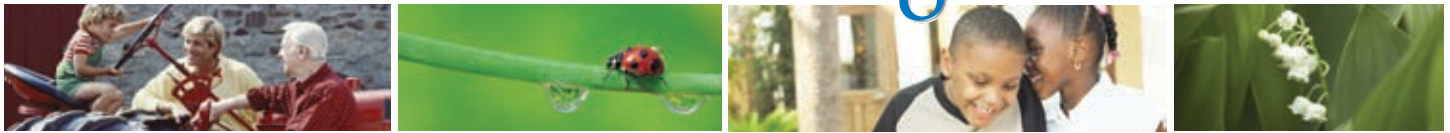


Affirmative Thinking



A Newsletter of First Affirmative Financial Network, LLC

Winter 2008 | Volume 10, Issue 1

You are Not Alone

Steve Schueth | President, Editor

Consumers and investors are becoming increasingly conscious of the environmental and social impacts of the companies whose products they buy. Moreover, companies that have jumped on the “green” bandwagon need to support their marketing with improved transparency and verifiable claims, according to a newly released study by BBMG.

The [BBMG Conscious Consumer Report](#) states that almost nine out of ten Americans surveyed identify themselves as “conscious consumers.” If offered products of equal quality and price, conscious consumers are more likely to buy products from companies that are committed to environmentally friendly practices.

Consumers “want companies to be transparent about product attributes and ingredients, and honest about their impact on the environment and society,” said Raphael Bemporad, principal of BBMG. “I don’t think con-

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Don’t Just Do Something, Sit There!

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

When house paint begins to peel or the car starts making funny noises, responsible adults take action before the problem gets worse. Even when things aren’t broken, they can often be improved. Indeed, career success generally follows those who make continuous improvements in the quality of their products and services.

Taking action may feel good in the short term and, in many areas of life, well-timed adjustments often bring lasting benefits. So it’s not surprising that many high achievers find it hard to keep their hands off their investment portfolios. The urge to adjust is often too strong to resist.

But keen insight and a deft touch are rarely critical to investment success. In fact, where investing is concerned, a “hands-off” approach is a much more likely path to success.

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Did you know?

- The first of 76 million baby boomer filed for Social Security (SSA) benefits October 15, 2007.
- The SSA’s maximum 2008 retirement benefit at full retirement age will be \$2,185/month.
- 79% of 70-year-olds who work say they want to... 21% say they have to.
- Since 1965, the S&P 500 has tumbled 10% or more from a closing high 33 times—every 16 months on average.
- IRS Form 1099s for brokerage accounts must be issued by January 31, 2008, but the first one may need to be corrected. Don’t be in a **big** rush to file your tax return.

Satisfaction Pays

Happy employees mean a stronger stock price. That's the conclusion of a study that won the [2007 Moskowitz Prize](#) at the 18th annual SRI in the Rockies Conference.

Wharton Professor Alex Edmans was awarded the \$5,000 prize for showing that screening for employee satisfaction can improve returns.

"While it may seem obvious that firms do better if their employees are happier," Edmans observes,



"conventional wisdom is that shareholder value is maximized by minimizing the returns to other stakeholders" (e.g., paying employees less).

Edmans' study starts with a 1998 portfolio of stocks created from Fortune magazine's "Best Companies to Work for in America." By the end of 2005, this portfolio earned over twice the market return while also outperforming industry benchmarks.

The Moskowitz Prize recognizes top academic research relevant to socially conscious investors. It is presented by the Center for Responsible Business at the [Haas School of Business](#), University of California at Berkeley in cooperation with the [Social Investment Forum](#).

First Affirmative Financial Network is a sponsor of the prize and producer of the annual SRI in the Rockies Conference where it is announced.

First Affirmative's Commitment to Renewable Energy

Christine A. Renner | Executive Assistant to the CEO

The United Nations reports that 1.6 billion people worldwide do not yet have access to electricity. Dramatic increases in household and commercial energy use—amplified by a growing population and industrial development—suggest that energy consumption is likely to grow by over 50% in the next 25 years. Without a tremendous increase in renewable energy generation, carbon emissions, a primary cause of the climate crisis, will rise dramatically.

While the federal government and the international community have key roles to play in promoting renewables, the business community must also reduce energy use and offset operational carbon emissions. Accordingly, First Affirmative now purchases renewable energy credits (RECs) to cover 100% of our home office electricity use. We also purchase carbon offsets to cover emissions produced by energy used at our annual industry conference, SRI in the Rockies.

We obtain Green-e certified RECs from [NativeEnergy](#). A REC owner has the exclusive legal right to claim that a unit of electricity is renewable and claim credit for its environmental benefits. In the voluntary offset market, [Green-e](#) is the largest third party certifier of RECs, ensuring that credits come from viable projects and are not double-counted. The premium we pay allows an existing wind producer to send wind power equivalent to our electrical use to the grid at market rates, and allows us to say that our home office is wind powered.

By contrast, carbon offset mechanisms measure and offset the carbon emissions produced by non-renewable energy use. RECs that help create new wind projects are frequently counted as offsets when contributing to projects that may not otherwise have been built. [NativeEnergy](#) uses offset purchases to bring new renewable energy projects to Native American Tribes, Alaskan Native Villages, and other rural communities—a form of sustainable development we are proud to support.

RECs and carbon offsets are important tools. However, we know that purchasing RECs and offsets does not grant permission to consume unlimited energy. First Affirmative is committed to supporting long-term renewable energy production and infrastructure, while pursuing greater efficiency and energy conservation within our business, among our employees, throughout our network, and among our clients. This effort takes many forms, such as our new office location, which has reduced commute distances for most employees—helping them to reduce their carbon footprints.

You are Not Alone

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sumers expect perfection, but they do demand honesty. They will reward companies that are making sincere efforts to do the right thing and take concrete steps in the right direction.”

A new Yankelovich MONITOR OmniPlus survey, [Conscience at the Cash Register](#), found that nearly 80% of investors say they are more likely to invest in companies that are actively socially responsible. “More and more, the sign of a smart, well-run company is that it sees the bigger picture, where ethics interface with everyday competitive marketplace decisions,” says Holly Moore, Partner at Yankelovich.

Going Green Draws Talent

More and more companies are finding that being eco-friendly is helping them attract young talent and increase productivity. “Students are looking to work for companies that care about the environment,” says Lindsey Polak, author of [Getting from College to Career](#). “They are almost expecting greenness like they expect work-life balance, ethnic diversity, and globalization.”

A recent [poll on green employment](#) by MonsterTRAK.com, a job website geared toward students and entry-level hires, found that 80% of young professionals are interested in securing a job that has a positive impact on the environment, and 92% would be more inclined to work for a company that is environmentally friendly.

And, it’s getting easier for young people to do so. The U.S. Green Building Council, a nonprofit organization that awards Leadership in Energy and Environmental Design ([LEED](#)) ratings to buildings that meet a variety of environmental standards, says 2.2 billion square feet of commercial construction have been registered in the past seven months. It took seven years to register the first one billion square feet. First Affirmative’s [new home office](#) is likely to be the first space in Colorado Springs to be LEED certified for Commercial Interiors.

Studies have linked eco-friendly indoor environments to higher productivity and lower absenteeism. Green workplaces tend to focus on natural lighting, which may improve the mood of employees, and many green workplaces use advanced air-filtration systems, offering better air quality.

So, if you think you have been carrying the torch alone as a socially conscious investor or green consumer, think again. Times are changing, and it is becoming easier than ever to connect the dots between your money and your values. More importantly, the great progress that’s been made is thanks to you!

UN Principles for Responsible Investment

The United Nations’ Principles for Responsible Investment ([UNPRI](#)) now represent assets approaching \$10 trillion, more than double the assets represented when First Affirmative signed the Principles just 18 months ago! With signatories from more than 200 investment organizations in 25 countries, the appeal is clear and compelling.

But are the Principles driving real change? The UNPRI’s [Working Capital Report](#), released in July 2007, and the report from the [UNPRI’s Awareness to Action Roundtable](#) in October provide answers to this question. Both offer evidence that incorporating environmental, social, and governance (ESG) criteria into investment analysis has motivated companies worldwide to embrace ESG policies and analysis.



Shifting ESG from public relations departments to production lines, distribution centers, and board rooms requires long-term commitment from dedicated leaders. The Principles offer a framework for such commitment and external support for employees tasked with implementing ESG within their companies.



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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.

*Serving Socially and Environmentally
Conscious Investors Nationwide*



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January © 2008



Don't Just Do Something, Sit There!

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A great way to overcome the urge to “tinker” is to construct a portfolio that is properly diversified among a number of different asset classes, investment styles, and portfolio managers. An investment adviser can help by periodically reviewing your long-term strategy with you and keeping you focused on your goals.

If you have a professionally managed portfolio, or if you are invested in mutual funds, remember that there are a lot of very motivated, very competent minds overseeing your investments. Professional management teams are making their own decisions about what securities, industries, and sectors to buy or sell. Do you really want to be second-guessing the pros?

Your adviser's job is to help you achieve your financial goals. This is done by following a disciplined investment process. If your adviser is reluctant to predict the near-term direction of the stock market, or which groups will outperform others, understand that such predictions are not part of his or her job. That's a job for financial pundits and journalists who have airtime or column-inches to fill—but no fiduciary responsibility.

Lasting investment success is rarely the result of a few well-timed bets. Investment success more often comes as a result of having a sound plan and sticking to it. Investment success requires patience, perseverance, and, during times of uneasiness, just sitting there—as hard as that may be.

Do-Gooder Investors May Actually Do Well

Of course! But a detailed new report focused on portfolio performance offers academic evidence to prove the point!

According to a report released in October 2007 by the United Nations Environment Programme Finance Initiative and Mercer LLC, investing in companies based on socially conscious criteria doesn't penalize investment performance. In fact, it may help.

Mercer analyzed 20 academic studies that examined investments where environmental, social, and governance factors were taken into consideration. It found positive performance in half the cases, neutral impact in seven, and negative performance in only three.

Investors are starting to see the argument that environmental, social, and governance issues are material. “These are not just ethical issues anymore, but investment issues,” said Craig Metrick, U.S. head of responsible investment at Mercer.