

Affirmative Thinking

A Newsletter of First Affirmative Financial Network
Autumn 2011 • Volume 13, Issue 4



Advocacy's Watchword: Disclosure

By Holly Testa

Disclosure and transparency are at the core of First Affirmative's shareowner advocacy efforts. We engage companies on many issues, but the "ask" is often the same: Disclose accurate information about key issues, and act on that information appropriately.

Investors have many research resources, but in reality, we rely heavily on information provided by the companies themselves when making investment decisions. The Securities and Exchange Commission (SEC) protects investors by requiring specific disclosures from publicly traded companies in the form of audited financials, annual reports, and other mandatory disclosures.

The key to disclosure requirements hinges on whether the information is "material"—defined as information which would be likely to affect a stock's price once it becomes known to the public.

Required disclosures provide insight into short-term financial prospects,

[Continued on Page 3](#)

Earthquakes on Tuesday, Hurricanes on Friday...

By Danielle Burns

Nature has been pummeling the United States this year. Unprecedented triple-digit heat and devastating drought, massive river overflows, deadly tornadoes, a billion-dollar blizzard... and then, hurricane-caused flooding in Vermont. Imagine that!

According to the [National Oceanic and Atmospheric Administration \(NOAA\)](#), the United States has experienced nine separate, major disasters in 2011, each with an economic loss of \$1 billion or more—tying the record set in 2008. What effect do natural disasters have on the global economy and investor decision making?

Those who study such things tell us that investors (like all human beings) tend to buy and sell on emotion. They also tell us that natural disasters prove to have no greater effect on emotional decision making than anything else.

[Continued on Page 4](#)

Inside this Issue

Tipping Point for Social and Environmental Issues?	2
\$2.4 Trillion Invested in Green Companies and Technologies	2
Does Political Activity Enhance Shareholder Value?	2
Bigger Than the Rocky Mountains	3
"Reinventing Fire"	3
Harnessing the Power of the Proxy	4

Visit Our Website!

www.firstaffirmative.com

- Learn about the mutual funds and managers we use in client portfolios
- Read about Sustainable Investment Solutions™



Plan to join us
October 2-4, 2012
for the 23rd Annual
SRI in the Rockies Conference
www.SRIintheRockies.com



First Affirmative
Financial Network, LLC

Tipping Point for Social and Environmental Issues?

A significant and growing segment of investors think companies need to take more proactive and transparent action on a broad range of environmental, social, governance issues to protect long-term shareholder value.

One measure of support for this view is the group of 870 investors around the world who manage more than \$25 trillion and have signed on to the [UN Principles for Responsible Investing](#). First Affirmative was an early signator to the principles in 2006.

Another is the [Carbon Disclosure Project](#) (CDP) which now boasts support from investors with \$71 trillion in assets under management and presses companies to disclose how they are reducing their carbon footprints.

CDP recently surveyed the S&P 500, the largest publicly traded corporations in the U.S., and [reported](#) that companies are increasing integration of greenhouse gas (GHG) management into their near- and long-term business strategies. At least 58% of index companies view climate change as a mission-critical issue.

Another CDP report focused on the [Global 500](#), the world's largest companies, and found that companies that are addressing their own carbon footprints proactively, as opposed to waiting around for an international climate change treaty, are thriving because of it.

\$2.4 Trillion Invested in Green Companies and Technologies

Private sector investments in green companies and technologies now total more than \$2.4 trillion according to the [Green Transition Scoreboard](#) (GTS) released by [Ethical Markets Media](#) in August 2011.

The GTS tracks all non-government investments in green markets from 2007 through the second quarter of 2011. Although this figure puts actual green investments slightly behind the pace of the prediction of \$10 trillion by 2020, it shows that momentum behind green investing has continued to grow despite an overall slowdown in the market as a whole.

“This updated total is noteworthy, as it comes in spite of economic uncertainty,” says Hazel Henderson, President of Ethical Markets Media, and creator of the GTS.

Does Political Activity Enhance Shareholder Value?

Companies are not required to disclose much of their political spending activities. The vast majority of unreported corporate spending in the last election cycle was funneled through trade groups such as the U.S. Chamber of Commerce. One must wonder whether secret political spending by corporations is in the best interest of shareholders?

According to a new [study](#), “Fulfilling Kennedy’s Promise: Why the SEC Should Mandate Disclosure of Corporate Political Activity”, by John Coates, Harvard Law School, and Taylor Lincoln, Public Citizen’s Congress Watch division, the answer may be “no.”

This study explores the relationship between corporate political activity and shareholder value, and between voluntary disclosure of political spending and shareholder value.

The authors found that “firms active in politics, whether through company-controlled political action committees, registered lobbying, or both, had lower price/book ratios than industry peers that were not politically active.”

When assessing companies that choose to be politically active, it was found that companies “that voluntarily disclose their activities experience higher valuations than similarly active companies that do not.”

Advocacy's Watchword: Disclosure

Continued from Page 1

but are of limited value when evaluating the more qualitative issues that are crucial to long-term success.

First Affirmative, along with other investment managers, asks companies to disclose detailed information about how they manage the risks and the opportunities associated with broad-based issues such as climate change, water scarcity, natural resources extraction, and political spending.

The information gathered helps us evaluate the adequacy of current company policies and to identify industry leaders and laggards. This in turn helps to inform and guide our dialogue with companies as we work with them to improve their practices.

Company management teams tend to live by the maxim "what gets measured gets managed." Simply asking the right questions can serve as a catalyst for companies to find ways to quantify and evaluate the impact of key issues. By working collaboratively with companies, investors can encourage a focus on long-term planning and goal setting, leading to better informed decisions that create a stronger company with more positive impact on society at large.

Bigger Than the Rocky Mountains

Has responsible investing in the United States become bigger than the Rocky Mountains?

That might sound like an odd question, but the evolution of [SRI in the Rockies](#) from a regional event to what is now the premier industry conference in North America that moves around, mirrors what's happening in the field in general.

Far from being a faddish niche, sustainable, responsible, impact investing (SRI) is now very much part of the investing world, with more than \$3 trillion in assets under professional management in the U.S. alone, according to the ["2010 Report on Socially Responsible Investing Trends in the United States"](#) from US SIF, the Forum for Sustainable and Responsible Investing (Formally the Social Investment Forum). SRI hinges on the integration of ESG (environmental, social, governance) analysis, shareowner advocacy, and community investment strategies.

The global growth of the SRI industry has tracked the increasing public interest in sustainability and all things "green" and it has outgrown the Rocky Mountains. The 23rd annual SRI in the Rockies Conference will be at the Mohegan Sun in Connecticut in October 2012. This premier annual event for responsible investors and investment professionals has been produced by First Affirmative Financial Network since 1990.

"Reinventing Fire"

For over 35 years, Amory Lovins and the Rocky Mountain Institute (RMI) has been guiding human evolution through the great transition from the fossil-fueled Industrial Era through today's Information Age, and now beyond.



In his new book, [Reinventing Fire](#), Lovins summarize RMI's case for shifting from digging, drilling, and burning to collecting energy as nature does by photosynthesis and other natural chemical and thermal processes.

This [book](#) is meticulously researched. Lovins says that harvesting the Sun's free energy and realizing huge efficiency savings requires no new technology, only smart thinking, wise resource management, and political will.

First Affirmative's ADV Disclosure Brochure is available at any time. Please write or call for a copy or visit firstaffirmative.com/about-us.

Affirmative Thinking is a publication of First Affirmative Financial Network, LLC, an independent Registered Investment Advisor (SEC File #801-56587). Steve Schueth, President, serves as editor of *Affirmative Thinking*.

The views expressed here are those of First Affirmative and may not be consistent with the views of individual investment advisors or broker-dealers or RIA firms doing business with First Affirmative. The opinions and concepts presented herein are based on data believed to be reliable; however, no assurances can be made as to their accuracy.

Network Advisors may offer securities through various registered broker-dealer and RIA firms. These affiliations and all fees charged to clients are clearly disclosed. Mention of specific companies or securities in this newsletter is not a recommendation to buy or sell that security. For information regarding the suitability of any investment for your portfolio, please contact your financial advisor.

Past performance is never a guarantee of future results.



First Affirmative
Financial Network, LLC

Investing for a Sustainable Future

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

20% FSC fiber ♻️ 80% PCR fiber
September © 2011

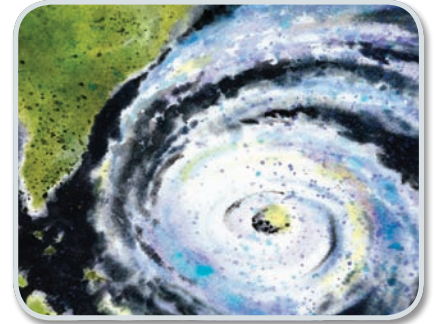
Earthquakes on Tuesday, Hurricanes on Friday...

Continued from Page 1

When Hurricane Katrina struck, the Dow Jones Industrial Average was at 10,450, eleven days later it closed up 139 points. Similarly, markets gained ground after Hurricanes Andrew (1992), Hugo (1989), and Camille (1969).

While Hurricane Irene was not quite as bad as experts had warned, it left billions of dollars of damage in its wake. Investors appeared to shrug off this huge storm. On the Monday after the hurricane, the Dow was up more than 200 points around midday, while gold was down \$7.70.

Conversely, after the 2011 Tsunami in Japan, the U.S. markets were jittery because investors were unsure how the Japanese Yen would react to the costs of reconstruction and crude oil prices.



Historically, natural disasters lessen near-term output while boosting economic growth over the long-term through reconstruction. This balance of positives and negatives tends to reduce the negative economic impact of hurricanes and other extreme natural events.

Harnessing the Power of the Proxy

Shareowner resolutions requesting disclosure or action from a company are much more likely to succeed with strong support from shareowners. An increasing number of investors, including First Affirmative, believe that the thoughtful voting of proxies is part of their fiduciary duty to clients, and have established detailed policies that guide their voting on specific issues such as corporate governance and climate change.

Unfortunately, a recent study conducted by [Ceres](#) found that proxy voting guidelines of many large asset managers are not comprehensive enough to guide voting on specific governance and sustainability issues. Ceres has released a [resource guide](#), "Proxy Voting for Sustainability", to help investors evaluate and vote on the environmental, social and governance resolutions that are increasingly being filed with corporations.

According to Julie Fox Gorte, senior vice president for sustainable investing at Pax World Management, "Proxy voting is the sleeping giant of the investment world. It's an enormously powerful tool if used thoughtfully to shape corporate behavior, but one that most investors overlook."