

FOR IMMEDIATE RELEASE

**Socially Responsible Hypocrisy:
Initiative Advocates Transparency and Authenticity for SRI Mutual Funds**

Belchertown, Massachusetts, March 18, 2008 – Pennyfarthing Investment Management, L.L.C., an independent investment adviser and newsletter publisher, today announced that it has launched a critical examination of the socially responsible investment (SRI) mutual fund industry, as a collaborative effort. A diversity of perspectives, opinions and further analysis are welcome to be posted at <http://www.srigreen.com>. For too long, the portfolio management of SRI mutual funds has not agreed with their marketing. “If the SRI industry were a corporation, it wouldn't qualify in a rigorously screened portfolio,” stated the environmentalist Paul Hawken who authored a critical report *Socially Responsible Investing*, published by the Natural Capital Institute in 2004. “The SRI industry needs to change. While SRI investors call for corporate transparency, the industry is closed, proprietary and secret.”

The issue of integrity continues to require investigation and analysis. If SRI mutual funds are to realize their full promise and potential, these funds should be examined in order to determine that they live up to the trust that their investors put in them. Their prospectus documents, to say nothing of their advertising, circulate within the public arena to inspire individual and institutional investors alike to invest according to their values – a wonderful articulation of hope for the future.

And of course, investors expect such stated values to be reflected within the SRI mutual funds themselves by their fund managers' good works in screening, shareholder advocacy and community investment. If not, it is a trust both public and private that will have been broken. At the very least, SRI fund managers should be held to the same standards as they set for others.

Why are the Pax World funds and the Winslow Green Solutions fund invested in AECOM Technology, an engineering and defense contractor? Subsidiaries of AECOM Technology manage the U.S. Army's Fort Polk, including its live-fire target ranges, and operate logistics, training and repair depots for the U.S. military in Iraq, Kuwait and Afghanistan, with more than 6,000 employees working for its CSA subsidiary in Kuwait alone. They are defense contractors repairing and maintaining everything from machine guns to computers to communications equipment to tanks, among other tasks.

“Employees at all levels have dedicated themselves to a wide range of assignments, from maintaining tactical equipment such as tanks, to supporting information systems, to conducting force-on-force and live-fire exercise and training programs, to providing security, environmental services, rations, uniforms and even barbed wire, as well as organizing recreational programs and special events for soldiers.” And, yes, the AECOM-CSA depot is the shipping point for ammunition into Iraq.

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Of course, Pax World likes to say that Pax means peace and, in their prospectus, they say that they avoid investing in companies “significantly involved in the manufacture of weapons or weapons-related products.” They state, “our Funds seek to promote peace, reconciliation and international understanding,” and have self-prohibited even from investing in U.S. Treasury bonds.

Why are the top ten holdings of socially responsible mutual funds little different from those of traditional funds? The Holden & Partners report, released last month, determined via a comprehensive fund survey of so-called green funds that “very few funds have companies which are directly tackling climate change in their top ten holdings.” The portfolios of most green funds, they conclude, are dominated by investments in large, multinational corporations.

In the case of the Citizens Balanced and Value funds, with Sophia Collier as the portfolio manager, mega-cap and large multinational stocks have also come to represent the overwhelming majority of the funds’ investments. Oil drilling and petroleum stocks are the first, second and third largest investments of both funds. Additionally, the fund has an investment in the defense and nuclear contractor URS despite a prospectus that eliminates a stock “from investment consideration if they...produce power from nuclear power plants or are primary suppliers for the industry” or “have material interests in the manufacture of weapons or weapons-specific components.”

According to a URS annual report, “contracts with the DOD and other defense-related clients represented approximately 33% of our total revenues for the year ended December 28, 2007.” The EG&G division of URS “provides systems engineering and technical assistance for the development of weapons systems” including the U.S. Navy's Virginia Class Fast Attack Nuclear Submarine Systems, international Rolling Airframe Missile project, Navy Standard missile, Theater Warfare Systems and Marine Corps Expeditionary Fighting Vehicle.

The recently acquired Washington Group International division of URS has a long track record within the nuclear industry and currently has contracts in progress that include construction management services for the National Enrichment Facility in New Mexico, the first commercial nuclear facility to be built in the United States in 30 years.

At least for the Citizens funds, any deviations from ethical standards are legally permitted by prospectus “at any time without shareholder approval,” a fact that should be mentioned more clearly to shareholders.

Why are SRI mutual funds charging a high level of fees and expenses contrary to the best interests of their shareholders? A *Consumer Reports Money Adviser* study calculated that the average SRI mutual fund charges a high 1.66% in annual fees. Many collect much more, even without considering any sales commission or “load” that might be charged to investors (subtracting as much as 4.75% of their initial dollars invested).

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One example of an SRI mutual fund with exactly these levels of fees and charges is the Calvert Capital Accumulation A fund, its lofty level of fees contributing to its lowly 2.75% ten-year annualized return.

Since profit margins in the investment management industry are already wide and salaries high, one might expect SRI fund managers to set a more reasonable cost of entry for their shareholders, for the benefit of a sustainable world. When serving the investment performance needs of shareholders who desire a more responsible approach, it is SRI fund managers themselves who should be acting more responsibly.

And as far as the salaries of top SRI fund managers, that information remains secret even though their own shareholder activism policies favor public disclosure of any compensation paid to corporate executives of the companies in which the funds themselves invest.

Greater levels of transparency and authenticity are required if the SRI mutual fund industry is to claim legitimacy. Fund shareholders should have access to the criteria, both positive and negative, that input into a fund's environmental and social screening.

As far as authenticity, if the fund manager makes a verbal or written claim to being environmental, green, anti-nuclear or pacifist, it should be able to substantiate these claims in a manner credible to its investors.

Otherwise, fund shareholders may find empty promises unacceptable, thereby inhibiting the growth of responsible investing and jeopardizing prospects for ethical investing to be a real catalyst for change.

About Pennyfarthing Investment Management, L.L.C.

Pennyfarthing Investment Management, L.L.C. is an independent investment adviser specializing in portfolio management and consulting services within the context of environmental and social responsibility. In addition, it publishes the investment newsletter *The Derailleur* whose purpose is to call attention to the substantial merits of ethical investing and advise sound investment practices.

Contact:

Eric W. Bright, CFA
editor@pennyfarthinginvestment.com
413.303.0392

Sources:

Source documents are electronically available to journalists upon request.

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