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Responsible Investing Requires Patience

Q. Last week you wrote about environmentally friendly investing. I've thought about it but never acted. Now I'm interested. How do I go about it?

A. There isn't a 'one size fits all' approach, so you start by thinking about your values and where they fit into Socially Responsible investing. Are you interested in the environment or do you lean toward human rights and other social issues? Would you avoid companies who derive revenue from tobacco, firearms or gambling?

After your investment preferences, you should think about your investing style. If you're a hands-off investor, you'll want a managed product. If you're an active investor, you'll be happier purchasing stocks outright.

For hands-off investors there are fund companies like Inhance Investment Management or Guardian Capital. Guardian offers a professionally managed portfolio of solid, blue chip investments. Their process is to screen for top quality companies and then overlay an ethical filter. Any company that fails the test is eliminated.

Vancouver-based Inhance Investment, also offering a blue chip portfolio, is focused entirely on socially responsible investing and is active in achieving their SRI mandate. All investments are inside the SRI realm with extensive due diligence done in-house. They file shareholder proposals addressing environmental, social, and governance issues.

Both Inhance and Guardian work hard to ensure their investments remain on track, taking a very pro-active stance by working closely with the management and boards of directors of companies to improve practices. There are other good funds, and your investment advisor can help you find those that reflect your values.

If you prefer to purchase stocks outright, you have many choices. On the blue-chip front, Johnson & Johnson is a leader. They've had environmental goals for more than 15 years and reset them every five years. They post their objectives and results on their website, stating: "A healthy planet and a healthy community go hand in hand."
As I mentioned in my last column, Wal-Mart is highly ranked. They've embarked on an ambitious green initiative, spending $500 million annually to meet their goals. They've found that being environmentally friendly significantly reduces costs and creates a more profitable business.

You also have options with small cap companies who are at the forefront of developing technologies and need investment capital. Junior companies can be quite volatile but they can also prove to be quite profitable. As a conservative advisor, I usually have my clients restrict junior companies to a small cap basket within their portfolios - 15% or so, depending on their timelines.

One very interesting junior company that I looked at recently is Naturally Advanced Technologies Inc. They market a line of environmentally friendly fibres and fabrics that are a much more sustainable option than traditional cotton. Their customers include such prominent names as Aveda, Greenpeace, Starbucks, Costco, and Whole Foods.

Socially Responsible Investing products and companies can have a very positive impact on your portfolio's performance but, just like any other investment decision, you must go through the thinking process.

Shifting to an SRI mandate doesn't have to happen overnight. Take your time, consider your options and choose wisely. Search for investments that are truly interested in improving the world, and avoid those that are just 'greenwashing' to jump onto the SRI bandwagon. As always, discuss your goals with a qualified professional to be sure they are a good fit for your portfolio.

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