

SUSTAINABLE IMPACT INVESTING

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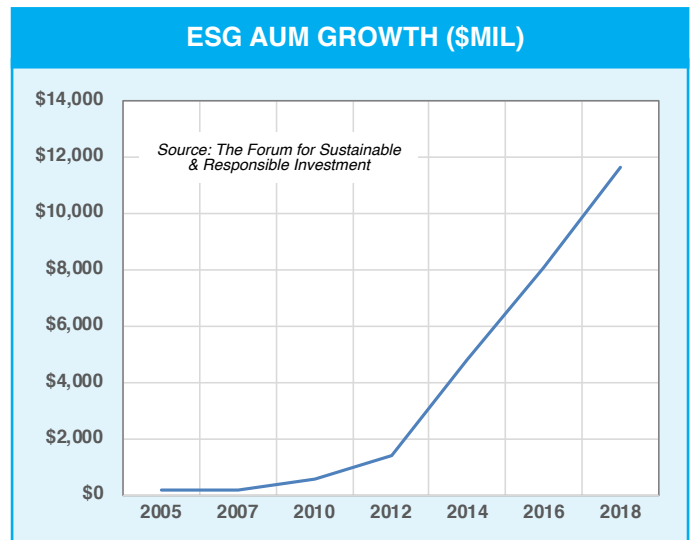
Interest – and Assets – Are Growing

Sustainable Impact Investing is gaining traction not only with Argus Research clients, but also with the global investment community. According to the Forum for Sustainable and Responsible Investment, global assets under management in the strategy have grown to \$11.6 trillion in 2018 from \$178 billion in 2005. The UN Principles for Responsible Investing -- to which Argus Research is a signatory -- now represents more than 1,750 signatories with assets of US\$70 trillion, according to BMO Global Asset Management.

As assets have flowed in over the past 40 years, Sustainable Impact Investing has evolved. The discipline, originally known as Socially Responsible Investing, focused at first on excluding companies that conducted business in South Africa, or participated in industries such as tobacco, alcohol and firearms. In time, the list of industries to avoid increased to include soft drinks, fast food, and oil and gas, among numerous others.

Performance of these initial strategies lagged, and the approach has been modified. Now, instead of merely identifying industries to avoid, the discipline promotes “sustainable” business practices across all industries that can have an “impact” on global issues such as the climate, hunger, poverty, disease, shelter and workers’ rights.

The response to the tweak to the approach has been positive: AUM continues to grow.





Defining Sustainable

As the strategy has become increasingly popular, investors have made numerous attempts to define it. Perhaps the best-known approach has been established by the United Nations. The UN has adopted the following six principles toward ESG:

We will incorporate ESG issues into investment analysis and decision-making processes.

We will be active owners and incorporate ESG issues into our ownership policies and practices.

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

We will promote acceptance and implementation of the Principles within the investment community.

We will work together to enhance our effectiveness in implementing the Principles.

We will each report on our activities and progress towards implementing the principles.

Surveys have shown that investment managers focused their attention on six areas as well:

- Climate change/carbon
- Tobacco
- Conflict risk
- Human rights
- Transparency
- Anti-corruption

For our part, we have compiled a list of companies followed by Argus Research that are in position to have this type of “sustainable impact” on the environment, workplace, community and marketplace. These firms have exemplary records not only in delivering on the bottom line, but also in improving the environment, contributing to community relations, and showing respect for their employees.

JUST CAPITAL SCORE COMPONENTS

Workers

Issues such as fair wages; living wages; benefits and work-life balance; diversity, equity, and inclusion; quality jobs; career development; safe workplaces; supportive workplaces; and CEO-to-worker pay.

Customers

Issues such as non-harmful products; quality products; customer privacy; fair pricing; fair customer treatment; advertising and labeling; and customer experience.

Communities

Issues such as U.S. job creation; business with abusive countries; jobs in communities; fair taxes; human rights' community growth; and charitable giving.

Environment

Issues such as pollution reduction; environmental management; and resource efficiency.

Shareholders

Issues such as ethical leadership; compliance with laws and regulations; and investor return.

We derived our list by identifying companies that are either BUY-rated or HOLD-rated by Argus analysts, and also score highly on ESG (Environmental, Social and Governance) criteria established by the JUST Capital Foundation. JUST Capital utilizes a combination of polling, data-driven research, and strategic engagement to shift behaviors and activities in corporate America and the financial markets. JUST Capital’s mission is to drive measurable corporate change to create a stakeholder-centric, inclusive form of capitalism that reflects the priorities of the American public.

The criteria JUST has established for our screen are listed in the Table above.



JUST ESG Custom Ratings rank stocks in the Russell 1000 using a scale of 1-100. In the latest set of JUST Scores, Microsoft was the highest-rated company, with a score of 78.7. The average ESG score in the 2020 rating file was 50.5, and the median was also 50.5. The standard deviation was 7, indicating that a score of greater than 57.5 was among the highest in the Russell 1000.

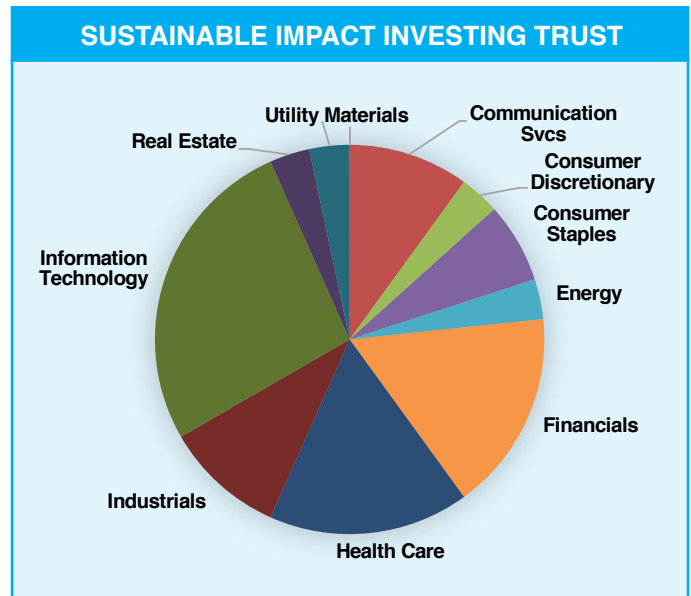


Building a Portfolio

Of course, a diversified portfolio is more than just a list of companies linked to a theme. To build the Sustainable Impact Investing Trust, we applied financial concepts such as industry diversification, income generation, risk reduction and growth at a reasonable price. In addition, all stocks must be on the Argus BUY list.

The Sustainable Impact Investing Trust matches up well with its benchmark, the S&P 500, and could serve as the core of a diversified portfolio that includes other securities and asset classes. For example, our portfolio includes representation 10 of the 11 GICS sectors, with over-weights, not surprisingly, in the Healthcare, Financial Services and Technology groups. We note that the portfolio also aligns with the benchmark on beta (0.99 versus 1.00 for the S&P 500) and yield (1.7% for the portfolio versus 1.8% for the S&P 500).

Our portfolio differs from the S&P 500, of course, on the average ESG score. The Sustainable Impact Investing Trust average score of 59 lands in the top quintile of the Russell 1000.







SUSTAINABLE IMPACT INVESTING TRUST


Symbol	Security Name	Sector	JUST SCORE	MarketCap (Mil)	DivYield	Beta
GOOGL	Alphabet Inc	Communication Services	70.78	\$388,926	0.0%	1.08
T	AT&T, Inc.	Communication Services	64.20	\$287,452	5.2%	0.92
DIS	Walt Disney Company	Communication Services	52.80	\$246,249	1.3%	0.9
LOW	Lowe's Cos., Inc.	Consumer Discretionary	57.75	\$88,332	1.9%	1.08
SYY	Sysco Corp.	Consumer Staples	57.58	\$40,900	2.0%	0.75
CVS	CVS Health Corp	Consumer Staples	54.76	\$93,318	2.8%	1.17
OKE	Oneok Inc.	Energy	55.76	\$28,866	5.2%	0.95
JPM	JPMorgan Chase & Co.	Financial	59.99	\$407,429	2.8%	1.08
PNC	PNC Financial Services Group	Financial	58.20	\$66,782	3.0%	1.09
ALL	Allstate Corp (The)	Financial	58.00	\$35,418	1.8%	0.81
SPGI	S&P Global Inc	Financial	54.75	\$62,320	0.9%	0.94
ICE	Intercontinental Exchange Inc	Financial	54.37	\$50,774	1.2%	0.85
MRK	Merck & Co Inc	Healthcare	61.73	\$211,902	2.6%	0.82
BAX	Baxter International Inc.	Healthcare	61.39	\$40,262	1.1%	0.9
DHR	Danaher Corp.	Healthcare	52.58	\$96,523	0.5%	0.95
ABT	Abbott Laboratories	Healthcare	51.90	\$148,108	1.5%	1.04
ZBH	Zimmer Biomet Holdings Inc	Healthcare	51.67	\$29,458	0.7%	1.03
NOC	Northrop Grumman Corp.	Industrials	60.60	\$58,976	1.5%	0.84
WM	Waste Management, Inc.	Industrials	52.53	\$46,845	1.9%	0.76
NSC	Norfolk Southern Corp.	Industrials	51.39	\$50,585	1.9%	1.06
AVB	Avalonbay Communities Inc.	Real Estate	58.32	\$29,402	2.9%	0.66
MSFT	Microsoft Corporation	Technology	78.67	\$1,114,340	1.4%	1.04
NVDA	NVIDIA Corp	Technology	73.33	\$126,727	0.3%	1.56
AAPL	Apple Inc	Technology	72.44	\$1,164,935	1.2%	1.07
AMD	Advanced Micro Devices Inc.	Technology	60.05	\$40,414	0.0%	1.69
NOW	ServiceNow Inc	Technology	58.66	\$46,831	0.0%	1.13
MSI	Motorola Solutions Inc	Technology	58.00	\$27,606	1.4%	0.87
MA	Mastercard Incorporated	Technology	57.55	\$276,164	0.5%	1.09
KLAC	KLA Corp	Technology	56.66	\$27,521	2.0%	1.17
WEC	WEC Energy Group Inc	Utility	53.34	\$27,490	2.7%	0.46
			58.99	\$178,695	1.7%	0.99



Company Highlights in the Sustainable Impact Investing Trust


 **Microsoft** Microsoft Corp.: Microsoft's JUST Score of 78.7 is the highest in the Russell 1000. Microsoft is first in the Software industry in terms of Customers, Shareholders and Communities, and is second in the industry on Workers and the Environment.


 **NVIDIA** NVIDIA Corp.: Semiconductor company NVIDIA's JUST Score of 73.3 is the second-highest in the Russell 1000. NVIDIA is first in its industry -- and first overall -- in terms of Workers. The company is second in its industry on the Environment.


 **Apple** Apple Inc.: Apple's JUST Score of 72.4 is the third-highest in the Russell 1000. Apple is first in the Technology Hardware industry -- and first overall -- in terms of Customers. Apple is also first in its industry on Communities and Environment.


Alphabet Alphabet Inc.: Alphabet is also in the Top 10 of the Russell 1000 on JUST Scores, with a score of 70.8. Alphabet is first in the Software Industry in terms of Customers, Communities and the Environment, and is second in the industry on Workers.

NORTHROP GRUMMAN Northrop Grumman Corp.: Northrop Grumman ranked third among Aerospace and Defense companies. The company scored in the top five in its industry on all five criteria.

 **MERCK** Merck & Co. Inc.: Merck ranked second among Pharmaceuticals and Biotech companies. The company received Top 5 rankings in its industry for Workers, Communities, Environment and Shareholders.

 **ONEOK** Oneok Inc.: Oneok is the highest-scoring Energy Equipment and Services company. The company ranks among the Top 5 in its industry in terms of Workers, Communities, Environment and Shareholders.

 **AT&T** AT&T Inc.: AT&T ranks second among the Telecommunications companies in the Russell 1000. The company is an industry leader on issues such as Customers, Communities and Shareholders.

 **WEC Energy Group** WEC Energy Group Inc.: WEC Energy has an above-average JUST Score of 53.3. The company scores highest on the Community criteria, and is first in the Utility industry.

JPMORGAN CHASE & CO. JP Morgan Chase & Co.: JPMorgan Chase is the highest-scoring Bank company, and its overall JUST score of 60 places the company in the JUST 100. JPMorgan scores well on Workers, Communities and the Environment.

For more JUST Score details on these companies, and others in the portfolio, please visit the JUST Capital website, www.justcapital.com.



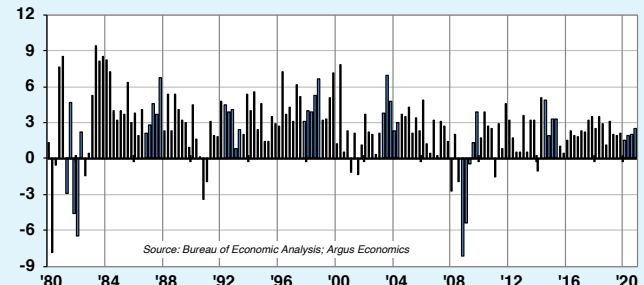
ESG Investing in the Current Market Environment

The fundamentals for the U.S. financial markets are generally positive, but investors clearly face numerous risks.

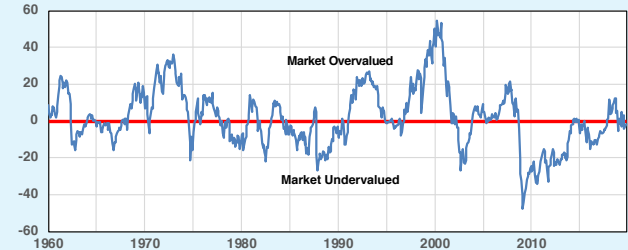
The U.S. economy has grown for 40 quarters in a row. In the post-World War II era, the U.S. has experienced 10 periods of economic growth; they have averaged 20 quarters, or five years. The longest had been 39 quarters; the shortest was five. Recently, expansions have been more durable. The six expansions since 1960 have averaged 27 months. The current expansion is now the longest ever. Expansions don't die of old age, but rather from problems that emerge as they evolve, such as trade wars. Looking into 2020, we are forecasting continued growth, as we think positives in the economy can outweigh the negatives, but we do expect the growth rate to slow. For the year 2020, we forecast overall growth will average in the 2.2% range, down slightly from the 2.5% average in 2019. Neither our estimates nor the Fed's call for a recession in the U.S. through 2020. We believe key forward-looking indicators (jobless claims, housing starts, the stock market, and a positively sloped yield curve) are positive enough to keep the economy on a growth track over the next few quarters, despite the unpredictable impacts of the stock market, weather events, and other non-economic events such as geopolitical threats.

As for the stock market, the S&P 500 in mid-November was slightly above fair value, as stock prices have risen, along with bond yields. According to our financial market valuation model, which takes into account factors such as stock prices, five-year normalized earnings (three historical years, two forward-looking), inflation, and T-bond and T-bill yields, stock prices, as expressed by the S&P 500, are currently about 1% below fair value, which we peg at 3090. Since 1960, on average, the index has traded at 2% above fair value. By applying one standard deviation to fair value to determine a normal range, we find that the S&P 500 typically trades between 14% undervalued and 18% overvalued. The steepest discount for stocks occurred in February 2009, when stocks were priced 48% below fair value

GDP TRENDS & OUTLOOK (% CHANGE)



S&P 500 VALUATION MODEL (0% = FAIR VALUE)



during the depths of the Great Recession. The steepest premium occurred in August 2000, when stock prices topped 54% above fair value at the end of the dot-com boom. We think the valuation environment supports our constructive view of stocks. The upper bound of the current fair value range for the S&P 500 is above 3500, while the model targets fundamental support at 2500.

In this economic and market environment, which is also characterized by high volatility related to the trade wars, we think that quality companies that are well-managed and score high on ESG criteria are more likely to successfully navigate the challenges.

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