



## CCM Update

Much like the changing of the seasons that can be so vivid at this time of year, you may also notice some significant changes in the latest edition of our quarterly newsletter. After introducing our new logo and letterhead last year, we are now revising our newsletter to focus on the investment, planning and impact themes that we believe will be most relevant and helpful to our clients.

In addition, we will continue to keep you updated on firm news in this section of the newsletter. In the not too distant future, you can expect to see enhancements to our website, blog and *Bottom Line* publication too, as we continue to focus on improving our communications and overall client experience.

This quarter, we are pleased to announce two additions to our investment research capabilities.



We recently entered into a strategic alliance with [Align Impact](#) to share research and perspective on potential impact investment opportunities. These are investments designed to earn a competitive financial return while also having a positive and measurable social or environmental impact. Align is a relatively new company that was formed through the collaboration of Abacus and Aspiriant, two leading national financial advisory firms.

Align is committed to helping grow and support the impact investing field by providing independent research to advisors and institutional investors. CCM is also committed to supporting the growth of the field, and has signed on as one of Align's early clients. We are the first independent advisory firm to hold a seat on Align's investment committee.

Joining forces with Align will add to CCM's growing knowledge and leadership in the impact investing field, help identify best-in-class impact opportunities, and improve due diligence.



To further bolster our due diligence and communication capabilities, CCM recently hired corporate attorney and financial writer [Leila Boulton](#) as an independent consultant. Leila is well versed in the impact investing field and will assist with researching and analyzing prospective investments for CCM clients.

Leila holds a JD from the Catholic University of America and an MBA from the University of Colorado. She is a longtime attorney, and the founder of Efficient Consulting, which advises public and private firms on legal matters, business strategy and commercial risk management.

As a contributing writer at *Private Wealth* and *Financial Advisor* magazines, she has authored dozens of articles on impact, private equity, angel and alternative investing.

Now that Align and Leila are collaborating with our team, CCM has expanded resources to analyze domestic and global investment opportunities in stocks, bonds and real assets, as well as private debt and equity. We will tap into these resources to construct diversified portfolios aimed at maximizing risk-adjusted returns, generating positive impact, and enhancing long-term financial security for our clients.

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As part of the revisions to our newsletter, this section will focus on the economic data and high level themes likely to be of greatest importance to client portfolios.

## Quarterly Review

The third quarter of 2016 had many surprises, including a shift in performance leadership within the stock and bond markets, lower than expected political and economic distress following the Brexit vote, and an overall decline in stock and bond market volatility compared to the wide performance swings we witnessed last year.

The lower volatility and rebound in downtrodden investment categories that occurred in the third quarter created a more benevolent investment environment. In addition, stock markets in the U.S. and overseas generated solid gains for the quarter

## Last Year's Laggards are This Quarter's Winners

The table below provides more details on market performance for the third quarter. We also included returns for 2015 to highlight the shift in leadership in stock and bond markets that continued into the third quarter. Many of last year's worst performing investment categories, including emerging markets, small cap stocks, and high yield bonds, were top performers this quarter.

MARKET INDEX	Q3 RETURN	2015 RETURN	KEY STATISTICS	CURRENT LEVEL
RUSSELL 2000 SMALL CAP	9.1%	-4.4%	10 YEAR TREASURY YIELD	1.6%
MSCI EMERGING MARKETS	9.0%	-14.9%	US GDP (Q2, ANNUALIZED)	1.4%
BARCLAYS US CORP HIGH YIELD	5.6%	-4.5%	US UNEMPLOYMENT RATE	4.9%
S&P 500 (WITH DIVIDENDS)	3.9%	1.4%	ANNUAL INFLATION (CPI)	2.3%
BARCLAYS US GOVT/CR INTER. BND	0.2%	1.1%	BRENT CRUDE OIL (\$/BBL)	50
BARCLAY'S MUNICIPAL BOND	-0.3%	3.3%	GOLD (\$/oz)	1322
BLOOMBERG COMMODITY	-3.9%	-24.7%	EURO/DOLLAR	1.11

AS OF 9/30/16, SORTED BY Q3. MORNINGSTAR

AS OF 9/30/16. WALL STREET JOURNAL

The broad based MSCI Emerging Markets Index gained 9% for the quarter, boosted by signs of higher economic growth in developing markets including India, China and Brazil, political reforms in areas such as Brazil, and a rebound in commodities - a major engine of many emerging economies.

The Russell 2000 Index of small cap stocks also rose by 9%, with small companies benefiting from relatively low interest rates and slow but steady economic growth in the U.S. Smaller companies can typically capitalize on these trends faster than larger companies, as shown by their strong performance in the third quarter.

In the bond category, high yield bonds also benefited from continued economic growth, rebounding from a difficult 2015 and generating returns of over 5% for the quarter.

While we do not have outsized allocations to emerging markets, small cap stocks and high yield bonds, we have maintained exposure to these asset classes through the rough periods in 2015 and participated in the rally this quarter and this year.

## The Fed

All eyes focused once again on the Federal Reserve during the third quarter. Although the Fed did not hike rates during its July and September meetings, Janet Yellen's comments at the September meeting signaled openness to a rate hike by year end.

In response, bond yields ticked up slightly, with the 10-year Treasury yield rising from 1.5% to 1.6% by the end of the quarter. Government and municipal bond prices fell as a result, culminating in flat to modestly lower bond returns for the quarter; returns for the year are still positive, however.

Bond funds focusing on corporate and high yield debt performed best this quarter and year, supported by continued growth in corporate deals and low default rates.

While we may face rising interest rates, we are not panicked about bond performance. Because this year's economic growth has been moderate and inflation has remained low, the Fed has suggested potential rate hikes would be small and gradual, allowing the markets to absorb the impact without creating a major disruption to bond performance.

## Impact of the Election on Q4

Markets dislike uncertainty, whether it relates to politics, economic policy, or global growth. The coming U.S. election taps into to all of these realms. Many investors are concerned not just about who will win the election, but also which party will ultimately control Congress, and how the winners' policies might affect their investments.

A recent piece from [Dimensional Fund Advisors](#) provides interesting perspective on market returns in election years. Over the last 90 years, there has not been an obvious correlation between political leadership and stock market returns. Moreover, stock market returns in an election month were within the typical range of long term market returns regardless of who won the election.<sup>1</sup>

If history is any guide, the winner of the election may have less of an impact on markets than investors are anticipating.

Regardless of the outcome this election season, we recognize that periods of uncertainty may create downside risk as well as unforeseen opportunities. As the last quarter's market performance has shown, last year's losers may become the new leaders. We are prepared for a wide range of possibilities.

<sup>1</sup> Dimensional Fund Advisors, December 2016.



Financial planning is one of the key services we offer to clients at Colorado Capital Management. Whether you have completed a plan with us or not, we wish to remind you of what we offer and how the process works.

Our financial planning process starts with developing a thorough understanding of your unique situation. We are not focused solely on your finances – we want to know what's important to you, what your biggest concerns are, and what short and long term goals you'd like to achieve.

Our planning process is hands-on, iterative and flexible, taking into account various scenarios and outcomes. This comprehensive process allows us to provide realistic feedback on whether or not you are on track towards achieving your goals.

Some of the most common types of financial planning we provide include:

**Retirement Planning:** We evaluate your plans for retirement, including how long and how much you might want to work, workplace contributions, Social Security and more. We can also help with retirement spending scenarios and strategies to make your retirement savings last.

**Insurance Reviews:** We help determine if you have adequate protection to mitigate your major risks. While we do not sell insurance, we can help you evaluate new or existing coverage for life, disability, long-term care, medical, property and liability insurance.

**Tax Management Strategies:** We assist with tax planning and utilize tax management strategies with your investments including tax loss harvesting, consideration of cost basis and short vs. long term gains, management of year end distributions and use of municipal bonds for tax-free income. We can also assist, in conjunction with your attorney or CPA, with estate and gift planning strategies.

**College Planning:** We can assist you with college planning by determining potential funding sources (including college savings accounts) and other ways to prepare for education expenses for your family.

For more information on any of these services, or if you would like to update your existing plan, please speak with your advisor or a member of our team to set up an appointment.



## Did You Know?

CCM uses MoneyGuidePro® software to complement our financial planning services. At right is a snapshot of a sample visual output for the probability of success in a financial plan.



## Year-End Reminders

CCM can help complete tasks you have been considering all year, such as:

- Donating low basis stocks or mutual funds to your favorite charity (may help you save on capital gains, get a tax deduction, and support a good cause).
- Converting your traditional IRA to a Roth IRA (may be advantageous during low income tax years).
- Increasing your 401k or IRA contributions (timely if you received a raise or a bonus).
- Completing your required minimum distribution (If you are 70 ½ years or older).



## Deadlines & Helpful Hints

- Charitable giving and required minimum distributions must be done **by December 31, 2016** to count for 2016.
- To donate appreciated securities from your CCM portfolio please contact our office by **December 15, 2016** if possible. Ensure you have transfer information for the recipient organization.
- Remember you have until **April 17, 2017** to make an IRA contribution for 2016.
- Contribution limits and other helpful information on the [IRS Website](#).





## Gender Lens Investing Advances Women, May Boost Returns For Investors

By Leila Boulton

Gender lens investing, or GLI, is one of the fastest growing segments of impact and sustainable investing for two good reasons. Investing in women can help promote equality. It may also generate higher-than-average returns for investors.

GLI directs capital toward companies and organizations that support women and girls, while providing a financial return for investors. GLI can include funding businesses owned or led by women, companies that employ and promote women and organizations that improve women's lives with their products and services.

Some investments help increase access to capital for women entrepreneurs and small businesses with women in leadership positions. Other investments can promote workplace equity by supporting large companies with industry-leading gender, family and parental leave policies. Investments are also available that channel capital to socially and environmentally responsible businesses marketing products and services beneficial to women.

Several factors are driving the recent increase in GLI. Many impact investors view empowering women as a vehicle for economic advancement and positive social change. Others may be frustrated with the under-representation of women on corporate boards of directors and in business leadership positions. Indeed, only 5% of the companies in the S&P 500 have female CEOs,<sup>1</sup> which has led some investors to avoid companies with no women in executive management. GLI is also growing because more women manage their own investments.

Women currently control over 60% of the total financial wealth in the United States and 70% of those who manage their own money want their investments aligned with their values.<sup>2</sup> A

number of local, national and international investment options are now available to make that alignment possible.

Some GLI advocates are also finding that women-focused funds and investment strategies perform well--and may even outperform. Research from Catalyst, a nonprofit organization that promotes more inclusive workplaces, demonstrates that Fortune 500 companies with three or more women board directors outperform those with zero women directors by 84% on return on sales, 60% on return on invested capital and 46% on return on equity.<sup>3</sup>

Other studies show that female entrepreneurs in emerging markets repay loans at unusually high rates<sup>4</sup> and venture-capital-backed technology startups with women on their executive teams earn more revenue than firms with exclusively male leaders.<sup>5</sup>

Depending on an investor's preference for a local, national or global focus and the dollar amount to be invested, customized gender lens investments can target public or private markets and allocate capital across different asset classes, such as equity and fixed income.

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*Colorado Capital Management has identified a number of GLI investments that we might recommend to clients. With the new resources described on the first page of this newsletter, we expect to be adding more in the near future. If you would like to learn more, please don't hesitate to let us know.*

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1 "Investors weigh whether a female CEO matters to market returns," *The Denver Post*, Oct. 2, 2016.

2 "Investing In Women Promotes Equality, Drives Shareholder Profits," *Financial Advisor Magazine*, September 26, 2016.

3 *The Bottom Line: Corporate Performance and Women's Representation on Boards 2004-2008*, Catalyst, March 1, 2011.

4 "Women and Repayment in Microfinance," [www.microfinancegateway.org](http://www.microfinancegateway.org), March 2009.

5 "High Performance Entrepreneurs: Women in High-Tech," [www.illuminate.com](http://www.illuminate.com), Sept. 2010.

## INVESTMENTS / PLANNING / IMPACT

COLORADO CAPITAL MANAGEMENT provides investment management and financial planning to high-net-worth individuals and their families. As fee-only advisors, we place your interests first as we develop prudent and thoughtful financial strategies designed to both limit risk and meet specific long-term goals. We also offer sophisticated impact investing strategies for investors wishing to combine financial returns with positive social and environmental impact.

Colorado Capital Management is a Certified B Corporation (an independent certification for corporate social responsibility) and a Registered Investment Advisor (meaning we are registered with the SEC and have a fiduciary duty to always act in the best interest of our clients).



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