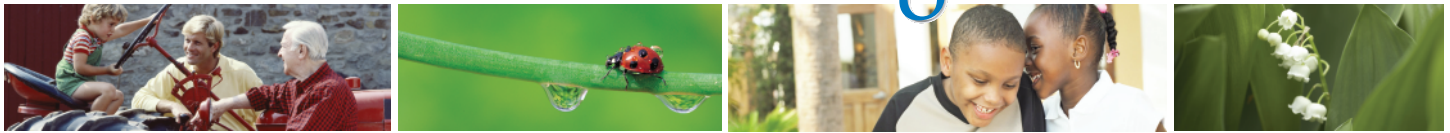


Affirmative Thinking



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Shareholders Push Social and Environmental Issues to the Forefront

The 2007 season is on track to set new record highs for the number of social and environmental shareholder resolutions.

Four themes dominate: the environment, political giving, executive compensation, and sustainability reporting.

Climate change leads environmental resolutions, with 79 companies facing votes on this issue. Resolutions filed asking for sustainability reports have increased 100% over 2006 (40 vs. 20). And more than 60 resolutions on executive compensation have been put to shareholders thus far in 2007.

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The Siren Song of Flashy Returns

R. Kevin O'Keefe, CIMA®, AIF® | Chief Investment Officer

Flashy returns are as seductive to investors today as the Sirens were to ancient Greek seafarers.

For many investors, past performance is the most important factor in making an investment decision. But at least as important, if not more so, is volatility, which is a measure of how sharply the price of a security rises or falls in a short period of time.

Research by [Morningstar, Inc.](#) shows that investors in more-volatile mutual fund categories *consistently fail* to achieve the returns they seek. For all 6,900 mutual funds in its database, Morningstar calculated the difference between each fund's annual total return and its investor return. The more volatile the fund, the larger the gap was between its total return and the gain actually achieved by investors in the fund.

"You will come to the Sirens who enchant all who come near them... They sit in a green field and warble [men] to death with the sweetness of their song... Therefore pass these Sirens by, and stop your men's ears with wax that none of them may hear..."

—The Odyssey, Homer

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Beware of Financial Scams

- Internet scam artists are now pretending to be the IRS, Department of Labor, and other government agencies. Never "click through" an unsolicited e-mail.
- The age-old "Spanish Prisoners" scam has been re-vamped. Requests are now coming from alleged U.S. soldiers in Iraq seeking help in moving discovered fortunes back to the U.S.
- You **have not** won millions in the Canadian or German lottery.
- If it sounds too good to be true, it almost certainly is.
- Be careful out there!

“Climate Counts” Identifies Companies Walking the Talk

As awareness of our climate change dilemma has grown in the public consciousness, many companies are announcing new commitments to reduce greenhouse gas emissions or carbon-neutral products, services, or events.

But which of them are real, and which are marketing gimmicks? Which companies are making substantive commitments and progress?

The launch of [Climate Counts](#) marks the first time big companies have been rated consistently on climate using a comprehensive, consistent, and credible set of metrics.

Ratings use a 100-point scale of more than 20 criteria in four areas:

- How well does the company measure its climate footprint?
- How much has it done to reduce its global warming pollution?
- Does the company explicitly support (or attempt to block) progressive climate legislation?
- How clearly and comprehensively does it disclose climate protection?

Thus far, 56 companies in eight sectors have been rated: apparel/accessories, beverages and beer, consumer electronics, food products, food services, household products, internet and software, and media. New ratings are released every six months, with all ratings updated annually.

Source: Joel Makower, www.greenbiz.com.

Shareholders Push Key Issues

Continued from Page 1

Leading this year’s social and environmental docket are demands for more disclosure of political contributions. Shareholders want more oversight of corporate political giving, according to the [Social Investment Forum](#).

Most of the proposals ask companies to disclose political contributions made with corporate funds and to include dues paid to trade associations that support political causes. Why? Because many companies belong to trade associations that reject climate change while the companies themselves proclaim they are working to mitigate climate change.

A shareholder resolution can be an effective way to let a company know what shareholders think is important. As support grows over time, company management and their boards of directors see that environmental and social issues are both in the public interest and important to their company’s financial performance.

Source: SocialFunds.com

CFLs Support a Brighter Future

Christine A. Renner | Executive Assistant to the CEO

One way governments around the globe are responding to pressure to address climate change is by phasing out incandescent light bulbs in favor of energy-saving compact fluorescents (CFLs). Australia will phase out the sale of incandescents by 2010, Canada plans to ban them by 2012, and the Venezuelan government has given away more than 45 million CFLs to Venezuelan citizens.



[Walmart](#) recently announced a campaign to sell 100 million CFLs at about \$3 a piece this year. And [Ikea](#), the Swedish furnishing giant, is giving all of its 9,600 employees in the U.K. a six-pack of compact fluorescent light bulbs as part of its goal to green its workforce.

[ENERGY STAR qualified CFLs](#) use about 75% less energy than incandescent bulbs and last about 10 times longer. Additionally, each CFL can save consumers up to \$30 in electric costs over the lifetime of the bulb.

Unfortunately, CFLs, as well as the fluorescent tubes found in offices and schools, contain tiny amounts of mercury (about 5mg for CFLs). While necessary for the bulb to produce light, mercury remains one of the

Continued on Page 4

The Siren Song of Flashy Returns

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Large cap growth funds, for example, averaged 5.55% total return annually for the ten years ended January 31, 2007. But the dollars invested in those funds averaged a gain of only 3.45%. Among large cap value funds (which tend to be less volatile) the total annualized return of 8.63% for the ten years was pretty close to the investor return of 8.12%.

In contrast, the gap was much wider for sector funds, which tend to be much more volatile. In the communications sector, funds averaged 8.01% per year for the ten years, but investors in those funds averaged a paltry 1.47%. The gap in the technology sector was even more striking. While the average annual return for tech funds was 5.78% over ten years, those fund investors actually lost an average of 4.01% annually.

The performance gap all but disappears for investors in the more stable fund categories, such as bond funds and balanced funds, which invest in both stocks and bonds.

Highly volatile funds can produce big returns in the short-term. Flashy returns attract cash from naïve investors who focus on past performance. But when the inherent risk of the strategy that produced the high returns inevitably causes performance to suffer, many of these undisciplined investors sell, thus locking in poor performance rather than the type of gains that first tantalized them.

The siren song of flashy returns is tempting. For investors without a disciplined investment strategy, it's often irresistible—and costly! Don't let headlines or advertising touting flashy returns alter your investment strategy.

UN Principles Attract \$8 Billion

Congratulations are in order. The United Nations sponsored Principles for Responsible Investment (PRI) attracted signatories with over \$8 trillion in assets in its first year!

First Affirmative announced that it had signed on to the new Principles in this newsletter one year ago. We believe that investors need to learn to think and act as stakeholders with wider concerns beyond a single minded focus on short-term performance.

The Principles provide a useful guide to investors for integrating ESG (environmental, social, governance) issues into investment decision-making. Applying the Principles may help to better align investors with the objectives and needs of society at large.

Computers Left on at Night Cost U.S. Businesses \$1.7 Billion

We waste a lot of energy while we sleep. Nearly half of all corporate PCs in the U.S. are not turned off at night, according to the recently released *PC Energy Awareness report*.

A mid-sized company that uses about 10,000 PCs, could save more than \$165,000 a year in electricity costs if its computers were shut down overnight. Collectively U.S. businesses could save over \$1.7 billion.



American businesses could eliminate 14.4 million tons of carbon dioxide emissions annually just by switching off computers during the night. The mid-sized employer (with 10,000 PCs) could keep more than 1,381 tons of CO₂ out of the atmosphere. That's the equivalent of taking 2.58 million passenger cars off the road—more cars than exist in the entire state of Maryland.

"Few problems match an impact so large with a solution so simple," said Sumir Karayi, Chief Executive Officer of 1E, a provider of power management software.

Source: www.greenercomputing.com



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Access related links and resources as well as more articles when you read our newsletter online. **Bold blue** text indicates additional material online.



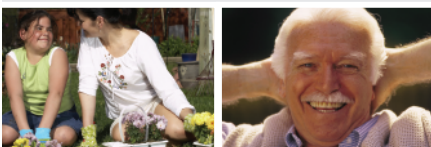
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Insurance Companies Commit to Climate Change Disclosure

There is a growing consensus that climate change will have material impacts on most companies. As the world's largest industry with core competencies in risk management, it's crucial that insurance companies disclose their exposure.

In contrast with their European counterparts, U.S. insurers have demonstrated little concern about this issue—until now. Two insurance companies, Prudential Financial and Hartford Financial Services Group, have agreed to disclose to shareholders the potential financial risks they face from climate change and strategies for mitigating those risks.

“As a responsible corporate citizen and as a major underwriter of risk, it's appropriate for The Hartford to address the issue of climate change rigorously and comprehensively,” said Neal Wolin, Hartford general counsel.

Sources: Calvert, *Wall Street Journal*

A Brighter Future

[Continued from Page 2](#)

world's most toxic pollutants. If a bulb is smashed at any point in its life-cycle, the mercury released can result in air or water contamination.

Mercury contamination in seafood is already a wide-spread problem, resulting in advisories to limit consumption of various types of fish. Because mercury interferes with the brain and nervous system, it is especially harmful to children and pregnant women.

Coal-fired power plants are the leading emitter of mercury in the U.S. New EPA regulations issued in 2005 require coal-fired power plants to reduce their mercury emissions by nearly 70% by 2018. With a massive switch to CFLs, the combination of lower energy demanded by CFLs and the required reduction in mercury emissions should reduce mercury pollution significantly nationwide in the next decade.

It's often legal for U.S. households to dispose of CFLs in the trash, however, it is not wise. Many hazardous wastes collection sites and recycling centers accept CFLs, as do services like LightBulbRecycling.com. and some bulbs can be returned to where they were purchased. As consumers increasingly make the switch to CFLs, improving free recycling options in the U.S. will be critical to reducing mercury contamination.

The best way to reduce green house gas and mercury emissions from coal-fired power plants is to increase our use of renewable energy, such as solar and wind. CFLs reduce overall energy consumption, which makes it possible to meet more of our energy demand with renewable sources.