EXECUTIVE PERSPECTIVE: Align investments to your principles

By Leslie Samuelrich, President of [Green Century Capital Management](), a U.S. mutual fund company owned by environmental non-profits, the Public Interest Research Groups (PIRGs) | 2 February 2016

The escalating bad news about the methane leak from southern California's fracking gas well is on UBS financial advisor John Wrenn's mind. But, despite the fact that Wrenn works near eco-conscious Portland, Oregon, he doesn't make any assumptions about how this recent fracking incident ties to his clients' understanding of sustainable investing. "I like to focus on the people who care about the environment, but don't think they can incorporate their values into their investment choices," said Wrenn, a 20-year veteran of the industry who thinks that a new wave of socially and environmentally responsible investing is around the corner, especially in retirement plans. "When people learn that their mutual funds and 401(k) plans are full of companies they would rather avoid and green funds have competitive returns, the decision to switch is usually just a matter of time."

Wrenn’s clients are not the only ones who want to avoid companies involved in fracking, factory farming or forest destruction. In a recent report, US SIF reported that one out of every nine new dollars invested is being invested with social and environmental factors in mind. The highest profile issue in this space has been the fossil fuel divestment campaign championed by 350.org that is closely associated with activist Bill McKibben. While the headlines have been dominated by the Rockefeller Brothers Fund, Stanford University and Leonardo DiCaprio’s moves away from fossil fuels, it is not only high profile investors making the change. “People are fed up with coal, oil and gas companies that have driven the climate change crisis,” said Vanessa Green, Campaign Director for Divest-Invest Individual, which engages individual investors in the fossil fuel divestment movement. “And now that the financial advantages around avoiding expensive exploration projects or long-term stranded assets are more well known, investors are moving even faster,” said Green of the divestment movement.

The questions around performance are ones that advisors hear often, including Greg Pitts, in the New York offices of the firm Natural Investments. “Avoiding companies that dump toxic chemicals or drill for oil can be a wise investment decision. Companies that avoid these risks are a lot less likely to get negative publicity or be subject to drawn out lawsuits,” added Pitts. Pitts has seen his business grow, especially with parents and grandparents who think about what the world will be like for their children. “For many, legacy is going beyond the amount of money that they hand down. People want to make the world a better place for their kids – and are using their investments to do that,” added Pitts.

Veterans of socially responsible investing such as Peter Kinder, who co-founded the first sustainability index in 1990, have seen great change over the years. But one theme has remained constant. “Consistency: that’s what our clients wanted when they realized they could align their investments to their principles,” says Kinder.

Becoming a first-time grandfather last summer changed Kinder’s perspective and focus. “Climate’s long-term effects will come when she’s an adult. For me, the push for change has become urgent. That’s not something I expected to feel as a Social Security recipient. And, I sure didn’t expect to be hearing the same urgency from my peers and elders.”

All of this is good news for those asking if they can invest with their conscience. The answer is yes – and it’s never too early or too late.

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Leslie Samuelrich is President of Green Century Capital Management and an author of *Extracting Fossil Fuels from Your Portfolio.*

Green Century Capital Management is the investment advisor to the Green Century Funds and offers two environmentally and socially responsible funds, the Green Century Equity Fund and the Green Century Balanced Fund. Green Century works to curb climate change through fossil fuel free investing, reinvestment in sustainable companies, and advocating with companies to improve their environmental policies and supply chains. Green Century also is the only U.S. mutual fund company owned by environmental non-profits, the Public Interest Research Groups (PIRGs).

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