



# Investment Services

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# Values are the new cutting edge – the x-factor that takes society to the next level

## - Professor David Jackman, Director of the London Financial Academy

Values are fast becoming *the* key differentiator – organic, fair trade, locally sourced, sustainable and so on. Whenever we make important decisions in our lives we act in accordance with deeply held values and beliefs, but when it comes to our money, we tend to become divorced from these same values. Yet money has power. How we use our money not only shapes our future, but that of the wider world. It can destroy lives and livelihoods, or it can change society for the better.

Two investors in three (65%) are interested in having their money invested in a socially responsible way, and the same proportion want Independent Financial Advisers to start taking the initiative and ask all investors whether they want to invest ethically, rather than waiting for people to specifically request it<sup>1</sup> Yet socially screened funds constitute less than 1% of the total retail investment market in the UK<sup>2</sup>. This indicates that there is a large unmet market which is not being adequately served.

Ethical Money has over 17 years experience in this area and is particularly well placed to address this demand gap by helping investors, their advisers and asset managers to incorporate extra-financial values in to investment management. Through our extra-financial research, communication and social investment services, we can help you to develop new and innovative investment management services.

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1 Mori Survey for Friends Provident, June 2004

2 Data derived from Trustnet Jan 2006

Not everything that can be counted  
counts, and not everything that counts  
can be counted

- Albert Einstein



# Extra-financial Research

Ethical Money's research services enable asset managers and investors to incorporate extra-financial values in to their investment portfolios. Our services are based on many years of practical experience and are designed to be simple, cost-effective and built around the investment process. The services focus more on *what* companies do, and rather less on *how* they do it, as we believe that this often has the more profound social and environmental impact. In practice this means that we provide the following:

- Exclusion screen based on avoidance criteria
- Identification of best social and environmental practice within industry sectors
- Stock listings for solutions-based companies
- Notification of 'alternative' investment opportunities
- Ethical profiles of companies.

Our approach is highly distinctive since it not only considers ethical criteria, but also gauges the investor's attitudes toward specific industries. Our experience (and that of the fund managers with whom we currently work) is that this approach more accurately describes an investor's attitude toward individual investments. After all what use is a negative screen if all it does is to result in a portfolio which is dominated by companies which meet the screen, but have little else to recommend them from an ethical perspective? Instead, we can identify companies which are providing solutions to social and environmental challenges in addition to excluding ethically unacceptable companies.

We research companies on a global basis, so that an investor can make the most of opportunities throughout the world.

# Interpreting Values

In our experience, many investors want a portfolio that more closely reflects their aspirations – both financial and non-financial - and the first step in meeting those demands is to draw out exactly how an investor wants to manage the inevitable compromises involved in reconciling financial and ethical objectives. This often involves a process of education which our Values questionnaire aims to facilitate by prioritising potentially conflicting values and defining the investor's precise preferences. Specifically, it includes the following:

- Relative importance of social and environmental criteria in investment planning
- Ethical avoidance criteria
- Attitude toward specific industries
- Importance of socially directed investments

Of special note is the section which allows the investor to express what proportion of their portfolio they might wish to invest in companies that are providing solutions to social and environmental challenges, whilst making transparent the level of investment risk . We then supply the fund manager with details of such solutions-based companies, ordered by sector, so that the investor's wishes can be met in full. Importantly, this allows the fund manager to properly reflect the investor's values as well as their financial profile.

However, assessing an investor's criteria is the easy bit! Interpreting the results and designing an investment portfolio that meets the criteria requires an understanding of the issues and good knowledge of the available investment opportunities. This is the key strength of Ethical Money. With over 17 years experience in the field, we are able to guide managers and investors through the process, enabling managers to establish an empathy with the client on the issues that matter most to them.

'Transformational investing' – investing to transform communities.



Ethical investment is much more than avoiding 'sin stocks'. Recent funds like Africa Invest seek to change peoples' lives and neighbourhoods in a quite radical way. As well as projecting financial returns of 30-40% per annum, this fund seeks to benefit over 250,000 poor people in Malawi, whilst supporting over 5000 vulnerable people through its feeding programmes.

# Reporting

A key part of our service is the level of information which we can provide to investors, their advisers and fund managers. We believe that transparency is at the heart of values-based investing and we therefore provide a wealth of information so that the investor understands the nature of their investments. This includes:

- Stock profiles
- Ethical categorisation of portfolio
- Ethical reports to accompany financial valuations
- Research bulletins
- Newsletters

Stock profiles inform the investor what a company does and highlight any pertinent social or environmental characteristics of the stock. These profiles can be provided when a new portfolio is being drafted, or else to accompany portfolio valuations.

We can also screen existing portfolios and provide ethical commentaries on these holdings, so that investors and their fund managers can assess the ethical suitability of current investments.

# Ethical Money Classification

Each stock can also be classified according to our own ethical classification system, so that it is clear what ethical function each stock fulfills, and this also introduces the same rigour to reporting on extra financial values that one would normally associate with financial reporting.

*Acceptable* – companies that meet the exclusion criteria but whose products or services are not of direct social or environmental benefit, and which might be considered as no more than ‘ethically neutral’

*Best of sector* – companies that demonstrate environmental or social leadership in their industry, but whose products or services are of no direct social or environmental benefit

*Standard setter* – companies that could be considered to be the very best amongst ‘best of class’ companies. These companies raise social or environmental standards through innovative

*Solutions based* – companies whose products or services are of direct social or environmental benefit.

*Socially directed* – companies which fulfil a particularly important social or environmental function, and where the risk/reward ratio may be unattractive were it not for the social return.

Don't judge each day by the harvest you reap, but by the seeds you plant.

- Robert Louis Stevenson

Many investors recognise the potential for using their money to benefit others. This was traditionally achieved through philanthropic giving, but there are now many other forms of investment that promise a high social impact, some of which also offer competitive financial returns.

Ethical Money is at the forefront of developing new and innovative investment funds which both project attractive financial returns and make a high social or environmental impact. Funds which we have helped to develop or promote include:

- Multi-asset Ethical Fund
- Green Solutions Fund
- Green Aim Portfolio
- Sustainable Forestry Fund
- Africa Agriculture Fund
- Micro-credit fund
- Sustainable Property Fund



We are also working with partners to develop and market other investments that confer high social or environmental benefits or which complement the existing range of products. Please contact us if you have a proposal for a fund and think that we might be able to help.

# About Us

## The Company



Ethical Money was formed to help investors, financial advisers and fund managers to adopt a values-led approach to investment where an investor's social and environmental values are truly reflected in their portfolio.

We aim to 'walk the talk' and to run our company in line with our principles – to deliver a triple bottom line return and to deliver both a personal and professional service. Our commitment is borne out by being one of the first companies to be awarded the prestigious Ethics Mark.

The company is based in the English Lake District, the birth place of much social innovation such as the National Trust, the NHS and now the Ethics Foundation. However, we recognise the importance of face-to-face contact and are happy to arrange meetings throughout the UK.

## John Fleetwood, Managing Director of Ethical Money

John Fleetwood founded Ethical Money and has been advising on ethical investments since 1991. He also jointly developed Ethical Analyst, the ethical analysis software for financial advisers, and helped to found the Ethical Investment Association, the industry body for ethical financial advisers.

A graduate of Edinburgh University, John is passionate about issues of social and environmental sustainability. He is a former council member of the World Development Movement and Shared Interest, and is a founder of the Ethics Foundation. John is also the author of a book on Christian financial planning.



Do not squander time, for that is the stuff that  
life is made of

-Benjamin Franklin 1706 – 1790

For further information please visit: [www.3dinvesting.com](http://www.3dinvesting.com)

Postal Address:

Ethical Money  
Garnett Bridge  
Kendal  
Cumbria  
LA8 9AZ

Telephone: 0845 641 0674

Facsimile: 0870 432 4599

Email: [info@3dinvesting.com](mailto:info@3dinvesting.com)

Web: [www.3dinvesting.com](http://www.3dinvesting.com)

Ethical Money Limited provides independent values-based research for individual and corporate investors and their advisers. Ethical Money is NOT authorised to provide financial advice or to manage investments and investors are strongly advised to seek independent financial advice before making an investment.

