SUSTAINVEST
ASSET MANAGEMENT, LLC

3rd Quarter 2020

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

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ECONOMY

Ahh, 2020. We really can't wait for you to just leave. Soon enough. We now enter the home stretch-last quarter of the year. When so much uncertainty surrounds us with the pandemic, having a market which is currently up over 4% in 2020 is somewhat reassuring. We all know there will be up years and down years, but one would have to think with businesses shutting down, unemployment above 10% and work from home protocols in place, this would have been one of those down years especially with a increase of 30% in the market in 2019. That being said, for the 3rd quarter we saw the DJI 30 up 7.75%, the NASDAQ up 9.97%, the S&P500 up 7.93%, the US aggregate bond market up about 1% and even Gold up 6.94%. If anyone (not including Sustainvesters) is on the fence still when it comes to sustainable investing tech heavy , well, perhaps it's time to get off the fence. From the top down we can see the sustainable indexes outperforming in 2020. The more well-known green index, MSCI KLD 400 Social ETF (symbol: DSI) is so far up 6.51% in 2020. Comparing this to the general market index of 500 companies (S&P500 which is up 4.05%), the more sustainable option is up more than 2.00% for the year over the S&P. If we dive a little deeper into this, we see that the energy sector is an extreme laggard this year once again. The index Energy Sector Fund (symbol: XLE) which holds companies like Exxon and Chevron is down 50.12% this year. Yes, you read that right, down 50%. Comparing it against the Invesco Clean Energy ETF (symbol: PBW) which is up 77.56% in 2020, one wouldn't be short of just astonished at the difference here and also proud to be invested more sustainably.

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COMPANIES COMMITTED

Being a good corporate citizen can enhance a company's brand and drive customers to their products and services. Perhaps not as consumer facing as other known companies, Danaher Corporation (DHR) designs, manufactures and markets professional, medical, industrial and commercial products.

This $154 billion market cap health care equipment stock price is up about 40% in 2020 so far. The Life Sciences segment, which accounts for almost half of it's revenues offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. Global efforts to develop Covid-19 tests and therapies have driven high demand for DHR's bioprocessing, genomics, and automation solutions. The Danaher Business System was one of the first U.S. based companies to adopt the "kaizan" or lean-manufacturing process coined by the Japanese and Toyota in the 1930s. The company excels in the municipal-wastewater and drinking-water remediation and contaminant treatment business. In 2019, DHR, with over 70,000 employees, was ranked by Forbes as one of the best employers for diversity.

Being a strong ESG stock hasn't held back its performance as it inches up over 40% so far in 2020 and +149% over the last 3 years. At this difficult time when some large companies have yet to adopt any sustainability report, it 's probably time to look at your portfolio and be sure you are setting ESG as a priority. Strong companies like DHR will force laggards to catch up...a win win for all.

Note: Sustainvest does not have a position in the company

SUSTAINVEST ASSET MANAGEMENT
215 WESTERN AVENUE, SUITE B
PETALUMA CA 94952
@SUSTAINVEST1

Education

Interest and Dividends: What's the Difference

Many clients of Sustainvest are retirees who rely on their accounts for supplemental income on top of any pensions or social security income they are receiving. One way that we try and find this income for clients is to invest in both bonds and dividend paying stocks. But a question we get often is "Wait, what is the difference between bond interest and dividends that a stock pays". Well, here you go.

Interest is what you earn on your money by lending it to a company through a corporate bond or to a bank when you buy a CD. It's income that's promised to you by contract, which assures that as long as you park your money for "term", you'll be paid a percentage. As long as you stick with highly rated or "investment grade" corporate bonds, default is generally not something to worry on. High-yield or "junk" can get a little more dicey. Those JCPenney bonds paying 8% look enticing, but tread lightly.

Dividends, on the other hand, are a share of profits that you get as a part owner of a company when you purchase its stock. They are your portion of the company's earnings, as long as the company is making money. You have no contract, you're not guaranteed anything as a shareholder, and there is no expectation that the amount will stay steady or even continue being paid. Here are some "real life" examples…

Let's say Microsoft decides it needs some new funds to build a new office building. It may decide to borrow the money from bond holders by issuing a bond. In order to get investors to buy the bond, they offer an annual interest amount. Let say for example, it is one of their past bonds which is currently paying 2.75% and matures in 2025. This means that if you, the investor, decide to buy $50,000 worth of this bond you will be paid approximately $1375 or $115 per month, wait until that bond matures in 2025, and then get your original $50,000 back (as long as Microsoft stays in business!).

They also offer public stock as we all know (MSFT is the symbol) which has a dividend attached to it which is currently paying about 1.05% annually. Some companies do not offer any dividend by the way. So, if you buy $50,000 worth of MSFT stock you will be getting paid an annual dividend amount of about $525 or $43 per month. You also are taking on more risk but hoping that along with that dividend the stock goes up too. MSFT is up about 33% so far in 2020, so tack that on top of the 1% it pays in that dividend and well, that's a good year. Of course, one is taking significant more risk by owning stock compared to owning a bond.

Current Annual Dividend % on Some Well Known Stocks

Stock	Dividend %
Starbucks	2.03%
Target	1.68%
Apple	0.70%
Costco	0.78%
Amazon	0.00%

One exciting caveat to the bond market these days is Green Bonds. Now, we can buy corporate bonds that are specifically earmarked to raise money for climate and environmental projects. So perhaps when you bought that MSFT bond, it would be good to know if it was being used for their new solar panels, etc.—a win-win for investors and the planet. One example of a green bond fund we use currently is the Calvert Green Bond Fund (CGBIX). In 2020, it is up 5.50% and also has a yield of about 2.20%. We will continue to see new Green Bond mutual funds and ETFs pop up over the next few years, which will give investors much more choice for this new asset class.

"Fight for the things that you care about, but do it in a way that will lead others to join you."

— Ruth Bader Ginsburg

Shareholder Activism

Sustainvest Update

As Sustainvest is committed to all 3 "pillars" of sustainable investing, we will now have to up our ante when it comes to shareholder advocacy.

By a 3-2 vote, The Securities and Exchange Commission or SEC raised the limit on the amount of stock investors must hold in order to propose a resolution that receives a shareholder vote during a company's annual proxy period. The rule, which previously required investors to hold at least $2,000 in stock for one year, now requires $25,000 in stock ownership for one year before proposing a shareholder resolution or $15,000 for two years. On the bright side, with many of the stock that we or Sustainvest clients own as long term investors, those who have held onto at least $2,000 of a stock for at least three years will be permitted to file proposals.

If you aren't familiar, as active owners of publicly traded companies, we have the right to raise our voice if we are shareholders. Through a proposal we filed this year, we are still awaiting a response from Enphase Energy on whether they will adopt a sustainability report. They have not yet. Other examples which have led to companies acting include Starbucks committing to cut landfill waste and Chevron pledged more transparency about its lobbying on climate change after shareholders pushed the companies on these issues with proxy voting proposals. We shall see how this new ruling plays out in 2021 as the number of resolutions proposed will most definitely slim down. Below are changes in the rule:

14a-8 Proposed Rule Changes

Current	VS	Proposed
• $2,000 worth of stock held for at least one year in order to file a resolution		• $25,000 worth of stock held for at least one year, $15,000 in stock held for at least two years, or $2,000 worth of stock held for at least 3 years in order to file a resolution
• Shareholders may aggregate shares to meet filing thresholds		• Shareholders may not aggregate shares to meet filing thresholds
• Proposals must receive 3% of investor support for the first year, 6% for the second year, and 10% for the third year in order to re-file		• Proposals must receive 5% of investor support for the first year, 15% for the second year, and 25% for the third year in order to re-file
		• Proposals cannot be re-filed if they drop 10% in investor support between two years

cont. from ECONOMY from page 1

Perhaps there is some hope for future generations?

Lately, I do hear clients mention the disconnect between these venture backed tech companies and what is happening with local businesses going through such rough times. I agree. Whether employees are rehired OR the business owners simply shift to a new career remains to be seen. On the flip side though, as much as I do hate saying this, remember that when some businesses may be having a rough go, oddly enough some businesses and their employees are thriving. Companies that were either already part of the remote living world like Peloton, PayPal, Apple, Adobe, Docusign, etc. have seen their businesses explode in growth. They were already engrained in this new economy, but it just so happens that their growth projectile went from a 10 year horizon to 6 months. This is most likely baked into the stock values. What this means to restaurant and hotel employees, I am not sure, but I think it does show us that change and adaptation can and will happen, even if we are not in favor of it.

It would have been understandable for this covid initiated market volatility to disrupt sustainable investing's growth trajectory, but based upon trends with assets continuing to come into SRI, it is promising. Companies that value and retain their employees and protect their brand reputations during this recession may also have competitive advantages in an eventual economic recovery. The Chipotle Mexican Grill versus McDonald's comparison couldn't be any more clear in terms of a high ESG ranking firm versus one struggling to be reputable. One is up 49% this year. Another up just 11%.

Heading into the last quarter of 2020, I am cautiously optimistic. For one, we must assume that the country's leadership is in better hands. I won't get political though.

But secondly, as we slowly inch closer to a vaccine being established consumers and businesses alike should become more and more hopeful that something closer to "normal" nears, whether in the spring or summer of 2021. If there are major hiccups along the way, we will again see dips but must keep a long term, bird's eye viewpoint and be sure your asset allocation matches your unique life. Being 100% in stocks for someone who is retired most likely doesn't fit their risk profile or timeline. We all shall celebrate when this historic event passes. Until then, carry on as you can.

Greeny of the Quarter

Tech Companies to the Climate Rescue?

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

If printed, please use recycled/reused paper!

SUSTAINVEST
ASSET MANAGEMENT, LLC

215 Western Avenue, Suite B
Petaluma CA 94952
@Sustainvest1

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1% FOR THE PLANET MEMBER