



YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

ECONOMY

INSIDE

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That’s a wrap. I hope you are all healthy and being as safe as possible these days. From record highs, to brink of pandemic depression, to record highs again, 2020 has passed and so now we look forward to a new year. Before we jump into where we may want to go from here, let’s first look at how various asset classes performed. For the 4th quarter of 2020, the S&P500 (SPY) was up 10.93%, the sustainable index (DSI) was up 11.1% and the tech heavy NASDAQ (QQQ) was up 11.16%. Full year numbers for various indexes, including TAN and FAN can be seen on page 3.

With that out of the way, we can see that the market had an unbelievably strong year considering we are in the midst of a once in a century pandemic. This 15% up market is following a 2019 where the S&P500 was up

31%. Most Sustainvesters hung in there for 2020, stuck to the game plan, and it has paid off.

Remember, stock prices are driven really by expectations about what the future holds, not necessarily current economic conditions. This couldn’t be any more clear than witnessing what has happened in 2020. I may have mentioned over zoom and telephone calls that stock prices of companies like Paypal and Docusign have moved so quickly because their revenue stream and customers jumped exponentially this year, from what really should have happened over the next 5 to 10 years. And yes, there is a disconnect between Main Street and Wall Street and don’t forget Sand Hill Street in Silicon Valley. As unemployment for restaurant and hotel workers grows, tech company employees net

*continued page 3...*

COMPANIES COMMITTED

Most likely this holiday season, you may have been gifted the classic pair of socks or new undies. There is a strong chance that Hanesbrands (HBI), had something to do with this.

Based out of Winston Salem, North Carolina, HBI is a clothing company marketing brands such as Hanes, Champion, and Maidenform. Dig deeper and we learn this underwear company is doing much more than just selling tighty whities. The company has earned its 10th consecutive U.S. Environmental Protection Agency Energy Star Sustained Excellence/Partner of the Year award for its work in energy conservation, carbon emissions reduction and environmental sustainability. With an MSCI rating of AA for ESG, their commitment to be an international leader in energy management and eco-friendly business operations shows. Renewable energy sources accounted for 40% of the company’s energy use and they have committed to use 100% renewable electricity in company-owned operations and bring landfill waste to zero by 2030.

They have donated over 1 million face masks to nonprofit organizations supporting those experiencing homelessness across the country.



The \$5 Billion market cap company could be an interesting value play as its stock was flat for 2020 while paying a 4+% annual dividend. With the pandemic moving us to live a more digital life, one thing that most likely won’t change is the fact that most of us will continue to wear socks and underwear and this should benefit Hanes.

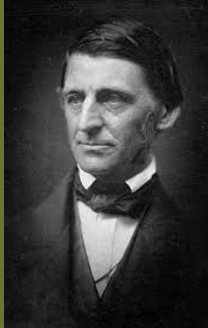
*Note: Sustainvest does not have a position in the company*



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

## EDUCATION

### What is Bitcoin and What are Ways to Invest?



“A great man is  
always willing to  
be little.”  
— Ralph Waldo  
Emerson

Been asked if you would like to pay for that new car or house in bitcoin? If not, you may one day. Lately there has been loads of news on the topic of Cryptocurrency and Bitcoin. Makes sense, as the price of Bitcoin has surged more than 200% this year, much in line with some of these digital tech stocks. In December, Bitcoin surged 50 percent, breaching \$20,000 for the first time and now by the end of 2020, sits above \$30,000.

If you aren't aware, Bitcoin is a digital currency created in January 2009 following the housing market crash. In simple terms, it is a currency given to you via a “secret” code. It's a lot like those Target gift cards that have a 16 digit code on the back. Don't lose this code or else you lose the money on the card. The identity of who created the technology is still a mystery. Bitcoin offers the promise of lower transaction fees than traditional online payments and is operated by a decentralized authority. The price of 1 coin actually lately runs over \$25,000, so for most investors, this is out of reach. There are dozens of other cryptocurrencies out in circulation including Litecoin, Namecoin, Ripple, etc. each trying to find a place in this new form of currency.

Not so long ago, around 2013, one common way to buy Bitcoin was to head to a public space in a major city and meet someone. Not kidding. Buyers bring cash and sellers brought their phones to punch in codes that would transfer the digital money. This has changed, of course, and now most owners are given a long code (make sure you don't lose it!) and all of this takes place on something called a Blockchain. Bitcoin trades on liquid exchanges 24 hours a day, seven days a week—some exchanges are even regulated now. Smartphone apps give users one-touch access.

One issue currently is that investors simply just can't buy a mutual fund or ETF (exchange traded fund) that follows a coin. As a result, the way that most Americans buy and sell Bitcoin today is on apps like Coinbase and Square's Cash App. The largest app focused on crypto is Coinbase, which just filed to go public. Coinbase offers dozens of cryptocurrencies. It charges a 0.5% spread on transactions, as well as fees starting at 1.5% depending on what source customers use to buy in.

There are a few funds that slightly track the movements of the coin. Riot Blockchain, Inc. (RIOT) focuses on building, supporting, and operating Blockchain technologies ecosystem. It is involved in digital currency mining operation, which utilizes specialized computers that generate digital currency primarily bitcoin. This stock was up over 1400% in 2020.

Another option is the Grayscale Bitcoin Trust (GBTC), a publicly traded statutory trust in OTC markets with substantial holdings of the cryptocurrency. This trust is the primary way investors can put their money to work in bitcoin without having to buy the digital currency themselves, but has extremely high fees or “premiums” to purchase. The trust provides indirect exposure to Bitcoin, About 18.6 million Bitcoin have been mined so far, and GBTC holds roughly 3.1% of the asset. The fund was up about 290% in 2020.

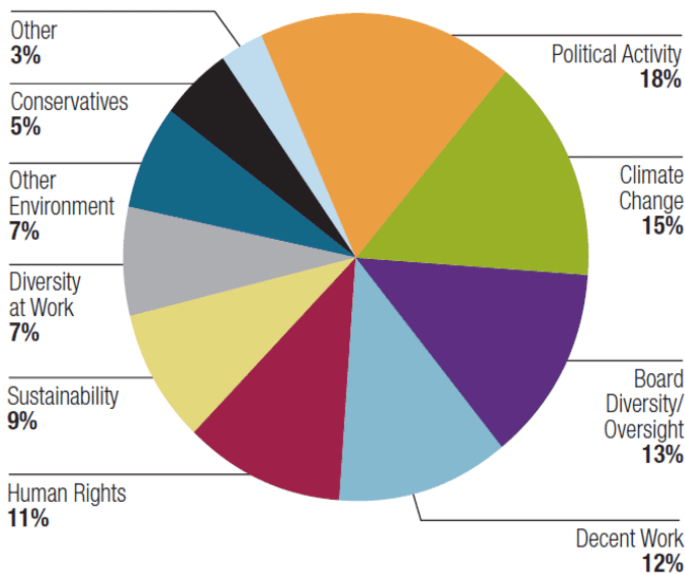
If the popularity and usage of bitcoins grows (Elon Musk even asked if he could convert some of Tesla's balance sheet to the coin!), then one would think that average investors can own the coin in a low-cost, low minimum fund. We will keep our ears and eyes open for any new ETF that tracks crypto in 2021.

## SHAREHOLDER ACTIVISM

### Activism Topics

As the year closes, below is a chart on the various shareholder proposal topics addressed. Climate change is once again the dominant environmental topic in 2020. The topic of climate change makes up the vast majority of resolutions filed on environmental issues. In all, there are 93 proposals about the environment out of the 430+ resolutions filed.

### Environmental, Social & Sustainability Topics in the 2020 Proxy Season



|                      | Symbol | 2020 % |
|----------------------|--------|--------|
| S&P 500              | SPY    | 15.09  |
| KLD 400 SOCIAL INDEX | DSI    | 18.01  |
| DJI 30               | DIA    | 5.95   |
| NASDAQ 100           | QQQ    | 45.14  |
| GOLD                 | GLD    | 23.90  |
| BONDS (US CORP. AGG) | AGG    | 4.89   |
| INTL. ESG STOCKS     | ESGD   | 5.34   |
| INTL. EMERGING MKT   | ESGE   | 14.89  |
| US CRUDE OIL         | OIL    | -25.84 |
| CLEAN ENERGY INDEX   | PBW    | 196.67 |
| SOLAR ENERGY CO      | TAN    | 221.73 |
| WIND ENERGY CO       | FAN    | 59.04  |

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worth climbs and climbs. Have you seen home prices in the bay area!? This continued talk about the disconnect is really just a story of where our economy has moved over the last 20 to 30 years. If we all want our iPhones and robotic vacuums and self-driving cars, this will continue. The tech companies are in control and I don't see how this will change?

In the short term, we will head back to traveling and staying at Marriott's and AirBnb's. But, in the long term, the virus has shown us a glimpse into the Star Wars-Mandalorian like future. Here is an example. In 2020, Paypal, who owns the popular paying app Venmo, was up approximately 120%, Visa was up about 11% and Bank of America was down 15%. Hmm, a changing of the guard? Oil was down over 25% while Tesla was up over 700%. The shift to a robotic world is underway and will hit most sectors of the economy as we move forward with the possibility of black swan calamities like Covid and climate change pushing the process along even more quickly.

So where do we go from here. Could a new Roaring 20s be back with a more sustainable twist? With the Fed being very dovish and continuing to pump liquidity into the economy (interest rates still at all time lows), how can the party slow down? No one knows. It really falls down to how you, as investors, feel about risk on/risk off. Luckily, most Sustainvesters are in the market as much as they should be, whether its just 20% or 100% of their portfolio and because of this, we are able to take advantage of equity gains. Some clients enjoy the Tesla stock ride, while others enjoy the more relaxing coffee like Starbucks sipping. Neither investor is right or wrong. At the same time, fixed income investors have been able to sit tight and enjoy solid 5%+ bond returns in 2020, as we do a sort of balancing act between the 2 asset classes.

Having social media and televisions going all day with stay-at-home orders, it's easy to get wrapped up in the next new cool leveraged fund that invests in everything from robotic healthcare to fintech to sports teams (If you get the chance to read the Sustainvest quarterly newsletter, I have a little information on both Bitcoin and new to the market SPACs). These firms are pushing heavy advertising to showcase their 75%+ YTD performance. I wonder if they will do the same advertising when they see a negative 20% year? I doubt it. Remember, in order to get that 75% return, one has to take risk to do so. Have we all seen what PBW (the alternative energy fund) has done this year (up over 200%). CNBC or Bloomberg news sure doesn't talk about this one too much.

Perhaps we have time to right this ship for future generations?

## GREENY OF THE QUARTER

### What the SPAC is this?

#### *SPACs and Sustainable Investing*

Well, besides ESG, another new acronym has found its way into the investment world. Also known as blank check companies, a SPAC, or special purpose acquisition company is a company with no commercial operations that is formed strictly to raise capital through an initial public offering (IPO) for the purpose of acquiring an existing company. SPACs have been around for decades. In recent years, they've become more popular, attracting big-name investors and raising a record amount of IPO money. In 2020, more than 200 SPACs have gone public raising over \$75 billion. That is more than in the previous 10 years combined.

So how do they work? SPACs first go out and raise capital, having these funds sit in a bank account until a business is spotted that the investors are interested in. Once the company is found, the owners of the SPAC convert the shares into this new company. Electric and fuel-cell startup Nikola (ticker: NKLA), online sports-betting site DraftKings (DKNG), and spaceflight company Virgin Galactic Holdings (SPCE) all went public by merging with SPACs, instead of going the traditional IPO route. Now, there seems to be a large interest in companies involved in the new sustainable world going the SPAC route.

Four examples in the sustainable transport world include:

- QuantumScape (QS), a Silicon Valley-based developer of battery technology to extend the range of electric vehicles, recently went public via SPAC.
- Fisker (FSR), the Los Angeles-based maker of high-end sporty electric vehicles, completed a SPAC merger a month ago. It. This company was bankrupt 5 years ago, so we shall see if a comeback is near.
- Lordstown Motors, (RIDE), a maker of light-duty trucks for the electric fleet market, completed its merger on Oct. 26. No more gas guzzling pick ups spitting out black smoke?
- Velodyne LiDAR, (VLDR) the San Jose-based maker of LiDAR sensors for autonomous vehicles, went public in November and recently had a market cap around \$2.7 billion.



It looks like a step in the right direction for these once underfunded companies to be able to quickly jolt into a heavier production phase, but of course, there is quite a bit of risk being taken into these SPACs as one is really investing in a start up that was able to be gobbled up by the SPAC. Time will tell...

If you are interested in learning more about our services, please contact us at [info@sustainvest.com](mailto:info@sustainvest.com) or call us at 707-766-9480

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[WWW.SUSTAINVEST.COM](http://WWW.SUSTAINVEST.COM)

707-766-9480

[INFO@SUSTAINVEST.COM](mailto:INFO@SUSTAINVEST.COM)



**SUSTAINVEST**  
ASSET MANAGEMENT, LLC

215 WESTERN AVENUE, SUITE B  
PETALUMA CA 94952  
@SUSTAINVEST1