

Weekly
Update



**Brown
Socially
Responsible
Investment
Fund**

Macro Update

U.S. Economic Uncertainty

- Value of overall retail sales falls 8.7% in March. The decline is the largest since on Commerce Department records dating back to 1992
- After \$2.3trn stimulus, the S&P 500 enjoys its best week since 1974
- 17MM Americans now unemployed, according to the third week of jobless claims
- Apple and Google collaborate on contact-tracing app
- Saudi Arabia and Russia end price war, and decide to cut production by 23%
- JP Morgan saw its profit fall 70%, as it expects to cover \$6.8bn in defaulted loans, but trading revenues rose by 32%
- The Trump administration has reached an in-principle agreement with major airlines over a bailout totalling \$25 billion. The program is structured as part grant, part loan. The Treasury also received warrants to buy stock in participating companies

Covid-19 in Europe

- German Chancellor Angela Merkel announces steps to lift lockdown. The plan includes leaving most restrictive measures in place until at least May 3. Restaurants, bars and gyms are to remain closed indefinitely and no large events such as concerts, festivals and soccer matches will take place until late August at the earliest
- This week, Spanish officials permitted a limited number of workers to return. Wednesday, Spain recorded the largest single day increase in Covid-19 cases in six days
- Italian officials have reported the fewest new confirmed Covid-19 cases in four and a half weeks

Consumer Retail

Total Return of Sector: +0.043%

Portfolio News:

- **Starbucks** claimed its fiscal second-quarter profit would likely drop by 47% due to the virus impact, meanwhile abandoning its full-year forecast. Suspended its share buyback program while continue to pay dividends.
- **Nestlé SA** announced its partnership with The Rainforest Alliance to expand its IBM Food Trust blockchain technology to its Zoégas coffee brand
- **United Natural Foods Inc's** shares have added about 84% in that time frame, outperforming the S&P 500.

<i>Company</i>	<i>1 Week %</i>
HOME DEPOT	3.55%
KELLOGG	-1.87%
MCCORMICK & Co	-3.61%
NESTLE SA	-1.28%
NIKE INC CLASS B	-0.08%
PROCTOR & GAMBLE	-3.27%
STARBUCKS	4.79%
UNILEVER PLC	0.55%
UNITED NATURAL FOODS INC	1.60%

Consumer Retail

Industry Return: (+0.94%) S&P 500 Consumer Staples (+5.37%) S&P 500 Consumer Discretionary

Industry News:

- The middle-income and luxury department store chains face growing debt obligations with little cash coming in as their stores remain closed due to the coronavirus pandemic, Moody's and S&P lower credit ratings on **J.C. Penney** and **Neiman Marcus**

Penney and **Neiman Marcus**

- **Best Buy** retains 70% of sales despite move to curbside service amid Covid-19, 51,000-plus workers to be furloughed
- **Target** upgraded on market share growth forecast post-coronavirus as competitors close for good

Stocks to Watch: Danone DANOY (BUY)

Food company with an emphasis on the circular economy through its packaging, working towards carbon neutrality. It has revenue of 24.65 bn Euros and its top competitors are Nestle, Kraft Heinz, and Unilever. Danone has a like-for-like sales growth of around 3% and recurring operating margin above 15%.

Energy and Utilities

Total Return of Sector: 5.4%

Portfolio News:

- **American Water Works'** subsidiary Pennsylvania American Water will invest \$14.2 million into three infrastructure projects across its service areas
- **First Solar Inc** announced a operations update: manufacturing in their main plants have not been halted despite COVID-19 and will continue in Ohio, Malaysia, and Vietnam

<i>Company</i>	1 Week %
AMERICAN WATER WORKS	8.42%
BROOKFIELD RENEWABLE	6.60%
FIRST SOLAR INC	10.07%
NEXTERA ENERGY INC	4.59%
ORMAT TECHNOLOGIES	-2.50%

Energy and Utilities

Industry Return: 5.46% S&P 500 Utilities, -47.70%

Industry News:

- OPEC members have finalized an agreement to cut production of oil by 9.7 million barrels per day instead of the proposed cut of 10 million barrels; Mexico will cut 100,000 barrels per day instead of 400,000 barrels per day
- Europe's largest solar power facility Nunez de Balboa is running and will be able to supply energy to 250,000 people per year

Stocks to Watch:

- **Enbridge Inc:** BUY

A Canadian multinational energy transportation company based in Calgary, Alberta; transport nearly 20% of the natural gas consumed in the U.S.; growing investments in renewable energy; named top 50 Corporate Citizens in Canada for 17 years; PEG ratio of 1.41, compared to 3.38 industry average; good dividend stock with 8.07% yield; dropped around 20% since March; great opportunity to catch on rebound

Financials and Real Estate

Total Return of Financials: 5.57%

Total Return of Real Estate: 13.27%

Portfolio News:

- **Avalon Bay** withdrew its 2020 outlook due to uncertainty and has drawn \$750 million from its \$1.75 billion credit facility during the crisis
- **Intuit** was approved on Friday to take part in the US emergency lending program, setting the trend for further collaboration between government and growing finch firms
- **ESG concern: Brookfield Asset Management** is bidding to take a 49% stake in the Abu Dhabi National Oil Company's natural gas pipeline business, contrary to the values of our fund
- **Mastercard** is caught in a dilemma whether to raise fees or not during a time of crisis. The decision is pending, and could have adverse effects for small businesses.

<i>Company</i>	1 Week %
ACCENTURE PLC	7.60%
AMERICAN TOWER CORP	11.91%
AVALONBAY COMMUNITIES	11.71%
BROOKFIELD ASSET MGMT	5.89%
EQUINIX INC	9.02%
HANNON ARMSTRONG	24.79%
INTUIT INC	6.51%
MASTERCARD INC	4.40%

Financials and Real Estate

Industry Return: Financials: 4.61% Real Estate: 10.69%

Industry News:

- This coming week are earnings for some of America's largest banks: JP Morgan, BOA, Wells Fargo, Citigroup, and Morgan Stanley. Results will largely serve as an indicator of the health of the US economy and will hint the future outlook of the financial sector
- Spring season is usually a rapidly increasing time for home listings but the coronavirus has hit things hard and listings are down 27% from last year, ultimately slowing the market and leading to further uncertainty for asset holders and buyers
- Developers continue to struggle in an environment where demand from buyers is declining and project timelines are growing. Virtual sales pitches don't seem to be producing necessary outcomes
- The small business loan program seems to be slow and first applicants are still waiting anxiously for needed capital to survive. Many small businesses are trading water, and a large lag in this stimulus could lead to bankruptcies.
- Evercore and Lazard are teaming up with Boeing to advise on raising lifesaving capital highlighting the shift investment banks are making to serve as advisors and debt underwriters rather than equity underwriters and lenders

Stocks to Watch: Blackrock(NYSE: BLK)-**BUY**- An American global investment management corporation, it is the world's largest asset manager. With large ESG initiatives for the coming years and lower valuations at the moment, it could be a solid buy. They were recently assigned to advise the Fed on a bond-buyback and ETF buying program which will most likely generate large fees from their own products. P/E: 16.2 which is pricier than most Asset manager's but justified by the firm's dominance and diversity across sectors.

Healthcare

Total Return of Sector: 5.51%

Portfolio News:

- Boston Scientific expects first quarter revenue growth to be flat to up slightly as significant portions of elective procedures are delayed around the globe. Earnings will be released on April 29th.
- CVS plans to increase its number of drive through COVID testing locations in the coming weeks
- Stryker recently created a low-cost medical bed and plans to produce upwards of 10,000 per week to fill the bed shortage across U.S. hospitals
- Zoetis acquired Performance Livestock Analytics, expanding analytics offered to livestock producers.

<i>Company</i>	1 Week %
BOSTON SCIENTIFIC	6.62%
CVS HEALTH CORP	8.25%
STRYKER	5.79%
ZOETIS INC	1.36%

Healthcare

Industry Return: S&P Healthcare **+2.05%**

Industry News

- According to the WSJ, more than 9,000 U.S. health-care workers have contracted the new coronavirus. The numbers from the CDC offer the first nationwide snapshot of how the Covid-19 pandemic is hitting front-line caretakers.
- Johnson & Johnson (JNJ) unveiled first-quarter results on Tuesday that topped analysts' expectations, but the focus was on the company's revised profit forecast for 2020. The Coronavirus crisis will hurt the bottom line, but the company's business diversity and financial strength mean that the hit will be manageable. J&J shares rose 4.5% Tuesday to \$146.03.
- After Congress and President Trump signed a massive \$2.2 trillion relief package less than two weeks ago, Democrats and Republicans have come together to discuss a second round of relief. However, this week Republicans and Democrats rejected each other's plans for the next tranche, leaving uncertain when more aid would be approved.

Stocks to Watch:

- Moderna (MRNA): Currently in Phase 1 trials for a COVID-19 vaccine. This is one of the latest phase trials in the pipeline for a COVID-19 vaccine. Shares are up 88% YTD.

Industrials

Total Return of Sector: 2.75%

Portfolio News:

- **Allegion** will incur \$30M by 2021 in cost-cutting actions across non-US locations, mostly related to employee termination benefits
- **Cummins** partners with 3M to produce high-efficiency particulate filters for use in respirators
- **Siemens** announces that there will be no job cuts from COVID-19 impact

<i>Company</i>	1 Week %
ALLEGION PLC	4.49%
CUMMINS	-3.06%
FEDERAL SIGNAL CORP	-5.19%
SIEMENS AG	-3.02%

Industrials

Industry Return: 1.89% (S&P Industrials)

Industry News:

- Several airlines include Delta, American, JetBlue and Southwest said they reached deals for portions of \$25 billion in payroll grants to help weather the coronavirus.
- Global airlines' estimated coronavirus losses rise to \$314 billion
- General Electric offered to buy back at least \$9 billion in debt as part of a plan to cut its financial risk and manage liquidity in response to the coronavirus pandemic.

Stocks to Watch:

Roper Technologies Inc (BUY) -provides software, engineering, measurement, and cybersecurity products. Annual dividend growth 13.56% in the last 3 years. YoY net income growth 238.82%.

TMT

Total Return of Sector: +2.95%

Portfolio News:

- **Walt Disney's** streaming service Disney+ (now with 50m+ subscribers) has overtaken its other streaming service, Hulu, despite only launching 5 months ago. Disney+ is getting ever closer to reaching Amazon's Prime Video which is currently at 100m subscribers
- **AT&T** has announced they are offering 3 months of free service to nurses and doctors to show its appreciation for those fighting the Covid-19 pandemic.
- **Cisco** pledged US\$225m to Covid-19 relief which included building and lending their video-conferencing machines to hospitals

<i>Company</i>	1 Week %
ADOBE INC	-0.13%
APPLIED MATERIALS INC	7.45%
AT&T	4.38%
CISCO SYSTEMS INC	-0.56%
IROBOT CORPORATION	13.34%
MICROSOFT CORP	-0.08%
NVIDIA CORP	-2.03%
QUALCOMM	0.89%
VERIZON COMMUNICATIONS	1.31%
WALT DISNEY CO	4.94%

TMT

Industry Return: 0.2% (Fidelity Sector & Industries Overview)

Industry News:

- Adobe announced the first Digital Economy Index, which analyzes trillions of online transactions across 100 million product stock-keeping units. Covid-19 has driven a huge surge in eCommerce with the digital economy growing at a faster pace than the economy as a whole.
- Apple and Google are releasing tools for software developers to create contact-tracing applications that can track when smartphones have been near each other. President Trump announced that the White House will take a “very strong look” at this plan.

Stocks to Watch:

- DocuSign Inc (DOCU, \$90.63 **BUY**), software-as-a-service firm known for its e-signature solutions. The company is experiencing strong demand as it is unaffected by the Covid-19 crisis (40% year-over-year revenue growth in last quarter of 2019). The stock rose 7.1% in March while the S&P returned -12.4%.

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%

