SUSTAINVEST
ASSET MANAGEMENT, LLC

3rd Quarter 2014

Your Investments. Your Planet. Your Choice.

3rd Quarter 2014: Inside the Numbers

	3rd Quarter 2014 Return
S&P 500	0.60%
DJIA	1.30%
NASDAQ	1.90%
Russell 2000	-7.70%
Barclays US Bond Aggregate	0.20%
Euro Stoxx 50	-8.25%
Oil	-13.80%
Gold	-8.40%
Euro vs $	-7.80%
Yen vs $	-8.20%

INSIDE

Economy

As we enter the home stretch of 2014, we can at least say that it has been a somewhat "boring" market quarter, but sometimes boring is better than the alternative. For the 3rd quarter, the S&P 500 was flat with a .6% increase. The Dow Jones was up 1.3% and the NASDAQ up 1.9%. For the year, the S&P500 is up 6.6%, so in a year where the bears stated there would be a downturn, we are holding on to decent gains.

That being said, there continues to be heightened political concerns with protests in Hong Kong and uncertainty in Brazil ahead of national election. Perhaps the elephant in the room is the uneasiness and potential slowdown in China with raised worries about the potential for loan defaults and rising amounts of bad debt showing up. On top of this, Europe remains stuck in a negative spiral on the brink of the third recession in six years. Tensions over Russia and Ukraine have rocked Germany's shoppers, pushing consumer confidence to an eight-month low. Due to Germany stating that they will see little to no expansion in 2014, this has led to international holdings underperforming.

We remain bullish longer term and use dollar-cost averaging to add to equity allocations provided that this fits the clients risk profile and time horizon. Over the long haul, common stocks historically outperform bonds and cash, especially considering current interest rates. There are reasons to be optimistic here—for stocks that is. With such low inflation, low interest rates and strong growth trends there remains some upside for equities. For bonds, it may be a different story (noted below).

In a time when it's easy to divest from stock positions due to these concerns, it's always

economy cont. page 3

Companies Committed

One Stinky Company, In a Good Way
Praxair, Inc. (PX) is an industrial gases supplier. The Company's products are oxygen, hydrogen, nitrogen, argon, carbon dioxide, helium, electronic gases and a range of specialty gases. Praxair Surface Technologies supplies coatings, which protect metal parts from wear, corrosion and heat.

Over 25% of Praxair's annual revenues are derived from products and technologies that help its customers reduce their environmental footprints, improve energy efficiency, and/or decrease use of raw materials. For example, oxygen can be used to increase combustion efficiencies in industrial applications, or hydrogen gas can aid in the de-sulfurization process for gasoline--both result in fewer emissions and a cleaner environment. Praxair was named to the Dow Jones

PRAXAIR
Making our planet more productive

Sustainability World and North American Indices (DJSI) in recognition of the company's long-standing commitment to global sustainable development. Praxair is the only U.S.-based company in the chemical sector to be selected for the DJSI for 12 consecutive years.

Praxair serves 25 industries in nearly 50 countries around the world, including fast-growing emerging markets. This geographic and end-market diversity, combined with long-term clients relationships, has supported earnings growth. And a generous dividend policy has also helped the stock outperform the broader market for the past one, two and five years.

Education

To Convert to a Roth or Not: That is the Question
Many investors ask the question, "Should I open a ROTH IRA or a Regular IRA"? Though the traditional IRA has many benefits that exceed a typical brokerage account, a ROTH IRA may be the secret ingredient for many retirees. Money in a ROTH grows tax-free and withdrawals are also tax-free so long as the account has been opened for 5 years and age 59 and ½ has been reached. On top of this, the required minimum distributions (RMD) are not required with a ROTH.

Can I convert my existing IRA to a ROTH IRA? You sure can. There are no income limits on converting from a traditional to a ROTH. However, any money that is converted (partial amounts can be done) is taxed at ordinary income tax rates, something to keep in mind when thinking about making this change. Sustainvest can calculate whether or not this is worth your consideration.

Tax-Loss Harvesting and You
For most investors, taxes are an afterthought. We work hard and sock money away and all know that Uncle Sam will have his hand out at one time or another. Believe me, he will. Yes, there are ways to mitigate these issues including something called "tax-loss harvesting". This is when you sell securities at a loss to offset a capital gains tax liability. It is typically used to limit the recognition of short-term capital gains, which are normally taxed at higher federal income tax rates than long-term capital gains. Many of the automated "plug and play" advisors out there don't do a great job of describing the less widely understood issue that taking advantage of the loss also reduces the cost basis of the investment, potentially exposing the taxpayer to a gain in the future that can wipe out some, most, or all of the tax benefit. All in all, investment advisors should be focused on aligning client goals and risk profiles with solid asset allocation. On top of this, it is the advisors job to tactically find companies who show strong continual increased earnings and a long term commitment to sustainability in ESG or SRI focused portfolios.

"Try not. Do, or do not. There is no try."

-Jedi Master Yoda

Shareholder Activism

General Mills Shareholders Fail to Move on GMO Ban
The majority of participating shareholders — 97.8 percent — at General Mills' annual shareholder meeting in September rejected a proposal to ban genetically modified organisms from all of its brands, according to the LA Times. Earlier this year the company removed genetically modified ingredients from its well-known cereal brand Cheerios and also agreed to an $820 million deal for Annie's Homegrown, the California-based maker of natural and organic pastas, meals and snacks.

Interestingly enough, Harriet Crosby, the great-granddaughter of General Mill's founder, originated the proposal as she is a shareholder. Her argument stated that GMOs harm the company's brand and reputation, amongst other things. "I think we can do better and improve our brand and the value of General Mills by eliminating GMOs from our products", she stated. Keep in mind GM is already required to produce GMO-free products in Europe and parts of Asia. Crosby was countered by the National Center for Public Policy Research, which urged General Mills shareholders to reject Crosby's proposal.

Women and Investing
Ladies, you have a lot riding on your shoulders. In the next 2 decades, women will be inheriting money twice, once from a passing parent and again from a spouse. Currently, less than half of millionaires are women. By 2030, almost 70% of the wealth will be in the hands of females. This shift of assets runs close to $40 trillion dollars.

And yet, when it comes to women holding the coveted CEO position, only 25 out of the Fortune 500 are in charge. We are talking about 5%. This number clearly should be much higher and in time will be the case considering the returns of companies with women running the show have outperformed the S&P 500 by more than 30% in the past 10 years. Stay tuned as more funds integrate women leaders.

Economy Cont.

nice to go to historical statistics. A study using S&P data shows that between 1994-2013, missing the top ten UP days by trying to time the market would have resulted in a reduction from a 9.2% annualized return to 5.5%. That's pretty significant when it comes to retirement planning and investing. Fidelity mutual fund manager Peter Lynch once said, "Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves".

Addicted to Its Own Stock

U.S. Corporations bought back almost $350 billion worth of their own stocks in the first half of this year, the highest amount since the financial crises. Because of this, it could be stated that this is the matchstick lighting this current bull fire of 2014. You may be asking, "what's a buyback"? A buyback is the repurchase of outstanding shares by a company in order to reduce the number of shares on the market. Companies will buy back its own shares to increase the value of shares still available and thereby reduce supply. FedEx (FDX) has bought back about $2.8 billion worth of its own stock just this year. Other notable buybacks include Apple's $5 billion buyback and IBM's $8 billion, both earlier this year. Questions do remain whether this helps the company. Critics suggest they could be spending this organically to boost growth of the company. We will keep our eyes out for any additional news on this.

Don't Be Tempted By the Shiny Apple

Fixed income investors are getting antsy. We hear it in conversations, from the coffee shop to the barber shop to the local watering hole. Insurance salespeople and high flying bond brokers will speak of these great returns they can get. Don't take the bait. As investment advisors, the first thing Sustainvest does is look at the safest fixed income vehicle available and analyze from there. The 10 year Treasury bond is paying 2.50%. From there we can easily research what other fixed income vehicles are paying in terms of interest. Yes, you can get 6% in a hi-yield corporate bond, but with that 6% comes much more risk-risk to the principle you put into the vehicle. In monetary terms, that $20,000 bond you bought that pays 6.3% could quickly be worth $16,000 if interest rates start to rise.

On a macro level, these Interest rates have been one of the biggest surprises of the year. Going into 2014, most pundits expected a steady rise in interest rates as the Federal Reserve slowed down its purchases of long-term bonds and moves closer to raising short-term rates. Instead, the yield on the 10-year Treasury fell from 3% at the start of the year to a low of 2.34% in mid-August. It is currently back floating near that 2.5%. The Federal Reserve remains very accommodative, but with QE ending and the first rate hike in sight at the end of the Fed buying tunnel, volatility is likely to rise. In general, we would discourage investors from sacrificing quality in search of an outlier bargain.

Overall

In a time when many stocks are slowly puttering and fixed income rates are paying "squat", it's time to make sure we're not getting greedy searching for the greener grass. Global diversification and a greater focus on more tactically-oriented asset allocation seem to be key at this moment. We continue to allocate to equities and mitigate risks of a negative turn in the markets by diversifying across all asset classes including short-term fixed income, REITs, emerging markets, etc. This "best of both worlds" approach allows us to catch any upside but at the same time be prepared for any downturn.

Oakland City Council Votes to Divest Funds from Fossil Fuel Companies

CITY OF OAKLAND

Well done Oakland! Oakland joins other Bay Area cities including Berkeley, Richmond and San Francisco in shifting city investments away from companies involved in extracting, producing, refining, burning or distributing fossil fuels.

According to the resolution, the move is part of an effort to establish socially progressive and environmental responsible investment policies. The report also states that in the long term, due to public pressure and scarcity of resources, investing in fossil fuel stocks may become increasingly risky. The City Council is also calling on CalPERS, the state pension system, to join the movement and do the same. In the past Oakland has adopted other divestment policies, forgoing investment in nuclear weapons, tobacco, alcohol and manufacturers of firearms and ammunition.

Two dozen other cities nationwide have made the same divestment move. Clearly, ESG Investing is making more and more sense for both individuals and the cities we live in.

Non-Profit of the Quarter

If you have been fortunate enough to visit Sonoma County, CA, perhaps you were able to get a glimpse of the magical Redwood Trees along the coast, some of the oldest living things in the world. Luckily, we have one of these spots in our backyard which is the Russian River Valley and Armstrong Woods in Guerneville. In order to keep these parks and trees in such great condition along with educating those that want to learn more about this precious resource, preservation organizations are working night and day. One of these such organizations is the Stewards of the Coast and Redwoods (Stewards),a non-profit organization launched in 1985 whose mission is to promote preservation through environmental education (EE) and stewardship in support of California State Parks' Russian River Sector, encompassing 29,331 acres of coast, redwood groves and park lands, including Armstrong Redwoods State Natural Reserve, Austin Creek State Recreation Area, Sonoma Coast State Park and the Willow Creek watershed. With park closures imminent in 2012, Stewards and State Parks signed a 5-year operating agreement to keep Austin Creek open under Stewards' management.

The organization is a leader in docent-led interpretive programs focused on conservation and wildlife/habitat preservation, and in training/support to over 300 volunteer docents/stewards who give 10,000 hours annually, significantly increasing the parks' organizational capacity.

Over the past decade, Stewards has developed and enhanced curriculum-based education programs/materials on watersheds, tide pools, and redwood ecology, including docent and teacher resource guides, serving 6,000 school children annually. Their multi-touch, placed-based citizen science and stewardship programs link to the new core standards and are now bringing older students to State Park overnight experiences. New programs are underway with Latino Outdoors and Sonoma County's Temporary Assistance for Needy Families Program, managed in part by Federated Indians of Graton Rancheria.

Many partnerships have been developed with State Parks, Regional Parks, Sonoma Environmental Education Collaborative, schools, University of California's Naturalist Program and UC Davis' Bodega Marine Laboratory. The founding member's role in the Sonoma Coast Marine Protection Area (MPA) Collaborative builds on coastal monitoring alliances with Sonoma County Water Agency (pinnipeds) and Bureau of Land Management (seabirds), along with Whale Watch and Seal Watch programs, and watershed and tidepool curricula.

Those interested in volunteering or hearing more about their work should sign up on their website to receive their e-newsletter and consider joining as a member of the organization at www.stewardcr.org. They can also be reached at stewards@stewardscr.org or (707) 869-9177.

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

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