

Weekly
Update



**Brown
Socially
Responsible
Investment
Fund**

Macro Update

Markets:

- Gold prices down 0.6%, largest weekly decline since March
- Tech continues to be top performing sector of S&P 500
- Jobless claims increased slightly since last week
- Census Bureau released reports on housing market statistics + durable goods market in August
 - New home sales up 4.8%, highest since 2006 despite low supply
 - Durable goods orders up 0.4%
- Palantir IPO being valued at \$22 Billion (around \$10 a share), valued earlier this month at \$8.8 billion
 - Surge in the IPO market – newly public shares rising an average of 24% on first day of trading (best first-day average since tech bubble)
- FTSE Russell adding Chinese government bonds to its key indexes

Politics:

- Trump nominates Amy Coney Barrett to Supreme Court
- Trump announces prescription drug-discount cards for senior citizens on Medicare
 - Cost of \$6 billion
- \$2.4 trillion coronavirus aid bill proposed by House Democrats

Other:

- California plans to ban sales of gas-powered cars by 2035
- Johnson & Johnson Coronavirus vaccine enters Phase 3 trials

Consumer Retail

Total Return of Sector: +1.46%

Portfolio News:

- **Nike Inc. (NKE)** reaches all-time high after beating expectations and returning to profit. Diluted EPS for quarter was up 10% at \$0.95.
- **McCormick & Co. (MKC)** Q3 earnings beats estimates, with net income per-share of \$1.53; also unveils 2-for-1 stock split. McCormick expects full-year earnings in range of \$5.64-\$5.72 per share.
- **Unilever (ULVR)** joins other consuming companies pushing suppliers to rescue seafarers.

<i>Company</i>	1-Week Return
Home Depot	4.20%
Kellogg Company	5.38%
McCormick & Co	5.50%
Nestle SA	1.58%
Nike Inc (Class B)	#N/A
Procter & Gamble	2.30%
Starbucks	3.95%
Unilever plc	2.18%
United Natural Foods Inc	-13.98%

Consumer Retail

Industry Return: (-0.62%) S&P 500 Consumer Staples (-0.79%) S&P 500 Consumer Discretionary

Industry News:

- **Brookfield properties** will cut around 20% of its retail division employees and **Ralph Lauren** will lay off 15% of its global workforce after 2 quarters of sales decline
- **Walmart** and other grocers are stockpiling essentials (like toilet paper) as they watch an uptick in coronavirus cases to avoid a repeat of last Spring
 - Southeastern Grocers & United Natural Foods even began stocking holiday menu items over the summer
- A report found that **Boohoo** paid workers under minimum wage and forced them to work in unsafe conditions. It also found a full list of their suppliers that does not exist. Amazon, Zalando, and Next dropped their products.
- **Summersalt** released its first activewear collection using recycled materials with a brand that emphasizes body inclusivity (mantra: ‘for women, by women’)

Stocks to Watch: Boot Barn (NYSE: BOOT)

- Boot Barn is a national apparel retailer focusing on the Western and workwear niche
 - Boot Barn holds a near monopoly and has been aggressive in acquiring independent stores (G.&L. Clothing, Drysdales, Sheplers etc.) in this niche to expand their geographical reach
 - 50% of sales are of boots, while 34% comes from other apparel
- Uniquely, Boot Barn has placed as much emphasis on brick-and-mortar growth as they have e-commerce growth
 - They opened 19 new stores in FY20 as a testament to this — they believe that their unique market is better aligned to a brick-and-mortar experience
 - They believe the U.S. market holds the capacity to double their current store base of 259 stores

Energy and Utilities

Total Return of Sector: 5.30%

Portfolio News:

- **American Water Works** has acquired Granite City Wastewater Collection System. It will upgrade the collection facility while adding 12,150 customers to its Illinois base
- **Brookfield Renewable Partners** is sourcing 100% renewable energy supplies to Plug Power for its production of green hydrogen
- **First Solar** will be supplying General Motors with solar energy for three of its Midwest factories under a 180MW power-purchase agreement

<i>Company</i>	1-Week Return
American Water Works	3.00%
Brookfield Renewable	15.75%
First Solar Inc	7.99%
Nextera Energy Inc	0.01%
Ormat Technologies	2.68%
Xylem Inc	2.34%

Energy and Utilities

Industry Return: S&P 500 Energy 2.73%, S&P 500 Utilities 0.077%

Industry News:

- Ameren pledges net zero carbon dioxide emissions by 2050, 3.1 GW new renewables by 2030, keeping coal into 2040s
- Siemens' energy business, Siemens Energy, made its debut on the Frankfurt Stock Exchange on Monday, trading at around 21.7 euros (\$25.31) per share by midday — reportedly below its issue price.

Stocks to Watch:

NRG Energy (NRG) is an integrated power company that produces, sells, and distributes energy and energy services. The company provides production and cogeneration facilities, thermal energy production, and energy resource facilities. NRG Energy announced in late July plans to acquire Direct Energy from Centrica PLC for \$3.6 billion in an all-cash transaction. Centrica PLC's shareholders approved the acquisition on August 20.

Financials and Real Estate

Total Return of Financials: -1.86%

Total Return of Real Estate: 0.72%

Portfolio News:

- **Accenture PLC** reported Q4 and FY results on September 24th
 - Results were in line with expectations, with revenue increasing 3% and EPS rising 7% YoY
- **Bank of America** announced the issuance of a \$2 billion Equality Progress Sustainability Bond designed to advance racial equality, economic opportunity and environmental sustainability
 - First offering of its kind in the financial services industry.

<i>Company</i>	1-Week Return
Accenture PLC	-5.42%
American Tower Corp	-0.75%
AvalonBay Communities	-1.13%
Bank of America	-0.71%
Brookfield Asset Management	0.24%
Marsh and McLennan	-1.91%
Mastercard Inc	0.27%
Weyerhaeuser Co	1.19%

Financials and Real Estate

Industry Return: S&P 500 Financials **0.12%**, S&P 500 Real Estate **0.46%**

Industry News:

- House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin had a 50-minute phone call Tuesday morning to discuss the \$2.2 trillion coronavirus stimulus that Democrats unveiled Monday
 - One key sticking point is Democrats' demand for \$500 billion in aid for state and local governments, which the president and Republicans oppose.
- Outperformance in banks sector driven by underwriting
 - U.S.-listed equity capital markets issuances this year already exceed those in 2000, and bankers' fees as a percentage of deal proceeds are running at the highest since 2000.
 - As a result, banks' fee pool for U.S. offerings has grown by \$5 billion over the last year -- a significant increase.

Stocks to Watch:

The American Express Company targets high spending clients, issues them cards, charges fees for premium cards, collects swipe fees, and lends where appropriate. American Express is a strong business with secular mid to high single digit growth on both top and bottom line and requires little incremental capital to drive that growth. This allows it to return over 80% of earnings to owners, which it does religiously. AmEx trades at ~15x earnings, while similar companies in the industry trade higher (Visa at ~35x).

Healthcare

Total Return of Sector : ~.44%

Portfolio News:

- **CVS Health** invested \$13.7 million to fund low-income housing and development in Columbus, Ohio.
- **Boston Scientific** launched Aortic valve system ACURATE neo2 in Europe, which will reduce paravalvular leaking and improve procedural efficiency
- **Stryker** announced the release of Mako Total Hip 4.0, which boasts 3D templating and dynamic range of motion modeling.
- **Stryker** was once again named a best workplace for women.

<i>Company</i>	1-Week Return
Boston Scientific Corp	-0.80%
CVS Health Corp	-0.73%
Stryker	2.70%
Zoetis Inc	0.58%

Healthcare

Industry Return: S&P 500 -0.078%

Industry News:

- Federal government announcement on Monday that 150 million additional Coronavirus tests will be distributed
- California bill to control health care mergers (SB-977) in halt. Legislation aimed to address consolidation in the industry by preventing acquisition of health care facilities and other providers by hedge-funds, private equity companies and larger health care corporations
- Blackstone purchases Takeda Pharmaceutical for \$2.29 billion

Stocks to Watch:

- Teladoc (NYSE: TDOC)
 - Provides virtual care solution spanning wide spectrum of healthcare needs. Provides healthcare services remotely through devices such as internet or phone. Includes services such as virtual primary care, integrated virtual care, telehealth, etc. Contains more than 12,000 clients and 51.5 million members.
 - Potential growth following COVID-era and increase in utilization of digital services - more accessible healthcare

Industrials

Total Return of Sector: 1.43%

Portfolio News:

- Allegion is benefitting from demand across home builder and home ownership markets. A Q3 result call has been scheduled for October 22.
- Ball Corp. will be building a new aluminum plant in Pittson, Pennsylvania which is forecasted to generate \$16 million in employment payroll and 230 jobs.

<i>Company</i>	1-Week Return
Allegion PLC	1.47%
Ball Corporation	1.49%
Federal Signal Corp	1.33%

Industrials

Industry Return: 1.81%

Industry News:

- Goldman Sachs added Boeing and Raytheon Technologies to its buy list, betting on the expected upside for companies exposed to commercial air travel.
- Trump said he will approve the permit for Canada to Alaska railway to free landlocked oil. The \$17 billions dollar project would allow oil from the Alberta oil sands to be transported to the Alaskan coast for shipping.
- Diamond Standard Co., a startup, hopes to be the first to open the diamond market to investors through standardized coins.
- VW aims to compete with Tesla as they poured 15 billion euros into development for 15 electric car models.

Stocks to Watch: Cleveland-Cliffs Inc. (CLF)

- Cleveland-Cliffs, traditionally a mining conglomerate, will buy all of the US operations of ArcelorMittal for \$1.4 billion in cash in an attempt to become the biggest flat-rolled steel producer in North America.
- This is their second deal in hopes to gain sales in the automotive market. Upon the announcement of the deal, stocks soared 10% on September 28 at the open.
- Their investment in the steel industry is a move to become more vertically integrated across the minerals market.

TMT

Total Return of Sector: 32.59% YTD

Portfolio News:

- **AT&T** and **Verizon** paid \$116M to settle a California lawsuit over the routine overcharging of government entities
- **Cisco** has committed \$100M to social justice causes, including increasing the representation of Black people among its employees
- **Microsoft** announced its goal of creating a “telco-grade cloud” designed for 5G
- **Nvidia** has experienced a rocky rollout for its latest graphics cards, with supplier issues and customers reporting frequent crashing
- Citi has updated their price target from \$102 to \$132 for **Qualcomm**, citing 5G tailwinds driving higher revenue growth

<i>Company</i>	1-Week Return
Adobe Inc	2.71%
Applied Materials Inc	3.56%
AT&T Inc	-0.87%
Cadence Design Systems	3.09%
Cisco Systems	0.23%
Keysight Technologies	2.51%
Microsoft Corp	3.46%
Nvidia Corp	4.14%
Qualcomm	5.85%
SAP SE	0.77%
Verizon Communications	-0.42%

TMT

Industry Return: Dow U.S. Technology Index **28.38% YTD return**

Industry News:

- **Trump's Tik Tok Ban Blocked by Federal Judge** - The decision gives parent company ByteDance more time to create global parent company Tik Tok Global in partnership with Oracle and Walmart.
- **Monday Epic Games Antitrust Lawsuit against Apple** - Apple defends its App Store practices as defending consumers from malware and security risks, while Epic Games argues that Apple's in-app payment system is anti-competition.
- **Google Releases new Android System** - In compliance with EU Antitrust regulations, Google allows European Android users to pick their new default search engines. However, smaller search engines are failing to compete against big players like Microsoft's Bing.
- **Palantir Technologies set to IPO at \$10/share** - The data analytics firm is opening for trading as a direct listing on the NYSE this Tuesday.

Stocks to Watch: **Impinj (NASDAQ: PI)**

Impinj is a manufacturer of radio frequency identification tags, sensors and accompanying software, which help businesses improve efficiency in supply chains and manufacturing. Their biggest market is retail, and as we see consumer spending gradually increase, there is potential for long-term sales growth.

Diversified Industries

Total Return of Sector: 2.70%

Portfolio News:

- **Walt Disney Co** will lose its option to buy a plot of land next to its Hong Kong theme park that was to allow for future expansion after the city's government said it would not extend the option due to current economic conditions.
- **Equinix** has been selected as a strategic supplier for Nokia's Worldwide IoT Network Grid (WING) managed service, in a collaboration to bring next-generation edge architectures and services to market.
- **Hannon Armstrong** announced it has joined the Partnership for Carbon Accounting Financials (PCAF), a global industry-led partnership working to establish a common carbon accounting framework.

<i>Company</i>	1-Week Return
Danaher Corp	1.93%
Equinix Inc	2.58%
Hannon Armstrong	5.52%
Intuit Inc	5.80%
Walt Disney Co.	0.46%

Diversified Industries

Industry Return: No Benchmark Index Available

Industry News:

- Amazon announced that it would launch its own cloud gaming service, Luna, a kind of “Netflix for games” that forgoes the need for consoles or dedicated hardware to play video games. This directly competes with Microsoft’s xCloud and Google’s Stadia.
- E.W. Scripps announced that it will purchase ION Media for \$2.65 billion, in a deal that's being backed by Berkshire Hathaway. Scripps plans to divest 23 ION stations in order to comply with ownership restrictions in various markets. Berkshire will make a \$600 million preferred-equity investment in Scripps to help fund the purchase of privately held ION.
- The US Justice Department is expected to file a lawsuit against Alphabet's Google as soon as this week, kicking off a long legal slog over whether the online search and advertising company uses its outsized market power unfairly.

Stocks to watch: Constellation Software (OTCMKTS: CNSWF)

Constellation Software sells mission critical, high switching cost, high recurring maintenance fee software platforms across many niche verticals, and acquires vertical market software companies. Its chairman and founder, Mark Leonard, is one of the best capital allocators in the business with an excellent track record of reliably generating 20% returns on acquisitions. Dubbed the “Canadian Berkshire Hathaway”.

Sector Breakdown

