SUSTAINVEST
ASSET MANAGEMENT, LLC

1st Quarter 2021

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

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

continued page 3...

INSIDE

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

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

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 filed 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. 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 and could lead to a drop in enrollment simply due to owning a small position in Smith and Wesson, etc. 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 and risk management.

One day a large donor may ask the question "why do you own Smith and Wesson if you promote non-violence?" and it could lead to those funds going elsewhere.

Shareholder Activism

Climate Change Mentions Surge in Company Reports

Shareholder meeting season is upon us and along with this comes those boring annual shareholder reports. But maybe not so boring anymore. The big companies are coming to the realization that climate change is now a concern as their disclosures about climate risk surged last year. In fact, within the S&P 500 almost 220 companies now mention climate issues and risks involved in their most recent shareholder report. This is quadruple the amount from 2019 where only 60 companies mention climate risk factors.

As the rise of interest in sustainable and responsible investing grows exponentially, companies now appear to be showing interest in being sure to meet investor pressure and requests for transparency. Alaska Airlines mentioned greenhouse gas emissions one time in its 2009 filing. In 2021, it mentions the term four times. Though this may seem futile overall, it is a step in the right direction and if every company does the same, it should lead to more transparency into what these large companies are doing to confront the issue.

Companies are also watching their large shareholders. Larry Fink, CEO of the largest asset manager in the world, BlackRock Inc., recently urged companies to disclose how they're transitioning toward a net-zero economy by 2050. If a $8.7 trillion money manager starts asking about climate risks to its investments, companies will definitely start listening. Onward!

Annualized Return from 1990 - 2020

MSCI KLD 400 Social Index

11.7%

S&P 500 Index

11.2%

*The MSCI KLD 400 Index of companies that meet best-in-class environmental, social and governance (ESG) criteria.

cont. from ECONOMY from page 1

bread or cake part which acts as the dividend paying stock or bond fund holding it all together. You then top it off with the frosting which ups the risk factor into themes like medical devices or regional banks. And then you top that off, as my two daughters like to do, with rainbow sprinkles. This may be the sweetest part of a cake but with that sugar goodness comes more risk, acting like Tesla or a small renewable energy stock with much risk involved. I guess the point being, as an advisor, I am constantly attempting to find the right mix of these various risk on/risk off ingredients for client sweet tooths (and lifestyle, risk profile). If it were up to my 7-year-old, the cake would end up just being a bowl of purple sprinkles…sweet yes, but not the most diversified way to eat a cake.

Perspective and Discipline

I feel like these two words, perspective and discipline, enter my mind at least 5 times a day when it comes to managing portfolios. In times like these, one has to not get sucked into the hour-by-hour news and keep a perspective that the media does not. Investing (not day trading) is about making sure hard-earned money is invested in line with the individual client. Anyone can say that Tesla will be $3,000 a share in 2025 (Cathie Wood, new manager of the well-publicized ARK funds thinks so) but their job is not to keep your portfolio properly balanced for your lifestyle. Their job is to bring high returns relative to the market in a specific fund and risk is an afterthought. Holding 10% in Tesla and 7% in GBTC (bitcoin) in one fund is not a way to manage risk per Ark's new next generation fund. Sure, we can do that and for some client accounts, speculative investing is what has been asked for, but be ready to hold on for the ride. I could say I think Starbucks is a $300 stock (it is at $100 now) for a few reasons, but my job is to keep portfolios balanced as I have a fiduciary and moral duty to do so.

And now, how about discipline. Just one year ago, in February and March of 2020, stocks fell 33% in about 5 weeks. If we stayed home and did some baking and spring gardening, by mid-August of 2020 the index recovered the entirety of its earlier losses to finish the year at an all-time high with a total return (including dividends) of 18.4% for the year. Even as an advisor, the wild swing was difficult to witness, but I remained disciplined to be sure there wasn't any panic selling and also made sure that the allocation of different asset classes remained balanced. One thing we can control is how we react to events, not so much the events themselves. I do have a feeling there will be another wildfire and pandemic or flood headed our way in the future, but we really can't control that. We can control how much you are weighted in short term bonds or cleantech or medical devices, etc. I look forward to possibly seeing some of you in actual person by the end of this year. Stay safe.

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 vehicles to hit the market as of late, one of the impact notes we use 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.

Calvert Impact Capital™

So how do they work? First, they raise money from individual and institutional investors like clients of Sustainvest to finance projects 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 corporate bonds or REITs. During their 25-year history, they have mobilized over $2 billion of investor capital.

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 their bond or fixed income weighting, 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. Some clients want more, some less. These notes can be purchased through our custodian, Charles Schwab and Co., making the process that much more simple and streamlined.

Below is a chart of what issues are being tackled by percentage of the fund.

- 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

To learn more feel free to contact us or you can 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**

SUSTAINVEST
ASSET MANAGEMENT, LLC
215 Western Avenue, Suite B
Petaluma CA 94952
@Sustainvest1

If printed, please use recycled/reused paper!