SUSTAINVEST
Asset Management, LLC

2nd Quarter 2025

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Inside

Economy

Never a dull moment, they say. If it's not facing a global pandemic, the markets now deal with a world leader that makes headline news on an hourly basis via social media. "Liberation Day" has passed and the reality of setting tariffs at 50% or 100% or 200% has subsided. Major U.S. indices have recovered significantly since the tariff shock as the S&P 500 and Nasdaq have regained losses (and then some) sustained during those tariff announcements, which initially wiped-out trillions in market value. Times like these clearly show the need for patience and not veering far from the game plan. For this second quarter of 2025, we saw the S&P 500 increase 10.6%, the Nasdaq increase 17%, Gold increase 6%, and the Euro Stoxx was flat but has increased about 9% year to date. This was one of the best performing quarters on record for the market. Oddly enough, a core laggard in Q2 included Apple being down 7.7% for the quarter. One would suggest that with Apple being down about 17% so far in 2025, there is a chance we see this beast reawaken in some shape or form.

As we all anticipate a Fed cut, rates remained steady in Q2. It's really anyone's guess as to when Jerome and his team will drop rates. If Q3 brings cooler inflation and we are not continuing to pay $450 on every grocery store visit, then the Fed will push

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Companies Committed

NextEra Energy (NYSE: NEE) stands out as one of the most sustainable companies in the U.S. energy sector, consistently earning high ESG (Environmental, Social, and Governance) scores from major rating agencies. As the world's largest producer of wind and solar energy, NextEra has built its business around the transition to clean, renewable power. The company has set ambitious carbon-reduction targets, aiming to achieve near-zero emissions from its operations by no later than 2045.Beyond its environmental commitments, NextEra emphasizes strong governance practices and community engagement. It invests heavily in grid modernization, resilience, and employee safety. Its business model not only reduces greenhouse gas emissions but also positions it well for the future of energy, as utilities, corporations, and governments seek cleaner solutions.

Investors and sustainability advocates alike often highlight NextEra as a prime example of how profitability and environmental responsibility can align.

NextEra is based out of San Jose, CA.   The stock is flat over the previous one year. MSCI scores it a AA rating for ESG.

Note: Some Sustainvest clients may have a position in the company.

Sustainvest
Asset Management, LLC

Education

Long-Term Risk Management: Why ESG Factors Matter for Wealth Preservation

In today's rapidly changing world, long-term risk management is at the heart of successful investing — and Environmental, Social, and Governance (ESG) factors are proving to be some of the most powerful indicators of hidden or emerging risks. For investors seeking to preserve and grow wealth across generations, understanding and integrating ESG considerations is no longer optional; it's essential.

Consider the fossil fuel industry. Pass a closed gas station lately? As global momentum builds toward a low-carbon economy, assets like coal mines, oil fields, or outdated power plants face the threat of becoming "stranded" — rendered obsolete by policy shifts, technological advances, or changing consumer preferences. Investors who ignore these signals risk holding positions in industries that could see dramatic devaluations. For instance, Peabody Energy, once the world's largest private-sector coal company, declared bankruptcy in 2016 after years of ignoring mounting climate-related risks and declining demand for coal.

Extreme weather events, rising sea levels, and resource scarcity are also reshaping corporate earnings potential. Companies without plans for climate adaptation or emissions reduction face operational disruptions and reputational harm — all of which ultimately erode shareholder value.

Social risks, from poor labor practices to human rights violations, can devastate a company's brand and earnings. Fashion giant H&M, for example, faced consumer boycotts and severe reputational damage over reports of exploitative labor conditions in its supply chain. Such risks can trigger sales declines, lawsuits, and investor flight — costs that rarely show up on traditional balance sheets until it's too late.

Weak governance — inadequate oversight, lack of transparency, or misaligned executive incentives — has sunk even the biggest firms. Remember Volkswagen's 2015 emissions scandal? By manipulating diesel engine tests, VW incurred more than $30 billion in fines, legal costs, and lost sales. The company's share price collapsed overnight, wiping out significant shareholder wealth. The root cause was a governance failure: a corporate culture that tolerated deception to boost short-term profits. In each of these cases, ESG indicators offered early warning signs. Investors who assessed companies' climate strategies, labor practices, or corporate governance structures could have adjusted their portfolios to avoid painful losses. Integrating ESG factors isn't about sacrificing returns for virtue; it's about enhancing long-term resilience. ESG integration helps identify companies better positioned for future regulations, shifting consumer expectations, and evolving technologies — ultimately reducing portfolio volatility and preserving capital.

"It's important for me to have hope because that's my job as a parent, to have hope, for my kids, that we're not going to leave them in a world that's in shambles, that's a chaotic place, that's a dangerous place."

James Cameron, Film Director

Shareholder Activism

Economy continued from page 1

the button on lower rates. This could really bring another boost to stock values. If a visit to the movie theater continues to cost $130 and unemployment remains low, then we may be sitting at a "higher for longer" world. Realtors across the US speak of backed up inventories as buyers play the "wait and see game" on their mortgage rates. Existing home sales have seen the lowest levels since 1995. How can the Fed drop rates when everyone still pays top dollar and unemployment stays near 4%? Only if there is some black swan event interrupting this solid economy will they then be forced to. We shall see.

Overall, markets did rather well in light of the global news. The enthusiasm around AI is here and projections for firms and industries who are involved in some shape or form is eye opening. Yes, valuations are high historically speaking (S&P500 has a PE of around 25 versus historical range of 15 to 20) but if indeed a new technological quantum breakthrough is upon us then these valuations are somewhat meaningless. On top of this, alternatives like Gold and Bitcoin are up, international stocks seem to have found some footing and fixed income (safe investment grade) continues to pay over 4% annually. A negative side is that the value of the dollar has dropped to a four-year low (it is down almost 10% versus the Euro this year), so taking that trip to Italy or buying that imported Heineken beer will definitely cost you more. Companies like Apple who derive over 60% of their revenue from overseas could actually see a large tailwind due to this devalue of the dollar.

As we have always done, diversifying amongst these various asset classes helps smooth the ride. Holding some AI positions to catch the wave is important, but at the same time purchasing a Bank of Maine 4.25% 2-year CD also has its place in some investor's portfolios. Higher borrowing costs are holding back potential economic growth, but I also understand how Powell does not want hyperinflation to show up if he lowers them too soon. He is in a bit of a rock and a hard place as late night social media posts by the administration blast him to lower rates. Overall Q2 displayed resilience and with the possibility of this historic new innovation investors may want to remain cautiously optimistic when it comes to stocks and their ability to be profitable. Alternative energy stocks surely had a rough go considering that all subsidies seem to have been thrown out the window. However, as sustainability stalwarts we can start to think about how there may be an opportunity to get back into solar and wind stocks as value is showing.

Shareholder Advocacy

The proxy season is behind us for 2025. The proxy season saw a notable drop in shareholder proposals in the US market, with Russell 3000 companies receiving 830 proposals, down from a record 983 in 2024. Rightfully so, considering the political headwinds that stockholders may have felt they were up against.

Social proposals (333, compared to 416 in 2024) and environmental proposals (146, compared to 197 in 2024) were markedly down compared with the previous proxy season, whereas governance proposals – including compensation proposals – remained relatively flat (352, compared to 370 in 2024).

Perhaps companies are starting to do as they are asked though, as approximately 160 proposals were withdrawn in the 2025 season compared to 66 in the prior season.

The companies receiving the most shareholder proposals of which were put on the ballot were:

Alphabet Inc.	12
Meta Platforms Inc.	9
Amazon Inc.	8
Walmart	7
Berkshire Hathaway	7

Greeny of the Quarter

Fun Way to Play With Climate Data

Occasionally it can be inspiring to attend an industry conference to keep updated on what's going on within one's field of practice. Many of you have probably attended one of these within your respective "expertise". Recently I was fortunate to attend the all day USSIF sustainable investing conference held in Washington DC. The agenda included various topics including How Fintech is Revolutionizing Sustainable Investing and Demystifying Data with Impact Investing.

One of these organizations mentioned in discussions was the **Climate Interactive**, a non-profit think tank that develops and shares interactive tools and simulations to help people understand and address climate change. They use system dynamics modeling to create user-friendly simulators like En-ROADS and C-ROADS, which are paired with interactive workshops and games to educate and engage people on climate solutions.

Their achievements include the use of their simulators by the US State Department, the Chinese Government (China is significantly outpacing the US in renewable energy deployment, particularly in solar and wind power. ***In 2024, China added roughly eight times more renewable power capacity than the US, with solar being the dominant source)*** and the United Nations' Secretary-General's office. Partners have used their simulators in universities, communities, governments and businesses in over 180 countries, engaging over 452,000 registered participants. Their popular program titled "**En-ROADS**" is a global climate simulator that allows users to explore the impact that dozens of policies—such as electrifying transport, pricing carbon, and improving agricultural practices—have on hundreds of factors like energy prices, temperature, air quality, and sea level rise. In a nutshell, it takes all of the quantifiable data and allows us to truly see what the negative (or positive) ramifications are when it comes to trying to mitigate changes in the climate.

Their easy to use simulator could be a valuable learning experience for adults or children in that it promotes greater understanding of the causes of climate change and the solutions essential to mitigating it. They even hold educational events that allow individuals to create an event centered around one of their simulators. To learn more one can go to their website at:

https://www.climateinteractive.org/lead-an-event/