SUSTAINVEST
ASSET MANAGEMENT, LLC

1st Quarter 2022

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

INSIDE

ECONOMY

I first want to mention that my heart goes out to Ukraine and their hard stance on keeping democracy alive and well. Watching fathers the same age as myself crying as they have to say goodbye to their children to go fight in this war really hit me hard. It is times like these that we all have to take a deep breath and feel fortunate with what we have in our lives and not worry so much about bond yields, taxes or the fact that a gallon of gas costs $7.00. If one is inclined to make a charitable donation here are a few organizations brought to my attention involved in the Ukraine/Russia struggle:

- **Refugees International**
- **World Central Kitchen**
- **Doctors Without Borders**

In terms of the market, I don't think one could have imagined the plethora of various black swan macro issues we are facing all at once. Oddly enough, when I was a portfolio manager way back in 2008, it seemed like a much tamer time. We were basically only dealing with one big issue which was over-leveraged banks leading to the housing market collapse. The market (S&P 500) that year was down 36.50%. So far in 2022, while facing a 100-year pandemic, historically high inflation and the conflict in Ukraine, the market so far in 2022 is down just 4.91%. Is the market dramatically oversold or are we going to continue facing downward pressure due to all these macro issues? If anyone knew this, well, they would be called a fortune teller. All in all, it feels like each day could bring surprising news that will affect market

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COMPANIES COMMITTED

Ever get a package in the mail and before you get all excited for that new pair of fancy pants, you are fuming because of the loads of plastic packaging? Us too. On a weekly basis, we all probably mutter "why is there so much horrible plastic bubble wrap in here for this small item." Keep in mind, Fed Ex and UPS deliver over 30 million packages each day! Today, the market for all that bubble wrap, foamy peanut things and air bags runs at about an $8 billion. But there are companies out there that are attempting to change this for the better.

Ohio-based Ranpak Holdings Corp (PACK) has quickly become the leader in paper packaging as consumers show no signs of slowing down their e-commerce purchases. Ranpak has been around since the 1970s. It came public via a SPAC in late 2018. The company uses paper that gets recycled six to eight times. Even after this life cycle, paper is biodegradable (and sometimes compostable) as opposed to plastic wrap which can take thousands of years to break down.

All this being said, PACK is down over 50% just in 2022 with negative earnings being reported. It may be a tough stock to buy at the moment, but thinking more long term, sustainable packaging should be a growing market industry for many decades to come.

As we all continue to lean on ordering online and the U.S. parcel market heads to 134 million packages being delivered each day by 2026, we must support companies like Ranpak and stay away from companies still using styrofoam packing peanuts.

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 an Inherited IRA and Why Are They Everywhere

There is a big shift happening when it comes to retirement savings. Here at Sustainvest, we see, what seems now on a weekly basis, transitions of wealth when it comes to IRAs and their beneficiaries. We also see the confusion that pops up with inheritors as they scratch their head when they find out they may need to open up something called an Inherited IRA (sometimes called a Beneficiary IRA). So let's get an understanding as to what these investment vehicles are first.

Inherited IRAs (investment retirement accounts) are accounts a person sets up with the funds bequeathed to them after an IRA owner dies. Basically, they're the same tax-deferred vehicles as regular IRAs with caveats. Rules vary significantly for spousal and non-spousal beneficiaries of inherited IRA and inherited Roth IRAs along with differences when it comes to something called RMD's or required minimum distributions that the IRS requires one takes each year. Yes, a beneficiary can just cash out IRA funds and plop them into a bank account, but once they do this they can get hit with hefty income taxes on those funds and they lose the advantages of having an investment that continues to defer taxes inside that shell of an IRA.

Now that it is sitting inside an Inherited IRA, what has to be done? Well, the IRS is still waiting with their hand open to get their piece. With some Inherited IRAs they do require you take bits out each year. RMDs or Required Minimum Distributions are well known in the retirement communities of those over 70 years old. What used to rather simple to understand, the "Secure Act" made some changes to these RMD amounts.

If the original account owner passed away on or after January 1, 2020, in most cases, non-spouse beneficiaries will need to fully distribute their Inherited IRA account within 10 years following the death of the original owner.

This was a major blow as any inherited IRA owners where the original account owner passed away **before** 2020 are still able to take small RMDs over their own lifetime. In other words, they are not stuck having to withdrawal the whole account in 10 years and instead can take small amounts over decades of their lifetime.

Some clients that we manage portfolios for have decided to hold off on taking any distributions for the first few years and instead will let the funds grow tax-deferred, while others are spacing out these annual distributions. For example, if someone inherits $300,000 from a non-spouse, they are deciding to withdraw $30,000 per year over the next 10 years to cover the mandate and keep taxes at bay as much as possible.

For surviving spouses who are beneficiaries of their spouse's IRA, distributions can still be spread over the life expectancy of the beneficiary, thereby spreading out the tax payments. When it comes to inheriting a ROTH IRA, there are a multiple of ways that the beneficiary can handle this tax-free IRA and an advisor should be consulted on these different options.

Keep in mind, additional contributions may not be made to an inherited IRA at any point. One has to have a Traditional or Roth IRA in their name to make contributions outside of Inherited IRAs. Also, always remember to have primary and contingent beneficiaries listed on your IRA accounts as this can help clear up any messes upon one's passing. As an advisor,we cannot mandate or force clients to have beneficiaries listed but we have witnessed accounts with zero beneficiaries which can lead to some ugly family discussions.

"If we achieve our sustainability targets and no one else follows, we will have failed."

— Paul Polman

former CEO of Unilever

Shareholder Activism

Shareholder Proposal News

We are ON the Ballot!

I am proud to say that we got onto the ballot/proxy statement for Alphabet Inc.(Google)! The SEC sided with us to allow a shareholder proposal to be voted on that is asking the search engine giant to create a Board Committee on Sustainability. It is a big ask, but at the same time, it is good to plant the seed at the search engine company to make sure they realize that sustainability is a big enough issue that a separate group on the board should be focused on this.

The shareholder meeting is scheduled for June 1st. If any of you are Google shareholders and would like to attend the meeting (I assume it will be virtual) be sure to try and attend the annual meeting.

Is the SEC Becoming Nice?

Speaking of oil, the SEC, the country's top financial regulator, announced a proposal of new rules that will require public companies to disclose their contributions to greenhouse gas emissions and how climate change may play a role in their business. The very fact that the SEC is proposing such rules is highly significant. If the sweeping proposal is adopted, public companies would be required to report on "Scope 1" emissions—direct emissions from operations—and "Scope 2" emissions—indirect emissions from purchased electricity or other forms of energy. The proposed rule will be open to public comment for 30 days after publication. Let's stay tuned in to see if this ruling moves forward. Clearly, having public companies disclose this information is a step in the right direction to solving the climate crisis.

Q1 2022

DSI (Sustainable Index Fund)	-6.78%
SPY (S&P500)	-4.91%
PBW (alternative energy fund)	-8.79%
GLD (Gold)	+5.67%
Apple (AAPL)	-1.67%
Tesla (TSLA)	+1.97%
US Aggregate Bond Index	-5.85%

Economy continued from page 1

volatility and it's just something we have to deal with for the time being.

Still Steering a Boat and Investing

Yes, another sea-going reference…While boating as a child in the Atlantic Ocean, if the waves were getting a bit much, my father never quickly or abruptly turned the boat around. If he were to do that, we would have taken a hit to the side of the boat which could have been devastating. Instead, he kept heading straight until there was an opportune time to turn. In some cases, we just kept going straight for a while as we weren't in any rush. I only say this because once again, boating reminds me of investing these days. Your allocations should reflect your timelines and your risk tolerance. Most of us have thought there HAD to be a year or even 2 where the market went negative. It just comes with the swell of the ocean. Since 2010, there have only been 2 negative years. In 2015, the S&P was down 0.73% (hardly a negative year) and 2018 was down 6.24%. I say this not to be pessimistic, but only as a reference as we move forward and understand stocks and bonds are not always going to do what we want them to.

Not that I feel bad for them, but I wouldn't want to be in the Fed's shoes these days. As rates stayed historically low over the last few years, inflation wasn't a huge concern, though they knew it was coming. Having low rates during the heart of the pandemic led to increased savings rates and a housing boom. The Fed started to see a need to increase rates (and still do) in order to keep inflation at bay. Then all of the sudden a foreign dictator decided to wage war and the price of oil doubled overnight. The Fed has announced they will begin to raise rates, but how much is anyone's guess. Thirty year mortgage rates have quickly went from 3% to above 5%. With the price of oil above $100 adding to already increased prices of goods, it's hard to imagine a market that will "outperform". If there is a quick resolution to the conflict AND Covid rates continue to stay low, perhaps the picture could be rosier then it looks right now. Again, anyone's guess. It is clear that our future and our children's future cannot be this reliant on oil. The shift is underway. Just look at the Invesco Clean Energy Fund (PBW) and it's rise of about 20% from February 24th, the start of the Russian invasion of Ukraine.

I look forward to the day when I have grandkids on my lap as the price of oil sits at $200 or $300 or $0, and nobody will even blink an eye as this commodity will only be a small fraction of a percentage of where we get our energy from.

Greeny of the Quarter

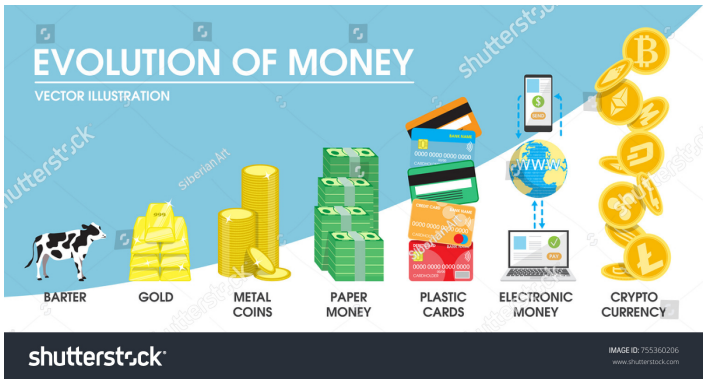
Crypto Needs Green Help

These days you can't get away from at least one mention of crypto currency or bitcoin in the news. Clearly, many investors, especially younger generations, are either trading or seriously interested in holding crypto as a separate asset class in their portfolios. Though the price of Bitcoin, the largest and most well known crypto, was as high as $65,000 a coin, it has settled to around $40,000 as of late. There are now more than 12,000 crypto currencies circulating these days, more than doubling from 4,000 back in 2021. With all of these coins being mined, created and traded on the blockchain, how much energy is all of this zapping from the electrical grid? Well, it's a lot.

A single bitcoin transaction can now take up to 2,000 kilowatt hours of electricity. We are talking about 59 days' worth of power consumed by an average U.S. household. On an average day, 240,000 bitcoin transactions are sent over the blockchain network. Yikes, that makes my stomach drop. Crypto mining worldwide may be responsible for 65 megatons of CO_2 released comparing it to the annual emissions of Greece. Although it has been stated that Bitcoin uses less than half the energy of the banking system, that still is not very pleasing to hear. But there is hope.

Certain bitcoin mining operations are attempting to be powered by cleaner renewable energy as opposed to coal and oil. One organization shedding light on this is the **Bitcoin Mining Council.** The BMC was formed in 2019 to become a trade group that brings transparency to energy usage by all crypto coin miners. This comes after Elon Musk criticized the industry of their extensive usage of fossil fuels to power all the number crunching. Back in 2021, Tesla announced they will no longer accept crypto payments for car purchases. The coin dropped 10% in value on that day due to this change. Elon has been a staunch critic of the amount of energy needed for producing the coins.

Some members of the BMC are stepping up their usage of renewables including companies like **TeraWulf**, a Maryland based digital asset technology company engaged in operating sustainable bitcoin mining. They recently transitioned a retired coal plant in New York to hydropower bringing 200 local jobs with it.



At the end of 2021, the market was adding about 1,000 new cryptocurrencies every month. Let's hope that whoever is investing in these forms of currency realizes their environmental impact and sides with those that are taking climate change into consideration.

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

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