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ECONOMY

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Happy New Year! The bears sure went into hibernation this year. Amidst a time when the Fed is trying to slow down the economy (post-free money Covid days), we witnessed one of the best markets in years. As homeowners were paying their fixed rate mortgages at 3% and earning 5% on bank CDs, it was as if the excess cash was being spent on Amazon Prime, Uber rides and Facebook ads leading to stock increases.

One topic of discussion that was prevalent for 2023 was the outperformance of the “Magnificent 7” stocks versus the overall market. These seven are the big tech firms including Apple, Microsoft, Alphabet, Amazon, Tesla, Nvidia, and Meta. First, let’s understand what the “market” is. This is the 500 largest US companies

2023 Index/Fund Performance

•S&P500 (SPY)	+24.29%
•iSharesSocial ETF (DSI)	+26.83%
•Nasdaq Composite	+43.00%
•SPDR® Gold Shares (GLD)	+12.69%
•Schwab U.S. Agg Bond ETF (SCHZ)	+2.12%
•WTI Crude Oil	-10.00%
•SPDR® Gold Shares (GLD)	+12.69%
•iShares MSCI Emerging Mkt (EEM)	+6.09%
•First Trust Wind Energy (FAN)	-4.85%
•Invesco Solar ETF (TAN)	-26.86%

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COMPANIES COMMITTED

Don't be surprised if you see your local farmer pull up in a Tesla. They too are realizing the shift to EVs and renewables is underway. Enter **Deere and Co. (DE)**. This Illinois-based manufacturer of farming equipment whose classic green and yellow logo cannot be missed while driving past most farm areas, has been a leader in sustainability for quite some time.

Founded in 1837, Deere has become the world's largest producer of farming equipment with about 60% of sales coming from the US and Canada. They are quick to speak about their ESG initiatives. Between 2017 and 2022, the company achieved a 29% reduction of greenhouse gas emissions, increased its waste recycling to 84% and surpassed its 2022 renewable electricity goal of 50%.

They are also supplying their farmers with eco-friendly AI gadgets. The John Deere Operations Center is a cloudbased farm management system that lets farmers create efficient work plans, monitor progress and receive insights from field data anytime. Farms using this system are known as ‘engaged acres’ with the goal to increase from 329 million acres in 2022 to 500 million by 2026 – with 75% of these sustainably engaged by 2030 leading to less waste and more efficient use of energy.

It's market cap is slightly over \$100 billion even after a negative 14% return in 2023. With annual revenues steady over \$50 billion, a PE of about 11 and an annual dividend yield of 1.5%, Deere could be an interesting addition to a portfolio that is holding half in technology companies due to 2023's run up.

*Note: Sustainvest does not have a position in the company*



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## EDUCATION

### Gen Xers...Do You Know What an Inherited IRA Is?

An amazing phenomenon is about to occur. Ever wonder why your great Uncle can afford that Porsche and wear Polo? Born between 1946 and 1964, baby boomers were and still are a generation that was able to accumulate immense wealth due to a strong labor market, very cheap housing and the ability to save via tax deferred funds. They are still the wealthiest generation in the world. This will soon change. As the oldest of this era starts to turn 80 years young, a shift of about \$84 trillion begins. The funds will end up in the hands of their next of kin who will in turn start buying expensive AI Apple goggles, EVs, and elaborate vacation packages in Bora Bora. Along with this, one financial item many Gen Xers and Millennials will have to deal with is called an Inherited IRA (sometimes referred to as a Beneficiary IRA).

In simple terms, an inherited IRA is an individual retirement account (IRA) one opens when they are the recipient of a deceased person's tax deferred retirement plan. Think of your great Uncle Larry who socked every penny he could into his 401k plan at the Delaware Dupont factory in the 80s. If he listed you as a beneficiary of his 401k rollover, then you must decide on what to do with this newfound wealth. Non-spouse beneficiaries can open and transfer funds into one of these Inherited IRAs, and with that, continue taking advantage of the tax-deferred status it has always held. You can also take a lump-sum withdrawal which will come attached to a significant tax bill (withdrawals are generally taxed as ordinary income) or one could turn down the inheritance.

In cases where the spouse is still surviving, then he or she can simply roll those funds into an existing IRA account or start with a new IRA. If you and your siblings are the beneficiaries, you each will have to open up Inherited IRAs and then you individually can decide what you want to do with the funds. One sister may want to withdrawal all funds and pay the taxes all at once, while another may want to keep it going tax-deferred.

There is a certain item called an RMD or required minimum distribution that needs to be paid attention to. If the person who held the plan passed away after January 1, 2020 then in most cases the beneficiary must withdrawal all of the funds within 10 years. Some clients will wait until year 10 to take a lump sum while others may do smaller annual distributions. If the person who passed died before that date, then the beneficiary can spread out the required minimum distribution over their own lifetime.

*Yes, you will need a PhD in these products with so many rules the IRS has implemented.*

If you inherited an account in 2020 or later and the original owner already started RMDs, you must start withdrawals immediately. If the beneficiary is not more than 10 years younger than the original account owner withdrawals can be stretched over your lifetime. The penalty is 25% of the amount that should have been withdrawn or 10% if the RMD is corrected within two years.

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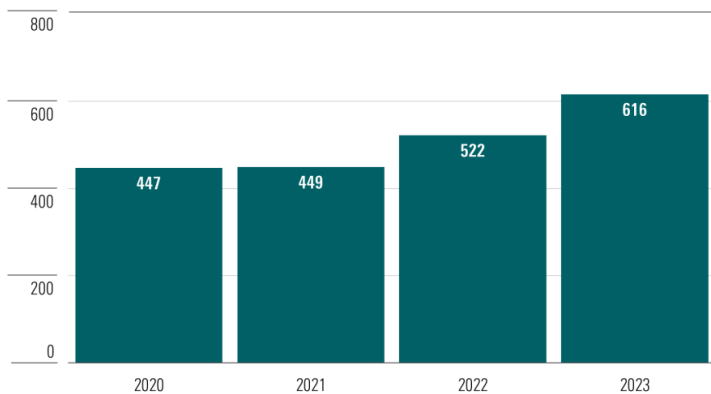
## SHAREHOLDER ACTIVISM

### Activism News

A recap of the 2023 shareholder resolution year...

- The number of shareholder resolutions proposed at U.S. companies grew by 18% in the 2023 proxy year to a total of 616, from 522 in 2022.
- This followed an already strong increase of 16% in 2022, following the SEC's decision to broaden the definition of permissible shareholder resolutions addressing "significant social policy issues."
- The number of resolutions on environmental and social topics increased by 23% in 2023 to 337, from 273 in 2022.
- There was a sharp fall in shareholder support for E&S resolutions to an average of 20% in the 2023 proxy year, from 30% in 2022.
- Among the Big Three index firms, BlackRock and Vanguard sharply reduced their support for key resolutions in 2023. State Street's support increased.

**Number of Shareholder Resolutions**  
U.S. Companies, 2020 to 2023 Proxy Years



Source: Morningstar proxy-voting database. Data as of Aug. 28, 2023. Note: Chart shows proxy years ended June 30.

Let's hope for a continued increase in raising awareness of what public companies are up to via this process.

*Economy continued from page 1*

or what's called the S&P500. One thing that should be understood is that this "market" index is not equally weighted across all 500 companies. The S&P500 is weighted by size of the company. Stay with me. In other words, the top 10 companies of the S&P 500 hold large weights. Microsoft is 7.5% of the index. Apple is 7.2% and Amazon is 3.5%. That's just 3 companies that account for 18% of the index. When you see the S&P500 is up 20% in any given year or quarter, much of it can be accounted to those top 5 or top 10 holdings. On the flip side, there are certain indexes that are called "equal-weighted" where every company in that 500 each holds the same weighting. When looking at why this is a big discussion this year, it all goes to performance.

The S&P500 was up 24% this year, while the equal weighted S&P500 index fund (RSP) was up 11.7%. Reason being is that those mag 7 stocks were huge beneficiaries of continued high revenues and this upcoming push into a new AI future. Over five years, the S&P500 is up 80% and RSP is up about 64%. Perhaps there will be a return to the norm for 2024 and the big tech firms settle down. One highlight of the year is seeing DSI (the sustainable index fund) beat the non-sustainable index S&P 500 by 2.54%.

Considering we are sustainable investors, we think it's proper to mention the somewhat poor year that clean energy stocks just faced. Even though solar and wind farms are popping up all over the world and eventually will lead to less CO<sub>2</sub> being emitted into our atmosphere, stock prices of most solar and wind companies dropped by double digits in 2023. The main reason was due to the increase in interest rates and its negative effect on these companies paying more to borrow for growth, or not borrowing at all. Keep in mind though, Chevron was down 16% and Exxon was down 9% in 2023, so it wasn't just the clean alternative energy sector that was beaten up. The dirty energy fund, Energy Sector SPDR Fund (XLE), was down more than 4% this year, as the energy sector was the worst performing sector in 2023.

After the hottest year on record, we're likely going to see increased risks of wildfires, droughts, floods, and what scientists call "disruptive inundation." Certain segments of business and stocks may benefit including HVAC systems for not only more homes, but cloud computing and artificial intelligence with server farms using vast amounts of energy. With droughts and water incidents likely to rise, more capital will be used on water treatment, filtration, pumps, meters, and pipes. And in line with this, cities, towns, governments, and industries need to make climate infrastructure more resilient as the planet warms.

## GREENY OF THE QUARTER

Don't ever go to the website [gunviolencearchive.org](http://gunviolencearchive.org). I say this only because it will make any normal human being sick to their stomach. This site lists every single gun related incident that has taken place including location, date and how many victims were involved. It is updated daily. Over 40,000 deaths occurred in 2023 via a gun, 1,300 were teens and over 250 were just children. There were 656 mass shootings in 2023 (four or more victims that were shot or killed in one incident). That's 54 of these per month or almost 2 per day. What in the world?

Though one may not realize it, you as an investor, may be supporting this problem by having savings invested in firearm manufacturers and retailers. Profiting from organic food or renewable energy is ok. Profiting from a family being torn apart because their child was murdered isn't.

Leave it to the bay area based non-profit, **As You Sow** to come up with a way to see how much you may own in these assault weapon manufacturers.

As You Sow Invest Your Values

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Q Search

**Gun Free Funds** is a search platform that helps investors realize how much stock they may own in companies that make and sell guns.

The easy to use website <https://gunfreefunds.org/> allows investors to simply type in a fund symbol. Then, one can see if they own companies like Northrop Grumman (NOC), Olin (OLN), Smith and Wesson (SWBI) and Sturm Ruger (RGR).

If your investment advisor isn't aware of being gun-free in their investment selection try and educate them.

Interested in learning more about our services,  
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