SUSTAINVEST
ASSET MANAGEMENT, LLC

2nd Quarter
2020

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

Inside

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Economy

Well, we are halfway through 2020 and it feels more like it's been 6 years, as opposed to 6 months. As market volatility continues and this historical pandemic still very much upon us, I have a feeling that the remaining six months of 2020 will be the same. Just to recap on the market movements of recent, the S&P 500 index has almost recouped all losses since the March 23rd low. Since that bottoming, we have seen a return of about 35%, the highest return over so short a period since 1933. They say…fear is just as dangerous as greed when it comes to investing. Makes sense not to react to some of these knee buckling moves, as once again we are witnessing the negative ramifications of doing so for those who may have decided to pare back on stocks. As far as quarterly returns, the S&P500 was up 19.95%, the tech heavy NASDAQ was up 30.63% in Q2, and the more stable US Aggregate Bond index was up 2.90%. For 2020, the S&P500 is still down 4.19% but considering the current state of our economy and following 2019 where the S&P was up 30%, a negative 4% is somewhat reassuring. We do have another 6 months of 2020 to go though. The fossil fuel energy sector is down about 37% in 2020 while PBW (alternative clean energy fund) is up 24%! Yay! Real estate is down about 7% while gold (GLD) is up 16%. Divergence in sector returns continues. So where does that put us. I have spoken with many clients about their current asset allocation and any changes that should be made to help weather these movements. Some have wanted to trim back on stocks, while others are saying go pedal to the medal. Though this market and a global pandemic

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Companies Committed

When it comes to sustainable investing, the acronym ESG goes hand in hand with SRI. With screening for issues, E stands for Environment, S for Social and G for Governance. Taking center stage in 2020, it is clear that the S in ESG is getting lots of attention. Social issues that are screened with sustainable investing include how companies treat their employees, diversity amongst the workforce, human rights and animal welfare. Clearly companies with high employee satisfaction and various viewpoints are now exhibiting stronger sales and stock performance. One such company that stands out when it comes to the S in ESG is tech company Nvidia (NVDA).

Based out of Santa Clara, this semiconductor company has the traditional bottomless coffee and in house snacks for the grabbing, but it steps it up even further when it comes to creating a comfortable place to work. It has unlimited benefits offering up to 22 weeks of full paid leave for pregnancy and birth, plus 8 weeks of flex time to ease back into work. Their turnover is just 5.6%, which is half of what the typical tech company looks like. They have seven employee resource groups focused on various needs including groups representing veterans, minorities, women, LGBTQ, and people with disabilities meeting quarterly with the CEO. It holds a AAA rating with MSCI's ESG ratings and is a leader among 58 companies in the semiconductors & semiconductor equipment industry.

NVIDIA.

Clearly being a strong ESG stock hasn't held back its performance as the stock is up about 64%in the first half of 2020 and +168% over the last 3 years. At this difficult time when many feel hopeless, it 's probably time to look at your portfolio and be sure you are putting ESG as a priority. Strong companies like NVDA will force laggards to catch up...a win win for all.

Note: Sustainvest may have a position in the company

Education

Retiring Soon? Here's Some Pointers

So with workers telecommuting and life throwing all it can at us these days, many out there may be starting to think about simply retiring. Why go back to work if you have saved a bit and there is the possibility that you can do what you want instead of heading to that 9 to 5. Sustainvest clients come in all ages, but a large amount are newly retired who want to both save the planet and also feel comfortable with how their nest egg is invested. Below is a sort of 5 year game plan to do so:

"If I can make myself laugh about something that I should be crying about, that's pretty good."

— John Prine

With 5 Years To Go

Start stashing away cash for one. If you are going to need to spend money from your 401k's or IRAs or 403b's then its time to slowly get that savings account pumped up a little as well. At the same time, continue to take advantage of your retirement plan. Employees can max out up to $19,500 each year ($26,000 for those over 50) into their 401k's, etc. Do this if you can. On top of this, contribute to an IRA. The IRA and 401(k) provide the benefit of tax-deferred savings, unlike a savings account. Depending on your tax situation, you may also be able to receive a tax deduction for the amount you contribute to a 401(k) and IRA each tax year. And definitely start to think about how much money you may need to live comfortably. Start with a monthly budget and go from there.

With 3 Years to Go

Buy that fancy car you've always wanted now. Major purchases should probably be done prior to walking away from the job just to make it easier to handle then when you may be on a fixed budget. If you have outstanding loans or mortgages, it may time to cut those down too. Think about hobbies or even part time work that you may want to do to keep busy as well.

With 2 Years to Go

While those retirement plans get pumped up, try to get a review of your will, power of attorney, beneficiaries for IRAs, etc., and a general estate plan set up. This way you won't be scrambling to do it when you want to be sitting on the beach instead. Also, if you aren't working with an investment advisor who can put together a financial plan, now may be the time to do so.

With 1 Year to Go

It's getting closer! Get a good spreadsheet together of all potential income resources. This may include pensions, profit sharing, Social Security—even potential part time work or consulting that you may be doing. Decide when you may want to claim Social Security benefits at this time. Also, figure out how Medicare works and what supplemental plans cover. Make sure your asset allocation fits your risk profile or have an advisor do this for you. You don't want to be overweight in emerging markets and not even know it at this point. Continue to build those emergency reserves up outside of your funding retirement plans.

With a Few Months to Go

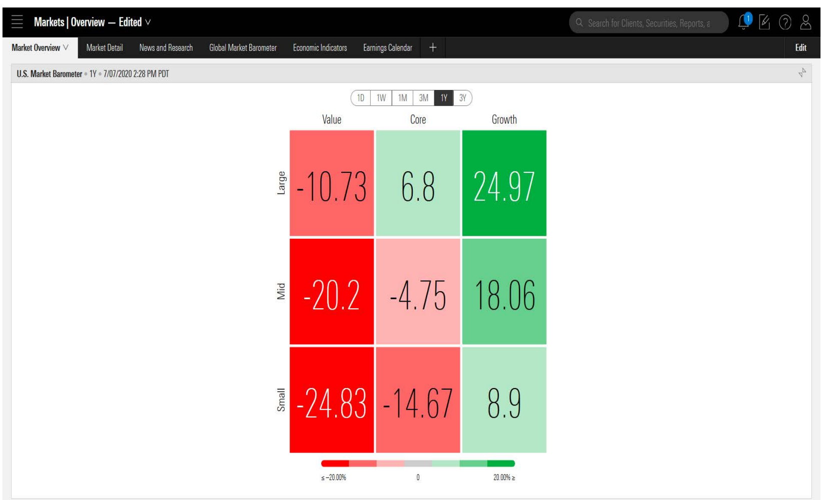
Time to get excited! Gather all paperwork of any accounts you have out there. along with health savings accounts or health insurance information, etc. Figure out if you have any vacation or sick leave balances and if they can be cashed out. Be sure you have the information needed for your 401k plan in case you plan to have this rolled over into an IRA. If you work with a financial planner, now is the time to have them open up a Rollover IRA account to have ready for when you rollover your 401k.

And finally, congrats. Take that big trip you never got to and enjoy the fruits of your labor.

Shareholder Activism

Sustainvest Update

On an activist note, our only 2020 shareholder proposal at Enphase Energy was presented (via teleconference) during their annual shareholder meeting in May. We were given about 5 minutes to present on the proposal to the CEO, executives, and board. The proposal asked Enphase to issue an annual sustainability report to publicly report on how they are addressing their own use of energy, diversity amongst their employees, supply chain sourcing, ESG, etc. Surprisingly, this manufacturer of solar equipment does not report on their own sustainability initiatives. Over 70% of major public companies do. The proposal secured 42,354,324 votes in favor, compared to 38,566,249 votes against giving it over 50% Yes votes. That's good news and we await hearing back from Enphase on what their next steps may be to address this.



<u>1 Year Performance of Value (red) vs Growth (green)</u>

*Warren Buffett's famous Berkshire Hathaway Fund was down **21%** in the first half of 2020.*

The S%P 500 was down only 2%.

Over the past 3 years Growth stocks are up about 21% per year average.

Over the past 3 years Value stocks are up about 1% per year average.

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can even make my own skin crawl, I do have to say that it has been comforting speaking with clients and figuring out a game plan together per each of their unique situations.

It seems like there are so many caveats with the changing dose of daily news. I will start off with economic issues around us and then try and dwindle it down to the "micro". Top down its clear we are entering some unknowns. The unemployment rate here in the US is currently at about 11% (yes, there are other graphs that show it to be higher) coming down recently from 13%. It is unclear how many of the jobs lost to covid will be coming back. Because 70% of GDP (the current barometer of the economy) consists of consumer spending, well, one must think that GDP will not look very good for the foreseeable future. If consumers aren't working, then they aren't spending. Oddly enough, consumer discretionary companies like Target and Amazon seem to be doing just fine, stock-wise. Always remember the stock market does not show us how things currently are, as opposed to trying to show us where things may be going. This brings in the Fed. The Fed is keeping interest rates as low as possible. This fairs well for those looking to borrow, whether you are a new homeowner, buying that new RV, or a corporation issuing debt. This does not fare well for retirees relying on fixed interest rates to pay the bills. But do not be enticed by those 5 or 6% fixed rates you may see out there. Remember, the most boring, highest-quality bonds will tend to hold up best in market shocks, so we aren't enticed when we see that Macy's bond paying 7%. We all keep waiting for inflation to show itself due to all this money in circulation, but it hasn't.

All of this said, it is clear we are seeing a shift to this new world economy. What was supposed to happen over the next decade or so has now shifted overnight due to covid. As we sit tight in our homes, some of us are using Zoom to communicate, Docusign to sign paperwork, Paypal to pay for goods and services, Pelotons to keep in shape. The list goes on and on. **Can you believe that the first iPhone came out only 13 years ago in 2007!? Innovation and change can come very quickly.**

If a vaccine miraculously makes it way into the scene, then we can all imagine how positively the economy and market will react. Companies would start hiring again and consumers will re-enter the world that we knew in 2019. This is the big unknown and what makes asset allocation more difficult and why holding onto equities during this time is really the sensible thing to do. Patience. Let's hope that we eventually get to a place where a vaccine is found and quickly distributed so we can move on from this. More than ever, we need to look at investing as a process over time.

Greeny of the Quarter

Remote Workers Saving the Planet

So, this may not be the opportune time to bring up climate change effects due to the current pandemic as people suffer health-wise and are unemployed, but perhaps this is a time to reflect on the fact that we, as contributors to climate change, have a chance here to change for the better. This quarter's greeny of the quarter goes to remote working.

Remote working has become the norm these days as many of us sit in our basement responding to emails or with our laptops placed on top of 3 large books to line up a Zoom call. Amidst this change in everyday life, this is an opportunity to see that our effects on climate change and air pollution are real.

People from Los Angeles to India are reporting unprecedented smog free skies. This is the result of a drastic reduction in vehicle-based and industrial air pollution. Airline travel is down 96%. The US government predicts a 7.5% reduction in energy-related carbon dioxide emissions. This is during a time when gasoline sales have crumbled by half despite record-low oil prices. Keep in mind, transportation is the number one source of emissions in the United States.

Many jobs simply cannot be done remotely. But approximately 40% of workers are service or office related. Imagine if just half of them were incentivized to work from home. Granted, we all want to socialize in person too so it doesn't have to be a full 100% robotic chat world. Though the following companies YTD performance is somewhat unrealistic going forward, one has to think that this new way of operating remotely is here to stay for the long haul.

Stocks involved in Human Remoteness and YTD %

Zoom (ZM)	+291%	Video Platform
Docusign(DOCU)	+178%	Document Platform
Paypal (PYPL)	+67%	Digital Payments
Slack (WORK)	+52%	Team Communication
Teledoc (TDOC)	+168%	Virtual Healthcare
Livongo (LVGO)	+286%	Digital Healthcare
Crowdstrike (CRWD)	+129%	Security Cloud
Twilio (TWLO)	+147%	Cloud Communication

Once we do go back to a somewhat normal world, it may be time for different steps to be taken that continue our path to be more conscious of the health of the planet. Perhaps policy makers could consider tax breaks to companies that support employees working from home at least part of the time. They could be rewarded for cutting a certain amount of carbon emissions for doing so.

Policies encouraging or even requiring eligible employees to work from home, either full-time or part-time, can be a meaningful part of corporate emissions-reductions goals. For many businesses, teleworking infrastructure is now in place, making it simple to continue in some form post-pandemic. If policy catches up to this, the world will have a promising and efficient way to address climate change and improve people's lives.

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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