



SUSTAINVEST
ASSET MANAGEMENT, LLC

3RD QUARTER
2017

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

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ECONOMY

***Note: this newsletter was written the morning after the deadliest shooting in U.S. history. We speak on the topic of divestment of firearms in our education section on page 2.**

The bears seemed to have returned to their dens. As much as the market doesn't appreciate the unknowns, it seems to have continued to ignore the social media banter so far. The unknowns include a plethora of issues including North Korea's intentions, major tax reform that would cut corporate taxes from 35% to 20% and the Fed's ability to increase rates more quickly as Janet Yellen's term ends in February.

With markets, the 3rd quarter of 2017 saw an increase of 4% in the S&P, 5.8% in the NASDAQ and 4.8% in the DJI. The eco-

conscious SPYX fund, which eliminates fossil fuel companies from its holdings, saw an increase of 3.60%. The green index still is up 2% versus the general index this year. Emerging markets, which include countries like Brazil and Russia, saw a hefty increase of 7.0% this quarter.

As far as sustainable living goes, we may be witnessing the crossroads in terms of vehicle manufacturers. China recently announced they will set a deadline for automakers to end sales of fossil-fuel powered vehicles, joining the Netherlands, Norway, France, the U.K. and India in pushing for a phase out and switch to electric vehicles. In July, the U.K. said it will ban sales of diesel- and gasoline-fueled cars by 2040, two weeks after France announced a similar plan. That's right, the ban of gas cars!

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COMPANIES COMMITTED

By 2050, we'll need three Earths to support our current rate of resource consumption and the planet will have to sustain an additional 1.2 billion people.

This clearly presents some challenges. If we are to meet the needs, we must manage our resources better. In comes water. Water stocks have long been underrated in the investment world since the basic necessity of life is most often taken for granted. We certainly cannot imagine a world without technology, but can we even survive in a world without fresh water? In the wake of some major climate catastrophes, people can no longer be oblivious of the situation. Demand for fresh water which accounts for about 2.5% of the world's total water content is growing. It is also clear that water infrastructure in the United States is approaching the end of its useful life. Some



ways that Sustainvest clients are addressing this in their portfolios is through the use of an exchange traded fund called the **PowerShares Water Resources Portfolio (PHO)**. This ETF tracks an index which invests in companies that create products designed to conserve and purify water for homes, businesses and industries. Companies such as **Ecolab** and **Pentair** make up a portion of the \$800 million fund. The Fund invests in multiple sectors such as industrials, utilities, healthcare, and information technology.

If we want to continue to support companies that are addressing how we can become more efficient with our water usage along with creating more safe drinking water for our children, then PHO could help fill this void. *(Sustainvest does have a position in the stock)*



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EDUCATION

ASSAULT RIFLES: MASS SHOOTING NEEDS MASS DIVESTMENT

As the death toll continues to rise from the recent Las Vegas mass shooting, we all should hold our children and loved ones that much closer. It is clear that something needs to be done to create rules and regulations that outlaw any use of these mass killing machines. The excuse that “the black market will just continue to produce them” is just not suffice. I have been fortunate enough to visit the country of Iceland and upon hearing that even their police officers do not carry firearms, it has further solidified the fact that firearms only create more violence (Iceland historically has the lowest murder rate in the world). I do hope that the lobbyists from the NRA will wake up, stare in the mirror and realize that their padding of crooked politicians’ pockets has led to the continued killings.

That being said, besides what our elected officials are doing, we as investors have a tool—divesting of companies involved in the business. By selling stock of these companies, we can force down

the price which in turn will force down the market capitalization of the companies to a point where they no longer have leverage to borrow or exist in the long term. Ask the coal companies why they are going under and one of the reasons they point to is the mass divestment.

The next step would be to look into the individual positions that are held within the funds that you own. If you don’t know how to find out if your mutual fund or ETF holds these stocks, please contact us and we will help you. Most sustainably screened mutual fund families such as Parnassus Funds already use the exclusionary screen of manufacturing of weapons. On top of this, if you work with an investment advisor, you should call or email them to ask if they

screen out all firearms from their stock and fund investing.

If you are an existing Sustainvest client, next time you sit down with a friend or colleague over coffee, ask the question, “I have removed gun

manufacturers from my portfolio, have you?”

Here is a list of some US gun manufacturers who are contributing to such violence:

Largest US Based Gun Manufacturers			
Company	Symbol	Market Cap	Notes
American Outdoor Brands Corp	AOBC	\$850 Million	owner of Smith and Wesson
Sturm Ruger & Company	RGR	\$948 Million	US largest manufacturer
Vista Outdoor Inc	VSTO	\$1.34 Billion	owns Bushnell products
Olin Corporation	OLN	\$6.05 Billion	Ammunition



“ONE FAILED ATTEMPT AT A SHOE BOMB AND WE ALL TAKE OFF OUR SHOES AT THE AIRPORT. THIRTY-ONE SCHOOL SHOOTINGS SINCE COLUMBINE AND NO CHANGE IN THE REGULATION OF GUNS?”

- JOHN OLIVER



SHAREHOLDER ACTIVISM

SUSTAINVEST UPDATE

Sustainvest is in filing mode as we head into the final quarter. We submitted a proposal to **Apple Inc.** and have been in dialogue with their lead attorney. Our proposal is asking them to have some public disclosure on how they handle climate control at their 400 retail locations throughout the world. More specifically, it is asking about their policy when it comes to keeping their doors closed while air-conditioning is in use—a topic that even New York City has addressed by mandating all retail shops keep their doors closed during summer months while air-conditioning pumps. Perhaps next time one walks passed that cold air coming out of a store will think again about how much energy this wastes. We will be filing at both **Dunkin Brands** and **Anthem Blue Cross** this quarter as well. Stay tuned!

Kudos to Target for Addressing Living Wages

With the holiday season approaching, many of us may utilize the service of a service person at one of the retail shop locations. Besides shopping locally, there is also the chance that big box shops may get our business. Recently, #8 (below Top 10 List), Target announced it would raise its minimum wage above \$10 beginning in October, eventually reaching \$11 per hour for all U.S. stores and has committed to raising minimum wage to \$15 by 2020.

Here in California, we are just a signature away from requiring big companies to provide gender pay gap disclosure. Google, Wells Fargo and other companies with at least 500 employees

in California would tell the state the mean and median pay for their male and female salaried employees under a bill on the way to Gov. Jerry Brown's desk. The information would be posted on the California Secretary of State's website. Clearly, the more transparent this information is, the more educated shareholders are when it comes to making informed investing decisions.

When looking at this list from a sustainable investing angle, #1 Costco's stock price is up over 65% the past 5 years while #10 Macy's stock is down 45% during the same period—something to ponder.

List of Top 10 Paying Retail Companies in the U.S.

	Company	Hourly Rate
1	Costco	\$12.92
2	Nordstrom	\$11.71
3	Lowe's	\$11.70
4	Home Depot	\$11.33
5	Best Buy	\$10.58
6	Gap Inc.	\$10.36
7	Bed Bath and Beyond	\$9.85
8	Target	\$9.45
9	Wal-Mart	\$9.41
10	Macy's	\$9.40

Source: <https://www.cnn.com/2017/09/25/what-the-20-largest-retailers-in-america-pay-their-employees.html>

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As this movement progresses, there may be some hiccups along the way. The U.S. is poised to experience its first annual decline in solar-panel installations, as a drop in rooftop demand slows growth in this world's second-biggest market. The looming threat of U.S. import tariffs on foreign manufactured panels (this will be decided upon in January by the President) has developers suspending construction and some of the installation companies questioning how much this will hurt business in the short-term.

Revenue growth on a worldwide basis continues to be positive as companies boost cash reserves. Most analysts are stating they simply do not see what could pull this market into correction territory. But as we all know, what could trigger any correction won't be known until it happens—the Black Swan. That being said, we continue to allocate according to risk profiles and time lines of clients. The S&P 500 is sitting with a P/E ratio of 19, above the long-term average of 15 but the bear case just doesn't seem too strong to combat this. As this current administration continues to deal with its internal firings and shenanigans, the sustainable and responsible investing movement has further grown as investors realize now more than ever, that their values need to be even more aligned with their dollars.

We often get the question from prospects on how Sustainvest allocates assets. We have supplied an overarching graph showing

the various asset classes and the target range for different types of clients. Every client is managed uniquely in accordance to their profile. Also, these target ranges may change with the macro and micro landscape of the economy at any point.

Sustainvest Portfolios (Aggressive to Moderate Growth)	
Positioning as of 10/01/2017	
Asset Class	Target Range %
U.S. Large Cap Equity	50-60
U.S. Small/Mid Cap Equity	10-15
International and Emerging Equity	15-20
Alternatives	0-5
Fixed Income	0-10
Cash	0-5
Sustainvest Portfolios (Moderate to Conservative)	
Positioning as of 10/01/2017	
Asset Class	Target Range %
U.S. Large Cap Equity	25-35
U.S. Small/Mid Cap Equity	0-10
International and Emerging Equity	5-15
Alternatives	0-5
Fixed Income	30-75
Cash	5-10

GREENY OF THE QUARTER



In light of mother nature and its devastating hurricanes to recently destroy certain countries, the divestment of fossil fuels movement is now even more in the spotlight. "How So?" one may ask. Well, in a nutshell, extra heat in the air or the oceans is a form of energy and storms are driven by such energy. One source of this

extra heat is from the burning of fossil fuels.

An organization that is helping to educate investors on the topic is **GoFossilFree.Org**. A project of the non-profit **350.org**, GFF is an international network of campaigns and campaigners working toward freeing communities from fossil fuels. While each campaign is independently run and may bring different emphases and asks depending on their local context, the majority of campaigns are asking institutions to:

- ☒ Immediately freeze any new investment in fossil fuel companies;
- ☒ Divest from direct ownership and any commingled

funds that include fossil fuel public equities and corporate bonds within 5 years

- ☒ End their fossil fuels sponsorship

An example of an entity that committed to divestment is **Syracuse University**. In March of 2015, the New York based institution was the first university with an endowment of more than \$1 billion committed to removing direct investments in

fossil fuel companies. More than two years after Syracuse University announced it would divest from fossil fuel companies, the university's chief financial officer said there is no evidence the endowment has suffered as a result of divestment. He said that their \$1.25 billion endowment has increased investment



performance by 12 percent in fiscal year 2017. In the last 2 years, energy and fossil fuel companies have lagged the general markets by a large percentage. Other institutions out there may be scratching their heads as to why they too didn't do the same.

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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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