



## Four Steps to a Greener Portfolio



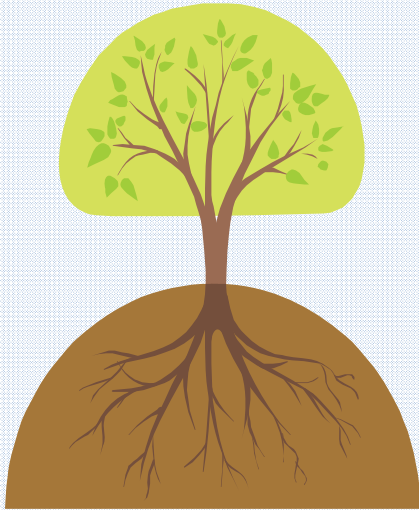
# Four Steps to a Greener Portfolio

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- What is Green Investing?
- The Opportunity in Green
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# What is Green Investing?

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**General Definition:** Green investing is a type of socially responsible investing where the goal is to maximize profit without sacrificing your environmental principles.

**Your Definition:** Create *your own* definition and set of goals that balance profits with principles.

# The Opportunity in Green

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## 1. Public Opinion is Driving Change

- ✓ Momentum continues to build for action against climate change
  - *A recent poll showed that 86% of Americans believe the U.S. should act to limit greenhouse gas emissions in concert with other G8 members.*
  - *A 2008 Harris Poll showed that 62% of Americans agreed that the next president should make addressing climate change a priority when taking office*
  
- ✓ Companies are becoming more environmentally responsible for public relations reasons.
  - *Some of the “greenest” big companies in America according to a September 2009 Business Week article include Hewlett Packard, McDonalds and Nike.*

# The Opportunity in Green

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## 2. Oil Supply: Finite and Vulnerable

- ✓ Oil is a nonrenewable resource with many of the world's largest oil fields in a steady production decline
  - *A recent International Energy Agency (IEA) study of 800 of the world's largest oil fields revealed an output decline of 5% on average.*
  - *A 2008 BDO Seidman survey of chief financial officers at U.S. oil and gas companies found that nearly half of the CFOs believe that the world is currently at its peak oil production.*
  
- ✓ Global energy security is highly sensitive to relations with big oil exporters.
  - *55% of oil consumed in the U.S. is imported*
  - *Big foreign policy problems like Iran, Venezuela and Russia*

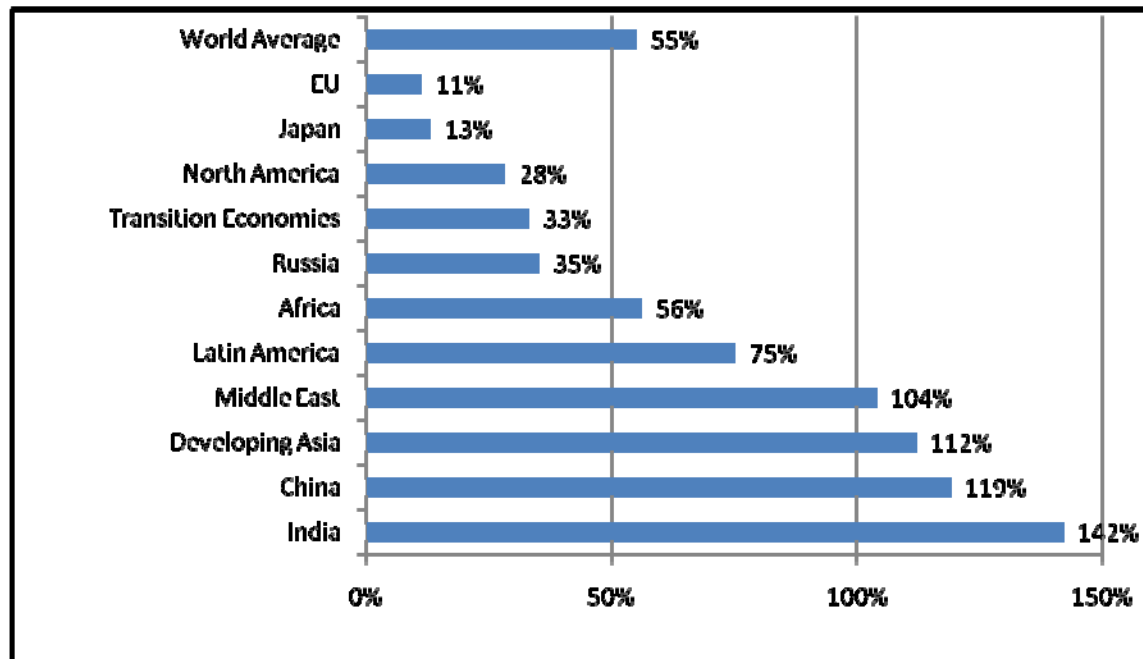
# The Opportunity in Green



## 3. Increasing Demand for Energy

- ✓ The International Energy Agency (IEA) predicts that energy demand will increase by 55% by 2030.

Projected Increase in Energy Demand from 2005 to 2030



# The Opportunity in Green

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## 4. Recent Legislation is Favorable

- ✓ 2008 Legislation included:
  - *An extension of solar tax credits until 2016*
  - *An extension of wind tax credits through 2009*
  - *New tax credits for building energy efficiency such as lighting, heating/cooling and insulation*
  
- ✓ Moving towards a clean energy economy was a focal part of the recent Obama stimulus plan.
  - *The plan includes \$80 billion targeted for programs like modernization of the electricity grid and storage of carbon emissions.*
  - *The president's goal is to double the production of alternative energy over the next three years.*

# The Opportunity in Green

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## 5. Technology & Cost Improvements

✓ In the 1970s and even the late 1990s most clean technologies were pipe dreams, far too inefficient and expensive to compete with cheap incumbents like coal and oil.

- *As manufacturing has become more advanced & industry volumes have grown, the cost per kilowatt hour of renewable energy has been dropping.*
- *The price of standard electricity has been increasing; according to an IEA study, the retail cost of electricity has increased by 24% from 2006 to 2008. “Grid price parity” is closer to becoming a reality.*

# Green Investing by the Numbers



- \$2.7 trillion is invested in socially responsible investments.
  - Nearly \$1 out of every \$9 is invested in socially responsible investments.
  - Assets in socially responsible investments have grown 324% since 1995.
- Over 360 mutual funds and exchange traded funds (ETFs) with a socially responsible mandate exist today. In 1995, there were only 55 such funds.

# Green Green vs. Green

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**Green Green Companies** – companies that focus directly on a green product or service. Examples include:

- Solar Power
- Wind Power
- Water Management
- Smart Grid
- Pollution Control
- Green Building Materials
- Biofuels

**Green Companies** – companies that focus on improving their environmental performance, policies and reputation.

- Hewlett Packard
- Nike
- Wells Fargo
- Starbucks



## Suggested Investment Approach













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- ✓ Purchasing individual stocks is like gambling. It's hard to make money and easy to become addicted to the thrill.
- ✓ Use a combination of mutual funds and exchange traded funds (ETFs) to build your portfolio.
- ✓ Invest in *green* green and green companies and also include other socially responsible screens
- ✓ Let expert mutual fund portfolio managers with big research teams and budgets pick the winners and avoid the overhyped technologies and companies.

# Step 1: Self Assessment

## □ How “green” are you? How “green” do you want to be?

Write down your beliefs related to green living. Are you just starting to make some environmentally friendly changes in your life or have you practiced green living for years? *Feel free to incorporate your beliefs about other areas of social responsibility.* With this in mind, then determine your expectations for the companies you invest in.

Environment	Alcohol	Tobacco	Gambling	Defense/Weapons	Animal Testing	Products/Services	Human Rights	Labor Relations	Employment/Equality	Community Investment	Proxy Voting
											

N = No screens performed.

X = No investment or "negative screening"

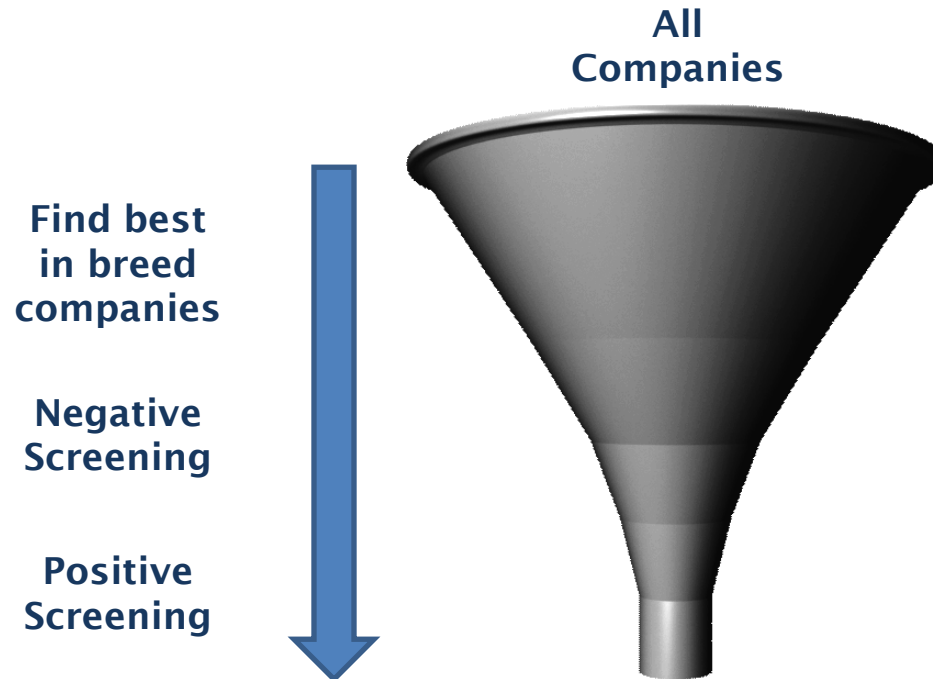
R = Restricted investment or "best in breed"

P = Positive investment.

## Step 2: Set a Green % Target

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- ❑ **Allocate a Percentage of Your Portfolio to Green or SRI**  
*Please keep in mind that it is impossible to create a 100% green or SRI portfolio that is properly diversified.* Green companies tend to be in only a handful of sectors and can often be young companies with a new technology and little revenue. Green should only be **one** puzzle piece in your total portfolio.





## Step 3: Research Options

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### ❑ Research Investment Options

Mutual funds and exchange-traded funds (ETFs) are the best ways to access green investments. Your fund research should involve two steps:

1. First, identify a fund company that offers green investment funds and visit their website to see if their “green” screens match with your values, beliefs and where you sit on the green spectrum. One of the pioneers in socially responsible and green investing is the Pax World Funds.
2. The second step is to collect and review independent research on the funds you have identified. Financial websites like Morningstar.com or CNNMoney.com can provide information on the fund’s investment style, investment objective, past performance versus market benchmarks, fees, etc. Alternatively, an investment advisor, like Blue Sky Investment Partners, can assist with the selection of green and socially responsible mutual funds for your portfolio.



## Step 4: Open Account & Trade

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### ❑ Open a Brokerage Account & Start Investing

Opening an account at a discount brokerage firm will grant you access to numerous green mutual funds and ETFs. Many discount brokers will allow you to buy and sell mutual funds with no transaction fees. One of our favorite discount brokers is Scottrade.

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