SUSTAINVEST
ASSET MANAGEMENT, LLC

3rd Quarter
2018

Your Investments. Your Planet. Your Choice.

Inside

Economy

Well, I'm not sure we will all look back and say we were part of this historic event, but nonetheless it needs mentioning. As of this quarter we have entered into the longest bull market on record (FYI it started on March 9, 2009). And though valuations of companies have steadily risen with the tides, most analysts continue to say this bull has room to run. With unemployment at historic lows of less than 4% and companies continuing to post solid earnings, one would have to ask the question "when will this market revert to the averages"?

For the quarter, the S&P 500 was up 7.5%, the DOW up 6.9% and the NASDAQ up 8.90%. The US bond market was up about a half a percent. For the year so far, the S&P 500 is up 8.84% while the S&P minus fossil fuel companies (SPYX) is up 9.02%.

Asset Class Divergence

Allocating across asset classes has always been core to solid investment management. Clearly, this time around it is even more clear why we do so. Escalation in tariffs and trade tiffs have separated US equities from their international colleagues. Over the past 12 months the Euro Stoxx 50 is down approximately 7% while the S&P500 is up 9%. That is a 16% performance difference. Numerous reasons are behind this, one of them being that the US indexes are generally more tilted toward technology companies (about 15% more weighted than international indexes). Besides equities, the fixed income world has also lagged US equities with a about a negative 4% return on the US Aggregate bond index. Our approach will remain, which is to keep client's individual risk profiles in mind as we rebalance along this journey.

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Companies Committed

Some of us may remember those old tin cans of McKormick spices sitting on our kitchen table, rightfully so, as the company has been around for about 130 years. Ranking in the 80th percentile for ESG scoring, McKormick (MKC) looks to be embedding sustainability throughout its operations. The consumer staples company has a market cap of about $17 billion with annual revenues steadily at over $4 billion for the past 5 years. Recently, MKC made a change to those old tin cans. The switch—from a tin container to one made of PET—was skillfully executed to retain the brand equity of the original, while reducing CO2 emissions by 16%. To measure the carbon footprint of their packaging, they use an industry standard, the Sustainable Packaging Coalition's COMPASS Comparative Packaging Assessment Life Cycle Analysis design tool.

With a PE of about 20 and a steady 1.5% annual dividend, it makes a solid consumer staple play. And who can resist some Old Bay Seasoning, a staple for over 75 years and still being used in our household. Seventy-five percent of McCormick's gourmet range is now organic.

Knowing the company behind it is dedicated to a more sustainable way of doing business makes it even more tastier.

Note: Sustainvest does not have a position in the company

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Education

To Convert or Not To Convert…

Being able to save money in an IRA can add up due to the power of tax deferral. Though a ROTH IRA may work out for many younger investors, there is the ability to actually switch a Traditional IRA into a ROTH IRA. As many continue to fund our tax-deferred IRAs as much as possible, the “conversion” question comes up quite a bit. The primary advantage of doing so is that the funds will not be subject to income tax upon withdrawal – ever.

With a Traditional IRA, once you start making withdrawals (after age 59 ½) they are subject to income taxes. The downside of a conversion to a Roth is that the dollar amount of funds that are converted will be subject to income taxes in the year the conversion was completed.

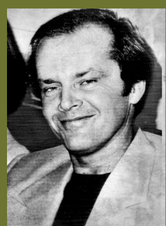
There are no income limits or restrictions based on tax filing status. You generally have to include the amount you convert in your gross income for the year of conversion. If the amount is large enough, it may raise your tax bracket for the year in which you do the conversion. If you anticipate your income dropping significantly in a certain year (and increasing in following years), you could plan a conversion for the low-income year. Since your income is lower, you may be in a lower tax bracket when you convert. Similarly, if the government announced tax-rate increases to go into effect in the following year, a conversion in the current year would save income tax.

Would converting from a traditional IRA to a Roth IRA be a smart move for you?

Deciding whether to convert to a Roth IRA hinges on issues like your tax rate now versus later, the tax bill you'll have to pay to convert, and your future plans for your estate.

Converting a traditional IRA to a Roth IRA is really a pretty simple process, as long as you know what you’re doing and follow all of the rules. Many custodians, including Charles Schwab, have a calculator that will help us decide if a conversion would be beneficial to your specific profile.

Please contact us if you have questions. And of course, if you work with a professional tax preparer or CPA it would a good question to bring up in conversations with them.



“No issue is more compelling than the air we breathe, be it hot or cold, be it hawk or human."

Jack Nicholson

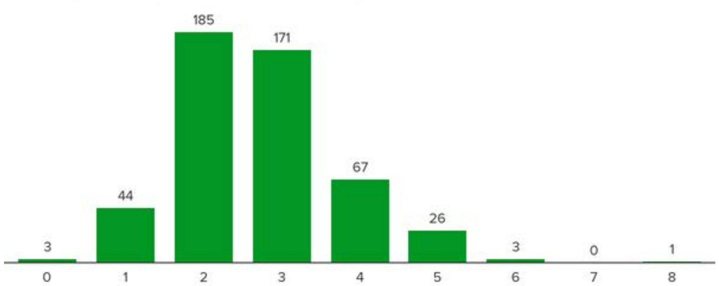
Shareholder Activism

Sustainvest Update

As the proxy due dates approach in November for Anthem Inc. and Dunkin Brands, we are looking for possible resolutions to file. 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.

How many women are on a typical S&P 500 board?

Not many. Most big public companies have just three or fewer female directors



Source: Institutional Shareholder Services

Fortune 500 Companies with No Female Board Members	Symbol
Builders FirstSource, Inc.	BLDR
CHS, Inc.	CHSCP
Delek US Holdings, Inc.	DK
Energy Transfer Equity, L.P.	ETE
HRG Group, Inc.	HRG
Icahn Enterprises L.P.	IEP
INTL FCStone Inc.	INTL
Navistar International Corp	NAV
Plains GP Holdings, L.P.	PAGP
Seaboard Corporation	SEB
Sonic Automotive, Inc.	SAH
World Fuel Services Corp	INT

Other Activism TidBits

If half of the world population consists of women, one would think that having this demographic being represented on a company's board would just be sound business. However, in 2018, a fourth of publicly held corporations with headquarters in California don't have any women on their boards of directors. This soon will change.

California has become the first state to require publicly traded companies to include women on their boards of directors, one of several laws that Gov. Jerry Brown signed. The measure requires at least one female director on the board of each California-based public corporation by the end of next year. Companies would need up to three female directors by the end of 2021, depending on the number of board seats.

Ever wear Skechers shoes? The third-largest footwear maker in the U.S. has nine men on its board, of which three are company employees (including CEO Robert Greenberg.) Under CB826, Skechers (SKX) would need to name at least three women to its board by 2021, the minimum requirement for boards of six or more members.

The Manhattan Beach, California-based company employed 11,800 people as of January, and had 4.1 billion in sales last year.

The California Chamber of Commerce has said the policy will be difficult for companies to implement and violates constitutional prohibitions against discrimination. Some European countries, including Norway and France, already mandate that corporate boards include women. For larger Norwegian companies, the legislation requires that women make up as much as 40% of the board.

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As we get closer to the end of the year, we wanted to send a reminder out in regards to taking your RMD or Required Minimum Distribution from your IRAs and Inherited IRAs. Just a reminder anyone over the age of 70 ½ is required to take a distribution if you have a Traditional IRA. Also, any client who owns an Inherited IRA (regardless of age) is required to take distributions as well. Some of you have already taken care of this. We will be reaching out via email this month to Sustainvesters who have yet to take their IRS required amount.

Greeny of the Quarter

As Hurricane Florence made landfall in September with devastating floods, advocates of sustainable investing sought to draw attention to climate change and the benefits of aligning capital to combat a warming planet. For this quarter's greeny we thought it would be good to take a step back and highlight all of those who have taken the step to divest of dirty oil and coal companies (this includes Sustainvest clients!). Investors with $6.2tn in assets under management have committed to divest from fossil fuels, up from $5.2tn in 2016.

Besides individual investors, global institutional investors — including insurance companies, sovereign wealth funds and pension funds — have committed to divesting from fossil fuels. Among institutional investors divesting from fossil fuels, 29% are faith-based organizations, 17% are philanthropic foundations, and 15% each are educational institutions, government institutions and pension funds. Among pension funds, an additional 61 funds have committed to divestment since 2016, bringing the total to 144 in 2018. The largest pension fund to commit to divestment within the past five years was the $195 billion New York City Retirement Systems in January. Seattle University is set to be the first college in Washington state and the first Jesuit college to divest in fossil fuels, according to a report by the Seattle Times. University officials said it would no longer invest any of its $230 million endowment in, "funds and securities" of fossil fuel companies. More than $13 million of the endowment is currently spent on fossil fuels, according to the report.

Divestment appears to be concerning oil and gas majors. In Shell's last annual report it states: "It could have a material adverse effect on the price of our securities and our ability to access equity capital markets." Furthermore, the World Bank Group has committed to stopping funding oil and gas development and major insurers including Swiss Re have decided to stop underwriting coal projects. So from top down to bottom, the divestment movement is still in full force even as we watch the price per barrel grow close to that $100 price. Eventually this movement will separate the good from the bad and have some energy companies rise as the cream to the top while others fall by the wayside.

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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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