

# FUTURE PATHWAYS ANNUAL REPORT



## A MESSAGE FROM OUR CHIEF INVESTMENT OFFICER



### DAVID ROSE

#### CIO, PORTFOLIO MANAGER

We are pleased to share the second Annual Report for the Future Pathways strategy. Throughout the year, we remained focused on our mission to invest in companies that not only drive innovation and growth, but also offer a range of solutions for individuals, companies and governments needing healthier, safer, and more efficient solutions from health care to energy transition. Our diversified portfolio reflects this approach through these six objectives: Clean Energy, Energy Efficiency, Health Care Outcome & Cost, Pollution Reduction, Social Justice & Opportunity and Water. All companies we invest in match to at least one of the six objectives.

Our approach at Future Pathways is to focus on traditional fundamentals while also uncovering the intrinsic value of societal impact. Our goal is to be flexible and adaptable to environmental

and social issues as they arise and to rotate where the best opportunities exist for stock appreciation in this universe. We are looking beyond the ESG ratings data and instead focusing on the external benefit of the products and services provided by a company.

The results of this approach have been encouraging. One of the most compelling qualities of Future Pathways is its diversification; it is not overly levered in any one sector. Our top contributors to performance in 2022 were Enphase Energy and Array Technologies, which saw strong demand and have the potential to be long-term beneficiaries of the Inflation Reduction Act (IRA). The IRA, which was passed last year offers \$369 billion towards energy security and tax credits for energy and electric vehicles. Other positive contributors to performance for 2022 include First Solar, the largest U.S., based solar module manufacturer and a company we believe has the capability to derive the most benefit from the IRA given its unique position to scale thin film solar manufacturing.

Other strong performers of 2022 were: Ameresco, a comprehensive integrator of clean tech solutions and Hudson Technologies, an EPA-certified recycler of refrigerants where prices have been rising because of environmental regulations, for example the ban on manufacturing and importing R22 refrigerant in the U.S.

Additionally, we had strong results from Evolent Health in 2022, a company that aims to lower the cost of treating oncology and cardiology patients. Here, one of the growth drivers came from new business brought in by an acquisition of New Century Health.


While our portfolio performed well overall, we saw some challenges from the slowdown in e-commerce. Kornit Digital and Etsy were two of our largest detractors as the market shifted back towards brick-and-mortar stores after the COVID-19 lockdowns and a slowing consumer spending environment. Kornit Digital is transforming the textile industry with environmentally safe inks and major reductions in water pollution. Etsy is a large e-commerce marketplace for unique goods, available to crafters around the world and in many cases lifting the economics of people in less developed nations by opening them up to the global marketplace. In both cases, we expect growth to reaccelerate in 2023 and we look forward to strong continued growth for the rest of the decade while meeting key sustainability objectives. Other detractors to performance this year include, Axon Enterprises, Vicor and Chegg.

Axon's products and services are designed for law enforcement agencies. Axon's tasers are proven to reduce fatal officer shootings by 50% within 10 years and the body cameras designed for police offers improve human rights for citizens by improving transparency. The stock was hurt by multiple contractions. Vicor is transforming next-generation power conversion and, as a leader, did not have enough capacity to fill demand. The company is ramping up production, and we believe will be able to meet demand going forward. Chegg provides affordable and accessible academic support globally. Growth slowed dramatically year-over-year against the dramatic growth rates achieved during Covid paired with declining college enrollment levels. We have exited our position in the stock.

In the third and fourth quarter of 2022, we conducted outreach to company management teams, primarily based outside of the U.S., regarding regulations such as SFDR and the EU Taxonomy Regulations. In the U.S., we currently have no federal mandate for reporting around Environmental and Social factors. Anecdotally, many of our companies that lack larger company resources have shared that simply trying to catch up with the sheer number of reporting frameworks is onerous. Additionally, the EU Taxonomy Regulation, is not finished, and currently provides detailed guidance on economic activities that may qualify as sustainable for only two of six environmental objectives and none of the three proposed social objectives. Therefore, we will continue to monitor European regulations and frameworks as they develop and engage with our portfolio companies around this issue.

Our goal is to continue to deliver strong financial returns by selecting companies with a firm foundation that provides products or services with positive external benefits to the world, and have sound governance and safe working conditions. We are committed to transparency and will continue to keep our investors informed of our progress with the Future Pathways fund. We would like to thank you for your interest in the Granahan Future Pathways strategy. We look forward to continued success in the future.

**- David Rose**



The stock selection criteria for **Future Pathways** must meet the firm criteria in having **sound governance practices** and favoring companies that **offer solutions** toward a **low-carbon economy** or that create a **safer, healthier, and more equitable community**.

FUTURE PATHWAYS

# INVESTMENT PHILOSOPHY

## OBJECTIVE-ORIENTED

We are focused on smaller companies that, through their products and services, help larger businesses meet their sustainability objectives.

## IMPACT-ALIGNED

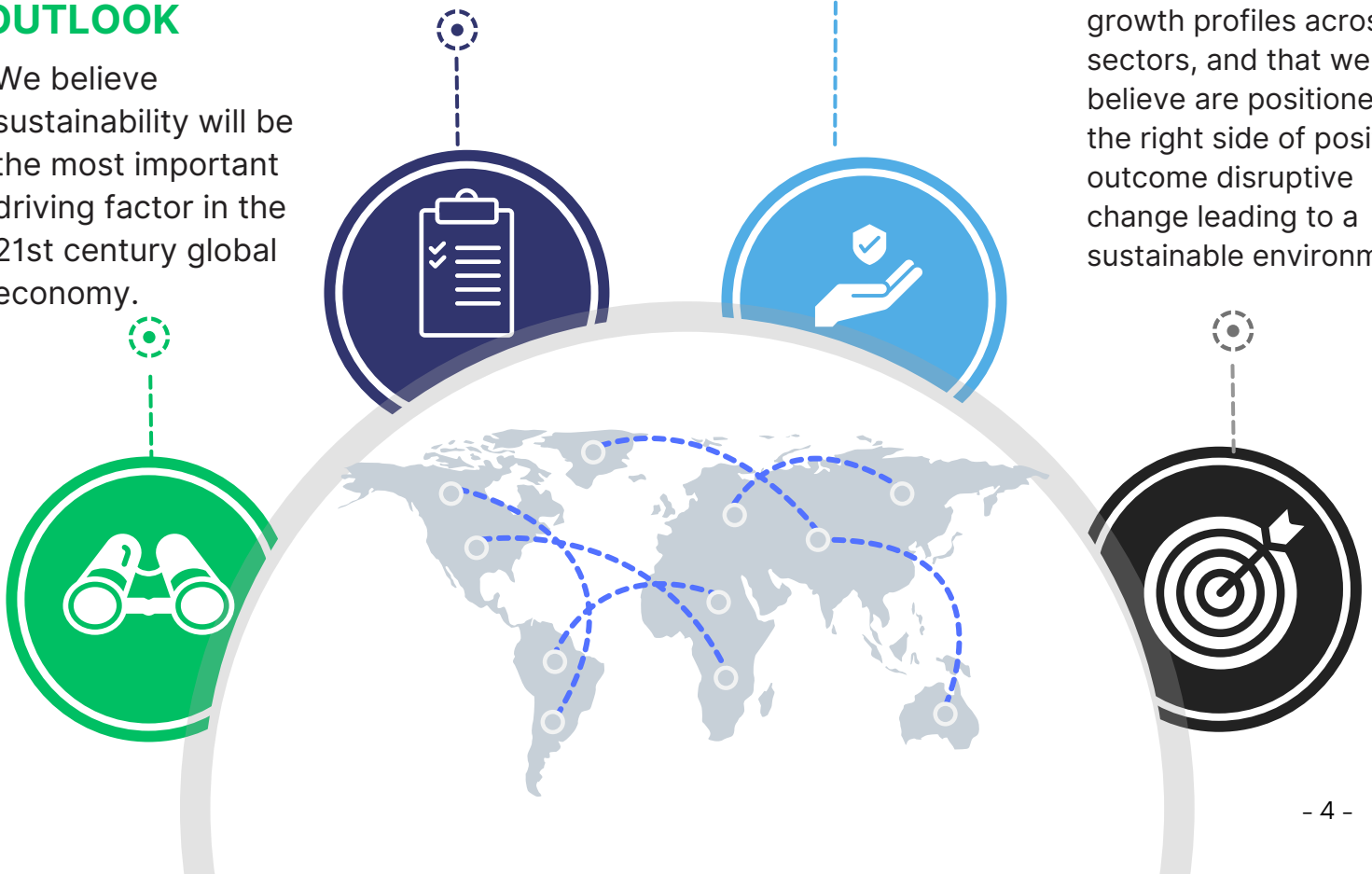
As the landscape changes toward greater sustainability, we are focused on the smaller companies that are contributing to direct, positive impacts.

## POSITIVE OUTCOMES

Alignment of investor interests: we seek to capitalize on the stock return potential of small and mid-cap companies that exhibit strong growth profiles across sectors, and that we believe are positioned on the right side of positive-outcome disruptive change leading to a sustainable environment.

## OUTLOOK

We believe sustainability will be the most important driving factor in the 21st century global economy.



SUSTAINABILITY GOALS	KEY SOLUTIONS AND THEMES	INVESTMENT OPPORTUNITIES
<p>Clean &amp; increase the water supply / reduce water consumption</p>	<ul style="list-style-type: none"> <li>• Water filtration</li> <li>• Desalinization</li> <li>• Irrigation efficiency, sanitation</li> </ul>	<ul style="list-style-type: none"> <li>• Water supply infrastructure</li> <li>• Desalinization technology</li> <li>• Water efficiency solutions</li> </ul>
<p>Reduce Pollution</p>	<ul style="list-style-type: none"> <li>• Environmental cleanup</li> <li>• Recycling</li> <li>• Eliminating sources of pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental consultants</li> <li>• Innovative recycling solutions</li> <li>• Industrial products</li> </ul>
<p>Improve efficiency to reduce energy consumption</p>	<ul style="list-style-type: none"> <li>• Reduce data center power consumption</li> <li>• Improvements in EV industry</li> <li>• Reduce power consumption in buildings and homes</li> </ul>	<ul style="list-style-type: none"> <li>• Power management</li> <li>• Auto technology</li> <li>• Internet-of-things, LED lighting</li> <li>• HVAC technology</li> </ul>
<p>Promote clean energy to slow climate change</p>	<ul style="list-style-type: none"> <li>• Wind Power</li> <li>• Solar Power</li> <li>• Green Hydrogen</li> <li>• Geothermal</li> </ul>	<ul style="list-style-type: none"> <li>• Solar supply chain, sellers, project managers and operators</li> <li>• Hydrogen infrastructure, fuel cell companies</li> <li>• Wind turbines, supply chain</li> <li>• Sustainable energy financing</li> </ul>
<p>Improve social justice and opportunity</p>	<ul style="list-style-type: none"> <li>• Police technology tools</li> <li>• Community technology tools</li> <li>• Support for single parents</li> </ul>	<ul style="list-style-type: none"> <li>• Body cameras, non-lethal police tools, gunshot detection</li> <li>• Internet marketplaces that support individual sellers, sole-owned businesses</li> <li>• Childcare services</li> </ul>
<p>Reduce health care costs while improving outcomes</p>	<ul style="list-style-type: none"> <li>• Diabetes management, value-based care</li> <li>• Reduced opioid abuse</li> <li>• Early detection of cancer &amp; disease</li> <li>• Reduce healthcare inequality</li> </ul>	<ul style="list-style-type: none"> <li>• Medical device companies, diagnostics</li> <li>• Pain therapies</li> <li>• Patient management solutions</li> </ul>

In order to demonstrate the environmental and social characteristics of the Future Pathways strategy, Granahan has developed internal reports, using critical analysis, conversations with the companies, and external research. While we use third-party rating providers to aid our process, we feel strongly that the perspective of rating agencies limits the scope of E/S analysis, particularly for SMID companies.

The reports accessible below showcase how Future Pathways companies support the demand for sustainable clean energy, smarter water management and reduced waste solutions along with those that improve social outcomes in healthcare, labor, justice, and education.

CLICK THE BOXES BELOW TO ACCESS INDIVIDUAL COMPANY REPORTS

FUND HOLDINGS AS OF 8.31.2022

<b>AMRC</b> <a href="#">Ameresco Inc</a>	<b>ARRY</b> <a href="#">Array Technologies</a>	<b>AXON</b> <a href="#">Axon Enterprise</a>	<b>BLDP</b> <a href="#">Ballard Power Systems</a>	<b>BFAM</b> <a href="#">Bright Horizons</a>	<b>CSIQ</b> <a href="#">Canadian Solar</a>	<b>GTLS</b> <a href="#">Chart Industries</a>
<b>CLNE</b> <a href="#">Clean Energy Fuels Corp</a>	<b>DAR</b> <a href="#">Darling Ingredients</a>	<b>DCI</b> <a href="#">Donaldson Co Inc</a>	<b>ERII</b> <a href="#">Energy Recovery</a>	<b>ENPH</b> <a href="#">Enphase Energy</a>	<b>ENVX</b> <a href="#">Enovix</a>	<b>ETSY</b> <a href="#">Etsy Inc</a>
<b>EVBG</b> <a href="#">Everbridge Inc</a>	<b>EVH</b> <a href="#">Evolent Health</a>	<b>FSLR</b> <a href="#">First Solar Inc</a>	<b>FLEX</b> <a href="#">Flex Limited</a>	<b>GDYN</b> <a href="#">Grid Dynamics</a>	<b>THRM</b> <a href="#">Gentherm Inc</a>	<b>HDSN</b> <a href="#">Hudson Technologies</a>
<b>ICAD</b> <a href="#">Icad Inc</a>	<b>PODD</b> <a href="#">Insulet Corp</a>	<b>KRNT</b> <a href="#">Kornit Digital Ltd</a>	<b>LXFR</b> <a href="#">Luxfer Holdings</a>	<b>LFUS</b> <a href="#">Littelfuse Inc</a>	<b>MPWR</b> <a href="#">Monolithic Power Sys</a>	<b>NTNX</b> <a href="#">Nutanix Inc</a>
<b>POWI</b> <a href="#">Power Integrations</a>	<b>QTRX</b> <a href="#">Quanterix Inc</a>	<b>RNLX</b> <a href="#">Renalytix Inc</a>	<b>SSTI</b> <a href="#">SoundThinking (formerly Shotspotter)</a>	<b>TTEK</b> <a href="#">Tetra Tech Inc</a>	<b>TREX</b> <a href="#">Trex Company</a>	<b>VCYT</b> <a href="#">Veracyte Inc</a>
		<b>VWDRY</b> <a href="#">Vestas Wind System</a>	<b>VICR</b> <a href="#">Vicor Corp</a>	<b>WTS</b> <a href="#">Watts Industries</a>		

# FUTURE PATHWAYS GOVERNANCE HIGHLIGHTS

The board of directors of the companies that Future Pathways invests in must ensure the company's corporate governance policies incorporate corporate strategy, risk management, accountability, transparency, ethical business practices, and focus on sustainable success over the long term.

Future Pathways seeks companies that have **board independence** and **embrace board diversity in all facets**, including skills, experience, gender, ethnicity, and race.

The board of directors at each company should have committees that address specific topics, such as auditing and compensation.

*Good corporate governance creates a transparent set of rules and controls in which shareholders, directors, and officers have aligned incentives.*

45%+



Companies in Future Pathways with **30%+ or greater** female board members

92%+



Companies in Future Pathways with board independence non-executive and independent of management **60%+** or greater

77%+



Companies in Future Pathways publish an annual ESG, Sustainability or CSR Report

72%+



Companies in Future Pathways have an ESG or Sustainability focused committee



# FUTURE PATHWAYS COMPANY HIGHLIGHTS

Annual Report

Energy Efficiency  
&  
Renewable Energy

## 178 M+

178 million hectares (ha)/year of land and water protected, managed, or restored\* **(The state of Alaska has a smaller land mass)**

\*Tetra Tech Sustainability Report '22

Water  
&  
Pollution Reduction

## 31 M+

metric tons of CO<sub>2</sub>e prevented from entering the atmosphere\* **(this is enough to power 3.9 million homes with energy for one year)**

\*Enphase ESG Report 2021

Healthcare Outcomes  
&  
Social Justice

## 246,000+

lives saved from potential death or serious bodily injury

\*Axon Website

## 7.9GW+

of First Solar power delivered (A typical nuclear or coal power plant can generate around 1 GW of power\* **(7.9 GW would be equal to the power generated by nearly 8 large power plants)**)

\*First Solar Sustainability Report '22

## 1+ billion

pounds of reclaimed wood and polyethylene film diverted from landfill for use in Trex products\* **(average weight of a car in the United States is about 4,000 pounds. A combined weight of 1 billion pounds = 250,000 cars)**

\*Trex ESG Report '22

## 72 hours

of non-stop insulin that is waterproof, tubeless & wearable with connectivity with an easy to use device that is bluetooth enabled\* **(1 in 10 Americans have diabetes & approximately 90-95% have type 2 diabetes)**

\*Insulet ESG Report '21

## 4.3 TWh

of electricity a year saved by MPS products annually\* **(the equivalent of taking 600K passenger cars off the road)**

\*Monolithic Power Systems ESG Report '22

## 11 million

metric tons of low-value raw materials converted into ingredients of value and sustenance

\*Darling Ingredients ESG Report '22

## 166K+

active cancer cases managed

\*Evolut Health, Website

## FUND SPECIFIC ESG CHARACTERISTICS

### Investment Criteria



MEETS ONE OF OUR SIX FUND OBJECTIVES ALIGNING WITH E/S CHARACTERISTICS



MAPPED TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS AND KEY INDICATORS



GOOD GOVERNANCE PRACTICES

### SFDR Classification 8

The fund is classified as an Article 8 product based on Sustainable Finance Disclosure Regulation (SFDR) and adheres to the below characteristics:

- Active Ownership & Engagement
- Exclusion List
- Norms Based Screening



### Industry Exclusions


 Adult Entertainment

 Alcohol

 Gambling

 Tobacco

 Thermal Coal

 Oil & Gas

 Lethal Weapons

(Exploration & Production)

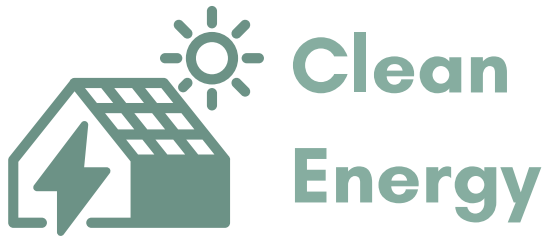
### Monitoring

*We monitor environmental, social, and governance factors on a continuous basis using accredited third-party systems such as MSCI and through ongoing meetings with company management and calls with competitors, suppliers, customers, analysts and experts.*

*100 % of holdings in Future Pathways match to at least one of these six objectives:*



OBJECTIVE EXAMPLE: CLEAN ENERGY



*Enphase Energy derives all revenue by providing equipment for solar power generation, such as microinverters, monitoring, and storage devices. The company contributes significantly to the promotion of renewable energy sources and the transition towards a more sustainable energy system, thus mitigating climate change.*

**#1**

**Microinverter technology:**

*Enphase Energy specializes in microinverter technology, which improves the energy production of solar panels and increases their reliability.*

**#2**

**Increased energy production and efficiency:**

*The microinverters integrated into the solar panels optimize energy conversion, resulting in a higher energy yield and more efficient clean energy production.*

**#3**

**Real-time monitoring and management:**

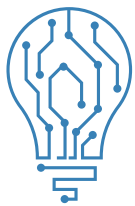
*Real-time monitoring and management of solar panels, allows for the detection of any potential issues and the optimization of performance, leading to a more reliable supply of clean energy.*

**#4**

**Easy Installation:**

*Products are designed to be easily installed, reducing the time and cost associated with traditional solar panel installations, making it easier for individuals and businesses to adopt clean energy solutions.*

OBJECTIVE EXAMPLE: ENERGY EFFICIENCY



# Energy Efficiency



*Donaldson Company, Inc. is a leading provider of filtration solutions, offering a broad range of products for various industries. One of the key ways the company supports the goal of energy efficiency is through the development and production of innovative filtration technologies. Donaldson's filtration systems are designed to improve the performance and longevity of equipment, resulting in more efficient and reliable operation.*

## #1

### Innovative Filtration Technologies:

*Donaldson provides a broad range of filtration systems that are designed to improve the performance and longevity of equipment, resulting in more efficient and reliable operation.*

## #2

### Services and Support:

*The company offers a range of services and support to help customers optimize their operations and improve energy efficiency, including custom filtration solutions, computer simulations, and on-site assessments.*

## #3

### Fuel Efficiency:

*Donaldson's fuel filtration systems remove particles and water from diesel and biodiesel fuels, helping to prevent engine damage and improve fuel efficiency.*

## #4

### Air Intake Systems:

*Donaldson's air intake systems help remove contaminants from the air entering internal combustion engines, improving their efficiency and reducing emissions.*

OBJECTIVE EXAMPLE: POLLUTION REDUCTION



# Pollution Reduction



*Hudson Technologies is a company that supports the goal of pollution reduction through its innovative solutions in refrigerant management. The company specializes in the recovery, reclamation, and recycling of refrigerants, which are commonly used in air conditioning and refrigeration systems. By reducing the release of refrigerants, extending the life of systems, and recycling in an environmentally responsible manner, Hudson Technologies supports the goal of pollution reduction and a more sustainable future.*

## #1

### Energy-efficient Solutions

*Hudson Technologies offers energy-efficient products and systems designed to minimize energy consumption and reduce the carbon footprint of its customers. By providing solutions that are more energy-efficient, the company helps clients reduce their overall energy usage, thus contributing to a reduction in greenhouse gas emissions and pollution.*

## #3

### Extended system life:

*The company's refrigerant management services help to extend the life of refrigeration and air conditioning systems, reducing the need for replacements and associated waste, and helping to minimize the amount of pollutants released into the environment.*

## #2

### Reduction of refrigerant release:

*By recovering and reusing refrigerants, the company helps to prevent the release of these potent greenhouse gases into the atmosphere, reducing their overall impact on the environment and supporting the goal of pollution reduction.*

## #4

### Leak Detection and Repair Services

*Hudson Technologies provides detection and repair services to help its clients minimize refrigerant leaks in their systems. By identifying and fixing leaks, the company prevents the release of harmful refrigerants into the atmosphere, thereby reducing pollution and conserving valuable resources.*

## OBJECTIVE EXAMPLE: HEALTHCARE OUTCOMES & COST



### Health Care Outcomes & Costs



*Evolut Health is a healthcare technology company that provides innovative solutions to improve patient care and reduce costs. The company offers a range of software and analytics tools, as well as care management programs, that help healthcare organizations improve patient outcomes and reduce the risk of hospitalization. Evolut works in collaboration with healthcare providers to design and implement customized solutions that meet their specific needs, and is committed to empowering patients through engagement and education. The company invests in research and development to advance the field of healthcare and support better health outcomes for all patients.*

#### #1

##### **Patient Engagement:**

*Evolut Health provides technology-enabled solutions to connect patients with their care teams, empowering them to take an active role in their health and leading to improved outcomes.*

#### #3

##### **Value-based care models:**

*Evolut Health works with healthcare organizations to implement value-based care models, which incentivize providers to focus on the overall health and well-being of their patients.*

#### #2

##### **Data analytics and population health management:**

*The company provides data analytics and population health management services, helping healthcare organizations to better understand the health of their patient population and identify opportunities for improvement.*

#### #4

##### **Improved quality of care:**

*By empowering patients, providing data analytics and population health management services, and implementing value-based care models, Evolut Health helps healthcare organizations to improve the quality of care and reduce costs.*

OBJECTIVE EXAMPLE: SOCIAL JUSTICE & OPPORTUNITY



# Social Justice & Opportunity



*SoundThinking (formally known as Shotspotter) is a leading public safety technology company that provides advanced gunfire detection and location technology to law enforcement agencies, government organizations, and private businesses around the world. The company's mission is to "reduce gun violence and create safer communities through innovative technology and data-driven policing." The company has also introduced its SafetySmart Platform, an integrated suite of four data-driven tools to improve public safety.*

## #1

### Advanced gunfire detection and location technology:

*Technology helps to reduce gun violence and create safer communities by accurately detecting and responding to gunfire incidents in real-time.*

## #3

### Impact on low-income and minority neighborhoods:

*Gun violence disproportionately affects low-income and minority neighborhoods, and the company's services helps to reduce this violence and create safer, more just communities for all residents.*

## #2

### Commitment to diversity and inclusion:

*Dedicated to creating a diverse and inclusive workplace culture, and has initiatives in place to support and promote diversity. The company also works with organizations that promote diversity and inclusion in the tech industry.*

## #4

### Data-driven policing:

*Technology provides law enforcement agencies with detailed information about gunfire incidents, which can help them make more informed decisions about how to respond and prevent further violence.*



OBJECTIVE EXAMPLE: WATER



# Water



*Energy Recovery, Inc. is a leading clean-tech company that specializes in energy efficiency solutions for the water desalination industry. The company's innovative technologies help to conserve energy and reduce greenhouse gas emissions in the production of fresh water from seawater. In this way, Energy Recovery supports the goal of cleaner water by reducing the energy and environmental impact of desalination.*

## #1

### Innovative Energy Efficiency Solutions:

*Energy Recovery develops and produces innovative technologies, such as the PX Pressure Exchanger, that improve the energy efficiency of the water desalination process and reduce the energy consumption and carbon footprint of the process.*

## #2

### Energy Recovery from Desalination:

*The PX Pressure Exchanger captures and reuses energy from the high-pressure brine stream generated during the desalination process, reducing the amount of energy required for desalination and supporting the goal of cleaner water.*

## #3

### Range of Solutions:

*Energy Recovery offers a range of energy efficiency solutions, such as ACCEL and VORTEX, that support the goal of cleaner water by reducing energy consumption and environmental impact in different areas of water treatment.*

## #4

### Environmental Responsibility:

*Energy Recovery is dedicated to environmental responsibility and actively supports the goal of cleaner water through its commitment to sustainability and energy efficiency. The company's technologies and sustainable business practices make a significant contribution to the global effort to conserve natural resources and protect the environment.*

# 17 SDGs and 169 targets

In 2015, the United Nations unveiled 17 Sustainable Development Goals (more commonly known as UN SDGs). These goals are designed to function as a blueprint to achieve a more prosperous and peaceful future for all.

The Future Pathways strategy aims to promote environmental and social characteristics through its investment selection process while integrating ESG research combined with fundamental analysis.

The products and services offered by companies in Future often help target and address more than one of 17 goal objectives respectively.

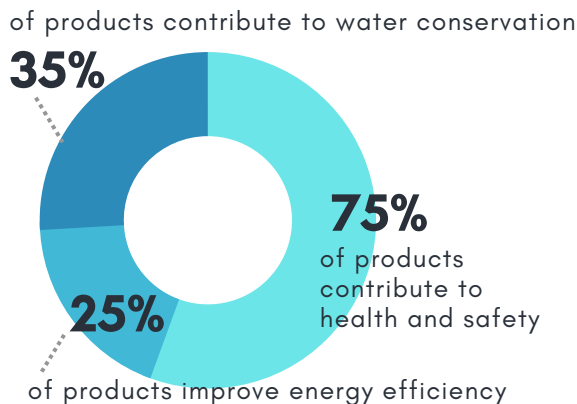
Over the next few pages we have mapped out the ways in which this fund helps contribute to many of the SDGs.



# FUTURE PATHWAYS

## SDG: CASE STUDY

**Watts Water Technologies**, a leading provider of plumbing, heating, and water quality solutions, is making a positive impact on the United Nations Sustainable Development Goals (SDGs). Watts' innovative products and services play a crucial role in addressing some of the world's most pressing challenges, such as clean water, sanitation, and energy efficiency.



### GOAL 6: CLEAN WATER AND SANITATION



Watts is making a remarkable difference in the realm of clean water and sanitation by offering water filtration and treatment solutions, like reverse osmosis systems, UV water disinfection systems, and water softeners. These technologies help provide clean, safe water to communities, combatting waterborne diseases and enhancing public health.

**Target 6.1:** Achieve universal and equitable access to safe and affordable drinking water for all. **Indicator 6.1.1:** Proportion of the population using safely managed drinking water services.

#### PRODUCT/SERVICE:

- Watts' Backflow preventers save water and mitigate disease by ensuring water does not reenter the potable water supply. This saves millions of gallons of potable water each year from contamination.



Pictured Left: Watts Backflow preventers & Pictured Right: The Powers IntelliStation® I (Credit: Watts Water Technologies)

**Target 6.3:** Improve water quality by reducing pollution, eliminating dumping, and minimizing the release of hazardous chemicals and materials.

**Indicator 6.3.1:** Proportion of wastewater safely treated.

#### PRODUCT/SERVICE:

- The **Powers IntelliStation®** uses advanced digital technology to blend hot and cold water and proactively regulate temperature. By utilizing a circulation loop, the IntelliStation ensures that hot water is evenly and efficiently distributed throughout a building.
- When combined with point-of-use mixing valves, it helps to prevent scalding and maintain proper temperatures, ultimately reducing the risk of pathogen growth.

# FUTURE PATHWAYS

## SDG: CASE STUDY

### GOAL 9: INDUSTRY, INNOVATION INFRASTRUCTURE



Products such as backflow preventers, pressure reducing valves, and leak detection systems, help maintain the integrity of water distribution networks and prevent water wastage, ultimately contributing to the development of sustainable infrastructure.

**Target 9.1:** Develop quality, reliable, sustainable, and resilient infrastructure.

**Target 9.4:** Upgrade infrastructure and retrofit industries to make them sustainable.



#### PRODUCT/SERVICE:

- 20 new smart and connected products introduced in 2022: Allows facilities managers to remotely monitor and control the device, enabling quick reaction if conditions change, as well as reduced energy consumption.

### GOAL 12: RESPONSIBLE CONSUMPTION & PRODUCTION



Resource efficiency is at the heart of Watts' product design and manufacturing processes. Products minimize waste and promote water and energy conservation. Internally, the company improves its production processes and empowers customers to make sustainable choices through education and training.

**Target 12.2:** Achieve the sustainable management and efficient use of natural resources.

#### PRODUCT/SERVICE:

- Eliminated single-use plastics and uses reusable, recyclable, or compostable content in packaging.
- Products such as Leak Defense support responsible use of natural resources

### GOAL 13: CLIMATE ACTION



This goal calls on taking urgent action to combat climate change and its impact. Solutions steered by Watts help reduce energy consumption and greenhouse gas emissions, ultimately playing an indirect but meaningful role in mitigating the effects of climate change.

**Target 13.2:** Integrate climate change measures into national policies, strategies, and planning.

#### PRODUCT/SERVICE:

- Products improving efficiency will help larger governments to meet their sustainability goals and advance environmental and societal objectives.

### GOAL 14: LIFE BELOW WATER



Life Below Water aims to conserve and sustainably use the oceans, seas, and marine resources for sustainable development.

**Target 14.1:** By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution indicators

#### PRODUCT/SERVICE:

- **Ballast Water Management Systems** provide accurate measurement of the total residual oxidant of ballast water, desalination, or wastewater discharge generated onboard marine shipping vessels.
- By preventing the discharge of contaminated water into the natural environment, these solutions can help protect marine ecosystems and aquatic life from pollution.

## ENVIRONMENTAL: UNITED NATIONS SDGS

Primary contributions represent 50% or greater business activity contributing to specific targets in the assigned SDG category and secondary signaling a 10%+ or greater contribution in business activity. Company disclosed goals indicate commitments and policies that contribute to the UN SDGs.



Holdings as of 8-31-22

Primary Contribution: ■ >50% of Business Activity Alignment  
 Secondary Contribution: ■ >10% of Business Activity Alignment  
 Company Priority: ■ Company-disclosed Impact Priority

\*The United Nations was not involved in the creation of this report, nor do they endorse the companies in this portfolio, the Future Pathways product, or Granahan Investment Management.

## SOCIAL: UNITED NATIONS SDGS

### GOAL 3: GOOD HEALTH & WELL-BEING



Evolent, iCad, Insulet, Quanterix, Renalytix, Shockwave and Veracyte

**Target 3.8:** Access to safe, effective, quality and affordable essential medicines and vaccines for all

**Target 3.d:** Strengthen the capacity for early warning, risk reduction and management of national and global health risks

#### PRODUCT/SERVICE:

- Healthcare technology and services (Evolent)
- Advanced detection systems (iCad, Quanterix, Renalytix, Shockwave, Veracyte)
- Diabetes treatment (Insulet)

### GOAL 16: PEACE JUSTICE & STRONG INSTITUTIONS



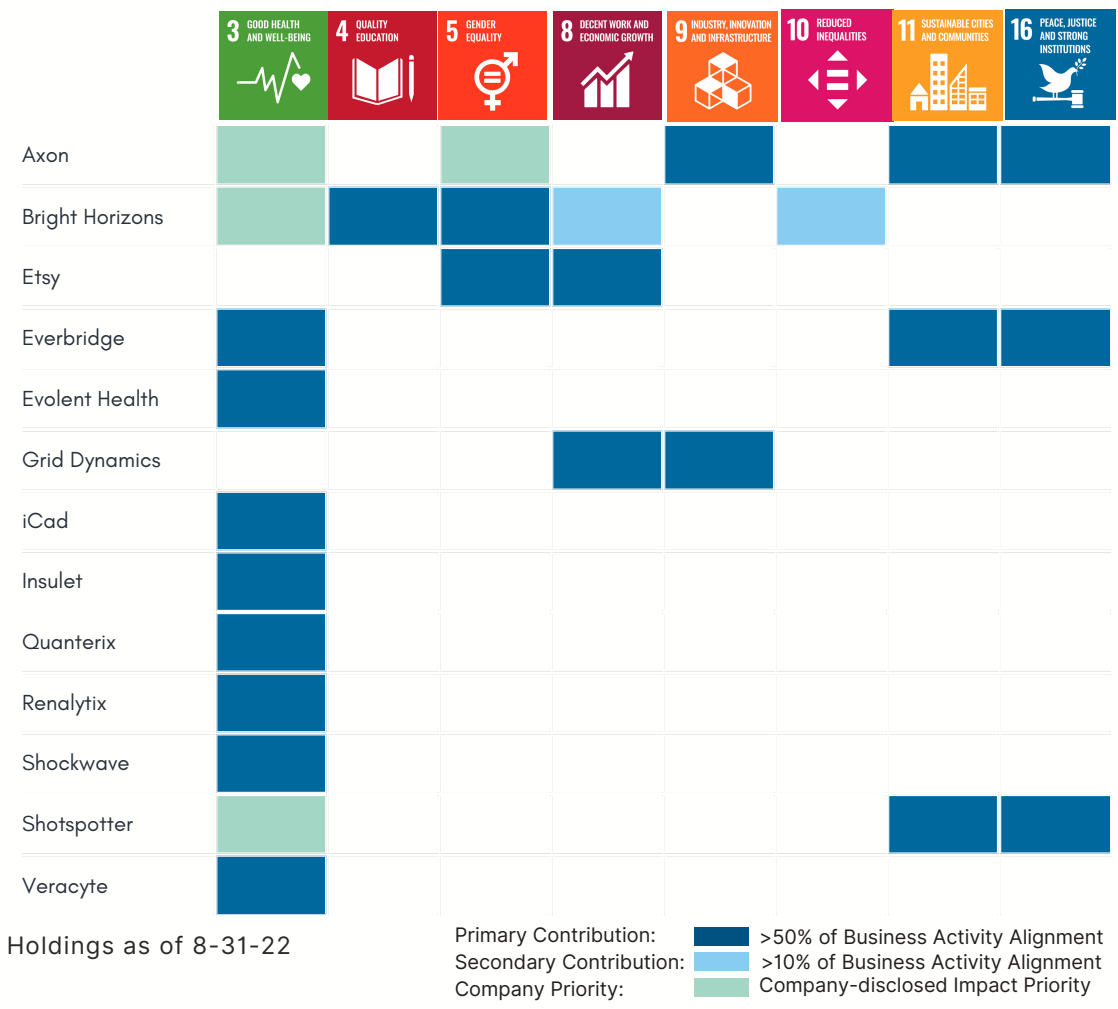
Axon, Shotspotter and Everbridge offer services that improve public safety, emergency response and reduce deaths

**Target 16.1:** Significantly reduce all forms of violence everywhere

**Target 16.3:** Promote the rule of law at the national and international levels; ensure equal access to justice for all

#### PRODUCT/SERVICE:

- Body cams for law enforcement; increases transparency & support human rights (Axon)
- Gun shot detection, emergency response technology improves public safety (Shotspotter, Everbridge)



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## ENGAGEMENT

Engagement with management teams is a core part of our fundamental research process. It gives us unique insights into management quality, business models, governance, financial strategy, and future business prospects.

Responsible ownership is accomplished in several ways. Perhaps the most reliable is to meet with company management teams directly.

Engagement with management teams is a core part of our fundamental research process.

### Partnerships

Future Pathways leverages partnerships with providers such as ISS Proxy Exchange to manage voting and Verity RMS to track company engagements.

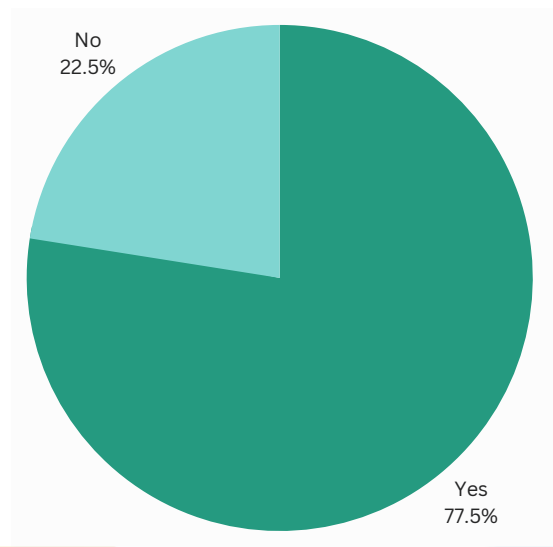


## Engaging with Company Managements

We engage with all Future Pathways companies around E/S disclosures

- Revenues regarding E/S data is not formally required in the U.S., though the majority of companies held in Future Pathways have opted in (**77+%**)
- Many companies have chosen to also report in line with frameworks such as SASB
- **14.3%** of companies we spoke with were familiar with SFDR or EU Taxonomy

Future Pathways companies that release annual ESG, CSR or Sustainability Reports





We currently vote under the traditional ISS Benchmark policy though Granahan retains ultimate authority over the process. The policy considers shareholder proposals on social, environmental and labor/human rights issues. The policy is considered "best practice" in governance standards that promote total, long-term shareholder value & risk mitigation.



Granahan leverages our existing partnership with Verity RMS to manage and measure our company engagements as well as company contributions to UN SDGs.

**WALL STREET DIVERSITY ACCELERATOR**

Granahan is a founding member of the Wall Street Diversity Accelerator (WSDA). The mission of the WSDA internship program is to provide rising sophomores and juniors from underrepresented communities with an introduction to career possibilities in financial services. Granahan has been a member since 2020.



Granahan uses MSCI, Bloomberg & GaiaLens for each company under consideration for investment. This research is incorporated into the initial purchase recommendation sheet. It is important to note, however, that each rating company has its own way of measuring ESG factors, and that rating agencies frequently use different metrics and are updated annually.



In 2018, Granahan joined the Principles for Responsible Investment (PRI), a United Nations-supported international network of investors working together to implement six aspirational principles, often referenced as "the Principles".



Granahan is a member of the TCFD Alliance since 2020.



# PERFORMANCE DISCLAIMERS

Future Pathways									
Date	Composite Gross Return	Composite Net Return	Russell 2500 Growth Return	Composite Assets \$ Mil	Composite # Accts	Composite 3-Yr. Std. Dev.	Russell 2500 Growth 3-Yr. Std. Dev.	Composite Dispersion	Firm Assets \$ Mil
As of 12/31/22									
2022	-14.34%	-15.21%	-26.21%	\$2.1	3	NA	NA	NA	\$3,326.8
2021	11.06%	11.95%	5.04%	\$2.4	3	NA	NA	NA	\$4,964.2
2020*	43.97%	43.60%	24.92%	\$0.8	1	NA	NA	NA	\$4,573.1
NA - Dispersion information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year; Standard deviation information has fewer than three years' data. *Partial year performance: August 31, 2020 through December 31, 2020.									

# COMPOSITE FOOTNOTES

Granahan Investment Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Granahan Investment Management has been independently verified for the periods January 1, 1993 through December 31, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The verification report(s) is/are available upon request. GIM is an independent, SEC-registered investment firm that oversees small and mid-cap equity portfolios for large institutions and wealthy individuals. The Future Pathways product utilizes fundamental, bottom-up research and analysis to invest in the stocks of companies in the small/SMID cap sector of the market that offer products or services that promote or enable sustainability in other enterprises; many are market disruptors. Future Pathways is a high conviction portfolio typically containing 40-50 holdings. The benchmark for Future Pathways strategy is the Russell 2500 Growth Index. The composite, created in September 2020, is calculated by asset-weighting the performance of each account on a monthly basis. Accounts are included beginning with the first full month under management and terminated accounts are included in the composite. Performance calculations, expressed in U.S. dollars, produce a total return including cash and the reinvestment of dividends and interest. The dispersion is a standard deviation using equal-weighted total returns for accounts in the composite the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Leverage is not utilized. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Returns are gross of investment management fees, which when included, reduce investment returns. The standard management fee applicable is applied to calculate the net return. The standard fee for accounts managed in the Future Pathways style is payable quarterly in arrears and is calculated by applying the ANNUAL rate of 1.00% times the average value of the assets in the account on the last day of each month in the quarter. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. Market value is based on trade date and security pricing is supplied by Telemet. A complete list and description of all of the firm's composites is available upon request. Past performance is no guarantee of future results. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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