SUSTAINVEST
ASSET MANAGEMENT, LLC

1st Quarter 2019

Your Investments. Your Planet. Your Choice.

Inside

Sustainvest Asset Management
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Economy

Just a reminder that Sustainvest has moved! Our new address is 215 Western Avenue, Suite B, Petaluma, CA 94952. It is only about a block and a half away from the previous address. Please make note of this.

When the going gets tough, the tough get going. This first quarter saw some remarkable resilience after the downturn in Q4 2018. U.S. stocks came roaring back entering 2019 which was a pleasant sight to see. In 2018, we saw the first negative market after 9 years as the S&P500 was down about 4 percent. Was that the "correction"? Who knows, but in 2019 we already have seen the S&P increase by over 12 percent. Emotional steadiness and steering clear of a knee-jerk response becomes even more important when it comes to long term success.

The two large looming issues that will continue to bring market movements include:

- A Federal Reserve that is letting things ride
- Trade policies with China and the world

Regardless of what scandal comes out of Washington, business confidence and ever-so increasing profits suggest that we are in more of a marathon as opposed to a sprint. Keep in mind, Apple's revenues were about $90 billion just last quarter! Google pulled in about $40 billion. Costco sold about $141billion worth of stuff in 2018 versus $129billion in 2017. A recession is inevitable, but then again no one knows where any hiccup in this charging new economy will come from. I don't want to be the one to try and time this, hence why Sustainvest clients stick to their personal game plan and try not and steer too far away from this.

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Companies Committed

Welcome back to the market Levi's (LEVI). Founded in 1853, the jean maker has come a long way. Levi Strauss first went public in 1971 after many decades of family ownership. However, in 1985 the descendants of the company recaptured ownership, taking it private once again for the next 34 years. Well, the dungaree maker went public for the second time in its history this March at a price of $17 per share.

Levi's have become a cultural icon worn by many and take sustainability very seriously. They have multiple commitments to human rights and addressing climate change, all very transparently spoken about on their website. They are ranked #37 on Fortune's Change the World list for its sustainability efforts. Having strict requirements for any affiliates and subcontractor they work with, they have created the Global Sourcing and Operating Guidelines with a target to cut carbon emissions across its supply chain by 40% by 2025.

Levi had revenue of $5.58 billion in 2018, up 14% from a year earlier. With multiple IPOs occurring in 2019 that are young technology and biotech companies without much history, perhaps the Docker's maker will bring stability to any market gyrations. Levi's continues to focus on how it can push the envelope when it comes to being green along with pushing up profits.

Note: Sustainvest currently does not have a position in the company

Education

Refresher on Retirement Plan Limits

For 2019, changes were introduced to IRA and 401(k) plan contribution limits and income thresholds.

- Contribution limits for employer sponsored plans, like 401(k)s and 403(b)s, are $19,000 in 2019.

- Contribution limits for IRA plans are $6,000 in 2019 for individuals under age 50.

- The income phase-out ranges for taxpayers making contributions to a Roth IRA have increased to $122,000 for individuals filing single, and $193,000 for married couples filing jointly.

There are two primary retirement plans: employer-sponsored retirement plans and individual retirement accounts. Generally, an IRA is a tax-advantaged retirement account that any individual (who qualifies under the rules below) can open up on their own, unrelated to their employment situation. Meanwhile, employer-sponsored plans, like 401(k), 403(b), and 457 plans are only available if an employer offers one. If eligible, you can use both an IRA and an employer-sponsored plan.

✓ **401(k) or 403(b) now $19,000**

✓ **IRA plans now $6,000**

✓ **IRA plans now $7,000 for those 50 years and older**

The limit on annual contributions to 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plans increased to $19,000, compared to $18,500 in 2018. The additional catch-up contribution limit will remain at $6,000 for a total contribution limit of $25,000 for employees 50 years old and older.

The limit on annual contributions to an IRA increased to $6,000, compared to $5,500 in 2018. The additional catch-up contribution limit for individuals 50 years old and over will remain at $1,000.

For those self-employed folk out there, a SEP IRA is a type of retirement plan available as well. The primary difference between a SEP IRA and a traditional or Roth IRA is the annual contribution limit. For 2018, the contribution limit to SEP IRAs for those who are self-employed is the lesser of 20% of net income from self-employment, OR $55,000 ($54,000 for 2017). Note that it is possible for a self-employed individual or small business owner to make both SEP IRA and traditional/Roth IRA contributions in the same year.

And of course, one can invest in sustainably screened funds and ETFs within these investment vehicles making it all the more worthwhile.

"Ignorance is always afraid of change."

— Jawaharlal Nehru

Shareholder Activism

Sustainvest Update

It is sad to report, but both of Sustainvest's resolutions were rejected by the companies (and the SEC). Filed with donut maker Dunkin Brands (DNKN) and healthcare behemoth Anthem Inc. (ANTM), we tried to make the argument that sustainability metrics should be tied into the compensation of senior executives. Say, for example, if the companies do a top notch job of increasing diversity amongst it's labor force, then senior executives would be rewarded for this. We will continue utilizing shareholder advocacy in 2019 as a means to make positive change. And of course, are always open to client ideas. Stay tuned.

Exxon Dodges a Climate Resolution...This Time

New York State Common Retirement Fund led a Exxon shareholder proposal urging the oil company to adopt and disclose greenhouse gas emissions targets on its business and products in line with the Paris climate accord. The SEC, siding with XOM, ruled that the proposal, which was backed by investors with $9.5 trillion in assets, would "micromanage" Exxon (XOM) by seeking to use "specific methods for implementing complex policies" in place of managerial judgment.

Climate Strike and Your Mom's IRA Account

Kids, next time you are at the dinner table ask if your parents really care about you. No seriously. A few weeks ago, it was a delight to see young student activists marching through the streets of Petaluma (along with the rest of the world) in support of action to be taken by our leaders regarding climate change. Organizers report there were more than 2,000 protests in 125 countries with more than 1 million students skipping school to protest government inaction on climate change. It is their future coming, so rightfully so. But how many parents of these children have decided to divest of fossil fuels? How many of these kids' parents have IRAs and 401ks set up in a Vanguard fund where Altria or Exxon are the top holdings. Probably a lot. This is the easiest and perhaps the most powerful thing that parents can do for their children when it comes to finances. Amazingly enough, the returns (graph) and the costs of making this switch are equal to if not better than holding onto that Vanguard fund. Off to your room Mom and Dad!

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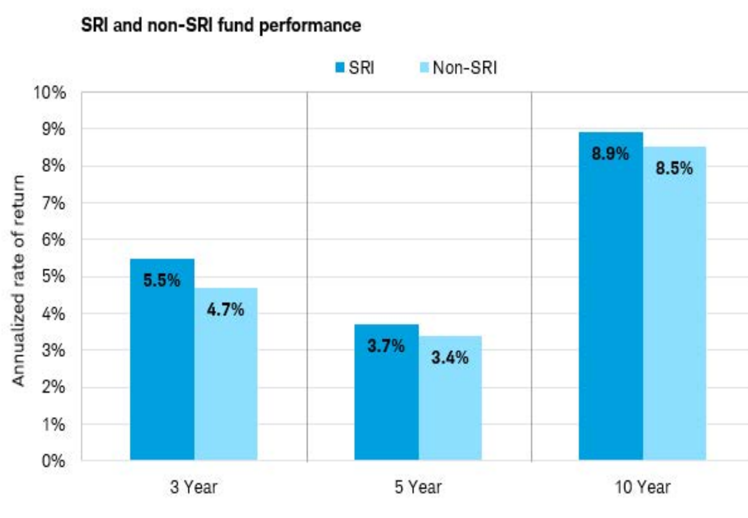
You may hear us speak of managing risk or creating alpha. If you google "sharpe ratio" this explains things, albeit a bit complicated. We manage client accounts not to crush the market, but to act on behalf of our fiduciary duty which means taking client's lifestyles and profiles into account.

As the Midwest continues to deal with the worst flooding in decades, more are questioning how we are going to combat climate change. These extreme weather events also have Wall Street starting to realize that investing in alternatives instead of dirty fuel may be even more important now. Several ETFs (exchange traded funds) that Sustainvest clients own are invested in the green energy and clean technology industries. These funds include the Invesco Cleantech ETF (PZD) and Invesco Clean Energy ETF (PBW). They own companies such as Enphase Energy, PlugPower, Cree, Autodesk, etc. With news like Norway's $1 trillion dollar sovereign wealth fund divesting of fossil fuel companies, it would seem almost inevitable that companies involved in this new green economy stand to benefit. PBW was up 24% just this first quarter and PZD up 13% as well. In the face of an administration that does not support this industry, green economic forces remain steadfast. If there is a shakeup in the White House in 2020, stronger tailwinds could help these types of investments even more.



Source: Charles Schwab Investment Advisory, Inc., with data from Morningstar, as of December 31, 2018. Returns represent the average annualized performance of U.S. equity open-end socially conscious and non-socially conscious mutual funds. Past performance is no guarantee of future returns. The number of socially conscious funds with three-year returns is approximately 316, compared with over 6,500 non-socially conscious funds.

Greeny of the Quarter

Playing Hooky for the Planet

Spanning more than 100 countries and 1,500 cities, up to 1.4 million students gathered in the streets and at their state capitols to call for action on climate change. This wave of youth activism began with 16-year-old Greta Thunberg from Sweden, who last August began camping outside the Swedish parliament and accused lawmakers of failing to uphold their commitments to fight climate change as agreed to under the Paris climate accord.

How does this tie into sustainable investing? These same young activists will be the ones who do not stand for investing in companies that are negating the planet's health or addressing ESG (environmental, social and governance) concerns. If you attend any social impact conference, and you will probably hear, "soon, there will be no 'impact' investing. It will simply be investing." It's already headed in that direction. Millennials — who are now in their early 20s to late 30s — came of age during the financial crisis and also are much more skeptical of the big banks who are offering sustainable investing as another ploy to gather assets. They are more prone to work with firms that are fully dedicated to sustainable investing.

According to a recent, ahem, Bank of America (sorry!) story, most of the millennials surveyed (60%) had at least 21% of their money in ESG investments compared to 49% of Generation X and 45% of boomers. Interest in ESG investing is growing, especially among affluent younger investors. Nearly four in 10 (37%) of high net worth investors have reviewed their investment portfolios for ESG impact, up from 34% in 2017 and 23% in 2015.

The biggest one-year increase (+14%) was driven by millennials. The selection of funds available to these young investors increases every year too.

One millennial Sustainvest client had certain themes they were interested in and was just as excited about investing money but also having a good impact on the planet. The two themes she was interested in were the advancement of women and to help the planet, so she invested in the SPDR Gender Diversity Index ETF (SHE) which buys shares of companies with a higher percentage of women on their boards or in C-suites, and the Parnassus Endeavor Fund (PARWX) a mutual fund whose portfolio companies all have "outstanding workplaces" and don't make money from fossil fuels.

As these protests garner more and more media attention, so too will the big publicly traded corporations which will eventually force them to make sustainable choices themselves.

Congrats young people of the world!

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