

# NATURAL INVESTMENT *news*

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## Hal Brill's VIEW FROM PAONIA

Savoring a bowl of organic cherries after a dip in the river... it's summer in Paonia. We've been blessed with ample rain this year – right now thunderheads and lightening threaten (uh oh, better unplug my laptop!) Other places are not so fortunate: 2005 was the warmest on record for the planet; 2006 the warmest in the U.S. England is red hot: roads melted and judges are going wigless!

In a curious *Washington Post* column, Robert Samuelson suggests we shouldn't do anything about global warming. Why? Because it requires sacrifice and is expensive and with projected population growth there's no hope of stopping it anyways. But he's not worried – some engineer will invent a breakthrough technology. Today's *Wall Street Journal* suggests global warming is good news... if you happen to be a rancher in Greenland and retreating glaciers have exposed new turf for your reindeer.

I suppose this is progress. Instead of denying that global warming is real, most skeptics (but not Rush Limbaugh) now grant that it is real, and many even concur that humans may have something to do with it. Now they say, even if it's real, all we need to do is adapt (move to Greenland?) and wait for science and economic progress to save us. Fortunately, people like my parents (in photo) and millions of others know that their actions make a difference, and "when the people lead the leaders will follow." I'm confident we will see continued growth of government support and private investment in clean energy.



Michael Kramer's

## LIVE ALOHA

### UNITED NATIONS EMBRACES RESPONSIBLE INVESTING: NIS SIGNS ON

The United Nations has launched a bold initiative that officially endorses socially responsible investing (SRI) as the international standard. The UN's new *Principles of Responsible Investment* provide a global framework for integrating social, environmental, and governance factors into the investment decision-making process.

Needless to say, it is quite thrilling to get an endorsement by the UN of the approach that NIS and our clients have taken for years. It is not entirely surprising given the rapid growth of SRI around the world and its acceptance by major institutional investors. Indeed the UN has already been involved in

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Christopher Peck's

## HOLISTIC SOLUTIONS

### TICK TOCK ... BONG! THE CLOCK OF THE LONG NOW

So you've seen *An Inconvenient Truth*, you've read *Collapse*, the only thing you watch on TV is *The Daily Show*. You know we have problems, immediate, pressing, urgent problems. I'm guessing you have solutions too: eat organic, drive less, install solar panels, invest in SRI, among many others. Perhaps you've been wondering like I have if there's a more immediate and powerful way to transform our society into the loving, gentle species we just know we can be.

Doomsday grabs our attention, but we need creative big picture solutions to grab our interest and our desire, to propel us into action. How do we tap human creativity to get many more people engaged in innovating for a sustain



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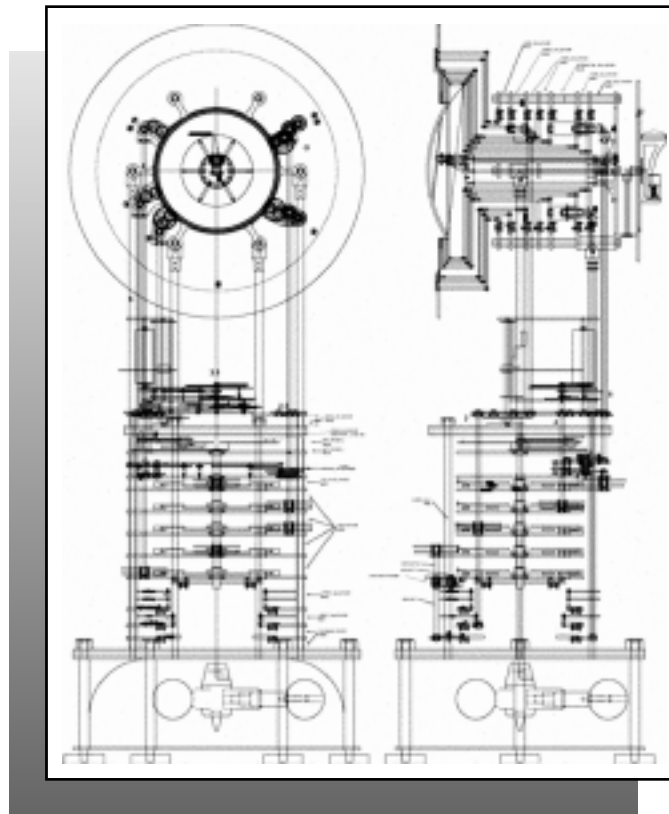
## Christopher's **HOLISTIC SOLUTIONS** *continued from cover*

able world? In my quest to approach our problems from progressively larger scales and scopes of concern, to tap creativity and inspire innovation, I've been thinking big picture, moving up the levels of influence to world view and paradigm (an overused word I hate, sorry). Instead of only attempting to influence behaviors (start recycling), I've been thinking, "what if we could help people's entire mind set to change? What would happen then?"

My most recent answer, my latest formulation if you will, is a four-fold phrase response/solution: Big Mind + Big Heart + Whole Earth + Long Now. I know, I know, I sound like a philosophy geek, I can't help it! This is perhaps an overly philosophical statement of a spiritual ideal, but an ideal worth putting into practice. Big Mind is the open, relaxed, spacious mind that experienced meditators describe, the mind free from anxiety and self-preoccupation, at peace with constant change. Think zen master dangling off a cliff with a tiger above and a pride of lions below (sound familiar?), who smiles and plucks a nearby strawberry. Big Heart is a similarly spacious internal state that embraces love, compassion, generosity of spirit, loving kindness, and gentleness, not consumed by petty emotions. Whole Earth is probably most familiar, it is the "think global" of bumper sticker fame: decision making with the whole world in mind. Long Now is probably new for you, it's a metaphor devised by Stewart Brand and friends to describe an enlargement of scope similar to Whole Earth, applied to time. Long Now is the extension of our sense of the present to include a 10,000 year scope in both directions, a 20,000-year-wide lens for taking time whole.

The embodied metaphor is the Clock of the Long Now: a clock that ticks once a year, bongs once a century, and the cuckoo comes out every millennia.

The Long Now Clock is a tool to open our minds to this longer view of time. When the pictures of the earth from space were broadcast in the late sixties, it had a mind expanding effect, seeing the earth whole, and beautiful and radiant, gave us a perspective on our lovely shared home, and helped engender care and responsibility. The Clock of the Long Now is intended as a simi-



larly inspiring perspective, to help us expand our view to something much longer and broader. From NIMBY-ism to Whole Earth, from quarterly report to Long Now. The hope is that the clock of the Long Now would become iconic in our cultural memory, inspiring us to think long term, to consider that time frame in our investment selection, for example.

If one begins to think in terms of 10,000-year time frames for investment

decisions, products that kill the customer, such as tobacco, immediately seem foolish. Industries that increase climate instability shake the foundations of every balance sheet, decreasing future profits, are also to be avoided. What might live for 10,000 years? Exceedingly well managed forests, holistically educated cohesive cultures, Balinese rice fields, some forms of renewable energy, it's not really clear, our thinking doesn't easily extend that far into the future. Will you try this as a thought experiment? Play around with what we might invest in now that would have value in 10,000 years, and let me know what comes up.

A little closer to home and a little easier to get one's mind around in the near term is Doreene Clement's 5-Year Journal. It's a profoundly simple idea, a journal that provides three lines for each day of the year, five times. For example, July 18th has five three-line spaces, one for each of the next five years. You fill in the year and the day of the week and record important events, thoughts, and feelings for that day. I find it a lovely end-of-the-day habit, to reflect on the day's happenings and summarize on three lines. I've only been doing it since the beginning of the year, so I don't have any previous years to look back on, but I can imagine how interesting it will be to look back on events and feelings from past years. I already find it fascinating to see how many movies I've already watched this year! Let me know your questions!





## WHAT'S UP ON WALL STREET? – SECOND QUARTER, 2006

By Scott Secret,  
NIS Director of  
Investment  
Research

The second quarter of the year was a

bumpy road for stock investors. For large company stocks, it was the worst quarter since the second quarter of 2002 during the agonizing “dot com” bear market. This time, investors fretted about growing inflation and kept themselves amused playing a guessing game about when the folks over at the Federal Reserve will stop raising interest rates. Other concerns were high prices at the pump and global conflicts.

After gaining more than 4.5% in the first quarter, the S&P 500 index of large US companies lost 1.5% during the second quarter. The socially responsible Domini 400 index dropped 3.3%. This leaves the S&P up about 2.8% for the year and the Domini 400 a slim 0.2%. The ten year average for each is between 8% and 9% with the Domini slightly ahead of the S&P. International stocks were up a little under 1% for the quarter as measured by the EAFE (European, Australia and Far East) Index.

Wobbliness in technology stocks can and did weigh on socially responsible portfolios. Technology is a sector of the economy that figures significantly in many green portfolios as the industry avoids some of the problems inherent in “heavier” industries. However, poor performance in the Consumer Discretionary stock sector (which includes retail stores) contributed most to the underperformance of the Domini Index.

As mentioned above, international stocks performed better over the quarter than did those here in the US. This is not uncommon and is one of the

reasons that we include international stock mutual funds in NIS model portfolios. Only 5% of all of us on the planet live in these United States. It just makes sense to consider investing opportunities where the other 95% live. It's a small world after all. The Portfolio 21 mutual fund – part of many of our client's accounts – is proving to be a very capable manager of international (and domestic) stocks, posting market-beating year-to-date returns.

Likewise, while the US is a primary driver of the global economy, many foreign economies are growing at a faster pace than the US. Many of the most exciting environmental and energy sector innovations are coming out of Europe.

We have adjusted the NIS model portfolios to modestly increase our recommended investment in developed overseas stock markets. By most accounts, US investors are over-exposed to domestic markets at the expense of foreign market investments. From a

diversification standpoint, we believe that the time is right to increase foreign investment. Your advisor will review this with you during your next portfolio evaluation.

In 2005, NIS added the Domini European Social Equity fund to some of our model portfolios. According to Domini, European governments and industries demonstrate a strong commitment to social and environmental sustainability. Companies in Europe lead the world in sustainable business practices that create long-term social, environmental, and economic wealth. Please see this month's *SRI Mutual Fund Profile* section for more on this top-performing fund.

Looking ahead to the second half of 2006, some economists believe the economy will soften. With the possibility of a further interest rate hike or two, this suggests a tentative environment for the stock market. Long term investors know this volatility is a normal function of the market and will stay focused on their long term goals.

<b>BENCHMARKS: TOTAL RETURNS AS OF 6.30.06</b>			
	<b>2nd Quarter</b>	<b>1 Year</b>	<b>3 Year</b>
S&P 500 Index	<b>-1.5%</b>	<b>8.6%</b>	<b>11.2%</b>
Domini Social Index	<b>-3.3%</b>	<b>6.5%</b>	<b>9.5%</b>
Russell 2000 - Small Cap	<b>-5.0%</b>	<b>14.6%</b>	<b>18.7%</b>
Lehman Aggregate Bond	<b>-0.1%</b>	<b>-0.8%</b>	<b>2.1%</b>
MSCI (International)	<b>0.7%</b>	<b>26.6%</b>	<b>23.9%</b>



## Michael's **LIVE ALOHA** *continued from cover*

this growth through the UN Global Compact – the world's largest corporate responsibility initiative – with nearly 3,000 corporate participants and other stakeholders. Also, more than 160 banks, insurers, fund managers and others are involved in the UN Environment Program's Finance Initiative, working to understand the impacts of environmental and social considerations on financial performance.

In a speech given at the New York Stock Exchange, UN Secretary-General Kofi Annan stated, “These Principles grew out of the understanding that while finance fuels the global economy, investment decision-making does not sufficiently reflect environmental, social, and corporate governance considerations – or put another way, the tenets of sustainable development. Developed by leading institutional investors, the Principles provide a framework for achieving better long-term investment returns and more sustainable markets.”

The Principles directly link fiduciary responsibility of generating return to the environmental, social, and corporate governance (ESG) issues which affect the performance of investment portfolios across companies, sectors, regions, and asset classes. These Principles require SRI strategies across the board to avoid any partial signatories, and emphasize corporate dialogue and shareholder activism rather than avoidance screening in order to align investors with broader objectives of society.

The six overarching Principles, along with suggested actions, include:

*1. We will incorporate ESG issues into investment analysis and decision-making processes.*

- Address ESG issues in investment policy statements
- Support development of ESG-related tools, metrics, and analyses

- Ask investment service providers to integrate ESG factors into evolving research and analysis
- 2. We will be active owners and incorporate ESG issues into our ownership policies and practices.*
- Develop and disclose an active ownership policy consistent with the Principles
  - Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights)
  - File shareholder resolutions consistent with long-term ESG considerations
- 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.*
- Ask for standardized reporting on ESG issues (using tools such as the Global Reporting Initiative)
  - Ask for ESG issues to be integrated within annual financial reports
  - Support shareholder initiatives and resolutions promoting ESG disclosure
- 4. We will promote acceptance and implementation of the Principles within the investment industry.*
- Include Principles-related requirements in requests for proposals (RFPs)
  - Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)
  - Communicate ESG expectations to investment service providers
  - Support regulatory or policy developments that enable implementation of the Principles
- 5. We will work together to enhance our effectiveness in implementing the Principles.*
- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor

- reporting as a source of learning
  - Collectively address relevant emerging issues
  - Develop or support appropriate collaborative initiatives
- 6. We will each report on our activities and progress towards implementing the Principles.*
- Disclose how ESG issues are integrated within investment practices
  - Disclose active ownership activities (voting, engagement, and/or policy dialogue)
  - Disclose what is required from service providers in relation to the Principles
  - Report on progress and/or achievements relating to the Principles using a ‘Comply or Explain’ approach

Already some 50 institutional investors, including Natural Investment Services, have signed on to the Principles, bringing the total assets impacted to over \$4 trillion. Signatories include asset owners, investment managers, and professional service providers in 20 of the world's wealthiest countries so far. In the US, SRI mutual funds Calvert and Domini have signed on to the Principles, while institutional investors CalPERS, New York City and State Retirement Systems, and the Nathan Cummings Foundation are other notable American signatories.

“Today it is increasingly clear that UN objectives – peace, security, development – go hand-in-hand with prosperity and growing markets,” said Mr. Annan. The Secretary General said that corporate social responsibility is neither a luxury nor a passing fad but an essential financial practice. As such, he indicated that the UN Joint Staff Pension Fund, with nearly \$30 billion in assets, has signed on to the Principles.

Additional information about this important ground-breaking initiative can be found at [www.unpri.org](http://www.unpri.org).



# SRI MUTUAL FUND PROFILE: DOMINI EUROPEAN SOCIAL EQUITY FUND

In this issue, we are profiling the Domini European Social Equity fund. This is an international stock fund with investments primarily in Europe. All investments must meet Domini's comprehensive set of social and environmental standards. The fund has earned the 5-Heart NIS Social Rating<sup>SM</sup> which is our highest qualitative rating of how rigorously and broadly the social and environmental criteria are designed and applied. (If you're interested in learning more about the NIS Social Rating<sup>SM</sup> for mutual funds, please visit our website at [www.naturalinvesting.com](http://www.naturalinvesting.com) and click "NIS Social Rating<sup>SM</sup>" for a rating of most SRI funds.)

The Domini European fund is relatively new, hitting the market in October 2005. However, the investment manager, (the firm that actually selects which stocks to buy and sell) Wellington Management has been investing for clients for more than 75 years. They

were early to international investing beginning back in the 1960's. The co-managers of this fund are Doris Dwyer and Sylvia Han. Foreign stocks and stock markets differ from the US in countless ways, trading rules, reporting and accounting requirements, currency fluctuations, the list goes on. So, it's critically important to have an experienced hand at the helm.



All of this experience has paid off so far. The fund has provided a year-to-date return through June of 18.1%. That is nearly 5% higher than the average for its category, and puts this fund in the top 17% of its category for this year. For the second quarter it was in the lofty top 8%.<sup>1</sup>

Wellington Management's investment style for this fund is "large-cap value." That means it invests in large and well established companies, and that the stocks it owns trade at low valuations

compared with their competitors. Value stocks tend to have more moderate growth prospects, but they also tend to be less risky investments and may provide better dividend payments.

Mutual funds in this category generally have sector weights similar to broad international indexes. This fund is a little different. Compared with its peers, it has a fairly large concentration in consumer services and rather low exposure in consumer goods and energy. These are decisions that the investment manager makes based on their expectations of which areas of the various international economies will do well.

As explained in this issue's *What's Up On Wall Street*, we at NIS have shifted some of our portfolio models to include greater representation of international stock holdings. We think for the careful investor, there are great opportunities for green investing overseas. The Domini European Social Equity is a welcome new tool to help us support these socially responsible companies and earn competitive returns.

1. Performance data quoted represents past performance and is no guarantee of future results. Investing involves risk including possible loss of principal.



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# CREATING OUR FUTURE

By Hal Brill

*“It is only through a change in human consciousness that the world will be transformed. The personal and the planetary are connected. As we expand our awareness of mind, body, psyche, and spirit, and bring this awareness actively into the world, so also will the world be changed.”*

- Opening statement from “*New Dimensions*” radio program.

Investors play a special role in the world, but most don’t have a clue just how important their choices are.

The “typical” investor puts their money towards things they *think* will prosper. They study charts, analyze companies and industries. It can be a fun game. You get to compete and try to “beat the market”. But ultimately it is rather hollow because this activity is based on reacting to outside circumstances. The outcome is something that you have no control over (unless you’re an “insider”, but that’s cheating!).

By contrast, Natural Investors put their money towards things they *want* to prosper. This subtle but powerful

shift completely changes the game! Now we are no longer simply observing and reacting; we become a conscious participant. As *New Dimensions* coaches, we “bring our awareness actively into the world”, and through that we change the world. We can use the same methods as typical investors to make money, but we’ve graduated from simply playing a game to making a difference.

Here at NIS we use 3 strategies that are designed to address 3 of today’s major global challenges:

**Community Investing:** deals with the challenge of poverty and income disparity by providing access to capital for job creation, housing and community development.

**Corporate Investing:** through screening (both positive and negative), and shareholder activism, we exert influence on corporations and nudge them towards responsible practices.

**Regenerative Investing:** supports cutting-edge companies, projects and technologies that are working to solve the environmental crisis and help us live in balance.

Each of these areas is seeing enormous progress: micro-enterprise lending is spreading throughout the

world, many corporations have taken significant steps towards sustainability and responsibility, and organic agriculture and renewable energy are soaring. Clearly, these financial strategies are speaking to the desire of people who have expanded their “awareness of mind, body, psyche and spirit” to put their good intentions into action.

Recently, TIAA-CREF, the financial service powerhouse, surveyed 1000 of their investors about their priorities. While nearly all desire strong financial returns, they want more. 75% agree with the statement that “ensuring that my investment decisions reflect my personal values about social and environmental impacts” is most important when making investment decisions. It seems that we have arrived at a tipping point!

Yes, the world is still a mess. Violence and greed feed a seemingly endless cycle of war and poverty. But there are reasons to be optimistic. It’s important to look beyond the headlines and discover the myriad ways that heart-felt consciousness is spreading. The rise of Natural Investing is but one reflection of the fact that, deep in our hearts, people long to be part of the solution.



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