SUSTAINVEST
Asset Management, LLC

3rd Quarter 2021

Your Investments. Your Planet. Your Choice.

Inside

Economy

"Autumn embraces change, even as she is falling to pieces" said perfectly by author Angie Weiland Crosby. So too, the markets seem to be in tune with the season's change. As we continue to embrace this upward draft of 2021, with autumn comes some downward pressure. In September, the market was down 4.8%, but for the year the S&P500 is still up over 14%. If we go back 5 years, the market is up about 98% averaging 19.5% annual return, clearly staying ahead of the historical annual average. We now enter the home stretch of the year.
As an advisor, what keeps me up a little, besides our 5 year old who has made the habit of walking into our bedroom around midnight every night, are some macro issues noted below. For this 3rd quarter we saw the Dow Jones 30 down 1.91%, the NASDAQ down 0.38%, and the S&P 500 up 0.25%. We've had such a big run-up in the market that to have a 5 or 6 or 7% pullback after the market basically doubled in 15 months, I think this is somewhat warranted.

It has been a good long ride, but eventually, the low interest gravy train has to pull over and take a break. For those who are retired operating on a fixed budget that are not looking to borrow, this is good news. As I buy bonds or bond funds for clients, higher yields help with income. Getting 3% instead of 1% can make a difference. For those who are thinking about borrowing moneyto buy a house, this isn't the news they want to hear. Rates have stayed historically low for about 12 years now since the greedy bank's financial crisis. Though the Fed may keep rates low for the next year, we should all be sure to refinance any debt to take advantage

continued page 3...

Companies Committed

There's a new gas station company in town. Well, not a gas station, but actually an electric charging station. Welcome Chargepoint. ChargePoint (CHPT) operates the largest online network of independently owned EV charging stations operating in 14 countries. It holds over a 70% market share in the level 2 chargers (Level 2 are the 240 volt charges that are quicker then using your traditional electrical outlet) and has over 5,000 corporate customers globally including both of the Disney theme parks (yay Mickey!).

Getting a head start way back in 2007, Chargepoint was one of the first companies to start tackling the issue of getting charging stations at as many spots as possible. Based out of Campbell, CA, the company is debt-free and with a negative 55% return so far in 2021 could be an interesting and timely investment.

President Joe Biden's administration is aggressively pushing for 40% to 50% of all new cars to be outfitted as EVs by 2030. If this comes even close to fruition, this could be a major source of revenue for companies like Tesla, Ford, Volkswagon and all others who are manufacturing cars and those who sell the technology and stations to keep these cars jolted. In 2020, there were about 290 million registered cars in the US in 2020. If half of these vehicles manufactured have to be electric by 2030, charging stations will be needed no doubt.

With new vehicles like the F150 Lightning and the Mustang Mach-E entering the market, investing in those that may benefit from this new charged world may be a solid angle and at the same time, help us transition away from the gas guzzlers and oil burners on the road.

Note: Sustainvest does not have a position in the company

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Education

What is this Metaverse Everyone is Talking About?

As we all just sat in our living rooms zoom chatting away these past few years due to a global pandemic, the virtual world became the real world. This may just be the beginning. Enter the Metaverse. Don't worry. If you haven't heard this word yet, there are plenty of reasons why not. For one, it doesn't actually exist quite yet. It's still sort of in a dream phase at this point, but many companies mentioned below are preparing themselves for it. So what exactly is this Matrix sounding thing.

The metaverse is basically a world in which you enter into a 3rd dimension. The true meaning is a virtual environment where users can interact with each other. People can play games together, work together, socialize, and in a sense puts you inside the internet as opposed to just clicking around on it. Strange, right? Well, it could become more normal than we think.

"Sustainability is here to stay or we may not be."

— Niall Fitzgerald

Picture this. You are leaving the office. You forgot that you needed to order dinner. You look to your right and there is a full size 3d machine of different food choices. You touch one of them and then 20 minutes later the food is at your door. Or imagine hanging out with your friends at a local club dancing, but you aren't actually there, just a realistic looking version of you. Or you and family walk around the Louvre in Paris together, without the 2 hour wait to get in. Kind of endless possibilities are out there.

One of the most diversified ways to invest in this new technology is through the Roundhill Ball Metaverse ETF (META). This exchange traded fund invests in globally listed stocks that engage in the products or services that help enable the Metaverse. The fund just launched in June 2021, hold $100 million in assets and invests in about 40 companies. The top holdings include Nvidia, Roblox, Microsoft and Facebook.

With what could become the successor to the internet, one would hope this new technology has sustainability on its agenda as well. Though the physical world where humans interact in person will never be overtaken, this could be a tremendous way to cut carbon emissions. Think about all those conferences where international travel is needed. Why not attend that expo in Los Angeles via the Metaverse and interact with others all while not having to be fly and be stuck in California traffic.

Though this concept may be years or decades away from full implementation, we may be getting a glimpse of the dawn of a new internet frontier. "Beam me up, Scotty".

Shareholder Activism

Shareholder Proposal News

For 2021, the number of shareholder proposals submitted increased 11% from 2020 to 802. Just a reminder, a shareholder proposal is a way to voice your concerns about an issue that a company may not be addressing very well. You do have to own stock of the company with the following rules:

- Own for 1 year, must have $25,000 in the stock
- Own for 2 years+, must have $15,000 in the stock
- Own for 3 years+, must have $2,000 in the stock

The five most popular proposal topics representing about 50% of all submissions were:

1. Anti-discrimination and diversity
2. Climate Change
3. Written Consent
4. Independent Board Chair
5. Special Meetings

Some proposals make it to the proxy statement to be voted on while others are withdrawn. Over 29% of submissions were withdrawn. This generally happens when a company speaks directly with the proposal advocate and they come to an agreement about what steps the company will take to fulfill the request. We do hope to submit one shareholder proposal with Alphabet (GOOGL) this year.

If you or any non-profit you work with is interested in learning how to submit a proposal to further align your values with the stocks you own, don't hesitate to reach out to us. We have been doing it for over 15 years, so have a good idea how to help you create a proposal and also get it through to make it onto the proxy statement and at the same time let your donors and stakeholders know all the good stuff you are up to.

The Wolf in Sheep's Clothing

Banks with the most fossil fuel financing in 2020

1. **JP Morgan Chase** (Morgan Stanley is grandson)

$51.3 billion lent to big oil

2. **Citigroup or Citi** (bailed out by govt. during 2008 when shares traded at $1)

$48.4 billion lent to big oil

3. **Bank of America** (paid pennies on the dollar for a a bankrupt Merrill Lynch in 2008)

$42.1 billion lent to big oil

cont. from ECONOMY from page 1

of current rates. Wouldn't it be amazing to see money market returns at 2%, bonds paying 5% all while holding fixed debt at 3%. One day, perhaps. Margins and Buying Stuff It doesn't take a rocket science to realize that prices are going up. Shop at the grocery store and you will see it on your receipt. Need to buy a car (or sell one)? it's clear that paying $30,000 for a used pickup with 150,000 miles is becoming common. I won't even mention these inflated bay area home prices. Inflation is showing itself. So why are prices going up? Manufacturers who create the stuff are finding the materials they use much more expensive. Think lumber, steel, chips, floppy disks, etc. If their prices are going up (what's called the Producer Price Index increased 8.3% compared to one year ago), then this will lead to all of us paying more for that loaf of bread or computer. They operate on margins and have to push prices up to keep up with paying their bills. If wages are going up in tandem with this, great, but it looks like wages are staying stagnant. One highlight to this is the news that Social Security checks will be going up about 5 to 6% in 2022. That helps.

What does all of this have to do with portfolios. Well, as prices go up, this could lead to a slowing economy. Let us not forget that we also are attempting to come out of a once in a century global pandemic. Slowing economy means that stock prices of toaster and television makers may come down. And if there is a shortage of computer microchips on top of this, well then companies don't even have the products to sell. But again, this is all just short-term noise and eventually the ship rights itself. Staying committed to asset allocation which matches your specific profile is the name of the game. Hedge funds and private equity firms and even ETFs and mutual funds are not focused on your portfolios, they are focused on beating their peers in order to raise more capital. Investing is a marathon, not a sprint.

We will not be buying any Morgan Stanley or Merrill Lynch or Citibank ESG fund because of the lack of commitment the fund company itself is putting out there. We try our darndest to weed out the "wolf in sheep's clothing" in the industry (chart to the left shows how much they lent to big oil in 2020).

All the short-term news and political banter will pass, and those invested in the future will prevail. Being invested in companies and funds focused on alternative clean energy (PBW), water scarcity (PHO), clean tech (ERTH) is not only the sustainable thing to do, it's also a way to be prepared and invested to create long term value for their stakeholders. At the end of 2020, the group of sustainable funds and ETFs available to U.S. investors numbered 392. This is up 30% from 2019. Choice is good, but we do want to be selective with which funds clients are in.

Greeny of the Quarter

Bonds Gone Blue

Sustainable stocks get all the attention these days. With ESG (environment, social, governance) investing growing so much, the more boring cousin, Bonds, don't get the same attention. This is changing.

Green bonds make up one of the fastest growing segments of fixed income. These bond's proceeds are set aside for social or sustainability projects. Think, instead of a Morgan Stanley's bond funding their new 80 story gold plated business office, a green bond is more like Starbucks raising capital (through a bond offering) that is strictly meant to finance solar panels on all of their roofs. That's a green bond and we are constantly searching for them to purchase on behalf of our clients. Well, green bonds now have a new younger sibling entering the market called Blue Bonds.

A blue bond is a debt instrument issued by governments or companies to raise capital from impact investors to finance marine and ocean-based projects that have positive environmental, economic and climate benefits. Instead of a green bond which is funding land based sustainable projects, a blue bond switches focus to the oceans.

The first blue bond in 2018 issued by the Republic of Seychelles launched the world's first sovereign blue bond raised $15 million from international investors. support for the expansion of marine protected areas, improved governance of priority fisheries and the development of the Seychelles' blue economy. If this small nation of 99,000 people in the Indian Ocean can launch a blue bond, then one must assume that larger countries will follow. In fact, the most recent blue bond issuance was by the Bank of China in November 2020. Hardly known by their sustainability efforts, this bank raised the equivalent of $942 million towards protecting the oceans. This was the first blue bond from a commercial bank and the first from Asia.

Covering 70% of the planet, the ocean helps mitigate climate change by storing large amounts of carbon dioxide and therefore maintaining a healthy ocean is needed in order for all of us to exist. Some 14% of the planet's reefs have vanished since 2009 due primarily to climate change. Wow.

Perhaps blue bonds are where green bonds were 10 years ago. While it is too soon to gauge the market of blue bonds, based upon the growth of SRI, ESG and green bonds, it's fairly clear that blue bonds will soon be in most impact investors portfolios.

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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