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# Fossil Fuel Divestment for Individual Investors

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**\$3.9T**

**75%**

*“The big-money supporters got a return on their investment last week, when **22 Republican senators** whose campaigns have collected more than **\$10m** in oil, gas and coal money since 2012 sent a letter to the president urging him to withdraw from the Paris deal.”*

The Guardian June 2017



# Fossil Fuel Investments are Risky....

BLACKROCK

Letter to Clients, Jan 2020

*“With the acceleration of the global energy transition, we do not believe that the long-term economic or investment rationale justifies continued investment in the thermal coal sector.”*

**Jim Cramer**

CNBC Feb 2020

*“We’re in the death knell phase.”*



# **Be Very Clear About Your Divestment Goals**

Your goals matter a lot!

1. Remove investments in the big fossil fuel producers?
2. Remove investments in any company that has anything to with producing or distributing fossil fuels?
3. Spend money to support the clean energy sector?
4. Invest money to support the clean energy sector?

**Pay Down  
Debt**

**Stocks**

**Bonds**

**Your Home**

**Your  
Investments**

**Mutual  
Funds**

**Exchange  
Traded  
Funds**



# Invest in Your Home

Buildings are the the #2 source of carbon pollution in many states

- Insulation and air-sealing
  - payback typically 1-3 years
- High efficiency heating and cooling equipment
  - payback typically 4-7 years
- Solar (for power or hot water heating)

# EVs (and other fossil fuel powered things)

Transportation is the #1 source of carbon pollution in many states



- Electric or plug-in electric vehicle.
  - EV cost often comparable to conventional vehicle
  - used EVs often cheaper than similar conventional used cars
  - large maintenance and fuel saving.
- Electric yard equipment

# Mutual Fund/Exchange Traded Funds

## Easy-to-use screening tool

Fossil Free Funds

fossilfreefunds.org

### Are your savings invested in fossil fuels?

Find mutual funds and ETFs that avoid fossil fuel investments

Top-scoring funds »

Search for funds from your 401(k), retirement plan, or personal portfolio

Search funds by name, ticker, or manager



A project of



AS YOU SOW



# Mutual Fund/Exchange Traded Funds (ETFs)

## Strategy #1:

Invest in “Mid” & “Small Cap” Funds

“cap” = capitalization = stock price x shares outstanding

## "Large Cap" Funds

(Large means “cap” > \$10B)

These funds will include the big fossil fuel producers

أرامكو السعودية  
saudi aramco



EXXON  
Mobil



# Mutual Fund/ETFs

## Strategy #2:

Invest in funds that are *explicitly* fossil fuel free

Some mutual fund examples...

- Calvert Green Bond Fund
- Calvert Equity
- Franklin Municipal Green Bond Fund
- Goldman Sachs Clean Energy Income Fund
- Green Century Balanced Fund
- Green Century Equity
- Green Century MSCI International Index Fund
- Parnassus Parnassus Endeavor Fund
- Pax World Global Environmental Markets Fund
- Portfolio 21
- Shelton Green Alpha Fund
- Trillium Global Equity

# Mutual Fund/ETFs

## Strategy #3:

Invest in funds that are *implicitly* fossil fuel free

### Examples...

- Community development funds
- Treasury bond funds
- Sector funds:
  - e.g., real estate, technology, health care, education, etc.
- Etc...





# Fossil Fuel Divestment for Individual Investors.



Monday, October 26th, 2020

Tom Konrad Ph.D, CFA



# Disclaimers

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The information in this presentation is intended for educational purposes only.

It is not investment advice, and I am not an investment advisor.

Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

# About Tom Konrad

**ALT** ENERGY STOCKS

- **Editor at AltEnergyStocks.com**
- **Green Global Equity Income Portfolio (private fund) managed since inception Dec 2013**
  - **15.8% compound annual total return through Aug 31st 2020 (benchmark- SDY- 7.6%)**
- **Consultant for Investment Advisory firms  
Investment Research Partners & JPS Global Investments**
- **Ph.D. in Math from Purdue University**
- **Chartered Financial Analyst charterholder**
- **Chair, Marbletown Environmental Conservation Commission**

# Will Divesting Reduce My Returns?

**SPDR S&P 500 ETF Trust (SPY)** ★

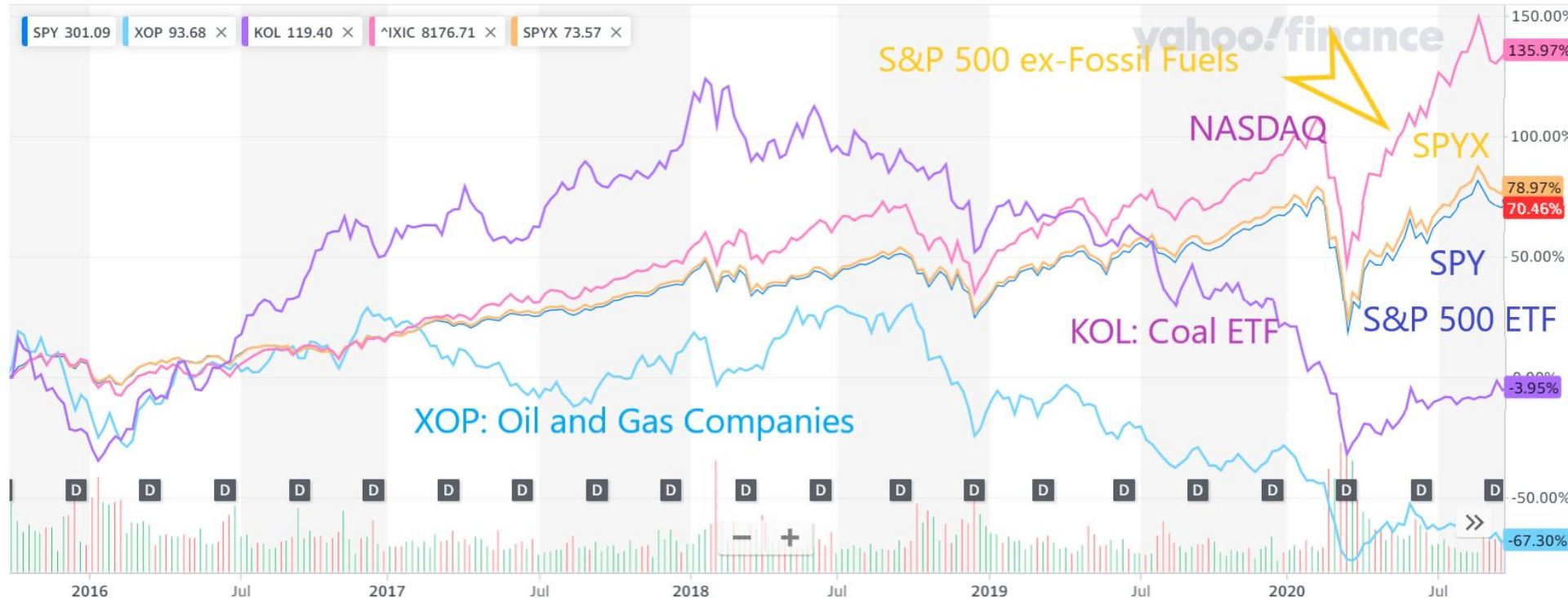
NYSEArca - Nasdaq Real Time Price. Currency in USD

**333.92 +5.18 (+1.58%)**

As of 1:08PM EDT. Market open.

+ Indicators + Comparison ⚡ Events P

Avoiding fossil fuels would have saved you \$\$\$ over both before and during the current crisis.



# Fossil Fuel Stocks Are Cheap Now- Shouldn't I buy now for a good price?

Companies always look cheap before they go bankrupt.

*Right: A Colorado Ghost Town... photo by author*



# Investment Advisor Pros and Cons

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- Can be expensive.
- Advisors who use stocks rather than mutual funds are more cost effective, but hard to find.



- Simple.
- Can talk you out of making common mistakes (Financial Planning).
- Good if you don't know how to start.

- [illegible]



# Investment Advisor Designations

## Legal designations

- Registered representative - licensed to sell securities. Minimal training. Avoid.
- RIA - Registered Investment Advisor
  - A firm licensed to give investment advice.
- IAR - Investment Advisor Representative
  - An individual licensed to give investment advice.



## Meaningful Certifications

- CFP® - Certified Financial Planner
  - Trained in financial planning.
- CFA® - Chartered Financial Analyst
  - Trained in investment analysis/portfolio management. Rare, but only relevant if for advisors who do not use mutual funds.





# “ESG” Mutual Funds: Pros and Cons

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- Typically High fees compared to other funds.
- No universal ESG standards- may not align with your own



- Easy

# Stock Portfolios

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- Complex
- Time Consuming
- Most advisors use funds
- Dangerous



- Get exactly what you want
- Low cost
  - (If done carefully)

# Stock Picking vs. Indexing

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- Safest way to pick individual stock is to mimic the market with greener stocks
  - Saves cost, delivers similar performance
- Stock picking is like playing poker against professional gamblers.



*Are you ready to sit down at this table?*

# Selecting stocks

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- Every part of the economy needs to get off fossil fuels
- Choose stocks from wide variety of sectors/ Business types
- Focus on profitable companies, not the “next big thing.”
- Profitable and Boring
- Low volatility (beta) is good
- 10 - 20 diverse stocks can give you 90-95% of the benefits of full diversification.
- Consider preferred shares when available
- Mutual funds holdings good place to start.
- AltEnergyStocks.com for stock lists and my picks

# Timing vs. Stock Picking:

## When You Buy Is Often More Important Than What You Buy

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# Caution: Current Market Valuation

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- While it is true that over the long term, the market has produced 5-15% annual returns, the “long term” means 50+ years.
- There are many 10-20 year periods when the net return of the market has been zero.
- Market valuations go in cycles.
- If your investment horizon is 15-20 years, you will probably do better even if you have to wait 3-5 years for better valuations.
- If you are not sure, both things you were considering with part of your money.

# Current stock picks (price as of 10/26/20)

- Covanta Holding Co (CVA) - \$7.91
  - Waste-to-Energy (incineration)
  - Sold off due to opportunistic dividend cut early in Covid crisis.
  - No expected long term business impact from Covid; short term impact limited.



Ad

## Disposal of Sensitive Waste

Our Waste-To-Energy Process Destroys Documents, Pharma Waste, Contraband at 2,000° F.

Covanta Environmental

Get Quote >

# Current stock picks (As of 10/26/20)

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- MiX Telematics (MIXT) - \$7.85
  - Leading fleet management provider for large fleets
    - Multinational oil and mining Cos
    - Public transport
    - Security, Emergency services
  - Reduces fuel use, accidents, insurance costs
  - Currently impacted by customers idling vehicles
  - Should be able to continue to grow in other industries even if current customers do not recover.



*No investing presentation is complete...*

# Q&A

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*...without a “nest egg.”*