SUSTAINVEST
ASSET MANAGEMENT, LLC

1st Quarter
2021

Your Investments. Your Planet. Your Choice.

Inside

Economy

Welcome spring. I'm sure we all share the same aspiration when it comes to being able to get back to a more normal life as this year progresses. The light at the end of the COVID tunnel is shining, despite the economy remaining far from fully recovered. With welcoming news on vaccines, a conclusion to the Presidential election, and the recent fiscal stimulus, one would think that markets will behave. But that remains to be seen. Speaking of markets, after last year's return of 17.5% in the S&P500, for the first quarter of 2021, the S&P500 was up 6%. We are starting to see some selling in tech companies that saw 30%+ returns in 2020 as the NASDAQ's returned just 2.8% in this first quarter. Sustainable investing continues its stride. The DSI (sustainable stock index) was up 6.74% beating the general market by ¾ of 1% so far in 2021. And that's with rising oil prices! Though, clean energy ETF (PBW) did get a little dose of medicine after its 200% up year in 2020 and was down 4.84% for this first quarter. We did some selling of this fund due to the recent over performance for many, but thinking long term, us sustainable folk realize that we are just in the first inning of this global transition to clean energy. The Gender Diversity Index ETF (SHE) which tracks U.S. companies that are leaders in advancing women through gender diversity on their boards of directors and in management was up 5.89% in Q1 performing in line with the markets.

As I was baking the fourth or fifth cake of 2021 with the kids during these domestic days, I couldn't help but feel like investing is a lot like baking a cake. You have the main

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Companies Committed

Leave it to the Swedes to do all things sustainably, including fashionable clothing. Founded in 1947, H & M or Hennes & Mauritz (HNNMY) operates in 74 countries with over 5,000 stores under the various company brands, with 126,000 full-time employees. It is the second-largest global clothing retailer, behind the parent company of Zara clothing.

Sustainable dyes are the latest focus for H&M aiming to promote the use of sustainable materials, technology and production processes across the garment industry. Their new dyed inititative uses techniques such as biotechnology and plant-based pigments to make their clothing colors . Meeting all key industry standards, the solution eliminates the use of harsh chemistry and drastically reduces water consumption. Sustainable dye is the latest in a series of new sustainable initiatives recently launched by H&M. The company highlighted some key developments from 2020 in a recent Sustainability Performance Report, including 64.5 percent of materials are now from recycled or more sustainable sources, and the company reached its goal that 100 percent of cotton it uses it is organic, recycled or sourced in a more sustainable way. According to ESG scoring firm, Ethos, H&M ranks 2nd out of 46 amongst industry peers, behind Inditex (Zara) and ahead of Gap, L Brands, Ross Stores and 41 others.

Though the firm has run into labor issues throughout the years, it does seem like they are attempting to make strides to become a leader in their industry.

Note: Sustainvest does not have a position in the company

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Education

Non-Profits and ESG

As individuals shift their money towards more sustainable investing, Sustainvest continues to run into more and more non-profit entities that want to do the same. Makes sense. Out of the 1.5 million non-profits in the states, we wonder how many are aligning their mission statement with their investment account? From grant writing and event planning, to fundraising and marketing, organizations are doing everything they can to champion their own cause. But what about aligning dollars with missions?

What if if a human rights non-profit is invested in a mining company with child labor issues....or a health-care organization and hospital that is invested in tobacco stocks and/or bonds? Some medical organizations are choosing to create policies that strictly avoid alcohol and tobacco-based investments due to their detrimental health consequences. The list goes on and on.

"The greatest threat to our planet is the belief that someone else will save it."

— Robert Swan

Many universities have embraced the movement of ESG and fossil fuel divestment. San Francisco State University and the SF State University Foundation, which oversees the university's $51.2 million endowment, voted to make no new investments that would involve "direct ownership of companies with significant exposure to production or use of coal and tar sands." The foundation also voted to look into future divestment from all fossil-fuel companies. New York City announced it will divest US$5 billion from fossil fuels interests over the next 5 years. In addition, the city is filing lawsuits against BP, Exxon Mobil, Chevron, Conoco Phillips, and Shell for costs the city faces in relation to climate change. Though most non-profits may not be the size of New York City's pension, that doesn't mean they cannot make the same shift away from poor ESG performers.

Another side to this shift is also coming from the donors who support 501c3's. Before they donate funds towards an endowment or foundation, donors want to be sure their donated monies are being investing sustainably into ESG screened portfolios. As more and more donors become well-versed in sustainable investing, they may become more interested in knowing where their donations are being invested. Having an investment policy statement that integrates sustainability criteria may help educate donors who are on the fence about making a contribution. Public perception of how organizations are investing also is coming into play. Social media sources are quick to shed light on a public entities investment in poorly ranked coal mining or oil companies. Investing in these companies may tarnish an organization's public image and limit the ability to raise funds. For instance, news comes out that a top school has directly invested in a company that manufacturers assault weapons. This reflects poorly on the school. Incorporating ESG considerations into your investment process may guard against reputational and investment related risks.

Whether someone works for a non-profit, sits on the board of one, or makes donations to one, it may be a good time to ask the question "Is our money being investing in line with the mission of the organization?" If your nonprofit board has yet to factor ESG principles into the fabric of your organization, it's time to put it onto your agenda and start having discussions about it. Embracing ESG is more than a matter of ethics and morals. Investors and donors are sure to take notice of your efforts to promote ESG principles because they consider it to be part of good business practices that lead to profitability.

One day a large donor may question holdings in a non-profit they want to donate to and it could be a deal breaker if they haven't crossed of that ESG question.

Greeny of the Quarter

A New Asset Class to Consider

Calvert Impact Capital

For some Sustainvesters, stepping outside of the traditional public investing world happens. We often get the question, can we invest some of our funds into more direct or impactful projects or funds and also get a small return. The answer, of course, is yes. Though there are a plethora of various impact vehicle to hit the market as of late, one of the entities that we use for clients to direct some of their portfolio towards is the Calvert Impact Note. Started back in 1995, the Community Investment Note (now called Calvert Impact Note) has stood the test of time when it comes to diversifying and allocating towards more impactful projects.

So how do they work? First, they raise money from individual and institutional investors like clients of Sustainvest to finance intermediaries and funds that are investing in communities left out of traditional capital markets. Their portfolio consists of intermediaries and funds that finance social enterprises, nonprofits, and mission-driven organizations. Think of it as another asset class besides corproate bonds or REITs. During their 25-year history, they have mobilized over $2 billion of investor capital. Below is a chart of what percentage their funds are investing in.

- 18.1% Affordable Housing
- 15.2% Community Development
- 1.0% Education
- 19.1% Environmental Sustainability
- 5.6% Health
- 16.6% Microfinance
- 4.6% Renewable Energy
- 19.1% Small Business
- 0.7% Sustainable Agriculture

At Sustainvest, we look at Calvert Notes as an extension of our client's fixed income portfolio. If for example a client has a 25% allocation in fixed bonds, well we may have 1 to 3% of a client invested in impact notes. For a $1million client, this means they may hold up to $30,000 in various Impact Notes. These notes can be purchased through our custodian, Charles Schwab and Co., making the process that much more simple.

To learn more click on the following link:

https://www.calvertimpactcapital.org/

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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