SUSTAINVEST
ASSET MANAGEMENT, LLC

3rd Quarter 2015

Your Investments. Your Planet. Your Choice.

3rd Quarter 2015: Inside the Numbers

	3rd Quarter 2015 Return
S&P 500	-6.9%
DJIA	-7.6%
NASDAQ	-7.4%
Russell 2000	-13.40%
Barclays US Bond Aggregate	.82%
Euro Stoxx 50	-9.45%
German Dax 30	-11.70%
Oil	-24.00%
Gold	-4.50%
Euro vs $	-.80%

INSIDE

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Economy

As Halloween approaches at the end of this month, one of the added spooks to this festive day could include the stock market. Returns for this quarter for the S&P came in at –6.9%, for the DOW –7.6% and for the NASDAQ –7.4%. For the year, the S&P 500 is down 6.74%. Energy and materials were the worst performers, down 18 and 17 percent, respectively. But health care was also down double digits, losing more than 11 percent. Sustainvest's approach has leaned towards the conservative side since the start of 2015 and this approach seems to have helped mitigate this downward movement in 2015. The million dollar question of course is where this final quarter of the year will go. The news this past quarter really focused on the following items.

China

Though unbeknownst to many, the Chinese stock market was roaring along with a surge of 150% in the previous 12 months. That was quickly jolted this past quarter as their markets saw a decline of 40%. Ouch. This has clearly affected markets not only here in the US, but also in countries heavily tied to their economy including Brazil and India. One of the main reasons this has occurred is because of the potential slowdown taking place in terms of GDP. Though their growth rate is still rather amazing, estimates now show that 2015 annual GDP will come in at 6.6 percent, down from earlier forecasts for 6.8 percent. One positive in China is housing. Existing home sales across 32 cities grew by a further 22.2 percent on year over year. Despite this high stock market volatility, with about 325 million new middle class individuals emerging from 2015 to 2030, it is hard to turn a blind eye to such growth and increased consumption that is going to take place.

Interest rates

The last time the Fed raised interest rates in

economy cont. page 3

Companies Committed

Panera Bread

You may have smelled one of these in your neighborhoods as they cook up scrumptious pastries and breads. Panera Bread (PNRA) operates retail bakery-cafes as well as franchised operations across the US and Canada with 1,880 locations. The once 1 store St. Louis -based company was founded in 1981, then titled Au Bon Pain Co., when the first location was opened in Kirkwood, Missouri. Panera Bread was the first in its industry to post calorie information voluntarily at all company-owned cafés, something that competitors have been fearful taking on.

Way back in 2006 and 2007, the fact that every Panera Bread offered free Wi-Fi was pretty revolutionary. Especially the fact that they provided more free Wi-Fi than every other company in the country at that time.

In terms of a company committed to sustainability, Panera definitely has made some amazing strides in comparison to its peers. In 2014, the company announced its commitment to "clean ingredients" including a goal to remove all artificial colors, sweeteners, flavors and preservatives from its bakery-café menu by the end of 2016. In addition, in 2014, 100% of Panera's pork and chicken supply was antibiotic free with a vegetarian diet, nearly 100% of turkey was antibiotic free with a vegetarian diet, and 80% of beef was grass-fed. Since September 2014, Panera's stock is up approximately 19%. Shares of McDonald's (MCD) are up 3.5% during this same time period.

"It is good to realize that if love and peace can prevail on earth, and if we can teach our children to honor nature's gifts, the joys and beauties of the outdoors will be here forever"

-Jimmy Carter

Education

Education: The Divestment Movement

We all know when Leo speaks people listen. Hollywood actor Leonardo DiCaprio did, in fact, speak recently and this month joined more than 400 institutions and 2,000 individuals who have promised to divest from fossil fuels. "Climate change is severely impacting the health of our planet and all of its inhabitants," said DiCaprio, announcing his promise to divest on behalf of himself and the Leonardo DiCaprio Foundation, which supports conservation projects around the world. "We must transition to a clean energy economy that does not rely on fossil fuels, the main driver of this global problem," the celebrity environmentalist added in a statement.

The number of institutions, individuals, and various funds divesting from the fossil fuel industry and invest in renewable energy and climate solutions has exploded, growing 50-fold in just one year and representing $2.6 trillion in assets, according to a new analysis released Tuesday. Since the campaign began in earnest less than three years ago, the report shows, more than 400 institutions and over 2,000 individuals have pledged to divest from companies that derive profits from coal, oil, or gas. While historically focused in the United States, the divestment movement now spans the globe. In 2014, 78 percent of divesting institutions were US-based. Today, 57 percent are US-based. Institutions that have chosen to divest represent more than 646 million individuals around the world. Politicians have adopted the 2-degree limit, and have come out this year with statements referring to a phase-out of fossil fuels. Calculations by HSBC and McKinsey showed that somewhere **between 30 to 60 percent of the share value of fossil fuel companies could be lost** as they hold onto stranded assets.

check out our new website at
WWW.SUSTAINVEST.COM

Shareholder Activism

Sustainvester Files Proposal on Forced Labor in Cotton Industry

Occasionally, clients of Sustainvest will get rather fed up with what some companies are doing in terms of sustainability and ask if there is any way to raise their voice to get a company to move forward on certain issues. One such person is San Jose State professor Ron Roman.

Professor Roman approached Sustainvest asking to take it to the next level with wholesale seller Costco and its approach when it comes to sourcing the labor of cotton in their clothing. As Costco is generally seen as a highly ethical company, Roman was surprised to see that Costco ranked 46 out of 49 by the Responsible Sourcing Network in terms of their supply chain when it comes to sourcing cotton.

The resolution that Roman came up was to urge the Board of Directors to report to stockholders on the risks and advantages of being transparent regarding the source country of the cotton used in the company's private label brand of products (Kirkland Signature) and of joining and participating in an industry initiative seeking to eliminate forced labor from the cotton supply chain.

In order to file, Roman purchased stock in the company over 1 year ago. At the time of this newsletter release, Roman was still in dialogue with executives at Costco.

You Go, Sisters!

The Congregation of Benedictine Sisters in Boerne, Texas, filed a shareholder proposal this month that asked McDonald's to ban all of its meat suppliers from using the drugs on animals to help them grow or for disease prevention. Under these terms, McDonald's meat producers could still use antibiotics to treat sick animals. McDonald's (MCD) said it

activism cont. page 3

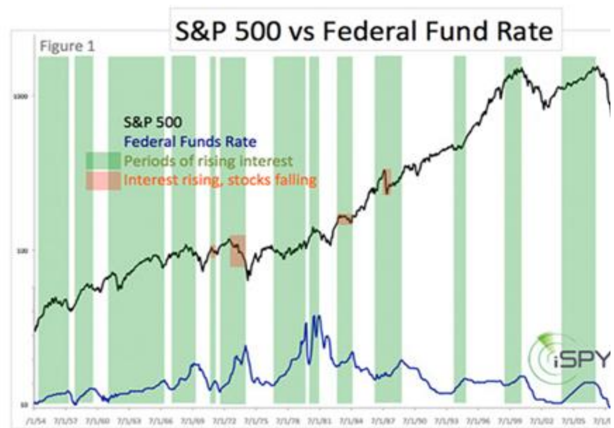
Economy Cont.

June 2006, Facebook had one-tenth the users of Myspace and James Blunt's *You're Beautiful* was at the top of the song charts. Seems like a long time ago. If we go beyond 2006, recently Bank of England chief economist Andy Haldane found when he went digging through the historical records that interest rates are lower today than they were when FDR or Napoleon or Henry VIII or Genghis Khan or Julius Caesar or Alexander the Great were around. Or, if you want to put a year on it, lower than at any time since the ancient Sumerians made the first loans, payable in either silver or grain, back in 3000 B.C.

The Fed opted to kick the can down the road a bit, and decided not to raise rates at its September meeting. That was what about 75% of market participants had anticipated. While the Fed admitted that employment and inflation levels were approaching its goals, it worried that slower international economic activity would potentially depress U.S. growth rates. Just an FYI, when the Federal Reserve (or the media) talks about raising interest rates, it is referring to the federal funds rate. The federal funds rate is the central interest rate in the U.S. financial system. It is the interest rate at which depository institutions trade balances held at the Federal Reserve with each other overnight. The Federal Reserve sets the target rate. The target rate is currently 0 – 0.25%. The Fed guides this rate via government bond purchases, but the actual rate is determined by trading between banks. The weighted average of bank transactions is considered the effective federal funds rate (currently 0.12%).

A rise in interest rates would signal that markets are stabilizing and the future of the economy is on solid ground. The case for the Fed ripping off the band aid and beginning the process of raising rates needs to be done sooner than later. Retirees are the ones who are on the bad end of this deal as fixed income portfolios have to settle for lower returns on their portfolios (if you think back to pre-crash, money market rates were close to paying 4 or 5%. Below is a look at the market compared to Fed Funds rate going back to the 1950s. When it comes to investing, it is key to stay committed to one's risk profile and timeline.

The US economy remains healthy with corporations continuing to record strong earnings, and recent stock market volatility has changed very little of that story, so we don't believe your investment plan should change either. Because Sustainable Investing is being implemented in portfolios, the recent fall in oil prices tends to not put any burden on portfolios due to the lack of holding any fossil fuel companies.



activism cont.

would reduce the amount of antibiotics used in its chickens back in March. But the company hasn't changed its policy on pork and beef, which the investor says is a double standard. "We question why this important commitment isn't also being applied to the beef and pork they source, as hamburgers are a mainstay of McDonald's business. This double-standard makes no sense to us," said Sr. Susan Mika of the Congregation of the Benedictine Sisters of Boerne.

The CDC estimates at least 2 million Americans contract antibiotic-resistant infections every year, and that 23,000 die as a result. The proposal comes two days after a coalition of environmental, animal welfare and consumer organizations tried to shame restaurant chains with a scorecard rating their antibiotic policies. The report, called Chain Reaction, flunks many brands for their overuse of antibiotics or their lack of transparency on the issue. The only two companies that got an "A" were Chipotle (CMG) and Panera (PNRA), which underscores the widespread use of antibiotics. The report was issued by Friends of the Earth, the Natural Resources Defense Council and four other groups. McDonald's scored a "C" in the Chain Reaction report.

Greeny of the Quarter

CRA Fund and Local Impact

Long before all of these new trendy Impact investing vehicles came to the market, the definition of investing in this manner was known as community investing. This type of investing is considered more impactful because of the fact that it puts money into the communities that need it most. Way back in the late 70s, the Community Development Act of 1977 was designed to encourage commercial banks to help meet the needs of borrowers in their communities, including low- and moderate-income neighborhoods. Congress passed the Act in 1977 (signed into law by President Jimmy Carter) to reduce discriminatory credit practices against low-income neighborhoods, a practice known as redlining. The CRA was passed as a result of national pressure to address the deteriorating conditions of American cities—particularly lower-income and minority neighborhoods

Enter 2015 and Sustainvest clients may see a fund titled the CRA Qualified Investment fund (CRATX) under their fixed income allocation. This fixed-income investment seeks to provide a high level of current income consistent with the preservation of capital and investments that will be deemed to be qualified under the Community Reinvestment Act. Year to date the fund was up 0.56%. If some have ever wondered what effect holdings in mutual funds are having on local progress, are a few examples of how Sustainvest integrates sustainable investing into fixed income allocations via this fund:

Nestled in a hillside in South San Jose's popular Almaden Valley, this 100% affordable rental development backs up to permanent open space, is adjacent to a City-owned regional park and is located a block away from a light rail station. Almaden Lake Apartments The proximity to existing transit corridors is consistent with the City's Smart Growth Policy. Developed in conjunction with a single-family development, families enjoy shared facilities including a pool, community center and tot lot. **100% of the 144 units are restricted to residents with incomes at or below 60% of area median income**. In addition to this loan, other financing sources include the City of San Jose. The City of San Jose's Department of Housing's mission is to assist San Jose's lower- and moderate-income families by increasing, preserving, and improving housing that is affordable and livable.

Valley Recycling is a small business located in a moderate-income census tract in San Jose, CA that employs ten workers. Valley Recycling's goal is simple: help recover precious materials for reuse in today's workforce, instead of ending up forever stuck in landfills. The company offers a drop-off disposal site located conveniently within downtown San Jose. The business is located in a Historically Underutilized Business Zone (HUBZone).

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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