

Weekly
Update



**Brown
Socially
Responsible
Investment
Fund**

Macro Update

- **COVID-19:**

- Even with mass testing, the University of Illinois at Urbana-Champaign sees a spike in cases, even as other universities begin to reopen; today, Brown's Quiet Period draws to a close
- AstraZeneca sees an interruption in trials of its vaccine candidate, currently in Phase Three, after a volunteer came up with spinal cord damage

- **Electric Cars:**

- Earlier this week, electric vehicle manufacturer Nikola stock rose 40% on news that GM investing in its electric vehicles, despite Nikola not having produced any real vehicles to date; this ended when a short seller accused Nikola of fraud, which sent it down to \$12bn, from \$19bn
- Tesla fails to make it into the S&P 500 as anticipated, in a blow to Elon Musk; the new additions to the index are instead Etsy, Teradyne, and Catalent

- **Trade Wars:**

- The federal government has not moved the deadline for TikTok's forced acquisition; after TikTok rejected Microsoft as a potential buyer, Oracle is the new front-runner
- French luxury goods company LVMH is attempting to annul its acquisition of Tiffany's, using worsening trade relations between the US and France as a reason to do so

Consumer Retail

Total Return of Sector: 3.42%

Portfolio News:

- **Unilever (ULVR)** plans to spend 1 billion Euros to cut fossil fuel based chemicals from its detergent products
- **Home Depot (HD)** has seen increased customer as part of the DIY chains benefitting from lockdown home improvement

<i>Company</i>	<i>1 Week %</i>
HOME DEPOT	-4.30%
KELLOGG	-4.51%
MCCORMICK & Co	-3.97%
NESTLE SA	-1.38%
NIKE INC CLASS B	-2.01%
PROCTOR & GAMBLE	-0.48%
STARBUCKS	-4.29%
UNILEVER PLC	-3.14%
UNITED NATURAL FOODS INC	0.88%

Consumer Retail

Industry Return: (-0.10%) S&P 500 Consumer Staples (+1.03%) S&P 500 Consumer Discretionary

Industry News:

- **Kraft Heinz (KHC)** has struck a deal with France's Lactalis to sell parts of its cheese business for \$3.2bn, using the money to alleviate its \$26bn debt burden. Disposal is part of latest moves to shore up balance sheet.
- **EP Global Commerce** is eyeing fresh takeover bid for German wholesaler Metro in a deal valued at 3.1bn Euros; shares in Metro were up 7% from the news.
 - Metro warned shareholders last year that an initial takeover offer could burden the company with high debt.
- **Peloton (PTON)** sees its first ever net quarterly profit, sending its shares to record high. Earnings per share were almost triple expectations, with net profits of \$89.1m dollars. Paid digital subscriptions also grew 210% to 361,800.
- **Ocado** (an online British supermarket) sees 52% sales surge in Q3 following a switch to M&S products as the pandemic generates demand for online groceries.. It's now worth double the combined value of Sainsbury's and Morrisons despite small market share.

Stocks to Watch: Kroger Co (NYSE:KR)

- American retail company. It is largest supermarket by revenue and the second-largest general retailer in the US
- Digital grocery sales more than double (+127%) causing strong Q2 results and profitability is predicted to rise 45-50%
- Strong focus on "Restock Kroger" (digital ecosystem, personalization capabilities, etc.) as the pandemic gets baked into the economy
- Increasing focus on sustainability with 2020 goals and a zero waste pledge that makes them unique in the industry

Energy and Utilities

Total Return of Sector: 1.44%

Portfolio News:

- **Brookfield Renewables** received approval to merge with Terraform Power - owner of over 4,200 MW renewable power portfolio - to create one of the largest renewable platforms globally
- **First Solar** announced its first 141MW solar power plant in Chile which will deliver grid services commercially

<i>Company</i>	1 Week %
AMERICAN WATER WORKS	-2.38%
BROOKFIELD RENEWABLE	1.10%
FIRST SOLAR INC	-15.56%
NEXTERA ENERGY INC	-5.97%
ORMAT TECHNOLOGIES	2.15%
XYLEM INC	-0.57%

Energy and Utilities

Industry Return: 0.76% S&P 500 Energy, 0.73% S&P 500 Utilities

Industry News:

- Google on Monday pledged that by 2030 it will run its entire business on carbon-free energy — every hour of every day of the year.
- The U.S. saw 168 MW/288 MWh of energy storage deployed in Q2 2020, the industry's second-largest deployment behind Q4 2019, according to a joint report by Wood Mackenzie and the U.S. Energy Storage Association.

Stocks to Watch: Eversource Energy (NYSE: ES)

Fortune 500 energy company that engages in the generation, transmission, and distribution of natural gas, water, and electricity. The company reported net income growth of 662.3% on revenue growth of 3.6% in Q2 2020, which ended June 30, 2020.

Financials and Real Estate

Total Return of Financials: **2.31%**

Total Return of Real Estate: **4.65%**

Portfolio News:

- **Mastercard Incorporated** announced a partnership with HSBC to promote more sustainable and inclusive communities earlier this month
 - Through “City Possible,” Mastercard’s partnership and co-creation framework for cities, the two companies will channel their collective resources to promote urban development
- **Intuit Inc.’s** \$7.1B February acquisition of Credit Karma, a fintech startup and personal credit tool, last month fell under scrutiny from the DOJ for antitrust

<i>Company</i>	1 Week %
ACCENTURE PLC	-1.37%
AMERICAN TOWER CORP	-8.27%
AVALONBAY COMMUNITIES	-2.21%
BANK OF AMERICA	-5.30%
BROOKFIELD ASSET MGMT	-1.59%
EQUINIX INC	-2.40%
HANNON ARMSTRONG	-5.87%
MARSH AND MCLENNAN	-1.98%

Financials and Real Estate

Industry Return: S&P 500 Financials **0.17%**, S&P 500 Real Estate **3.02%**

Industry News:

- Ernst & Young, a large accounting firm that failed to recognize German fintech company Wirecard AG's suspected fraud, said auditors should play a bigger role in detecting such wrongdoing, challenging the accounting industry's longstanding assertion that its job isn't to seek out malpractice
 - Germany's audit regulator is investigating EY for its audit of Wirecard, which collapsed after disclosing that \$2 billion it had claimed on its balance sheet probably didn't exist
- Citigroup's Jane Fraser to Succeed Michael Corbat as CEO
 - Earlier in September Citi announced that Jane Fraser, the company's current president, will succeed Corbat as the first female CEO of a major banking institution
- U.S. property insurers have won a number of judicial rulings backing up their rejections of claims for businesses' lost income during government-ordered shutdowns, dimming policyholders' hopes of payments to help them rebound

Stocks to Watch:

The Blackstone Group Inc., a leader with respect to AUM and diversification in the private equity industry (which has record amounts of dry powder) continues to expand into niche, untapped spaces (like mobile homes recently) during COVID in efforts to continue its industry-leading returns through the pandemic.

Healthcare

Total Return of Sector: ~1.6%

Portfolio News:

- On September 9th, **Zoetis** launched Vetscan Imagyst™, a diagnostic platform to detect parasites at the time of veterinary visits
- **CVS** has seen minimal revenue growth during the pandemic, which is largely attributable to a nearly 5% drop in front store revenues
- **Stryker** was named the best workplace in manufacturing and production by Fortune
- On September 9th, **Boston Scientific** Launched Vercise Genius™ DBS System in Europe
 - This Deep Brain Stimulation (DBS) device has a strong track record of controlling patient symptoms in neurodegenerative diseases, namely Parkinson's Disease

<i>Company</i>	1 Week %
BOSTON SCIENTIFIC	-5.90%
CVS HEALTH CORP	2.00%
STRYKER	-3.39%
ZOETIS INC	-0.47%

Healthcare

Industry Return: **0.16%** (S&P 500 Health Care)

Industry News:

- Number of total confirmed cases of coronavirus reach almost 30 million globally
- China with possibility of introducing vaccine early as November
- United Arab Emirates approve emergency usage of Chinese vaccine
- Germany expected to invest 750 million euros in three local companies for vaccine development
- Marinus Pharmaceutical drug Ganaxolone met primary endpoint in phase 3 study targeting CDD (CDKL5 deficiency disorder)

Stocks to Watch:

Cardinal Health (**NYSE: CAH**)

- Healthcare services and products company providing variety of medical solutions such as pharmaceuticals and medical products for hospitals, clinical laboratories, healthcare systems, pharmacies, etc. Products consist of a broad range of medical products and services such as over the counter healthcare products, surgical products (e.g surgical attire, gloves) and pharmaceutical packaging.

Industrials

Total Return of Sector: **2.38%**

Portfolio News:

- **Allegion** declared a \$0.32 dividend covered by profits and cash flow, but investors are still concerned over divestiture in Colombia and Turkey.
- BSE (formerly Bombay Stock Exchange) selected **Keysight** to provide an architecture to monitor secure financial trading networks.
- **Cummins** promoted 6 employees to officer positions, including 4 women and 2 people of color

<i>Company</i>	1 Week %
ALLEGION PLC	-2.68%
BALL CORP	26.15%
FEDERAL SIGNAL CORP	-4.74%
KEYSIGHT TECHNOLOGIES	1.26%

Industrials

Industry Return: 0.08%

Industry News:

- Airlines continue to grapple with worker unions: Lufthansa announced more job and fleet cuts, Delta announced no more furloughs, but extends pay cuts, United and pilots reach agreement to avoid 3,000 furloughs.
- Fedex Corp. upped prices after a massive delivery surge of 36% over Covid-19. Wall Street responded with a stock price increase of 9.4%.
- Hitachi exits the U.K. Nuclear Power Project, a 16 billion pound project off of the coast of north Wales, nixing an opportunity for thousands of jobs and U.K.'s ambition to be “net zero carbon” by 2050
- The U.K. considering stipulations for Nvidia's \$40 billion takeover of Arm Ltd., the U.K.'s most valuable tech company.

Stocks to Watch: Union Pacific Corporation (NYSE: UNP)

- Union Pacific stock went up 11% in August and celebrated their 150 year anniversary on Tuesday for being listed on the New York Stock Exchange for 150 years.
- Expectations for Union Pacific were heightened due to the connection with the e-commerce surge that more mainstream shipping companies like FedEx and UPS are currently capitalizing on.
- A massive industrial transportation park was recently approved in the Rocky Mountains which will further benefit UNP's ability to sustain high traffic on the railways.

TMT

Total Return of Sector: 7.61% YTD

Portfolio News:

- **Adobe** announced Q3 results, beating analyst expectations for EPS and sending shares upwards
- **Microsoft** has increased its dividend payments by around 10% and announced a partnership with BP to receive renewable energy
- **Nvidia** is planning a \$40 billion acquisition of Arm, a leading provider of integrated processors for smartphones and supercomputers
- Samsung is reportedly the new producer of **Qualcomm**'s new flagship chipset, the Snapdragon 875
- **Verizon** completes a \$7 million acquisition of TracPhone, bringing 21 million prepaid customers onto Verizon's network

<i>Company</i>	1 Week %
ADOBE INC	-2.19%
APPLIED MATERIALS INC	1.21%
AT&T	-2.09%
CADENCE DESIGN SYS	-2.28%
CISCO SYSTEMS INC	-3.15%
MICROSOFT CORP	-0.65%
NVIDIA CORP	-2.72%
QUALCOMM	-2.37%
VERIZON COMMUNICATIONS	-1.29%

TMT

Industry Return: Dow Jones U.S. Technology Index:

Month-to-Date Returns (-7.38%), Quarter-to-Date Returns (10.13%), Year-to-Date Returns (24.47%)

Industry News:

- **Oracle beats Microsoft in the bid to acquire Tik Tok**, however, the logistics of this acquisition are unclear. Oracle is set to be Tik Tok's "trusted tech partner" in the US, and the deal still seeks approval from the US government.
- **Google unveils office videoconferencing system called Meet Series One.** It uses a series of mics and AI to determine the speaker's voice and reduce background noise.
- **Amazon and Microsoft continue to stand off in the cloud-computing business.** Microsoft recently announced a partnership with Abnormal Security Corp, which will allow it to incorporate Abnormal's email security services into the Azure cloud.

Stocks to Watch: Oracle Corp. (NYSE: ORCL) - provider of business software and consulting

- **Major gains in the cloud computing sphere** are at stake for Oracle if strategic partnership with Tik Tok is successful.
- Oracle would gain **access to the proprietary algorithm** and store Tik Tok's massive amounts of **user data on its servers.**
- This deal would make the company very **competitive with cloud leaders** Amazon and Microsoft.

Diversified Industries

Total Return of Sector: -3.09%

Portfolio News:

- **Danaher Corp** announced a regular quarterly cash dividend of \$0.18 per share of its common stock.
- **Intuit** initiated at overweight at Piper Sandler, price target \$351
- **Disney's** 'Mulan' disappoints at China's box office, bringing in a tepid \$23 million in its opening weekend. Disney is also reportedly set to delay 'Black Widow'.

<i>Company</i>	1 Week %
Danaher Corp	-0.74%
Hannon Armstrong	-5.87%
Intuit Inc	-1.61%
Walt Disney Co	-3.07%

Diversified Industries

Industry Return:

Industry News:

- Berkshire Hathaway and Salesforce each agreed to purchase \$250 million of Snowflake's stock, a cloud-based data storage and analysis provider, at the IPO price in a concurrent private placement, giving a vote of confidence to the much anticipated IPO.
- Nvidia to buy Arm Holdings from Japanese conglomerate SoftBank for \$40 billion. Arm designs the architecture for mobile chips used in almost every mobile device in the world, from the iPhone to just practically every Android device.
- Ant Group filed for a dual listing in Hong Kong and Shanghai, reportedly targeting a \$30bn capital raise, making it the largest IPO in history.

Stocks to Watch: Madison Square Garden Sports (NYSE: MSGS)

- Holding company for the New York Knicks, New York Rangers and Counter Logic Gaming, an esports team
- Share price has taken a large hit (down 23.3% YTD) and will benefit greatly from the reopening and the return of sports.
- Market cap of \$3.8bn when the Knicks alone are valued at \$4bn. NBA teams have seen significant appreciation in franchise value over the past few years due to the growing popularity of basketball overseas.

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%

