



PORTFOLIO 21

**Portfolio 21 Investments, Inc.
Form ADV Part 2A – Disclosure Brochure
June 10, 2014**

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This brochure provides information about the qualifications and business practices of Portfolio 21 Investments, Inc. (referred to in this brochure as “us,” “we,” “our,” “our firm,” or “Portfolio 21”). If you have any questions about the contents of this brochure, please contact us at 503.224.7828. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Portfolio 21 is registered under the Investment Advisers Act of 1940. Registration of an adviser does not imply a certain level of skill or training. You can find more information about Portfolio 21 at the SEC's website www.advisorinfo.sec.gov by searching for our firm's CRD number 107777.

Item 2 – Material Changes

This item identifies and discusses only those material changes that have occurred since the last update of our firm brochure, which was dated March 31, 2014. Since that date:

- We have discontinued two separately managed account strategies, U.S. Equity Strategy and International Equity Strategy.

Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 – Advisory Business

The Company

Portfolio 21 is an investment adviser and has been registered with the SEC since 1988. In early 2014, the five senior members of the investment team purchased approximately 70% of the firm from Carsten Henningsen, the firm's founder and former majority owner. Portfolio 21 is now broadly employee owned and each of the senior investment professionals of the firm is an owner.

Portfolio 21's Investment Committee (the "Committee") provides oversight of the investment management process and includes all senior members of the investment team. The Committee's Chairman is John Streur, President. The other senior members of the investment team on the committee are: James Madden, CFA, Chief Investment Officer; Anthony Tursich, CFA, Senior Portfolio Manager; Beth Williamson, Senior Research Analyst; and Emily Lethenstrom, Senior Research Analyst. Carsten Henningsen and Robert Baird are also members of the Committee.

All of the investment management services offered by Portfolio 21 are designed to meet environmentally and socially responsible investment criteria as defined by the firm.

Advisory Services

Portfolio 21 provides investment management services on a discretionary basis to individuals, retirement funds, corporations, trusts, mutual funds, charitable organizations, endowments, and foundations. The firm offers separately managed accounts that invest in individual stocks and bonds using the proprietary investment strategies described below. Portfolio 21 is the advisor to the Portfolio 21 Global Equity Fund, a publicly available mutual fund with a retail (PORTX) and an institutional (PORIX) share class. In certain cases, accounts under our discretionary management may be partially invested in the Portfolio 21 Global Equity Fund. See Item 8 for more information about our methods of analysis, investment strategies, and associated risks.

Our core services are described in the following paragraphs and the related fees are described in the next section of this brochure, entitled "Item 5 – Fees and Compensation."

Services Common to All Separately Managed Accounts

All investment decisions made by Portfolio 21 are informed by the firm's stringent environmentally and socially responsible investment criteria. The application of these criteria significantly reduces the number of companies that the firm may invest in relative to the overall number of companies available to most other investors. While Portfolio 21 strives to produce market competitive results from the relatively small number of securities that pass the environmental and social investment criteria research process, the limited number of available investments may make this task more difficult and reduce the likelihood that market competitive results may be achieved.

As specified in our investment management services agreement, Portfolio 21 manages client accounts on a discretionary basis.

While we use our best efforts to recommend investments designed to address client investment objectives and risk tolerance, we cannot assure that our recommendations will achieve those objectives. Past investment performance is not necessarily indicative of future returns.

Global Equity Strategy

The Global Equity Strategy invests in developed or emerging market equities of any capitalization, with a minimum of 40% of net assets in non-U.S. companies. The performance benchmark is the MSCI All Country World Index.

SRI Equity Strategy

The SRI Equity Strategy invests a minimum of 75% of net assets in U.S. equities and the performance benchmark is the S&P 500 Index.

Taxable Fixed Income Strategy

The Taxable Fixed Income Strategy invests in investment grade corporate, U.S. Government Agency, and taxable and tax-free municipal bonds (rated BBB or better) with a typical weighted average maturity between five and ten years. The Strategy employs corporate bonds issued by companies that adhere to the firm's proprietary environmental, social, and governance criteria and seeks municipal bonds that support positive environmental and social initiatives. The performance benchmark is the Barclays Government/Corporate Index.

Tax Exempt Fixed Income Strategy

The Tax Exempt Fixed Income Strategy invests in investment grade corporate, U.S. Government Agency, and taxable and tax-free municipal bonds (rated BBB or better) with a typical weighted average maturity between five and ten years. The Strategy employs corporate bonds issued by companies that adhere to the firm's proprietary environmental, social, and governance criteria and seeks municipal bonds that support positive environmental and social initiatives. Bonds are evaluated on their after-tax yield. The performance benchmark is the Barclays Municipal Bond Index.

Separately Managed Balanced Portfolios

Balanced Portfolios combine equity and fixed income securities. The equity portion of the portfolio may be invested in our SRI Equity Strategy, or the Portfolio 21 Global Equity Fund. The fixed-income portion of the portfolio may be invested in either taxable or tax-exempt bonds.

Services to Registered Investment Companies

Portfolio 21 provides investment management services to Portfolio 21 Global Equity Fund (the "Fund"), a series of Professionally Managed Portfolios, a Massachusetts business trust,

and registered with the SEC under the Investment Company Act of 1940 as an open-end management investment company. We follow our Global Equity Strategy using the same or a similar approach used for our separately managed account clients. Interested investors should refer to the prospectus for the Fund(s) for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. Clients should review the prospectus carefully prior to investing in the Fund which is available upon request. Once the Fund portfolio model has been established, we review the portfolio on a continuous basis, and if necessary, rebalance the portfolio as we feel is appropriate to meet the needs and objectives of the Fund.

Subadvisory Services

Portfolio 21 provides sub advisory services to certain clients. When we provide such services, we will have no direct relationship with the clients of the advisor to whom we are providing services. Our sub advisory services consist of both direct management and providing a model portfolio of one of our equity strategies. For the model approach, we provide an update of the model and the investment advisor is responsible for executing trades for their accounts.

Assets Under Management

On April 30, 2014, Portfolio 21 had approximately \$594.2 million in assets under discretionary management.

Item 5 – Fees and Compensation

Our Investment Management Services Agreement establishes the specific manner in which we charge fees. Fees are calculated as a percentage of the assets under management. Our standard fee schedules for equity, balanced and fixed income strategies are below:

Global Equity Strategy

<u>Value of Asset in the Account</u>	<u>Annual Fee</u>
\$1 million or more	1.00%

SRI Equity Strategy

<u>Value of Assets in the Account</u>	<u>Annual Fee</u>
First \$5 million	1.00%
Next \$5 million	.875%
Next \$10 million	.75%
Next \$20 million	.625%

Next \$20 million	.50%
Next \$40 million	.375%

The balance above \$100 million is negotiable.

Balanced with SRI Equity and Fixed Income Strategies

<u>Value of Assets in the Account</u>	<u>Annual Fee</u>
First \$5 million	1.00%
Next \$95 million	.80%

The balance above \$100 million is negotiable.

Fixed Income Only Strategy

<u>Value of Asset in the Account</u>	<u>Annual Fee</u>
\$1 million or more	.50%

We offer a 10% discount for eleemosynary accounts for all strategies.

Fees may be negotiated in certain circumstances, including larger accounts. Negotiated fees may be higher or lower than our standard fees described in this brochure, depending on certain factors such as the type and size of the account, the range of additional services provided to the client, or the total amount of assets managed for a group of related clients. Fees are specified in our written Investment Management Services Agreement. We reserve the right to waive fees for family members or decline services to any person or firm and for any reason.

Fees are billed quarterly in advance. We deduct fees directly from a client's account at the beginning of each quarter, unless we both agree otherwise. The fee will be equal to one quarter of the applicable annual percentage specified in a client's Investment Management Services Agreement based upon the market value of the account on the last trading day of the previous quarter. If a client engages our services during a quarter, we will prorate the fee paid for the initial partial quarter, based on the number of days from the beginning of a client's agreement until the end of the initial quarter. If a client does not have enough cash in his/her account to pay our fee, we may sell some of the account assets to pay the fee. We will make quarterly fee adjustments for assets added to or withdrawn from an account during a quarter using a similar pro rata calculation.

For purposes of determining the market value of assets in a client's account, securities, and other instruments traded on a market for which transaction prices are publicly reported, will be valued at the last reported sales price on the principal market in which they are traded as

determined by the custodian. If there are no sales on such a date, then they will be at the average between the closing bid and asked prices on such a date. Other readily marketable securities and other instruments will be priced using an independent pricing service or through quotations from one or more dealers. Securities for which there is no active market will be valued at cost unless and until the securities are appraised by a professional appraiser, or a subsequent offering of the same securities is made at a different price, in which case the value will be adjusted to reflect the appraised value or the new price for the same securities.

Grandfathering of Minimum Account and Fee Requirements: Pre-existing advisory clients are subject to Portfolio 21 minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and advisory fees will differ among clients.

Sub-advisory Services and Model Portfolio Licensing Fees

Fees for services provided as a sub-advisor are specified in the client sub-advisory agreement and are based on client assets under management. Portfolio 21 will receive sub-advisory fees to cover investment management and administrative services provided to other firms and their Clients. Sub-advisory fees, are charged as a percentage of assets under advisement and be may payable quarterly in advance, ranging from 1.0% to .50% of the value of each client's account utilizing our services. We also may receive a fee from firms that license any of our equity strategies models based on a percentage of the value of the assets managed using the model portfolio. That fee may vary, is negotiable and is also specified in the applicable licensing agreement. Any amendment to the percentages or amounts of the fee schedule shall be effective after written notice thereof is given to the Client. It is understood that such fees may differ from fees charged to other Clients depending upon the extent of services provided and the cost of such services.

Other Fees and Expenses

Our advisory fees are exclusive of custody charges, brokerage commissions, transaction fees, wire transfer fees, and other costs and expenses that may be charged by service providers unrelated to Portfolio 21. Clients are billed for services from other service providers separately from Portfolio 21 and these amounts are reported separately from Portfolio 21's fees.

Fees for Advisory Clients related to investments in Mutual Funds and ETFs

Portfolio 21 may invest client assets in mutual funds and exchange traded funds ("ETFs"), including mutual funds advised by Portfolio 21, such as the Portfolio 21 Global Equity Fund.. Mutual funds and ETFs charge internal management fees, which are disclosed in the fund's prospectus. The purchase and sale of mutual funds and ETF's may involve charges, fees and commissions to the client. Such charges, fees, and commissions are exclusive of and in addition to our fee. When considering mutual fund or ETF investments in a discretionary advisory account managed by Portfolio 21 it is important to understand that a client is directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. Generally speaking, most mutual funds may be purchased directly, without using our services and incurring our advisory fees.

Fees for Advisory Clients related to investments in Portfolio 21 Global Equity Fund

Any portion of an advisory client account under Portfolio 21's discretionary management invested in the Portfolio 21 Global Equity Fund will not be subject to our advisory fees as described above.

However, client assets invested in the Portfolio 21 Global Equity Fund will be subject to the expense ratio of the fund, which may be higher than our discretionary management fee. Further, client assets invested in the Fund generate income for Portfolio 21 through the annual management fee and the 12b-1 service fee payable to Portfolio 21. For the period ended December 31, 2013 the annualized expense ratio was 1.42% for Retail Class shares and 1.12% of Institutional class shares. Please read the Prospectus and Statement of Additional Information for more information about fees and expenses associated with an investment in the Fund.

Termination of Services

Our client agreement may be terminated on 30 days' written notice by the client or us. If your agreement terminates during a quarter, we will refund a pro rata portion of the fee paid for that quarter, based on the number of days between the end of the 30-day notice period and the end of the quarter. The client is responsible for any transaction in the account that was initiated but not settled prior to our receipt of a client initiated termination notice.

Wrap Fee Programs: Portfolio 21 does not offer Wrap Fee Programs.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Prepayment of Fees: We do not require clients to pay fees that are (a) greater than \$1,200 and (b) billed six months or more in advance.

Item 6 – Performance-Based Fees and Side-By-Side Management

Portfolio 21 and its employees do not receive “performance-based fees” (fees based on a share of capital gains on, or capital appreciation of, your assets).

Item 7 – Types of Clients

We generally provide advice to the following types of clients:

- individuals, including their trusts, estates, individual retirement accounts, and 401(k) plans
- investment companies, including mutual funds
- corporate pension and profit sharing plans
- endowments and foundations

- other investment advisors
- corporations or other businesses

Minimum Account Size

The minimum account size for all separately managed accounts is \$1 million. We reserve the right to waive that requirement at our discretion. Assets in related accounts may be grouped to satisfy the minimum account size requirement.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

We rely upon fundamental research that combines traditional investment analysis with our proprietary environmental, social, and governance research to create a complete picture of how each company behaves commercially, as well as how it deals with existing and emerging environmental risks and opportunities.

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the economic well-being of a company, as opposed to movements of its market price. In the course of our analysis, we review a company's financial statements and consider factors including, but not limited to, the company's historical financial condition, prior operating results and trends, its projected revenue growth, its competitive advantages and disadvantages, the anticipated demand for its current and future products or services, and other factors affecting the company's anticipated results from future operations. Past performance does not assure similar future performance. A company's fundamental value can be adversely affected by many factors unrelated to its actual operating performance.

We seek long-term capital appreciation and avoidance of excessive risk by diversifying investments in companies with what we believe are above-average financial characteristics and growth potential and that excel at managing environmental risks, opportunities, and societal impact. We believe that a company's understanding of these factors demonstrates the qualities of innovation and leadership that create a distinct competitive advantage and build long-term value. Therefore, we conduct fundamental and proprietary research to find companies throughout the world with attractive environmental, societal, and financial attributes.

Global Equity Strategy

The Global Equity Strategy invests in developed or emerging market equities of any market capitalization, with a minimum of 40% of net assets invested in non-U.S. equities. The performance benchmark is the MSCI All Country World Index – a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world and includes both Developed Markets and Emerging Markets.

SRI Equity Strategy

The SRI Equity Strategy invests with a minimum of 75% of net assets invested in U.S. equities and the performance benchmark is the S&P 500 Index, a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the U.S. equity market.

Taxable Fixed Income Strategy

The Taxable Fixed Income Strategy invests in investment grade corporate, U.S. Government Agency, and taxable and tax-free municipal bonds (rated BBB or better) with a typical weighted average maturity between five and ten years. The Strategy employs corporate bonds issued by companies that adhere to the firm's proprietary environmental, social, and governance criteria and seeks municipal bonds that support positive environmental and social initiatives. The performance benchmark is The Barclays Government/Corporate Index is composed of 5,400 publicly issued corporate and U.S. government debt rated BBB or better, with at least one year to maturity and at least \$25 million par outstanding. The index is weighted by the market value of its bonds.

Tax Exempt Fixed Income Strategy

The Tax Exempt Fixed Income Strategy invests in investment grade corporate, U.S. Government Agency, and taxable and tax-free municipal bonds (rated BBB or better) with a typical weighted average maturity between five and ten years. The Strategy employs corporate bonds issued by companies that adhere to the firm's proprietary environmental, social, and governance criteria and seeks municipal bonds that support positive environmental and social initiatives. Bonds are evaluated on their after-tax yield. The Barclays Municipal Bond Index includes approximately 15,000 bonds. To be included in the index a municipal bond must have the following criteria: a minimum credit rating of at least BBB, been issued as part of a deal of at least \$50 Million, been issued within the last 5 years, and has a maturity of at least 2 years. Bonds subject to the Alternative Minimum Tax are excluded.

Separately Managed Balanced Strategies

Balanced Portfolios combine equity and fixed income securities. The equity portion of the portfolio may be invested in our SRI Equity Strategy, or the Portfolio 21 Global Equity Fund. The fixed-income portion of the portfolio may be invested in either taxable or tax-exempt bonds.

Investment Risks

All investments in securities include a risk of losing principal (invested amount) and any profits that have not been realized. A client should be prepared to bear that risk. Stock markets and fixed-income markets fluctuate substantially over time and the performance of any investment is not guaranteed.

Our judgments about the attractiveness, value, and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that the securities

we select will perform as anticipated. Our estimate of value may be wrong or, even if our estimate is correct, it may take a long time before the price and value converge. As a result, there is a risk of loss in the value of the assets we manage that is out of our control. We seek to reduce risk through diversification and active management. Although we will do our best in managing a client's assets, we cannot guarantee any level of performance or that a client will not experience a loss. The following principal risks can also affect the value of your investment:

General Market Risk: The market price of a security may fluctuate, sometimes rapidly and unpredictably, in response to developments affecting individual companies and/or general economic conditions. These fluctuations may be temporary or last of extended periods, causing a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time.

Stock Selection Risk: In addition to, or in spite of, the impact of movements in the overall stock market, the value of an account's investments may decline if the particular companies in which the account invests do not perform well in the market.

Small- and Medium-Sized Company Risk: Investing in securities of small- and medium-sized companies, even indirectly, may involve greater volatility than investing in larger and more established companies.

Investment Management Risk: We may fail to implement the investment strategies and/or meet an account's investment objectives.

Foreign Securities and Emerging Markets Risk: Foreign securities tend to be more volatile and less liquid than U.S. securities. Further, foreign securities may be subject to increased risks due to differences in the political, social, and economic environment abroad, as well as due to differences between United States and foreign regulatory, accounting, and auditing standards and, in the case of foreign currency denominated securities, fluctuations in currency exchange rates. These risks are increased in emerging markets.

Environmental, Social, and Governance Policy Risk: The environmental, social, and governance policies could cause the account to underperform compared to similar portfolios that do not have such policies. Accordingly, Portfolio 21 may forego opportunities to buy certain securities when it might otherwise be advantageous to do so, or may sell securities for environmental, social, or governance reasons when it might be otherwise disadvantageous for it to do so.

Fixed-Income Risk: Fixed-Income Portfolios and fixed-income securities generally have four main areas of risk:

- **Credit or Default Risk.** An account may lose money if an issuer of a bond is unable or unwilling to make timely principal and/or interest payments or to otherwise honor its payment obligations. Further, when an issuer suffers adverse changes in its financial condition or credit rating, the price of its debt obligations may decline and/or experience greater volatility. A change in financial condition

or credit rating of a fixed-income security can also affect its liquidity and make it more difficult for an account to sell.

- **Interest Rate Risk.** The value of a bond may decline due to an increase in the absolute level of interest rates, or changes in the spread between two rates, the shape of the yield curve or any other interest rate relationship. Longer-term bonds are generally more sensitive to interest rate changes than shorter-term bonds. Generally, the longer the average maturity of the bonds held by an account, the more the account's value will fluctuate in response to interest rate changes.
- **Prepayment Risk.** An account may experience losses when an issuer exercises its right to pay principal on an obligation held by the account earlier than expected. This may happen during a period of declining interest rates. Under these circumstances, the account may be unable to recoup all of its initial investment and will suffer from having to reinvest in lower yielding securities. The loss of higher yielding securities and the reinvestment at lower interest rates can reduce an account's income, total return, and share price. Rates of prepayment, faster or slower than expected, could reduce an account's overall yield, increase the volatility of the account and/or cause a decline in value.
- **Municipal Securities Risk.** The yields of municipal securities may move differently and adversely compared to yields of the overall debt securities markets. There could be changes in applicable tax laws or tax treatments that reduce or eliminate current federal income tax exemption on municipal securities and otherwise adversely affect the current federal or state tax status of municipal securities. Such changes also may adversely impact the value of municipal securities owned by an account and, as a result, the overall value of the account.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

We have no legal or disciplinary events to report.

Item 10 – Other Financial Industry Activities and Affiliations

Portfolio 21 Global Equity Fund

As noted in Item 4 above, we serve as investment adviser to Portfolio 21 Global Equity Fund, a no-load, open-end global equity mutual fund investing in companies based on our Global Equity Strategy.

As the adviser to the Fund, we receive investment management fees and certain distribution and service (12b-1) fees. Advisory fees for the Fund are reviewed and approved at

least annually, or as required by applicable law, by the Board of Trustees of Professionally Managed Portfolios, of which the Fund is a portfolio series.

Advisory Client Investments in Portfolio 21 Global Equity Fund

As discussed in Items 2 and 4 above, certain advisory clients have invested in the Fund, which pays management fees to us. To avoid any potential conflict of interest from the receipt of dual fees, we waive our investment management fees on advisory client assets invested in the Fund and receive only the Fund's management fees as compensation for advising those assets.

In addition, client assets in the Fund are based on the percentage range specified in the affected client's investment policy statement. Clients must approve their investment policy statement and any changes to it.

Registered Broker-Dealer Representatives

Some of our employees are registered representatives of Quasar Distributors, LLC ("Quasar"), the broker-dealer that is the distributor and underwriter of the Fund. Those employees are Carsten Henningsen, John Streur, Anthony Tursich, and Paul Pitkin. Our employees do not receive compensation for the sale of securities or other investment products, including asset-based sales charges or (12b-1) service fees from the sale of shares in the Fund. However, as registered Quasar representatives, they may discuss with members of the retail public the Fund's investment objectives, strategies, risks, and policies. They may also provide preapproved marketing material to those that are interested. If a potential investor wishes to invest in the Fund, Quasar representatives may either (a) provide the investor with a prospectus and application or (b) refer the investor to the Client Services Department of the Fund's transfer agent.

However, clients are under no obligation to act upon any recommendations of these individuals or to effect any transactions through them if they decide to follow the recommendations. These individuals only limit their recommendations to products or services offered by the broker-dealer and ensures that all recommendations are appropriate for a client's specific needs. Clients have the option to purchase investment products recommended through other broker-dealers not affiliated with the firm.

Item 11– Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

We adopted a Code of Ethics (the “Code”) that applies to us and all of our employees. Each of them must comply with our Code as a condition to working with us. The Code describes the standard of conduct that we require of our employees and sets forth restrictions on certain activities, including personal trading in employee-owned, managed, or beneficially-owned accounts. The Code also includes provisions relating to areas such as gifts and entertainment, outside business activities, and the provision and solicitation of political contributions. By setting forth the regulatory and ethical standards to which we and our employees must adhere, the Code supports our efforts to promote a high level of professional and ethical conduct in furtherance of our fiduciary duty to our clients. Our Chief Compliance Officer (“CCO”) administers and enforces our Code of Ethics.

Our Code of Ethics requires our employees to:

- comply with applicable federal and state securities laws
- conduct themselves with integrity and act ethically in their dealings with the public, clients, and professional associates
- fulfill their duty of loyalty by acting solely in our clients' best interests
- strive to provide long-term client satisfaction
- disclose any conflict of interest
- report any violation of our compliance manual to our CCO as soon as possible
- submit reports of securities beneficially owned by them and their related persons, and submit reports of securities transactions by them and their related persons, subject to certain permitted exceptions

We prohibit our employees from investing in any initial public offerings. Our employees must receive approval before they invest in any private placements, trade in the securities held in the portfolio of any existing client, or invest in any other stock or many ETFs.

Participation or Interest in Client Transactions

Portfolio 21 Global Equity Fund

See Items 4, 5, and 10 above for a discussion of our relationships with the Fund and how we address potential conflicts of interest related to advisory client investments in the Fund.

Personal Securities Trading

We and/or our employees may buy or sell the same securities we buy or sell for your account. As a result, there may be a conflict of interest that arises between you and us (or one of our supervised persons) in the allocation of trades. To address that potential conflict, we impose several restrictions on personal trading. We and our employees generally may not:

- include personal trades in block trades with clients
- trade in a manner that would be adverse or detrimental to client trades
- buy or sell a security for their accounts on the same day we place client trades in that security
- buy or sell a security owned by the Fund or a security under consideration for purchase or sale by the Fund

Moreover, our employees must receive our CCO's approval before they invest in any private placements, trade in the securities held in the portfolio of any existing client, or invest in any other stock or ETF.

Insider Trading/Material Non-Public Information

Employees are prohibited from trading, either personally or on behalf of others (including advisory clients), on any material, nonpublic information or communicating material, nonpublic information to others in violation of the law. This conduct is frequently referred to as “insider trading.”

Political Contributions

Portfolio 21 prohibits its employees from making political contributions on our behalf or to be reimbursed for personal political contributions, or from making political contributions for the purpose of securing or retaining business. We maintain policies and procedures that set forth specific limitations on the amounts of political contributions, as well as preclearance and reporting requirements for certain political contributions.

Gifts and Entertainment

Our Code includes policies and procedures regarding giving and receiving gifts and business entertainment between our employees and certain third parties such as vendors and broker-dealers to help mitigate the potential for conflicts of interest surrounding these practices. In general, Portfolio 21 limits the amount of gifts and business entertainment that may be provided by employees to these parties and requires pre-approval of certain items by our

Compliance Department and/or select members of senior management. We specifically monitor for any potential conflicts of interest with respect to individual instances of gifts or business entertainment, as well as patterns of the same over time, to prevent the interests of Portfolio 21 and its employees from being placed ahead of the interests of our clients.

As noted in Item 10 – Other Financial Industry Activities and Affiliations, certain Portfolio 21 employees are also registered representatives of Quasar Distributors, LLC and are subject to additional procedures and restrictions with respect to gifts and business entertainment activities.

Code of Ethics Distribution and Training

We are committed to making our employees and clients (both current and prospective) aware of the requirements within our Code. All of our employees are provided with a copy at the time of hire and annually thereafter, and each employee must affirm that they have received a copy as well as read and understood its provisions. Additionally, we conduct periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A copy of our Code of Ethics is also available to clients and prospective clients upon request and may be obtained by contacting our Client Services Manager at 503.224.7828 or the address specified on the cover page of this brochure.

Item 12 – Brokerage Practices

Broker Selection

Our management discretion includes the selection of the security, the amount to be purchased or sold, the broker or dealer to be used to effect the transaction, and the commission rate to be paid (the term “commissions” includes markup, markdown, commission-equivalent, or other fee charged to a separately managed account by a broker-dealer for executing transactions for any account, including commissions received from riskless principal transactions eligible for soft dollar credits under Section 28(e) of the Securities and Exchange Act of 1934, as amended [the “1934 Act”]).

We choose brokers on the basis of the following factors:

- competitive commission rates
- the level of efficiency and professionalism of services
- past operating history and reputation
- execution capabilities
- access to the markets for the securities being traded
- any other factors we consider relevant

Our overall policy is to seek best execution at the most favorable prices through the broker-dealers we use to effect transactions in client accounts.

Certain brokers through which we execute trades may provide unsolicited proprietary research (research the broker creates) to us. This research is used for all client accounts, even though only certain clients may have paid commissions to the brokers who provided the research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections.

For our clients' accounts maintained in custody at Charles Schwab & Co., Inc., an unaffiliated broker-dealer ("Schwab"), Schwab will not charge clients separately for custody, but will receive compensation from clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. If a client's assets are held at Schwab, but we use another broker-dealer to execute a trade (such as a bond trade), Schwab will charge that client a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through the other broker-dealer. That fee will be in addition to the fee charged by the other broker-dealer. Thus, it is generally advantageous for clients if we cause trades for clients custodied with Schwab to be executed through Schwab rather than another broker-dealer. In all cases, we acknowledge our duty to seek best execution of trades for client accounts. We receive no compensation for recommending clients to use Schwab. Commission rates paid may be higher than the lowest commission rate available. Schwab generally charges a minimum fee for each transaction in your account. Because of this minimum fee, it often is not economically feasible to select any broker other than Schwab for your equity, mutual fund, and ETF transactions.

Products and Services Available from Custodians

Each client's assets must be held by a third-party custodian. A custodian can be a bank or brokerage firm. Although not required, we may recommend our separately managed account clients use Schwab as custodian for their accounts. That recommendation is based on our evaluation of Schwab's standards of recordkeeping, trade execution, research, and competitive commissions. In addition, at least annually, we review brokerage services received to confirm that such services continue to meet our best execution obligation.

Benefits to Administration of Client Accounts

We participate in Schwab Advisor Services Program (formerly called Schwab Institutional), which is Schwab's business servicing independent investment advisory firms. As part of that program, Schwab provides access to its institutional trading and operations services. These services generally are available to independent investment advisors, at no charge to them so long as the advisor's clients collectively maintain at least \$10 million of account assets with Schwab. These services include brokerage, custody, and research services, as well as access to mutual funds and other investments that are otherwise available only to institutional investors. They also make available to us products and services that benefit us and assist us in managing and administering client accounts. Schwab's support services are generally available on an unsolicited basis (we don't request them) and at no charge to us or our clients as long as our clients collectively maintain the \$10 million minimum threshold of assets in accounts at Schwab. Unlike soft dollar programs, we are under no obligation to Schwab to provide any level of

commission business from effecting securities transactions in client accounts in exchange for these products or services. Support services include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- provide pricing information and other market data
- facilitate payment of our fees from clients' accounts
- assist with back-office support, recordkeeping, and client reporting

Many of these services may be used for all or a substantial number of our client accounts, including any accounts that are not maintained with Schwab. These products and services benefit us because they enable us to more quickly and accurately service our client accounts.

Benefits to Our Business

Schwab also makes available to us other services to help us manage and further develop our business. These services may include consulting, publications, and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange, and/or pay for these types of services when provided to us by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to us. Thus, the \$10 million dollar minimum may give us an incentive to recommend that you custody your assets with Schwab, based in part on our interest in receiving Schwab's services that benefit our business, rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as a custodian is in the best interests of our clients as our selection is primarily supported by and based upon the scope, quality, and price of Schwab's services. Additionally, we have well in excess of the minimum threshold in assets at Schwab and therefore do not consider this a material conflict of interest.

Soft Dollar Practices

As of December 31, 2013, Portfolio 21 has not engaged in soft dollar practices, but is permitted to do so.

In allocating brokerage, and consistent with our policies and procedures, we may take into account the value of brokerage and research services provided by a broker-dealer, as long as such consideration does not jeopardize the objective of seeking to obtain best price and execution for client transactions. Broker-dealers typically provide a bundle of services, including research and execution of transactions. When appropriate under our discretionary authority and consistent with our duty to seek to obtain best execution, we may direct brokerage transactions for client accounts to broker-dealers who provide us with useful research and brokerage products and services and, in return for such benefits, cause client accounts to pay commissions (or

markups or markdowns) higher than those charged by other broker-dealers. The brokerage commissions used to acquire research and brokerage products or services in these arrangements are known as “soft dollars.” The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third-party but provided by a broker-dealer). We may use soft dollars to acquire either type of research. In some cases, broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent.

Generally, research services provided by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, research software, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives.

Section 28(e) of the 1934 Act, noted earlier in the “Broker Selection” section, provides a safe harbor that allows an investment adviser to pay for research and brokerage services with the commission dollars generated by client account transactions. Under SEC interpretations, client commissions may be used for, among other things, certain research- and brokerage-related products and services that assist us in meeting our clients' objectives. The receipt of these services, in exchange for soft dollars, benefits us by, among other things, allowing us to (a) supplement our own research and analysis activities, (b) receive the views and information of individuals and research staffs of other securities firms, and (c) gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors without having to produce or pay for such research, products, or services. As a result, the use of soft-dollars may create an incentive for us to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on a client's interest in receiving most favorable execution.

Portfolio 21 uses soft dollars consistent with the safe harbor provided by Section 28(e) of the 1934 Act. As such, in determining whether to pay up for a particular execution, we evaluate whether the product or service provided by the broker-dealer:

- (a) consists of advice, analyses, or reports containing substantive content with respect to appropriate subject matter or (b) is sufficiently related to the effectuation, clearance, or settlement of a transaction and is provided and/or used during the time period commencing when we communicate with the relevant broker-dealer for the purpose of transmitting an order for execution and concluding when the funds or securities are delivered or credited to the advised account or the accountholder's agent;

- provides lawful and appropriate assistance to us in carrying out our responsibilities to client accounts; and
- is acquired for an amount of client commissions that is reasonable in relation to the value of the product or service.

These determinations are based primarily on our professional judgment formed on the basis of, among other things, our experience in the securities industry and the information available to us concerning the level of commissions being paid by other investors of comparable size and type. We may select broker-dealers based on our assessment of their ability to provide quality executions and our belief that the research, information, and other services provided by such broker-dealers may benefit our clients' accounts. It is not possible to place a dollar value on the quality of executions or on the brokerage and research services that we receive from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers that we select may be paid commissions for effecting transactions for client accounts in excess of amounts other broker-dealers may have charged for effecting similar transactions if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our clients' accounts.

We do not often utilize research obtained with soft dollars for the specific client account that generated the soft dollar commissions. It should be noted that the value of research cannot be measured precisely and commissions paid for research services are not allocated to clients in direct proportion to the value of the services to each client. Although it is inevitable that commissions paid in one account will, in effect, subsidize services that benefited another account, we do not attempt to allocate the relative costs or benefits of research among client accounts because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to our clients.

Where we receive both administrative benefits as well as research and brokerage services from the services provided by brokers, we will make a good faith allocation between the administrative benefits and the research and brokerage services. We will pay for any administrative benefits received from our own resources. This is sometimes referred to as a "mixed-use" determination. In making good faith allocations between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of our allocation of the costs of such benefits and services between those that primarily benefit us and those that primarily benefit our clients. We retain records of such allocations and payments.

From time to time, we may purchase new issues of securities for an account in a fixed price offering. In these situations, the seller may be a member of the selling group that will, in addition to selling the securities to clients, provide us with research. The Financial Industry Regulation Authority ("FINRA") has adopted rules expressly permitting these types of arrangements under certain circumstances. Generally, the seller will provide research "credits" in these situations at a rate that is higher than that which is available for typical secondary market transactions.

Any purchase of a security in a fixed price offering for a client account may be subject to rules and restrictions imposed by the account's custodian. For example, some broker-dealer custodians do not allow accounts to receive new offerings in which the broker-dealer is not a member of the underwriting group, which could adversely impact the overall performance of such account.

Trade Aggregation and Allocation

To obtain more favorable order execution and lower per-share brokerage costs, we aggregate (combine) contemporaneous buy or sell orders for the same securities, with applicable accounts participating in the aggregated order on a pro rata basis. Occasionally, we may only partially fill an aggregated order. Under those circumstances and to the extent it makes practical sense, we allocate the order on a pro rata basis among the applicable clients.

Exceptions to the pro rata allocation of partially filled orders may occur for several reasons, such as the avoidance of odd lots or de minimis numbers of shares, or sensitivity to total transaction cost. If we cannot feasibly allocate partially filled orders on a pro rata basis, we allocate trades on an alphabetical or reverse alphabetical basis. There may be instances when partially filled orders may adversely affect the size of the position or the price you pay or receive, as compared with the size of the position or price that you would have paid or received had no aggregation occurred. We do not include employee transactions with client orders. Employee transactions must be executed at least one day after any client transaction in that security.

Note: The aggregation and allocation policies above apply to trades in equity securities only. We buy and sell fixed-income securities through a bidding process that does not require us to aggregate or allocate the transactions. Furthermore, orders for shares of mutual funds or ETFs are generally fully filled and do not present allocation issues.

Item 13 – Review of Accounts

Separately Managed Accounts

Reviews and Reviewers: We review all separately managed client accounts at least quarterly and whenever a special review is necessary. A special review of an account becomes necessary on the occurrence of any of the following:

- unexpected cash flows in or out of the account
- a client's instructions to review the account
- additional cash required for an investment

All accounts are reviewed by James Madden, our Chief Investment Officer, and the investment adviser representative assigned to the account under review. Our investment adviser representatives are Carsten Henningsen and Robert Baird.

Reports for Accounts: We also provide you with detailed written reports, either quarterly or annually, as specified in your client agreement. These reports discuss economic outlook, portfolio positions, asset allocation, changes in portfolio value, and investment returns. We urge you to carefully review these reports and compare the statements that you receive from your custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Portfolio 21 Global Equity Fund

We monitor the holdings of the Fund daily to ensure compliance with diversification policies and to determine whether investment changes should be made. Investment and performance reports for the Fund are provided to the Board of Trustees quarterly. Shareholders in the Fund receive prospectuses, supplements, annual reports, and semi-annual reports. These reports discuss economic outlook, portfolio positions, asset allocation, changes in portfolio value and investment returns. In addition, the Fund's annual report discusses market conditions and investment strategies that significantly affected the Fund's performance during the previous fiscal year.

Item 14 – Client Referrals and Other Compensation

We receive an economic benefit from Schwab in the form of support products and services it makes available to us and other independent investment advisers whose clients maintain their accounts at Schwab. These products and services, how they benefit us and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients or generating any level of commissions in client accounts.

Portfolio 21 enters into third party agreements with financial intermediaries (generally broker-dealers) to provide compensation in exchange for the sale of Fund shares. Such compensation is explicitly set forth in the Fund's Prospectus and Statement of Additional Information and generally falls under two categories: 1) compensation in connection with the eligibility of the Fund to be offered in certain programs and platforms; compensation may consist of a percentage of net sales, net assets, or as a flat fee. 2) compensation in connection with Fund sales efforts by financial intermediary representatives that generally takes the form of occasional gifts, meals, tickets to entertainment or sporting events, and/or sponsorship support for the financial intermediary's client seminars and cooperative advertising. We have entered into such an agreement with Charles Schwab to make the Fund available on its platform and certain of its services. In all such agreements, the compensation is made from our own resources and with no additional cost to the Fund, its shareholders, or our advisory clients who custody their assets at Schwab.

Item 15 – Custody

We do not provide custodial services to our clients. Your assets must be held by a bank, registered broker-dealer, or other “qualified custodian.” You will receive statements directly from your custodian at least quarterly. We urge you to carefully review the custodial statements and compare them to the reports we send you. The information in our reports may vary from your custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Our authority in managing your account includes the full discretionary power to purchase, sell, and exchange securities and other investments, exercise all rights conferred on the holder of such assets, and reinvest all proceeds without seeking your prior approval for each transaction. However, in all cases, such discretion is to be exercised in a manner consistent with your investment policy statement or similar document. You will also sign an agreement with your custodian that generally includes a limited power of attorney granting us authority with your custodian to direct and implement the investment and reinvestment of your assets within the account, but not direct or move assets outside of the account.

When selecting securities and determining amounts, we observe any investment limitations or restrictions you provide to us in writing. For pension and retirement plans governed by ERISA, our investment advice is also limited by ERISA’s requirements and prohibitions.

Item 17– Voting Client Securities

Proxy Voting Policy

We generally have authority to vote proxies on behalf of clients in separately managed accounts (with equity holdings) and on behalf of the Fund.

We have adopted a written Proxy Voting Policy setting the standards and guidelines for voting proxies. We delegate to an independent proxy-voting firm the actual voting of proxies on behalf of our clients, including the Fund. That firm votes all proxies in accordance with our proxy voting policy.

Under our Proxy Voting Policy, we seek to further the clients' best interest (and, for ERISA accounts, the best interest of plan beneficiaries and participants). Our Client Services Manager ensures that all proxies we receive are timely forwarded to the proxy-voting firm. Our Client Services Manager identifies any potential conflicts of interest arising in connection with a proxy proposal.

Resolving Conflicts in Proxy Voting

If the subject matter of any proxy creates a conflict of interest between us and any of our clients, the Proxy Voting Policy resolves such conflict as follows:

1. We (through the independent proxy-voting firm) will vote in accordance with predetermined guidelines stated in the Proxy Voting Policy (“Guidelines”);
2. We will request the client's consent to the vote, after disclosure to the client of the subject matter of the proxy, the nature of the conflict, and the proposed decision;
or
3. The client may direct us to forward proxies involving a conflict of interest to a specified independent third party for the third party's review and recommendation.

Under the Guidelines, we (through the independent proxy-voting firm) generally will vote in favor of environmentally and socially responsible policies and actions promoting sustainable development and principles of equity, fairness and transparency. We may disregard the Guidelines, however, in situations where a client's best interest would be served by voting otherwise. In that case, we would direct how the independent proxy-voting firm should vote that client's shares.

If the Guidelines do not specify how we should vote on an issue (such as a proposed acquisition), we will decide how to vote on that issue and will direct the independent proxy-voting firm to vote accordingly.

Obtaining Proxy Voting Information

You may obtain a copy of our Proxy Voting Policy or information on how securities in your account were voted by sending a written request to:

Portfolio 21
Attn: Client Services Manager
721 NW Ninth Avenue, Suite 250
Portland, Oregon 97209-3449

Item 18 – Financial Information

We must disclose any financial condition that could impair our ability to meet our contractual obligations to you. We also must disclose if we have been the subject of any bankruptcy proceeding within the last 10 years.

We have no financial matters to disclose to you, and we have never been the subject of any bankruptcy proceeding.

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