

# Next Economy Growth & Income

December 31, 2025

## Green Alpha<sup>®</sup>

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### Investment Philosophy

The driving forces behind economic growth and portfolio returns are:

- companies accelerating productivity, and
- businesses addressing urgent global economic challenges.

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

Since 2008 we have focused on identifying and investing in businesses that are developing brilliant, scalable, adaptable, and economically superior solutions to global challenges.



### Why Next Economy Growth & Income?

- Active research, stock selection, and portfolio mgmt
- Access above-market dividend income alongside long-term capital preservation and growth
- 25-45 global, market-leading companies developing solutions to core economic and environmental risks

**Inception Date:** December 31, 2012

**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 long-term value building, clearly demonstrating revenue growth, operating leverage, expanding margins, and a record of dividend increases.
- *Financial Health:* Businesses with robust balance sheets/coverage ratios 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.

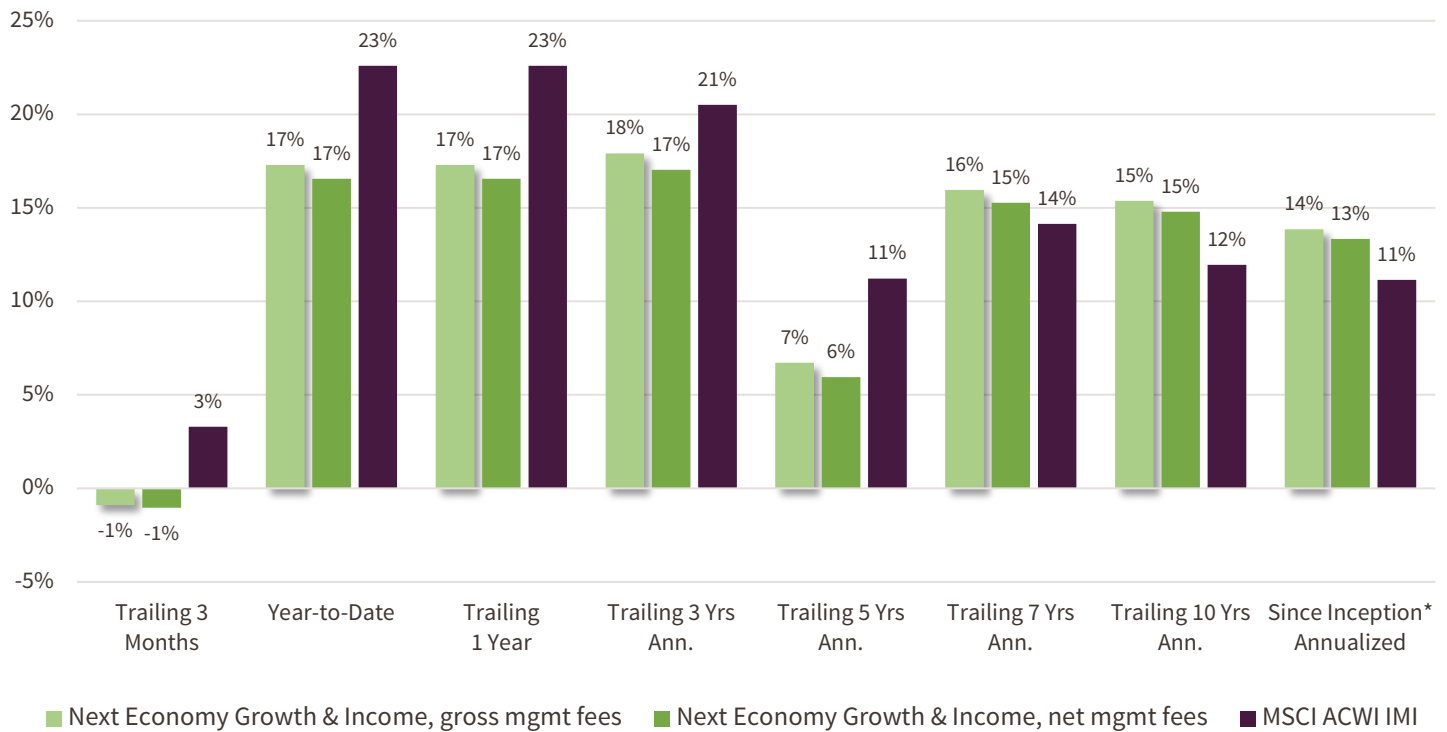
### Portfolio Construction

Our Next Economy Growth & Income portfolio has two key objectives: capital growth and current income. We carefully select holdings for:

1. Current dividend yield
2. Potential for dividend growth
3. Share price appreciation potential

This strategy is constructed to offer above-average dividend yield in a relatively low short-term volatility portfolio. By combining growth potential with income generation, this portfolio aims to provide a stable and rewarding investment.

# 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)	+/-
Technology	25.68	24.06	49.86	27.63	22.22	11.52	6.70	5.70
Industrials	5.99	11.56	61.83	27.43	34.39	3.16	3.15	0.13
Health Care	8.00	9.31	43.98	15.15	28.83	2.96	1.31	1.93
Utilities	4.42	2.19	45.12	25.71	19.41	1.69	0.56	1.29
Energy	4.29	3.83	41.70	15.71	25.99	1.64	0.58	1.21
Communications	5.04	9.08	9.18	31.04	-21.87	0.55	2.77	-2.41
Consumer Discretionary	4.24	9.91	7.24	11.14	-3.90	0.55	1.15	-0.67
Cash	1.49	0.46	0.00	15.56	-15.56	0.00	0.11	-0.12
Financials	10.00	18.02	0.37	30.00	-29.63	-0.38	5.30	-6.24
Consumer Staples	1.81	5.86	-36.05	8.99	-45.04	-0.55	0.59	-1.26
Real Estate	29.04	1.96	-16.70	6.88	-23.57	-5.31	0.13	-5.93
Government		0.12		4.24	-4.24		0.01	-0.01
Materials		4.11		41.83	-41.83		1.61	-1.61

\*Portfolio Inception: December 31, 2012. 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.

# Macroeconomic Commentary



While Silicon Valley bets on "God in a box" AI models, the global economy is being quietly reshaped by the physical "Electric Stack"—the batteries, magnets, and electrons that turn intelligence into work. Our 2025 commentary explores why the next decade belongs not to those with the most data, but to those who can orchestrate the kinetic reality of the Next Economy™. Click [here](#) to read our entire post.

## Topics Covered

- **The Electric Stack: What Actually Matters**
  - *The Four Layers of Kinetic Work*
  - *The Jevons Paradox: Why Efficiency Drives Explosive Demand*
- **The Electrostate and the Petrostate**
  - *A New Geopolitical Order: Controlling the Intelligence of the Grid*
- **Transition Reality Check: What's Actually Working**
  - *Established Tech vs. Speculative Hype*
  - *The Price Bottleneck in Hard-to-Abate Sectors*
- **AI in Context: Powerful But Not Sufficient**
  - *From "God in a Box" to System Orchestration*
  - *The Biological Stress Test: Why "Ground Truth" Requires Physics*
- **The Bet America is Making**
  - *The DeepSeek Shock: Commodity Intelligence and the Deployment Gap*
- **Next Economics: Who Captures Value?**
  - *Decoupling Development from Degradation*
  - *The Second Mine: Mastering the Circular Stack and Molecular Loops*
- **The Kinetic Forecast: What We're Watching in 2026**
  - *Fleet Turnover and the Interconnection Crisis*
  - *The Shift from AI Land-Grabs to Budget Scrutiny*
- **Closing Thoughts: Following the Physics**
  - *Our Mandate for 2026: Orchestration over Extraction*

# Largest Positions

How the Next Economy Growth & Income portfolio is driving progress toward the Next Economy

**Taiwan Semiconductor Manufacturing (TSM)** *Sector:*

*Technology | Industry: Semiconductors*

- **Foundational Semiconductor Manufacturing Capabilities:** TSMC manufactures the vast majority of the world’s advanced logic chips that power everything from AI data centers to electric vehicle systems. Their upcoming 2nm "N2" process, entering mass production this year, utilizes innovative nanosheet transistors to deliver a 30% reduction in power consumption, providing the efficiency required to sustain the global explosion in compute demand.
- **A Key Driver of Industrial Decarbonization:** Committing to 100% renewable energy (RE100) across all global operations by 2040 and significantly increasing its use of reclaimed water in manufacturing. By expanding its geographic footprint with new leading-edge facilities in Arizona, Japan, and Germany, TSMC is building a more resilient and distributed global supply chain, ensuring that the "brains" of the Next Economy are both sustainable and secure.

Company Name	Ticker	Weight
Taiwan Semiconductor Manufacturing	TSM	9.80%
IBM	IBM	5.76%
Lam Research Corporation	LRCX	4.80%
Brookfield Renewable Corp	BEPC	4.65%
Horizon Technology	HRZN	4.31%
% of Portfolio		29.33%

**IBM (IBM)** *Sector: Technology | Industry: Software & Tech Services*

- **Enterprise AI at Scale:** The watsonx platform has shifted from experimentation to industrial-scale execution, enabling companies to deploy specialized autonomous AI agents that integrate seamlessly with over 80 major enterprise applications. This deep technical embedding allows legacy giants in finance and manufacturing to achieve massive ROI by automating complex, high-stakes workflows that require strict data sovereignty and precision.
- **Quantum Computing Leadership:** IBM is leading the global race to "Quantum Advantage," with its Nighthawk and Kookaburra processors expected to outperform classical supercomputers in real-world chemistry and logistics simulations by the end of 2026. By building the entire stack—from proprietary cryogenics to error-correcting software—IBM is positioning itself as the indispensable utility provider for the next generation of high-performance computing.

**Lam Research Corp (LRCX)** *Sector: Technology | Industry: Semiconductors*

- **Critical architect of the Next Economy infrastructure:** Providing the specialized tools required to build the high-bandwidth memory and advanced 3D chips that power the AI era. Their breakthrough innovations in etching and deposition allow for massive increases in compute density while simultaneously reducing the energy footprint of the global data ecosystem.
- **Leading the semiconductor industry in climate responsibility:** having been the first U.S. equipment manufacturer to receive SBTi approval for greenhouse gas reduction targets aligned with a 1.5°C trajectory. By deploying AI-driven virtualization and designing tools that maximize manufacturing yield, Lam ensures the hardware foundation of the digital future is built with resource efficiency at its core

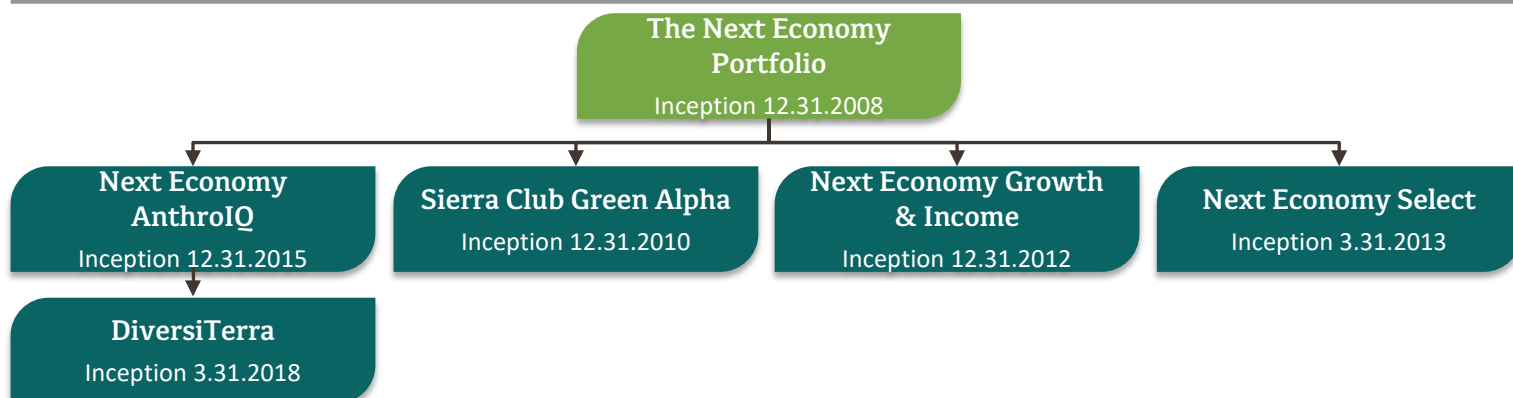
# Largest Positions *continued*

## **Brookfield Renewable (BEPC)** *Sector: Utilities | Industry: Electric Utilities*

- **Utility-Scale AI Infrastructure:** BEPC has evolved from a pure-play green utility into the essential power backbone for the AI revolution, leveraged by massive framework agreements like its landmark deal to provide 10.5 GW of capacity to Microsoft. This strategic pivot secures high-margin, long-term contracts with the world's most creditworthy tech giants, creating a "toll-booth" economic model on the massive energy consumption required for next-generation data centers.
- **Diversified Baseload Strategy:** By integrating its legacy hydro-power assets with the recent acquisition of Westinghouse, BEPC now provides a unique "any-and-all" energy solution that combines 24/7 carbon-free nuclear reliability with rapid-deployment solar and wind. This technological breadth allows the company to capture premium pricing in a supply-constrained power market, outcompeting specialized rivals who lack the scale and reliability of a diversified, global operational platform.

## **Horizon Technology Finance Corp (HRZN)** *Sector: Financials | Industry: Specialty Finance*

- **Strategic Capital for Autonomous Logistics:** Horizon has positioned itself as a primary financier for the physical automation of the "Next Economy," recently closing a major senior debt facility for Kodiak AI to accelerate the deployment of its driverless long-haul trucking platform. By providing the non-dilutive liquidity necessary to scale "driver-out" freight operations, Horizon secures high-yield interest income while capturing equity warrants in the leaders of autonomous industrial hardware.
- **Fortified Scale via Monroe Merger:** The recent merger with Monroe Capital has transformed Horizon's balance sheet, adding \$165 million in equity capital and expanding its capacity to dominate larger, multi-stage venture lending transactions. This enhanced scale allows the firm to outcompete smaller BDCs by offering more aggressive, comprehensive financing packages to elite Next Economy companies in deep tech and life sciences through 2026.



- **High Income** – a compelling combination of growth and dividend income that is higher than the broad equity market
- **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

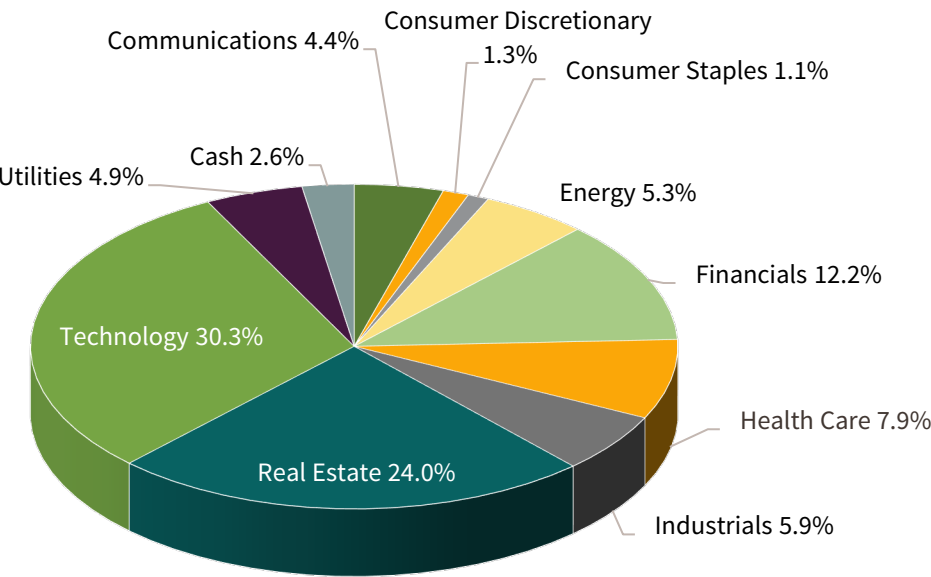
Characteristics	Next Economy Growth & Income	Benchmark: MSCI ACWI IMI (SPGM)	The Next Economy Portfolio	Next Economy AnthroIQ	Next Economy Select	Sierra Club Green Alpha	DiversiTerra
# of Securities	34	2,908	154	110	52	47	52
Active Share vs MSCI ACWI IMI	96%	-	93%	93%	97%	98%	95%
Active Share vs Next Economy Index	74%	-	-	38%	67%	71%	65%
Sales Growth, Trailing 3-Yr	7%	14%	15%	17%	15%	14%	12%
P/E, Current	24.3	22.3	27.7	28.1	25.3	28.7	27.4
P/E, 1-Year Forward	19.5	20.2	22.1	21.2	22.0	22.3	24.9
Price/Sales	1.4	2.3	2.7	3.2	1.6	1.0	2.8
Price/Book	2.0	3.3	2.8	3.2	2.6	2.3	2.8
LT Debt/Equity	47%	34%	31%	37%	37%	33%	38%
Current Ratio	2.1	1.9	3.2	2.9	3.1	2.9	2.9
Dividend Yield	3.48%	1.68%	1.06%	0.92%	1.60%	1.61%	1.33%
Market Cap, Wtd Avg (\$B)	\$284.98	\$864.50	\$128.96	\$169.22	\$245.87	\$210.52	\$208.29
Market Cap, Median (\$B)	\$25.68	\$3.56	\$7.73	\$9.63	\$6.39	\$7.29	\$8.34
Turnover, Trailing 2-Yr Avg	9%	Not Available	28%	9%	9%	10%	12%
Beta, Trailing 3-Yrs	1.44	1.00	1.68	1.79	1.88	1.75	1.74
U.S.-Domiciled Companies	68%	83%	83%	90%	70%	72%	83%
% Revenue Derived in U.S.	48%	44%	55%	59%	54%	50%	57%

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

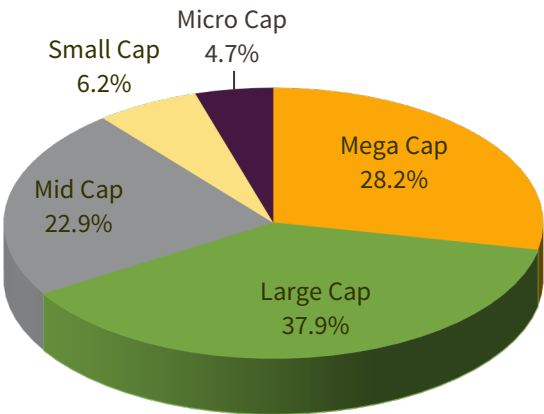
# Portfolio Allocations

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

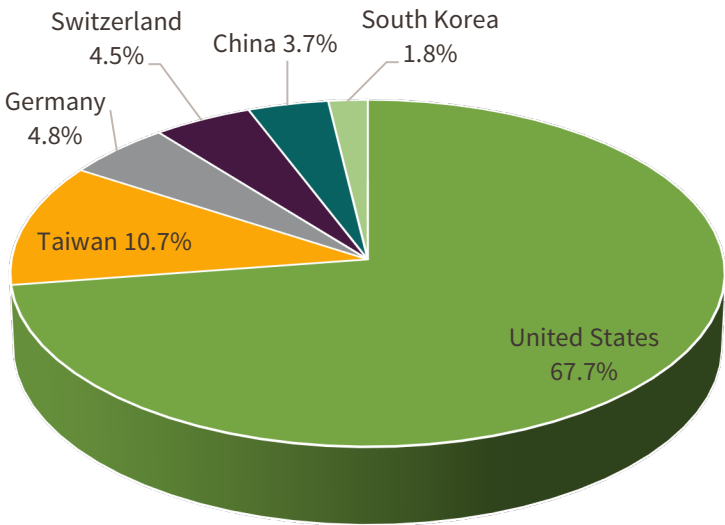
Sectors



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. The market cap and headquarters charts are shown as percent of equity. Please see the final page of this document for additional important disclosures.



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- Beginning July 31, 2021, the Next Economy Growth & Income performance results are a composite of discretionary client accounts invested in the Next Economy Growth & Income 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 Next Economy Growth & Income 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 Next Economy Growth & Income 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. Next Economy Growth & Income composite performance results do not reflect the reinvestment of dividends and interest.
- Prior to July 31, 2021, 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 August 2021. Please contact Green Alpha for information about the representative account selection process.
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