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Fund Profile

This Fund Is Winning Big by Betting on Stocks That Help Humanity

By Lewis Braham

Garvin Jabusch, left, and Jeremy Deems co-manage the Shelton Green Alpha fund. Photograph by Benjamin Rasmussen

When Garvin Jabusch invests, he is thinking about much more than the future of the stock market.

"Looking at the long history of human civilization, the systemic risks that made civilizations fail time and time again turn out to be the same things—severe inequality and resource constraints," says the co-manager of the Shelton Green Alpha fund. Jabusch sees his job as finding companies that help reduce those risks to humanity.

Before getting his M.B.A. and entering the world of finance, Jabusch, 54, studied in the Ph.D. program in physical anthropology and archaeology for five years at the University of Utah. His experience researching dead civilizations has given him a different perspective than most money managers.

The $340 million fund (ticker: NEXTX) focuses on companies that seek to address the three major threats to humanity that Jabusch has identified—the climate crisis, widening income inequality, and natural-resource degradation. In doing so, Shelton Green Alpha has triumphed, besting 97% of its peers in Morningstar's Mid-Cap Growth fund category with a 28.9% five-year annualized return. The fund's expense ratio, 1.16%, is higher than the average mid-cap fund, but is down from 1.28% in 2020. It will continue to decline, Jabusch says, as assets grow.

Jabusch got his start as a green fund manager in 2002, running the Sierra Club Stock Fund for Forward Management. There he met his future co-manager and business partner, Jeremy Deems—Forward's chief financial officer at the time and later the Sierra fund's co-manager. After developing their own approach for sustainable investing, the two left Forward to form Green Alpha Advisors in 2007. They ran private accounts with their "next economy" strategy until the public fund launched in 2013.

Deems, 44, has a more traditional financial background—he's a licensed certified public accountant and practiced corporate accounting for several years. He digs into companies' numbers to ensure they're legitimate. Accounting "is the underpinning of understanding what a company is doing," he says.

The pair's stock selection process involves multiple layers of screening. First and foremost, they want companies that address their three "Global System Level Risks"—climate crisis, inequality, and degraded resources. There are 10 broad sectors and several subsectors that are producing the most "transformative innovations" to alleviate those risks. So, within the Agriculture & Food Supply sector, they would hold a company like organic grocer Natural Grocers by Vitamin Cottage (NGVC) to address resource degradation. The fund's No. 8 holding, Tesla (TSLA), falls under the Zero Emission Transpor-

Shelton Green Alpha

	Total Return 1-Yr	3-Yr	5-Yr
NEXTX	69.9%	41.8%	28.9%
Mid-Cap Growth	38.6	18.8	19.7

TOP 10 HOLDINGS Company / Ticker	Weighting
Moderna / MRNA	5.6%
JinkoSolar Holding / JKS	5.4
Crispr Therapeutics / CRSP	4.7
Vestas Wind Systems / VWDRY	4.3
Applied Materials / AMAT	3.8
Brookfield Renewable / BEPC	3.8
Intellia Therapeutics / NTLA	3.7
Tesla / TSLA	3.4
Taiwan Semiconductor / TSM	3.4
Editas Medicine / EDIT	3.2
Total	41.2%

Note: Holdings as of June 30. Returns through Sept. 20; three- and five-year year returns are annualized.
Sources: Morningstar; Shelton Capital Management

tation sector, which addresses climate change.

According to Morningstar, 44% of the fund's portfolio is invested in tech stocks, but Jabusch doesn't see it that way. That's because half of that weighting is in what he calls "technology-based energy," such as solar-panel makers JinkoSolar Holding (JKS) and First Solar (FSLR).

Jabusch favors JinkoSolar because it's "the world leader in terms of [lowest] cost per watt, and Jinko is also the world's largest provider of modules and panels overall." The company serves 70 national markets, which diversifies its revenue and risk, he adds. While the fund manager is closely watching China's recent crackdown on its tech giants, the country hasn't gone after solar, he observes. The stock also is "dramatically undervalued," having fallen 29% this year partly because of those China concerns and after last year's gains.

The fund also owns what is perceived as an old tech stalwart, IBM (IBM). Jabusch says IBM is "assembling gobs of patents on all kinds of next-economy technology that in the not-too-distant future will result in massive revenue gains—blockchain, [artificial intelligence], supercomputing."

Healthcare stocks are 23% of the fund's portfolio, but investors won't find established pharma giants. Jabusch favors "transformative" biotech companies that do gene editing that can possibly cure major diseases—saving lives and patients' money.

He's looking less at existing drugs and more at what's in companies' pipelines. "Imagine deleting or adding to a gene so that your immune system can recognize your tumor and just go kill it, as opposed to months and months of radiation," he says.

One biotech favorite that went on sale this year is Editas Medicine (EDIT). Founded in 2013 by a group of Harvard and MIT professors, Editas "owns a lot of the intellectual property around gene editing," Jabusch says. Though the company isn't profitable yet, its pipeline is full of treatments for diseases such as sickle-cell anemia and cancer. Yet when the economy began reopening from the pandemic in January, many growth-oriented biotech stocks sold off as investors shifted to more-cyclical value stocks. Editas dropped from a January high of $99 to a low of $30 in May. Jabusch bought during the downturn. Its shares are now trading around $58.

Editas is in an arms race for gene-editing treatments with Crispr Therapeutics (CRSP) and Intellia Therapeutics (NTLA), with disputes over patents that have sometimes ended up in court. The fund owned all three stocks recently. Jabusch says the three companies have about 25 patented treatments in their pipelines. "The chances of one of those 25 [treatments] becoming a blockbuster are pretty good," he says.

The fund has already had great success with one early biotech call, No. 1 holding Moderna (MRNA). Jabusch and Deems purchased the stock in early 2019, well before the company began manufacturing its messenger RNA–based vaccine for Covid-19. The stock has surged more than 500% in the past 12 months, enough for the team to reduce the holding on valuation concerns.

After all, the goal is to find companies with real opportunities to solve the world's problems—all while paying a reasonable price.