

Affirmative Thinking



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SRI Assets in the U.S. Top \$2.7 Trillion

One out of every nine dollars under professional management is invested responsibly, according to the Social Investment Forum's *2007 Report on Socially Responsible Investing Trends in the United States*.

The new *Trends Report* is a behavioral study focused on professionally managed investment portfolios involved in one or more of the three dynamic strategies that together define the industry—social screening, shareholder advocacy, and community investing.

Portfolio assets identified in the 2007 study were 18% higher than in 2005. Professionally managed investment assets overall had increased by only 3% during that time. Of the \$2.71 trillion identified by the report, over \$1.9 trillion is managed for institutional and high net worth investors.

According to Cheryl Smith, board chair, [Social Investment Forum](#) (SIF), it reflects the “demand for social investing products and services from institutional and individual investors, socially concerned high-net-worth

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Predictions Galore! But No One Knows

R. Kevin O’Keefe, CIMA®, AIF® | Chief Investment Officer

The media has not served investors well. Remember the dot-com stock panic of 1999–2000? It was born of greed. Many investors rushed to buying stocks—especially in technology—for fear of being left behind.

The media darlings of the time were cheerleaders for the dot-com era. Is it any wonder that so many investors stampeded into high-flying stocks with no viable financial strategy?

A Bull Market for Fear

The media has caught the doom-and-gloom wave again. With heightened uncertainty about housing, the credit crunch, oil prices, and more, expect to see ever more ominous predictions about all things financial.

This is a GREAT market for the media. Bold predictions—the scarier the better—help sell newspapers, magazines, and books. Client-focused

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Taking it in Stride

- Remember: conditions are seldom as bad as they appear in the news; the media are motivated to sell ratings-based advertising.
- TV commentators and blog writers don’t know your financial situation, and they don’t care!
- For every expert opinion exists an equally expert opposite opinion.
- The sub-prime mess and credit crunch are serious problems. But financial markets go through serious problems every 3–5 years. Things will get better.
- By the time the experts agree that we are in a recession, we are usually well on the way out of it.

In the News...

Better performing companies do better on corporate responsibility.

According to [Environmental Leader](#), new research from the Economist Intelligence Unit shows that companies where the share price has risen by at least 50% in the last three years place a greater importance on social and environmental goals than companies where share prices have declined by more than 10%.

Climate change causes shift in corporate mind sets.

The UN Environment Program's [Yearbook 2008](#) illustrates how more business leaders are beginning to view climate change as an opportunity, rather than as a liability. This change in mind set, coupled with a healthy flow of funding into environmental technologies, is leading to the emergence of a green economy.

Companies embrace "responsibility" as good business.

Ninety percent of companies say they are doing more now than they were five years ago to incorporate environmental, social, and governance issues into their core strategies, according to a recent [survey](#) from McKinsey & Co.

Consumers say sustainability is here to stay.

The Natural Marketing Institute's [2007 LOHAS Consumer Trends Database](#) reports that the number of U.S. consumers who think sustainability is here to stay outnumbers those who don't by two-to-one.

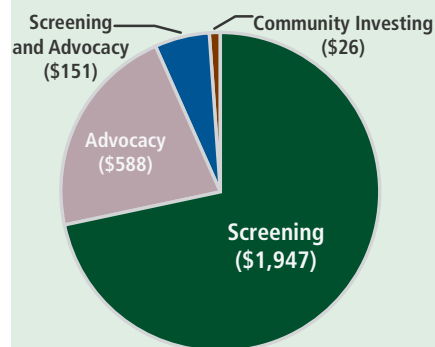
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SRI Assets in the U.S. Top \$2.7 Trillion

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clients, individuals seeking SRI options in their retirement and college-savings plans, and 'mission-driven' institutions including foundations, endowments, labor unions, and faith-based investors."

SRI Investments by Category (In Billions)



As reported in the *2007 Trends Report*. Amounts that fall under both "Screening" and "Advocacy" appear only in the joint category and have been removed from the individual categories.

The report states that 260 funds applied some type of environmental and/or social screen, representing more than \$201.8 billion in assets.

Community investing institutions held \$25.8 billion in assets in 2007, a near 32% increase from 2005.

Many investment products have been introduced since the 2005 edition of the biennial *Trends Report*. Issues driving SRI investments include "fast-growing numbers of institutional investors, fund families, and money managers...incorporating criteria related to climate change and the crisis

in the Sudan into portfolio management and shareholder advocacy," said Alisa Gravitz, SIF board member and executive director of [Co-op America](#).

Foundations Embrace Mission-Related Investing

In a sharp break from the past, major charitable foundations are harmonizing the social and environmental impact of their endowment investments with their philanthropic goals.

Last year's *Los Angeles Times* investigative series about the Bill & Melinda Gates Foundation sent shock waves through the foundation world. The Gates Foundation's \$35 billion portfolio was reported to be invested in companies whose poor records on environmental stewardship, governance, or human rights—in some cases involving the exploitation of child slaves—countered the foundation's charitable goals.

Today, the \$6.1 billion John D. and Catherine R. MacArthur Foundation votes shareholder proxies "to reduce or eliminate a substantial social injury caused by a company's actions." The \$8.5 billion William and Flora Hewlett Foundation now votes to reflect its charitable aims. The \$7.8 billion W.K. Kellogg Foundation has established a \$100 million fund for social and mission-related investing.

First Affirmative Office is LEED Certified!

Christine A. Renner | Executive Assistant to the CEO

First Affirmative's new home office is the first office space in Colorado Springs, Colorado to be awarded a **LEED® for Commercial Interiors** (CI) certification! Leadership in Energy and Environmental Design (LEED) certification recognizes our effort to construct an environmentally-friendly office, which we believe is both healthier for our employees and an expression of our deep commitment to sustainability.



The **U.S. Green Building Council** (USGBC) developed LEED CI as an independent, third-party rating system for tenant improvements to existing buildings. Environmentally responsible features of our office include cabinets made from 100% pre-consumer recycled wood, use of regional materials, and natural lighting (and views!) for 90% of the space.

"First Affirmative is to be commended for achieving LEED certification. This facility is one both the company and its clients can be proud of," said Rick Fedrizzi, President and CEO of the USGBC. "First Affirmative will be a showcase for high-performance and an inspiration for others."

The USGBC reports that buildings account for 71% of U.S. electricity consumption. Energy efficiency drove our purchase of **EnergyStar** compliant appliances and equipment. We have also contracted for 141,000 kWh of wind power renewable energy credits (RECs) to offset 100% of our home office electrical use.

We chose bamboo flooring, a rapidly renewable material, for the conference room. Use of such materials reduces demand for long-cycle renewable materials (such as many hard woods), thereby reducing deforestation. Another rapidly renewable material, linseed oil, is a primary ingredient in the Marmoleum® flooring installed in the office break room and copier areas. Marmoleum is durable yet fully biodegradable.

Much of the furniture from the old office was in great condition and reused. We purchased a new reception desk with a Greenguard certification (third-party testing for construction with low-emitting materials). To further reduce the chemical off-gassing associated with many conventional materials found in new offices, we selected low-VOC paints and carpets. In addition, our occupancy has motivated a switch to Green Seal certified cleaning products throughout the building!

Our decision to build green is an expression of our values as a company and the values of many of our clients. LEED certification gives us a practical way to demonstrate the principles embodied in our client portfolios.

The LEED Certification Mark is a trademark owned by the USGBC and is used by permission.

Billions Flow to Climate Change

Institutional investors are committing billions of dollars to climate change solutions and embarking on a bold new action plan to raise the profile of energy efficiency and clean technologies around the world.

Leading U.S. and European investors representing more than \$20 trillion of assets met at the United Nations in February 2008. They pledged to invest \$10 billion over two years in technologies that aim to reduce greenhouse gas emissions and to pressure companies to disclose risks associated with climate change. And they called on governments and other investors to act with their money as well.

The plan "reflects the many investment opportunities that exist today to put a dent in global



warming pollution, build profits, and benefit the global economy," said Mindy Lubber, the president of **Ceres**, a coalition of investors and environmental leaders, and director of the **Investor Network on Climate Risk**.

"Our goal is to transform the world economy into one that is clean, green and sustainable," says California State Treasurer Bill Lockyer, who serves on the board of the leading pension funds, CalPERS and CalSTRS, collectively managing more than \$500 billion in assets.



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Past performance is never a guarantee of future investment results.

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More Online!

Access related links and resources as well as more articles when you read our newsletter online. **Bold blue** text indicates additional material online.

Transformative Investing for Socially Conscious Investors



**First
Affirmative
Financial
Network, LLC**

5475 Mark Dabbling Boulevard, Suite 108
Colorado Springs, Colorado 80918
800.422.7284 • fax: 719.636.1943
www.firstaffirmative.com

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investment professionals who advocate a patient, disciplined course are BORING.

Lifeboat Drills

As a passenger on a cruise ship, one of the first things you learn is what to do in case of an emergency. You become familiar with the lifeboats in case you need to use them. Your “emergency response” is planned in advance of any actual emergency.

Investor behavior is the single most important factor in investment success or failure. It’s imperative to guard against self-defeating behavior. The worst thing you can do is panic when times get tough.

It’s helpful to periodically conduct your own mental lifeboat drill. Consider how you would react if a financial storm were to occur, coupled with foreboding media coverage. Will you panic? Ride it out?

Resolve now to be immune to dire predictions and to maintain a prudent investment course. If, in the course of your mental lifeboat drills, you come to find that you simply cannot make these resolutions, then consult with your advisor about adjusting your portfolio now. Your portfolio should always be comfortable enough that you can stick with it in difficult times.

No One Knows

Maybe the stock market has already bottomed. Maybe we have further to go on the downside. No one knows. But that does not prevent people from making predictions. You need to take all predictions with a large grain of salt, because no one knows what the future holds. No one!

In the News...

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The environment is creating a new economy. According to a **new report** issued by the Worldwatch Institute, the climate crisis and other environmental problems are rewriting business rules and inventing a new, more sustainable global economy. This movement is being driven by an array of sources including governments and NGOs. In the U.S., 27 major corporations, including Alcoa, Dow, and GM, are urging Congress to pass greenhouse gas emission legislation.

Many consumers consider sustainability when picking brands. Approximately 50% of U.S. consumers consider at least one sustainability factor in selecting consumer packaged goods items and choosing where to shop for those products, **according to a survey** conducted by Information Resources, Inc.