BE THE CHANGE:
Investing with Intent

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WHY THE GINKGO?
A ginkgo leaf signals healing and regeneration. That’s why it stands behind our mission to heal humanity’s relationship with money.
DUE TO LONGSTANDING systemic health and social inequities, Black Americans and Native Americans are at 5 times higher risk of COVID-19-related hospitalization or death, regardless of age. Black healthcare workers—including doctors, nurses, and medical technicians—are also bearing disproportionate physical and psychological impacts from the pandemic, according to a recent article in the Harvard Business Review.
Investing to End Racial and Wealth Inequality

BY AMY D. PENDER, CFP®

These are tumultuous times.”

It sounds like a cliché, but one could argue that it’s an apt description of life on planet Earth right now. As the world continues its struggle with mitigating the devastating effects of the novel coronavirus, the world has witnessed, yet again, horrific scenes of police violence and brutality against Black Americans. As socially responsible investors, we are well aware of the economic and racial disparities that exist across the world and, most especially, in the US—one of the wealthiest nations on the planet. Moments like these, however, bring those disparities into stark relief, reminding us that if ever there was a time to invest in shifting the paradigm of wealth inequality and institutionalized racism, the time is now.

The pandemic has left hundreds of thousands of families across the globe grieving the loss of someone they love. While it’s true that COVID-19 is an “equal-opportunity” pathogen, there can be little doubt that some communities have been hit much harder than others, both economically and physically. In the US, people living in poverty are twice as likely to die of the coronavirus than their wealthy counterparts and almost three times as likely if they are poor and black. According to the non-partisan APM Research Lab, the picture is even more dire when we look at individual states. In Michigan and Missouri, Black residents have been dying at a rate that is five times that of whites. In Kansas, the multiple is six.

It doesn’t take rocket science to understand why this is so. In the US, the poverty rate for Black Americans is double that of whites, and the median net worth of white households is 41 times that of Black households. Inadequate access to quality healthcare and food—and living with the stress of food and housing insecurity—takes its toll on the body, making it more vulnerable to chronic diseases like asthma, hypertension, heart disease and diabetes. We know that these health issues dramatically increase the risk of death from COVID-19. In addition, the jobs that pay the least in this country—retail, hospitality and childcare—can’t be done remotely and are overwhelmingly filled by Black and Latinx workers. Benefits like paid sick leave and health insurance are scarce, so people who are sick can’t afford to see a doctor or stay home. Social distancing simply isn’t an option for most essential workers. Is it really any wonder that the Black community is suffering such a devastating blow? The statistics are a shameful indictment of the status quo.

The racial disparities in COVID-19 deaths that are ravaging poor and Black communities is not unique to the United States. Other developed nations are reporting similar statistics, and conditions in developing countries make the spread of the virus inevitable. We know how important hand washing is to controlling infection, but there are 3 billion people in the world who currently can’t wash their hands at home because they lack adequate access to water.
access to soap and water. The World Bank estimates that global poverty will increase for the first time since 1988—and that COVID-19 will push 40–60 million people into extreme poverty (adding to the 736 million who already suffer extreme poverty, defined as living on less than $1.90 per person per day).

The scope of racial and wealth inequality is vast, and addressing it can seem daunting. The pandemic and recent spate of police killings of Black people have spurred many investors to ask what they can do. Here are three suggestions:

1 **INVEST IN COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS** CDFIs focus on increasing prosperity in low-income and underserved communities. They provide loans at affordable interest rates to finance projects and businesses that will benefit the community. They also provide banking services and mortgages for community members. Some CDFIs are Black or minority owned, and investing in them can have an even bigger impact on bridging the racial wealth divide.

2 **INVEST IN COOPERATIVES**

Cooperative businesses are companies that are owned and operated by the people who produce or use their products and services. They are often values-driven organizations that put the welfare of the workers and the community they serve at the core of their operating principles. When workers have an ownership stake in the business they work for, they have a vested interest in seeing it succeed, and the business has a vested interest in supporting and meeting their needs. Co-ops in underserved communities not only provide vital services to the community, but they create jobs with living wages and health benefits. And they keep dollars invested in the local economy. Many CDFIs specifically support the creation and growth of co-ops. Lending money to these organizations allows them to offer the capital and technical assistance that co-ops need to flourish and thrive.

3 **INVEST IN CLIMATE STABILITY**

Climate stability is inextricably linked to fighting poverty, both in the US and around the world. The World Bank estimates that the climate crisis will force 100 million people into extreme poverty over the next decade if the world doesn’t take urgent action to change the current warming trajectory. Investing in renewable energy and efforts to help vulnerable communities prepare for and adapt to the changing climate is yet another way investors can use their assets to help bridge the economic divide.

These actions might seem small and inconsequential, but when we aggregate our small actions as investors, they can power significant transformation.

AMY D. PENDER, CFP® is a financial advisor who helps people across the wealth spectrum invest with their values and contribute to a more compassionate, just and sustainable future.
RESOURCES FOR SOLIDARITY ACTIONS

THE RECENT NATIONAL outcry over police violence against Black Americans highlights both the institutional racism of the criminal justice system and the deep socioeconomic disparities Black communities must contend with. Natural Investments has long been committed to channeling investment capital to community development intermediaries and enterprises operated by and for people of color as a way to address systemic inequality. To bolster Black economic power in this moment, here are some resources for directing investment capital into communities of color.

INVESTING IN BLACK COMMUNITIES

The Runway Project works to repair the structural inequities of the racial wealth gap by providing entrepreneurs of color early-stage funding and holistic business support. It focuses on fixing the broken infrastructure that surrounds many entrepreneurs of color.

therunwayproject.org

Seed Commons is a national network of locally-rooted, non-exploitative loan funds that brings the power of big finance under community control. By taking guidance from the grassroots and sharing capital and resources to support local cooperative businesses, members are building the infrastructure necessary for a just, democratic, and sustainable new economy. Members include: Boston Ujima Project, Cooperation DC, Southern Reparations Loan Fund, Higher Purpose Co, LIFT Economy, and more.

seedcommons.org

Hope Credit Union is a community development financial institution that works to build assets and improve lives in economically distressed areas of the Deep South by providing access to high quality financial products and related services.

hopecu.org

EDUCATIONAL RESOURCES

Movement for Black Lives is a national alliance of Black organizations that has developed a clear policy platform and common vision. MBL convenes organizational leaders to debate and discuss current political conditions and devise movement-wide strategies to achieve policy, cultural, and political goals.

m4bl.org/policy-platforms

Anti-racism Resources is a curated list of books, films, podcasts, and more to help white people deepen their understanding of, as well as actionable support of, anti-racism engagement.

bit.ly/ANTIRACISMRESOURCES

Green America is a list of environmental tools and resources to forge a path toward environmental and climate justice for all.

greenamerica.org/environmental-climate-justice

Black Economic Liberation, a virtual event organized by Natural Investments, was held in June amid nationwide protests over a wave of police killings of Black Americans. A webinar recording is now available, along with a list of ways to support and invest in Black businesses and communities.

MOST OF US HAVE experienced important disruptions due to the COVID-19 pandemic. At the time of publication, more than 128,000 Americans have died from the illness, leaving entire communities in mourning. Shut-downs and quarantine orders have devastated the economies of entire cities. Nearly everyone—even the most privileged—have had to make major changes to their daily lives.

With the pandemic still in full force, a national response to the police killings of George Floyd, Breonna Taylor, and other Black Americans who lost their lives to institutionalized racial violence has swept across the nation and even the world. The tumultuous events of spring have created one disruption after another. Although disruption can be painful, endings create space for change.

The Financial Transitionist Institute are experts on transition and life changes, usually framed within a context of our money life. It applies to the experience of personal change and societal change, as in the case of this pandemic.

Financial transitions are often precipitated by difficult, life-changing events—like the death of a loved one, divorce, selling a business, or retiring. In any such transition, people often experience four phases: anticipation, ending, passage, and eventually a new normal.

ANTICIPATION: When we know a change is coming, we go through a stage of anticipation and perhaps worry.

ENDING: The disruption occurs, and life as we know it has changed. There is no going back.

With our recent transitions, there was little to no anticipation. We moved suddenly into a phase of transition filled with endings, the most tragic, of course, being the end of life on a massive scale. We went into lockdown, which meant an end to a vital part of our identities as social beings: no more family gatherings, weddings, funerals, or community events. We felt the loss of life’s daily pleasures, as we stopped going to restaurants and community gatherings. We continue to be in this ending phase—the most uncomfortable phase—and will likely remain here for another several months.

Our society wants to expedite the ending phase, to move quickly through the discomfort of not knowing. However, this ending phase provides an opportunity for a deeper evaluation of what is most important to us and planning concrete steps to align our lives with these things. The loss of old habits and routines creates space, and that space can be challenging.

“Although disruption can be painful, it creates space for change.”
Grief and loss often follow. It can be helpful to pinpoint the few things that are urgent and focus on those. Otherwise, this is a time to gather information, simplify, reconnect with what is most important to us, and reach clarity before making big changes or decisions.

**PANDEMIC PLANNING**: In this stage, possibility is accompanied by fear and uncertainty about what’s to come. Passage is the longest stage and can often take years. We begin to experience an awakening as the shift begins, even for those who experience fatigue or a lack of focus. One of the most important things to do during the passage is to seek out support, like peer support. Within the context of COVID-19, parents working from home, teachers conducting remote classes, or families who have loved ones in a nursing facility can share valuable perspectives with each other.

**NEW NORMAL**: In this time, a new reality takes hold. After we’ve integrated changes from our transition, we are equipped to face this reality with a new identity, perspective, and even resilience.

Today, we have an opportunity to shape change at a personal level, in our communities, and the bigger world. Doing so with compassion and focus will require us to seek out support so that we can navigate this ending toward a hopeful new beginning.

“Today, we have an opportunity to shape change at a personal level, in our communities and the bigger world.”

**CARRIE VANWINKLE**, CFP® helps women and couples empower their money for good through her work as a socially responsive investment advisor at Natural Investments. She hosts the Smart & Soulful Money® podcast where she explores the intersection of our relationship with money, feminism, activism, spirituality, and sustainability.
Creating a New Normal

BY MICHAEL KRAMER, MANAGING PARTNER

IN THE RESILIENT INVESTOR, we noted that this is an era of volatility, uncertainty, complexity, and ambiguity. Five years after the publication of our book, which was devoted to planning for major disruptions, it turns out even we underestimated how prescient our framework would be!

Typically, volatility is described in terms of the severity of equity-market price fluctuation. Severe peaks and valleys in a short period of time typically reveal the levels of investor uncertainty in the absence of dependable economic patterns.

Market uncertainty increased when Trump was nominated and elected and was generally higher than normal throughout 2018 and 2019. Although it skyrocketed in February and March, as the pandemic emerged, it has actually been decreasing the past few months.

Of course, stock market prices don’t tell the whole economic story. There is a much deeper level of uncertainty about the pace of recovery, given the extreme level of unemployment and economic dislocation. The pandemic is only part of the uncertainty; mistrust in this administration’s competence, along with its unstable relationships with the leadership of other countries, are further reasons for concern.

Many believe we will likely experience a roller-coaster of an economic recovery fraught with ambiguity. In the absence of a strong government plan to foster financial stability for Americans, socially responsible investors and businesses are focused on the pandemic’s unequal impact on longstanding economic inequities that affect people of color and low income communities.

Socially responsible investors see this crisis as an opportunity to focus economic recovery efforts on assuring that low-income people get the support they need to survive. For example, the CDFI coalition reports more than 500 investment firms sent a letter to Congress requesting $1 billion in stimulus.
money for community development banks, credit unions, and loan funds that primarily serve people of color and low-income communities.

Investors are also demanding responsible corporate practices during the crisis. A recent statement—released by the Interfaith Center on Corporate Responsibility and signed by more than 300 firms managing nearly $10 trillion in assets—urges businesses receiving stimulus funds to maintain their employees and offer hazard pay, provide paid leave and childcare assistance, offer health insurance for laid off employees, protect worker health and safety, maintain the supply chain, reduce executive compensation, and prohibit share buybacks.

Similarly, responsible investors recently urged members of the Business Roundtable, a group of 180 major corporate CEOs that signed the 2019 Statement on the Purpose of a Corporation to follow through on their promise and operate in a manner that benefits all stakeholders—customers, employees, suppliers, communities and shareholders—throughout the crisis. At Bank of America, Blackrock, Citigroup, Goldman Sachs, and McKesson, shareholder proposals this year request that companies assess whether there are changes to governance, metrics, or board membership criteria that could more fully implement the statement.

This increased pressure is necessary because companies are doing a mediocre job of walking the walk thus far. Data in JUST Capital’s COVID-19 response tracker, which measures corporate responses to the coronavirus on these issues, reveals that companies are not doing enough to keep the consumer economy and communities functioning.

Amazon, FedEx, Walmart, meat-packing companies, and others have been cited for failing to protect the health and safety of employees during the pandemic, thereby contributing to increased transmission threats to their communities. This crisis offers a vital opportunity for companies to connect their resiliency and recovery to a high level of cooperation among employees, boards, customers, and suppliers. It also provides an opportunity to introduce other responsible business practices according to SRI criteria: adequate wages and health benefits, workplace safety, the addition of employees to boards of directors, the assessment of natural resource risks within the supply chain, and climate-change risks associated with the fossil-fuel portfolios of large banks like JP Morgan Chase.

Addressing these risk factors while aligning the interests of all stakeholders, as B Corporations have always done, would redefine good corporate management among mainstream companies. There’s much more work to be done, but the signs of it taking hold are encouraging.

“Socially responsible investors see this crisis as an opportunity to focus economic recovery efforts on assuring that low-income people get the support they need to survive.”

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As we concluded the first full quarter of economic fallout from the coronavirus pandemic, stock values were generally higher, with large company stocks up 20.5%, smaller company stocks up 25.4%, and foreign stocks up 14.9%. Bonds, broadly measured, rose by 2.9%. These returns have an impressive luster in part because they are measured relative to the market trough of late March. Overall stocks remain lower for the year.

Many economists credit the launching of several giant government stimulus and lending programs, as well as a variety of aggressive Fed actions, as primary catalysts in rebuilding investor confidence, which drove the rebound during the quarter. While the markets finished up for the quarter, wide swings were common as investors toggled between optimistic and pessimistic outlooks. The hoped-for flattening of the virus infection curve, promising vaccine development news, state reopening plans, and business earnings announcements (which in some cases were better than expected) were all factors driving market gyrations.

The economy and the stock market are related but distinct. The economy refers to the production and consumption of goods and services, while the stock market is an exchange for shares in public companies. The stock market has historically functioned as a fairly reliable “leading indicator” of the economy. If it is correct this time, the optimists may be right that the worst of the immediate economic impacts of the pandemic have passed, and an economic recovery is already on the way (with unemployment normally being among the last pieces of the economy to recover). There has been much discussion about the various potential “shapes” of the economic recovery, including V-shaped, U-shaped, W-shaped, L-shaped, and “swoosh” shaped.

The optimists believe the economy will have a V-shaped recovery, suggesting a steep decline in economic activity quickly followed by a nearly-as-steep recovery. The U-shape would suggest a longer-period of fall at the bottom. The W-shape is a short-term recovery followed by a second decline, before the ultimate recovery. The L-shaped shows a long period of economic woe at the bottom before a distant eventual recovery (the worst outlook), and finally the swoosh-shaped is similar to the L, though the recovery comes along rather slowly. Even economists have different opinions on the most likely scenario.

In June, Federal Reserve Chairman Jerome Powell said that the economic shock caused by the coronavirus pandemic has exposed a range of “troubling inequalities,” most of which predated the current crisis. He further stated that it was important for policy makers to pay attention to how the national economic statistics can gloss over disparities, including how broader prosperity has eluded certain racial or ethnic minorities, according to the Wall Street Journal.

The Economic Policy Institute reports that white Americans have seven times the wealth of Black Americans on average. Black people make up nearly 13 percent of the US population, though they hold less than 3 percent of the nation’s total wealth. Low wealth is generally associated with diminished opportunity.

“As the national discussion continues, it is critical to remember that equity includes access to education, work, and economic opportunity,” said Mr. Powell.

Socially responsible investors are mobilizing to increase commitment to Black economic opportunity. Natural Investments has for many years, and for most clients, directed bond investments into the Community Reinvestment Act (CRA) Qualified Fund. On behalf of shareholders, this fund has taken action on the issue of Black economic equality with a program to amplify its efforts to advance social justice, improve in the lives of those in historically marginalized communities, and increase economic opportunity for people of color. Natural Investments clients together hold over $15 million in this fund.
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