SUSTAINVEST
ASSET MANAGEMENT, LLC

1st Quarter 2018

YOUR INVESTMENTS. YOUR PLANET. YOUR CHOICE.

INSIDE

ECONOMY

Well, thats more like it. After witnessing last year's calm market return almost 20%, this 1st quarter's volatility of 2018 is more typical of what the market should look like. Just to recap, in 2017, the market did not post a two percent down day during the year, versus what would typically be seven or eight two percent down days in a year. Volatility has returned to the norm. For this 1st quarter we saw decreases of 1.2% in the S&P and 2.5% in the Dow Jones Industrials and an increase of 2.3% in the tech-heavy NASDAQ. Gold saw an increase of 1.3% in light of this volatility. Tariff announcements (sometimes being posted via twitter at late night hours) along with ongoing political turmoil, White House personnel shakeups, and data breaches could also be boosting the commodity's price.

While the exaggerated swings in equity markets are disconcerting, they are likely a result of investors grappling with too much "wait and see", rather than a reflection of any negative turn in the economy.

If you look at the quarterly statements of companies like Cummins and Google and Adobe, it sure is hard to not invest in companies that show revenue increase of 20% year over year. Company earnings continue to show strength which is supportive of equity markets going forward. Valuations, which were quite extended as we entered the year, have had the chance to retreat a bit.

Let's not forget about the potential tailwind due to the tax cuts that the majority of Americans are just now incorporating into their budgets.

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COMPANIES COMMITTED

Though we often think about innovation in terms of our smartphones or drones flying above our neighborhoods, there is a movement of innovation happening below the asphalt we stand on. With concerns of climate change looming, risks associated with water availability and quality are factors that need to be considered. Companies involved in creating more efficient ways to get water are needed.

One such company is Xylem Inc. (XYL). This company, spun off from ITT Corp. in 2011, is a world leader in the design, manufacture and application of highly-engineered technologies for the water industry. In a nutshell, XYL enables customers worldwide to transport, treat, test and efficiently use water in public utility, residential, commercial, agricultural and industrial settings. The company does business in more than 150 countries with over 16,000 employees.

When compared to industry peers, Xylem scores above average on all ESG (environment, social, governance) criteria. They also publish an annual sustainability report and are a signatory to the UN Global Compact's Water Mandate and Caring for Climate Statement.

Intelligent technologies in the water space can reduce energy consumption and costs, contribute to lower emissions, and improve operational efficiencies, all of which may help curb climate issues.

Note: Sustainvest does not have a position in the company

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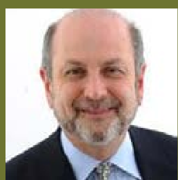
Education



"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

RETIREMENT LIVING

Retirement means no longer dealing with the daily grind -- but having more freedom during retirement doesn't mean there are no rules to live by. Most retirees have limited incomes and concerns about making their money last -- which means that making a plan and setting guidelines can be essential.

Here are 3 rules to keep in mind as you head towards those golden years:

1. **Don't Spend Too Fast**--The No. 1 retirement rule to follow is to make your savings last. Retirement tends to be more expensive in the beginning -- when traveling to exotic places -- and in the end, with healthcare costs. Conventional wisdom centers around the 4% rule, which says you wouldn't run out of money if you withdrew 4% from investments the first year of retirement and adjusted upward annually based on inflation. Unfortunately, in this current low interest rate market, the 4% rule puts you at risk of running short on cash. Instead, you may wish to limit withdrawals to 2% to 3% of savings.
2. **Always take your RMDs--**Required Minimum Distribution-You must take RMDs from tax-advantaged accounts such as IRAs and 401(k)s during retirement. If you don't take RMDs starting at 70 1/2, you face a 50% tax on money you were supposed to withdraw, but didn't. If you were supposed to withdraw $20,000 but failed to do so, you'd lose $10,000 in tax penalties. RMDs typically must be taken by the end of each calendar year.
3. **Know how you'll cover healthcare costs-** While your plans for retirement probably don't include dealing with a serious illness, most people face more health challenges as they get older. In fact, according to a Nationwide study, 1 in 3 retirees said health issues were interfering with retirement plans. When you experience health problems, you may face both physical limitations and financial struggles. Unfortunately, many seniors aren't prepared to cover the costs of care because they erroneously believe Medicare provides comprehensive coverage. Bottom line: You need a plan to pay for healthcare.

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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While unnerving at times, we continue to believe the economic and earnings environment should support a continuation of this bull market for this year, albeit with more volatility and some elevated risks. We will continue to search for value (where it can be found) and at the same time maintain client allocations that fit their profile. For clients allocated more towards fixed income, we are starting to see some better interest rates out there helping to fund helping to fund those retirement expenses. We will continue to slightly shift away from US equities and into more global markets as valuations seem a bit more reasonable. Cash and Gold also may mitigate a bumpier road and give us liquidity to hop on opportunities if they are presented.

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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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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