SUSTAINVEST
ASSET MANAGEMENT, LLC

4TH QUARTER 2017

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

INSIDE

ECONOMY

Welcome 2018. In a year where the media seemed to have garnered more and more attention with its tactics of bringing on more views and clicks, the markets and patient investors looked past all the hoopla and marched forward. It can be said that 2017's market will go down as one of the most remarkable on record. Regardless of the across the board gains in markets, more astounding is the fact that we are in the longest period in history without a daily 3% or more correction (last time this happened was 11/4/2016).

All that being said, 2017 saw an increase of 19% in the S&P, 28% in the NASDAQ and 25% in the DJI. The eco-conscious SPYX fund, which eliminates fossil fuel companies from its holdings, saw an increase of 21%. Emerging markets (EEM) saw a hefty increase of 34% this year. The clean energy ETF PowerShares Clean Energy Portfolio (PBW) saw an astounding increase of 38% for 2017, in light of an administration that continues to turn a blind eye to climate change and conservation. Other allocations which Sustainvest clients may have been allocated to include Water focused fund PHO (up 23% for 2017), industrials-focused IYJ (up 22% for 2017) and Gold or GLD (up 12%).

Numerous issues that popped up this past quarter included stop-and-start Brexit negotiations and schoolyard bullying with North Korea. These proved inconsequential to the markets. With an unemployment rate at 4.1%, a 17 year low, and tax reform that looks to benefit corporations, analysts believe the

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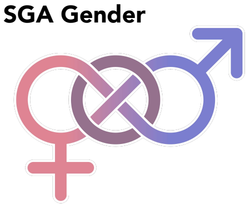
COMPANIES COMMITTED

If you have ever been to an annual shareholder meeting you will notice a common theme—a plethora of older white men sitting in the row that is reserved for the company's board of directors. We, personally, have attended quite a few of these meetings and continue to see this. Well, one fund that Sustainvest follows is looking to change this. Launched in March 2016, (SHE) or the **SPDR SGA Gender Diversity Index Fund**, aims to provide market rate returns while also promoting a more diverse executive team.



The fund's goal (which gained 13% in 2017) is to encourage companies to change the makeup of their board along with their senior leadership. It tracks an index that selects stocks from the 1,000 largest US companies. It weights its investments by choosing companies that have the greatest diversity within their own respective sector.

According to a 2015 MSCI study that explored global trends in gender diversity on corporate boards between December 2009 and August 2015, companies with at least three female board members outperformed others in overall return on equity by more than 36 percent. We will continue to keep a close eye on how this fund progresses. The positives of this fund are low expenses, diverse holdings with over 150 positions, and a dividend yield of 1.60%. The looming negative is the fact that within the top 10 holdings you will see companies like Coca-Cola, McDonald's and Lockheed Martin.

(Sustainvest does have a position in the stock)

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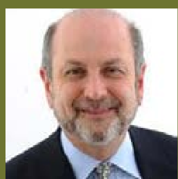

"It's a little bit like saying that if everybody around me is wealthy, then poverty is not a problem. It misses the bigger picture. Local weather is not an indicator of changes in local climate."

- Peter Frumhoff,
Chief Climate Scientist,
Union of Concerned Scientists

Education

Tax Reform

With the recently enacted tax reform starting this year, we wanted to shed light on some items that may be changing (or not) when it comes to the investment world. Most importantly in our world, there will be no changes to the current tax rates for capital gains, dividends and interest income. Also, there are no changes to the retirement plan and IRA solutions available to individuals. In addition, no changes have been made to contribution limits and distribution requirements.

Investors who use 529 plans to fund the future price of higher education will be expanded. In addition to higher education expenses, beginning in 2018, college savings plans can be used to pay for up to $10,000 of tuition expenses per year, per student, in connection with enrollment at an elementary or high school. Overall:

1. Tax Brackets Will Change
2. Standard Deduction Will Increase
3. Some itemized deductions are being reduced or eliminated
4. The child tax credit will increase
5. The personal exemption and dependent deduction will be eliminated
6. The alternative minimum tax (AMT) will be changed but not eliminated
7. Treatment and calculation of cost basis on investment sales remains unchanged
8. Changes to the taxation of income from pass-through entities
9. The corporate tax rate will decline
10. There will be no changes to tax-deferred retirement accounts

Besides these adjustments, corporate earnings may see an added boost due to entering a lower tax bracket. This potentially could add to profit margins and earnings growth boosting stock prices. Individuals should consult with a tax professional to understand how changes to the tax code may impact their strategies for deductions, estate planning, education funding, and small-business income.

Marijuana

Well, it's official. Starting in 2018, here in California, adults 21 and over can legally consume marijuana without having a doctor's recommendation for medical use. What does this have to do with investing? Well, not much, unless one is interested in learning how to invest in the new "budding" industry. There are still some lingering issues including the fact that marijuana is still considering a Class 1 drug by the federal government. That being said, there are hundreds of start-ups out there and that number seems to double weekly. The two industries that have seen the most capital investment include biotech and real estate.

The first-ever cannabis REIT, Innovative Industrial Properties (IIPR), went public in December 2016. ETF Managers Group announced in February that it's forming the first cannabis ETF, Emerging Agrosphere, which will be listed on the NYSE (no ticker symbol has been announced yet). Companies like Kush Bottles Inc (KSHB) which markets and sells packaging products and solutions to customers operating in the regulated medical and recreational cannabis industries could be a way to play this new market.

At the very broadest, the ScottsMiracle-Gro Company (SMG) is a producer of consumer lawn and garden supplies that could benefit from a bump in agricultural demand; the lawn-care company is betting big on the future of pot and investing millions in small manufacturers of equipment for marijuana growers. As the months progress, we will continue to see public offerings of stock in companies involved in the industry.

Shareholder Activism

Sustainvest Update

Rejected by Apple and SEC! Months ago, we submitted a proposal to Apple Inc. and have been speaking with their lead attorney. Our proposal was asking them to have some public disclosure on how they handle climate control at their 400 retail locations throughout the world. More specifically, it was asking about their policy when it comes to keeping their doors closed while air-conditioning is in use—a topic that Sustainvester Dale Wannen found a "pet peeve" due to wasted energy just to entice new customers. Well, the SEC sided with Apple on this argument stating this was already "substantially implemented". Apple does in fact have an internal document for employees, but I was asking for a public document that all shareholders could see. We tried. Perhaps next time one walks passed that cold air coming out of a retail store, please keep shareholder advocacy in mind and think about filing your very own proposal.

On top of this rejected proposal, we have submitted proposals to **Dunkin Brands** (asking them to report on environmental effect of K-Cup pods) and insurance company **Anthem Blue Cross** (asking them to issue a sustainability report) this quarter as well. Considering 81% of S&P500 companies issue a sustainability report, Anthem is clearly a laggard and we felt the need to address the situation. Stay tuned!

Exxon Caving?

All it took was 62% of Exxon's shareholders for them to listen. Under pressure from investors, prosecutors and global regulators, ExxonMobil Corp. agreed in December to strengthen its disclosure of the risks its core oil business faces from climate change and from government efforts to rein in carbon dioxide emissions from fossil fuels. Specifically, Exxon dropped its opposition to a shareholder proposal filed Nov. 28 by New York's state pension fund. The proposal asked Exxon to analyze how the Paris goal of keeping global temperature rise below 2 degrees Celsius compared to pre-industrial levels will affect its business and to assess the financial risks associated with that 2-degree scenario. In a one-paragraph filing to the Securities and Exchange Commission, the oil giant said it would stop resisting motions filed by dissident shareholders seeking this kind of risk disclosure. Now, because New York has withdrawn their shareholder proposal, we can only wait and see how Exxon responds with action.

81% of S&P 500 companies now issue a sustainability report. This compares to just 20% in 2011.

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bull market still has room to run but it could shape up to be a bumpier ride as street expectations become elevated. Even with more widgets being sold and apps being downloaded, the looming fact that the Fed may continue to increase interest rates (tightening policy) and inflation to pick up (loaf of bread more expensive) one would think to perhaps put the brakes on slightly at this point.

Our thesis heading into 2018 will be to continue to search for value (where it can be found) and at the same time maintain client allocations that fit their personal profile. We may see some shifting away from US equities and into more global markets as valuations seem a bit more reasonable overseas. Cash and Gold also may mitigate a bumpier road and give us liquidity to hop on opportunities if they are presented. In the grand scheme of things, we have not had to relinquish our personal values to be part of this growth economy. In fact, any reasonable being may suggest that being more invested in segments like renewable energies, regional banks (as opposed to the large corrupt ones) and greener bonds could help mitigate bumpier markets ahead.

Greeny of the Quarter

What better way to start off the year then to think about the children. When it comes to socking some money away for the little ones, it's easy to become lost in where to start especially for sustainable investors. Enter sustainable 529 plans.

Here in California, we have Scholar Share College Savings Plan. When looking for the sustainable option to invest in through this plan, one would choose the "individual investment option" of Social Choice Investment Portfolio. TIAA, formerly known as TIAA-CREF, holds the TIAA Social Choice Equity Fund, which seeks to replicate the returns of the Russell 3000 Index (a combination of the Russell 1000 and 2000 Indexes), screening for environmental, social, and governance (ESG) criteria. This portfolio can be found in California's Scholar Share College Savings Plan and Oregon College Savings Plan. Other states offering a sustainable choice of 529 plans are Pennsylvania and Virginia.

No, you don't have to use your own state's 529 plan. And it's important to realize that your choice of 529 plan has no impact on where your child attends college, either in-state or out-of-state. Of course, your state does not want you to go elsewhere with your college savings. That's why so many of the states sweeten the deal by giving something extra to residents. It could be a state income tax deduction for your contributions, or matching contributions for residents below certain income thresholds, or a waiver of certain fees. But you might still decide to use an out-of-state 529 plan either because you decide there is little or no special benefit for staying in-state or because you find an out-of-state 529 plan with better investment options or lower fees and expenses.

Be sure to try the 529 plan comparison tool on **savingforcollege.com** to see what your state has to offer with its 529 plan and how it compares to other states' 529 plans.

Charles Schwab (our custodian) does offer 529 plans to invest in, however, currently there are no options for sustainable funds.

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