SUSTAINVEST
Asset Management, LLC

1st Quarter 2020

Your Investments. Your Planet. Your Choice.

Inside

Economy

Hope you and yours are well during these times. To those nurses, doctors, law enforcement and delivery drivers out there, thanks for what you are doing. I think we are all amazed by how quickly our lives have been turned upside down. After a 10 year bull market, we knew a down turn was coming, we just didn't know it would be a global pandemic that would be the catalyst. The S&P500 was down 20% for this first quarter. Interestingly enough, the tech-heavy NASDAQ fell 14.2% beating the market by 7%. Times have changed and technology companies seem to have become the staples due to lifestyle changes including remote working and e-commerce becoming norm. In this very challenging environment, we see the benefit of having asset allocations which are in line with personal risk profiles and timeline. We have clients in retirement weighted just 25% to 30% in equities weathering this drop quite well.

We have clients with a much higher risk tolerance who had an overweight in technology companies that seem to be taking the dip in stride. In fact, many are opting to slowly dollar cost average buy into this turbulent market. And of course, a large portion of clients are taking the hold steady approach after witnessing last year's 28% increase in the S&P500. As far as how this downturn will progress, it felt like it was 3 or 4 weeks ago where all cylinders were firing so it's amazing that we are talking about getting out of a recession. Will it be a V-shaped, U-shaped, W-shaped or an L. Who knows. The chart (below on page 3) simply shows what the annual performance of the S&P looks like going back to 1990. Bird's eye view, right. The average annual return since 1990 is 9.11%. It is closer to 10% going back to the 1920s. Many of us became accustomed to the bull market that rode for about 10 years. It just doesn't work that way, and so, here we are witnessing a Black Swan event that has been the catalyst for a market that was due for some pressure to be released.

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Companies Committed

Ever seen the movie the 1987 movie Robocop? We all thought this would be the future. Well some of us. Enter 2020. Though unrelated to law enforcement, our means of trading currency for services or goods clearly is shifting. The U.S. Federal Reserve even recently changed how it handles greenbacks due to the virus. As a "precautionary measure," the Fed increased the minimum holding period for bills coming from Asia and Europe to the U.S. to a 10-day minimum. The previous minimum was five days.

As a person who rarely has cash in my wallet these days, this current pandemic will further exacerbate the fact that cash is no longer king. Enter Paypal (PYPL). For those unaware, PYPL is a payments system that supports online money transfers and serves as an electronic alternative to traditional paper methods. They have been around for a rather long time in terms of tech companies. Started in 1998, IPO'd in 2002, bought by EBAY that same year and then spun off in 2015, it's been around the block. In Q1 2020, the stock was down about 7% outperforming the market by 13% so far. Revenues have increased annually by about $2 billion each year since 2017.

It is because of the simplicity of use that Paypal has enabled many across the world to support small businesses via instant payment. One company Paypal purchased in 2013 was Venmo. Venmo, a relatively unknown just a few years ago, has quickly grown into an easy to use payment system via a smartphone. They now process about a billion in payments every year.

It holds an ESG rating of "A" from MSCI ESG Research of designating them as industry leaders in the software & services industry.

Note: Sustainvest may have a position in the company

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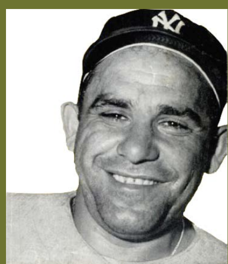

"If the world were perfect, it wouldn't be."

— Yogi Berra

Education

Can You Forgo your RMD in 2020? Info on CARES and SECURE Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, recently passed into law, includes a number of measures designed to stimulate the economy. One item allows retirees to forgo taking Required Minimum Distributions (RMDs) from IRAs or 401(k)-type plans this year.

The waiver includes RMDs for those who reached age 70½ and who would be required to take their first RMD by April 1 of 2020. This waiver also includes RMDs from inherited IRAs for 2020. Those who need to take money from their retirement accounts can still do so, of course. and if taken this money will be taxed as in past years.

Combined with the SECURE Act that moved the age of taking RMDs for those who had not reached age 70½ before January 1, 2020, to age 72, this has effectively pushed the initial RMD back several years for those who turn 70½ in 2020. Below is a Q and A session with

1. Do retirees have to take RMDs from retirement accounts in 2020?

No, all RMDs have been suspended for 2020. This waiver includes any retirement account subject to RMDs, such as IRAs, 401(k)s, and inherited accounts. RMDs do not apply to Roth IRAs.

2. What age do I have to be in order to qualify for the waiver?

If you are subject to RMDs, the waiver applies to you regardless of age. It includes original account owners over age 70½ (or 72, under the SECURE Act), original account owners who turned 70½ in 2019 but have not taken their distribution yet, and inherited-IRA beneficiaries of any age.

3. Does the waiver apply to inherited IRAs?

Yes. The waiver extends to inherited IRAs (including stretch IRAs), as Schwab interprets the law. It even appears that inherited IRAs with non-spousal beneficiaries, which would normally need to be liquidated within 5 years of the original account-holder's death, are not required to take a distribution in 2020. You should consult with your tax advisor, but Schwab's interpretation is that beneficiaries have an extra year to fulfill the 5-year requirement, since RMDs can be skipped in 2020.

4. If I already took an RMD in 2020, can I reverse it?

Technically, the distribution can't be reversed. However, based on our current understanding of the CARES Act, if the distribution was within the last 60 days, we believe that you can re-contribute the amount back into your retirement account—assuming the distribution qualifies for a rollover. (This does not include most inherited retirement accounts; see number 6 below.) Unfortunately, you can't reverse the tax withholding, but depending on other factors in your tax situation, the IRS could refund the withdrawal when your 2020 return is filed.

6. If I have an inherited IRA and already took an RMD for 2020, can I re-contribute the distribution?

Inherited IRA distributions are not generally eligible for a rollover; therefore, assuming the IRS offers no other guidance, distributions that have already been taken can't be re-contributed.

Please know this information is not tax and advice and one should talk with a tax professional who is familiar with your particular situation.

Shareholder Activism

Sustainvest Update

We are on the ballot!! We filed one shareholder proposal with Enphase Energy (ENPH) this year and it got on the proxy statement. The Fremont, CA based manufacturer of systems for the solar industry does not have a sustainability report. We felt like this was rather ironic considering the industry they are in. We will address this issue at their upcoming "virtual" shareholder meeting scheduled to be held on May 20th. If you own just 1 share of Enphase stock you will be able to listen in to their meeting and my discussion. Go to sec.gov, type in the stock symbol ENPH, click on form DEF 14A and this will pull up the proxy statement along with instructions for listening to the 5/20 shareholder meeting.

S&P 500 Index - Historical Annual Data

Year	Average Closing Price	Annual % Change
2019	2,913.36	28.88%
2018	2,746.21	-6.24%
2017	2,449.08	19.42%
2016	2,094.65	9.54%
2015	2,061.07	-0.73%
2014	1,931.38	11.39%
2013	1,643.80	29.60%
2012	1,379.61	13.41%
2011	1,267.64	0.00%
2010	1,139.97	12.78%
2009	948.05	23.45%
2008	1,220.04	-38.49%
2007	1,477.18	3.53%
2006	1,310.46	13.62%
2005	1,207.23	3.00%
2004	1,130.65	8.99%
2003	965.23	26.38%
2002	993.93	-23.37%
2001	1,192.57	-13.04%
2000	1,427.22	-10.14%
1999	1,327.33	19.53%
1998	1,085.50	26.67%
1997	873.43	31.01%
1996	670.49	20.26%
1995	541.72	34.11%
1994	460.42	-1.54%
1993	451.61	7.06%
1992	415.75	4.46%
1991	376.19	26.31%
1990	334.63	-6.56%
Average		**9.11%**

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This is the market reminding us that stock prices don't simply go up, uninterrupted, always. It's an unavoidable part of investing. We all know friends who decided to sell their stocks in 2008 and they continue to kick themselves for doing so. But that's why it's called the market. Prices go up and down. The next month or 2 should continue to bring these large movements. We have seen government's decision to help smooth things out along the way whether its tax cuts/credits/etc. or the Fed pumping money into the system. This helps open up liquidity. Long term, we are still unsure of its ramifications. Perhaps in times like these, sitting on the sideline and letting this event pass by is the best move one can make.

One client mentioned that this is the ultimate event for sustainable investing and the planet's health. I agree. The price of oil is at historic lows as it sits at about $20 a barrel. There are talks that 10% to 20% of dirty fuel-oil companies will simply fold. Good. For 2020, Exxon's stock is down 45%. Chevron's is down 40%. Clean Energy Fund (PBW) is down 21% (half of Exxon and Chevron). Even Tesla, though somewhat unrelated is up 25% for 2020. Point being, it's becoming even more clear that sustainable investing adds another layer of risk management as well as the being the moral thing to do. Energy was the worst sector in Q1 down 53% while technology was the best being down 10.5%. We most likely are going to see continued volatility in this market for the foreseeable future as corporate earnings announcements in April and May may be lackluster (or off the charts for some including big box retail) and unemployment reigns.

Trying to time a bottom may prove to be difficult, but maintaining a portfolio that fits your unique profile is what should put all at ease. Panic is not an investment strategy and only leads to making poor short-term decisions. Investing in sectors and industries that may become the new norm in the corporate world could become the right play. Companies like Paypal (owns Venmo), Teledoc (virtual healthcare), Docusign (e-signature documents), and Zoom (virtual meeting) could benefit. It looks like crisis like these also have an ironic positive which is where innovation and adapdation bring forth new industries that were unknown or just on the cusp of breaking through.

When the virus passes and the possibility of leadership change in the U.S. is more clear, one has to hope that we come out of this a more unified planet and more prepared for global pandemics. And of course, committing to sustainable investing puts sustainable investors in a position that lessens the worry compared to those who hold stocks and funds that are not addressing a looming climate crisis.

Greeny of the Quarter

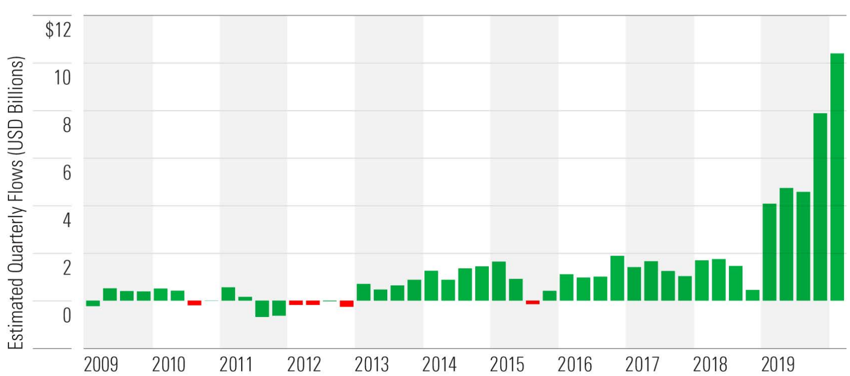
SRI Grows During the Crisis

Per Jon Hale of Morningstar:

Sustainable funds in the United States set a record for flows in the first quarter. Yes, you read that right. Despite the sudden descent of equities into a bear market halfway through the quarter, estimated net flows for the 314 open-end and exchange-traded sustainable funds available to U.S. investors reached $10.5 billion in the first quarter, easily eclipsing the previous quarterly record set in 2019's fourth quarter.

About three fourths of net flows went to ETFs, and close to 80% went to index funds. That's up from last year, when environmental, social, and governance ETFs captured only about 40% of overall sustainable fund flows, and index funds about 60%.While equity fund flows stayed positive all three months, fixed-income funds experienced outflows in March, mirroring the overall trend for fixed-income funds, which may have been driven by factors like quarter-end rebalancing after the sharp decline of equities and the need to raise cash in the new environment.

Sustainable Funds U.S. Quarterly Flows



Source: Morningstar Direct. Data as of 3/31/2020. Includes open-end and exchange-traded funds available to U.S. investors. Includes funds that have been liquidated; does not include funds of funds

The global pandemic did have an impact, as flows moderated over the course of the quarter. In January, flows were $5.2 billion, an all-time monthly record. In February, flows cooled to $3.7 billion. And in March, which began with the market meltdown more than a week old, flows slowed further but remained positive at $1.6 billion.

Sustainable funds in the U.S. attracted $21.4 billion in net flows in 2019, 4 times the previous calendar-year record. With first-quarter 2020 flows already at half that amount, sustainable funds are on track to eclipse last year's mark, even considering that the ongoing pandemic could still wreak havoc with fund flows for the rest of 2020. From a performance standpoint, sustainable funds held up better than conventional funds in the first quarter, which is likely to help the group attract more flows going forward.

If you are interested in learning more about our services, please contact us at **info@sustainvest.com** or call us at **707-766-9480**

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