SUSTAINVEST
ASSET MANAGEMENT, LLC

3RD QUARTER 2016

3RD QUARTER INSIDE THE NUMBERS

S&P 500	2.60%
DJIA	2.11%
Nasdaq	9.69%
Russell 2000	8.66%
Barclays US Bond Index	-0.20%
Euro Stoxx 50	4.80%
Oil	-6.02%
Gold	-0.66%
Euro vs $	1.09%

INSIDE

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YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

ECONOMY

Summer sure was quiet this year. Well, only if we are talking about the San Francisco Giants AND the stock market that is. The S&P had gone 44 consecutive days without a move of more than 1% in the July/August months. This now seems to be shifting as movement starts ramping up to what looks to be a close election. As we enter the last quarter of 2016, things seem to be fairly rosy. Just ask your co-worker or neighbor. According to the Census Bureau report that came out on September 13th, incomes of Americans rose in 2015 by 5.2%. **This was the fastest increase ever recorded by the federal government.** In addition, the poverty rate fell by 1.2 percentage points, the steepest decline since 1968. Considering 70% of GDP is consumer spending, this should lead one to believe that the markets should continue their upward trend. For Q3 we saw the S&P 500 go up 2.6% and the NASDAQ up 9.6%. Year to date the market is up almost 6 %.

Due to solid increases in stocks, the shifting focus is on finding value. In a year where most analysts were talking about negative market returns, we are noticing double digit positive returns with strong gains coming from commodities (Gold), Real Estate (REITs), and emerging markets—a valid reason to be allocated into different asset classes per timelines and risk profiles.

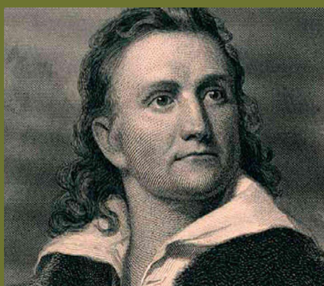
GETTING DIVIDENDS AND NOT SACRIFICING VALUES

We constantly get the statement, "Well, if I want dividend paying stocks, can I be sustainable". Of course you can. The big evil banks and tobacco companies are not the only game in town when it comes to paying solid dividends. *Continued on page 3*

COMPANIES COMMITTED

We all have at least tried soy milk, right? In most cases, White Wave is the company that owns your soy milk brand. WhiteWave Foods (WWAV) focuses on offering plant-based foods, coffee creamers and beverages. The company's brands include Silk, So Delicious, Horizon Organic, and Earthbound Farm as they advocate for sustainability in the production of their products. The company commissioned an independent life cycle assessment to compare a half gallon of Silk Original to a half gallon of conventional dairy. The results showed the plant based beverage saved 500 gallons of water and had four times fewer Green House Gas (GHG) emissions. Now, WhiteWave has a new boss. During the 3rd quarter, WhiteWave was purchased for $12.5 Billion by yogurt giant Danone. The deal has big implications for the organic supply chain as well as making this combination the largest buyer of organic milk in the U.S., between its Stonyfield, Horizon, and Wallaby brands. We shall see how brand supporters handle this recent acquisition by the food manufacturing behemoth. *(Sustainvest does not have a position in the stock).*

Education



"A true conservationist is a man who knows that the world is not given by his fathers, but borrowed from his children."
- John James Audobon

Green Bonds: What are They?

Lots of talk exists out there these days on the topic of being more sustainable with not only stocks but also fixed income vehicles or bonds. Enter the newest craze called Green Bonds. Green bonds were created to fund projects that have positive environmental and/or climate benefits. Proceeds from these bonds are earmarked for green projects but are backed by the issuer's entire balance sheet.

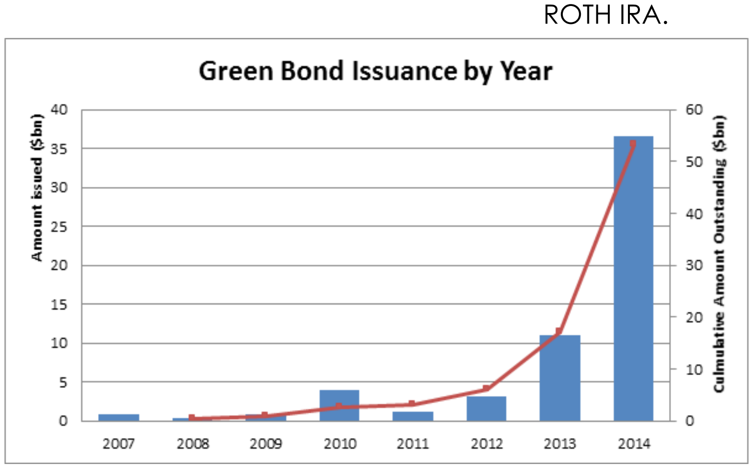
In February, Apple introduced a $1.5 billion green bond issue — the largest undertaken by any U.S. tech company — that will pay for a range of environmental initiatives. Recently, Starbucks issued $500 million in debt that will be used for several purposes, including underwriting programs for farmers that adhere to the Coffee and Farmer Equity Practices, a set of guidelines Starbucks adopted roughly 15 years ago for growing and harvesting crops more sustainably.

Sustainvest screens out or excludes investing in bonds of corporations that don't pass sustainability screens embracing the first step towards having a more sustainably focused fixed income portfolio. When new clients walk into the office, the first step is to eradicate one's portfolio of either stock OR bonds of companies like Wells Fargo, Exxon Mobil or Philip Morris.

Attention Clients Over 70 or Those with Inherited IRAs: Remember to Take Your RMDs

If you own an IRA and are over the age of 70 or have an Inherited IRA, you may be required to take your Required Minimum Distribution or RMD by year end. The IRS requires that you withdraw at least a minimum amount - from your retirement accounts annually; starting the year you turn age 70-1/2.

RMDs are required from traditional, rollover and inherited IRAs, Simplified Employee Pension, SIMPLE plans as well as qualified retirement plans, such as a Keogh, Individual 401(k) and 403(b). Basically, the government has allowed your assets to grow tax-deferred over your lifetime, and now it is time to pay income tax on those assets. Be careful of the penalty. If you do not withdraw the minimum amount required by the deadline, you will be assessed a penalty on excess accumulation, an insufficient distribution, which is 50 percent of the shortfall. If your RMD is $2,000 and you only withdraw $1,000 by the deadline, you will be penalized $500 on the $1,000 not taken. If you don't want to spend this RMD on a nice vacation in Bali, there are options. You can divvy up your mandatory withdrawal by transferring holdings to a taxable account, gifting to a 529 plan, making a qualified charitable distribution, or convert the funds to a ROTH IRA.



Continued of ECONOMY from page 1

Our clients are proud they don't own stock in companies like Wells Fargo considering the recent news that they opened millions of accounts under client names in which the clients had no clue. Clearly, we can find a 3% dividend in another more sustainably focused retail bank. For example, financial firms such as MetLife (3.9%) and PacWest Bancorp (4.7%) offer yield. Step outside the sector and Qualcomm offers 3.4% along with healthcare company Abbvie offering 3.5% with a strong pipeline. As we continue to search for yield in this historically low interest rate environment, it is important to diversify even in the fixed income asset class. That means not just having bank cd's, corporate bonds, or government agencies. Having a nest egg after years of hard work shouldn't be at the mercy of a bond market that could become quite volatile as the Fed searches for ways to get rates back to where they once were.

The Election

Come next newsletter the U.S. will have a new commander in chief. With the issues of historically low interest rates and BREXIT still looming, it will be interesting to see how this market holds during November. Though politics should not come into play when it comes to long term investing, a few notes on the topic are warranted. Trump has been dubbed the "king of debt" and his numerous bankruptcies prove that he is not quite the business person he holds himself out as. There are concerns that Trump's plans to scale back foreign trade and put hefty tariffs on goods coming from China could hurt the U.S. economy. On the flip side, Clinton brings a sense of old Washington which could help settle the markets. Each sector of the economy is going to handle this differently. Clinton has repeatedly advocated regulations that could cap prices for certain pharmaceuticals and force companies to spend more on research and development, hence the reason unloading some healthcare stocks may be timely. She has also pledged to install 500 million solar panels by 2020. That would equal roughly 135 to 175 gigawatts of solar capacity, increasing the U.S.'s current capacity seven fold bringing a potential boom to this energy source and its companies. Come November, we shall see where this goes.

Overall

In a year where the Cubs are finally slated to perhaps win the World Series, most would say, anything is possible. As investors we should start to think about what 2017 may bring in terms of income and risk profile Investors should plan to stick with their asset allocations, but use volatility to make the occasional cheap buy. The S&P 500 has a current PE ratio of 24. Historically, this ratio is at 15.6 showing that things may be a bit frothy. Similar to finding that perfect piece of furniture for a discount, it has become clear that value pickers may start to emerge in a market where growth is becoming harder to find.

Shareholder Activism

Is your Mutual Fund Part of the Dark Side?

New proxy voting data is being exposed by **Fundvotes.com.** This company showcases how mutual fund companies vote on climate change resolutions. The website reveals a major divide in their thinking on this issue. Among 42 of the largest mutual fund companies, 9 companies, including the world's largest mutual fund company Vanguard, failed to support a single climate-related shareholder resolution in 2015. The other eight are American Funds, American Century, Blackrock, Fidelity, ING, Lord Abbett, Pioneer and Putnam.

These resolutions filed by investors request that companies take such actions on issues including greenhouse gas reduction goals, disclose the risk of assets such as fossil fuel reserves and coal plants being unusable, disclose political lobbying expenditures related to climate change and issue sustainability reports describing business risks from climate change. If these 9 large mutual fund companies voted their shares, the companies could be swayed to take this risk more seriously. Pressure from new sites like FundVotes should surely get the executives at these big bank firms to open their eyes to a topic that many investors care about.

We are now entering the season where proposals are coming due at companies. Keep an eye out for news on our proposals at Dean Foods, Dunkin Donuts Brand, and Anthem Blue Cross health insurance company!

Greeny of the Quarter

Calvert Foundation™

Calvert Foundation

One aspect of sustainable investing is called Impact investing. Many of Sustainvest's clients are invested for impact through something called a Calvert Foundation Note. Every dollar invested in the note goes to a professionally managed portfolio of impact organizations creating jobs, building affordable housing, promoting education, protecting the environment, and creating numerous other social impacts.

Calvert Foundation is a Community Development Financial Institution (CDFI), a type of financial institution providing community development financing and services to underserved communities in the US. Since 1995, more than 13,000 people have invested in the notes, which earn a financial return (at the moment ranging from .5% to 2%) while economically empowering communities worldwide. Most clients elect to have a percentage of their portfolio dedicated to impact or community investing. This ranges anywhere from 0% to 5% of their overall portfolio.

Allocating anywhere from 1-5% of a portfolio towards this type of impact investing is a win-win situation as investors receive a modest fixed return and the entities receiving capital are bettering the communities they are focused on.

Some examples of what this investment supports include organizations such as:

- **LifeLong Medical Care** - This organization operates 10 community clinics in Alameda and Contra Costa counties, a Supportive Housing Program, 1 Adult Day Health Center, and 3 school based health centers. These clinics provide a wide range of services, including primary health and dental care; pediatric, adult and geriatric care; and chronic disease.
- **Dayspring Programs** - A non-profit dedicated to helping homeless children and their families find stability through supportive housing and Head Start programs. In their housing model, families struggling with homelessness and substance abuse are placed in an entry-level supportive housing environment where the whole family can receive counseling and medical treatment.

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If you are interested in learning more about our services, please contact us at **info@sustainvest.com** or call us at **707-766-9480**

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