following its strategic Kyndryl divestiture, IBM has transformed into a hybrid cloud and AI powerhouse—led by CEO Arvind Krishna who has decisively repositioned the company at the intersection of today's most critical technology growth markets, delivering seven consecutive quarters of revenue growth.
- IBM's Red Hat acquisition has become the cornerstone of its hybrid cloud strategy, providing the essential platform that enables Fortune 500 enterprises to seamlessly operate across public clouds, private clouds, and on-premises environments—creating an unmatched competitive advantage in a multi-cloud world where vendor lock-in concerns drive hybrid adoption.
- The company's early investments in AI are now paying dividends through watsonx, its enterprise-grade AI platform that delivers business-ready AI solutions with significant advantages over general-purpose models—including governance controls, data privacy, and industry-specific training that addresses the practical AI needs of regulated enterprises.
- IBM's quantum computing leadership (127-qubit processors today with a 1,000+ qubit roadmap) positions it to potentially capture enormous value from what could become a \$850 billion market by 2040, while its \$60 billion consulting backlog provides remarkable revenue visibility during the AI transformation wave sweeping enterprise IT.
- IBM is led by strong, diverse teams, including four female Executives and three female Board members. Diversity at the top is a strategic imperative that drives better decision-making, fosters innovation, enhances financial performance, strengthens talent management, and improves overall organizational success in an increasingly diverse and complex world. Organizations that intentionally build diverse and inclusive leadership teams are more likely to thrive and outperform their competitors.

## Brookfield Renewable Corp (Sector: Utilities, Industry: Electric Utilities)

- Brookfield 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, they boast more than 8,000 power generating facilities, with installed capacity surpassing 37 GW and its development pipeline stands at over 200,000 GW.
- The company combines the financial engineering expertise of Brookfield Asset Management with hard-to-replicate renewable assets (many contracted for 10-20 years), creating a powerful combination of inflation-protected cash flows and substantial growth—management has consistently delivered 10%+ annual dividend increases while targeting 12-15% total returns.
- Brookfield Renewable has mastered the art of capital recycling, strategically selling mature assets at premium valuations while reinvesting in higher-growth opportunities—a discipline that has consistently created shareholder value regardless of broader market cycles in the renewable sector.
- Beyond traditional renewable generation, the company is strategically expanding into emerging high-growth areas like distributed generation, EV charging infrastructure, and carbon capture—positioning it to benefit from multiple dimensions of the energy transition while maintaining its core focus on risk-adjusted returns.
- A full 37% of the executive team are women and 33% of the board, including the fact that half of the board-level committees are chaired by women.

**Lam Research, Sprouts Farmers Market, and Equinix's Next Economy attributes are on the following page.**

Company Name	Ticker	Weight
IBM	IBM	5.37%
Brookfield Renewable	BEPC	4.24%
Lam Research Corp	LRCX	3.70%
Sprouts Farmers Market	SFM	3.69%
Equinix	EQIX	3.11%
Abb Ltd	ABBNY	3.05%
Taiwan Semiconductor Manuf Co	TSM	2.95%
CRISPR Therapeutics	CRSP	2.94%
Arista Networks	ANET	2.81%
Hudson Pacific Properties	HPP	2.80%
<b>% of Portfolio</b>		<b>34.66%</b>

# Largest Positions *continued*

## **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. Their cutting-edge tech 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 plays a crucial role in enabling advancement:
  - Enabling Moore's Law: Their tools and processes are critical in helping chip manufacturers continue to shrink transistor sizes, supporting the ongoing progression of Moore's Law.
  - Etch and deposition expertise: Lam is a leader in etch and deposition technologies, which are fundamental processes in creating the intricate structures of modern chips.
  - Innovation: Their equipment is key in the production of 3D NAND flash memory, enabling higher storage densities.
  - Advanced packaging solutions: Lam develops tools for advanced packaging techniques, which are becoming increasingly important as traditional scaling reaches its limits.
- Lam has impressive and diverse experience at the top of the organization, including the fact that three of the executives are women, as is 36% of the board of directors.

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

- Sprouts has positioned itself in the high-growth "fresh format" grocery segment with a distinctly different business model than both conventional grocers and premium natural retailers like Natural Grocers—featuring a produce-centered "farmers market" layout that drives higher margins (35% gross margin vs. 28% industry average) while maintaining price points accessible to middle-market consumers.
- Unlike Natural Grocers' strict all-organic produce strategy, Sprouts deliberately balances conventional and organic offerings to maintain its "affordable health food" positioning—this strategic flexibility has enabled rapid expansion to 400+ locations across 23 states while generating industry-leading sales per sq ft and maintaining lean operating costs.
- Their unique business model emphasizes high product turnover (especially in perishables) and smaller-footprint stores (averaging 29,000 sq ft vs. 50,000+ for conventional grocers)—creating superior unit economics that fuel consistent same-store sales growth and a remarkable 15% compound annual growth rate in operating income since 2019.
- Sprouts has successfully navigated the post-pandemic retail landscape through disciplined expansion focused on clustering stores for supply chain efficiency, sophisticated private label development (28% of revenue), and enhanced digital capabilities—driving omnichannel growth while maintaining leadership diversity with female executives in key roles including Chief Forager, CMO and Chief HR Officer.

## **Equinix** (Sector: Real Estate, Industry: REIT)

- Equinix dominates the global interconnection market with over 250 data centers across 70+ metropolitan areas in 32 countries on five continents, creating the world's largest digital infrastructure platform where over 10,000 companies directly connect to each other and to cloud providers.
- Their business model combines the stability of a REIT (with 95%+ of revenue from recurring sources) with the growth profile of a technology company (66 consecutive quarters of revenue growth)—delivering both defensive income characteristics and significant appreciation potential as digital infrastructure demands accelerate globally.
- Equinix sits at the epicenter of AI infrastructure deployment with its AI Marketplace, liquid cooling capabilities, and specialized facilities for AI workloads—positioning it to capture significant value from the exponential growth in AI computing requirements that IDC projects will drive \$77 billion in AI infrastructure spending by 2027.
- The company's expansion beyond traditional colocation into integrated digital services like Network Edge, Equinix Metal (bare metal as a service), and Equinix Fabric (software-defined interconnection) has expanded its addressable market while creating higher-margin revenue streams that enhance the company's already substantial competitive moat.
- Equinix is led by a strongly diverse team, including four (36%) female executives and four (40%) female board directors.

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

# Macroeconomic Commentary



Welcome to 2025, where change isn't just constant—it's accelerating. For investors, success means surfing these transformative waves, not merely weathering them.

## Climate: From Concern to Crisis

2024 broke all temperature records (again), making it the hottest year in 125,000 years. Yet humanity responded by... burning more fossil fuels. It's like drinking more coffee to cure insomnia. And yet, the picture is not monolithic, 2025 and beyond will remain dynamic to say the least.

### What's coming:

- Significant acceleration of climate adaptation spending
- Policy divergence between regions. While Europe and parts of Asia step on the green accelerator, others are pumping the brakes. Invest accordingly.
- Insurance industry is fundamentally reassessing risk. After record disaster payouts, they're rethinking how they assess risk. This will ripple through real estate, municipal bonds, corporate planning, and more.



## China's Green Domination: The Dragon Goes Electric

Energy isn't just a commodity anymore—it's technology. And technology gets cheaper and better over time. China has spotted this trend and is running with it like an Olympic sprinter.

### The scorecard:

- China's renewable energy dominance: 80% of global solar panels, 70% of battery production, and a rapidly growing EV industry. It's less of a race and more of a "everyone else is hoping for silver."
- Solar expansion unstoppable: Global capacity could double by 2027, with China at the center despite trade tensions.
- Battery breakthroughs incoming: Costs dropping below \$70/kWh by 2027, with innovations beyond lithium-ion hitting the market.
- Grid modernization is desperately needed: A multi-trillion-dollar opportunity as our electrical systems struggle to keep up with renewables.

## Global Trade: Tensions Boiling

Trump's return has intensified trade conflicts. China's stimulus response makes the New Deal investments and reforms to exit the Great Depression look modest.

### Watch for:

- Economic restructuring beyond short-term tariff reactions
- Market volatility amid continued technological progress
- Selective decoupling in critical sectors
- Capital flows shifting toward Asian innovation centers

# Macroeconomic Commentary *continued*

## **Fiscal Reality: Creative Debt Management**

U.S. Federal government debt has reached the level where interest payments are now the largest single budget line item yet plans to address this are unclear.

### **The new normal:**

- Germany's €1.2T spending shift signals European policy transformation
- Innovation in debt management, rather than reduction
- Healthcare demands are intensifying with aging populations
- Potential productivity boost from AI, renewables, and automation

## **Tech Revolution: AI Enters Physical World**

AI is moving beyond chatbots to transform systems and supercharge human capabilities.

### **Coming attractions:**

- Innovation is flowing across borders despite politics
- AI integration into robotics and infrastructure
- Economic transformation through convergence of renewables, automation, and AI
- Job market evolution is creating new categories of work

## **Biotech: Biology Becomes Technology**

Biotechnology's "iPhone moment" is creating cross-sector disruption.

### **The biological revolution:**

- Personalized medicine is becoming standard
- Bio-based manufacturing processes are disrupting traditional industries
- Novel biological materials are creating new markets

## **Investment Playbook**

Smart investors will focus on signals, not noise.

### **Action plan:**

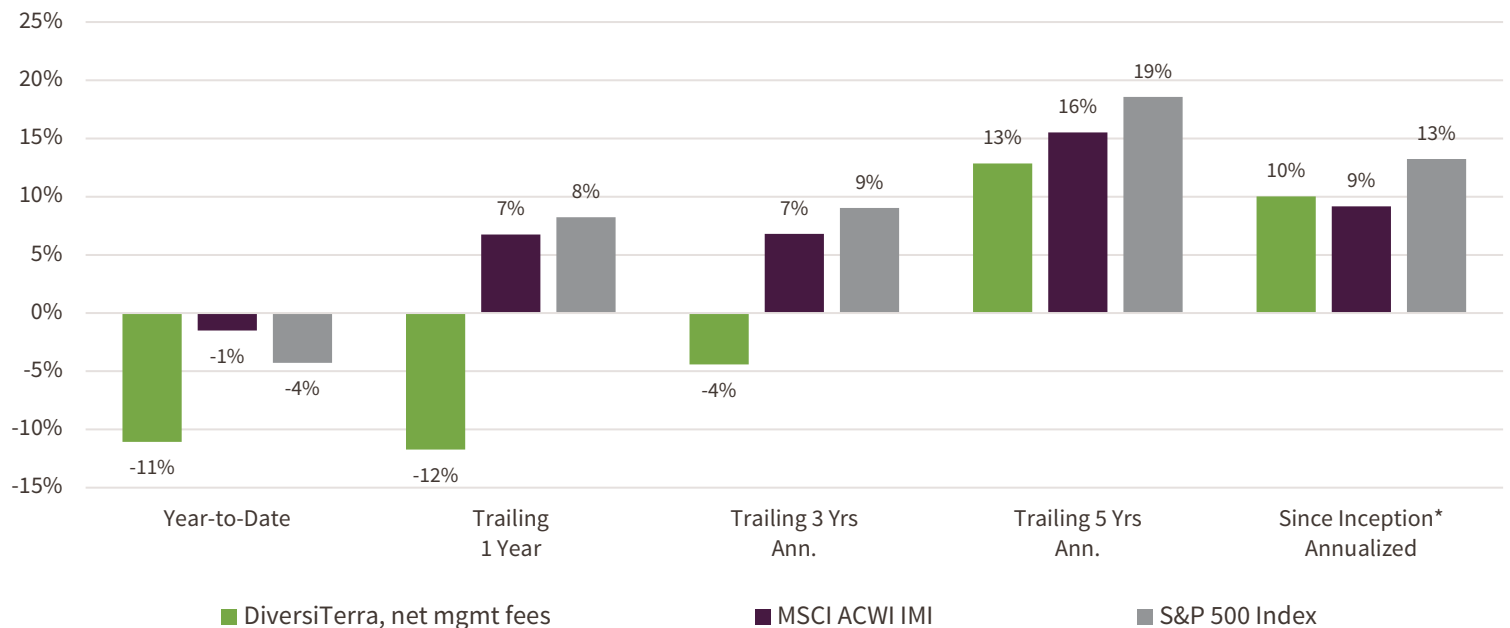
- Look beyond borders to diverse innovation centers
- Focus on fundamental technological transformations
- Bet on climate adaptation infrastructure
- Follow bioeconomy leaders
- Embrace supply chain innovation

## **Conclusion**

We're at an economic inflection point. Headlines trumpet geopolitical drama, but the real story is deeper transformation. China's technology leadership and Europe's fiscal awakening suggest a multipolar future. Climate challenges are driving unprecedented innovation, while technological convergence creates immense opportunities.

Success depends on identifying emerging leaders regardless of nationality and focusing on long-term value creation. The waves of change are big, but rideable—with the right investment framework.

# Portfolio Performance & Attribution



For the first three months of 2025, Green Alpha's DiversiTerra portfolio returned -11.06% net of management fees, versus its benchmark, the MSCI All Country World Investable Market Index (MSCI ACWI IMI), which returned -1.50%.

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

- In the Technology sector, the industries detracting the most from returns were Semiconductors, Tech Hardware, and Software. Losses from those industries were partially offset by gains in IT Services. As highlighted in our macroeconomic commentary, while AI integration into physical systems represents a significant long-term opportunity, it also creates short-term market volatility as businesses adapt and develop new applications.
- Within Health Care, losses were driven by Biotech, and Medical Equipment & Devices. Despite our macroeconomic outlook's emphasis on biotechnology's transformative potential, the sector faced headwinds from fiscal uncertainty and policy developments.

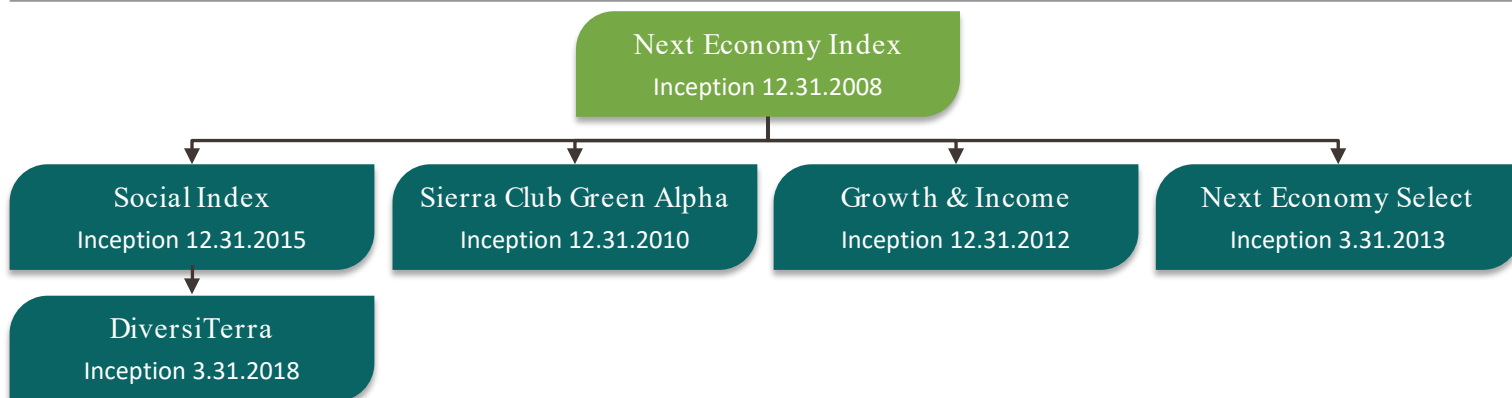
The strategy's top performing sectors were Industrials and Consumer Staples.

- Industries leading the way within the Industrials sector were Commercial Support Services (recycled steel), and Transportation & Logistics. Gains in the sector were partially offset by Electrical Equipment Manufacturing (electrical infrastructure and automation), and Waste Collection & Treatment (battery recycling) industries. These performance results align with our macroeconomic focus on supply chain innovation and climate adaptation infrastructure.
- Consumer Staples benefited from continued consumer preference shifts toward sustainable products, reflecting broader bioeconomy trends highlighted in our macroeconomic outlook.

While Q1 2025 presented challenges, short-term performance must be viewed through the lens of the "Great Transformation" outlined in our macroeconomic commentary. We are experiencing an economic inflection point characterized by climate adaptation demands, technological convergence, and geopolitical realignments.

The short-term market volatility reflects uncertainty around these transformative trends, particularly as trade tensions intensify and policy responses diverge globally. However, our positioning across renewable energy infrastructure, biotechnology innovation, and next-generation technologies remains aligned with long-term trends firmly in place.

*\*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

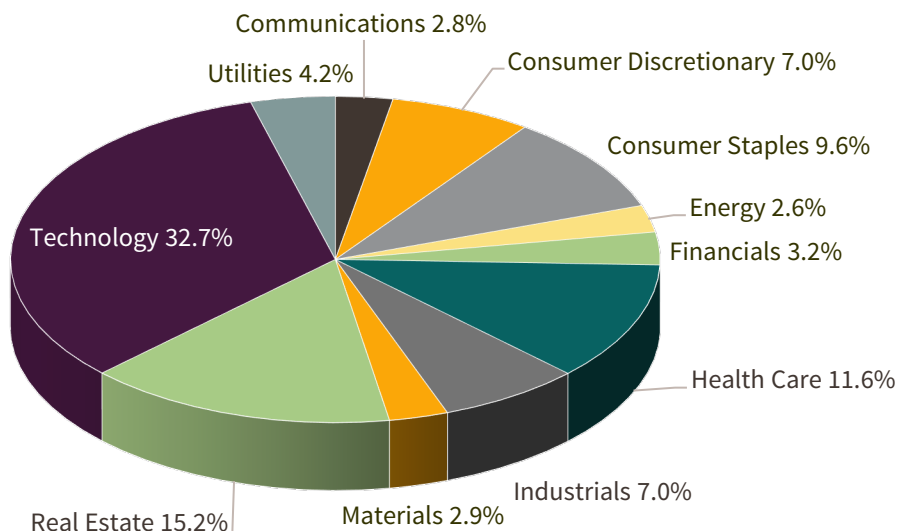
Characteristics	DiversiTerra	Benchmark: MSCI ACWI IMI (SPGM)	Next Economy Index	Social Index	Next Economy Select	Growth & Income	Sierra Club Green Alpha
# of Securities	53	2,807	150	113	58	36	49
Active Share vs MSCI ACWI IMI	96%	-	93%	94%	98%	97%	98%
Active Share vs Next Economy Index	64%	-	-	35%	68%	72%	69%
Sales Growth, Trailing 3-Yr	10%	14%	17%	17%	13%	7%	15%
P/E, Current	27.5	20.0	26.9	25.9	27.8	26.9	28.7
P/E, 1-Year Forward	18.4	17.2	21.0	21.0	19.5	14.6	15.0
Price/Sales	1.9	1.9	1.9	2.1	1.5	1.1	0.8
Price/Book	1.8	2.8	2.2	2.1	2.2	1.4	1.5
LT Debt/Equity	107%	77%	110%	132%	164%	172%	116%
Current Ratio	3.9	2.3	3.2	3.2	4.3	3.4	3.8
Dividend Yield	1.75%	1.96%	1.17%	1.21%	2.12%	4.41%	2.50%
Market Cap, Wtd Avg (\$B)	\$91.50	\$546.23	\$121.59	\$95.02	\$121.53	\$114.18	\$91.90
Market Cap, Median (\$B)	\$10.44	\$2.74	\$7.23	\$10.63	\$5.63	\$14.89	\$6.10
Turnover, Trailing 2-Yr Avg	23%	Not Available	24%	35%	11%	12%	15%
Beta, Trailing 3-Yrs	1.45	1.00	1.41	1.52	1.51	1.33	1.45
U.S.-Domiciled Companies	83%	61%	77%	88%	68%	69%	69%
% Revenue Derived in U.S.	62%	45%	51%	63%	52%	53%	53%

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

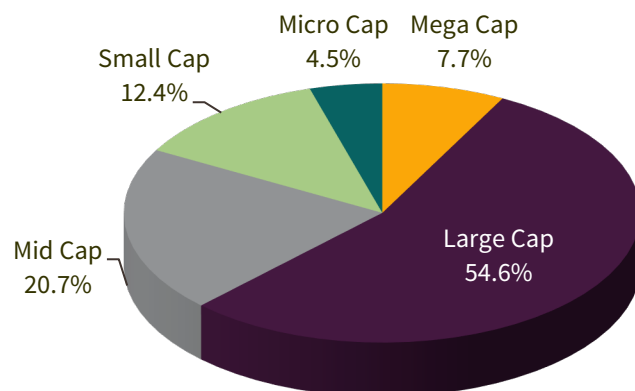
# Portfolio Allocations

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.

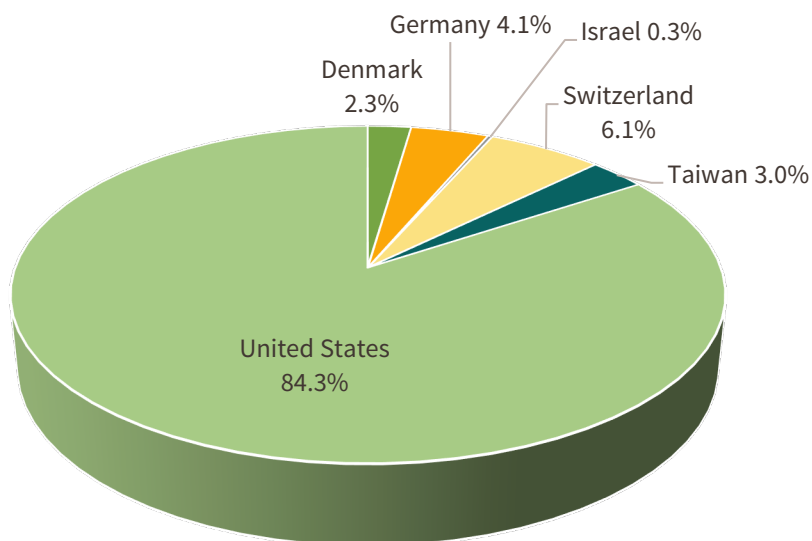
## Sectors



## 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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