SUSTAINVEST
ASSET MANAGEMENT, LLC

2ND QUARTER 2017

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

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ECONOMY

They say you should never forget your anniversary with your partner. While my wife and I sneak up on our 5th year, it is amazing to think that just 10 years ago, we witnessed the bankruptcy of Lehman Brothers and Merrill Lynch (if not for Bank of America stepping in and paying pennies on the dollar for them). Perhaps it's time to reflect and think about the fact that nothing has been the same ever since the crash. Interest rates continue to sit at historical lows, the stock market continues to hit historical highs and oil has tanked to around $40 a barrel from a high of $150 a barrel in 2008. Technology companies are more cash heavy then they have ever been and robotic cars are soon on their way. The new economy seems to be emerging. When will this party end?

As far as markets go, the 2nd quarter of 2017 saw an increase of 2.5% in the S&P, 3.8% in the NASDAQ and 3.1% in the DJI. The eco-conscious **SPYX** fund, which eliminates fossil fuel companies from its holdings, saw an increase of 2.73%. Anyone still second guessing sustainable investing and it's ability to perform with the market? The bond heavy US Aggregate bond index was only up 0.90%. Emerging markets, which include countries like Turkey and Indonesia, saw a hefty increase of 5.1%.

With our focus on sustainability, it is imperative to... *Continued on page 3*

COMPANIES COMMITTED

When one thinks of sustainability, multi-billion dollar healthcare conglomerate Johnson and Johnson (JNJ) may not come to mind. But dig a little deeper into the ethos of this company and one may think differently. Several accolades include being ranked #2 on the Access to Medicines Index for those who may not be able to afford life-saving medicines along with a strong environmental record. The manufacturer of products such as Immodium, Rolaids, Motrin, and Listerine, JNJ has made some solid strides to become a sustainable firm.

They recently concluded a 100 MW wind power purchase agreement (1 MW can power about 500 homes), helping meet their renewable energy consumption target of 20 to 35 percent renewable energy consumption by 2020.

They also require all new buildings and renovations with a cost of at least $5 million to be LEED-certified, (Leadership in Energy/Enviro design). At the end of 2016, Johnson & Johnson counted 31 LEED-certified buildings. They participate in the U.S. Environmental Protection Agency's SmartWay program, which helps companies voluntarily increase transportation energy efficiency while decreasing GHG emissions and air pollution. On top of this they have been on Working Mother's 100 Best Companies list for 31 consecutive years.

For a company that has raised it's dividend payout for 55 consecutive years, maintains about 250 subsidiaries and adheres to strong ESG principles, this one looks to stand the test of time. *(Sustainvest does have a position in the stock).*

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Education

"You know what happens when windmills collapse into the sea?
A splash."

- Bill Maher

1% FOR THE PLANET MEMBER

The New Fiduciary Rule and Why it Matters to Investors

The commission-making brokers are shaking in their boots. There has been a great deal of discussion lately surrounding the Department of Labor's fiduciary rule. Under the rule, financial advisers will be required to recommend what is in the best interests of clients when they offer guidance on 401k's and IRAs. You may ask, "Isn't my advisor always acting in the best interests of my portfolio?" Not always, as some firms (unlike Sustainvest!) are allowed to sell high commission products or proprietary funds their own company owns.

The first question that should always be asked of any investment professional is "How are you getting paid and are you acting as a fiduciary?" If they cannot answer that question quickly and clearly then additional questions should be asked of their services. For example, some investment professionals sell products such as annuities or life insurance. How much are brokers compensated for selling these products? Other advisors may work for a large firm and are incentivized to sell their own proprietary mutual funds. If this is the case, they may not be acting in a fiduciary capacity. Advisors such as Sustainvest are "independent" and not tied to any investment family (besides the independent custodian that holds the clients' assets such as Schwab). These independent firms are not incentivized to sell products.

The Department of Labor also states that the fees have to be reasonable. This one makes enough sense. We have run across some new clients coming from Wells Fargo Advisors and Morgan Stanley who were paying annual management fees anywhere from 1.50% to 2.00%. This is a red flag. According to an Advisory HQ survey, the average annual fee on a $1,000,000 account was 1.02% (Sustainvest's is 0.75% or 25% less than the average). Look to see if the investment advisory firm posts their fees on their website. Also paying commissions on trades is a thing of the past. Large firms such as Edward Jones charge a 2.00% commission on any trade amount that a client requests. This means that on a $30,000 sell of stock, the client would end up paying a $600 fee to just do the trade. This could perhaps incentivize the advisor to trade more often.

The bottom line is to ask any potential advisor what you will be paying and if they are incentivized to make commission or fees on products they sell. This new rule will eventually weed out the egregious firms who are not taking their clients' best interests seriously.

Shareholder Activism

The small investor may get the raw end of this deal. A debate is erupting over a provision in the House-approved Financial CHOICE Act that would increase the stock ownership threshold for submitting shareholder proposals in the company's proxy statement from the current level of $2,000 to 1% of common stock outstanding, and would extend the stockholding duration requirement from one year to three years. Say what?! One percent may not sound like much, but its HUGE. Consider Exxon Mobil. It has 4.2 billion shares, so 1 percent would mean an investor would have to own 42 million shares, worth $3.4 billion, to be able to submit a proxy proposal. Only the top seven holders would meet the threshold. Keep in mind, Sustainvest files 3 to 4 of these per year and clearly does not have 1% ownership in any firm.

Being able to submit proposals is a shareholder right. These companies are "publicly traded" meaning the shareholders are the owners of the firm. And it's not like the companies are being inundated with thousands of these. There are over 4,000 public companies in the US. In 2016, investors filed just 916 proposals with all companies out there. Go back thirty five years in 1982, the number was 973. Not much of a change has occurred in the amount of proposals. Clearly, the forces in power are thinking that simply tuning out the shareholders is the way to go. Asking for a 1% ownership amount is laughable and unrealistic. Perhaps the author of this provision could have put a little more thought into this and been more realistic and changed the $2,000 ownership amount to say $3,000?

As the Financial CHOICE Act makes its way to the Senate, Democrats should move to save this democratic process. If enacted, the amendments would have a rather horrible effect on efforts to promote a more sustainable economy and would most likely have shareholders lose faith in the very thing that is paying for those senators lunches.

Sustainvest Update

Keep an eye out for news on our shareholder proposal filings with Apple, Dunkin Brands, and Anthem Blue Cross. Should be an interesting filing year for us!

Continued of ECONOMY from page 1

speak on the news of **Amazon (AMZN)** purchasing organic food leader **Whole Foods (WFM)** as many clients hold the organic food company in their portfolio. Though we knew something was happening when Whole Foods brought on activist board members, we did not assume that Amazon was on the buyer's list.

Many Sustainvest clients either held the stock directly or through mutual funds such as the Parnassus Endeavor Fund (PARWX) and the Organics Food ETF (ORG). On the flip side of this, large grocery chains such as Kroger and Safeway are now in scrambling mode to figure out how they will compete with this cash-laden tech firm and their ability to re-invent the way we do our food shopping. Shopping carts and packed parking lots may soon become a thing of the past.

Overall

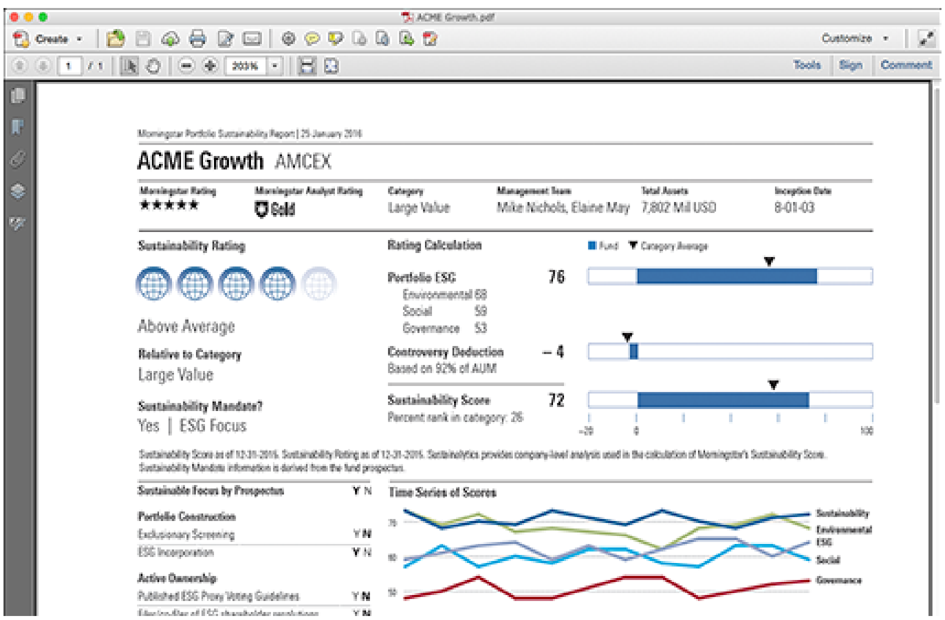
Taking profits in asset classes that are becoming overweight will be part of the rebalancing process this quarter. On top of this we will maintain discipline weighting each client's unique risk profile with their allocations. Money is pouring into sustainable investments, which has surged by more than $2 trillion in the last two years. Demand is growing as clients want to increasingly invest responsibly also knowing they won't sacrifice returns. Even with the current administration's announcement that it would pull out of the Paris Agreement, a pact on climate change signed by 196 nations in December 2015, the momentum behind green innovation looks all but unstoppable, solidified by multi-billion dollar companies who support the movement.

Greeny of the Quarter

MORNINGSTAR

Ever question how sustainable that Pimco or Fidelity mutual fund you own in that IRA or 401k is? Us too. The old-fashioned way to find out was to read the prospectus report which shows all of the companies within that fund. This could mean flipping through and staring at the 300 companies within that fund to see which you don't agree with. Well, enter Morningstar. **Morningstar (MORN)** is an investment research company founded in 1984 that recently integrated an ESG scoring system into their platform for over 20,000 funds.

Instead of shying away from sustainable investing like many of the larger firms continue to do, this firm decided to integrate an ESG scoring system for every mutual fund out there. Way to go Morningstar. By simply typing in the 5 digit symbol of any mutual fund via their website, one can scroll down to see the "global rating". The new rating will allow investors to evaluate mutual funds and exchange-traded funds based on how well the companies held in their funds are managing their ESG risks and opportunities. Funds receive sustainability ratings described as "low," "below average," "average," "above average" and "high." These ratings are depicted by globe icons where a "low" equals one globe and a "high" equals five globes.



To develop its ESG system, Morningstar collaborated with Amsterdam-based research firm Sustainalytics. Working with an independent sustainably focused advisory firm along with the utilization of Morningstar's scoring system should make those eco-conscious investors sleep better at night knowing they aren't contributing to environmental and social problems through their portfolio.

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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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