

Weekly
Update



**Brown
Socially
Responsible
Investment
Fund**

Macro Update

● Coronavirus:

- More than 500,000 cumulative cases and 24,000 deaths
- Last week, 3 million Americans applied for unemployment benefits
- S&P 500 recovers from 2200 to 2600 after Congress and the White House continue to negotiate a \$2trn bailout plan
 - Payouts: \$900bn to citizens, \$150bn to state/local gov, \$100bn to healthcare
 - Loans: \$350bn to small businesses and \$500bn to big businesses
- EU Commissioner Thierry Breton asked Netflix to stop showing video in high definition in order to "secure Internet access for all" ; Netflix will lower bit rates across Europe for the next 30 days
- Last week, $\frac{1}{3}$ of shoppers bought online groceries, and $\frac{1}{2}$ of those were 1st time online grocery users
 - Out of the largest e-grocery companies, Walmart has 58% market share, Amazon has 14%, Target has 10%
- Car manufacturers begin to manufacture ventilators and respirators, as the supply shortage increases

Consumer Retail

Total Return of Sector: 6.83%

Portfolio News:

- Starbucks has announced to offer free coffee to all front-line worker through May 3rd
- Nike has closed all stores in the U.S, Canada, Western Europe, Australia, and New Zealand to help prevent the spread of the virus, with its workers still paid in full.
- Home Depot's shares lost 22.8% over the past month. Though briefly rebounded after the Senate's stimulus plan, its performance remains volatile.
- Kellogg increases its COVID 19 food relief contribution to 5 million dollars while benefitting from consumers stocking up during the virus.

<i>Company</i>	<i>1 Week %</i>
HOME DEPOT	25.32%
KELLOGG	6.63%
MCCORMICK & Co	6.33%
NESTLE SA	6.61%
NIKE INC CLASS B	23.53%
PROCTOR & GAMBLE	7.32%
STARBUCKS	14.22%
UNILEVER PLC	4.41%
UNITED NATURAL FOODS INC	-25.85%

Consumer Retail

Industry Return: (+0.57%) S&P 500 Consumer Staples (+9.50%) S&P 500 Consumer Discretionary

Industry News:

- Retailers shift production to make masks, gowns for health-care workers in coronavirus pandemic.
- Nordstrom and other large retail companies suspend dividend, halts buybacks and taps credit in midst of coronavirus pandemic.
- Target has reported that sales are up 20% this month as customers stock up on food and household supplies from the chain's stores and website.
- Coronavirus may push Neiman Marcus to file for bankruptcy as it struggles with a 4.3 billion debt load and now is forced to close all stores due to the virus outbreak.

Stocks to Watch: Hellenic Bottling Company CCHBF (BUY)

- Greek company, which produces, sells and distributes many soft drinks including Coca-Cola.
- It has adopted an 'aggressive carbon reduction strategy,' and is developing low carbon technologies.
- 7 million euro net revenue in 2019 and 487.5 million euro net profit in 2019
- Top competitors: PepsiCo, Hansen Beverage Company, Danone.
- Consistently given AAA ESG rating. Awarded top beverage company for sustainability.

Energy and Utilities

Total Return of Sector: 6.26%

Portfolio News:

- **Brookfield Renewable** signed a definitive deal to buy out TerraForm Power; it will buy the remaining 38% stake it does not already own in an all-stock exchange (each Class A common share of TerraForm will be exchanged for 0.381 of Brookfield share)

<i>Company</i>	1 Week %
AMERICAN WATER WORKS	19.08%
BROOKFIELD RENEWABLE	14.80%
FIRST SOLAR INC	6.03%
NEXTERA ENERGY INC	20.93%
ORMAT TECHNOLOGIES	-4.19%

Energy and Utilities

Industry Return: -56.57% S&P 500 Energy Sector (1 Year), -14.83% S&P 500 Utilities (1 Year)

Industry News:

- Oil prices rose more than 3% on Tuesday based on hopes the U.S. will reach a deal on a \$2 trillion covid-19 aid package that would ease the economic impact of the outbreak and bolster oil demand
- Oil prices previously have fallen for four straight weeks, dropping around 60% since the start of the year; other energy products like coal and copper have also bit hit hard by covid-19; demand is expected to fall by more than 10 million barrels per day or about 10% of daily global crude consumption
- Saudi Arabia has unveiled a \$32 billion stimulus package on Friday to support their economy that has taken huge hits from dramatically lower oil prices and the growing covid-19 crisis

Stocks to Watch:

- **Phillips 66 (BUY)** - an American multinational energy company that specializes in producing natural gas liquids (NGL). Phillips 66 has been able to keep its input costs low compared to other refiners with low-cost Canadian crude. It has a conservative debt-to-capital ratio of 32% and it also has solid dividend yields. Until electric cars become the norm, this company appears to have a solid customer base.

Financials and Real Estate

Total Return of Financials: 13.52%

Total Return of Real Estate: 7.68%

Portfolio News:

- Accenture released earnings of US\$1.91 per share, beating expectations by US\$ 0.19
- In addition to the previous revisions to earnings guidance, Mastercard expects first-quarter growth in net revenues in the low-single-digit range.
- AvalonBay has withdraw full-year 2020 outlook, no further information has been released.
- Hannon Armstrong upgraded to buy from neutral at BofA with a target price of US\$25
- Intuit upgraded at Wells Fargo to overweight, target priced increased to 320 from 305.

<i>Company</i>	1 Week %
ACCENTURE PLC	8.10%
AMERICAN TOWER CORP	6.32%
AVALONBAY COMMUNITIES	3.06%
BROOKFIELD ASSET MGMT	1.39%
EQUINIX INC	6.83%
HANNON ARMSTRONG	13.89%
INTUIT INC	15.05%
MASTERCARD INC	15.86%
WEYERHAEUSER CO	13.26%

Financials and Real Estate

Industry Return: Financials: 18.8% , Real Estate: 18.2% (S&P 500 Sectors) (3/23-3/26)

Industry News:

- U.S banks are being forced to close branches indefinitely. JPMorgan Chase said it would close 20% of its branches while Capital One closed about a quarter of its 461 branches—about half in New York City
- The Mortgage Bankers Association estimates that if a quarter of all borrowers request and are granted loan forbearance, demands on servicers could exceed \$75 billion. This could bankrupt the mortgage finance system.
- Goldman Sachs intervened to shore up two of its money-market mutual funds after the Federal Reserve created a backstop to stem a wave of investor redemptions from the products. This brought the total cash injected last week to \$1.4 billion.

Stocks to Watch: ALL REITS

The current Covid-19 outbreak has led to a massive decrease in the values of REITS which are inherently tied to the market value and rent prospects of the land. This has led some REITS to currently trade below book value (Assets-Liabilities). This can provide the opportunity for a true value investment.

Healthcare

Total Return of Sector: 10.22%

Portfolio News:

- Boston Scientific has taken action to support projects that create single ventilators for multiple individuals, attempting to ease the virus-induced spike in demand
- CVS took action on Tuesday to limit the amounts of possible coronavirus-fighting drugs such as antimalarial Hydroxychloroquine customers could purchase as demand skyrocketed
- Stryker will pay a dividend of \$.57 on April 30th, down 70% from last year
- Zoetis received a buy rating from Credit Suisse and Barclays Tuesday and Thursday respectively

<i>Company</i>	1 Week %
BOSTON SCIENTIFIC	11.14%
CVS HEALTH CORP	5.29%
STRYKER	9.25%
ZOETIS INC	15.23%

Healthcare

Industry Return: +8.7% S&P 500 Healthcare Sector

Industry News:

- The Senate approved the largest economic stimulus package in recent memory, moving the estimated \$2 trillion bill to the House as Congress seeks to give American families and businesses a financial shield against the ravages of the new coronavirus pandemic. Senators approved the legislation 96-0. (WSJ)
- U.S. cases surpass those of China and Italy, with more than 85,000.
- Health-services giant UnitedHealth Group is rolling out a new coronavirus test that patients can self-administer.
- A Navy hospital ship will deploy to New York City this weekend to alleviate the onslaught of coronavirus patients filling the area's hospitals, President Trump told reporters Thursday.

Stocks to Watch:

- Moderna Inc. (MRNA) (BUY) : Currently developing one of the most advanced COVID-19 vaccines. In Phase 1 of clinical trials. YTD stock performance +51.4%.

Industrials

Total Return of Sector: +4%

Portfolio News:

- **Allegion** will announce Q1 financial results on 4/23/20 before market open
- **Cummins** makes a second round of cash investment in Loop Energy, a Canadian hydrogen fuel-cell company
- **Federal Signal Corp** announced a new share buyback program for up to \$75 million worth of shares
- **Siemens** CEO Joe Kaeser to be replaced by deputy CEO Roland Busch in early 2021

<i>Company</i>	1 Week %
ALLEGION PLC	9.97%
CUMMINS	13.35%
FEDERAL SIGNAL CORP	3.19%
KEYSIGHT TECHNOLOGIES	-5.57%

Industrials

Industry Return: +15.36% (Fidelity)

Industry News:

- United Technologies gains approval from US Justice Department for merger with defense contractor Raytheon after agreeing to sell off certain parts of its business
- Airlines set to receive \$32 billion in cash aid from coronavirus stimulus bill so that workers can continue to be paid, contingent on pause of share buybacks
- General Motors, Ford, and Fiat Chrysler to temporarily shutter factories as coronavirus threat spreads

Stocks to Watch:

Stanley Black & Decker (BUY) - SWK is currently below their P/EBIT Fair Value price of \$135, dividend yield of 3.5%, dividend growth of 6% over last 5 years. Net margin of 6.6%

TMT

Total Return of Sector: -6.09%

Portfolio News:

- **AT&T** offers new plan for prepaid customers, temporarily boosts pay rate for 100,000 union workers by 20%, offers subscriber free HBO, **Verizon** forgiving late payments
- Chinese hackers hit Citrix, **Cisco** vulnerabilities
- **Microsoft** confirms unprecedented changes to Windows 10, Slack working on integrating with Microsoft Teams for calls

<i>Company</i>	1 Week %
ADOBE INC	3.28%
APPLIED MATERIALS INC	19.51%
AT&T	4.71%
CISCO SYSTEMS INC	9.02%
IROBOT CORPORATION	13.03%
MICROSOFT CORP	8.97%
NVIDIA CORP	23.41%
QUALCOMM	9.75%
VERIZON COMMUNICATIONS	1.72%
WALT DISNEY CO	12.14%

TMT

Industry Return: ~5%

Industry News:

- **Facebook** nears complete board overhaul with latest exit of Jeffrey D. Zients
- New York launched a “**Technology SWAT team**” to support the state’s response to COVID-19
- Stocks were climbing in mid-day trading Thursday, with MSFT up 4.6%, AAPL up 3.5%, IBM up 4.9%, CSCO up 4.5%, and GOOG up 3.7%
- Slack reported rapid increase in users and paid users amid COVID-19 lockdown. Rose 2 million and average use grew by 20%

Stocks to Watch:

A10 Networks (ATEN) +9%, networking software and equipment company

SS&C Technologies (SSNC) +4.6% after software firm disclosed plans to boost liquidity

SRIF Sector Breakdown

Diversified Industries

2.3%

Retail

5.2%

Media & Telecom

8.1%

Financials

9.1%

Real Estate

9.3%

Healthcare

10.7%

Energy & Utilities

16.3%

Consumer Products

13.3%

Technology

13.1%

Industrials

12.5%

