

WINSLOW MANAGEMENT COMPANY

- Both the Winslow Green Growth strategy and the Winslow Green Solutions strategy generated positive performance during the fourth quarter of 2009.
- **GREEN GROWTH STRATEGY:** Performance was positive across nearly all of the strategy's investment themes. In particular, holdings within environmental services, green buildings, and sustainable living performed strongly, while health care was the only theme generating negative overall performance.
- **GREEN SOLUTIONS STRATEGY:** Overall performance was positive across most investment themes, but several underperforming investments in solar and wind companies were a drag on returns during the quarter.
- Our outlook for the next several quarters is positive. We are encouraged by the progress of the innovative green businesses in our portfolio, even though prospects for a broad economic recovery remain, in our view, somewhat uncertain. We anticipate a positive impact from domestic clean energy policy and an improved environment for green financing. Given the generally robust fundamental results our portfolio companies generated during the depths of recession, we believe that the future is very bright for these companies as economic conditions improve.

PERFORMANCE & PORTFOLIO COMMENTARY

Both Winslow strategies produced positive performance during the 4th quarter of 2009. As always, we remind investors that our strategies are focused on absolute long-term returns; we are not benchmark driven and we are not focused on short-term results.

Winslow Green Growth Strategy:

During the fourth quarter of 2009, and for the full year, the Winslow Green Growth strategy outperformed its benchmark, the Russell 2000 Growth Index. As of December 31, the strategy had lagged its benchmark on a 3- and 5-year basis, but had outperformed its benchmark on a 10-year basis and since inception.

While clean energy stocks were laggards during the fourth quarter, the strategy's returns were driven by diverse investments in water, agriculture, technology services, green building, and metals recycling. Top performers during the quarter were **Telvent, BioExx, American Superconductor, Nalco, and Rubicon**; detractors were **Green Mountain Coffee, Sunpower, Repligen, Schnitzer, and Ruggedcom**. Of note is the early success of a relatively new holding, BioExx Specialty Proteins. While its long-term success is still uncertain, BioExx offers a very promising food crop scarcity solution by way of its innovative process for high-yield protein extraction from biomass.

Winslow Green Solutions Strategy:

During the fourth quarter of 2009, and for the full year, the strategy underperformed its benchmark, the Russell Midcap Growth Index. As of December 31, the Fund lagged its benchmark since its November 2007 inception.

While performance for the quarter and full year was disappointing, the strategy did generate significant positive returns and we are staying focused on our long-term strategy of selective investment in quality green solutions companies, across a diverse range of economic sectors. Despite continuing economic uncertainty and a difficult credit environment, such companies have been able to deliver real growth and attractive margins. Our underperformance during the quarter and 2009 is largely attributable to our continued investment in several leading solar and wind companies; despite subpar performance during 2009, we believe these companies will benefit significantly from a boom in clean energy development as the global economy recovers.

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Top performers during the quarter were **Telvent, Nalco, American Superconductor, Headwaters,** and **Novozymes**. Detractors included **Vestas Wind Systems, EDP Renovaveis, First Solar,** and **Sunpower** – all of which are market leaders in the solar and wind markets; their stock performance, in our view, is a function of short-term credit conditions, and our long-term outlook for these companies is still positive.

GENERAL OUTLOOK

The green business environment, in our view, is relatively strong compared to the economy as a whole, but is nonetheless hampered by the slow pace of economic recovery. While conditions are improving, several obstacles – most notably, unemployment and persistently tight credit conditions – still stand in the way of unfettered green economic growth. However, many green businesses are generating respectable growth and maintaining healthy margins despite the difficult environment.

The major green business event – and the major environmental event – of the fourth quarter was the global climate change summit in Copenhagen. Unfortunately, the conference was noteworthy due to the lack of significant and meaningful progress on a binding global climate change agreement. Indeed, the results at Copenhagen were almost perfectly foreshadowed in July of 2008, when the Center for a New American Security (CNAS) hosted an international climate change “war game.” CNAS invited scientists, national security strategists, and members of the business and policy communities from around the world, to participate in an exercise aimed at creating a binding international climate change agreement. In the experiment, the interests, actions and decisions of the leading players – China, India, Europe and the U.S. – were eerily similar to those that played out in Copenhagen. Negotiators reached impasse on detailed issues such as international verification of emissions, as well as big picture issues such as who should pay for the world’s clean energy transformation – the rising world powers whose emissions are spiking at an alarming rate, or the established world powers who have already reached a lofty standard of living for their people, largely due to years of carbon-intensive growth. Both the “war game” and the actual Copenhagen summit failed to produce a binding international treaty.

At Winslow, we have long been aware of the wide political divides that make international cooperation on climate change extremely difficult. That is why we seek to invest in companies that are poised to thrive regardless of political or regulatory developments. That being said, we also note that while China and the U.S. are firm in their resolve as far as climate change negotiations, they are also very firm in their resolve as far as investing in green technology. It remains to be seen whether China’s top-down state capitalism model or the United States’ venture-backed private innovation model will win the day, but there is clearly a massive clean energy showdown shaping up between the two countries, and we believe that our portfolio companies are very well-positioned to capitalize on the resulting growth opportunities.