SUSTAINVEST
ASSET MANAGEMENT, LLC

4th Quarter 2022

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Economy

Happy New Year and welcome 2023. The markets took us on a bumpy sleigh ride in 2022. This happens. As I tell my children, you can't have hot cocoa every single night or else there will be negative health ramifications. Likewise, as we had some rather stellar hot cocoa markets over the past decade, inflation has caught up with the economy and well…the Fed has told us we will have to hold off on the sweets for a while. The Fed continues to raise rates attempting to curb inflation and bring some stable prices to what we all consume. Nobody wants to pay $200 for two bags of groceries forever, do they? There is a silver lining here though. If the kids eat their vegetables, there are positive long-term effects. Likewise, the Fed raising rates has brought some higher fixed returns on investments like corporate bonds. In fact, I have regularly seen close to 5% fixed just for a one-year duration bond. Ahh, it feels like 2007 all over again, when cash paid 3% and bonds were paying 6%. Speaking of sleigh rides, fixed income or bond investing is generally a way to smooth any bumps, but in 2022 we witnessed the worst bond market in history. But with Tesla down over 65% in 2022, a negative 14% bond market seems rather tame and as rates stabilize so too will bond values. For this final quarter of 2022, we saw the S&P 500 go up 7.1%, the NASDAQ drop 1%, and the US Aggregate bond market return ½ a percent. For the full year of 2022, considering the Fed raised rates seven times, we witnessed a tough year in really any asset class you can pick. The S&P 500 was down 19.4%, the Nasdaq down 33.1% and the

continued page 3...

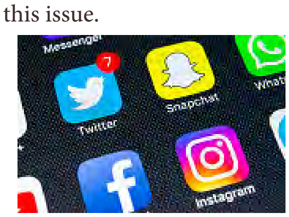
Companies Committed

As we all continue living our lives via a more digital format, there seems to be a new social media site created every day. One such site that is quite popular with younger generations is Snapchat, a product of Snap Inc. (SNAP). Snapchat has more than 340 million daily active users around the globe with almost 70 percent of US teens saying they use Snapchat every day. In some circles, they are deeming it the new Facebook.

So how sustainable is Snap? The Santa Monica, California-based company recently said it is now carbon neutral, helped by investing in forestry projects to offset its emissions. The company continues to reduce it's carbon emissions hoping to go net negative by 2030 working with a coalition titled the Science Based Targets initiative.

Snap also issues an impressive annual sustainability report titled the Citizen Snap Report which showcases it's many ESG efforts organized by four core pillars including Society, Planet, People, and Governance.

Snap's current market capitalization is $14 billion and that includes a negative 75% stock performance over the last year. They do seem to be pulling users from competitor's Twitter and Facebook, but also have competitors like TikTok and Instagram hanging around. In light of all of the benefits of these platforms, there are concerns. All social media firms also face new lawsuits addressing the worsening mental health crisis among students and younger generations. Let's hope the platforms step up in addressing this issue.



As social media doesn't show signs of leaving our lives anytime soon, Snap could be one of the beneficiaries of a generational shift of how communication occurs, especially in a sustainable way.

Note: Sustainvest does not have a position in the company

Education

What's a Sector?

The phrase "variety is the spice of life" was first seen in 1785 in a William Cowper poem. When it comes to investing, there is plenty of variety as of late with daily introductions of new funds and thematic ways to invest like robots, the cloud, and pet food. The first step to understanding all of this variety is to get a good understanding what's called market sectors. By learning about the various stock market sectors, investors can gain a greater understanding about diversification options and really how the market is categorized.

"People who exit the stock market to avoid a decline are odds-on favorites to miss the next rally."

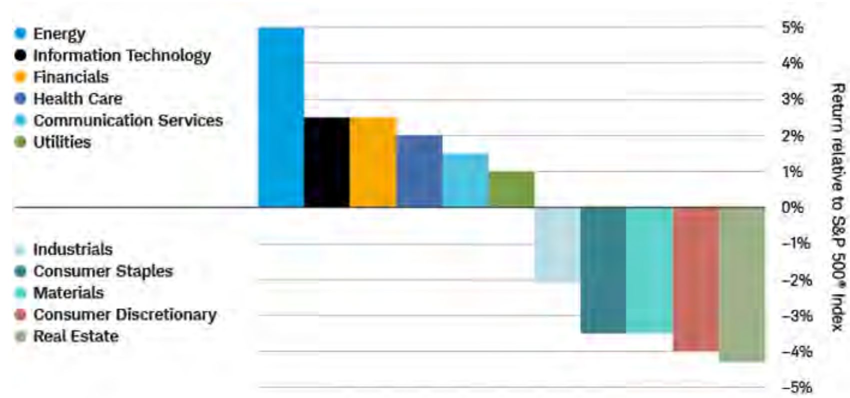
—Peter Lynch

A sector is an area of the economy in which businesses share the same or related business activity, product, or service. Sectors represent a large grouping of companies with similar business activities, such as software or large retail shops.

With the Federal Reserve's slew of rate hikes occurring over the last year, certain sectors may pull back while others could benefit from higher borrowing costs. This is anyone's guess of course. Only Bernie Madoff knew which way sectors would go and well, we all know how Bernie pulled off those market beating returns each year. Here is a list of the 11 sectors of our economy and some company examples that fall under each sector, though not any kind of recommendation on these stocks:

- Healthcare (Gilead Sciences, Stryker, Intuitive Surgical)
- Materials (Nucor, Ecolab)
- Real Estate (American Tower, Public Storage)
- Consumer Staples (Hain Celestial, Costco)
- Consumer Discretionary (Tesla, Strabucks, Nike)
- Utilities (Consolidated Edison, Northwest Natural)
- Energy (EOG Resources, Marathon Petro)
- Industrials (Illinois Tool Works, UPS, MMM)
- Communication Services (Google, Verizon)
- Financials (Pacwest, Travelers, Silicon Valley Bank)
- Technology (Apple, Nvidia, Salesforce)

Below is a list of the 11 sectors of the S&P500 along with how these sectors have performed relative to the S&P500 following a new cycle of rate hikes.



Charles Schwab, Ned Davis Research.

Shareholder Activism

Shareholder Proposal News

Do you know if your employer offers sustainable fund choices in your 401k or 403b? If not, well, you will soon. Starting on Jan. 30, a Department of Labor rule will take effect that explicitly allows fiduciaries to consider climate change and other environmental, social, and governance (ESG) factors in the selection of their retirement plans. And why shouldn't they.

With an estimated $32.3 trillion invested in US retirement plans and nearly $9 trillion in direct contribution plans such as 401k's (according to tracking by the Investment Company Institute) this could be a groundswell shift into healthier investments for the planet. These assets are spread across 600,000 401(k) plans for about 60 million active participants. Local non-profit As You Sow has even gone as far as issuing shareholder proposals (page 4) asking corporations like Amazon and Campbell's Soup to dig into the climate impacts of their own 401k plans.

If you have questions about asking your employer how they could go about offering a more planet friendly 401k, don't hesitate to reach out. Sustainvest does manage several 401k and 403b plans with outside vendors for both for-profit and non-profit organizations that have decided to offer a sustainable 401k program.

Notable Returns for 2022

S&P 500	**-18.14%**
iShares MSCI KLD 400 Social (DSI)	**-21.66**
NASDAQ	**-33.10%**
DJI	**-8.80%**
Vanguard Ttl Bond Market(BND)	**-13.15%**
SPDR® Gold Shares (GLD)	**-0.82%**
Invesco Clean Energy ETF (PBW)	**-44.43%**
OIL	**6.71%**
TESLA (TSLA)	**-68.00%**
APPLE (AAPL)	**-27.00%**
AMAZON (AMZN)	**-49.62%**
COINBASE GLOBAL (COIN)	**-86.22%**

Economy continued from page 1

benchmark US Aggregate Bond index was down 14.9%. The sustainable index fund DSI was down 22.74%, trailing the S&P by 3% mainly due to its being underweight in big oil companies and it's slight overweight in tech companies. Big oil seems to be having its final day in the sun as we shift to renewables. When comparing value stocks versus growth stocks there was a clear outperformer. For 2022 the iShares S&P 500 Growth ETF (IVW) was down 30.08% versus the iShares S&P 500 Value ETF (IVE) which was down just 7.38%, hence why diversification can be helpful. It is important to have a brief mention here of this word "recession" as lately it is thrown around at least 25 times a day on CNBC. The proper definition of a recession is two consecutive quarters of negative gross domestic product (GDP) growth. As we enter a new year where economists predict we will have 2 consecutive quarters of negative growth, this doesn't mean the stock market will perform along with this. The negative return of 2022 could be the result of this thinking and in fact, the market may turn positive for 2023 knowing that the Fed will back off on rate increases and uncertainty settles. Trying to time getting out of the market and then jumping back in could prove useless and impossible. The S&P 500 and NASDAQ have recovered to pre-recession levels following every recession. Holding through downturns is hard but has always been a winning strategy. I have witnessed some clients sell holdings halfway through a downturn and well, that story doesn't end well as they are also the same investors who get in too late as well.

If you are going to solve a problem, well, in some cases, it takes money. Recently, President Biden and his folk decided to throw a lot of money in the way of renewable energy. Called the Inflation Reduction Act, this bill pledges almost $400 billion in funding to those various companies and entities involved in solving our climate crisis. President Biden promised to reduce our greenhouse gas emissions by 30 to 40% by 2030. This bill could help.

A few examples of where the money is supposed to go include:

- $60 billion in manufacturing solar panels and batteries in the U.S.
- $3 billion for the U.S. Postal Service to electrify its fleet of more than 217,000 vehicles, the largest government fleet in the nation.
- $3 billion for community-led projects in areas experiencing the disproportionate impacts of pollution and climate change.
- $20 billion to help farmers and ranchers shift to sustainable practices like crop rotation and cover crops.

Being positioned and invested in sustainable funds like the **Invesco WilderHill Clean Energy ETF** (PBW) and the **Invesco MSCI Sustainable Future ETF** (ERTH) is a diversified way to be aligned with companies that will help create this positive shift and hopefully a habitable planet for our children.

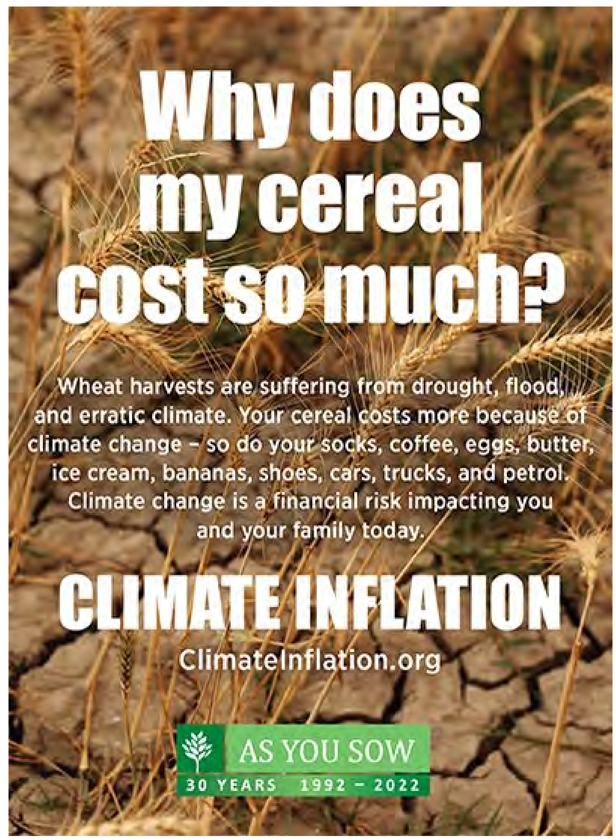
Greeny of the Quarter

There are some amazing non-profits doing impactful work across this country, but one bay area based non-profit really walks the talk when it comes to advocating for change through investments. Founded in 1992, As You Sow, a Berkeley, CA-based organization focuses on promoting corporate social responsibility through shareholder advocacy, coalition building, and legal strategies. In most cases, they do this by filing shareholder proposals using investment portfolios from clients like ours at Sustainvest. They cover topics ranging anywhere from asking McDonald's to describe how it will reduce its plastics use to asking Papa John's how it can achieve deforestation-free commodity supply chains.

Most recently, As You Sow has pushed forth shareholder resolutions addressing company 401k plans and their impact on the planet. Many investors don't realize that those bi-weekly contributions they are making with their hard-earned dollars, in many cases, are funding those very companies that do not align with their own values. In 2022, AYS filed proposals with large caps Amazon, Comcast, Microsoft and Campbell Soup calling out the companies for offering default investment options that are loaded with fossil-fuel companies and those that cause deforestation risk. To address the contradiction, the proposals asked management to prepare reports reviewing how their current retirement plan investment options align with the company's environmental initiatives.

As You Sow has estimated that $2.49 billion of Microsoft employee retirement funds is invested in fossil fuel companies, and an additional $113 million supports agribusinesses associated with deforestation.

While none of the resolutions filed with these four companies earned a majority vote, all received enough support - at least 5%- to be refiled.



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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