



Hal Brill's VIEW FROM PAONIA

It was a typical day at the Mayan Families compound, known to most of the locals as *Casa de Sharon*. A dozen or more rescued street dogs were penned in one section, barking their greetings every time the buzzer rang to announce the next visitor from outside the walls. The staff, a cheery combination of local Mayans and gringo volunteers, scurried to organize a wave of contributions of clothing, school and medical supplies. Sharon herself, the matriarch of this "little charity that could" glided between her own two adopted Mayan children and a large but patient family of Mayans from the nearby village who arrived unannounced (as they all do) seeking help for some sort of emergency.

As we began to outfit the visiting children with some donated shoes to replace their tattered ones, I noticed that the most recent buzzer had brought some of my new friends who were part of the group that Allison and I were staying with on the shore of Lake Atitlan. We had come to Guatemala to participate in a "Dances of Universal Peace" retreat, to see a bit of this beautiful country, and to participate in service projects with Mayan Families, a nonprofit that was started by Sharon Smart-Poage and Dwight Poage. Dwight is an old friend of the family from San Diego whom I hadn't seen in 25 years. Although we didn't know it when we left snowy Colorado, it was the connection with the Mayan people that Sharon and Dwight made possible that would leave the most indelible imprints on our hearts.

The four new arrivals from our group set their suitcases of donations down on the sorting table and quickly pitched into the work. Suddenly, Eleanor, a short energetic woman, exclaimed that she had left her bag in the *tuk-tuk!* For the uninitiated,

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Michael Kramer's MAKING A DIFFERENCE AVOIDANCE SCREENING VS. BEST-IN-CLASS INVESTING

As you may know, our company, Natural Investments LLC, constantly monitors the field of socially responsible mutual funds and evaluates them with our NI Social RatingSM. This puts us square in middle of an ongoing dialogue among SRI professionals about different approaches to being "socially responsible". Two of the main schools of thought are "avoidance screening" and "best-in-class". The first seeks to avoid entire industries that are viewed as harmful, while the second includes companies in problematic industries but invests only in the companies that are judged to be the best in their sector for environmental and social performance. The appropriate approach, it seems, depends

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Christopher Peck's HOLISTIC SOLUTIONS OPTION ONLY: BOOST YOUR INCOME!

I know, it's a strange article title, I'll get to that in a moment. As you may remember, last issue I premiered my new financial show, "Financial MythBusters" where I enthusiastically debunk financial myths in a compelling and helpful way. I also promised that this issue I would debut my latest show, "Financial Smarts for People Who Care." You might also remember that last issue I popped the bubble on the Slow and Steady Wins the Race financial myth, where we looked at some of the problems with taking 40 years to accumulate retirement savings. A natural question that followed from popping that myth was "well, if slow and steady doesn't work, what does? How do we

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Michael's MAKING A DIFFERENCE *continued from cover*

on one's personal and societal goals.

Kinder, Lydenberg & Domini (KLD) is a leading corporate social research firm that has created numerous SRI indices that represent both approaches.

Their flagship Domini 400 Social Index practices avoidance screening. But their newer products, such as the KLD Global Sustainability Index, include the best companies in most sectors rather than exclude them.

Since indices typically put more emphasis on larger companies, the results can bring about odd situations where, for example, Royal Dutch Shell is the second largest holding of the Global Sustainability Index.

Many investors think that an index should not label itself as "sustainable" when it contains oil companies and others such as automotive, mining, or chemical companies. KLD and the funds which license its indices say that this best-in-class approach results in an index that more accurately resembles and tracks the performance of conventional indexes and funds. They argue that it has been difficult for avoidance-based SRI products that exclude fossil fuel companies and defense contractors to compensate for the impressive gains in those sectors. A best-in-class approach, therefore, not only provides exposure to those profitable sectors, but it establishes a more fully diversified sector allocation.

Beyond the financial argument, proponents of best-of-class strategies argue that it can be more affective than avoidance screening at advancing sustainability. In every sector there are leaders and laggards in environmental, social, and governance performance, even in sectors that many regard as deeply flawed, like mining or oil extraction. If companies in those

industries are completely shunned by avoidance screening, they will have no incentive to improve their behavior. But if they know that by improving they could qualify for best-in-sector investors, they may feel that this pro-

FIGURE B

Socially Responsible Investing in the US • 1995-2007

(In Billions)	1995	1997	1999	2001	2003	2005	2007
Social Screening	\$162	\$529	\$1,497	\$2,010	\$2,143	\$1,685	\$2,098
Shareholder Advocacy	\$473	\$736	\$922	\$897	\$448	\$703	\$739
Screening and Shareholder	N/A	(\$84)	(\$265)	(\$592)	(\$411)	(\$117)	(\$151)
Community Investing	\$4	\$4	\$5	\$8	\$14	\$20	\$26
Total	\$639	\$1,185	\$2,159	\$2,323	\$2,164	\$2,290	\$2,711

SOURCE: Social Investment Forum Foundation

The assets engaged in both avoidance screening and the best-in-class approach continues to rise.

vides a financial incentive to address their problem areas.

The social performance of the leaders gets them positive attention and a larger pool of investors, while the losers have to improve their performance in order to avoid being punished for having a bad reputation. Many of the codes, monitoring and enforcement policies and practices on issues such as child labor and sweatshop working conditions and in pollution-causing industries emerged from these market forces.

But many investors can't bring themselves to hold some of these offensive companies. Ethical investors generally have the impression that they're creating positive change by avoiding problem sectors. The theory is that if those companies know they are avoided because of their environmental or social performance, this might exert an influence on them to find more sustainable ways to meet society's needs.

It's not clear if this actually works, however, because even by avoiding certain industries, there are always other investors available to take our place. More fundamentally, though, it is impossible to invest in a perfectly sustainable fund or index, for no matter how carefully it picks stocks, we are not yet able as a human civilization to pro-

duce and distribute products without fossil fuels. This might change, but it hasn't yet occurred. Every industry, every company, and most people in industrial societies live in some way dependent on fossil fuels, on automotive transportation (with internal combustion engines), and live in dwellings where the paint and the plastic and half of everything else came from the chemical industry. As this is deeply unsustainable, the choice we all face as investors is whether we believe sus-

tainability is best advanced by constructing portfolios that avoid the most unsustainable sectors (even though we continue to consume their products), or by investing in companies that are at the forefront of sustainability in nearly every industry, and hoping to create enough competitive distance that the laggards are forced to become more sustainable by the pressure of markets.

There is a place for both strategies. Some industries don't belong in any SRI portfolio – tobacco seems obvious, as do other products such as weapons that are designed to harm or kill. But because the world isn't going to stop using oil right away, anything we can do to move oil companies in a more sustainable direction is important. There needs to be ways to reward the companies that are making the most effort along the green path.

Creating better awareness among investors of who the leaders are hopefully encourages the laggards. Raising the bottom is just as important as rewarding those at the top. So while there are numerous gray areas in this field and no one-size-fits-all solutions, we hope that corporate leaders will "see the light" and decide that their company's survival, and our civilization's, depends on their willingness to change.



WHAT'S UP ON WALL STREET?

By Scott Secrest
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The headlines during the first quarter were full of concerning developments with regard to the U.S. Housing debacle and the closely related credit market crisis. In fact, the trouble has spread to affect companies and investors not just in the U.S. but around the globe. As the U.S. economy has slowed, commodity prices have soared with gold prices at \$1,000 per ounce and oil topping \$110 per barrel.

companies to reform more quickly than legislation can.

In stocks, March marked the fifth consecutive month of negative U.S. stock market returns by some measures. As predicted, bigger U.S. company stocks fared better during the last 12 months thanks to better overseas opportunities. But, they were still down by some 5.2% during the year. Small company stocks lost 13% during the same 12 month period.

There are a variety of reasons for the recent negative stock market returns: the still unknown extent of credit market problems, a weak housing

water purification and management.

In regard to the overall economy, however, the problem of rising foreclosures and falling house prices still persists. The Mortgage Bankers Association reported that slightly more than 2% of homeowners were in the foreclosure process in the fourth quarter of 2007 – the highest percentage on record. Legislative measures have been initiated to help ease the foreclosure situation, and further measures are on the table. But, falling home values will continue to be a dark cloud over the economy until we reach a bottom and buyers reemerge.

The folks at the Federal Reserve (the Fed) stepped in during the last quarter with a variety of measures with the intent of reassuring the markets and providing sufficient liquidity in the economy. There are signs that the Fed's recent efforts are working. These actions may signal the beginning of the end of the credit market woes.

However, some economists have growing concerns about an unhealthy combination of weak economic growth coupled with high inflation, sometimes known as "stagflation." We endured a painful period of stagflation during the 1970's with slow growth and rising prices mainly driven by oil costs. The Fed is in a balancing act between stimulating economic growth while keeping inflation under control. This will be a challenging task given the inflationary pressure of record-high oil prices and a falling US dollar.

There are plenty of concerns for investors today. And, for now, we expect to see more near-term volatility. However, we believe that sustainable investors will benefit in the long run from investing in those companies that are successfully integrating environmental, social and governance criteria and are meeting positive standards of corporate responsibility.

BENCHMARKS: TOTAL RETURNS AS OF 3.31.08			
	1st Quarter	1 Year	3 Year
S&P 500 Index	-9.5%	-5.2%	5.8%
Domini Social Index	-9.4%	-5.9%	4.7%
Russell 2000 - Small Cap	-9.9%	-13.0%	5.1%
Lehman Aggregate Bond	2.2%	7.7%	5.5%
MSCI (International)	-8.9%	-2.7%	13.3%

Performance data represents past performance and does not guarantee future results. Investing involves risk, including loss of principal. Passive benchmarks are unmanaged groups of securities and are not directly available for investment.

As the evidence of peak oil production becomes more and more clear, many are questioning whether global oil production can keep rising to meet ravenous global demand. The U.K. and Mexico may have already peaked, by most measures. Rising demand and declining supply can only mean higher prices in the future.

These high energy prices could help wean the world off its fossil fuel energy addiction. Alternative and renewable energy sources that weren't viable yesterday are becoming much more so in a world with triple digit oil prices. Higher energy prices make energy conservation a more appealing option for many industries, and can push

sector, ebbing corporate profitability, a weak labor market and declining consumer confidence.

In the long run, we have optimism about the stock markets. In particular we favor many of the emerging "cleantech" investments. These are companies that produce any knowledge-based product or service that improves operation, performance, productivity or efficiency, while reducing costs, inputs, energy consumption, waste or pollution. Cleantech companies produce products or services in agriculture, nutrition, air quality, enabling technologies, environmental technologies, material and nano-tech, materials recovery and recycling, transportation and logistics, and

Christopher's **HOLISTIC SOLUTIONS** *continued from cover*

build wealth more quickly?" That is, if we agree that we can't wait 40 years to save up enough money to safely retire, what are our other options? Said another way, how can we build wealth, an amount of wealth that will make a difference, in a time frame that is realistic, both for the amount of time we have and how long it actually takes?

(Quick aside, you may not be motivated to build wealth more quickly. Not everyone is, certainly teachers and nurses and firefighter are driven by a desire to serve the common good. But they also save for retirement, and for folks with excellent pensions [such as teachers here in California] the slow and steady plan will work. But for the motivated, and for those without much time, i.e. you're 57 and you're thinking you'd like to get started on this whole retirement planning game, read on.)

Let's give ourselves a couple parameters for this exercise. Though it bugs me, let's use "a million dollars" as our number, and ten years as our time frame. What will it take? If we assume an 8% return, that'll require putting away \$5500 each month for the full ten years. If we can push that to a 10% return we can get by with only \$4880 a month, which isn't a whole lot better. I'm guessing if you have an extra \$5000 a month right now, you're probably already saving it. Numbers like this are usually a real

stretch for folks. If you're in a hurry to save for retirement, and ten years from the perspective of retirement planning is hurrying, this is the reality of what you're looking at. Though these numbers can be disheartening, stay with me, stay in positivity, there are options.

In the abstract, there are only two ways to save an additional \$5000 a month: spend less or make more. (See, finance isn't all that difficult.) And for most folks, it's difficult to spend \$5000 less a month, hence the title of this article, Option Only: Boost Your Income! Realistically you'll need to trim your spending, but the lion's share will have to come from additional earned income. This is an important point, something that we will highlight with blaring horns and flashy graphics during my show, to save a significant amount of money, particularly if you're short on time, requires a dramatic increase in income.

All of what I'm saying might be completely obvious to you, but for most people it's not. I had an interesting revelation in the last six months, as someone who reads a lot of finance and investment information, that this conclusion is not widely held. It's very logical; if you want to save a bunch of money, you need to make a bunch of money. But it's not obvious unless you think about it, and most people are not in the habit of thinking about it. And

it's even less obvious as a habit being practiced. As an investment advisor I talk about money all day long to many different people, but I don't know many, investment advisors included, who save more than \$1000 a month. Do you?

There are a couple other ways to arrive at this same conclusion. When we play with the numbers in our "a million dollars in ten years" example above it can be tempting to assume higher rates of return. If I could get 20% returns I would only need \$2650 a month, but as we all know, achieving 20% returns is not an easy thing, certainly not consistently for ten years. High returns with their high risks won't save us. Folks will also sometimes be tempted to say "but what if we just gave it five more years?" That is occasionally an option, but when you're 57 those extra 5 years can be difficult to grab easily. It's tempting but difficult to stall the aging process! Hence the title again, Option Only: Boost Your Income!

As we love to do in television, I'm ending on a cliffhanger, how can you boost your income? How can you do it in such a way that you provide more value to people, more value to the world, without harming anything? You'll just have to turn in next time



Hal's VIEW FROM PAONIA *continued from cover*



tuk-tuks are an ingenious tiny 3-wheeled taxi from Asia that are used to shuttle people (and supplies, animals, etc.) relatively short

distances. In the town of Panajachel where we were based, they made getting around effortless. For \$1 or so you could easily flag one down and be taken wherever you like. The drivers were often poor teenagers, earning a little cash for their family. Eleanor dashed out the compound door to flag down another tuk-tuk to see if she could somehow find it among the hundreds that ply Panajachel's chaotic streets.

About 5 minutes later, yet another buzzer ring brought a young man in who started speaking to the staff. With my spotty Spanish I was able to understand that he was Eleanor's tuk-tuk driver, and he had discovered her bag in the back of his cab. He had come to return it. I was moved by his honesty and said *gracias* repeatedly as it was the only word I knew to say. I pulled a small denomination bill to give him as a reward, but he waved it aside and simply said "No Senior". In his eyes he communicated the simple message that

even though he was poor, he would not stoop to accept a gift for doing what any human would do for another.

Moments like these, of coming face-to-face with the abstract knowledge of the world's abject poverty for billions of people, can really blast you out of your own self-absorption. I've always been attracted to big-picture solutions, of creating new economic structures that deal with the root causes of poverty and environmental destruction. Giving to "charity" felt like a band-aid approach that would just perpetuate the cycle. But the fact is that there are so many people in need, and each of us has the ability to make a difference in somebody's life in a direct way. Living in the luxury of our society, absorbed in our own particular drama, it is easy to harden to the realities of survival on a dollar or two a day. But when you are welcomed in to the abodes of families that don't know what they will eat for dinner, and you see the grace, humility and humor that they carry through their struggles, well, it puts your own worries and desires into perspective.



The next day we returned to Mayan Families to meet the children that Sharon had chosen for us to "sponsor" so they could attend school. Although school is free in Guatemala, there are many children who cannot afford to go, as there are requirements for certain shoes, uniforms, backpacks and other items. Mayan Families has a program that, for \$120 a year, enables a child to attend school. Our group was introduced to an extended family, three sisters in their twenties with a flock of bright-eyed girls. We fell in love with

them instantly and paired off. Allison and I chose the oldest girl, Graciela, and using a combination of pidgin Spanish and hugs we made some sort of bond. Sharon told us that the reason they were wearing old K-mart style clothes was that they could not afford the woven *huipils*

that Mayan woman wear in this region. We decided to contribute extra so that they could have traditional clothing.

The next day we met once again at Mayan Families. Our group's sponsored girls were presented with their new clothes, and they all beamed when

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Hal's VIEW FROM PAONIA *continued from page 5*

they tried them on and modeled for our cameras. Then the whole gang piled into a few tuk-tuks and went to visit their house. The good news is that the family lived in a new cement row-house that was built by the government for some of the families who lost their homes in 2005 Hurricane Stan. Unlike some other homes we visited, it had solid walls and doors to keep the elements out. But the poverty was obvious – there were only 2 beds for the 14 that lived there, so some slept directly on the cement floor without any padding. Graciela's aunt and cousins share the house because the aunt had been beaten by her husband and kicked out. And she is pregnant. I could go on, but the tear-jerking moment came when the grandmother (probably younger than me) said a prayer of gratitude in her Mayan dialect for our group, thanking God and asking for our protection.

It was time to go, and after saying goodbye we were left to reconcile our brief immersion into the lives of a poor Guatemalan family with our material abundance. We headed to a restaurant by the lake to enjoy a seafood dinner and cerveza, but it was hard to concentrate on the food knowing that we didn't see any food in the "kitchen" – a sink and stack of cinder blocks that served as a firewood-guzzling stove. Some days the family can only afford plain corn tortillas. Eleanor said that she was going to buy the pregnant aunt a bed, and we are also buying a fuel efficient stove for them. But we

know that while we can ease their suffering a bit, the needs of this family and so many like them quickly overwhelm our ability to give.

I know this article is different than the usual topics we cover in *Natural Investment News*, yet I think it gets at the core of what motivates us to invest our money consciously and work to create a sustainable future. The long history of conquest by the West over native cultures and globalization has created a world with a few winners and many stuck on the "bottom of the

pyramid". Deep inside, we know that we are all connected, and that none of us can be truly free of suffering until we address the inequalities on our planet. But I freely confess that when I'm immersed in my day-to-day world of busy-ness it is easy to forget all this. Thankfully, I now have the selflessness of a tuk-tuk driver, the glee of a young girl wearing new traditional clothes, and the prayer of a Mayan grandmother to help me remember that no matter how different our lives look like on the outside, our common humanity unites us all.



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