

Weekly
Update



**Brown
Socially
Responsible
Investment
Fund**

Macro Update

Politics:

- Justice Ruth Bader-Ginsburg passed away on Friday night
 - Political battle to confirm her replacement ensuing, but likely to go Republicans' way
 - Conservative majority could mean stark changes to ACA, DACA, abortion rights, and regulatory environment
- Fires continue to rage across the PNW; Pres. Trump ignored climate change concerns
 - On Tuesday, China committed to becoming carbon neutral by 2060
- "At UNGA, U.S. accused China of 'infecting the world'"
- India-China border conflict was rapidly de-escalated, with both sides withdrawing troops

COVID-19 Update and Macro Indicators:

- Jerome Powell pledged to continue aiding the economy 'for as long as is needed'
- **Rebounding cases across Europe**, with the UK re-imposing some restrictions
- CBO **lowered forecast for US GDP growth** for the next three decades and raised estimates of the debt burden, citing the COVID-19 induced recession as the primary driver
- Jobless claims slowed, but so did employment growth
- IHS Markit analysis shows that trade is rebounding more quickly than it did after 2008, but levels remain below pre-COVID

Markets:

- FinCEN Files: big banks including JPMorgan, Barclays, StanChart and HSBC **facilitated money laundering, terrorist financing, and sanction avoidance** through lax controls, reporting suspicious activity but not curbing it
- Prices fell across asset classes last week
 - **10 out of 11 S&P 500 sectors saw a decline**, with only Tech seeing a rise
- General Electric and Walmart announced sustainability-focused business transformations

Consumer Retail

Total Return of Sector: -19.24%

Portfolio News:

- Despite a fall in profits, **Starbucks' (SBX)** European division paid \$175m in dividends to US parent company.
- **Unilever (ULVR)** shareholders have approved plans to transfer the company into a London-based entity as part of its attempts to simplify its corporate structure.

<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: (-0.67%) S&P 500 Consumer Staples (-1.10%) S&P 500 Consumer Discretionary

Industry News:

- **Walmart** is (probably) purchasing 7.5% of TikTok and plans on bringing “omnichannel retail capabilities” to the app leveraging customer data for advertisement...
 - This could be a big deal for the US social commerce industry (a huge potential market)
- **Tractor Supply (TSCO)** opened its 1,900th store this week (one of 80 this year). This is *especially* a milestone in 2020 given that 25,000 stores are likely to close. Their same-store sales grew 35% last quarter and total sales grew double digits in *every* category!
- **Pottery Barn** is launching a new line reselling returned and imperfect goods, reflecting the growing value of sustainability to consumers and the rapidly growing resale market

Stocks to Watch: **Nike Inc** (NYSE: NKE)

- The athletic apparel and gear maker reported an unexpected fiscal Q1 earnings increase with a jump in digital sales. Analysts expected EPS to fall 47% but instead it rose 10%... This was mostly due to Europe-Mideast-Africa sales rising (triple-digit digital growth). Nike’s share price reached a record high.

Energy and Utilities

Total Return of Sector: -2.31%

Portfolio News:

- approximately 8.2%, of the **First Solar's** outstanding common stock sold off by the largest shareholder, Walmart heir Lukas T. Walton
- **NextEra Energy** announced today that it has agreed to sell \$2.0 billion of equity units to BofA Securities and Barclays.

<i>Company</i>	1 Week %
AMERICAN WATER WORKS	-1.82%
BROOKFIELD RENEWABLE	0.07%
FIRST SOLAR INC	-14.47%
NEXTERA ENERGY INC	-0.82%
ORMAT TECHNOLOGIES	-0.95%

Energy and Utilities

Industry Return: 1.03% S&P 500 Energy, 0.64% S&P 500 Utilities

Industry News:

- General Electric, one of the world's largest manufacturers of coal-fired power plants, announced its exit from the coal industry as they will continue their focus on its core renewable energy program. It will no longer build coal-fired power plants.
- As oil demand reduces (OPEC extends its forecast on decline in global oil demand), Saudi Aramco is slowing down their investment in natural gas and petrochemicals
- Australia plans to invest A\$18b (US\$17.7b) over the next 10 years in technology to cut carbon emissions

Stocks to Watch: First Solar (NASDAQ: FSLR)

First Solar is a leading global provider of comprehensive PV solar solutions and is owned by this fund. The stock dropped 10% on Thursday September 17th as the largest shareholder, Lukas T. Walton, sold 8.65 million shares to provide funds for new impact investments. Sources show the secondary offering of the 8.65 million shares was met with decent institutional investor demand.

Financials and Real Estate

Total Return of Financials: **-1.22%**

Total Return of Real Estate: **-4.75%**

Portfolio News:

- Accenture announces plans to acquire N3 to increase virtual sales capabilities.
- AMT traded down following the EVP's decision to sell 18,440 shares for a total of \$4,774,853.60
- Equinix plans to further its partnership with VMware, Inc. to accelerate digital transformations on the enterprise level.

<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%
MARSH AND MCLENNAN	-1.98%
MASTERCARD INC	-1.13%

Financials and Real Estate

Industry Return: S&P 500 Financials **-3.84%**, S&P 500 Real Estate **-7.21%**

Industry News:

- The Financial Crimes Enforcement Network (FinCEN) released documents compiled by banks and shared with the US government that expose wide-spread criminal activity throughout the US banking system.
- Cowen analyst asserts that Ruth Bader Ginsburg's death will lead to a slowdown in financials and real estate in reaction to the reduced likelihood of continued stimulus and potential for a government shutdown.
- U.S. previously-owned homes sales reach an all-time high since 2006 with low mortgage rates and increased demand for suburban real estate.

Stocks to Watch: **Prologis Inc.** (NYSE: PLD) - Industrial Real Estate REIT

- At a share price of \$96.61, PLD is up 11.94% YTD compared to a sector return of -6.60%.
- Solid positioning in the sector due to a strong balance sheet, increased dividends, and accretive inorganic growth potential.
- Industry trends of rental growth and a shift towards supply-chain efficiencies are tailwinds and supported by PLD's innovative shopping services and last-mile delivery solutions.

Healthcare

Total Return of Sector: ~1.6%

Portfolio News:

- **Boston Scientific** announced on September 21st that they signed an investment agreement with an exclusive option to acquire Farapulse, Inc.
- **CVS Health**; CVS Pharmacy expanding COVID testing centers for children-- addition of 2000 new test sites at CVS Pharmacy drive-thru testing locations for children 12 years or older; Additional 120 new testing sites across the country
- **Stryker**: Launched the xSOS 3 ankle fusion titanium plate system, a new technology assisting fusions of the tibio-talar joint
- **Zoetis Inc**: Named “100 Best Companies for Working Mothers” in *Working Mothers* magazine

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

Healthcare

Industry Return: -2.55%

Industry News:

- The Global and US Covid-19 death counts surpassed 1 million and 200 thousand respectively.
- The race for a Covid-19 vaccine rages onward as frontrunners Moderna, AstraZeneca, and Pfizer continue stage-3 trials. According to the head of the CDC, current estimates have a widespread vaccine available by mid-2021. Moderna stated it will have stage-3 results this fall.
- Genetic sequencing firm Illumina purchased the remaining part of liquid biopsy firm Grail for \$7.1bn. Grail is a leader in blood-based diagnostic tests for various cancers.

Stocks to Watch: Pfizer (NYSE: PFE)

- Pfizer boasts an advanced and diverse portfolio of medicines, vaccines, and consumer healthcare products. The Pfizer-partnered vaccine trial was designed in a manner where data can be reported over its duration as well as after, which could potentially give it an advantage in the vaccine race. Furthermore, the stock sports a 3% dividend and has a handful recent successful drug launches.

Industrials

Total Return of Sector: **-2.49%**

Portfolio News:

- **Ball Corporation** shares peaked to a 52 week high at \$85 per share. This rally was largely driven by acquisitions, investment in capacity expansion, and Q2 earnings beating their expected mark.
- **Keysight** expanded automotive portfolio with new safety test tools

<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: **1.03%**

Industry News:

- Airlines' payroll protection expires in eight days: unions mount last attempt to lobby for extended pandemic aid packages, White House urges Congress to pass separate aid bill for airlines, Singapore Airlines plans to cut a quarter of workforce. Airlines push for mandatory COVID testing on all international flights in order to drive demand
- Delta borrowed 9 billion in largest airline debt sale to date, backed by mileage reward program
- Nikola founder resigns due to a SEC probe amidst allegations of fraud released by a short seller, who claimed Nikola was lying about their technology development

Stocks to Watch: Quanta Services Inc. (NYSE: PWR)

- Quanta provides contracting services to the electric, oil and gas, and communication industries
- EPS growth of 174% YoY for Q2, decreasing costs and beneficial tax rules drove growth in net income
- Strong acquisition strategy, acquired Hallen Construction and two utility foundation contractors for \$330 million this September

TMT

Total Return of Sector: **3.166%**

Portfolio News:

Nvidia Corp has proposed to acquire ARM for \$40 billion in a combination of stock and cash. ARM, a big player in cell phone chip manufacturing, is currently part of SoftBank. This will be the largest semiconductor acquisition in history

Microsoft Corp has announced a tech and innovation partnership with Shell to use AI to reduce carbon emissions. Implementing “sensor fabric” in stages of Shell’s operations, AI algorithms will determine what changes can be made.

Cisco Systems Inc has committed \$100 millions to a social justice pledge after controversy earlier in the year involving the termination of employees voicing opinions on BLM. This will contribute to increasing representation of black employees company-wide.

<i>Company</i>	1 Week %
ADOBE INC	-0.03%
APPLIED MATERIALS INC	2.23%
AT&T	-4.00%
CADENCE DESIGN SYS	-2.03%
CISCO SYSTEMS INC	-4.75%
MICROSOFT CORP	-1.28%
NVIDIA CORP	-1.69%
QUALCOMM	-3.19%
VERIZON COMMUNICATIONS	-2.09%

TMT

Industry Return: -7.39% (MTD, SP500 Information Technology)

Industry News:

- The Department of Justice submitted a proposal to Congress seeking to overturn long-standing legal protections for internet companies, and forcing them to actively address illicit content
- Cloud-based data analytics platform Snowflake debuted its IPO at \$120 a share, and quickly doubled to over \$240 a share, driven by big data trends and their backing by Berkshire Hathaway and Salesforce Ventures
- Activist investor Trian Fund Management has accumulated 20M shares (0.4%) of Comcast on a belief that the company's shares are undervalued
- Miscommunication and political pressure have thrown the Tiktok-ByteDance-Oracle-Walmart deal into disarray, with a lack of consensus regarding 80% of the stake in TikTok Global, the newly-formed company

Stocks to Watch: EPAM Systems (NYSE: EPAM)

- EPAM is an end-to-end innovation strategy, consulting, and engineering company that has strong diversification among industries. Their flagship product serves more than 50% of the Forbes 2000 companies and they have seen strong growth in both Revenue (20% YoY) and EPS (26% YoY). Experienced 48.5% returns YTD.

Diversified Industries

Total Return of Sector: -3.09%

Portfolio News:

- **Hannon Armstrong** has provided financing commitments to SunPower for a residential solar lease program as well as SunPower's new Solar Plus storage program.
- **Intuit** initiated at overweight at Piper Sandler, price target \$351.
- **Disney** is urging California lawmakers to allow Disneyland to reopen after 6 months of closure, Disney has reopened parks in Florida, Shanghai, and Paris.

<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: No Benchmark Index Available

Industry News:

- Oracle and Walmart have agreed to partner on deal to purchase 20% of ByteDance's social media app Tik Tok
- Amazon has announced the release of "Prime Bike" in partnership with Echelon to compete with Pelaton
- GE will no longer accept contracts to build coal fueled power plants, the company also announced they will be supplying turbines to the world's largest offshore wind farm.
- 3M is exploring a sale of its food safety business, reports estimate the unit could go for \$3.5B

Stocks to Watch: Walmart (NYSE: WMT)

- Walmart has grown rapidly during the Coronavirus pandemic thanks to a move to home cooking and lockdown.
- Walmart is rapidly expanding its online offerings through grocery delivery and the introduction of Wal-Mart+ a direct competitor to Amazon Prime.
- Minority stake in Tik Tok would diversify the firm and all the company to gain a stronger online presence to compete with Amazon and Target both of which have seen online sales growth rapidly outpacing Wal-Mart

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%

