SUSTAINVEST
ASSET MANAGEMENT, LLC

3rd Quarter 2024

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

INSIDE

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ASSET MANAGEMENT, LLC

ECONOMY

Hope you and yours are well. As we head into what normally is the best quarter of the year for the stock market, with consumers buying up scented holiday candles and boxes of Stove Top stuffing, it's hard to believe there is still some charge left in the tank. For this 3rd quarter of 2024, we saw the S&P 500 go up 5.5%, the Nasdaq up 2.6%, and the Schwab US Bond aggregate index up 4.5%. Gold (GLD) also continues its movement up with a 14% move in Q3. For the year so far, the S&P500 is up 20%. Overall, the Fed seems to have done a good job of bringing us to a soft landing and away from a recession. As a reminder, the Federal Reserve began raising rates from almost 0% back in the Spring of 2022 post-covid and kept doing so until late in 2023. As businesses and consumers faced these higher rates, the Fed was walking a fine line of bringing down high inflation of over 9% and at the same time making sure unemployment did not skyrocket. With inflation rates back down to a more normal 2.5%, the Fed announced a .50% rate drop with the possibility of more drops in 2024. They are hoping for borrowing and spending to ramp up once again.
With lower rates there is a downside. Instead of getting that nice 5% on money market cash and 5.50% in bank CDs, we are already starting to see fixed returns come down. Investors are starting to look for where to put that cash. Some have decided to tell me to lock in fixed returns for 2 or 3 years paying about 4% annually. Some have decided to keep investing in stocks including sectors like AI data centers and semiconductors.

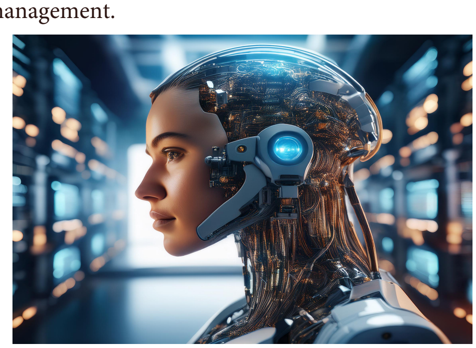
continued page 3...

COMPANIES COMMITTED

The data needs a place to go. With AI beginning its quest to utilize extreme amounts of energy and information storage, one has to think about where all of this algorithmic data ends up. And so enter data centers. One such company is data center company Digital Realty Trust, Inc. (DLR). Founded 20 years ago, DLR operates as a real estate investment trust or REIT. The Company is engaged in the business of owning, acquiring, developing, and operating data centers.

Based out of Austin Texas, the firm continually ranks highly in terms of sustainability within their industry. It has achieved 66% global renewable energy usage and secured 1.4 gigawatts of solar and wind energy.
It also has certified 1.3 million square feet under green building standards.

Most recently the firm issued a "Green Bond". These notes, unfortunately intended for sale outside the U.S., will support green projects such as renewable energy and sustainable water management.



DLR currently has over 300 facilities across 25 countries on six continents. It will be interesting to see how they face up against competition. Certain "hyperscalers" like Amazon, etc. are also becoming hip to the fact that they must build their own data centers. The stock is up 20.03% YTD in line with the market. MSCI scores it a AA rating for ESG.

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

“Intelligence is the ability to adapt to change.”

-Stephen Hawking

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.

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.

Magnificent Seven Stocks Performance		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			

Economy continued from page 1

Besides global conflicts, elections and AI disruption, a looming concern is current valuations. The S&P500 now has a PE ratio of 27.45 which is up from 23.46 a year ago. PE ratio is a barometer for how well valued an investment is. The higher the PE ratio, the more overvalued it may be. The 90-year historical average is 19.5.

Overall, returns are “broadening” which is a great sign. Inundating news about the outperformance of the Magnificent 7 has slowed (chart below) and the rest of the market seems to be catching up. The numbers show this. **The Russell 2000 (barometer index for smaller companies) was up 8.2% in Q3. Compare that to Nvidia which was down 1.7% and Amazon down 3.5%** and you can see the shift. Lower rates tend to help small and mid-cap companies as these businesses are able to ramp up their business borrowing at lower interest. Sustainably screened small and mid-cap funds could be a good place to sit. Those include the Amplify Etho Climate Leadership ETF (ETHO) and Nuveen ESG Mid-Cap Growth ETF (NUMG). A second way to invest in a lower rate environment is to head into dividend paying stocks. Funds like the First Trust NASDAQ Technology Dividend Index Fund (TDIV) and Parnassus Value Equity Fund Investor (PARWX) with yields above 1% give investors both that fixed dividend and the potential for higher stock values. These are not recommendations though.

I was fortunate enough to attend a few discussions at Climate Week in New York City for one day. It is always nice to step out of the office and into the excitement of what is happening in sustainable investing. One seminar that stood out was on the topic of environmental and human costs of EVs. U.S. sales of fully electric vehicles will soar to about 2.5 million in 2025, from 1.1 million in 2023. As many of us have shifted to using EVs, it is important to also be conscious of the ways in which lithium and other critical minerals are being mined. Our South American neighbors, Bolivia, Chile and Argentina hold the largest reserves in the world and at the same time, rich histories of cultures can be lost as the large mining companies move in. Though there is no stopping this explosion of EV growth for years to come, how companies interact with indigenous communities will become an ESG focus. From the trajectory of growth in companies like Nvidia and ChatGPT, it looks like AI is going to create monumental change over the next decade and with it will bring more profitability to companies across most industries. With this, sadly, there will be certain industries and workers that either make it through this change or are unable to adapt. During a time when the markets have returned about 100% over the last 5 years and valuations looking frothy, being diversified into holdings like gold, money market funds, bonds and real estate could help weather any diversion back to the averages.

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.

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/

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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