WHEN MAKING MONEY ISN'T ENOUGH

Socially responsible investing may appeal to your conscience. But what does this mean for returns?

BY HARVEY D. SHAPIRO

YOU CHOOSE your investments because you think they'll make money for you, but is that all you need to think about? A growing number of investors believe you can and should go beyond traditional financial criteria and evaluate potential investments in terms of their impact on a range of social, environmental, or moral issues. It's called "socially responsible investing" (SRI), and depending on your values, it might mean avoiding the shares of companies that produce tobacco products or alcoholic beverages. You might also take a pass on bonds from companies that operate casinos or manufacture weapons. Or it could mean investing in companies with women on their boards of directors.

This type of thinking is why socially screened portfolios in the United States contained assets totaling $2.14 trillion in 2003, according to a report from the Social Investment Forum, a research group. Also that year, U.S.-managed SRI mutual funds reached 200, the report says. Socially responsible investments "are growing exponentially, meaning a lot of investors are choosing to deploy their assets in this manner," says Joe Keefe, senior adviser on strategic social policy to the Calvert Group, which manages some $10 billion in 30 SRI mutual funds.

The notion that there's more to investing than making money dates back for centuries. When the first U.S. mutual funds were created in the 1920s, one of them – the Pioneer Fund – avoided companies involved in gambling, tobacco, and alcohol. But the modern SRI movement began in the social ferment of the late 1960s, according to Jay Falk, president of the SRI World Group, an SRI research organization in Brattleboro, Vt., USA. "South African apartheid was kind of the watershed issue that really brought the concept of attaching some kind of social issues to the investment process," Falk says. Activists moved from boycotting the products of companies doing business in South Africa to boycotting their shares and bonds as well. Some made the same kind of leap in protesting the war in Vietnam and in supporting the civil rights movement.

Since then, definitions of socially responsible behavior have expanded to embrace such issues as environmentalism, racial and gender equity, and the treatment of workers. Although the original SRI approach was often associated with political and religious liberals, there is now a growing conservative brand of SRI that steers clear of companies viewed as assisting birth control and abortion. Some firms are also avoided because they are seen as facilitating gay lifestyles by, for example, providing healthcare benefits for the partners of gay employees.

Sponsors of SRI funds include an array of religious denominations, social activists, and traditional asset managers. The Sierra Club, for example, has several environmentally focused funds. The Aquinas Fund is guided by Catholic views, as is the Ave Maria Catholic Values Fund, which was launched by Thomas Monaghan, the founder of Domino's Pizza and an ardent Catholic. The Catholic funds are apt to be selling anything that's being bought by the Citizens Value Fund, which invests in companies that have gay-friendly policies. (For a list of U.S.-managed SRI mutual funds and information on their investment performance, see www.socialinvest.org.)

SRI funds encompass not only a range of social issues but also various asset classes. There are stock, bond, and money market funds. Within those categories there are index funds, U.S. and non-U.S. funds, junk bond funds, growth stock funds, exchange traded funds, you name it.

Those who want their own personal SRI manager can set up separately managed accounts – if they've got enough money. Trillium Asset Management Corp., a Boston firm that manages its clients' money according to SRI principles, has a minimum account size of $1 million, but it does work through inter-

'In terms of where my shareholders come from, I don't think we have as much appeal to the Birkenstock crowd as we do to the news junkies.' – Amy Domini, founder and CEO of Domini Social Investments mediaries where that that can be lowered. Pax World has a capital management division for those with more than $500,000 to invest. Moreover, Pax World's Anita Green notes, "There is a network of financial planners around the country who focus on this. If you walk into any large investment house, they can accommodate you."

The welcome mat is a response to the expanding range of SRI investors. "In terms of where my shareholders come from, I don't think we have as much appeal to the Birkenstock crowd as we do to the news junkies, [who are] our primary audience," says Amy Domini, a founder and chief executive officer of Domini Social Investments, which runs several SRI mutual funds. This spring Domini was on *Time* magazine's list of the 100 most influential people in the world.

The SRI story in the U.S. has been paralleled in other developed countries. For example, in the United Kingdom the total value of SRI assets increased to £225 billion in 2001 from £23 billion in 1997, says the UK Social Investment Forum. "It's very big in Europe. There are literally hundreds of funds there," Falk says. A leading shareholder activist there has been David Pitt-Watson, a former Rotary Foundation Scholar from Scotland and later a Rotary Foundation Major Donor, who serves as chief executive of London-based Hermes Focus Asset Management. Pitt-Watson co-authored The Hermes Principles, a document that spells out what shareholders should expect from UK public companies and what those companies should expect from their investors. One of the principles says companies should behave ethically and have regard for the environment and society.

SETTING SCREENS

THE INVESTMENT process at most SRI funds starts with identifying promising securities. Some do it themselves and some use Wall Street firms as sub-advisors. Then the social "screens" are applied. To make the screening process workable, Green says, "You have to decide your issues first of all, and then define your screens so you can apply them and defend them. You try to make them as clear-cut as you possibly can, knowing full well that there are going to be shades of gray." When it comes to alcoholic beverages, for example, Pax has a "zero tolerance" rule. By contrast, Calvert won't invest in alcohol manufacturers, but it will invest in restaurants and retailers if they derive less than 20 percent of their revenues from sales of alcohol. The Domini funds set their threshold for retailers at 15 percent.

Many SRI funds take into consideration that some businesses are inherently messier than others. While electric utilities have to burn fuel to create electricity and then transmit it on high-voltage power lines, service firms just have people sitting in offices. Adam Seitchik, Trillium's chief investment strategist, says, "Aside from a few industries like tobacco, alcohol, and defense contractors, we want a portfolio that is very representative of the investment universe, so we look for companies that are 'best in class.' " That means a mining or manufacturing company that did its best to limit its environmental impact and treated its workers fairly might pass the SRI screening process.

Business Ethics' 10 Best Corporate Citizens 2005

COMPANY	INDUSTRY
1. Cummins Inc.	Auto parts
2. Green Mountain Coffee Roasters Inc.	Food manufacturing
3. St. Paul Travelers Cos. Inc.	Insurance (property)
4. Nuveen Investments Inc.	Money management
5. Intel Corp.	Semiconductors
6. Wells Fargo & Co.	Banks
7. Hewlett-Packard Co.	Computer equipment
8. Procter & Gamble Co.	Household and personal products
9. Novell Inc.	Systems and security
10. Xerox Corp.	Office equipment

Source: *Business Ethics* magazine
Companies were selected from the Russell 1000 Index plus 110 additional firms on the Domini 400 Social Index. Data compiled by KLD Research & Analytics and analyzed by two professors at Boston College, with the final ranking determined by *Business Ethics.* For a complete list of the 100 top corporate citizens, go to www.business-ethics.com.

'We believe investing in companies that meet higher standards of corporate governance and social responsibility is a better long-term investment strategy.' – Joe Keefe, Calvert Group senior adviser on strategic social policy

Even so, Amy Domini concedes, "There is a bias introduced towards technology. Natural resource extraction is a tough industry for me to find companies to invest in." Although Domini's mutual funds pass over Exxon Mobile and Chevron Texaco, they hold smaller oil companies.

Critics like Paul Hawken complain that too many companies pass the screening. Hawken, an entrepreneur and environmental activist who started the Smith & Hawken garden products business, looked at the holdings of more than 600 SRI funds around the world and found that more than 90 percent of the Fortune 500 companies were included in the group of portfolios he examined. Moreover, the most widely held stock among SRI funds was Microsoft Corp., which he describes as "a company known for its ruthless, take-no-prisoners management tactics."

But Joe Keefe, of the Calvert Group, asks where else could billion-dollar funds put their money? "If perfection is going to be the standard, there wouldn't be any investments," he says. "You have to be practical. You have to have good research, and you have to calibrate the cutoff point so that you don't jeopardize the ability to invest."

Others criticize some SRI funds for their high expenses. The April edition of *Morningstar FundInvestor* said, "We found a real weak spot when it comes to socially responsible funds' expenses." These funds typically have relatively high operating costs compared with other mutual funds – in part because of running their screening processes. This means less of the investor's money is going into the market. Similarly, some SRI funds have been faulted for lacking the transparency and independent boards they demand of companies and for imposing sizable up-front sales charges.

In any case, there's often more to SRI than screening out companies. In recent years, SRI investors have bought shares in companies and then used their position as owners to seek changes in company policies. SRI funds have also become involved in shareholder resolutions and proxy battles seeking changes in corporate policies. Even if they can't marshal enough votes to win a proxy fight, they can often bring changes simply by raising issues – like the treatment of workers in developing countries – that might embarrass companies. Some SRI investors are also making "community development" investments in small companies and financial institutions that are focused on advancing inner-city economic development.

MEASURING PERFORMANCE

ONE OF the most intriguing questions about the SRI approach is its impact on investment returns. For some observers, it seems logical that SRI – or any other approach that eliminates some potential investments – inevitably has to have a negative impact on investment results. After all, at any point in time, whatever is left out might just be having a good year. SRI advocates dispute this. Indeed, Calvert's Keefe says, "We really believe at Calvert that investing in companies that meet higher standards of corporate governance and social responsibility is a better long-term investment strategy. We believe those companies, over time, carry lower risk and are better positioned than their peers to deliver better long-term performance."

Jay Falk, of the SRI World Group, has examined the performance of SRI funds, and claims, "You can't say that as a group they've done way better or way worse. They've done average or just above average."

5 largest multiscreen U.S. SRI funds (as of 04/30/05)*

FUND NAME	ASSETS (MILLIONS)	TYPE	STYLE
Ariel Fund	$4,500.0	Small Value	Growth
Ariel Appreciation	$3,200.0	Mid-Cap Blend	Growth
Calvert Income Fund A	$2,578.3	Intermediate-Term Bond	High Quality Gov/Corp
Pax World Balanced Fund	$1,528.0	Domestic Hybrid	Balanced
Domini Social Equity Fund	$1,269.3	Large Blend	Growth

5 oldest multiscreen U.S. SRI funds (as of 04/30/05)*

FUND NAME	INCEPTION DATE	TYPE	STYLE
Pax World Balanced Fund	08/10/71	Domestic Hybrid	Balanced
New Alternatives Fund	09/03/82	Small Blend	Growth
Calvert Income Fund A	10/15/82	Intermediate-Term Bond	High Quality Gov/Corp
Calvert Social Balanced A	10/21/82	Domestic Hybrid	Balanced
Parnassus Fund	05/02/85	Mid-Cap Blend	Growth

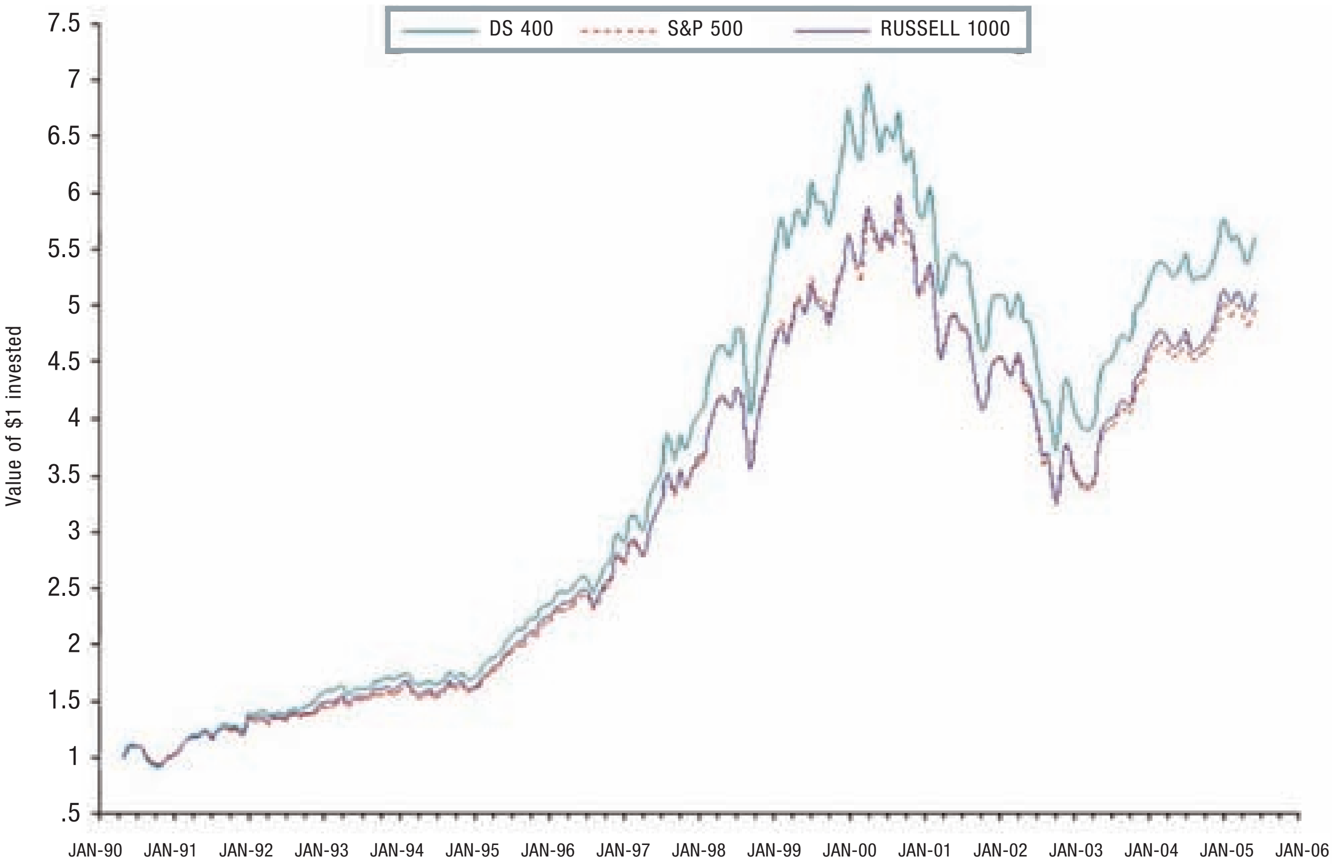
5 newest multiscreen U.S. SRI funds (as of 04/30/05)*

FUND NAME	INCEPTION DATE	TYPE	STYLE
Sierra Club Balanced Fund	01/21/03	Mid-Cap Blend	Growth
Catholic Equity Fund C	04/03/02	Large Blend	Equity Income
Catholic Equity Fund I	04/03/02	Large Blend	Equity Income
MMA Praxis Value Index A	05/02/01	Large Value	Value
MMA Praxis Value Index B	05/01/01	Large Value	Value

*Source: SocialFunds.com and Thomson Financial. Funds were selected from a pool of 78 multiple-screen SRI funds on which SocialFunds.com reports. SocialFunds.com is a Web site of SRI World Group Inc., a news, research, and consulting firm that advises clients regarding sustainability investment issues and corporate responsibility practices.

Domini 400 Social Index

Comparative performance



As of 30 April 2005

Fifteen years ago, KLD Research & Analytics Inc. created the Domini 400 Social Index, which measures the returns on a portfolio of 400 major companies that have passed multiple SRI screens. For the 15 years ending 30 April 2005, the DS 400 Index had risen 438.79 percent vs. 381.89 percent for the S&P 500, which is a basket of 500 leading U.S. companies (see chart). Not bad. But for the last three years through 30 April, the S&P 500 has outperformed the DS 400 Index with an annualized return of 4.24 percent compared with 3.51 percent. The S&P 500 has outperformed over the last five years as well.

Similarly, the Vanguard Calvert Social Index Fund – a passively managed index fund composed of stocks that have passed Calvert's social screening, underperformed the S&P 500 by 2.2 percentage points in each of its first two years, 2001 and 2002. It then beat the index by 1.8 percentage points in 2003, and fell behind by 2.6 points in 2004. Then there's the Dow Jones Sustainability World Index, which tracks the financial performance of leading sustainability-driven companies. As of April 2005, the index reported an annualized five-year return in U.S. dollars of -2.77 percent and an annualized three-year return in U.S. dollars of 6.84 percent. Generalizations about SRI fund results have, if anything, become less meaningful with the rise of conservative funds that are often selling what the traditional SRI funds are buying. If you disaggregate the averages, Falk adds, some individual SRI funds have done quite well and some haven't. At Pax, Anita Green says, "If you look at our investment returns, we can compete with anyone. Our balanced fund was No. 9 in the nation, and we had the No. 4 growth fund last year." Ave Maria says its Catholic Values and Growth funds have beaten the S&P 500 since their inception in 2001 and 2003, respectively. But other SRI funds have lagged the market, and some that were leaders in one year were laggards in the next.

One problem in generalizing about the results available from SRI funds is that there are not only wide varieties in the social issues they care about but also in their manager's ability to pick good stocks. During 2004, according to SocialFunds.com, eight SRI mutual funds placed in the top 20 percent of all U.S. mutual funds. But that means others did not do as well against the thousands of other mutual funds.

In short, as in the broader stock market, many of the results of SRI analyses depend on which fund and starting and end dates are chosen. The variations in returns are a commentary on the SRI investment managers' abilities to bet on the right horses as well as a commentary on the concept of employing non-financial criteria in investment management. There are periods when many SRI funds are inevitably "out of the hot spot," notes Amy Domini, adding that these days one investment hot spot has been oil companies, which seldom make SRI funds' "buy" lists. But in the late 1990s, the DS 400 Index performed well because it had a heavier weighting in technology and new economy companies, areas that were substantially outperforming the market.

After years of comparisons, about all that can be said is that SRI investors are definitely not doomed to underperform, but neither are they assured of doing better than other investors. ■

Harvey D. Shapiro is a veteran financial writer whose work has appeared in Institutional Investor. *He was a consultant to a major foundation on SRI-related concerns.*

Does The Rotary Foundation practice SRI?

AT THEIR MEETING in October 2004, the Trustees of The Rotary Foundation adopted a position paper stating that the Foundation does not currently engage in socially responsible investing (SRI) through its investment program for the following reasons:

- Difficulty in agreeing on what constitutes SRI given Rotarians' different backgrounds and beliefs.
- Marginal impact or benefit to society because the Foundation's investment transactions "have almost no impact on a company's stock price or the company itself."
- Much smaller universe of investment options from which to choose, thereby potentially keeping the Foundation from achieving targets for investment returns.
- Costly implementation of the program because "investment managers would need to spend extra money on research to choose socially responsible companies."
- Additional resources would be required to monitor the Foundation's investment program to ensure compliance.

The Trustees, however, added that they are not opposed to retaining an investment manager dedicated to SRI to manage a portion of the Foundation's assets, provided there is sufficient interest from Rotarians to do so. The Trustees also said the Foundation currently participates in a form of SRI by using its investment strategy to grow assets and then using those assets to invest in socially responsible causes throughout the world.

The Trustees reached these conclusions after discussions with the Foundation's investment adviser on the viability of implementing a socially responsible investment strategy for the Foundation's assets.

SocialFunds.com's top multiscreen U.S. SRI funds

Top 10 U.S. SRI funds by percentile ranking – annualized return over 5 years (as of 04/30/05)*

FUND NAME	% RANK	TYPE	STYLE
Ariel Fund	5	Small Value	Growth
Calvert Income Fund A	7	Intermediate-Term Bond	High Quality Gov/Corp
Calvert Social Bond A	8	Intermediate-Term Bond	Corp. General
Ariel Appreciation	10	Mid-Cap Blend	Growth
Neuberger Berman Socially Responsive Inv	12	Large Blend	Growth
Pro-Conscience Women's Equity	19	Large Blend	Growth
Calvert Social Equity A	20	Large Blend	Growth
New Covenant Balanced Income Fund	27	Large Blend	Balanced
Citizens Value Fund	28	Mid-Cap Value	Growth
MFS Union Standard Equity A	34	Large Blend	Growth

Percentile rank compares the return of a fund to SRI and non-SRI funds in the United States with similar investing types and styles as defined by Thomson Financial. For example, a fund with a percentile rank of 7 performed better than 93 percent of its peers.

Top-performing U.S. SRI balanced funds (as of 04/30/05)*

1 YEAR RETURN	3 YEAR ANNUALIZED RETURN	5 YEAR ANNUALIZED RETURN
Pax World Balanced Fund 8.30%	**Pax World Balanced Fund** 6.04%	**New Covenant Balanced Income Fund** 3.63%
Calvert Social Balanced A 5.56%	**New Covenant Balanced Income Fund** 4.92%	**Pax World Balanced Fund** 2.07%

Top-performing U.S. SRI bond funds (as of 04/30/05)*

1 YEAR RETURN	3 YEAR ANNUALIZED RETURN	5 YEAR ANNUALIZED RETURN
Calvert Social Bond A 6.98%	**Calvert Income Fund A** 7.58%	**Calvert Income Fund** A 8.89%
Pax World High Yield Fund 5.89%	**Pax World High Yield Fund** 7.27%	**Calvert Social Bond** A 8.37%

Top-performing U.S. SRI equity funds (as of 04/30/05)*

1 YEAR RETURN	3 YEAR ANNUALIZED RETURN	5 YEAR ANNUALIZED RETURN
Flex-funds Total Return Utilities 20.02%	**Ariel Fund** 9.19%	**Ariel Fund** 17.13%
Ariel Fund 12.54%	**Neuberger Berman Socially Responsive Inv** 8.51%	**Ariel Appreciation** 13.18%
Pax World Growth 11.46%	**Pax World Growth** 7.70%	**Parnassus Equity Income** 4.76%
MFS Union Standard Equity A 10.54%	**Calvert Large Cap Growth A** 6.87%	**Neuberger Berman Socially Responsive Inv** 4.30%

* Source: SocialFunds.com and Thomson Financial. Funds were selected from a pool of 78 multiple-screen SRI funds on which SocialFunds.com reports. Data do not reflect deduction of any applicable sales charges. Performance information is presented net of expenses.

PUTTING YOUR MONEY WHERE YOUR VALUES ARE

Rotarians explain why they do or don't subscribe to socially responsible investing.

BY CARL SAMPSON

I want to, but...

MIKE JAEGER

AGE: 46 POSITION: Branch manager for a bank
MEMBER: Rotary Club of Stayton Area, Ore., USA

TWELVE YEARS AGO, Mike Jaeger wanted to put away a nest egg as a college fund for his children. He briefly considered investing in a mutual fund screened for social values but based on the recommendation of his adviser, his financially conservative bent, and his lack of spare time to do his own research, he chose a mainstream fund.

He had considered a screened fund because he had heard discussions about them in financial circles and wanted to support and own companies whose values most closely matched his own. In line with his opposition to abortion, Jaeger opposes companies that favor legalizing abortion. He also opposes companies that produce and sell cigarettes.

'I don't believe my investments necessarily reflect my personal values. I've simply subscribed to the fund offered by the recommendations of our investment officer here at the bank.' – Mike Jaeger

"I don't believe my investments necessarily reflect my personal values," he says of his US$20,000 college nest egg, which is invested in a mutual fund. "I've simply subscribed to the fund offered by the recommendation of our investment officer here at the bank."

His retirement funds, which are in a tax-deferred 401(k) account, are split evenly between bank stock and mutual funds offered through his bank, which doesn't offer SRI funds.

And it's not as though he has a lot of money to work with. He and his wife, Katie, have six children in Roman Catholic schools – two in college, two in high school, and two in elementary school – meaning every dollar counts. It also means that he doesn't like to take financial risks. He views socially responsible investments as riskier and believes that some may not perform as well as other funds. "I want a decent return without a lot of exposure [to risk]," he says.

Although Jaeger's investments don't reflect his values, his personal life does. The devout Catholic attends Mass daily, and he and Katie volunteer for a variety of activities at their church, their children's schools, and charities. One of the hats he wears is as treasurer of a local affiliate of Habitat for Humanity International, a nonprofit, ecumenical Christian housing ministry that helps low-income families build their own homes.

All this means he doesn't have much time to scour companies' annual reports and funds' prospectuses. However, he has not ruled out eventually investing in socially responsible funds. He has seen some that reflect the teachings of the Catholic Church, but he hasn't pursued them. Once his kids are out of college, he says, that may be an option he'll try.

The color of money is 'green'

MADHUMITA BISHNU
AGE: 36 POSITION: Computer programmer
MEMBER: Rotary Club of New Ballygunge, India

PROTECTING THE environment is important for Madhumita "Madu" Bishnu, who is the secretary of the Rotarian Vocational Fellowship of the Environment, an international group of Rotarians whose primary interest is in environmental issues.

Bishnu says some of her investments reflect her concern for the environment. She points to two Indian companies whose stock she owns: Reliance Industries Ltd. (RIL) and ITC.

RIL, which is involved in the petroleum, chemical, and textile industries, has a good reputation in the financial press for treating its employees well, Bishnu says. Last year, it won awards for its efforts to conserve energy, and a poll published in India's *Business Barons* magazine in 2004 named RIL India's most admired company. Also last year, an ACNielsen ORG-MARG survey ranked RIL as India's "greenest" company in the private sector.

Bishnu, who avidly reads a daily financial newspaper, says her shares of ITC also fit her values. Although ITC makes cigarettes, it also owns hotels, exports agricultural products, manufactures paperboard, and is involved in other lines of business. It has been applauded for establishing Internet kiosks in villages across India that allow farmers to access real-time information in their native language relating to the weather, prices, and other subjects. As a result of this work, last year ITC won the World Business Award, which is given to companies for their efforts to fight poverty. Also, several of ITC's factories and hotels have received ISO 14001 certification for their environmental management systems. Furthermore, the World Environment Foundation awarded one of ITC's hotels the Golden Peacock Environment Management Award for 2001 and 2004.

Bishnu is pleased with the performance of these two investments. ITC has done the best, she says. It issued bonus shares that boosted her holdings in the company by 20 percent. Reliance bonus shares have also increased her stake by nearly 20 percent.

Bishnu plans to retire by age 58. To do that, she says she needs to increase the value of her investment portfolio. She adds that the environment and employee relations will remain important considerations as she ponders additions to her portfolio.

‘If, as they say, money talks, this is one way to make a statement.’

– Janice Park

Investing in the next generation

JANICE PARK

AGE: 76 POSITION: Retired librarian

MEMBER: Rotary Club of Paw Paw Area, Mich., USA

IN 2001, Janice Park invested US$500 in a socially responsible mutual fund for her granddaughter Cameron Park-Miller, who was one year old at the time.

“I wanted [a fund] that would reflect my values as well as give her some money for college or whatever she needs when she is a young adult,” says Park, who has been a Rotary Volunteer in Belize and Thailand. “I figured that even if it didn’t make a lot of money, my granddaughter would know her grandmother promoted socially responsible actions.”

After doing research, Park decided on the Parnassus Fund, which invests in companies that are financially strong but out of favor with the market. The fund, which had assets worth $340 million as of the end of last year, also takes social factors into account. In general, the fund looks for companies that respect the environment, treat their employees well, have effective equal employment opportunity policies, have a record of civic commitment, and conduct business ethically. The fund avoids companies that manufacture alcohol or tobacco products, and it screens out weapons contractors and those involved with gambling or that generate electricity from nuclear power.

As of 30 April, the fund had posted an average annual return of 6.49 percent during the past 10 years and 0.35 percent over the past year. Since it was founded on 31 December 1984, the fund had posted an average annual return of 10.39 percent through 28 February 2005.

“If, as they say, money talks, this is one way to make a statement,” Park says. “I think money’s important, but there are other things.”

When she purchased shares in the fund, Park set up the account under the Uniform Gifts to Minors Act, which along with the Uniform Transfers to Minors Act is a common way to set up investments for children. The account is owned by Park’s granddaughter but will be managed by the child’s mother until the child reaches the age of majority.

When it comes to her own investments, Park does not invest in socially responsible instruments because at her age she prefers U.S. savings bonds and bank certificates of deposit to minimize risk. When she was a younger, more active investor, she did not invest in SRIs because she did not know about them.

Now Park has another decision to make. Another granddaughter, Emma, was born earlier this year, and Park wants to set up an investment account for her as well. Not surprisingly, she also wants it to reflect her social values.

A personal matter

JOHN STAIRS

AGE: 58 POSITION: Investment adviser and associate portfolio manager

MEMBER: Rotary Club of Burlington North, Burlington, Ont., Canada; 2004-05 governor of District 7080

WHEN ADVISING his clients and discussing investment opportunities, John Stairs lets *them* set the moral and ethical direction for their portfolios. If they express a preference for investments with a specific social slant, he works with them to locate such investments. He is careful to point out, however, that what is ethical to one person may not be ethical to another; it is a personal matter.

Stairs notes that he personally chooses not to invest in companies that manufacture or sell tobacco products because these can cause health problems and create huge medical costs that the public must help to bear. (As a private pilot who flies at high altitudes in small, unpressurized airplanes, he is particularly aware of the need to maintain healthy lungs.) On the other side of the coin, he says, some of these same companies do act in a socially responsible manner by donating millions of dollars to the arts, charitable organizations, and sports activities that benefit the general population. For example, the Altria Group says its companies, which include Kraft Foods and cigarette giant Philip Morris USA, have donated more than US$1 billion in cash and in-kind contributions to nonprofit organizations in the last 10 years.

Throughout his 36 years in the investment business, Stairs has found that his clients generally choose to invest in corporately responsible, well-managed companies that offer the best possible returns. Some of his clients then donate a portion of their earnings to charities or organizations of their choice. Stairs says this approach is more feasible and perhaps more realistic than researching and selecting each portfolio investment solely on the basis of social responsibility.

A question of faith

CHARLES CABLE

AGE: 61 POSITION: President and chief executive officer of a retirement community

MEMBER: Rotary Club of La Verne, Calif., USA

AS A LIFELONG MEMBER of the Church of the Brethren, Charles Cable's concept of social responsibility stems from his religion.

Founded in Germany in 1708, the Church of the Brethren emphasizes peacemaking, compassion, and simple living and applies those values to its philosophy on investing. For example, its Brethren Benefit Trust opposes investing in the top 25 companies receiving prime military contract awards from the U.S. Department of Defense. The trust also does not approve of investing in companies deriving more than 10 percent of gross revenues from the manufacture and sale of alcoholic beverages, tobacco, or the operation of gambling devices. Furthermore, it generally opposes investments in companies that have poor environmental records and that support human rights abuses.

Cable grew up learning this philosophy from his Rotarian parents, William and Miriam Cable. Because of their belief in the mission of The Rotary Foundation and Rotary International, his parents established a Charitable Remainder Unitrust with the Foundation. The trust does not invest in companies that derive more than five percent of gross revenues from the manufacture or sale of weapons, alcoholic beverages or tobacco, or the operation of gambling devices.

As for himself, George Cable owns shares in the Lincoln VIP Social Awareness Fund, which avoids companies that produce nuclear power; make equipment for producing nuclear power; make or contract for military weapons; engage in liquor, tobacco or gambling industries; or use animals to test their products when developing new cosmetics and personal care products.

In his professional life, Cable presides over Hillcrest, a nonprofit retirement community that was founded by members of the Church of the Brethren but is financially independent of it. The 400-resident, 53-acre community has an approximately $10 million endowment fund whose investment policy follows the Church of the Brethren's. Also under the policy, the stocks and bonds the endowment owns must be highly rated by Standard & Poor's and other financial rating services. ■

Carl Sampson is the managing editor of the Capital Press *in Salem, Ore. He was formerly a personal financial adviser for American Express and held an NASD Series 7 license for general securities representatives.*