

Socially Responsible Mutual Funds that are Divested from Fossil Fuel Extraction Companies

Divesting from companies that extract fossil fuels, coal, petroleum, and natural gas, will increase world-wide awareness of climate change. Divesting from companies involved in South Africa raised global awareness of apartheid, helping to end that discriminatory practice. The organization, 350.org, promotes awareness of climate change, and is leading a movement for world-wide divestment from fossil fuels. Religious bodies are responding to the call for ethical action through divestment. Can divestment be done wisely and ethically?

Mutual funds protect smaller investors by employing fund managers to select a portfolio of stocks and/or bonds. This strategy protects people from the normal human feelings of desire and anxiety that can cloud financial decisions. Religious bodies may use mutual funds to avoid time consuming deliberations over investment choices. Performance among mutual funds varies widely, and several factors may change each fund's returns to investors.

Each socially responsible mutual fund selects a portfolio of stocks and bonds to meet various ethical and financial goals. Socially responsible investments ethically screen what they purchase. They may screen for Environmental impact, Social Justice/responsibility, and good Corporate Governance, known as **ESG**. Each fund or family of funds may have different ESG criteria. Some, but not all, green-environmental mutual funds exclude companies that extract fossil fuels.

The number of fossil fuel free mutual funds has grown. During most of 2013, there were three known mutual funds that pledged specifically to have no investments in fossil fuel extraction companies. In 2015, 350.org identified fourteen such mutual funds. Some other funds have green-environmental objectives, but are not fossil free or do not meet other ethical screens that religious bodies may consider, such as weapons production. Higher "Total assets" comes from increases in both the number of shares purchased, and the value of each share. Increase in value of investment is shown in the per cent each fund increases over years. Ratings and risks below are from Morningstar, an independent rating company. 5 stars***** =highest

1. Name: **Pax World Growth (PXWGX)**

Inception Date: 6/1997 Total Assets: \$209 Million (was \$182 M July 2014)

Date Fund became Divested from fossil fuels: 4/1/2014

Morningstar Overall Rating: **

Historical Risk: Avg Historical Return: Below Avg. Over 5 years \$10,000 grew to \$20,000. The Benchmark (comparison) Standard and Poor's grew \$1,000 more over the same period.

One year Return: 12.7% Five year Return: 13.5% Ten year return: 7.2%

Focus: Large Cap stocks. No energy sector holdings; all holdings screened for ESG; no weapons, or military

2. Name: **Pax World Global Environmental Markets (PGRNX)**

Inception Date: 3/2008 Total Assets: \$220 Million (was \$188 M July 2014)

Date Fund became Divested from fossil fuels: 3/2008

Morningstar Overall Rating:***

Historical Risk: Above Avg Historical Return: Avg

One year Return: -2.8%(a loss) Five year Return: 9.4%

Focus: environmentally sustainable business and technology world wide; all holdings screened for ESG; no weapons or military.

3. Name: **Parnassus Endeavor** (formerly titled Parnassus Workplace) (**PARWX**)

Inception Date: 4/2005 Total Assets: \$939 Million (was \$551 M July 2014)

Date Fund became Divested from fossil fuels: 5/1/2014

Morningstar Overall Rating: ****

Historical Risk: Avg Historical Return: Above Avg

One year Return: 18.7% Five year Return: 15.9%

Focus: Highest priority is large cap companies with outstanding workplaces; no weapons, or military; goal to lead in environmental, social and governance issues. This fund performed best of all the family of Parnassus funds in 2014, and surpassed its benchmark comparisons at three, five, and ten years.

4. Name: **Shelton Green Alpha (NEXTX)**

Inception Date: 3/2013 Total Assets: \$25 Million (was \$20 M July 2014)

Date Fund became Divested from fossil fuels: Always fossil free

Morningstar Overall Rating: unavailable (new fund)

One year Return in 2014: -1.48% (loss); 2013: 37%; Return since inception: 23.5%

Focus: invests in green economy; over 80% US mid cap stocks; socially responsible, but no guarantee about social justice, corporate governance or government holdings **Difference in 2013 and 2014 performance may be example of volatility that occurs when fewer economic sectors are included.**

5. Name: **Green Century Balanced (GCBLX)**

Inception Date:3/1992 Total Assets: \$147 Million (was \$122 M July 2014)

Date Fund became Divested from fossil fuels: no record of fossil fuel extraction history

Morningstar Overall Rating:****

Historical Risk:Below Below Avg Historical Return: Above Avg

One year Return: 9.3% Five year Return:10.3% Ten year return: 6.2%

Focus: Generally invests in 25% bonds, theoretically making it less volatile and lower returns, and no more than 75% stocks large cap. Affirmatively nvironmental; military, and weapons excluded; responsible and sustainable. ESG

6. Name: **Green Century Equity (GCEQX)**

Inception Date: 9.1995 Total Assets: \$126 Million (was \$95 M July 2014)

Date Fund became Divested from fossil fuels: 4/1/2014

Morningstar Overall Rating: ***

Historical Risk: Below Avg Historical Return: Below Average

One year Return: 12.2% Five year Return: 12.8% Ten year return: 7.1%

Focus: socially responsible ;environmentally sustainable; no weapons or military; ESG criteria

7. Name: **Green Quaker Fund**

Inception Date & date divested: 1/2014 Total Assets: \$12.4 Million (was \$5 Million 1-2014)

Inception Date & date became divested from fossil fuels: 12/2013

Morningstar Ratings: unavailable- not publicly traded; Annual returns approximately like a blended benchmark. Friends Fiduciary recommends 3.5% annual distribution to maintain principle and keep pace with inflation. Available only to Quaker organizations.

Focus: Balanced-blend of stocks and bonds; "unifying belief - peace testimony; specifically designed for Friends' Meetings; for holding investments 5 years or more; fit to Quaker values; includes cleantech.; Info@FriendsFiduciary.org

8. Name: **Portfolio 21 Global Equity R(PORTX)**

Inception: 1999 Total assets: \$474 million

Date fund became divested from fossil fuels: ?;listed by Bloomberg financials as divested fund)

Morningstar overall rating: ***

Historical Risk: Below Avg Historical Return: Avg

One year return: -.5% (loss) Five year return: 7.5% Ten year return: 6.3%

Focus: large cap growth, world-wide stocks

Additional Information:

Calvert Green Bond Fund (CGAFX)

Inception Date: 10-31-13 Total Assets: 20.7 Million

Date Fund became Divested from fossil fuels: none. Calvert Funds specifically choose to retain positions in fossil fuel corporations to attempt shareholder advocacy;

Focus: intermediate term bonds to protect against stocks volatility; no weapons, but significant US government bond position; ESG screens.

Several other families of socially responsible mutual funds have social screens but no funds which exclude fossil fuel extraction companies. Examples: Appleseed, Domini

The information above is not financial advice or a recommendation of any fund. The funds listed are a sampling, rather than a complete list, and a fund's being included does not imply endorsement. Periodically checking any mutual fund's longer term performance is suggested. Information is based on internet survey, telephone conversations with professionals at listed funds, and materials available on line from Charles Schwab Investments.

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