

Next Economy Select

March 31, 2025

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 Next Economy Select?

- Active research, stock selection, and portfolio mgmt
- Very low minimum purchase of 1 ETF share 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

Inception Date: March 31, 2013

Vehicles: AXS Green Alpha ETF (ticker NXTE) and 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

This portfolio is a diversified, high-conviction approach to providing long-term capital growth. We focus on:

1. Market-leading Next Economy companies
2. Businesses with strong competitive advantages
3. Firms growing market share rapidly

Next Economy Select brings institutional-quality investing to individual investors through a small entry point.

Largest Positions

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

Taiwan Semiconductor Manufacturing *(Sector: Technology, Industry: Semiconductors)*

- TSMC stands as the world's only manufacturer capable of producing the most advanced semiconductor chips at scale, commanding 90%+ market share in leading-edge nodes (3nm and below)—creating a near-monopoly on the critical technology underpinning everything from AI acceleration to next-generation smartphones.
- The company's insurmountable technological lead is protected by a virtuous cycle where each new process node (currently advancing to 2nm) requires \$20+ billion investments that competitors cannot match without TSMC's massive economies of scale and decades of accumulated engineering expertise—creating one of the widest economic moats in any global industry.
- TSMC's importance has transcended commerce to become geopolitical, with governments worldwide now treating access to its manufacturing capacity as a national security imperative—the U.S. alone has committed \$52 billion through the CHIPS Act largely to reduce dependency on this company, underscoring its irreplaceable position in the economy.
- While traditionally operating as a "silent partner" to tech giants, TSMC has become the indispensable enabler of the AI revolution, with its advanced packaging technologies and process nodes being the limiting factor for NVIDIA, AMD, and other chipmakers racing to build next-generation AI accelerators—positioning TSMC to capture significant value from the estimated \$1 trillion in AI infrastructure spending this decade.

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 a competitive advantage in a multi-cloud world where vendor lock-in concerns drive 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.

Sprouts Farmers Market, Applied Materials, and Natural Grocers by Vitamin Cottage's Next Economy attributes are described on the following page.

*Contemporary Amperex Technology Co is only held in the AXS Green Alpha ETF, ticker NXTE, not separately managed accounts in the strategy.

Company Name	Weight
Taiwan Semiconductor Manuf.	7.33%
IBM	6.72%
Sprouts Farmers Market	5.03%
Applied Materials	4.17%
Natural Grocers by Vitamin Cottage	4.08%
ASML Holding NV	3.95%
Lam Research Corp	3.86%
Qualcomm	3.84%
Contemporary Amperex Technology Co Ltd*	3.06%
Digital Realty Trust	2.83%
% of Portfolio	44.87%

Largest Positions *continued*

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.

Applied Materials *(Sector: Technology, Industry: Semiconductors)*

- Applied Materials occupies the most strategically vital position in the global semiconductor supply chain as the dominant provider of the ultra-precise manufacturing equipment without which TSMC and other chipmakers cannot function—essentially making Applied Materials the "picks and shovels" supplier to the \$600+ billion semiconductor industry.
- While TSMC receives headlines for manufacturing breakthrough chips, Applied Materials is the indispensable enabler that develops the nanometer-precision tools and processes that make advanced chip fabrication physically possible—commanding 22% market share in semiconductor manufacturing equipment and positioning it to capture value from every major player regardless of which chipmaker ultimately wins in any given category.
- The company's 18,000+ patents and unmatched materials engineering expertise have established it as the critical bottleneck supplier for the most advanced chip fabrication technologies—when TSMC, Samsung, or Intel needs to deliver their next process node, they must first wait for Applied Materials to solve the fundamental physics challenges of manufacturing at atomic scales.
- As AI accelerates, companies and governments worldwide invest billions to secure domestic chip production, and Applied Materials sits in an enviable position where every new fab built globally (currently 160+ under construction) requires \$1-2 billion in equipment—creating unprecedented visibility into multi-year revenue growth.

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

- Natural Grocers has carved out a unique and defensible niche in the fiercely competitive grocery market by adhering to the industry's strictest product standards—offering 100% organic produce and rigorously vetted products that create unmatched authenticity in an era when consumers increasingly distrust "greenwashing" by conventional grocers.
- The company's disciplined small-format store strategy (averaging 15,000 sq ft versus 50,000+ for competitors) enables superior unit economics with lower capital requirements and operating costs—allowing profitable expansion into underserved secondary and tertiary markets where competition is limited and customer loyalty exceptionally strong.
- Natural Grocers' differentiated nutrition education model, featuring credentialed Nutritional Health Coaches in every store, transforms its locations from mere transaction points into community wellness hubs—creating deeper customer relationships that have driven industry-leading same-store sales growth and remarkable resilience against both conventional grocers and e-commerce threats.
- While maintaining its core values (including 40% female leadership and 38% female board representation), Natural Grocers has demonstrated impressive financial discipline with steadily expanding margins and consistent store growth.

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:

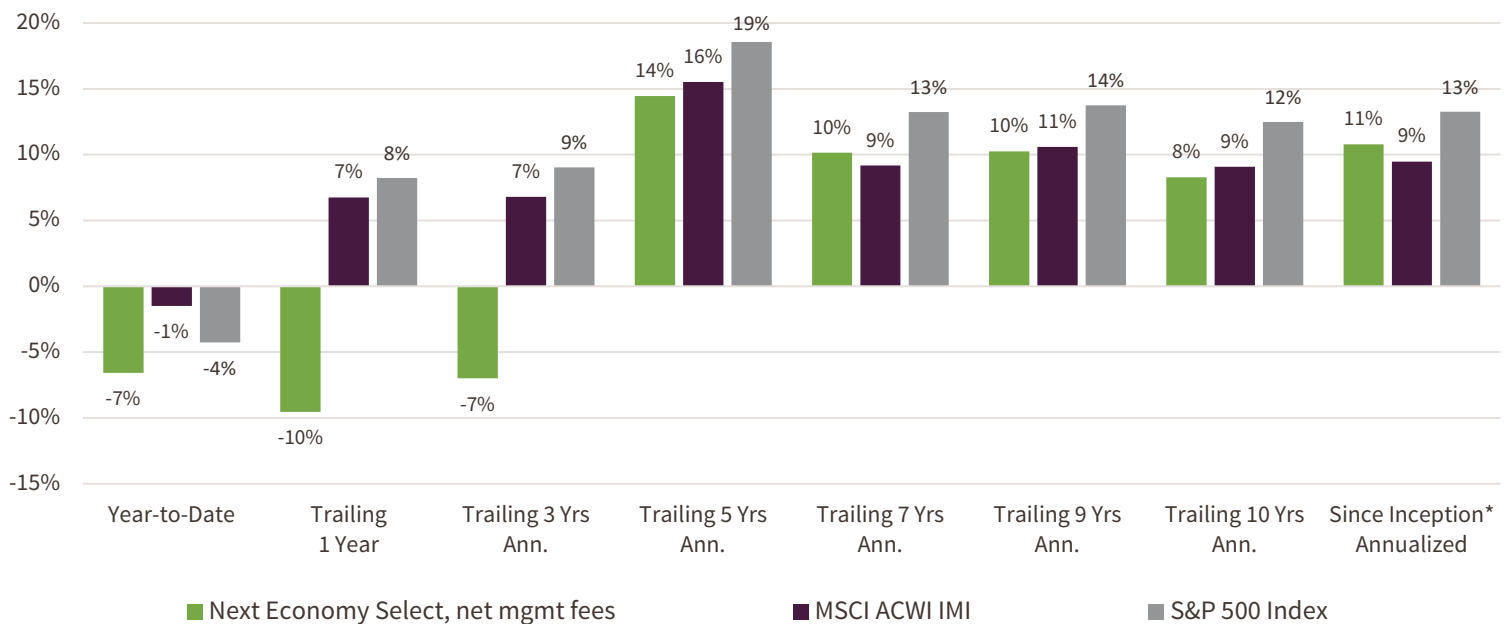
- Look beyond borders to diverse innovation centers
- Focus on fundamental technological transformations
- Bet on climate adaptation infrastructure
- Follow bioeconomy leaders
- Embrace supply chain innovation

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 Next Economy Select strategy returned -6.58% 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 returns were Health Care and Real Estate.

- Within the Health Care sector, losses were driven by Biotech, Medical Equipment & Devices, and Health Care Services industries. While our macroeconomic outlook emphasizes the long-term potential of personalized medicine and biotechnology innovation, the sector faced headwinds from fiscal policy uncertainty.
- In Real Estate, the detractors were Office REITs, Data Center REITs, and Health Care REITs. As noted in our macroeconomic commentary, the insurance industry's reassessment of climate risk is having significant implications for real estate valuations.

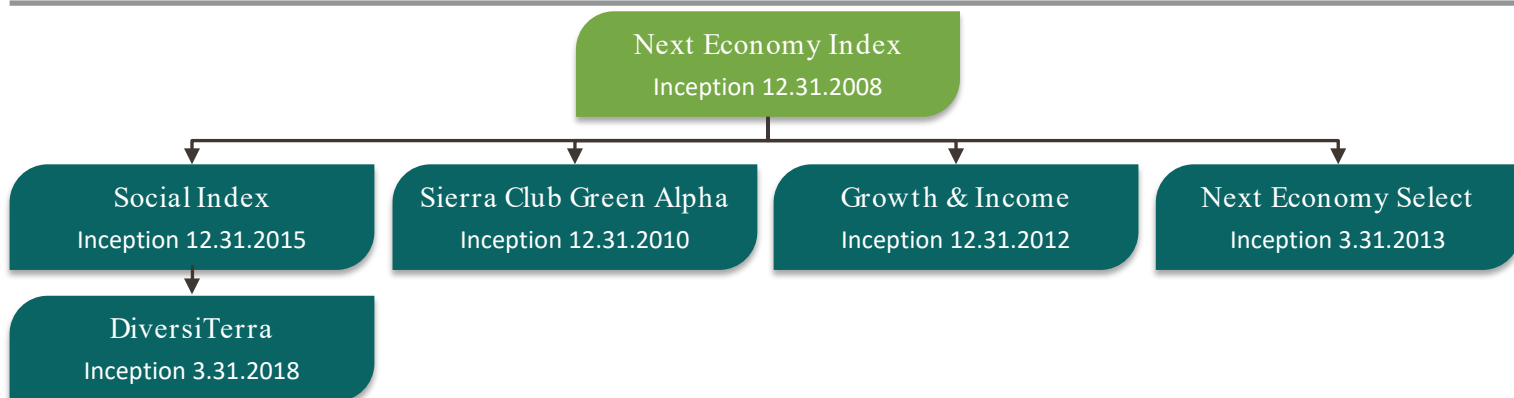
The strategy's best performing sectors were Consumer Staples and Financials.

- The Consumer Staples sector experienced continued gains from various retail industries, with the portfolio's exposure to two U.S. natural and organic retailers continuing their gains. Those gains were partially offset by losses in Food Production and Personal Care Products industries. These performance results reflect the ongoing consumer shifts toward more healthy products.
- In Financials, the portfolio's exposure to two innovative asset management companies provided positive contributions. These companies are uniquely positioned to navigate the complex fiscal environment described 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.

**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 additional important disclosures.*



- **Highest conviction stocks, two investment vehicles:** democratizing access to leading Next Economy companies via an ETF 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, 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

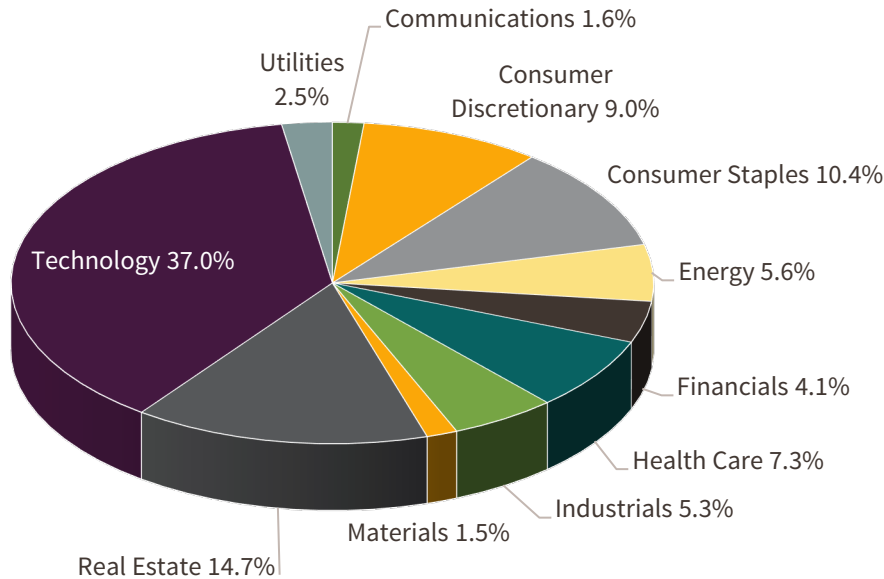
Characteristics	Next Economy Select	Benchmark: MSCI ACWI IMI (SPGM)	Next Economy Index	Social Index	Growth & Income	Sierra Club Green Alpha	DiversiTerra
# of Securities	58*	2,807	150	113	36	49	53
Active Share vs MSCI ACWI IMI	98%	-	93%	94%	97%	98%	96%
Active Share vs Next Economy Index	68%	-	-	35%	72%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

Characteristics are sourced from FactSet, based on a representative account and include cash. Please see additional disclosures on last page. *The AXS Green Alpha ETF holds one company more than SMAs in the strategy due to its ability to purchase foreign ordinaries.

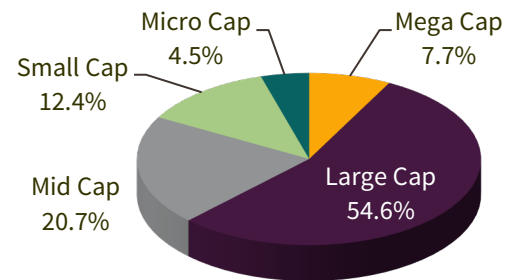
Portfolio Allocations

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.

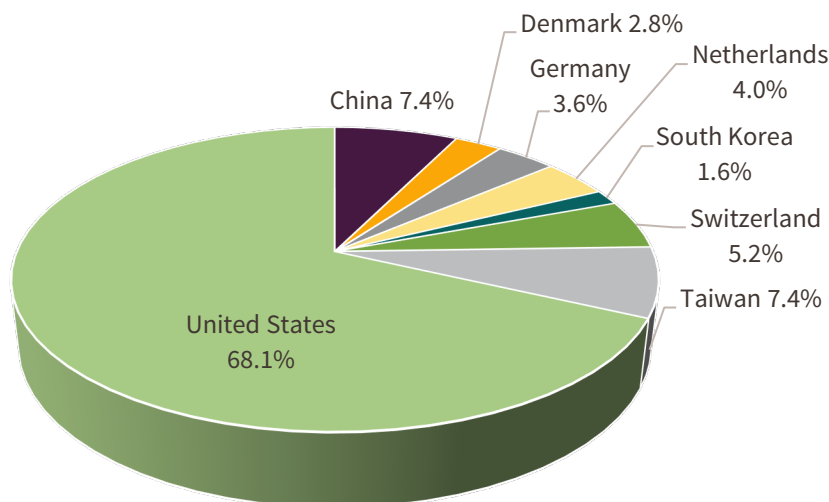
Sectors



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. 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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- Beginning May 31, 2023, composite membership includes a minimum account size of \$100,000. 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.
- While both the AXS Green Alpha ETF (NXTE) and separately managed accounts within the Next Economy Select portfolio aim to follow the same investment strategy, due to the structural and operational differences between an ETF and separately managed accounts, there may be differences in holdings, sector allocations, and risk exposure between the two vehicle options. To understand the differences, please reach out to Green Alpha investment personnel at info@greenalphaadvisors.com.
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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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