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ECONOMY

INSIDE

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Headed into the second half of 2024, things are looking rather smooth for the markets. Thanks to this wave of AI fever which will supposedly change our lives and how we perform day to day tasks, many of the major indexes continue notching record highs. The current bull market is now 20 months old. With the median bull market lasting about 30 months and producing about 90% in gains (over the past 100 years), perhaps there is still some chance of continued upward movement. Only time will tell. For Q2 of 2024, the S&P 500 was up 4%. The 30 stocks of the Dow Jones Industrials were down 1.1% for the quarter and the tech-heavy Nasdaq was up 8%. With uncertainties looming overseas though, Gold was also up 1.9%. International markets increased 3%

(FTSE 100), perhaps giving us a sign that they are coming out of their decade-long slump. As I mentioned in last quarter's report, there is still concern about concentration in returns. Stock indexes tracking the largest companies are beating those that follow small-cap stocks. The S&P 100, which contains the biggest 100 stocks in the S&P 500, is up more than 18 percent for the year. The Russell 2000, which tracks the small-cap universe, is up less than 1 percent for the year.

The topic on the strength of the US and our federal budget deficit comes up a bit. Since the pandemic, debt levels have gone up. Does this have an impact on the markets? Generally, not, but it may be good to be informed of this. The word

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COMPANIES COMMITTED

As pretty much the entire country is under a heat advisory over the last few weeks, one cannot help but think about how we all will need to shift from thinking about trying to fix climate change into more of an adaptation mode. Mother nature may perhaps be letting us know just how powerful she is. Based out of Swords Ireland, ranking number 23 on the Corporate Knights Global 100 Most Sustainable Companies, **Trane Technologies (TT)** is leading the way. Considered a global climate innovator through its brands, such as Trane and Thermo King, this \$75 billion company is attempting to bring climate solutions to buildings, homes, and transportation.

consumed nearby reducing carbon footprint of having to ship thousands of miles away. The carbon footprint of the transportation cold chain is one of the biggest greenhouse gas emitting parts of global infrastructure.



With continual increased demand for energy-efficient building solutions, the firm should benefit for years to come. Trane gets an ESG rating of AAA through MSCI and is up 76% over the last year.

Note: Sustainvest does have a position in the company.

Numerous examples of how they help industries include working with an ag company in the UA Emirates to create an environment suitable for growing food with as little energy as possible, then sold and



SUSTAINVEST
ASSET
MANAGEMENT

EDUCATION

An Anatomy List of AI Stocks

I am a lister. I make lists for everything from places to travel each year to what is needed for the next trip to the hardware store. So, with all the talk that Artificial Intelligence (AI) is going to completely metamorphosize our lives, perhaps a list is in order. Below is a slight attempt to decipher the various parts of AI and some companies involved in the new robotic world.

The Brains

So first you need a chip or an electronic circuit that can perform crazy mathematical calculations in milliseconds. The machines are learning. Also called GPUs or graphics processing units, these circuits are made by:

- NVIDIA Corporation (NVDA)
- Intel Corporation (INTC)
- Advanced Micro Devices (AMD)
- Taiwan Semiconductor (TSMC)

TSMC makes AI chips which are more suitable for tasks such as large-scale matrix calculations and neural network calculations. GPU chips, like the ones NVDA is making, are more suitable for tasks such as general numerical calculations and graphics rendering. In fact, NVDA is relying on TSMC to make their AI chips. Wow, that's a lot of acronyms.

The Flesh and Bones

So now that we have the chip to handle wild algorithms, you will need a device that humans can use with their 10 phalanges (or eyeballs or voices). Of course, there is

- Apple (AAPL)
- Alphabet (GOOGL)
- HP (HPQ)
- Dell (DELL)

Along with the bodies of the AI world, one needs fancy software programs that help us understand everything.

- Microsoft (MSFT)
- Adobe (ADBE)

Office products that many in the working world use every single day will look nothing like the current version as AI takes over. Adobe's creative suite and marketing software are already using AI to enhance its program. Don't forget about the cloud serving programs by:

- Oracle (ORCL)
- Meta (META)
- Amazon (AMZN)
- Palantir Technologies' (PLTR)
- Broadcom (AVGO)
- C3AI (AI)

The Muscles

In order for all of these chips and phones to process and keep the information in the brains, it needs someone behind it all to store the data. This is where an AI data center comes in. These are the facilities that have the computing resources needed to support (AI) workloads. These workloads can be demanding and use a lot of resources using space, lots of power, cooling and power connections. Companies like

- Micron Tech (MU) and
- Arista Networks (ANET) hardware
- Corning (GLW) fiberoptic cable

All in all this list is just the tip of the iceberg for AI. Hundreds, if not thousands of companies are emerging in industries like healthcare, fintech, automotive, conversational bots, and analytics that may emerge as the next big thing. Hang on for the robot ride.

“The
simple
act of
caring is
heroic.”

!Edward Albert

SHAREHOLDER ACTIVISM

Activism News

Top 10 Proxy Votes of 2024

This year's top ten votes so far on environmental, social policy and sustainable governance issues are:

Jack in the Box

- Adopt GHG reduction targets 56.5%

Wingstop

- Report on GHG emissions targets 52.1%

Warner Bros. Discovery

- Report on AI ethical guidelines 51.9%

DexCom

- Review/report on election spending 51.8%

Denny's

- Report on GHG emissions targets 49.8%

American Tower

- Report on gender/racial pay disparity 49.2%

Crown Holdings

- Review/report on election spending 48.9%

Warrior Met Coal

- Conduct collective bargaining audit 46.1%

Spirit AeroSystems

- Review/report on election spending 45.2%

Netflix

- Report on AI ethical guidelines 43.2%

Data courtesy of Heidi Welsh, Sustainable Investments Institute

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deficit is basically the mismatch between what Uncle Sam brings in and what he spends. The deficit will run about \$1.5 trillion this year, which is about 5% of U.S. GDP. Because we run these deficits annually, we are at about \$34 trillion in government debt. That's the equivalent of more than \$100k for every person in the United States. Keep in mind just like politics, historically, debt levels have no correlation to the performance of stocks and bonds. The drama that may come up in late November of this year, along with the fact that Congress will meet in January of 2025 on the topic of increasing the debt ceiling, will be enough to fill news channels for months. Investing in companies with a long-term perspective is key in times like these.

Money Market Talk

Some investors have a percentage sitting in a money market fund such as the Schwab Value Advantage fund (SWVXX). The current annualized return on this is 5.12% (paying interest monthly). Not too shabby considering it wasn't long ago that cash paid about 0%. You aren't the only ones. As of June 13, 2024, money market funds had \$6.12 trillion in assets. This is more than double the average for the past 30 years. So where exactly will this cash go once the Fed does decide to drop rates? Banks surely don't want to continue to pay 5.25% to their customers especially if the cost of real estate goes up and nobody is buying homes with a 7.5% mortgage. The thought out there is that this cash will make its way into both the stock market and perhaps the bond market too. We shall see.

Sustainability

The International Energy Agency's electricity 2024 report forecasts that renewable energy is set to overtake the world's use of coal by early 2025 and will account for more than one-third of the world's total electricity generation. The world hit "peak" gas-powered vehicle sales in 2017 as sales have dropped 23% since then. At the same time, EV sales have steadily risen. The EV market share for new vehicle sales is approximately 6.5%. In China that number is 35% of all new car sales! With headlines like these, one must think that renewable stocks and stock funds are due for their credit. We shall see. Because of continued higher interest rates and high inflation, renewable stocks have yet to catch their spinning wheels. When the Fed drops interest rates, we should see share prices increase in the climate world. With that along with the macro pressures for finding climate solutions growing, money will push into the firms solving climate issues.

GREENY OF THE QUARTER

As the year hits mid-way, with our new world of artificial intelligence and political banter taking over, sometimes it's nice to take a step back and be thankful for how long and withstanding the world of sustainable investing has been around, regardless of the every evolving world of politics or technological innovations.

There was a time (even in my 48 year old world) when there were no ESG scores or assessments. Investing with an SRI twist meant we put our heads and morality together and tried our hardest to keep away from the evils of the world like chemical and oil companies. Even 15 years ago, there were really no established standards and practices. Now, we have dozens of sustainable scoring firms and even the Goldman Sachs and Merrill Lynch's trying to sneak in as ethical businesses. Who would think that I would have colleagues titled chief sustainability officers of major corporations rubbing elbows with CEOs.

Perhaps some credit should be given to one such fund that came to the scene decades ago. The Domini 400 Social Index (Domini 400) was launched in May of 1990. Remember, in 1990 we had George HW Bush as president, the Cold War was ending and the world wide web (www.) was born. Sounds like a much simpler time. The fund, through mergers and acquisitions over the years is now titled the iShares MSCI KLD 400 Social ETF (DSI).

With a track record of over 34 years, it is the first ESG sustainable index and has the longest continuous performance history. The index was originally the brainchild of Peter Kinder, Steve Lydenberg, and Amy Domini, founders of Kinder, Lydenberg, Domini & Co. These were just a few of the pioneers in the field who saw a need for an index that actually cared a little bit about where the planet was headed.

The reason DSI is so important is because of the fact that it is an index. Remember, just because an index is a rather dry and bland part of investing, it is hugely important as it sets the stage or "puts a flag in the ground" to establish some type of benchmark.

Currently, the five largest position in the index are Microsoft, Nvidia, Google, Tesla and Visa. The 3 largest sectors represented in the fund include Technology (39%), Financials 11%) and Communications (9%).

Current assets are at \$4.6 billion and the fund is up 16% YTD (as of 7/17/2024). Though this fund is not the most ESG screened I often refer to this as the "baby step" into sustainable investing for those that want to move away from the Vanguard's of the world that have zero screening being done.

Interested in learning more about our services,
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