



SUSTAINVEST
ASSET MANAGEMENT, LLC

4TH QUARTER
2016

4TH QUARTER INSIDE THE NUMBERS

S&P 500	3.30%
DJIA	7.94%
Nasdaq	1.34%
Russell 2000	8.43%
Barclays US Bond Index	-4.00%
Euro Stoxx 50	0.39%
Oil	8.58%
Gold	-12.76%
Euro vs \$	-6.48%

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ECONOMY

In a year when virtual reality was all the craze sending people searching for Pokémon "things", actual reality became quite the surprise as Americans watched the results of the Presidential election. The big 3 items that may see some tweaking include tax reform, regulatory rollbacks, and health care changes. The effects of this will most likely not be felt deep into 2017. Stay tuned. On a positive note, thanks to the Obama administration, the unemployment rate ended the year at 4.6 percent, the lowest level in nearly a decade. Job gains along with potential tax cuts from the upcoming administration should lead to more spending by consumers. As the Fed now realizes this themselves, they have cleared the way for the first rate hike in a long time. The Federal Reserve boosted its key interest rate by a quarter percent and looks to continue doing so

into 2017 —good news for those seeking interest on their savings account, bad news for those borrowing money from the banks.

As far as markets go, this 4th quarter saw an increase of 3.30% in the S&P, 1.34% in the NASDAQ and 7.94% in the DJI. For the year the S&P was up 9.5%, the NASDAQ 7.5% and the DJI up 13.4%. With historical annual market returns around 8.50%, this was a year in which it helped to be in the market. On the more conservative side, the bond market or US Aggregate Bond index was flat for the year.

Two-thousand and sixteen sure didn't lack any news related to the markets. The largest scandal (included in our **Sustainvest's Annual Nice and Naughty List**) was Wells Fargo's unethical banking practices. *Continued on page 3*

COMPANIES COMMITTED

Congrats Toyota. Though many of us have heard of the evil oil-congested **Carbon Underground 200**, non-profits, As You Sow and Corporate Knights came up with the flipside version called the Clean 200. And the winner is Toyota! Companies eligible for the Clean 200 must have a market cap of at least \$1 billion and derive at least 10% of their revenue from clean energy as defined by Bloomberg New Energy Finance (BNEF). Second to Toyota was Siemens while Johnson



Controls came in 3rd. According to the report, Toyota's total market capital is over \$160bn for the most recent publicly available data, \$40bn of which stemmed from clean energy revenue

such as sales of hybrid and electric vehicles. The \$40bn figure was more than double that of second-placed Siemens, which attained more than \$14bn in clean energy revenue.

Is it us or are there just Prius's everywhere!? They must be doing *Continued on page 2*

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"EXCUSE ME MR.
LEND ME YOUR EAR OR
ARE YOU NOT ONLY
BLIND
BUT DO YOU NOT HEAR

EXCUSE ME MR.
ISN'T THAT YOUR OIL IN
THE SEA
AND THE POLLUTION IN
THE AIR MR.
WHOSE COULD THAT BE

EXCUSE ME MR.
BUT I'M A MISTER TOO
AND YOU'RE GIVIN' MR
A BAD NAME
MR. LIKE YOU."

- BEN HARPER

EDUCATION

DONOR ADVISED FUNDS VERSUS FOUNDATIONS

With the bull market roaring along, many investors may start to look for ways to "push off" significant unrealized capital gains. Though one could just gift away their Apple or JNJ stock, there are a few options out there that may create a longer lasting legacy. One of these items is a donor advised fund. This vehicle allows donors to make a charitable contribution, receive an immediate tax benefit and then recommend grants from the fund over time. Besides a DAF, a private foundation is a nonprofit organization which is usually created via a single primary donation from an individual or a business and whose funds and programs are managed by its own trustees.

At the most basic level, the difference between a DAF and a private foundation is control. A private foundation is a freestanding legal entity over which the donor retains complete control. A donor-advised fund is a giving account within a sponsoring charitable organization. For example, Schwab Charitable is a 501c3 entity that is considered the sponsoring organization. You can actually have Sustainvest act as the advisor on your DAF if the dollar amount exceed \$250,000, and therefore able to utilize sustainable and impact investing in your holdings. They both accomplish what is

foremost in making the decision to start one—there is a tax deduction for the amount allocated into the entity (always consult a tax consultant on this). Donor-advised funds do not have minimum payout requirements unlike a private foundation which mandates gifting 5% away annually nor do they have the start-up costs of a private foundation.

Regardless of whether a DAF or private foundation is used, it is clear that both of these are finding sustainable investing becoming more and more popular. Total funds controlled by individuals and institutions that have committed to divest from fossil fuels is now \$5.2 trillion citing 688 institutions that have signed on, and nearly 60,000 individuals, the latter number skyrocketing in the past year. Funder signatories are mostly small- and medium-sized foundations, but they're nothing to scoff at. Several hold hundreds of millions in assets each, and form a growing who's who of environmental and progressive funders. There was, of course, the movement's big financial and symbolic win of picking up the Rockefeller Brothers Fund, and it's more than \$800 million in wealth with historic roots in the oil industry. And the 140 funders who signed up in spring of 2016 were awarded the Nelson Mandela Award for Brave Philanthropy.

Continued COMPANIES COMMITTED from page 1

something right. Since 2011, the Toyota Prius is the hybrid market leader with 1,932,805 units sold through April 2016, representing a 48% market share of total hybrid sales in the U.S. Sales of Prius's in North America represent 38% of their overall revenue worldwide. The global

automotive industry came into 2016 under a dark cloud with the Volkswagen emissions scandal and now heads into 2017 with the largest players doubling down on electric vehicles. Off to the races. The EV industry could see continued 50% growth marking a permanent long-term disruption in transportation. (*Sustainvest does not have a position in the stock*).

Continued of ECONOMY from page 1

Employees under pressure to meet ambitious sales goals may have opened as many as 2 million unauthorized accounts in customers' names and even charged those accounts fees unbeknownst to the account holder. In this year's corporate marriages, AT&T and Time Warner agreed to an \$85-billion merger. Microsoft announced a deal to buy the networking site Linked-In for \$26-billion. Corporations seem to be using large cash coffers to make acquisitions.

BONDS AND INTEREST RATES

November of 2016 was the worst month in over 14 years for the bond market. The Barclay's Global Aggregate Total Return Index lost 4 percent in November, the deepest slump since the gauge's inception in 1990. What does this mean? Well, it means that those holding a portion of their portfolios may not have seen the same gains as those who are 100% weighted in equities. Does this mean I should sell my bonds? Of course not. They should still be part of your asset allocation plan. If we start to see downward movement in this 8 year bull market, an allocation to bonds should help even out portfolio returns. Keep in mind, if bond holders hold their positions to maturity, then they receive par back meaning all the fluctuations really are mute unless an investor pulls out early. Lower duration bonds (shorter maturities) tend to be less volatile when interest rates rise along with utilizing high quality bonds like Treasuries and investment grade corporates.

THE DOLLAR'S RUN

Another important item is the value of the dollar. One important factor to consider is why is the dollar

strengthening? Is it because of a fear-based environment or because the U.S. economic prospects are better than those elsewhere around the world? It could be both. The dollar has been gradually gaining strength for years. In the three weeks following Donald Trump's victory in America's presidential elections, the dollar had one of its sharpest rises ever against a basket of country peers. It is now 40% above its lows in 2011 and at a 14 year high against other markets. A stronger dollar could have negative ramifications on the world economy though. More money has left the Eurozone this year than at any time in the bloc's history. This looks to drive the euro toward parity with the dollar for the first time in 14 years.

OVERALL

What does this upcoming Trump administration mean? Analysts are pointing to positive market returns for the U.S. stock market, but perhaps a tad lighter when it comes to international stocks due to potential tariffs. Besides a 360 flip in the administration, the most important issue to keep our eyes on is interest rate increases. If the Fed decides to make 2 or 3 or more increases in 2017, this could bring some volatility to bond and stock markets. Sector allocation, as always, becomes more prevalent due to a trifecta of Republican representation in Washington so allocating a larger weighting to Industrial and Material positions may help. Finding high quality ESG candidates in these sectors could better position a portfolio.

Regardless of who is in office, the transition to sustainable investing is underway with over \$5 trillion committed to the divestment of fossil fuels, a doubling from the previous year.

SHAREHOLDER ACTIVISM

DUNKIN DONUTS AND THOSE ANNOYING K-CUPS

It's all the craze. Those little plastic K-Cups for coffee are everywhere. But what about the waste they produce? Dunkin Brands recently announced that they sold more than 300 million Dunkin' K-Cup pods in the first year since being made available at retail outlets nationwide. Yes, 300 million! That triggered us to take action. Sustainvest, as an advocate of shareholder proposals and an owner of DNKN stock, sent Dunkin Brands a shareholder resolution asking them to issue a report assessing the environmental impacts of continuing to use K-Cup Pods brand packaging. And we aren't the only ones concerned about this problem. Officials in the city of Hamburg, the second-largest city in Germany are now banning the use of K-Cups from all government buildings due to "causing unnecessary resource consumption and waste generation and often

contain polluting aluminum. Numerous organizations are fighting against the cups as well. According to "Kill the K-Cup", an ad campaign against the product, there were enough K-Cups discarded in 2014 to circle the earth more than 10 times.

On top of the cups being an environmental hazard, recent financial data shows that Americans have decreased the amount of K-Cup's usage. Manufacturers of these cups, Keurig Green Mountain Inc. and JM Smucker, saw a decrease in pod sales during the fourth quarter of 2015, which could suggest future declines. With Dunkin Brands sharing 50 % of the profits earned through the sale of K-cups with its franchisees this could pose a threat to the bottom line. At the time of writing this newsletter, we were in dialogue with Dunkin executives.

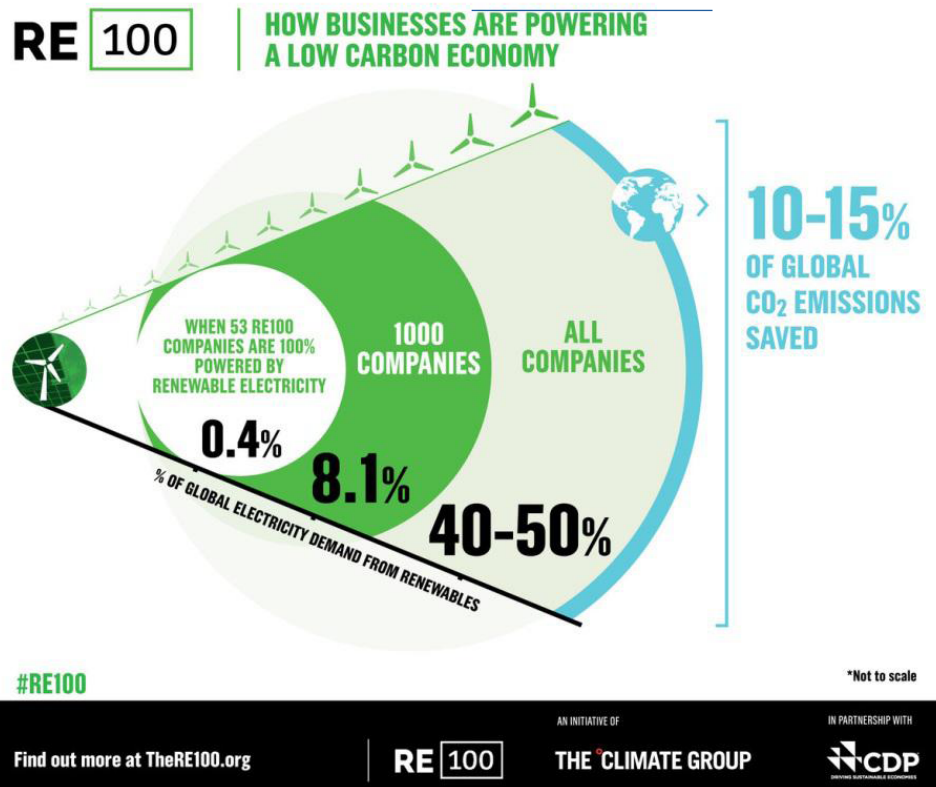
GREENY OF THE QUARTER

The movement is on. It seems like the private sector has taken the shift to renewable rather seriously. Granted they have the cash to do so, but could this be the trigger needed to shift to green energy? With the recent announcement that Google has joined this RE100, much attention is being given to the movement.

RE100 is a collaborative, global initiative of influential businesses committed to 100% renewable electricity, working to massively increase demand for - and delivery of - renewable energy. The private sector accounts for around half of the world's electricity consumption. Switching this demand to renewables will accelerate the transformation of the global energy market and aid the transition to a low carbon economy. RE100 shares the compelling business case for renewables and showcases business action, while working with others to address barriers and develop transparent reporting mechanisms. RE100 was put together by **The Climate Group** in partnership with the **Carbon Disclosure Project (CDP)**, as part of the We Mean Business coalition.

Recently Google announced that in 2017 it will reach its RE100 goal of sourcing 100% renewable electricity. On joining RE100 during COP21, Google had set an interim goal to

triple its renewable energy purchasing by 2025. Now, it will be the world's largest corporate buyer of renewable power, with commitments totalling 2.6 GWh of wind and solar energy. Nothing to sneeze at. Another example working towards its goal of being 100% renewable globally by 2020, leading healthcare company Novo Nordisk has shared its success over transferring its production site in Tianjin, China from coal to wind power. The Taibus Banner Wind Project consists of 33 turbines.



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