



YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

ECONOMY

Happy New Year! I hope you and yours are well. As we tentatively transition from one leader to the next with gibberish regarding tariffs on imported goods and retaking possession of the Panama Canal, it seems only right there may be uncertainty when it comes to the economy and markets headed into 2025. But historically speaking, the stock market has been through 47 of these various leaders over 228 years and within those years, in most cases, the machines kept spinning and stock returns kept returning. Over the past century, the S&P500 has been up 73% of the time. For 2024, we saw the following returns:

S&P500	23.31%
DSI 400	22.38%
DJI	12.90%
Nasdaq	28.60%
Gold	26.80%
Bitcoin	124.80%
Oil	-0.40%
Russell 2000	10.60%
Stoxx 50	8.28%

The economy continues buzzing along, especially here in the states. Not to jinx anything, but we are currently in an almost perfect setting with a moderately growing economy, tame inflation, and the Fed

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COMPANIES COMMITTED

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Cadence tools help engineers optimize chips to consume less power, enhancing the sustainability of technology. Additionally, Cadence itself pursues environmental initiatives, like reducing its carbon footprint and promoting sustainable business practices. By enabling efficient hardware and supporting green innovation, Cadence contributes to

” The stock is up 6% over the previous one year. MSCI scores it a AA rating for ESG.

Note: Some Sustainvest does not have a position in the company.



EDUCATION

Year End Financial Check Up

As the holiday season soon approaches, it may be wise to spend an hour or 2 over the weekend to get your financial "stuff" in order. Here are some ideas to think about.

1. Max out those retirement contributions for 2024

There's still time to make 2024 contributions to your retirement accounts. You have until December 31, 2024, to contribute to your employer plan (SIMPLE and SEP-IRA contributions are allowed until the extension date if one is filed). You also have until the April 2025 tax-filing deadline to contribute to your traditional or Roth IRAs.

2. Take your required minimum distribution (RMD)

If you're required to take your RMD, you'll want to act before the end of the year to avoid paying a penalty. If you turned 73 this year and are taking an RMD for the first time, you have until April 1, 2025, to withdraw your RMD. After that, you'll need to take it before the end of each calendar year.

3. Put Some Money Away for the Kids

529 Plans are a nice way to put money away for kids or grandkids. You have until December 31 to contribute to most states' 529 education plans to qualify for a 529 plan tax deduction or credit. The Schwab 529 Education Savings Plan is sponsored by the state of Kansas. You can contribute up to \$18,000 in 2024 for single filers (\$36,000 if married filing jointly) per beneficiary without triggering the federal gift tax.

5. Make Those Charitable Gifts

Charitable giving offers a way to support your favorite charities while enjoying tax benefits. Always consult a tax advisor on what tax benefits there are with your gifting. Some Sustainvest clients hold donor advised funds or DAFs in which they direct gifts from.

6. The Miscellaneous

- Take a look at your account beneficiaries to make sure they are correct. Maybe you have a new child or grandchild that needs to be added to your list of primary and/or contingent beneficiaries.
- Review your Medicare enrollment status.
- Have an idea of what your realized capital gains look like (clients can always reach out and ask) and look to see if there are any losses to be taken to offset any gains.
- Have cash sitting on the sidelines? Make sure it at least is earning some interest in a money market fund.

"Intelligence is the ability to adapt to change."

-Stephen Hawking

SHAREHOLDER ACTIVISM

Shareholder Advocacy

When investing in a mutual fund or ETF, you are indirectly investing in the actual companies inside of these funds. For example, when you buy the Parnassus Equity Income fund (PRBLX) you are diversifying your money amongst 39 various companies. Along with this, you are also aligning yourself with the fund managers' approach to engaging those companies. Some funds take an active approach to encouraging better environment, social and governance (ESG) practices and policies while others do not actively engage companies on their ESG practices.

One program that we use at Sustainvest for ESG data is called Ethos ESG. Ethos not only gives us sustainability data on every mutual fund, exchange traded fund and stock, but it also provides a score for shareholder advocacy or how well fund managers advocate for improved ESG performance at companies held by the fund. For example, the Parnassus Fund (PRBLX) scores an A while the Vanguard 500 Index fund (VOO) scores a D. The score is based on criteria including:

1. Proxy voting-Shareholders in publicly-traded companies can vote their shares. As shareholders, funds can vote for or against ESG issues. Ethos considers the percentage of votes in favor of ESG issues.
2. Shareholder resolutions-Ethos considers fund activity related to shareholder resolutions.
3. Direct company engagement- Ethos considers publicly-available information assessing how much a fund engages companies that it holds on ESG issues.

This is just one more arrow in the quiver when it comes to being a more sustainable investor.

Economy continued from page 1

till able to cut rates (remember from 2020 to 2022, rates were zero so there was no room to cut rates). The topper on all of this is the possibility that we, as humans, are about to enter a once in a century shift to living amongst robots with AI. This, in theory, should also bring more profits to any company that decides to adapt. That being said, only a reasonable person knows that after having consecutive annual returns of above 20% (2023, 2024) for the S&P500, valuations are somewhat stretched. The Fed is showing signs of concern. On December 18th, Jerome Powell dropped rates ¼ of 1% but whispered concerns that inflation remains too sticky. The stock market dropped 3% that day. If they continue to see consumers pay \$1m plus for houses with cash (the average price for new homes in the US is \$511,000), \$150 Lululemon pants and \$20,000 vacations, they not only cannot drop rates, but instead may be more prone to raise them. Wall Street generally doesn't like higher rates. When it comes to investing into 2025, diversification is going to be key. For 2024, it didn't hurt one much to be invested across all segments of the market including alternative assets like Gold and even Bitcoin. Both of these could continue to become strong hedges for volatile markets.

The talk of AI is getting old, but it needs continual attention. The race is on. Billions of dollars that corporations have spent to outdo one another are now showing up in their balance sheets. We are perhaps now in the 2nd inning of nine in this game of AI. Now, the rubber hits the road as these firms begin to think how they can package and sell their platforms to each and every one of us. How will AI become monetized for these firms now? Along with this, looking past the novelty of it all, AI will need to show its usefulness. Does it make labor productivity increase. We shall see. Some firms like Intel are falling behind (-60% in 2024) while others are winning the processing power race. Once these firms have established the brains to gather the data, they will eventually be showing up with sale signs for new machines or services for us to purchase. Keep an eye out for this in 2025.

As sustainable investors we enter a period of perseverance. This administration is surely not going to create much of a tailwind for alternative energies nor be a sounding board for ESG. But these are politicians persuaded by lobbyists, not climate experts. Optimism for alternatives comes from the very industries that these days seem to wield greater influence than the government. Government policies will not slow down the ravenous electricity demand that is needed from these behemoth tech companies like Google, and Amazon. Brookfield, a major renewable power generator, recently announced the largest-ever renewable energy deal, selling over 10.5 gigawatts of clean power to Microsoft between 2026 and 2030. This is three times New York State's current solar and wind capacity. This is just the start.

<u>Magnificent Seven</u>			
<u>Stocks Performance</u>			
		as of 10/3/2024	
Company Name	Symbol	2024 YTD Performance	Versus S&P500
Alphabet	(GOOGL)	19.50%	-0.50%
Amazon	(AMZN)	21.80%	1.80%
Apple	(AAPL)	17.50%	-2.50%
Meta Platforms	(META)	62.90%	42.90%
Microsoft	(MSFT)	11.90%	-8.10%
Nvidia	(NVDA)	136.30%	116.30%
Tesla	(TSLA)	3.80%	-16.20%
as of 10/3/2024			

GREENY OF THE QUARTER

Impact Notes

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 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 for clients 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 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 \$1 million 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/>

Have a great holiday season as well!

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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ASSET MANAGEMENT, LLC

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