ESSEX INVESTMENT MANAGEMENT COMPANY, LLC

The Essex Exchange

Winter 2020

Inside this issue:

Investment Team

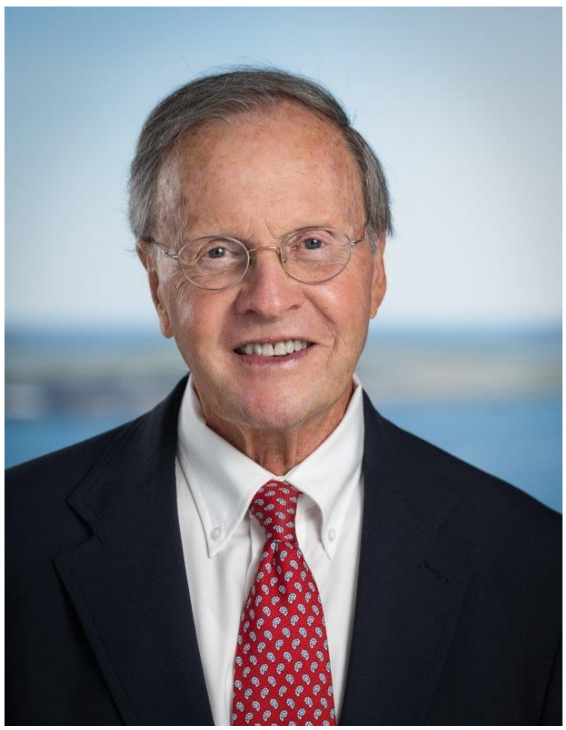
- Joseph C. McNay
- Nancy B. Prial
- Robert J. Uek
- Stephen D. Cutler
- William H. Page
- Saralyn Sacks
- Marcy R. Carlin
- Anne Marie McMichael
- Martin P. Cournan

125 High Street
Suite 1803
Boston, MA 02110
617-342-3200

Please see our website www.essexinvest.com for updated insights from our portfolio management and research team.

Stephen D. Cutler

1936 – 2020



As if 2020 were not difficult enough, we were dealt a particularly hurtful and personal blow with the unexpected passing of Steve Cutler shortly before Thanksgiving. Steve, our President and a Senior Portfolio Manager, first joined Essex in 1989, and for the past 30 years has been a great colleague, investor, mentor, leader and friend to Essex and to our valued clients. We will forever remember Steve with great fondness and respect. In an industry known for outsized egos, self-aggrandizement and boastful claims, Steve stood out for his humility and self-deprecating humor, possessing the rare ability to combine investment acumen with meaningful client relationships. Most importantly, Steve lived a life of consequence – he was a loving husband, father and grandfather, he was a wise investor and counselor for Essex and our clients, and he was an impactful philanthropist that meaningfully improved the lives of many through his extraordinary gifts to education and medicine. Whenever we reflect on the accomplishments of a person, the greatest compliment is that they made a difference to the world and Steve certainly achieved that. He will be missed.

A New Ball Game: Cleantech 3.0

By: William H. Page-Senior Portfolio Manager

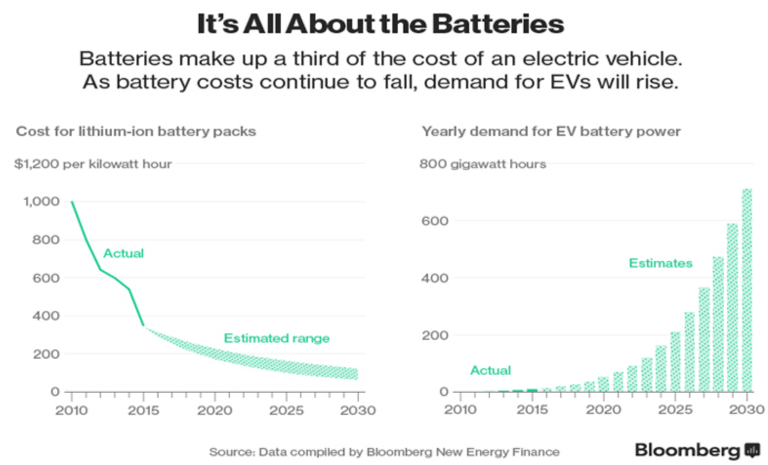
The cleantech sector has been on quite a tear this year, particularly since the depths of the pandemic-driven correction in the equity markets in early spring. Investors are recognizing the level of opportunities in cleantech, especially areas such as electric vehicles (EV), the hydrogen economy, and renewable energy. Some EV start-ups are up several fold - many of which are companies that have little technological differentiation in our opinion. While the valuations of some of these stocks exhibit extreme speculation driven in part by Robinhood-fueled retail investors, the state of disruption that clean tech is causing is significant. The current cleantech cycle is real and is being fed by a combination of technological advancement along with increased consumer and corporate commitment to better and cleaner products and energy sources. Most importantly, clean technology is a long-term trend – one of the strongest investment opportunities of our generation. Essex has been investing in clean technology across our strategies for many years, as new energy technologies are right in the wheelhouse of our philosophy for *investing for growth, wherever growth exists*. Our Chairman, Joe McNay (identified as one of the best growth investors by former Morgan Stanley strategist Byron Wien) has been investing in solar companies since the early days of renewable energy and has highlighted EVs as one of the best current investment opportunities in the market.

All of Essex's portfolios are benefiting from our clean tech domain expertise. For example, in 2020 solar installers Vivint Solar (acquired by Sunrun), Sun Power and Sunnova are among our biggest contributors to performance. We own companies exposed to EVs, clean energy distribution, and battery materials. For those that want purer, more direct exposure to the clean tech trend, Essex also manages a strategy (separately managed portfolios and as a mutual fund) specifically dedicated to environmental investing, the Essex Global Environmental Opportunities Strategy ("GEOS"). While pockets of the cleantech field are extended on valuation, the GEOS themes provide diversified opportunities in areas beyond renewable energy or EVs such as industrial automation. The industrial automation companies are very well positioned for onshoring of U.S. industrial manufacturing processes, as they save companies time and money, while providing stronger and more reliable product distribution.

The strong performance of the cleantech arena recently reflects the transformative growth of cleantech. We believe we are in the early innings of Cleantech 3.0 – the third iteration where clean and green companies are not dependent solely on legislation or government funding. This new reality, still in early innings is vastly different from the prior cleantech cycles which were highly speculative and focused on nascent technologies like biofuels that weren't ready for broad commercial adoption. Within these prior cycles, however, the seeds of future success were planted with the launch of important technologies such as advanced robotics, the internet of things (IoT), precision agriculture and the commercialization of advanced batteries. We are benefitting from these advancements, with Cleantech 3.0 which began by our measure in 2018. We liken this clean tech cycle to the development of the internet which happened over many years with several early cycles that were volatile and speculative (remember Webvan or Pets.com?). Internet 3.0 which began after the tech bubble early in this century saw the success of Google, Amazon, eBay and many other companies that changed our lives in nearly every way. We are at this moment now with clean technology which will change the way we live and consume.

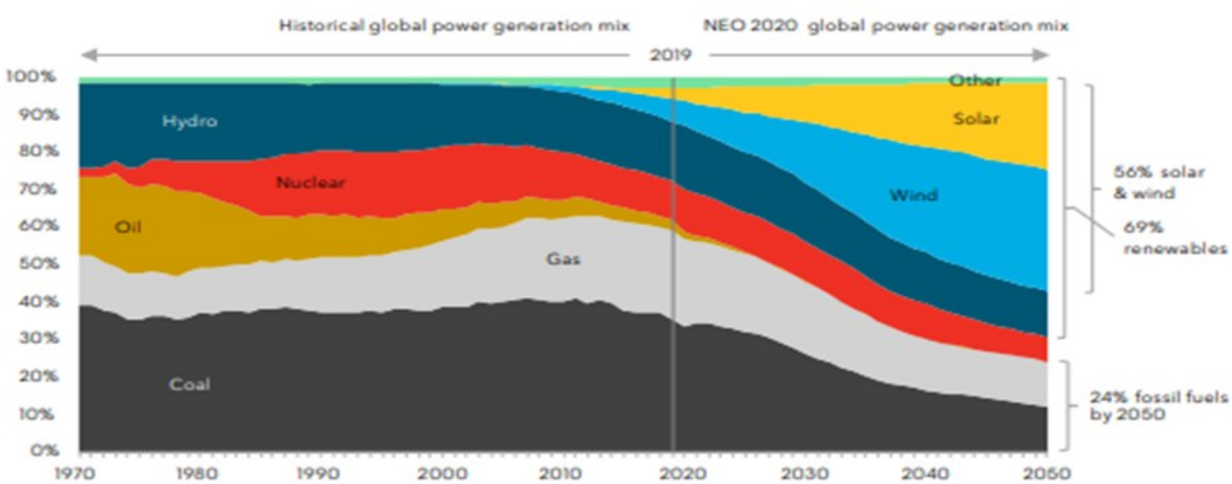
This new clean tech period is just underway, with massive improvements in computing power, artificial intelligence and other technologies leading to an explosion in cost-competitive clean technologies across very broad portions of our economy. Coupled with much greater awareness of environmental issues, corporations and individuals are demanding rapid adoption of these clean technologies. The impact of Cleantech 3.0 is enormous with vast industries such as utilities, energy, transportation and manufacturing undergoing immense disruption and transformation the likes of which we haven't seen since the dawn of the oil era or the industrial revolution.

The clean technology exposure we have today includes themes such as EV commercialization, as all major automotive manufacturers have pledged EVs to be their primary model focus beginning within the next few years. The major catalyst here is the rapidly decreasing battery costs driving increased demand, as measured in gigawatt hours:



We do have exposure to solar power across the Essex portfolios, with several stocks that have driven strong outperformance in 2020. Interestingly, energy transitions take decades, and we are in the very early innings for solar, as net installations equate to about 3% of global electricity supply. While coal was the primary electricity feedstock from the 1970s to 1990s, it is in rapid decline as coal is uneconomic when compared to natural gas, solar and wind power – new energy sources are reflected in this historical chart from the International Energy Agency and Bloomberg, with modeling predictions to 2050:

Figure 2: Global electricity generation mix



Source: BloombergNEF, IEA

Despite the rally in 2020 across some segments of cleantech, we are in the very early innings for the new energy and clean tech revolution. We strongly believe this megatrend is multifaceted, going well beyond even renewable energy, to water, power technology and energy efficiency. This is the greatest investment trend of our generation, and one we identified as such at Essex over a decade ago. We have honed our domain expertise in this segment of the market, launching the first targeted strategy to environmental impact in North America. We welcome your questions on clean technology, an exciting and disrupting segment of companies and equity securities.

ESSEX INVESTMENT MANAGEMENT COMPANY, LLC

Client Service and Support:
Essex is fortunate to have great clients whom we are more than happy to assist. Please feel free to contact any of the following Essex personnel below should you need assistance or have questions:

Michael S. McCarthy
Chief Operating Officer
Phone: 617-342-3245 or mmccarthy@essexinvest.com

Carly Semerjian
Senior Executive Administrator
Phone: 617-342-3202 or csemerjian@essexinvest.com

Sue Bathalon
Operations Manager
Phone: 617-342-3204 or sbathalon@essexinvest.com

Client Service & Support Fax Machine: 617-342-3280

DISCLOSURE

The opinions and analyses expressed in this newsletter are based on Essex Investment Management Company, LLC's research and professional experience, and are expressed as of the date of our mailing of this newsletter. Certain information expressed represents an assessment at a specific point in time and is not intended to be a forecast or guarantee of future results, nor is it intended to speak to any future periods. Essex makes no warranty or representation, express or implied, nor does Essex accept any liability, with respect to the information and data set forth herein, and Essex specifically disclaims any duty to update any of the information and data contained in this newsletter. The information and data in this newsletter does not constitute legal, tax, accounting, investment or other professional advice. Certain information contained herein has been obtained from third party sources and such information has not been independently verified by Essex. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such third party information

Essex Strategies

LONG EQUITY STRATEGIES

Micro Cap, Small Cap and SMID Cap Equity Strategies are managed by our all-women investment team based in Evanston, Illinois, which is focused exclusively on long-only growth equity strategies and has worked together for more than 15 years. The team manages three equity strategies that each share a common investment philosophy and process:

Micro Cap Growth Strategy: We look for under-followed, under-owned, under-appreciated companies & industries in early stages of acceleration.
Small Growth Strategy: The strategy focuses on identifying companies in an inefficient sector of the market at an inflection point where their growth rate is improving.
Small/Mid (SMID) Cap Growth Strategy: Our approach is to execute a systematic, fundamental process to find companies whose future growth prospects are not fully reflected in the price of the stock.

Essex Research Strategy is managed by a team of investment professionals seeking growth equity opportunities across an all-cap universe. By employing fundamental top down economic and sector analysis with bottom-up stock picking skills, the strategy provides the investment team a wide framework in which to identify growth candidates regardless of market capitalization restraint. Individual client portfolios are offered in two risk profiles: aggressive growth or growth and income.
Growth Equity is an All-Cap strategy designed to provide investors with exposure to growth companies in a market capitalization range of $100 million and up. The strategy is a concentrated portfolio of 50-70 companies diversified across domestic industry sectors that show accelerating earnings and sustainable revenue growth. Individual client portfolios are offered in two risk profiles: aggressive growth or growth and income.
Essex Global Environmental Opportunities Strategy (GEOS) is a thematic, all-cap global stock strategy that invests in clean technology and clean energy companies that help solve the world's environmental problems. The Strategy is focused on nine environmental technology themes and invests with a long investment horizon, typically holding about 40 companies. GEOS is clean technology and energy infrastructure-focused, with companies that exhibit generally high growth rates. ***This strategy is also offered as a mutual fund, the Essex Environmental Opportunities Fund (Institutional and Investor class tickers are GEOSX and EEOFX, respectively). Please see our Funds website at www.essexfunds.com for further information and important disclosures.***

LIMITED PARTNERSHIP HEDGE FUNDS

Essex Performance Fund is an ultra-aggressive equity strategy which primarily aims to uncover small and mid-sized companies that exhibit the potential for meaningful growth over time. Seeks to maximize returns by utilizing both fundamental and technical analysis with an emphasis on thematic investing and tactical market positioning. The strategy will use leverage to enhance returns.
Essex Evolution Long/Short strategy is a hedged equity strategy that aims to provide competitive risk-adjusted returns by utilizing both fundamental and technical analysis with an emphasis on thematic investing and tactical market positioning. Specifically, we aim to understand key themes within dynamic sectors to capture the growth in those trends and utilize short positions to both hedge portfolio risk and exploit specific mispriced stock opportunities. The fund generally has an equity exposure less than that of the overall market.

Please refer to our firm's websites at www.essexinvest.com and www.essexfunds.com for more information about Essex, the strategies we manage and important disclosures.