

## Newsletter Winter/Spring 2008

### Introduction

Our 18<sup>th</sup> year has now drawn to a close and thanks to your support it has been our best year ever. We have invested more money ethically than before, have advised more clients and have increased our profit distribution again.

On the ethical front, we have seen one of the best years for the launch of socially responsible investment funds, including the increased number of so-called 'climate change funds'.

With your continued support, we hope 2008 will be another record-breaking year for Ethical Investors, the ethical investment market and the amount that we can donate to good causes.

Best wishes,



Lee Coates, ACII, MSFA  
Director

### New Image and New Website

We have been using the same logo and style for over ten years, so in anticipation of our 20<sup>th</sup> anniversary in 2009, we decided to update our logo and web site. The process is one of evolution, rather than revolution; more modern to reflect the fact that socially responsible investment has moved from the fringes of finance to now being nearly accepted as mainstream.

The first step in the process was to adopt the trading name that everyone uses, namely *Ethical Investors*. When clients refer to us, and when we answer the telephone, we have used *Ethical Investors* rather than *Ethical Investors Group* for many years, so all we have done is drop the word 'Group' from our trading name.

The next step was to look at the logo for *Ethical Investors*. We continue to carry the themes of environment, social responsibility and money in our logo, but

in a more contemporary form. We do hope you like the new style and would be delighted to hear your comments.

As for the web site, this has been updated with our new logo and has had an overhaul in functionality. We are now able to update the site very easily ourselves, so will be carrying more up to date news content which we hope clients will find useful. With the increase in the number of ethical and environmental funds being launched, we also have the ability to update the Ethical Funds Directory as soon as we have reviewed a new fund and to give it a rating.

### 2007 Profit Distribution

For the year to 30 September 2007, our total profit distribution amounted to £30,018.70. This represents an 11% increase on the 2006 distribution. As you may know, in 2006 we funded a single large scale project in India.

For 2007, we reverted to our normal process of splitting the client votes between separate human, environmental and animal focused projects and organisations. A full list of projects and groups supported is available from our Head Office or can be found on our web site.

As far as we know, we remain the only financial advisers in the UK that commit to donate such a high proportion of our own income to charities and good causes each year. Of course, without your support as clients we'd have no profit distribution at all, so a big thank you goes out to you all. We know you are free to choose any financial adviser to look after you and are grateful that you continue to choose Ethical Investors.

### **Carbon Offset Mortgages**

Carbon offset? We realise that many people are either sceptical or even opposed to the concept of carbon offsetting. Perhaps in areas such as flights or car travel, the answer is to travel less rather than travel the same and then offset, but what happens when it comes to your home?

Unless you live in one of the Government's new Zero emission homes (!), then your house will have a carbon footprint. One can't just decide not to use one's house or live with no energy use. Yes, we can all do a significant number of things to reduce the carbon footprint of the house, but it won't reduce to zero.

With a strong desire to be seen to be taking a lead in reducing all our carbon footprints, we have developed a new and completely unique service for clients – the *Carbon Offset Mortgage service*.

If you use Ethical Investors to arrange your new mortgage, or a remortgage, we will look for the very best mortgage that meets your financial needs as well as one that meets your ethical views. The Carbon Offset Mortgage takes the mortgage service one stage further; we will pay to offset the carbon footprint of your property for the first two years of the mortgage.

We have developed a special carbon offsetting service, which we believe meets high ethical criteria alongside the offsetting process. Via our on-

line partner Noveris ([www.noveris.co.uk](http://www.noveris.co.uk)), the carbon offsetting monies are used to invest directly into sustainable teak production in Western Brazil. The company operating the plantations is one known to Ethical Investors as we have been investing in it for a number of years – Quadris ([www.quadris.co.uk](http://www.quadris.co.uk)). We are a keen supporter of Quadris because it provides an excellent balance of social, ethical and environmental issues.

If you would like to know more about the new service, please call our Head Office or visit [www.carbon-offsetmortgage.co.uk](http://www.carbon-offsetmortgage.co.uk)

### **ISA changes**

With effect from 6 April 2008 the Government is planning to make changes to the current ISA regime. A summary of these changes is given below:

- The overall ISA limit will be increased to £7200 per person, per tax year.
- The maximum Mini Cash ISA limit rises from £3000 to £3600.
- All existing PEP and TESSA Only ISAs will be automatically re-designated as ISAs (Stocks & Shares and Cash respectively).
- The Mini and Maxi distinction will go.

Instead, you will simply have a Cash or Stocks & Shares ISA.

- If you feel the amount you have in Cash ISAs is too high, you can transfer some of the money directly into a Stocks & Shares ISA. This doesn't apply in the other direction.

Note – if you haven't used your ISA allowance for the 2007/08 tax year, you should open a Mini Cash ISA at the very least before 6/4/2008. If you are interested in an ethical Stocks and Shares ISA, please contact your Ethical Investors consultant as soon as possible.

## Investing in Africa

We all know the long history of providing charitable support for many African countries, but ethical investment opportunities have been very limited up to now.

Ethical Investors is very keen, and proud, to be able to offer clients the opportunity to make an investment in Africa, that will make a real difference to the lives of thousands of people, and hopefully generate profitable and ethical returns for investors.

The *Africa Invest* fund from Cru Investment Management is aiming to raise £30M during the initial launch period

to invest in farming projects in Malawi. The money will create large farms, use local labour to develop micro-economy, profit sharing, include a food programme and support for Aids orphans.

Remember, this is not a charity, it is an investment fund. The plan will be structured to offer a 'capital protected' element, thus reducing overall investment risk. The produce is high value crops that will be sold to generate local cash, which can be reinvested in the farms and the local community.

At Ethical Investors, we have selected the Africa Invest Fund as our ISA of choice in the run up to the end of the 2007/08 tax year and the start of the 2008/09 year. The opportunity to invest in a fund aimed at improving the lives of people permanently, rather than short-term charitable giving, has to be worthy of support.

## Contracting out - get in

We are regularly asked by employed clients about whether they should be Contracted Out or Contract In to the State Second

Pension (S2P), formerly known as SERPS.

Whilst it was once possible to be able to make an assessment of the pros and cons for each client, the Government has now made this virtually impossible. In recent years they have taken away the financial incentives to Contract Out (whilst at the same time encouraging people to still Contract Out; hello, is anyone in Whitehall actually thinking this through in a joined up way?), they also announced an end to the earnings related element in 15 years and followed this by confirming that a flat rate would now come in under 5 years (not 15). Is there an element of panic setting in over the problems associated with an ageing population and the lack of resources to pay the guaranteed pensions to people?

It is now just impossible for firms such as Ethical Investors to advise on the merits of being in or out of S2P.

Therefore, the only advice we can offer is that if you have ANY doubts yourself about which way to go, the most sensible thing to do is to contract back in. There isn't anything else we can constructively add.

As long as the Government does not renege on its promises and guarantees, then contracting back in makes sense, given the move to a flat rate system and the removal of the financial incentives that were originally set out when Contracting Out was first offered back in 1988.

### Email Group

With the launch of our new web site we have also built in a facility to provide an automatic news service to clients that have pre-registered. Each time we update part of the web site, add a news item or change the ISA rates, for example, we will be able to notify clients by email.

In addition, we will also be able to provide quick updates, via email, concerning stock market conditions and other immediate issues that may not always warrant a full news item on the web site.

If you would like to register for this free service, please email us at this specific address:

[news@ethicalinvestors.com](mailto:news@ethicalinvestors.com)

### Free Charity service

As many of our clients know, Ethical Investors has a sister company – *Ethical Screening*. This company undertakes research into the social, ethical and environmental impacts of the largest UK and International companies. This research enables Ethical Investors to check that the ethical funds are applying their criteria correctly and are not making investments that are in breach of the published criteria. No other financial adviser in the UK is able to provide this service to clients.

The main users of the Ethical Screening research are private individuals who wish to buy shares directly, ethical fund managers and charities. It is for the latter group that Ethical Screening has developed a unique and, importantly, free service.

The *Charities Ethical Investment Database* provides help and assistance to charities that wish to invest their capital reserves and pension assets ethically. If you, or someone you know, is involved with a charity or Faith group, please make use of this free service. The more

charities that use it the more likely it is that it will remain a free resource. For further details, please visit [www.ethicalscreening.com](http://www.ethicalscreening.com)

### Ethical Investment Week

We already have Fair Trade and Veggie weeks, but 2008 sees the launch of *Ethical Investment Week*. From 18-24 May there will be a national campaign to encourage everyone to consider socially responsible options for their investments.

Ethical Investors' Director has been asked to sit on the advisory panel for EI Week to provide information on the needs of individual investors. Look out for publicity nearer the time and encourage everyone you know to consider how their money is invested.

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