SUSTAINVEST
ASSET MANAGEMENT, LLC

2nd Quarter 2018

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

INSIDE

ECONOMY

As we hit the middle of 2018, the markets look to be trying to figure out which way they want to go. If we think back to the start of the year where U.S. stocks were down around 10%, it has been a long ride back to break even. For this second quarter we saw increases of 2.9% in the S&P, 0.7% in the Dow Jones Industrials and an increase of 6.3% in the tech-heavy NASDAQ. Gold saw a decrease of 5.6% in light of this up quarter. So what's keeping us up at night besides the political debacle that feeds social media accounts and the current administration doing the unthinkable. The Federal Reserve decided to raise interest rates by 0.25% in June. This marks the 7th such increase since the financial crisis. This means that big companies who like to borrow may be a little hesitant to do so. Higher interest rates mean higher borrowing costs. But, on the positive side, this also means that Sustainvest clients may start to see higher fixed rates on CD's and corporate bonds. I guess we have to take the good with the bad. Many of us may remember "way back" in 2007 when cash was earning about 5% and AAA rated bonds paid 7%+. The monthly report on hiring showed U.S. employers added more jobs than expected in May, and the unemployment rate fell to an 18-year low of 4%. Seems like jobs are plentiful. With jobs comes increased consumer spending. Because consumer spending makes up more than two-thirds of U.S. gross domestic product one would think we enter the second half of 2018 with some solid momentum. All this being said, the over-looming large gravitational question is, how much longer does the current bull market , now the second largest in history, persist. What goes up must come down right? But if you're invested for the long haul, you

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COMPANIES COMMITTED

As summertime approaches, the image of hitting the open road like the Grizwalds may enter some of our heads. On the flip side, using umteen gallons of gas also may enter our eco-conscious minds as well. Enter Winnebago (WGO). Yes, that's right Winnebago.

Winnebago plans to release an electric RV in the commercial vehicle market, aimed at mobile classrooms, blood clinics, and other on-the-go service vehicles to start. The vehicle will be available in 33-foot and 38-foot lengths. It will come with plenty of amenities, like slide rooms, air-conditioning, solar panels, inverters, toilets, showers, and plumbing.

According to the company, tests show that their electric vehicle will have a range of between 85 to 125 miles on a full charge. That might work for short distances—like if you're an urban outreach clinic traveling around a city—but that would be hard for anyone looking to travel down Route 66. In time.

The Iowa-based $1.2 billion company has teamed with Motiv Power Systems, a Silicon Valley company that specializes in electric conversions. Started in 1958, WGO has about 2,600 employees.

Though this isn't the ultimate answer to climate change issues, perhaps in time we will start seeing these monstrosities of vehicles raging down 101 or I-95 being powered by clean energy.

Note: Sustainvest may have a position in the company

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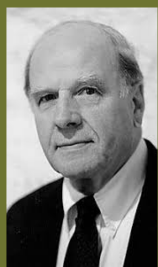
Education



"The ultimate test of man's conscience may be his willingness to sacrifice something today for future generations whose words of thanks will not be heard."

- Gaylord Nelson (founder of Earth Day)

NON-PROFITS AND VALUES INVESTING

As individuals shift their money towards more sustainable investing, Sustainvest continues to run into more and more non-profit entities that want to do the same. Makes sense. From grant writing and event planning, to fundraising and marketing, organizations are doing everything they can to champion its cause. But what about outside of these efforts? What about aligning dollars with missions?

Many non-profit organizations have growing endowments and foundation investment pools. In order to fully be aligned with their mission, it is only natural to be sure their endowments are helping, not hurting, their ultimate social or environmental goal. For example, if an organization has a mission to help previously imprisoned men and women find work, then they most likely wouldn't want to invest in private prison companies like Corrections Corp. of America. A human rights non-profit most likely would not want to be invested in a mining company with child labor issues. Or many health-care organizations and hospitals are choosing to create policies that strictly avoid alcohol and tobacco-based investments due to their detrimental health consequences. The list goes on and on.

Clearly universities have embraced the movement of ESG and fossil fuel divestment. San Francisco State University and the SF State University Foundation, which oversees the university's $51.2 million endowment, voted to make no new investments that would involve "direct ownership of companies with significant exposure to production or use of coal and tar sands." The foundation also voted to look into future divestment from all fossil-fuel companies. In January, New York City announced it will divest US$5 billion from fossil fuels interests over the next 5 years. In addition, the city is filing lawsuits against BP, ExxonMobil, Chevron, ConocoPhillips, and Shell for costs the city faces in relation to climate change. Though most non-profits may not be the size of New York City's pension, that doesn't mean they cannot make the same shift away from poor ESG performers.

Another side to this shift is also coming from the donors who support 501c3's. Before they donate funds towards an endowment or foundation, donors want to be sure their donated monies are being investing sustainably into ESG screened portfolios. As more and more donors become well-versed in sustainable investing, they may become more interested in knowing where their donations are being invested. Having an investment policy statement that integrates sustainability criteria may help educate donors who are on the fence about making a contribution.

Public perception of how organizations are investing also is coming into play. Social media sources are quick to shed light on a public entities investment in poorly ranked coal mining or oil companies. Investing in these companies may tarnish an organization's public image and limit the ability to raise funds. For instance, news comes out that a top school has directly invested in a company that manufacturers assault weapons. This reflects poorly on the school. Incorporating ESG considerations into your investment process may guard against reputational and investment related risks.

Whether someone works for a non-profit, sits on the board of one, or makes donations to one, it may be a good time to ask the question "Is our money being investing in line with the mission of the organization?"

Shareholder Activism

Sustainvest Update

As the proxy due dates come up after the summer season we are looking for possible resolutions to file with healthcare company Anthem Inc, Apple Inc., Adobe and Dunkin Brands. We will keep Sustainvesters updated with progress on filings with these companies. And of course, we are always open to ideas on what issues these companies seem to be lagging in.

Americans use 500 million drinking straws every day.

To understand just how many straws 500 million really is, this would fill over 125 school buses with straws every day. That's 46,400 school buses every year.

Americans use these disposable utensils at an average rate of 1.6 straws per person per day.

Other Activism TidBits

Those nasty plastic straws may become a thing of the past. Oakland-based non-profit As You Sow filed a shareholder proposal in March, asking the company to phase out plastic straws. The proposal received the support of nearly 30% of shareholders, with shares worth $54 billion. The proposal was presented by Adrian Grenier, co-founder of Lonely Whale and UN Environment Goodwill Ambassador. In addition, environmental groups collected 1 million signatures on a petition asking for similar action, which was presented to company CEO Kevin Johnson.

Let's hope SBUX sticks to its word. In 2008, Starbucks pledged that by 2015, 25% of beverages would be served in reusable containers and 100% of paper and plastic cups would be recyclable at all owned stores. Today, less than 2% of beverages are served in reusable cups and only 60% of stores have cup recycling. Along with plastic stirrers, single-use plastic straws make up 7 percent of all plastic trash in the environment (land and sea), and about 4 percent of all ocean plastics.

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shouldn't try to time swings in the market or stress about the events of a day, a week or even a month. Staying in line with risk profile and timeline is key.

We will continue to search for value where it can be found and continue to re-invest into higher yielding bonds and at the same time maintain client allocations that fit their profile. According to historical records, the average annual return for the S&P 500 since its inception in 1928 through 2017 is approximately 10%. This is what we must always remember once stocks decide to take a breather. And of course, being invested with sustainable screens in mind helps us all breath better too!

Greeny of the Quarter

Kudos goes out to the Big Apple. New York City, the largest city in the US (6.5m population), announced that is is divesting its pension funds of about $5 billion in fossil fuel-linked money over the next five years. New York's total pension fund for its teachers, firefighters and other city workers is worth about $189 billion. New York City's decision to sever ties with its fossil fuel investments is set to prove a catalyst to other cities in the face of the current administration's support for coal, oil and gas.

The city also filed a lawsuit in federal court against the five investor-owned fossil fuel companies: Exxon, BP, ConocoPhillips, Shell and Chevron seeking billions of dollars in damages from these giants. Hurricane Sandy perhaps still sits hard with this coastal town pointing blame towards climate change at those mentioned. NYC joins cities like San Francisco, Oakland and Santa Cruz in taking on Big Oil in court. New York's goal would be among the biggest public pension divestments from fossil fuels to date.

Economists said the status of New York as a financial and cultural giant would probably convince other cities in the US and worldwide to divest and, more significantly, build momentum in the shift required to reduce emissions. According to climate scientists, to avoid catastrophic climate change, the world must ensure that 80 percent of the known fossil fuel reserves are never converted into greenhouse gas emissions.

In 2012, Seattle became the first to divest all of the city's directly controlled investments from fossil fuels. But while then-Seattle Mayor Ed Murray also asked the city employees' pension fund to divest its $2.5 billion in assets from fossil fuel-related investments, they ultimately declined to do so in July.

It was Washington, D.C. that became the first and largest U.S. city to fully divest its pension fund, in 2016. ExxonMobil, under investigation by the New York and Massachusetts attorneys general for misleading investors and the public about climate change, has underperformed in recent years. In 2017, the company missed both its revenue and earning projections, even though oil prices rose; it also missed production targets. The NY state pension fund has $1 billion invested in ExxonMobil.

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