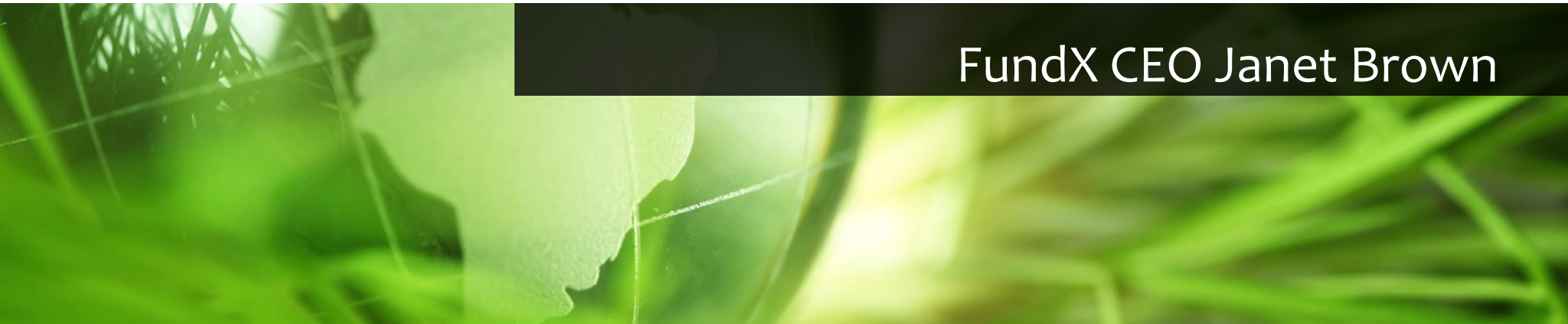




Who Cares Wins

ESG Investing To Manage Risk



FundX CEO Janet Brown

Agenda

Who is FundX?
Current Environment
Doing Well Sustainably



Who is FundX?

Woman-owned firm with 50-year history of helping investors build wealth and meet lifelong investment goals.

FundX Investment Group

Since 1969

NoLoad Mutual Fund Pioneer

- One of the first advisors to use no-load mutual funds to manage client accounts.

Evidence-Based Investing

- Time-tested momentum strategy supported by decades of academic and industry research.

Empowering Enterprising Investors

- Publishers of NoLoad FundX newsletter since 1976.

***"The best-performing
momentum strategy over the
long term."***

—MarketWatch, January 2017

Guidance for Individual Investors



NoLoad FundX
June 2020
Data to 5/31/20

MARKETS

Disconnect

Stocks continued their rapid recovery in May. Since the March low, all major US indexes have surged over 35%: the first 15% by the end of March, another 10-14% in April, and an additional 5% in May. Year-to-date, the S&P 500 is now down just -5% and the Dow is down -10%, while the tech-heavy Nasdaq 100 is up 10%. Foreign markets are down: MSCI EAFE -14% and Emerging Markets -16%.

The unprecedented speed of the markets' collapse and rebound may have some investors questioning their defensive moves. Not being invested during these initial rallies after bear markets can end up costing investors dearly when it comes to long-term returns.

While progress and time are combating the Covid-19 pandemic, and governments have provided massive support for the economy and financial markets, no one can know the long-lasting effects and at what pace the recovery will unfold. As we go to press, the Congressional Budget Office projected that the pandemic could cost the US \$16 trillion over the next 10 years, or 3% loss in "real" G.D.P. through 2030.

Crises like this are rare, so there's little precedent to rely on. We know that bear market rallies do happen, even as stock markets establish new lows, but they are usually short-lived and in the 10-15% range. The S&P 500 rallied 25% in late 2008 in response to the Federal Reserve's quantitative easing and economic support before sinking to its March 2009 low. Yet, there is now genuine momentum pushing the market higher. The recovery has broadened in the past weeks from its initial focus on tech and health. More than 90% of stocks in the S&P 500 are now above their 50-day moving average—a technical indicator that implies further

What's Working

Small- and mid-cap growth stocks did best for the month, but the top-ranked funds are mostly large-cap growth funds, which did better over the trailing three, six and 12 months.

In Class 3, US large-cap growth funds dominate the top ranks. Growth funds are also top-ranked in Class 2 along with a few mid-cap and global/international funds in the mix.

Among Class 1 sector funds, the current winners are gold, health care, and tech/biotech funds.

Fixed Income

May was a 'risk-on' month in the bond markets. Interest rates remained stable, leading to tepid returns on lower-risk bonds, but a continued surge in stocks triggered stronger returns on corporate debt. Lower-quality high-yield bond funds jumped 4.24%, global bonds were up 2.17%, and corporate bonds were up 1.97%, while intermediate government bonds inched up just 0.20%.

Highlights

2

Tips for Generating Income Now

3

Is the 4% Rule Still Valid?

4

Alternative Fund Q&A

Next Issue Publication Date July 1st

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FundXpress.....16

A Publication of FundX Investment Group. Professional Money Management Since 1969

FOR ACTIVE INVESTORS IN A CHANGING WORLD

FUNDX INSIGHTS



What's going on with the stock market?

Stocks were up again in May, despite economic and social turmoil. Major US market indexes are up more than 35% since the March lows. Is this normal?

[Click here](#) to get our monthly take on the markets. You'll learn which stocks have done best this year so far, what's pushing the market higher, and who should be buying stocks right now.

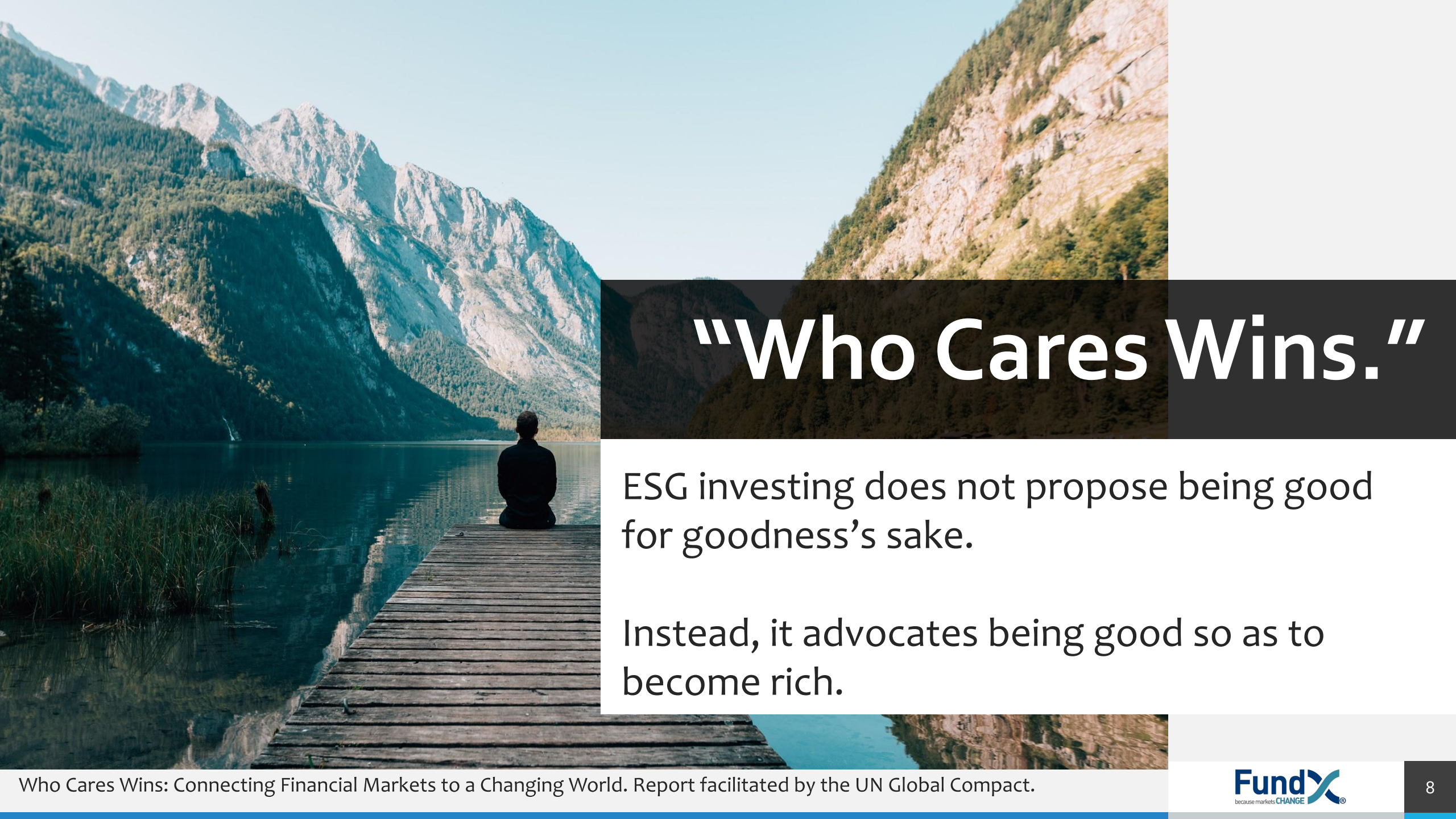
Read More



The Way You Invest Matters

Your Money Has Power



A person is sitting on a wooden dock, looking out at a calm lake. In the background, there are steep, forested mountains under a clear sky. The scene is peaceful and scenic.

“Who Cares Wins.”

ESG investing does not propose being good for goodness’s sake.

Instead, it advocates being good so as to become rich.



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



The SDGs are a \$12+ trillion opportunity. Achieving the SDGs could stimulate creation of 380 million new jobs by 2030.

Large growth opportunities:

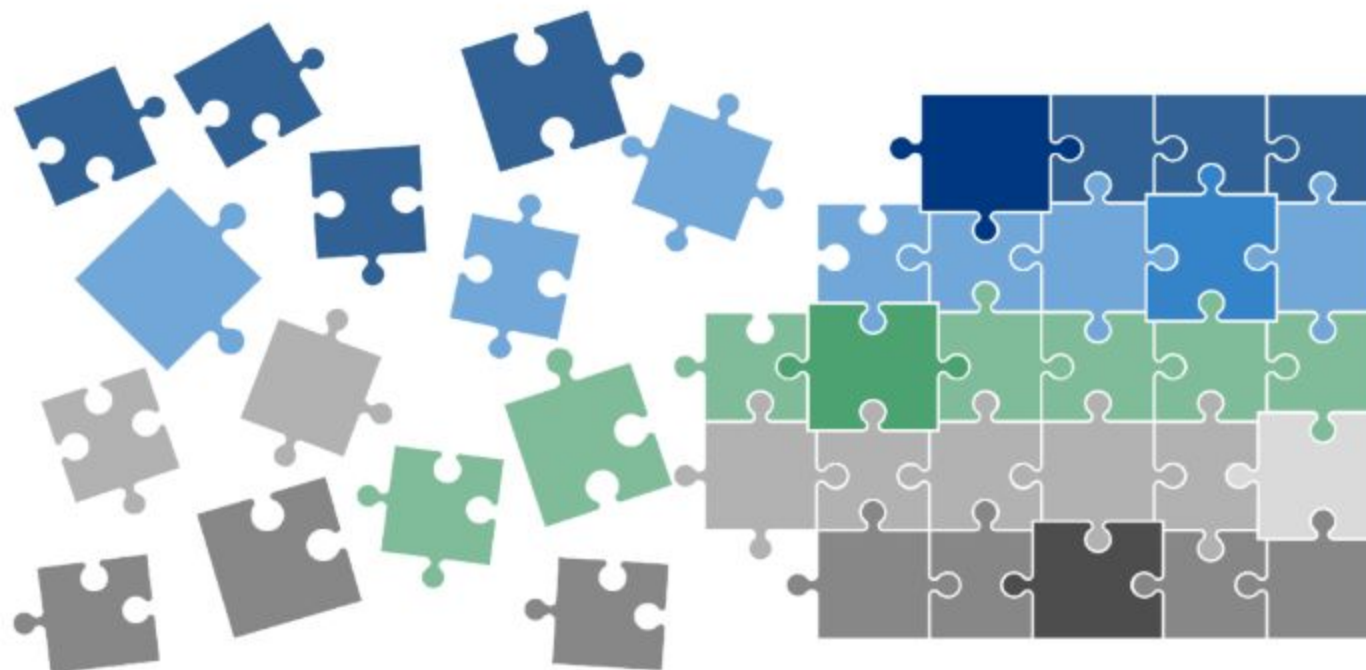
- 1) **Food and agriculture:** opportunities for growth could have an estimated value of \$2.3 trillion
- 2) **Energy and materials:** energy costs are expected to rise in the future due to increased regulation to reduce the environmental impact of energy harvesting. Renewable models reduce cost and could create ~\$1 trillion in opportunities.
- 3) **Cities and health:** as city populations grow, the need for affordable housing will rise. This could create an additional \$3.7 trillion.
- 4) **Well-being:** healthcare access is limited in developing countries and many of the emerging potential profits in this industry reflect a movement to expand basic medical care to underserved populations. Remote patient monitoring offers a potential \$1+ trillion



Source: Borgen Magazine 2017

ESG Matters: Unlocking value

- Investing is about uncovering **risk & opportunity** – ESG is just another piece to the puzzle
- **Intangibles** increasingly drive long term value of a stock – intangibles account for 80% of a company's value
- As active investors we must have a holistic view which includes intangibles and ultimately a company's ESG practices
- **Opportunity** – understanding a company's ESG practices can help uncover opportunity not already priced in (i.e. new business lines capitalizing on transition to low carbon economy ect.)



Sustainable Portfolios Seek to Provide More

- Sustainable investing incorporates non-financial inputs, such as ESG factors, to seek sustainable outcomes as well as strong financial returns.



Manage Risk

- Improve risk-adjusted returns by analyzing environmental, social and governance practices (ESG)
- Companies with strong ESG practices may be more resilient (black swan events, changing regulations)



Uncover Opportunity:

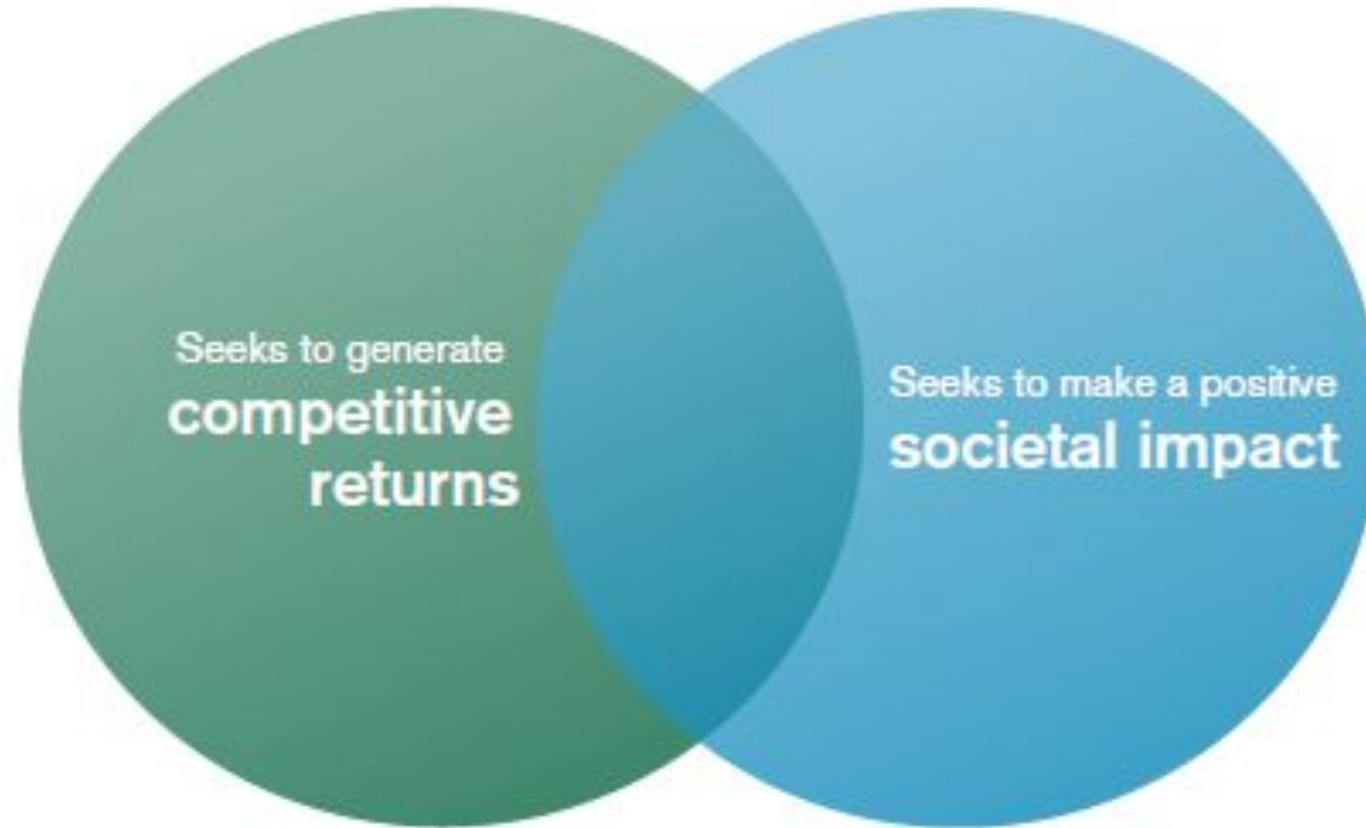
- As environmental and social issues become increasingly relevant, financial opportunities are created
- Regulatory actions, improved transparency and technological innovations are fueling the sustainable movement allowing sustainable portfolios to deliver competitive financial returns relative to traditional benchmarks



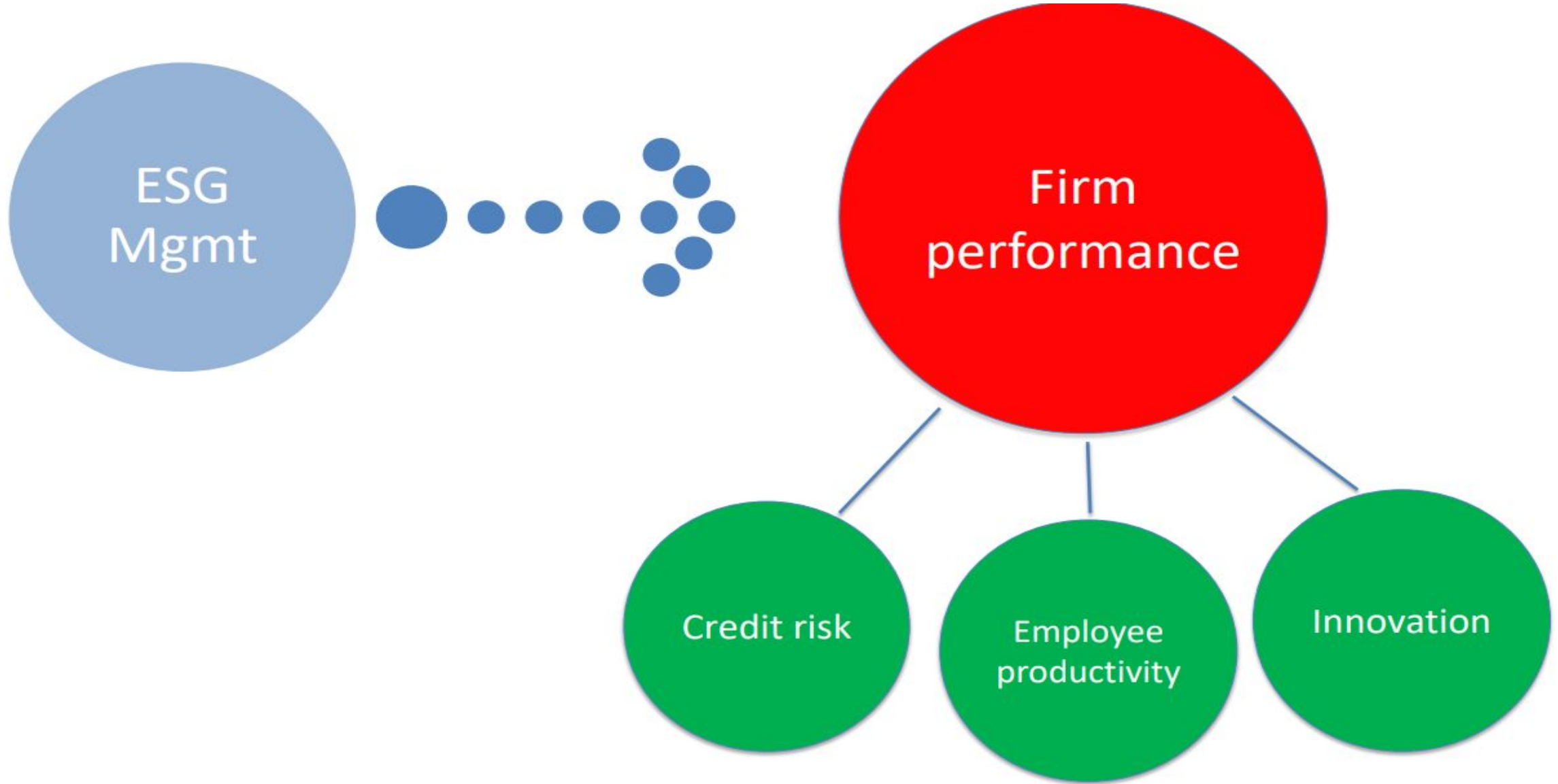
Achieve more than return:

- Engage with investee companies to improve environmental, social and corporate governance practices which can result in a stronger financial position as well as societal alpha
- You can do well for your portfolio AND do good for society. Sustainable investing can allow you to align your investments with your values, allow for positive societal change, while simultaneously achieving competitive financial returns.

A decade ago we called it Socially Responsible Investing....



Today..... Ignore it at your peril



- 
- △ Growing Immediacy of Climate Change
 - △ Shift Toward Stakeholder Capitalism
 - △ Impact Investing Resonates

What's driving sustainable investing growth

Investors increasingly recognize the financial merits of sustainable investments



Demographic Shifts

- younger generations have different preferences
- environmental and social issues are increasingly in the spotlight
- CSR & transparency is in focus
- 72% of the U.S. population expressed at least moderate interest¹ (it's not just millennials & women)



Opportunity

- environmental and social changes present opportunity for growth
- businesses evolving their offering to meet key sustainable challenges can stand out from peers
- SDGs: More than \$2.5tn per year is needed to achieve 2030 target, unlocking \$12tn in economic opportunity 380M jobs

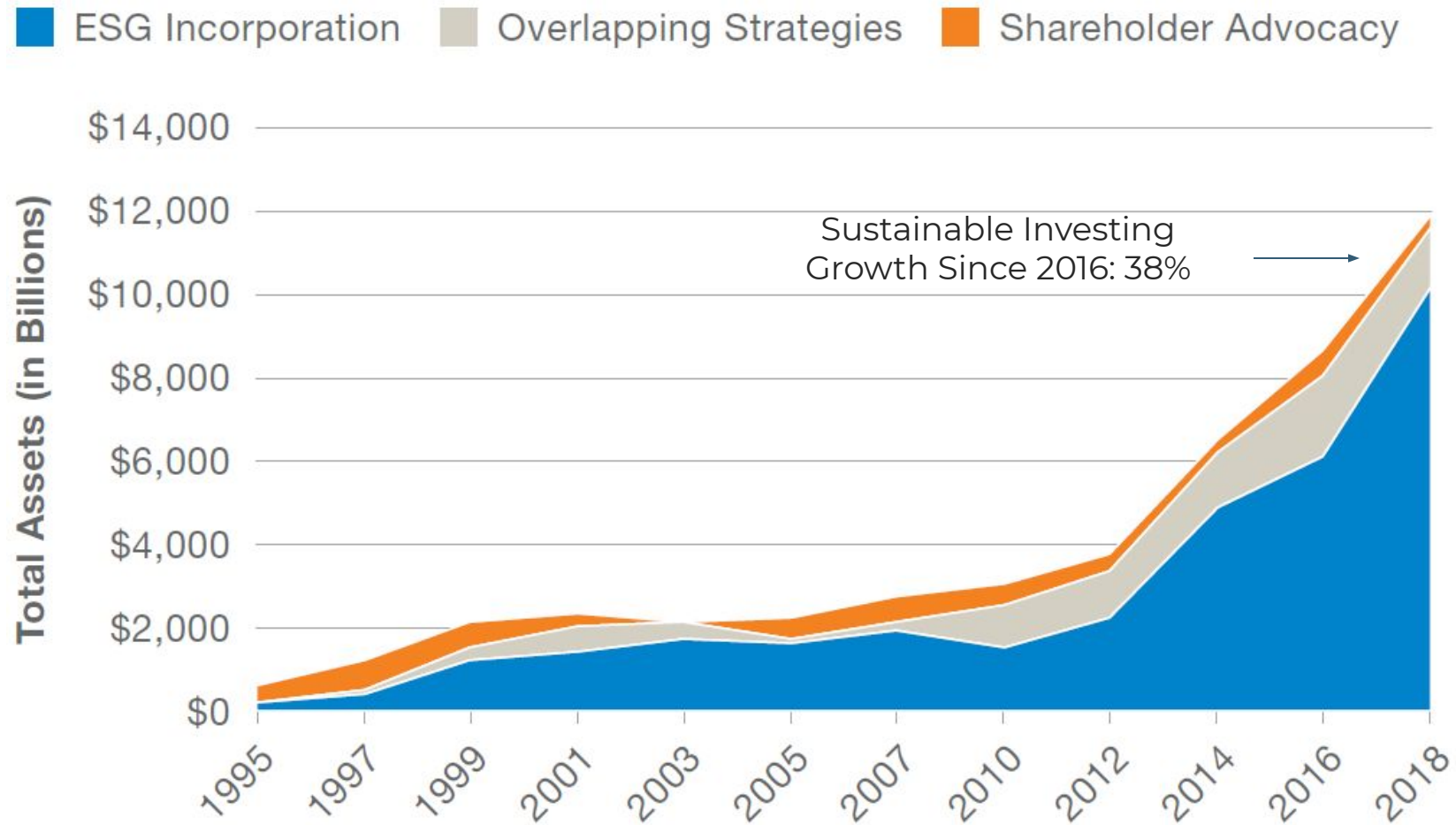


ESG Materiality

- intangibles increasingly drive long term stock value (ESG factors are intangibles)
- poor ESG practices can result in tail risk
- strong ESG practices contribute to stable long term performance

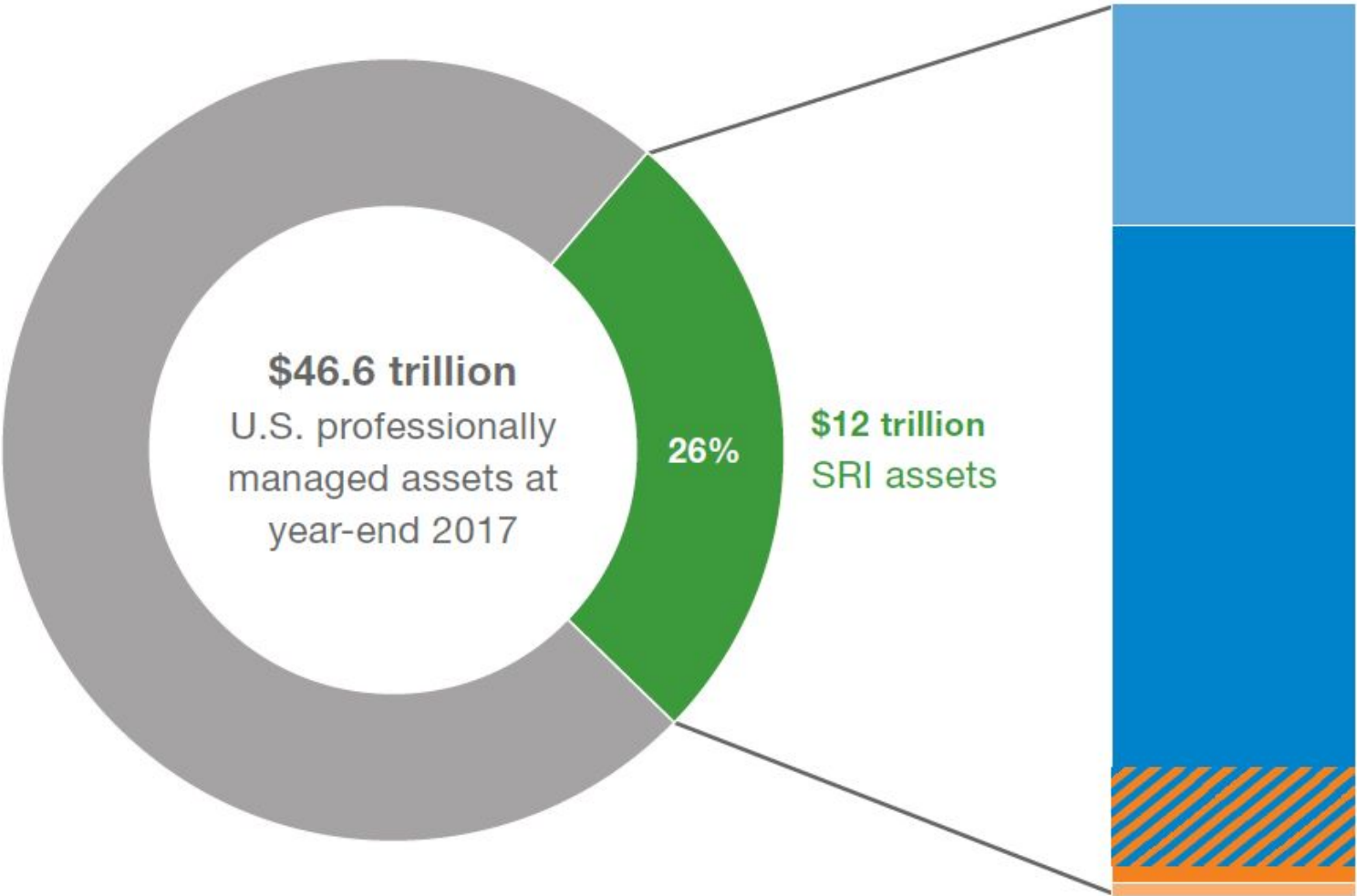
FIGURE A

Sustainable and Responsible Investing in the United States 1995–2018



SOURCE: US SIF Foundation.

Size of Sustainable, Responsible and Impact (SRI) Investing 2018



ESG Incorporation

- By Money Managers on Behalf of Individual/Retail Investors
\$3,032 Billion
- By Money Managers on Behalf of Institutional Investors
\$8,601 Billion

Overlapping Strategies
(\$1,401 Billion)

Filing Shareholder Resolutions

- Institutional Investors
\$1,561 Billion
- Money Managers
\$202 Billion



Sustainable Portfolios Perform Just as Well

2,000 studies found a positive link between sustainability and good financial performance.

Morningstar studies show that allocating to strong **sustainable funds** does not result in weaker performance within global equities

Sustainable Funds vs Traditional Funds Growth

2007-2020



Source: Morningstar

Traditional Fund = MSCI ACWI, Sustainable Fund = MSCI ESG Leaders

RI Index Returns were comparable to broad market indices.

Index average annual returns (as of 5/26/2020)

Name	YTD	1 yr	3 yr	5 yr
Global Sustainable Fund	-9.12	3.97	5.63	5.49
Global Traditional Fund	-10.47	1.94	4.63	4.92
USA Sustainable Fund	-5.33	9.16	10.01	8.93
USA Traditional Fund	-6.64	7.99	9.54	9.52
International Sustainable Fund	-13.37	-2.26	0.45	1.16
International Traditional Fund	-15.44	-5.93	-0.73	0.44
Emerging Markets Sustainable Fund	-14.56	-0.64	0.85	2.55
Emerging Markets Traditional Fund	-16.33	-3.62	-0.67	0.35

Source: Morningstar

Global Traditional Fund = MSCI ACWI, Global Sustainable Fund = MSCI ESG Leaders, USA Traditional Fund = MSCI USA TR USD, USA Sustainable Fund = MSCI USA ESG Leaders NR USD, International Traditional Fund = MSCI EAFE NR USD, International Sustainable Fund = MSCI EAFE ESG-Leaders NR USD, Emerging Markets Traditional Fund = MSCI EM NR USD, Emerging Markets Sustainable Fund = MSCI EM ESG Leaders NR USD



- Given the extended 10+ year bull market, investors were wary of how sustainable portfolios would weather market turmoil
- The COVID-19 related market event has tested sustainable assets, demonstrating **sustainable portfolios can be quite resilient**
- While still early, the additional data points may begin to **ease investor concerns and skepticism**

Sustainable Equities vs Traditional Equities: YTD, Peak to Trough, Peak to Today



**Companies with higher ESG ratings
fell less in COVID-19 sell-off**

**ESG/SRI equities have not sacrificed
returns during crisis**

Sustainability = Profitability

Sustainability issues affect a company's bottom line

Criteria	ESG Benefit	Company Benefit
Better labor practices & workplace safety	• Keeps workers safe	• Fewer Product defects • Fewer boycotts or recalls
Renewable energy	• Lower emissions • Cleaner air • Less reliance on fossil fuels	• Lower operating costs
Gender and racial diversity on corporate boards/executive teams	• Promotes equality	• Studies find companies with more diversity in management are more profitable

Strategies for Implementation



“

Successfully forecasting long-term market, sector and entity-specific trends increasingly requires a comprehensive understanding of relevant ESG factors and their potential financial effects.



ENVIRONMENTAL



SOCIAL



GOVERNANCE



ENVIRONMENTAL

- Natural resource conservation
- Carbon footprint/impact on climate change
- Sustainability initiatives
- Proper waste disposal/recycling efforts
- investments in renewable energy
- opposition to deforestation



SOCIAL

- Safe working conditions for employees
- Animal welfare/testing
- Improved access to education
- Racial equality issues
- Gender equality issues
- Charitable contributions/donations
- Impact of product/service on people's well-being
- Health insurance offered to their employees



GOVERNANCE

- Wages provided to their employees
- Transparency in their business practices
- Donations to PACs/political candidates
- Level of executive Compensation
- If/how they allow stockholders to vote on issues
- Number of women on their board of directors
- Number of minorities on their board of directors

ESG integration is...



Arming portfolio managers with tools and information to identify risks and opportunities within portfolios



Enhancing the investment process and implementing this across all our portfolios



Making investment decisions that take financially material ESG information into account

...and is not



A values-based exercise



Addressing stakeholder concerns by applying exclusionary screens based on immaterial ESG information



Simply developing ESG versions of existing products while leaving processes unchanged

Source: BlackRock Sustainable Investing and BlackRock Investment Institute, December 2018.

Note: The table is for illustrative purposes only.

A Changed World

Citigroup is adding an investment banking division focused on sustainability after its coronavirus experience.

“The current Covid crisis will elevate the importance of ESG to our clients, as they increasingly focus on more sustainable and resilient strategies.”

--Tyler Dickson and Manuel Falco, Global co-heads of Citigroup's banking, capital-markets, and advisory group

Growth of ESG Incorporation by Money Managers 2005–2018



ESG Fund Ratings

Sustainability Rating ⓘ



Historical Sustainability Score Percent Rank

12

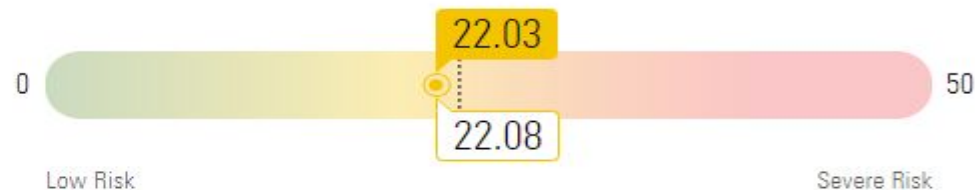
Number of Funds in Global Category

1416

Sustainable Fund by Prospectus

Yes

Sustainability Score • Historical ○ Current ⋮ Global Category Average (Historical)



ESG Breakdown (lower scores = lower risk)



3.86
Environmental



10.89
Social



7.16
Governance

Current Sustainability Score based on 100% of AUM | Global Category: US Equity Large Cap Growth | Sustainability Score as of Apr 30, 2020. Sustainability Rating as of Apr 30, 2020. Sustainability provides company-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Score. Sustainability Mandate information is derived from the fund prospectus.

Morningstar Carbon Metrics ⓘ



Carbon Risk Score ⓘ



Fossil Fuel Involvement % ⓘ



Category Best (Low) and Worst (High)

Category Average

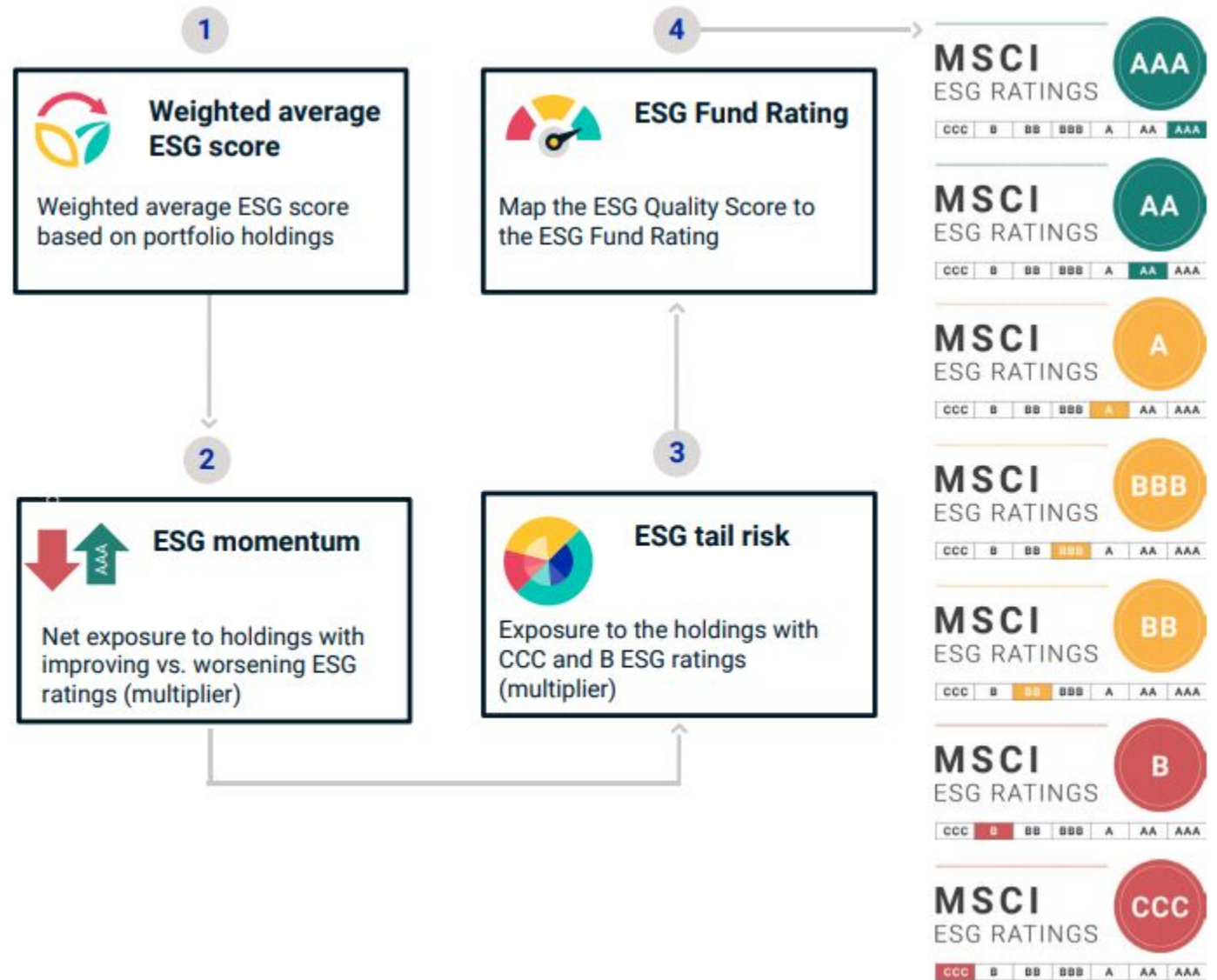
Carbon metrics as of Mar 31, 2020 | Category: Large Growth as of Mar 31, 2020 | Based on 97% of AUM | Data is based on long positions only.

Morningstar Sustainability Rating

Distribution	Score	Descriptive Rank	Rating Icon
Highest 10%	5	High	
Next 22.5%	4	Above Average	
Next 35%	3	Average	
Next 22.5%	2	Below Average	
Lowest 10%	1	Low	

MSCI ESG Ratings

- ESG Fund Rating: identify, screen, rank, and report on funds using the AAA-CCC signal
- ESG momentum: gain insight into a fund's ESG track record, which is designed to indicate fund exposure to holdings with a positive rating trend or worsening trend year over year
- ESG tail risk: understand fund exposure to holdings with worst-of class ESG Fund Ratings of B and CCC



High-Profile Examples of ESG Risk

Volkswagen Emissions Scandal

\$15b judgment in U.S. alone

Share price -37%

J & J Talcum powder

\$4.72b in legal liability in 1st 2 of 14,000 cases

Stock price -17%

Vale Iron Ore Tailings Failures

222 dead

\$4.8b in fines & \$55b in potential liability

1st case led to -25% stock price

2nd case another -22% stock price

Boeing & 737 MAX

Potential legal liability for 346 deaths

+ \$1m per week for 350 planes grounded

Stock price -26%

PG&E & Camp fire

86 dead, 14,000 homes burnt

Stock price -87%. Bankruptcy

Shareholders Create Positive, Lasting Corporate Change



“Corporations are responsible for most of the pressing social and environmental problems we face today — we believe corporations must be a willing part of the solutions. We make that happen.

As shareholder advocates, we directly engage corporate CEOs, senior management, and institutional investors to change corporations from the inside out.”

15 Years of encouraging beverage companies to recycle



AS YOU SOW

Coca-Cola agreed to recycle 50% of its PET, glass bottles, and aluminum cans by 2015

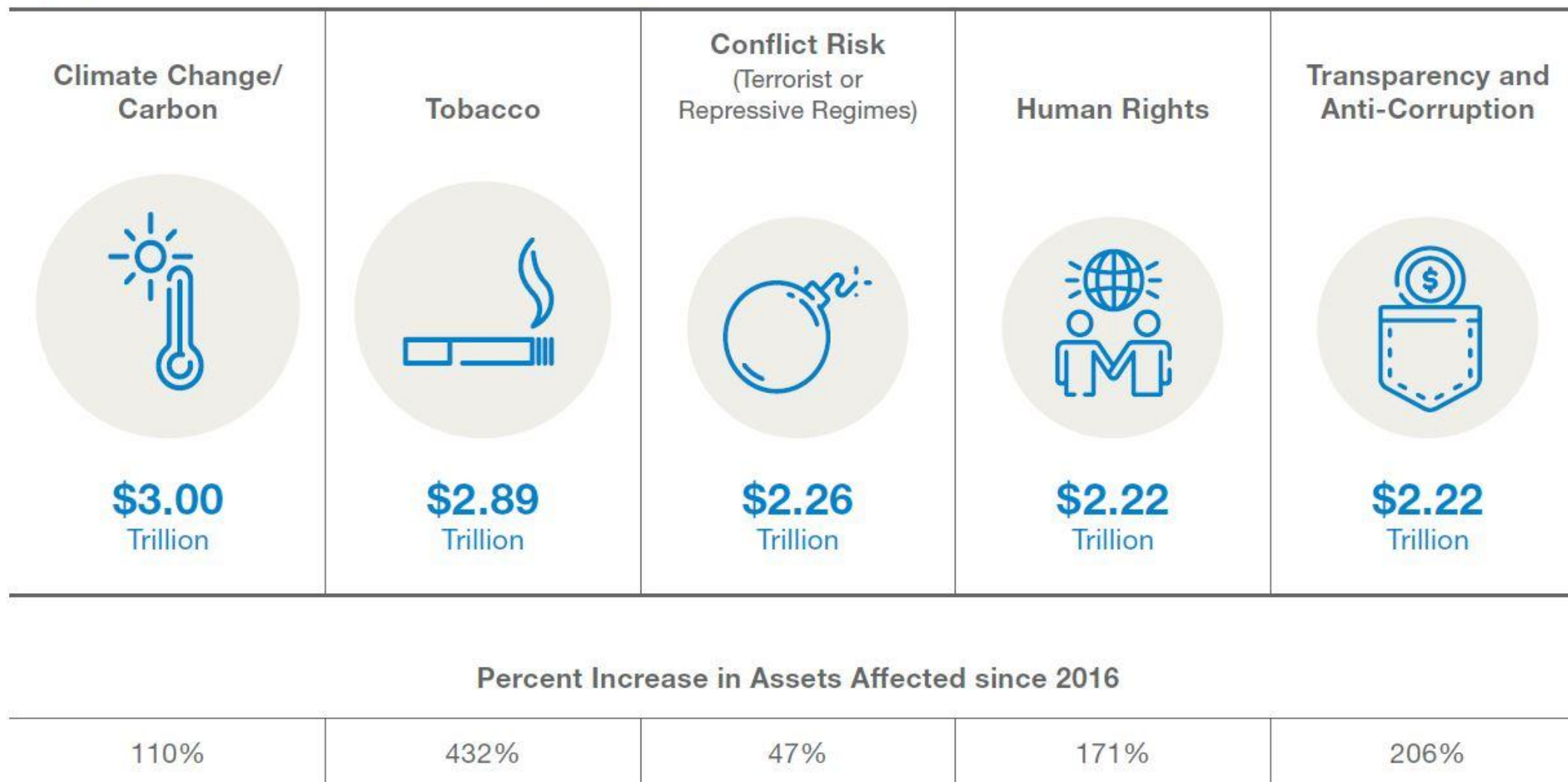
PepsiCo agreed to an industry recycling goal for 50% of PET, glass bottles and cans by 2018

Nestle Waters agreed to an industry recycling goal of 60% of PET bottles by 2018.

20 billion bottles and cans avoiding the landfill and instead providing valuable materials to bottling companies for recycled content in new bottles and cans.

FIGURE E

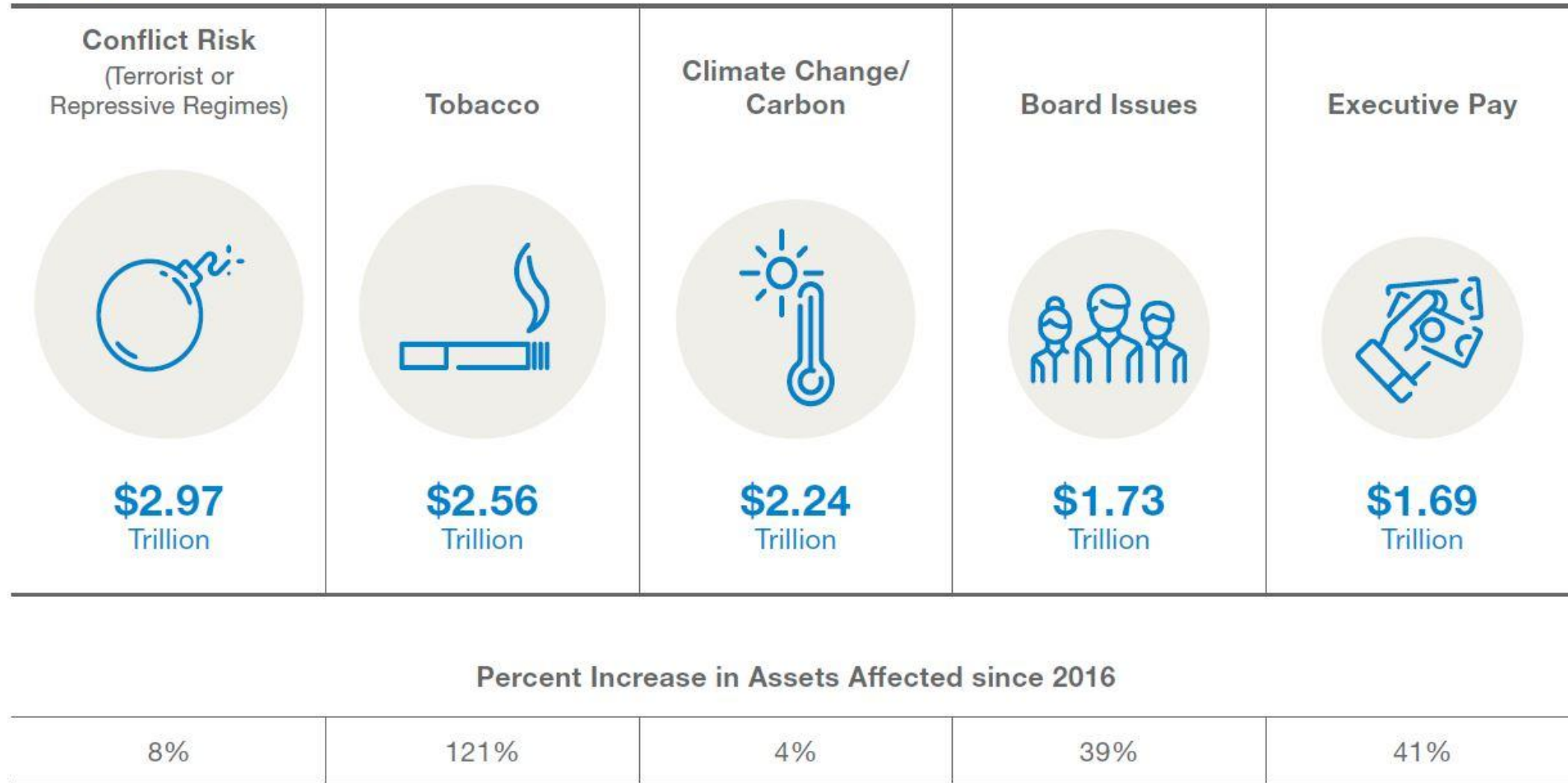
Top Specific ESG Criteria for Money Managers 2018



SOURCE: US SIF Foundation.

FIGURE H

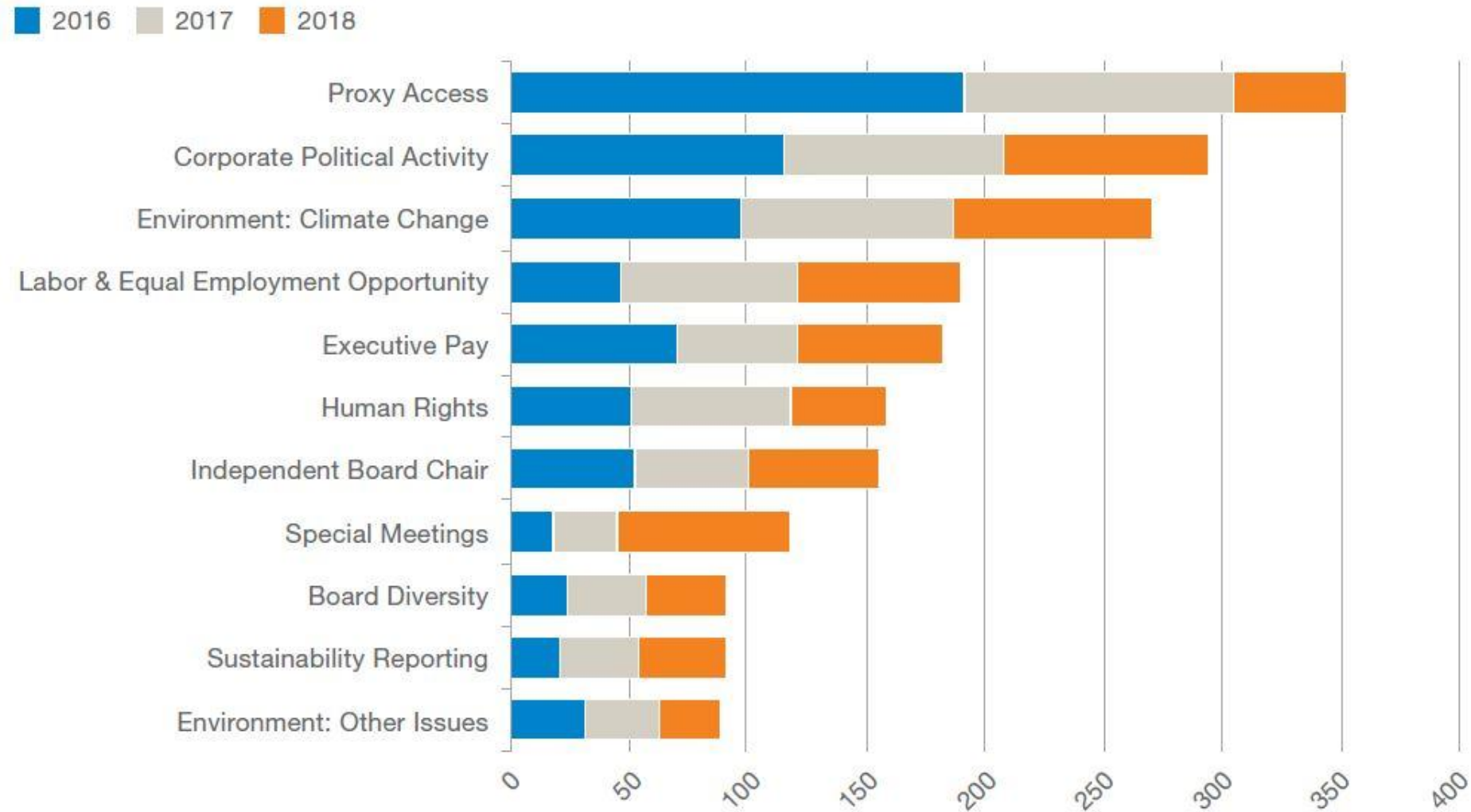
Top Specific ESG Criteria for Institutional Investors 2018



SOURCE: US SIF Foundation.

FIGURE J

Leading ESG Issues 2016-2018, by Number of Shareholder Proposals Filed



SOURCE: ISS, Sustainable Investments Institute.

NOTE: Data for 2018 show numbers of proposals filed for 2018 meetings through July 15, and all vote results known as of July 15.

Success Story 1: Target



ISSUE: Toxic chemicals in toys

- Domini fund managers engaged with Target to reduce the use of toxic PVC plastic in children's products.

OUTCOME: Fewer harmful chemicals in children's products

- Today, Target has a sustainable product standard that scores 7,000 products based on toxicity.
- Other major retailers, like Walmart and Sears, soon followed suit.

Success Story 2: Utility Companies



ISSUE: The future of energy

- Calvert funds has prioritized engagement with electric utilities.

OUTCOME: More efficient energy use

- 53 major corporations have committed to source 100% of their power from renewable energy in the next two decades.

Success Story 3: Home Depot



ISSUE: Depleted resources

- Trillium engaged with Home Depot, one of the world's largest retailers of old-growth lumber at the time.

OUTCOME: Smarter use of natural resources

- Home Depot agreed to use more sustainably sourced wood, and by 2009, Home Depot had sold more Forest Stewardship Council (FSC)-certified wood than any other company in North America.



DEMONSTRATING POSITIVE IMPACTS OF SHAREHOLDER PROPOSALS

Investor protection, risk management and the benefits of investors' insights and foresight.



Investor Coalition Fights
Opioids Crisis



Gender Pay Equity on the
Agenda



Shareholder Proposals are
Key Risk Tool to Protect
NY State Retirees



Kroger agreed to protect
tropical forests

Shareholders Positively Influence Corporate Behavior

Investors for Opioid Accountability

\$2.2 trillion of influence

46 members — including state treasurers, public pension funds, faith-based investors and union benefit funds

Urging the largest U.S. drug companies to take accountability for playing a role in the opioid crisis.

“There is no such thing as an innocent shareholder. He may be innocent in fact but he cannot be held innocent socially. He accepts the benefits of the system. It is his business and obligation to see that those who represent him carry out a policy that is consistent with the public welfare.”

— Supreme Court Justice Louis Brandeis (1913)

ESG risks moving to the top of the agenda

Top 5 Global Risks according to World Economic Forum surveys

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 st	Asset price collapse	Fiscal crises	Financial failure	Financial failure	Fiscal crises	Water crises	Climate action failure	Weapons of mass destruction	Weapons of mass destruction	Weapons of mass destruction	Climate action failure
2 nd	Deglobalization (developed)	Climate change	Water supply crises	Water crises	Climate action failure	Infectious diseases	Weapons of mass destruction	Extreme weather	Extreme weather	Climate action failure	Weapons of mass destruction
3 rd	Oil price spikes	Geopolitical conflict	Food shortage crises	Fiscal imbalances	Water crises	Weapons of mass destruction	Water crises	Water crises	Natural disasters	Extreme weather	Biodiversity loss
4 th	Chronic disease	Asset price collapse	Chronic fiscal imbalances	Weapons of mass destruction	Un-employment	Interstate conflicts	Involuntary migration	Natural disasters	Climate action failure	Water crises	Extreme weather
5 th	Fiscal crises	Energy price volatility	Volatile energy and agriculture prices	Climate action failure	Information infrastructure breakdown	Climate action failure	Energy price shock	Climate action failure	Water crises	Natural disasters	Water crises

■ Economic
■ Environmental
■ Geopolitical
■ Societal
■ Technological

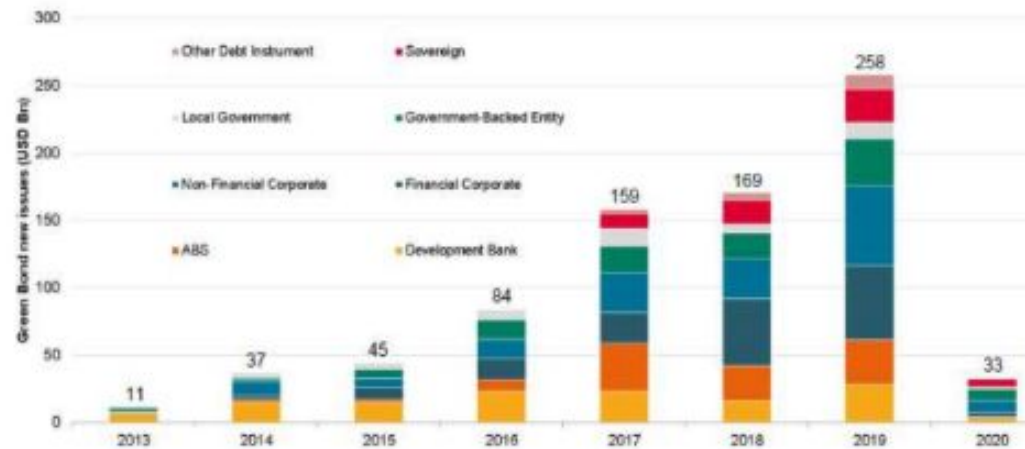
Source: World Economic Forum 2010–2020, Global Risks Reports. Note: Global risks may not be strictly comparable across years, as definitions and the set of global risks have evolved with new issues emerging on the 10-year horizon. For example, cyberattacks, income disparity and unemployment entered the set of global risks in 2012. Some global risks were reclassified: water crises and rising income disparity were re-categorized first as societal risks and then as a trend in the 2015 and 2016 Global Risks Reports, respectively.

Green Bonds are standard bonds with additional 'green' values

Green bonds are poised to be a \$1 trillion market by end of 2020

Green bonds are standard bonds with a use of proceeds explicitly **dedicated to projects with environmental benefits** focused on climate change mitigation and/or adaptation.

Labelled green bond issuance (USD bn)
A new record year in 2019



Source: Allianz Global Investors, Climate Bonds Initiative, data as of 13/04/2020
This analysis has been distributed for informational purposes only, does not constitute investment advice and is not a recommendation or offer of any particular security, strategy or investment product.

Green Bonds trade in line with standard bonds

Same guarantor – same risk - different objectives



Standard financing activities



Environmental projects

Getting Started with Sustainable Investing

→ Invest in sustainable/ESG funds

Funds have teams of analysts who work to identify companies ESG risks.

→ Focus on diversified funds

Use concentrated, sector funds sparingly.

→ Consider a fund's performance *and* its sustainability

Make sure a fund meets your needs for growth and impact.

Ask your advisor about sustainable investing

Work with an advisor? Talk about how to integrate it into your portfolio.

FundX Sustainable Impact Approach

ESG-integrated approach with a focus on impact investing

A focus on engagement

We prioritize funds and ETFs that actively engage with companies in order to affect change

A time-tested investment approach

FundX's global Upgrading strategy has a nearly 50-year history of capitalizing on market trends

Experienced, active management

FundX has managed portfolios of sustainable funds for clients for decades

Pairs performance and sustainability

Own a portfolio of funds with strong recent returns and strong ESG ratings

Success Depends On

Flexibility
Discipline
Humility



Free Weekly Investment Guidance

WWW.FUNDX.COM/SIGNUP

Sign up for FundX Insights

Get the investment information you need delivered right to your inbox.

How to Sign Up

Sign up to get FundX Insights delivered directly to your inbox. Join 20,000 active investors!

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FundX Insights helps thousands of active investors

- ✓ Keep up with changing markets.
- ✓ Stay on track in an ever-changing world.
- ✓ Learn from experienced wealth managers.

Is Private Management Right For You?



Rohan Nayak CFP®
Investment Advisor



Sean McKeon
Portfolio Manager,
CCO



Marty DeVault
Portfolio Manager,
Principal



Dan Cozano
Investment Advisor

800-323-1510 fundx.com



Thank You

Janet Brown



800-323-1510



client@fundx.com



FundX.com



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