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## Environmentally Responsible Investing

### A Greener Lifestyle, A Greener Portfolio

The signs are unmistakable: America is increasing its environmental awareness. And not a moment too soon. The global warming debate has shifted from whether it exists in the first place, to how fast the planet will heat up. The degradation of the world's forests, wild life habitat, oceans, fresh water, and clean air, are topics of continued coverage and increased relevance. This level of attention is a positive development. We have two choices: be overwhelmed by the environmental crisis, or rise to the occasion and improve our environment and thus the quality of life for us and generations to come. The latter is more inspiring and more in line with our character. It is also the road we will take.

### In Everything We Do, We Are Becoming Greener

What accelerated this change? The aftermath of Hurricane Katrina, the realization that oil dollars often flow to those that do not always have our best interests in mind, Al Gore's relentless campaign and movie "An Inconvenient Truth." Or perhaps, the cumulative effect of years of hard effort put in by environmental organizations to increase awareness and education. It is probably all

of these factors and others. What is most important is that the awareness has reached an unstoppable momentum. We are changing the way we live in and think about the environment. Hybrid cars, energy efficient appliances, alternative fuels, more efficient modes of transportation, eco tourism, wildlife sanctuaries, organic foods. These are the new realities of consumption. If you believe in being a greener consumer, why not be a greener investor. The good news: You *can* be. And you don't have to sacrifice return potential to become one.

To understand environmentally responsible investing, it is helpful to take a step back and discuss socially responsible investing, hereafter referred to as SRI. There has always been a demand in the investing community for investments that reflect the values of the investor in question. In its simplest form, SRI excludes certain investments from consideration, based on investor-defined criteria. Some investors may choose not to hold companies which derive their revenues from alcohol, tobacco, firearms, nuclear power, weapons systems, or whatever their value set dictates. In addition to the negative "exclusionary" screens, SRI may have positive criteria. What this means, is that the asset manager is looking for companies that have made a positive contribution in the field of corporate

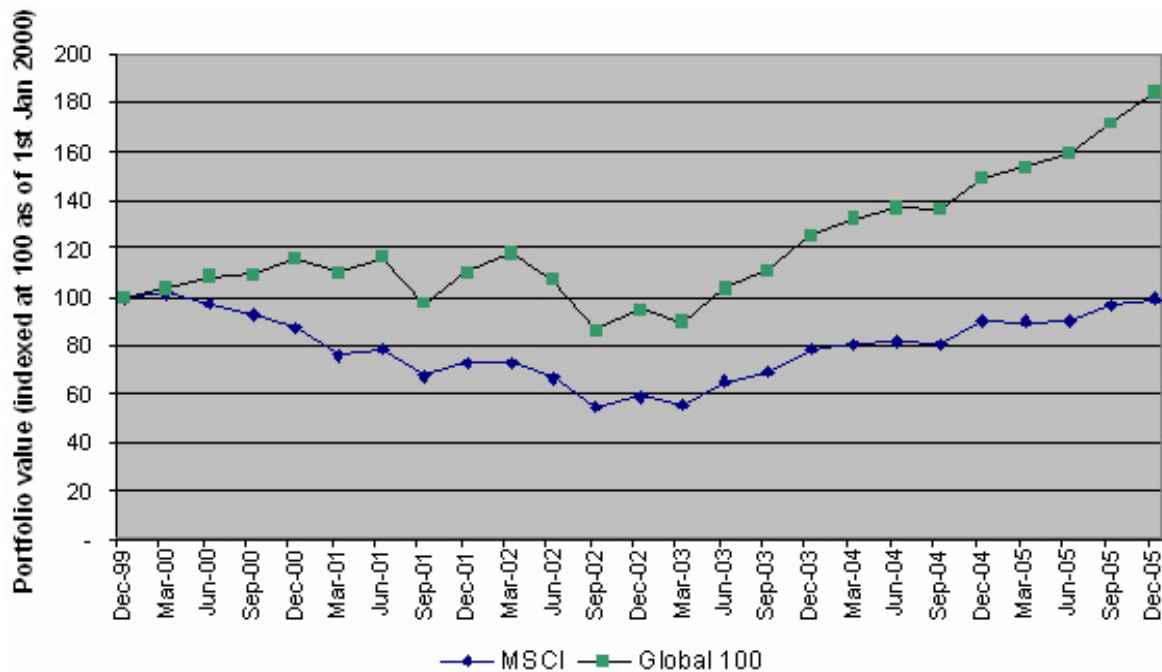
governance, fair trade, the environment, employment standards, community development, and other areas. As such, considering the environment when making investment decisions, can be viewed in the context of SRI. Often SRI managers look at environmental and social criteria combined.

Does one have to sacrifice return potential when engaged in socially (or environmentally) responsible investing? The answer is “no.”

### **There Is No Evidence to Suggest that SRI Underperforms the Broad (Unconstrained) Market**

In fact, there is some evidence to the contrary. For the past 3 years the Global

100 Most Sustainable Companies List, the G100, has been announced at the World Economic forum in Davos, Switzerland. The list is sponsored by Corporate Knights, a Canadian publication on corporate social responsibility. The research that underlies the list is conducted by Innovest Strategic Value Advisors. The sector weightings of the G100 closely match those of the MSCI World Index, a common benchmark for global equity portfolios. A hypothetical portfolio based on the G100, weighing each company equally, and rebalancing quarterly, outperformed the MSCI World Index by 80 percent cumulatively from January 2000 to December 2005.



Source: Corporate Knights Inc and Innovest Strategic Value Advisors Inc. Relative performance of the 2006 Global 100 companies back-tested against the MSCI World Index (2000-2005).

With regards to the U.S. equity markets, the Domini 400 Social Index, is the most widely accepted SRI benchmark. KLD Research & Analytics, Inc, a leader on social research and indexes for institutional investors, maintains the index. It is comprised of roughly 250 S&P companies, 100 non-S&P companies chosen for sector diversification and

market capitalization, and 50 additional companies with exemplary social and environmental records. As of 1/31/07, the Domini 400 Social Index has outperformed the S&P 500 Index on a 10-year basis and since its inception on May 1, 1990. Of course, past performance does not guarantee future results.

*KLD DS400 Index Performance Statistics*

<b>Performance As of 01/31/07</b>							
	January 2007	Three Month	One Year*	Three Year*	Five Year*	Ten Year*	Since 5/1/90 Inception*
DS400 Index	2.04%	6.30%	13.09%	8.75%	6.23%	8.14%	12.17%
S&P 500 Index	1.51%	6.70%	14.51%	10.32%	6.82%	7.93%	11.49%

\* Annualized Returns

Sources: Bloomberg, FactSet Research Systems and Standard & Poor's. The Domini 400 Social Index is a service mark of KLD Research & Analytics, Inc. The S&P 500 is a trademark of Standard and Poor's.

It is also important to understand that not all environmentally responsible companies are involved in creating products and services directly related to improving or protecting the environment.

**There Are Green Companies and Clean Companies**

Green companies address today's environmental issues. Examples include organic produce companies and alternative and renewable energy companies. Clean companies, on the other hand, are not necessarily in business to address an environmental demand. What sets them apart is the way in which they manage their impact on the en-

vironment, making them industry leaders with regards to creating a greener economy.

What are some examples of companies that have a strong environmental record, one might ask. An example in the green category is Whole Foods Markets. Whole Foods has been a leader in bringing organic produce to the American consumer. Although it recently lowered its 2007 sales growth guidance to a range of 13% to 17% from a range of 15% to 20%, it has put up three years of impressive double-digit sales growth and is positioned well to increase market share with its announced buyout of Wild Oats Markets.

Another example is Fuel Tech Inc, a technology company active in the air pollution control and specialty chemical businesses. The company recently announced it was awarded a three-year contract by an existing electric utility company in the Southeast; it's largest order ever.

Examples in the clean company group are Goldman Sachs and JPMorgan Chase. Both companies have taken an active approach in the nascent market for environmental investments, rather than a wait-and-see approach, thus demonstrating leadership. Goldman Sachs, for example, has acquired a 10% stake in Climate Exchange plc, the holding company of both the European and Chicago climate exchanges. Another company, Disney, has made it in the previously discussed G100, based on the fact that it increasingly incorporates social and environmental management strategies in its business model.

### **Can One Build a Diversified Portfolio with Green and Clean Companies?**

This is the good news: One can diversify within an asset class, for example, U.S. large cap, but also among asset classes. There are suitable investments in small cap, large cap, international, domestic, fixed income, value, growth, and blend. In terms of investment vehicles there are also choices: mutual funds, separately managed accounts, stocks, bonds, ADRs, ETFs. We can conclude therefore, that as we adopt greener lifestyles, we can also become greener investors. Our values are thus expressed not only by where we spend our money, but also by where we save our money.

### **JPS Global Investments – Firm Background**

JPS Global Investments is a San Diego-based investment advisor, focusing on environmentally responsible investing. It is our belief that one does not have to sacrifice return potential by adding environmental and social criteria to the investment process. As a long-term investor, we believe that over time companies that create and maintain environmentally sustainable businesses, will outperform those that have unsustainable business models. As such, our strategy has financial and social/ environmental rewards, which are both paramount to our clients' future.

JPS Global Investments' clients are its biggest asset. As such, the firm's goal is to invest its clients' assets in a manner that is consistent with their risk tolerance and return objective. Whether you are investing for retirement, college, or posterity, or for a corporation, endowment, or foundation, JPS Global Investments can help. The firm invests in mutual funds, ETFs, separately managed accounts, and individual securities, depending on the client's situation and criteria. Client-specific social and environmental concerns or values can also be addressed and incorporated in the portfolio composition process. To learn more, visit our website at: <http://www.jpSGlobalInvest.com>. You may also call us at (619) 269-0329 or send an email to [jschalk@jpsglobalinvest.com](mailto:jschalk@jpsglobalinvest.com). We look forward to serving you and making your portfolio green.

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