

# Next Economy Income

June 30, 2025

Green Alpha<sup>®</sup>

## Investment Philosophy

The driving forces behind economic growth are:

- Investments in physical capital and infrastructure that expands production capacity,
- companies boosting productivity and operational efficiencies,
- technology creating new ways to produce more with less, and
- market solutions addressing negative externalities and other macro concerns.

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

Our strategy is clear: we focus on maximizing investment returns and income through fixed income instruments of businesses and projects that combine profitable growth with scalable, adaptable solutions to global challenges. We seek opportunities where addressing major problems drives sustainable earnings and attractive risk-adjusted returns.



## Why Invest in Next Economy Fixed Income?

- Solely consists of bonds issued by market-leading, solutions-oriented companies and/or projects
- Disciplined credit quality focus on compelling growth-oriented companies in the form of steady income

**Inception:** June 30, 2022

**Vehicle:** Separately Managed Accounts

## Research

We select companies for our portfolios based on:

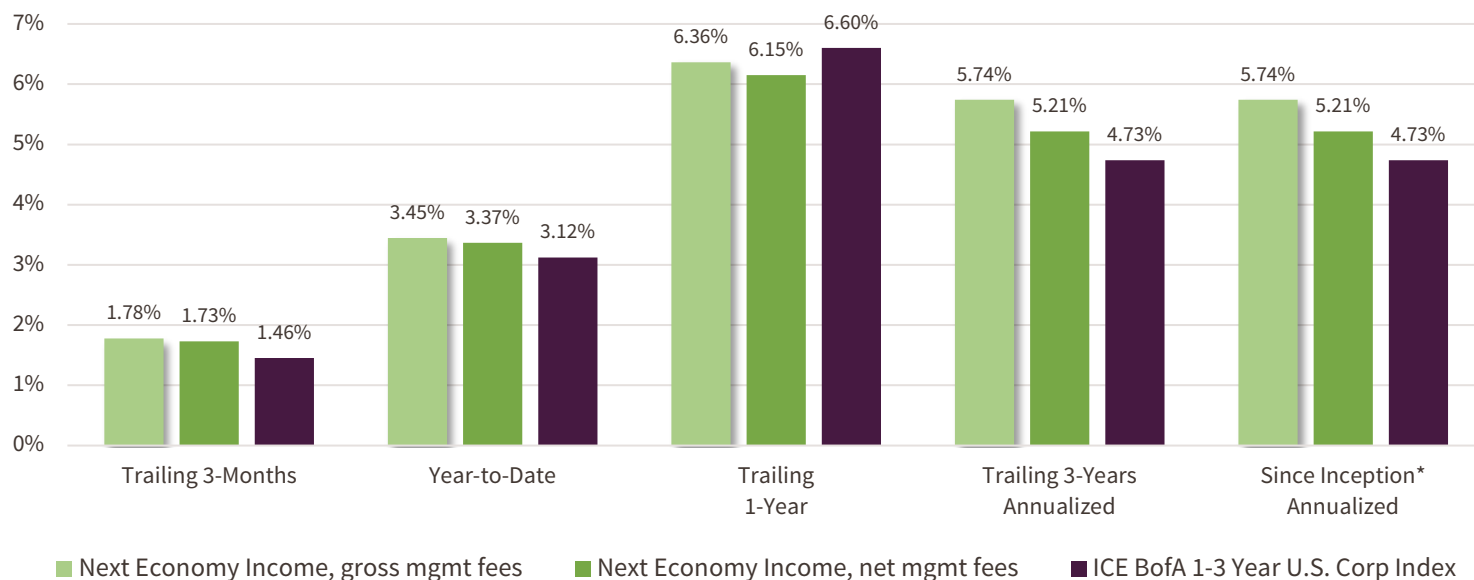
- Impact: Businesses offering innovative solutions to critical economic, environmental, and other global challenges.
- Innovation Leadership: Companies investing heavily in R&D, intellectual property, and capital expenditures.
- Strong Management: Diverse, effective teams aligned with shareholders, demonstrating revenue growth, and expanding profit margins.
- Financial Health: Businesses with robust balance sheets and smart capital allocation strategies.
- Yield: Fixed income securities offering attractive coupon rates and spreads relative to their credit quality and duration risk.

These and other factors help us construct a portfolio that aims for stable income and preservation of capital. We focus on credit quality and duration management in shifting rate environments.

## Portfolio Construction

Green Alpha has partnered with Uniplan Investment Counsel to manage the Next Economy Income portfolio strategy. The portfolio benefits from Green Alpha's sustainability analysis, and Uniplan's bond selection, trading, and portfolio construction expertise. All bonds purchased for Next Economy Income accounts pass both Green Alpha's rigorous sustainability criteria and Uniplan's credit quality analysis and forward-looking assessment.

# Performance & Attribution



During the second quarter, U.S. treasuries were highly variable as markets struggled to handicap global trade policy post-Liberation Day. The 10Y yield stood at 4.23% as of 3/31, and after whipsawing between 4.00 and 4.50 intra-quarter, ended Q2 little changed at 4.24%. On the shorter end of the curve, the 2Y yield experienced similar volatility but ended the quarter down 17 bps from 3.89% to 3.72%. The flat 10Y and easing 2Y yields resulted in the 10/2Y spread rising from 34 to 52 bps. As the quarter progressed, volatility dampened as investors grew more comfortable with the emerging global trade framework, aided by steady economic data and resilient consumer spending. Similarly to treasuries, the immediate aftermath of Liberation Day caused OAS and corporate spreads to balloon, before subsiding over the next several months. Ultimately, both ended Q2 not only lower for the quarter but near multi-year lows, suggesting macro risk is being priced out.

The Fed, and in particular Chairman Powell himself, faces an uncomfortable situation. While inflation has continued to make progress towards the Committee's long-term target of 2%, it has shown signs of stalling out in the mid-high 2% range. Expectations are for inflation to rise in 2H25, in part due to tariffs. Labor data has been mixed but relatively steady. Powell has attempted to preach a message of patience to digest more data, going so far as to highlight the effect of tariffs as keeping the Fed grounded at a current rate of 425-450 bps. This has only exacerbated the rift between President Trump and the Fed, with the current administration applying unprecedented public pressure for the Fed to cut rates. Despite all this uncertainty over inflation, the economy, and who chairs the Fed itself, the market is pricing in at least 1 cut by the September meeting and 2-3 by year end. This is still more dovish than the Fed's own expectations, which are for 0-2 cuts by year-end with the committee very much split on the dot plot. We continue to anticipate rates being "Higher for Longer" as the Fed prefers to follow the data which remains inconclusive on the next policy action. Additionally, while we do not expect Trump to fire Powell and appoint a dovish replacement, such an outcome may cause the long end of the curve to rise despite rate cuts, given the politicization of the Fed in that scenario and its long-term implications.

Although our forward outlook is revised continuously as new data is available, our key macroeconomic projections as of 6/30 are as follows: US Economy GDP ~1%. Consumer spending remains solid. Unemployment remains in the low to mid 4%'s. Inflation does decline but slower than some expect (Core PCE 2.5-3.0% by YE25) and the Fed will be limited to a shallow rather than deep reduction of FFR. We expect ~3.75-4.25% by YE25. UST/Bonds Real yields remain positive supporting yield orientated investments. Nominal yields stabilize. Normalization of the US Yield Curve driving the UST10Y yield higher over 1H. With credit spreads at a historically tight level, we feel that we are not adequately compensated for the risk associated in high yield credits. This forward outlook has our portfolio focused on quality investment grade credits within the Next Economy<sup>TM</sup> Universe.

*\*Portfolio Inception: June 30, 2022. 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.*

# Largest Positions

How the portfolio is driving progress toward the Next Economy

**Twilio** *Sector: Technology | Industry: Software*

- **Financial Performance:** For the first quarter of 2025, Twilio reported total revenue of \$1.17 billion, a 12% year-over-year increase, and generated \$178 million in free cash flow. The company maintains a strong liquidity position with a low debt-to-equity ratio of 0.12.
- **Strategic Focus:** The company is executing on its strategy to streamline operations and focus on its core communications business, which has led to improved profitability and positive free cash flow generation.
- **Shareholder Returns and Governance:** Twilio continues to return capital to shareholders through its authorized stock repurchase program while maintaining strong governance, with insider sales representing a small fraction of overall holdings.

**Commercial Metals Company** *Sector: Industrials | Industry: Steel*

- **Financial Performance:** In the second quarter of fiscal 2025, CMC reported net sales of \$1.8 billion. The company maintains significant liquidity, with nearly \$1.6 billion available as of February 28, 2025.
- **Operational Strength:** Despite economic uncertainty, solid construction demand in North America drove a 3.3% increase in finished steel shipments compared to the prior year's second quarter. The company's downstream backlog is growing, supported by project awards in the infrastructure and data center segments.
- **Sustainability in Production:** CMC exclusively uses Electric Arc Furnace (EAF) technology, which has a significantly lower carbon footprint than traditional steelmaking. The company is advancing its sustainability goals, targeting a 20% reduction in GHG emissions intensity by 2030 from a 2019 baseline.

**Prologis** *Sector: Real Estate | Industry: REITs*

- **Global Portfolio Scale:** As of late 2024, Prologis's global portfolio encompassed approximately 1.3 billion square feet of logistics real estate across 20 countries, serving a broad range of customers in global supply chains.
- **Financial Health:** The company reported a 10.9% increase in Core Funds From Operations (Core FFO) per diluted share for the first quarter of 2025, demonstrating strong and profitable growth. Occupancy and rental rate growth remain healthy across its key markets.
- **Commitment to Sustainability:** Prologis is on track to achieve its 2025 goals of 100% carbon-neutral construction and 100% LED lighting across its portfolio. The company has already surpassed its scope 3 emissions reduction target and continues to expand its solar energy capacity.

**American Tower** *Sector: Real Estate | Industry: REITs*

- **Global Asset Base:** As of June 30, 2025, the company's portfolio consisted of approximately 148,800 communications sites, including over 41,800 in the U.S. and Canada and roughly 107,000 internationally, providing critical infrastructure for wireless carriers.
- **Stable and Growing Revenue:** For Q2 2025, American Tower reported a 4.7% year-over-year increase in consolidated organic tenant billings growth. Demand is supported by 5G network upgrades in the U.S. and double-digit revenue growth in its CoreSite data center segment, driven by AI-related demand.
- **ESG and Capital Discipline:** The company integrates ESG into its operations, recycling or reusing 98% of its tower steel waste and embedding emissions reduction goals into executive compensation. It maintains a strong balance sheet with \$12 billion in liquidity as of year-end 2024.

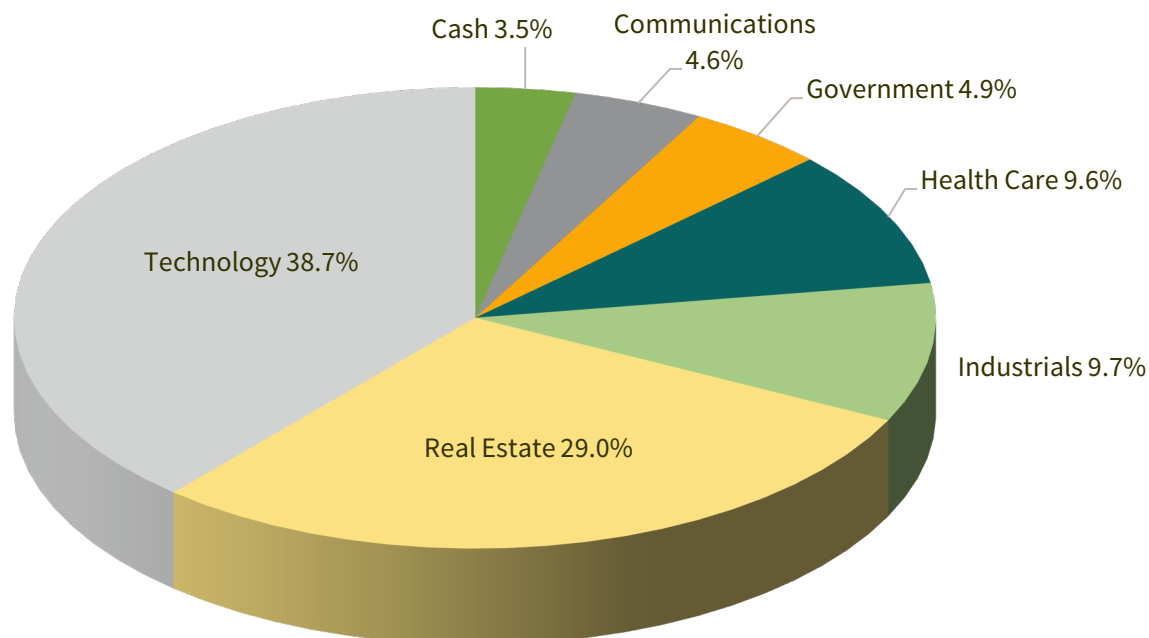
Largest Holdings			Weight
Twilio	3.625%	3/15/2029	4.98%
Commercial Metals	3.875%	2/15/2031	4.97%
Prologis	1.250%	10/15/2030	4.95%
American Tower	1.600%	4/15/2026	4.95%
Crowdstrike Hldgs	3.000%	2/15/2029	4.94%
% of Portfolio			24.78%

# Characteristics

Statistics	
Yield-to-Maturity	4.76%
Current Yield	3.31%
Average Duration	2.56
Weighted-Avg Maturity	2.68
Effective Duration	2.52
Number of Holdings	20
Option-Adjusted Spread (OAS)	85.61%

S&P Credit Quality Rating	Portfolio Weighting
AA	9.72%
A	4.95%
BBB+	52.57%
BBB	0.00%
BBB-	9.54%
BB+	0.00%
BB	19.73%
BB-	0.00%
Non-rated and Below BB-	0.00%
Average Quality	BBB+

## Sectors by Bloomberg Industry Classification Standard



Characteristics presented on this page are for one separately-managed account. Transactions, holdings, and results for separately managed accounts should be expected to differ, sometimes greatly, based on timing of transactions, account size, and custodian/broker relationship(s). Please see additional important disclosures on the following page.

# 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.
- Uniplan Investment Counsel is a registered investment advisor, specialized in alternative asset management since 1984. Led by Founder & Chariman Richard Imperiale, the team performs fundamental analysis on the individual bonds and sustainable companies for inclusion in the portfolio.
- The portfolio is managed by a team of Co-Managers, each contributing their expertise to investment decisions this collaborative approach is intended to diversify perspectives and leverage complementary skill sets to enhance portfolio management. Clients should understand that while co-management seeks to enhance portfolio outcomes, limitations may impact operational efficiency. Efforts are made to mitigate these risks through structured communication, clear role definition and adherence to the overarching investment strategy.
- Clients engaging in a co-managed portfolio structure are required to sign a dual Investment Management Agreement (IMA) to formalize their consent to the co-management arrangement. Additionally, clients will receive form ADV Part 2 and Form CRS from both Co-Managers. Clients are encouraged to carefully review both forms and discuss any questions or concerns before entering into the co-management agreement.
- 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.
- Past performance does not guarantee or indicate future results. The information expressed herein is as of the expressed dates and is subject to change. Displayed portfolio characteristics reflect the strategy for a fully discretionary, unconstrained account and are the result of actual trading. Actual portfolios may differ as a result of account size, client-imposed investment restrictions, the timing of client investments, cash flows into or out of such accounts, market, economic and individual company considerations and other factors.
- The Next Economy Income performance results are a composite of discretionary client accounts invested in the Next Economy Income strategy. Net-of-fee returns reflect the deduction of actual and/or highest applicable management fees and transaction costs. Some assets managed in the Next Economy Income strategy within the composite do not pay a management fee and/or 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.
- 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 ICE BofA 1-3 Year US Corporate Index is a subset of the ICE BofA US Corporate Index, comprising investment-grade corporate bonds publicly issued in the U.S. domestic market with a remaining term to final maturity of at least one year and less than three years. All securities in the index are denominated in U.S. dollars, have a fixed coupon schedule, and meet minimum size and liquidity criteria. The index is designed to reflect the performance of short-term, high-quality corporate debt, and is commonly used as a benchmark for short-duration corporate bond portfolios.
- Investment-grade and higher-yield fixed income securities that pass both Green Alpha's top-down and Uniplan Investment Counsel's fundamentals and quantitative research processes with sufficiently high proprietary scores are included in the Next Economy Income portfolio. The constituents of the Next Economy Income strategy represent the candidate list of Green Alpha Next Economy Universe, from which Uniplan selects individual bonds for the construction of the portfolio. Individual bonds issued by nonGreen Alpha Next Economy Universe approved companies may be considered for the portfolio on a case-by-case basis upon approval by both co-management investment teams. Next Economy Income employs active research and bond selection, and active portfolio construction through a continual evaluation process using Uniplan's proprietary weighting scheme. Designed to reflect the emerging Next Economy as a whole, the universe of bonds typically grows each year as the economy continues to transition and public fixed income markets continue to evolve.
- Asset allocation and diversification strategies do not guarantee a profit and may not protect against loss. The two main risks related to fixed-income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Non-investment grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries. Small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger capitalization companies. Investments that are concentrated in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market.
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