

AdviceIQ: Investing to Do Good

Kimberly J. Howard, Saturday 13 June, 2015



Do good for the earth – with your wallet full of green.
(Photo: Sergey Nivens, Getty Images/iStockphoto)

Environmental and social issues loom larger in our lives. If you're like many people, you alter your consumer decisions to do some good in the world. You can do the same when investing.

Impact investing (aka socially responsible investing) is growing for many reasons, including increased awareness of environmental problems. As an impact investor conscious of such green issues, you might look for investments concerning breakthrough technologies that don't depend on fossil fuels.

The first supporters of electric car manufacturer Tesla Motors* (TSLA) exemplified green impact investors, though some likely looked first at return

on investment. Another example: venture capital leader Khosla Ventures* supporting the startup Liquid Metal Battery Corp.,* now Ambri,* which develops massive batteries to store electricity and back up our power grid during peak use.

One new strategy: the social impact bond (SIB), which pays a small return based on the issuing company or entity achieving beneficial results. The investment firm Goldman Sachs* continues to contribute hundreds of millions of dollars to SIBs for revamping the Detroit waterfront and bettering education nationwide, among other causes.

Great for goliaths with mountains of capital to back their good intentions, but what can you the individual investor do?

First, search online for different opportunities and information outlets to match your favorite issue. For environmental news and opinion, for instance, TreeHugger, Grist, The New York Times Dot Earth blog, Ecogeek, AutoblogGreen and Mother Nature Network are just a handful of the top websites.

Mutual funds like those from Calvert Investments or Green Century Funds invest only in companies with environment-friendly policies; weapons manufacturers and tobacco or paper companies, to name a few, are

excluded from these funds. Similarly, the Parnassus Workplace Fund only invests in companies that take care of employees.

Responsible investing is also no ticket to drab returns. The domestic variant of one of the more long-established funds for impact investing, the iShares MSCI USA ESG Select (KLD) comprises companies with high environmental, social and governance (ESG) ratings – and nearly doubled its share price over the past five years.

You can find more examples of such funds and managers at the finance news site SocialFunds.com. The Corporate Social Responsibility Newswire also covers sustainability and corporate responsibility investing.

We often think of investing capital only as a single, large source of money usually from a bank, investment firm or government agency. We all have relatively small amounts of money that when applied together can produce big results.

We see the power of individual impact investing with such crowdfunding sites as Kickstarter. Peer-to-peer lending platforms allow you to lend a specific amount of money with an agreed upon interest rate, also called a social loan. In this case, you can lend directly to someone who might benefit most.

With impact investing, you can be just as altruistic in your intentions. Check out charities and research companies you invest in, though, so you stand a chance of making another kind of a green on your responsible investment.

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*As of March 31, 2015, Tesla Motors, Inc. comprised 0.00% and 0.22% of the Green Century Balanced Fund and the Green Century Equity Fund, respectively. Other securities mentioned were not held in the portfolios of the Green Century Funds as of March 31, 2015. References to specific securities, which will change due to ongoing management of the Funds, should not be construed as a recommendation by the Funds, their administrator, or their distributor.

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