INVESTORS GUIDE to SOCIALLY RESPONSIBLE and SUSTAINABLE INVESTING

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Juetten
Personal Financial Planning

Helping you take care of your money so you can do more of what you love!
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Introduction

You're a busy career professional and don't have much time to do research on your investments, however you've heard of something called "socially responsible investing" and are intrigued and interested in the idea. After all, you're concerned about the environment and/or about social issues. But what does "socially responsible investing" really mean? Is it for you? And, if it is, how do you go about choosing socially responsible and/or sustainable investments?

If aligning your investment approach and values about society and the environment are important to you, then this guide will help you. We'll answer the questions of:

- What is meant by “socially responsible” and “sustainable investing” and how are they different or the same?
- What are some reasons to consider socially responsible and sustainable investing?
- Are there investment performance differences between socially responsible investing and a conventional investing approach?
- What are the challenges of socially responsible and sustainable investing?
- Are there resources you can use to learn more about socially responsible and sustainable investing?
- And, finally, how do you go about implementing a socially responsible and/or sustainable investing approach for your portfolio?

Upfront, I want you to know that I believe in socially responsible and sustainable investing, but I’m not going to try to convince you to believe as I do. My viewpoint is that your money should reflect your values and this includes how you invest. However, the purpose of this guide is to help you decide if you want to invest your dollars in this way, how you go about it.

What is SRI?

Known generically as “SRI,” socially responsible investing has five broad sub-categories.

1. Social investing in which an investor excludes or includes investments based on social criteria. Typical social screens exclude companies that earn at least X% of their total business revenue through the production or sale of:

- Military weapons or weapons of mass destruction
- Tobacco or alcohol products
- Gambling activities
- Pornography.
Other social/ethical screens may exclude companies that engage in for profit businesses in the Republic of the Sudan or manufacture contraceptives.

Socially responsible investing may also emphasize companies that score exceptionally well in such areas as how well they treat employees or customers. For example, one social screen might to be to only invest in companies that make *Fortune* magazine’s list of 100 best companies to work for.

2. As opposed to social investing, **sustainable investing** focuses on **excluding** companies that have a relatively negative impact on the environment and **emphasizing** companies that have a relatively positive impact on the environment. For example, companies that might be excluded from a sustainable investing approach might be those related to:

- Agricultural chemicals
- Negative climate change
- Hazardous waste
- Ozone depleting chemicals
- Regulatory problems
- Substantial emissions
- Negative economic impact
- Other environmental concerns.

Companies that are emphasized in a sustainable portfolio might be ones with these **positive** factors:

- Beneficial products and services
- Clean energy
- Environmental management systems
- Pollution prevention
- Recycling.

3. **Environmental, social and governance investing (ESG)** adds the criteria of corporate governance to social and sustainable investing issues. For example, ESG companies might be ones that meet standards for:

- Board structure and accountability
- Accounting and disclosure practices
- Audit committee structure and independence of auditors
- Executive compensation
- Management of corruption and bribery issues.

4. **Community investing** companies include banks, credit unions, venture capital funds and loan funds that have a specific mission of investing in the local community. These companies make investments directly into low-income or disadvantaged communities through channels such as community development
banks, credit unions, loan funds and microfinance institutions. Community investing focuses on economically improving run-down communities by offering banking services and small loans to fund businesses, non-profit groups and affordable housing initiatives. Those who support community investing believe that as more people gain economic freedoms and access to good jobs and homes, there is less of a strain on federal social welfare programs. Community investing is the fastest growing segment of the SRI category.

5. Religious investing involves choosing investments according to stated religious beliefs, for example Judaism, Christianity, or followers of Islam. In fact, the history of SRI goes back to the ethical precepts embodied in Jewish law. Quakers and other religious orders starting in the 18th century refused to invest in "sinful" industries such as distilleries and weaponry. The first SRI mutual fund was Pax World Funds, a $1 billion fund created in 1971 by Luther Tyson and Jack Corbett both of whom worked for the United Methodist Church.

Relevance to investors
As you can see by the five sub-categories listed above, if you think you’re interested in “SRI investing,” you’re going to need to be more specific.

When it comes to values-based investing (as SRI is sometimes called), I prefer the term “responsible investing.” However, for simplicity, throughout the rest of this guide, I’ll use the term SRI to refer to all five types of socially responsible and sustainable investing.

The popularity of SRI

According to a 2010 report from the Social Investment Forum Foundation, at the end of 2009 SRI strategies accounted for $3.07 trillion in investments (about 11% of the total). Interestingly enough, this number indicates one of the challenges of digging into socially responsible and sustainable investing. One must be very careful to recognize the biases of any data, recommendations, suggestions or conclusions when SRI is involved. The report from the Social Investment Forum includes community investing, which is not a universally accepted SRI approach and difficult to engage in as an investor, but it serves the purpose of the Social Investment Forum to expand the SRI category.

According to the Social Investment Forum, “As of 2010, there were 250 socially screened mutual fund products in the US, with assets of $316.1 billion. By contrast, there were just 55 SRI funds in 1995 with $12 billion in assets.”

However, as the pie charts on the next page show, SRI is not main stream by any means.
Relevance to investors

The relatively small number of mutual funds dedicated to SRI means it can be difficult to create a diversified investment portfolio. Keep this in mind when we get to the last section of this guide when we cover “Building a Socially Responsible and/or Sustainable Investment Portfolio.”
What kind of SRI Investor are you?

In their excellent book, *Investing for Change*, Augustin Landier and Vinay B. Nair divide SRI investors according to their interests. These authors suggest there are three types of SRI investors:

**Yellow investors** want their portfolios to be exempt from “wrongly earned money.” They don’t want to be part of activities they disapprove of or from businesses they consider unethical. For this, they are willing to compromise financial performance.

**Blue investors** typically want to know how much it will cost them to invest responsibly, and whether it will ultimately have an impact. They are the more practical and less "ethical" of the responsible investors. If blue investors were persuaded that SRI would not affect the way companies behave or that its impact on their portfolio performance would be large, they would look for another way to participate in changing the world.

**Red investors’** sole goal is to maximize their returns. If that means being responsible, they will promote corporate responsibility. However, if that means ignoring social obligations, they support that, too. They are not “amoral” or cynical, but they usually express their values through other aspects of their lives.

Here is the lead copy from a typical SRI mutual fund company:

“As a shareholder in the Domini Funds, you make a difference in the world. Engaging companies on global warming, sweatshop labor, and product safety. Revitalizing distressed communities. Bringing new voices to the table. Redefining corporate America’s bottom line.”

Can you guess what type of SRI investor this mutual fund company is appealing to? Right, yellow investors.

And, yet, as an investment professional and fiduciary for my clients, I cannot in good faith or in fact legally, recommend an investment approach that is not sound financially. And here’s the good news -- as long as you follow the basic principles of effective investing (asset allocation, diversification, market efficiencies, regular rebalancing and managing investment behaviors) academic research indicates that SRI investing will not hurt your investment returns. In other words, I am firmly in the camp of the blue investor and happy to be so.

I’m not too concerned with red investors when it comes to SRI. The academic research shows that SRI is a better approach when markets are going up and a poorer one when markets are going down. As a result, a red investor might want to try to time the market and be in SRI funds when it fits her/his needs and jump
out when that seems prudent. Because I don’t believe in market timing, I can’t help a red investor be a socially responsible or sustainable investor.

**Relevance to investors**

I suggest that you take the time right now to decide what “color” of an SRI investor you are. If you’re yellow, you may want to approach SRI one way; if you’re blue, you’ll take another approach. And if you’re red, you can stop reading this guide, but please pass it on to someone else or recycle it if you printed it out.

**SRI Investment Returns**

I am an individual financial professional and my legal duty and my passion is to help my clients take care of their money so they can do more of what they love. I would not be doing my job if I supported an investment approach that did not help my clients meet this goal. One aspect of taking care of an investor’s money is getting as much return as possible for the risk the client is willing to take.

The good news is that SRI appears to provide at least as good of a return as other kinds of investing over the long term. The bad news is that SRI appears to provide at least as good of a return as other types of investing...in other words, contrary to what some proponents of socially responsible and sustainable investing would like us to believe, we have no long-term data that predicts it might provide a superior return.

For example, here is what one SRI mutual fund company says about the performance returns of their fund:

> “It seemed logical that companies with better social and environmental records would perform at least as well as polluters and firms with poor employee relations — probably better...Analysis of the long-term record of the Domini 400 Social Index has shown that social and environmental standards have led to strong individual stock selection and potentially higher returns.” (www.domini.com)

This brings us back to the point I made earlier about being aware of the biases in SRI data, conclusions, comments and recommendations. Much of the information on SRI argues that SRI is a better way to invest, but without unbiased evidence to back up these claims. It’s almost as if some SRI proponents want you to choose between investing according to your values and a good return.

To see if an investor really needs to choose between investment performance and their values, I turned to the academic world to determine the degree to which SRI investing is or is not a reasonable alternative from a pure investment return
standpoint. I like to use academic research rather than industry research to manage the bias that inevitably creeps into industry research. There are three studies that persuade me that SRI should not hurt your investment performance.

In a 2005 working paper at the Wharton Business School titled *Investing in Socially Responsible Mutual Funds*, Geczy, Stambauh and Levin concluded that due to a lack of diversification, investing in SRI mutual funds costs a few basis points a month (1 basis point = .0001).

The second academic study was completed in 2008 by three professors from Santa Clara University (Hamilton, Ho and Statman). The authors produced a working paper titled “The Wages of Social Responsibility.” Here is what the professors concluded:

“We find that stocks of companies with high ratings on social responsibility characteristics outperformed companies with low ratings. However, we also find that "shunned" stocks (that is alcohol, tobacco, gambling, fires, military, and nuclear”) outperformed those in other industries. The two effects balance out, such as socially responsible indexes have returns at approximately equal to those of conventional indexes.”

This study looked at almost 3,000 companies and included 198 shunned companies, "namely those with of one or more concerned indicators relating to tobacco alcohol gambling firearms military or nuclear." Returns were calculated between 1992 and 2007 using a standard statistical method that is common in the investment world called the "capital asset pricing model."

Basically, the Santa Clara professors concluded that socially responsible indexes have about the same returns as conventional indexes. In other words they found that there is no penalty, but also no investment return benefit, to SRI investing.

The last academic study was done by Craig Israelsen, a professor at Brigham Young University. He reported in the November 2010 issue of *Financial Planning* magazine on his research into the question of the degree to which socially responsible funds matchup with the rest of the mutual fund universe. The professor’s research looked at the performance of SRI mutual funds across 12 different Morningstar categories from June 1, 2005 to June 30, 2010.

Israelsen studied four attributes of SRI funds: performance portfolio turnover ratio, portfolio expense ratio and portfolio tax cost ratio. The professor noted that the purpose of his article was not to promote or discredit SRI; rather he simply wanted to review how SRI has behaved in recent years. Israelsen stated:

“SRI is important to some people and a non-issue to others. Those who care will be glad to learn that SRI funds are leaving behind a reputation for
underperforming. In the last five years, SRI funds have performed about as well as their non-SRI counterparts, with a lower turnover ratio and a better tax cost ratio.”

In great detail the professor looked at these four measures and concluded, “A comparison of five-year performance reveals that SRI funds-in the aggregate-compete favorably against non-SRI funds.”

If you’d like a copy of the article from Mr. Israelsen, please contact me at steve@finpath.com and I’ll send you a copy of his article.

Other studies have looked at the returns of SRI funds vs. an un-managed index like the S&P 500 while investment markets are both rising and falling. These studies suggest that SRI funds do better in rising markets and worse in falling markets. The reason seems to be that “sin stocks” – those that sell tobacco or alcohol or are engaged heavily in gambling -- do better when investors are nervous. There is an old saying that “When the going gets tough, the tough get drinking, smoking and gambling.”

In summary, I am convinced that a properly constructed investment portfolio can be socially responsible and sustainable and provide comparable investment performance compared to a conventional portfolio over a long period of time.

Relevance to investors
If you’re a yellow SRI investor, this section was irrelevant anyway; you believe in SRI as a core value. But if you’re a blue SRI investor, this section points out that you can both do good and have good investment performance.

Three Challenges of SRI

I’m assuming that you will use mutual funds or exchange traded funds (ETFs) to implement your SRI approach. While you may want to choose individual companies for your SRI portfolio, few investors have the time or expertise to create an effective overall portfolio by selecting individual stocks. In the next section of this guide, I’ll discuss a way you can integrate individual socially responsible or sustainable stocks into an effective portfolio.

There are three challenges to overcome before you construct your SRI portfolio. Ask yourself three questions:

☐ What kind of an SRI investor am I?
☐ Do I want to follow an active or passive approach to investing?
☐ How much of my investment portfolio do I want to direct towards SRI?
1. When you ask yourself “What kind of SRI investor am I” keep in mind that you may have to choose between socially responsible and sustainable investing, and even within these broad categories, you will need to decide the degree to which community investing, ESG and religious principles are important to you. You might be asking yourself, “Why not do both?”

The answer is that if you use both approaches, that is, invest only in companies or mutual funds that are both social responsible and are engaged in sustainable businesses, your universe of investment opportunities shrinks to the point where you may not be able to create an efficient and effective investment portfolio. Remember, one of the tenets of effective investing is diversification. A too small universe of companies probably means you will be giving up significant investment returns and adding considerable investment risk to your portfolio. If that’s okay with you, you’re a yellow SRI investor and you’re willing to make that trade-off.

2. After you acknowledge the type of SRI investor you are, you need to ask yourself the question, “Do I believe in passive or active investing?” In the SRI world this is particularly troublesome for me as an investment professional. As I explain below, my bias is towards passive investing and if you choose a passive approach towards SRI, your choices are limited. (Note: if you want to read more research on why and how a passive investment approach is superior, please send me an email at steve@finpath.com and I’ll share some of my favorite sources and articles.)

### Active and Passive Investing

“Active investing” means an investor is engaged in on-going buying and selling of securities. “Passive investing” involves the purchase of a broad cross-section of securities and very little trading thereafter.

Multiple independent and academic researchers have concluded that passive investing provides superior results to active investing. Yet, while passive investing is simple, it is not easy due to many factors including human nature, massive advertising by Wall Street firms dedicated to generating fees for themselves at the expense of the investor and the media’s attention to short-term noise that they zealously report as “news.”

For passive investors, there are two broad SRI exchange traded fund (ETF) in this area offered by Barclays iShares. They are the **MSCI KLD 400 Social Index Fund** (symbol DSI) and the **MSCI USA ESG Select Index** (symbol KLD). Vanguard offers a broad socially responsible index mutual fund called the **Vanguard FTSE Social Index** (symbol VFTSX). Both of these passively managed mutual funds started in 2005. These funds track an index of large-cap US stocks. While I am not endorsing these funds, you may be interested in investigating whether they are a good fit for your investment portfolio.
There are also numerous ETFs that track very narrow SRI industries, usually green energy kinds of investments. If you have a passion for green energy, you can investigate these ETFs and consider adding them to your portfolio as a “special sauce”, like adding red pepper flavoring to your salsa.

If you work with a certain type of investment professional (including me), you may also have access to the mutual funds offered by Dimensional Fund Advisors (DFA). DFA has five unique passive investment funds that focus on socially responsible and sustainable investing:

- DFA US social core equity 2 (DFUEX)
- DFA US sustainability core 1 (DFSIX)
- DFA international sustainability core 1 (DFSPX)
- DFA International Value Except Tobacco (DFVLX)
- DFA emerging markets social core equity (DFESX)

As far as I know, the DFA funds are the only ones that offer an international sustainability passive mutual fund and an emerging market socially responsible fund. I want to emphasize the importance of the DFA international funds. A well diversified portfolio needs to have a significant portion invested in non-US assets and the DFA funds offer a way to access these asset classes while following SRI principles. While I am not endorsing these funds, you may be interested in investigating whether they are a good fit for your investment portfolio.

If you decide that you're okay with an actively managed SRI approach for your portfolio, there are a number of mutual funds available to you. At the end of this guide, I include a list of socially responsible and sustainable mutual funds. Note that I am not endorsing any of these funds; I'm simply providing a list to you in case you decide you want to do more investigation.

You can also do research on the websites of mutual fund families that offer SRI funds. Here is a partial list of major mutual fund companies with socially responsible and/or sustainable mutual funds:

- Calvert Funds (www.calvertgroup.com)
- PAX World Mutual Funds (www.paxworld.com)
- Domini (www.domini.com)
- Neuberger Berman (www.nb.com)
- Winslow (www.winslowgreen.com)
- Parnassus (www.parnassus.com)

3. The last question you need to answer before you get to actual portfolio construction is, “What percentage of my portfolio will be directed towards socially responsible and/or sustainable investments?” SRI does not need to be an all or nothing approach. In fact, most investors will probably invest only a portion of
their portfolio according to their SRI objectives because it is difficult to create a completely SRI portfolio due to the limited SRI funds in some asset classes as I'll explain below.

At a minimum, any sector of an investment portfolio, whether it be SRI or any other focus area for a portfolio, needs to be at least 5% -- 10% of the portfolio in order to have a significant impact on the portfolio. You could invest as much as 25% or 50% of your portfolio in SRI except that there is not equal coverage among the various asset classes.

For example, if you look at the list of SRI mutual funds in the Appendix, you'll notice that there are no socially responsible or sustainable mutual funds in:

- Commodities,
- Real estate investment trusts (REITs),
- Non-U.S. bond funds, or
- Emerging markets (other than DFA mutual funds).

In some other categories, there are only a few mutual funds and some of these carry loads and/or high expenses. For example, if you want to invest in a shorter duration bond fund, Calvert Investments offers one, but it comes with a 2.75% purchase charge for the “A” shares or a 1.80% expense ratio and 1% deferred sales charge for the “C” shares. Ouch.

I don't believe that you need to have investments in all of these areas to create an effective portfolio: however by not including some of these asset classes, your portfolio may be less diversified and therefore less effective. In other words, you may have to choose between a 100% SRI portfolio and an effective one. You can get close to a 100% SRI portfolio, but just be aware that the most practical approach may be to honor your SRI interests in one or two areas of your portfolio, for example, large-cap US stocks.
Note to investors: Costs Are Higher for SRI Investing

One item to keep in mind as you think about SRI investing is that SRI mutual funds tend to have higher expense ratios. For example, in BYU Professor Craig Israelsen’s study that I cited earlier, he compared the average net expense ratios for several asset classes. For example:

<table>
<thead>
<tr>
<th>SRI Funds</th>
<th>Non-SRI Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>US equity small blend</td>
<td>1.35%</td>
</tr>
<tr>
<td>US equity large blend</td>
<td>1.55%</td>
</tr>
<tr>
<td>Intermediate bonds</td>
<td>.90</td>
</tr>
</tbody>
</table>

However as the professor notes “…it’s important to remember that reported performance is net of the expense ratio, so that the expense ratio has already been accounted for in the published performance figures. So if SRI funds have higher expense ratios and comparable performance it’s all good.”

How to build an SRI portfolio

The basics of a good investment portfolio don’t change because you want to include SRI as part of your investment philosophy. The five building blocks of a successful investment portfolio are:

- **Asset allocation** – dividing your dollars among the major investment categories called asset classes (cash, stocks and bonds) in a way that produces a specific risk/return potential
- **Diversification** – choosing the specific investments that are sub-categories in each asset class; for example, U.S. and non-U.S. stocks, the stocks of large and small companies and bonds that have longer or shorter durations and those that are issued by companies or governments
- **Market efficiencies** – choosing between active and passive investment approaches
- **Rebalancing** – on a regular basis (at least twice a year), selling some holdings and buying others to return your portfolio to your target asset allocation
- **Managing your investment behavior** – being aware of the emotional cycle that all investors go through and choosing to act in a way that supports your long term goals.

These are the primary asset classes:

- Large cap U.S. stocks
- Small cap U.S. stocks
- U.S. bonds
- Stocks from developed countries outside the U.S.
- Stocks from emerging markets outside the U.S.
- Bonds from countries outside the U.S.
- Real Estate Investment Trusts (REITs)
- Commodities

Our job here is to build an investment portfolio that follows these five guidelines and includes your preference for responsible investments.

There are two basic approaches to building an SRI portfolio:

1. Integrated SRI or
2. Core and Satellite.

**Integrated SRI**

To create an integrated SRI portfolio, follow these steps.

1. Figure out how much you want to invest in each of the asset classes to create the potential right overall portfolio for you, that is, one that has the return and risk potential that is appropriate for you.

2. Decide on what SRI means to you, whether focused on socially responsible, religious or sustainable issues or some combination of the three.

3. Decide on the amount of your overall portfolio that you want to direct towards SRI, for example, 25% of your overall portfolio.

4. Decide if you’re going to use a passive or active approach for the SRI aspect of your portfolio.

5. Research the various SRI mutual funds or ETFs and choose the ones that meet the SRI guidelines you chose in #2 and #4 above. Note the asset classes into which the mutual fund or funds you’ve chosen fits.

6. Purchase the amount of the mutual fund or ETF that corresponds to the amount of the asset class your chosen mutual funds fits.

Example:

Susan is a **blue** investor and wants to use both socially responsible and sustainable investments. She wants 50% of her investments in SRI funds. Her overall portfolio is worth about $400,000 which means she needs $200,000...
invested in SRI funds. Susan wants to use passive funds whenever possible. She has decided to divide her assets among these asset classes and chose these SRI funds:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target %</th>
<th>Fund Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. bonds</td>
<td>40%</td>
<td>Non-SRI</td>
</tr>
<tr>
<td>Small cap U.S. stocks</td>
<td>20%</td>
<td>Winslow Green Growth (WGGFX)</td>
</tr>
<tr>
<td>Large cap U.S. stocks</td>
<td>15%</td>
<td>Vanguard FTSE Social Index (VFTSX)</td>
</tr>
<tr>
<td>Stocks from developed countries outside the U.S.</td>
<td>15%</td>
<td>PAX World Global Green Fund (PGRNX)</td>
</tr>
<tr>
<td>Stocks from emerging markets outside the U.S.</td>
<td>5%</td>
<td>Non-SRI</td>
</tr>
<tr>
<td>Real Estate Investment Trusts (REITs)</td>
<td>5%</td>
<td>Non-SRI</td>
</tr>
</tbody>
</table>

To implement this portfolio Susan will buy:

- $80,000 of the Winslow Green Growth Fund (20% X $400,000),
- $60,000 of the Vanguard FTSE Social Index (15% X $400,000)
- $60,000 of the PAX World Global Green Fund (15% X $400,000)

(This portfolio is for illustrative purposes only and should not be taken as a recommendation for your own portfolio allocation.)

**Core and Satellite**

Another approach to meeting your SRI goals is to use the core and satellite approach to investing. This approach sets aside 85% to 90% of your portfolio in a core diversified portfolio, and directs the other 10% to 15% in the satellite towards a specialty area that you prefer. For example you could use the satellite to be your sustainable investing or socially responsible investing or Community Bank investing or even a religious belief investing approach. For example you could have 85% of your portfolio diversified across the normal asset classes following either an active or passive approach, and the core could be 15% invested in sustainable investing companies. The beauty of this approach is that you can use index funds or actively managed funds in either the core or the satellite portion.
Bonds in an SRI Portfolio: Best Suited for Yellow Investors?

Fixed income or bond SRI is extremely difficult because there are no passive SRI bond funds and the actively managed SRI bond funds are about 30% more expensive than passive bond funds.

As a result, I guide SRI investors towards investing in short-term US government bond passive or index funds. Some investors object to investing in US government bonds because of public policy and, if this is the case for you, then you are going to be constrained to either not following SRI principles in the fixed income portion of your portfolio, or be forced to use one of the more expensive actively managed SRI bond funds.

As a result, SRI bond funds may be best suited for yellow investors while blue investors may want to direct their SRI efforts to the equity aspects of their portfolio.
Summary – What If?

Imagine a life in which you invest some or all of your money in what you believe in. What would it feel like to know that your investments are supporting the values and beliefs you hold? Would you feel better knowing that you’re “doing well by doing good?”

This is the reason that many investors like you are interested in responsible investing.

I hope I have shed a little light on the confusing and growing area of socially responsible and sustainable investing. I expect that this category of investing will continue to evolve and as an investor, that's good news and bad news. The good news is that you may have more choices when it comes to investing in a way that is consistent with your values; the bad news is that it gets even more confusing the more options there are. However, by asking yourself three questions, you can develop an SRI investing strategy that works for you:

1. What kind of SRI investor am I?
2. Do I believe in active or passive investing?
3. How much of my portfolio do I want to dedicate to responsible investing?

As long as you follow the basic principles of investing success (asset allocation, diversification, market efficiencies, managing your investment behavior), you can follow an SRI approach and not negatively impact the performance of your portfolio. Of course as I stated earlier, you may not enhance the performance of your portfolio either. When it comes down to it, socially responsible and sustainable investing is more a matter of your value system than it is of your investment results. And that’s good news.
About the Author

“People hire me for my head, pay me for my heart, and trust me most when I use both.”

– Steve Juetten, CFP®

Steve Juetten is a fee-only planner and CERTIFIED FINANCIAL PLANNER™ professional (CFP® for short). As a fee-only planner, he does not sell any products or take any commissions and only his clients pay him. As a result, his clients receive independent advice that avoids most of the conflicts of interest that many other financial professionals have.

And his clients seem to like what he does to help them. Seattle Magazine has named him a 2010 and 2011 recipient of its coveted FIVE STAR Wealth Manager award. Of the more than 1,000 wealth managers in the Seattle area, only about 5% earn this honor.

Since 2001, individuals and couples have been coming to Steve to help them make sound financial decisions so they can do more of what they love. Steve’s business is founded on the belief that good financial planning does not have to be confusing, complex or scary. He came to this belief after consulting for more than 25 years with large corporations and their employees to help them understand and use their employer benefits.

Steve is a Principal, Managing Member and founder of his firm. He enjoys photography, movies, exercise, reading and is a life-long learner with a wall of “how-to” books about a wide range of subjects. Married to the love of his life and best friend, Nancy. since 1987, they welcomed their son Kyle to the family in 1997 and Shadow, their golden retriever, joined them in 2004. Together, Nancy and Steve enjoy today, save for tomorrow, and express gratitude for the good fortune they have to do work they love that serves others in ways that make a lasting difference in their lives.

You can reach steve at steve@finpath.com or 425-373-9393. The web site is www.finpath.com
SRI Resources

Try to review all of the information that is provided at a website or by an author through the filter of a value bias or, in the case of mutual funds and ETFs, a financial profit bias. While I believe in responsible investing and try to manage my bias carefully, SRI attracts very enthusiastic believers and I caution you to read everything very carefully and consider the source.

Investment Vehicles

NOTE: I do not recommend or endorse any of these funds or ETFs. This list is for information purposes only and is not meant to be complete or comprehensive. Fund companies frequently add or remove mutual funds and ETFs from the list of available products due to investor demand or indifference so this list is likely to be out of date. As always, never invest without reading a copy of the prospectus and understanding the risks of an investment vehicle.

Mutual Fund Companies

Amana (www.amanafunds.com)
Ariel (www.arielinvestments.com)
Ave Maria (www.avemariafund.com)
Calvert Investments (www.calvert.com)
Domini (www.domini.com)
GuideStone (www.guidestonefunds.org)
New Covenant (www.newcovenantfunds.com)
Neuberger Berman (www.nb.com)
PAX World (www.paxworld.com)
Parnassus (www.parnassus.com)
Timothy Plan (www.timothyplan.com)
Vanguard FTSE Social Index (www.vanguard.com)
Winslow Management (www.winslowgreen.com)

Exchange Traded Funds (ETFs)

Ishares offers two SRI index ETFs (www.us.ishares.com)
Invesco PowerShares offers two ETFs focused on clean energy (www.invescopowershares.com)

Information Web sites

General SRI web sites

US/SIF: The Forum for Sustainable and Responsible Investment (http://ussif.org/resources/sriguide/srifacts.cfm)
Social Funds (www.socialfunds.com)

Principles of Responsible Investing (www.unpri.org)

Green Money Journal (www.greenmoneyjournal.com)

**Academic**

Studies of Socially Responsible Investing (www.SRIstudies.org)

**Books**

*Socially Responsible Investing* by Amy Domini (one of the founding members of the SRI movement)

*Socially Responsible Investing for Dummies* by Ann C. Logue (okay, but more about investing in general)

*Investing for Change* by Augustin Landier and Vinay B. Nair (a little academic and the best book for understanding the investment aspects of SRI)