



Your Investments. Your Planet. Your Choice.

1st Quarter 2014: Inside the Numbers

	1st Quarter 2014 Return
S&P 500	1.30%
DJIA	-.71%
NASDAQ	0.50%
Russell 2000	1.12%
Barclays US Bond Aggregate	1.80%
Euro Stoxx 50	1.70%
Oil	3.20%
Gold	6.80%
Euro vs \$	+0.20%
Yen vs \$	+2.00%

Economy

Spring has sprung (for most of us) as we enter the 2nd quarter of the year. Companies are sifting through profit and loss statements with corporate earnings announcements due soon which should prove interesting in the next few weeks. The markets continue to simply bounce from day to day, with some of those days being fairly bumpy rides. There are some reasons (chart below) to feel somewhat optimistic about where this rollercoaster ride is headed including unemployment and manufacturing numbers. That being said, the S&P 500 ended the quarter up 1.3%, the tech heavy NASDAQ fared a bit worse ending up .5% and the 30 company Dow Jones was actually down .71%.

As stocks hover around where they started the year, it can be very difficult for investors to pull the trigger on

purchasing equities while at the same time snicker at some of the interest rates being paid in fixed income. Sustainvest continues to monitor and adjust sector weightings as well as having cash in accounts to mitigate any downward market movements. In regards to the overall economy, several key factors of this quarter are described below:

New Fed Chairwoman and Interest Rates

On March 19th in her first of many press conferences as Fed Chairwoman, Janet Yellen gave her statement with Wall Street quick to interpret. What came out of her statement was that the Fed is still committed to quantitative easing but if data suggests the economy is heading in the right direction, the training wheels of this easing will be removed. As consumers, we know borrowing costs have to go up, but at the same time it's hard to leave this party. One good thing out of the eventual rise in interest rates will be that our money market

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Companies Committed

Car Seat Karma

The next time you step into your car, it may be nice to know that such an environmentally conscious company may have made the seat you are sitting in. Based out of Milwaukee, Wisconsin, **Johnson Controls** (SYM: JCI) is a diversified company with three business divisions: Building Efficiency, Power Solutions, and Automotive Experience. The 128-year-old company is the world's biggest maker of car seats with about 30% of the \$50 billion market.

But look further and it's clear that this company has made a commitment to planet earth. The company's greatest environmental strength is its understanding of climate change risk and the associated opportunities for its

business divisions. As limits on greenhouse gas emissions increase throughout the world, the company believes demand for its products and services will increase. For example, Johnson Controls provides products and services to make buildings more efficient, manufactures lighter vehicle parts to enhance fuel efficiency, develops lithium-ion batteries for hybrid vehicles, and provides renewable energy solutions.

Johnson Controls recognizes that buildings account for up to 40% of total energy use worldwide. The company's building efficiency products and services provide significant environmental benefits while also generating favorable cost savings for clients. The company's fastest growing business has been Building

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“When we try to pick out anything by itself, we find it hitched to everything else in the universe”

-John Muir



Education

The Boom and Inherited IRAs

There are 75 million baby boomers on the verge of retirement. For the next twenty years, an average of 10,000 people each day will reach age 65. In line with this, more and more people are inheriting IRAs and other retirement accounts as the first big wave of IRA account holders move through retirement. If you find yourself in this position, understanding the available options for inheriting an IRA can help you avoid immediate taxation of this inheritance.

1. Wait and Assess Options- If you inherit an IRA, do not make any decisions until you are sure what rules apply and what all of your options are.

2. Review Beneficiary Forms- The beneficiary form on file with the IRA or retirement plan custodian controls who inherits the account rather than a will.

3. Is the Beneficiary a Spouse- If the beneficiary is a spouse, they have the option to roll the inherited IRA assets into their own IRA and postpone mandatory distributions until they reach age 70½.

Spouses and non-spousal beneficiaries possess the following four options:

- a. a. receive a lump sum distribution and pay income

Education cont. page 3

Shareholder Activism

Sustainvest Addresses \$35 Billion Pharma Company

A shareholder resolution presented to Actavis Inc. a NJ-based \$35 billion dollar specialty pharmaceutical company has been included by the SEC (which is great news by the way)! We addressed this company and filed the resolution due to its lack of transparency with its sustainability goals. The company does not publicly display any sustainability reporting.

Because it has been accepted, the resolution will be included in every shareholder's proxy statement which can then be voted as a "yes" in favor or "no" against. Also, on May 9th in Parsippany, NJ a representative of Sustainvest will be given approximately 5 minutes to address the CEO and board on the resolution and why it should be considered. We will keep you posted.

Wal-Mart and Bribes

Though not directly related to advocacy, the recent news with Wal-Mart deserves a small spot here. The world's largest retailer said it spent \$439 million in the past two years to investigate the possible payment of

foreign bribes, making it one of the most expensive probes in U.S. history. This type of behavior and the negative financial ramifications have to be taken into consideration when looking to invest. Wal-Mart is not a holding in Sustainvest client accounts.

Company Cont.

efficiency, which makes and services products used for heating, ventilation, security and lighting large buildings. The division took the spotlight when it nabbed the job to bring the 80-year-old Empire State building to the environmentally friendly realm. For those of you who didn't know the NY City building did a major retrofit starting in 2009 and included improving the tower's 6,500 windows and an upgrade of its automation systems The savings are part of an expected 38-percent reduction in the building's energy use within three years, saving \$4.4 million in annual operating costs. In 2008, Johnson Controls began measuring its water, waste, and energy use and has set 2018 goals. On top of all of this, the company has paid cash dividends for 124 consecutive years. If that isn't conducting solid corporate governance and rewarding shareholders, then I don't know what is.

Economy Cont.

and cash accounts will pay something in return. Keep in mind, as stated last quarter, that easing is a major positive as it shows that we have put the banking/housing crisis behind us. Janet's every word will be scrutinized by the media as we move further into 2014.

International Markets and Russia

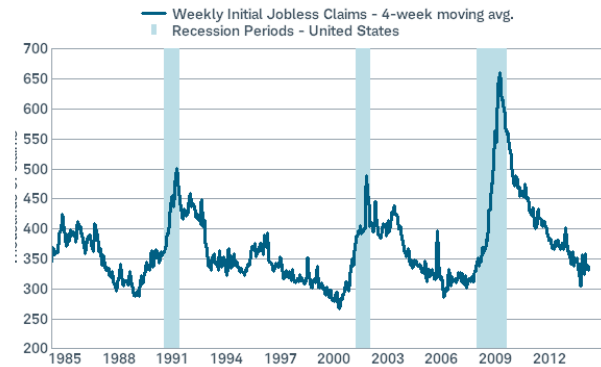
Though not directly linked to the market, the Putin issue in Russia could eventually make its presence felt. Putin seems intent on expanding the Russian territory and sanctions have been imposed on the country. Their economy will most definitely shrink because of this. But the turmoil in the Ukraine and other emerging markets really highlights how quickly markets can change. No one knows how the situation will play out at this point. Russia is Europe's major supplier of natural gas, with pipelines running through the Ukraine. The Ukraine also is one of the world's largest grain exporters leading to price increases. Equity or bond positions in the emerging markets may be trimmed back, dependent on how things progress. Oddly enough, US equities may benefit from this situation.

China's economy is a concern as well. Considering 20% of the world's population lives in China, it is important to keep an eye on any economic data being reported on as well as the potential for a bubble in their property or real estate market.

Macro Issues and the Weather

Snow continues to fall on the east coast (yes, in April even!). As those mid-Atlantic folk emerge from their hibernation, we may see a slight boost to spending. Regional manufacturing surveys improved and indicate expansion, with the Philly Fed Index moving from -6.3 to +9. Additionally, industrial production posted an increase rising 0.6%. Perhaps due to this spring chill, housing starts fell 0.2%; but permits, which are a leading indicator, rose 7.7%.

As shown on the following chart, initial jobless claims are a leading indicator and show labor market improvement. The current national unemployment rate is at 6.6%. Considering we were above 10% in 2009, this is a step in the right direction for the economy.



Overall, our strategy is to remain short-term (less than 5 years) with any bond/fixed income investments due to a continued rise in interest rates and to trim stocks from sectors that seem overvalued while increasing positions that may benefit from these economic factors including financials and technology. We are still maintaining a fairly conservative approach with a balance of stocks/bonds/alternatives and cash. Of course, this is all based upon each client's individual risk profile, goals and timeline.

education cont.

- a. tax now (unless it's a Roth account);
- b. transfer the assets to an Inherited IRA (and take distribution over five years);
- c. transfer to an inherited IRA (and take distributions over their life);
- d. disclaim (and allow the account to pass to contingent beneficiaries listed on the beneficiary form).

4. Have Mandatory Distributions Been Taken? If the late IRA owner was 70½ or older, you need to determine if the owner's minimum required distribution for the year has been withdrawn.

5. Is There More Than One Beneficiary? If you inherit an IRA along with other heirs, allowing each heir to spread withdrawals across his or her own life expectancy.

6. Open Inherited IRA-Once you have walked through the first five steps, you are now ready to open an inherited IRA or inherited Roth IRA account.

7. Begin Taking Withdrawals- you will need to take minimum required distributions every year for the rest of your life or until the account is closed.

Non-Profit of the Quarter



As many as 3.5 million people experience homelessness in a given year (1% of the entire U.S. population) and about 842,000 people in any given week. According to the National Law Center on Homelessness and Poverty, 66% of homeless people have problems with alcohol, drug abuse, or mental illness. And sadly, the number of children in the U.S. who live below poverty level is about 12,000,000. With such a daunting social issue, how is anyone to take on and try to alleviate the problem. Locally here in Sonoma County, we have that someone.

The Committee on the Shelterless or **COTS** offers help and hope to homeless persons in Sonoma County by providing safe shelter and housing, helping people develop steady incomes and helping them get back under a roof of their own. It runs the Mary Isaak Center, offering emergency shelter and programs for the homeless. It also operates a variety of work training programs and the Petaluma Kitchen, which feeds some 100 people each day.

If you are interested in learning more about our services, please contact us at info@sustainvestmanagement.com or call us at 707-766-9480

COTS does much more than shelter and feed people who are homeless though. This 501c3 provides a wide range of services that enable individuals and families to break the cycle of homelessness once and for all.

Each year they shelter and feed approximately 177 children. The Center for Homeless Children and Their Families provides safe care, tutoring and assessment for children, while their parents work to attain housing, income and sobriety. They also prevent homelessness by helping people in the community keep the homes they already have.

In order to accomplish this, the center addresses the underlying causes of homelessness: stabilizing and addressing basic needs; providing case management and counseling; and teaching the practical life skills necessary to obtain income and housing. Tours are held on the second Thursday of each month from 11:45 am – 1:00 p.m. More details can be found at:

<http://www.cots-homeless.org/>



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