



CENTER FOR THE
DEVELOPMENT OF
Social Finance

Emerging or Just Merging: Is Social Investing a Brave New World or More of the Scary Old World?

Socially Responsible Investing—Here
and Abroad, Monterey, CA

26 June 2009

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A Personal SRI Perspective

- Personal journey
 - Portfolio manager
 - Committee member
- Unpack modern investing
- Examine SRI in that context
- Discuss choices for going further with SRI



Start with a Question

- Apply critical thinking
 - Why does it work this way?
 - Make informed decisions
- Investing complexity
 - Uninformed is uncontrolled
- Retake control
 - Informed
 - Improved



Unpacking Investing

- Prevailing viewpoint
 - Individual or institutional
 - Institutional fiduciary approach
- Prudent investor
 - Safety in numbers
- Modern Portfolio Theory
 - Generally practiced
 - Universally taught



Early Investing

- 4000 BCE Grain Loans
- Transaction parties
 - Owner Borrower
 - Lender
- Lending
 - Quantified actual return
 - Individualized decision
- Law
 - Roman
 - Religious



Arrival of Banking

- Medicis invent banking
 - Formalized discipline
- Analysis of cash flows
 - Repayments
- Mathematical basis
 - Compound interest
- Quantification of value



Advent of Shareholding

- Creation of Corporation
 - Bifurcation of Investing
- Debt versus Equity
 - Rights and Terms
- Changing Perception
 - Returns versus value
 - Market Price
 - Uncertainty



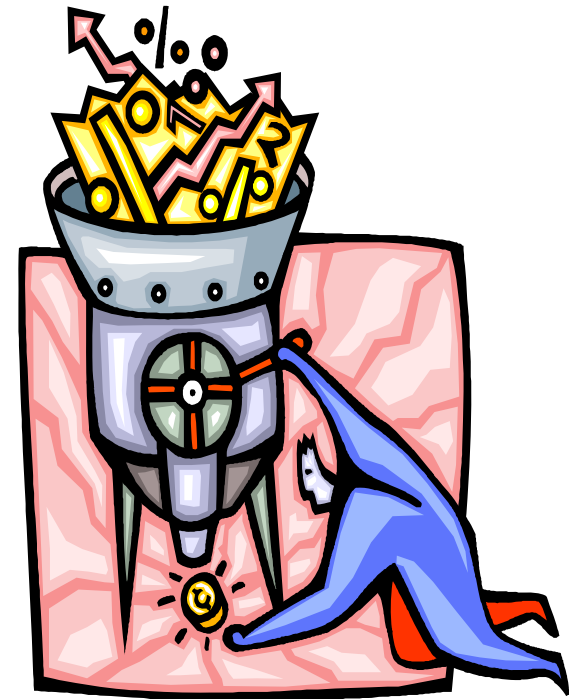
A New Theory for Investing

- Shareholding Rewards
- Analytical Tools
- Computers
- Analysis
- Randomness



Modern Portfolio Theory

- Concept of Risk
- Diversification
- Risk Correlation
- Risk and Return
- Efficient Frontier
- Indifference
- Strategies
 - Segmentation and allocation



Reliance on Benchmarks

- Actual returns give way to theoretical returns
- Need for measurement
- Benchmarks
- Relative performance
- Losing touch with reality



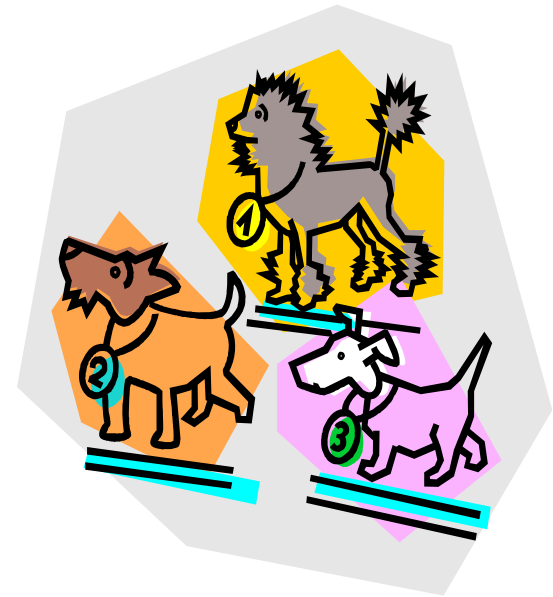
Socially Responsible Investing

“What does socially responsible investing mean? Is it a way for upper middle class people to launder their money? Do the caretakers take their job seriously? Is it simply a way to avoid the real issues?”

Paul Hawken, Letter to the Editor, Green Money Journal On-Line, Fall 2002

Conventional SRI Approach

- Best in breed
 - MPT approach
 - Connect performance and social responsibility
 - Prudent investor credibility
- SRI benchmarks
- 3-D efficient frontier
- Sin stock comparison
 - Outperforms the market



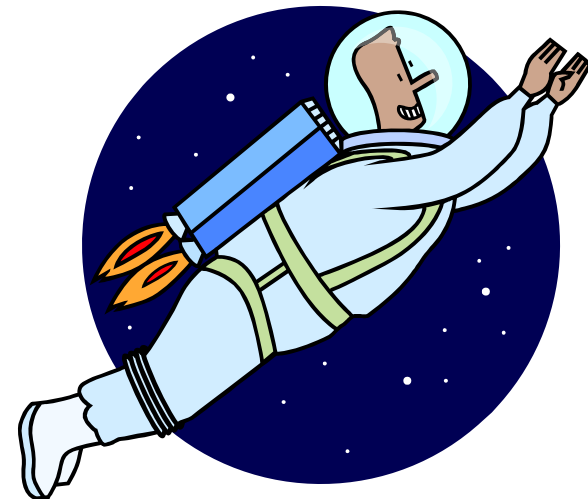
Actual Returns

- Life is uncertain and scary
 - Death, taxes, inflation
 - We seek comfort an certainty
- Conventional investing
 - Relative return
 - When in doubt, take as much as possible
- Responsibility is sufficiency
 - Less is more
- Social investment certainty
 - Actual returns



Searching for Actual Returns

- SRI is personal at any level
 - Accepting uncertainty
 - Creating certainty
- Self directed investing
 - Creatively picking investments to match our needs
- Managing investments
 - Lots of options for the wealthy
 - Few options for everyone else



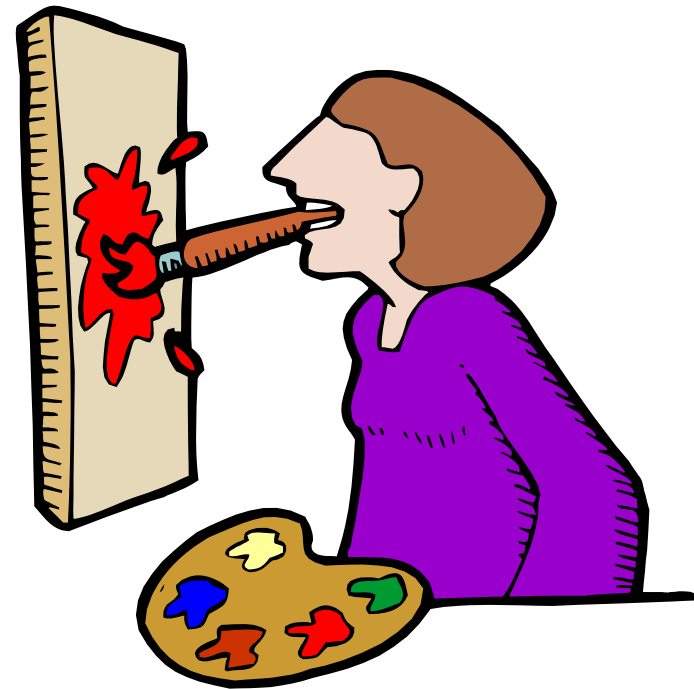
Self-Managing Investments

- Setting Priorities
 - Putting aside enough time
- Doing the Work
 - Learning the landscape
 - Setting goals
 - Finding opportunities
 - Analyzing and tracking
 - Keep it simple



Creative Social Investments

- Savings Accounts
 - CDFIs
 - Green Banks
- Loan Funds
 - Calvert and RSF
- Individual Investments
 - Brokered
 - Microplace
 - Non-Brokered



Creative Example

- Co-ops
 - Member owned
 - All facets of business
 - Co-op direct
- Investment
 - Member dues
 - Member loans
 - Preferred equity
 - Actual return



Summation

- Modern Portfolio Theory is an abstract
- Social investing is real life
- Today and tomorrow, SRI must strive to:
 - Evolve
 - Reinvent
 - Create



Thank You!

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