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Serendipity: Seeing Green in Investing Green

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More investors are thinking deeply about their portfolio choices.

What's not black and white, but green all over? The advancing field of socially responsible investing, or SRI. Many of us stress over saving and the safety of our savings, without wondering about what our invested dollars are supporting. But some investors are thinking deeply about their portfolio choices.

“To be aware of economic systems, policy-making and labor practices necessarily changes the way we come to think about ‘individual’ decisions — what to buy, eat, wear, vote for and participate in,” says [Westmont professor Marilyn McEntyre](#). “Easy as it is to assume that our personal choices are our personal business, we are called to stay mindful of the ways our business is others’ business, and to think more in terms of stewardship than of ownership.” That is what SRI is about.



These days, environmental stewardship is a concern for most people. A report by the [World Business Council for Sustainable Development](#) found that consumers are increasingly concerned about environmental, social and economic issues. Now that socially responsible investments comprise around 10 percent of the total, companies are anxious to showcase their social and environmental awareness. Some of this undoubtedly is window-dressing, but the public's increased scrutiny raises the standard.

People are investing mindfully, and companies are improving their practices along with their images. But is SRI profitable? In a recent [Los Angeles Times](#) article, David Pierson and Edward Silver liken green-oriented investing to investing in new industries or technologies. “The green wave has been volatile, returning profits over

prolonged rallies during boom times but falling particularly hard in recent months,” they wrote. The boomerang gas prices may have been the culprit, but in any case it pays to perform due diligence.

Environmentally oriented companies plunged in the second half of 2008. A collection of green companies called the [WilderHill Clean Energy Index](#) was down 70 percent last year, compared to 34 percent for the [Dow Jones Industrial Average](#). Pierson and Silver point to the tendency of startups to be undercapitalized as well as the drop in fossil fuel prices. A 2007 [Consumer Reports](#) shows most socially responsible mutual funds had lower returns and higher expenses than mainstream counterparts, according to the Times.

Nevertheless, Robert Kropp, writing for [SocialFunds.com](#), says SRI funds have performed well on a relative basis. “While not immune from the battering endured by investors of all stripes, many SRI funds have outperformed mainstream funds on a relative basis (in 2008),” he says.

It’s the future that’s relevant, of course, and not the past. The [Obama administration](#) touts conservation and renewables as part of its public-works economic stimulus package. Brent Kessel, co-founder of [Abacus Wealth Management](#), advises, “To ignore long term potential is short-sighted. But it may take five to eight years.”

If you decide to invest your funds with an eye to social responsibility, mutual funds and [exchange-traded funds \(ETFs\)](#) may be a better first step than individual stocks. More than 250 SRI mutual funds research companies excelling in social and environmental performance. Last month, the [Dreyfus Global Sustainability Fund](#) became the first U.S. mutual fund to invest exclusively in companies on the [Dow Jones Sustainability World Index](#). [Powershares ETF](#) (symbol PBW) follows the WilderHill Clean Energy Index.

At today’s bargain prices, you likely will profit by investing money not needed for the next business cycle, which is five to seven years. SRI will be sustainable as long as people care about their environmental footprint. Investing is never black and white, but its long-term prognosis is green.

[Click here](#) for more information.

Karen Telleen-Lawton's column is a mélange of observations supporting sustainability. Graze her writing and excerpts from Canyon Voices: the Nature of Rattlesnake Canyon at www.CanyonVoices.com.