

# Investing for Sustainability:

*Reducing Future Risk,*

*Pursuing Positive*

*Human Impact + Profit*

SET: Stock Exchange of Thailand

July 31, 2014

# HIP Investor Is a Globally Recognized Expert in Investing for Human Impact + Profit

**Inc.** | 800ceoread

**Top 20 Business  
Book Bestseller List**

**21 University and  
MBA Curricula**

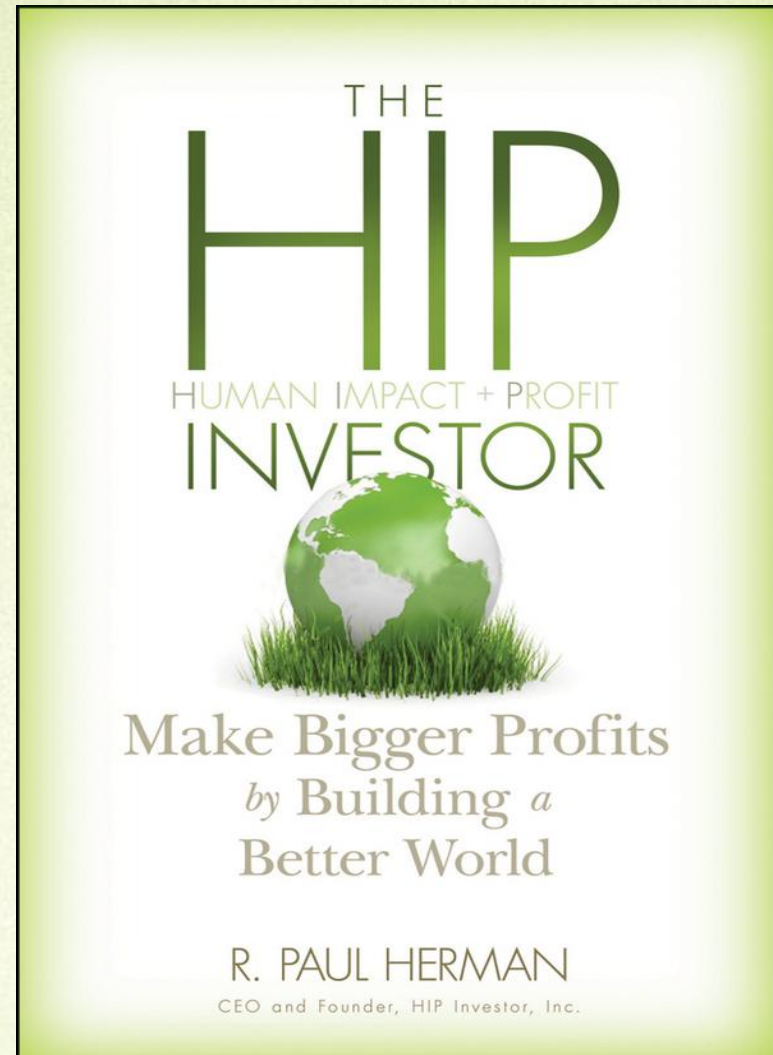
**Global Libraries  
on 5 Continents**

***Published 2010  
(John Wiley & Sons)***

*\*Amazon.com*

*\*BetterWorldBooks*

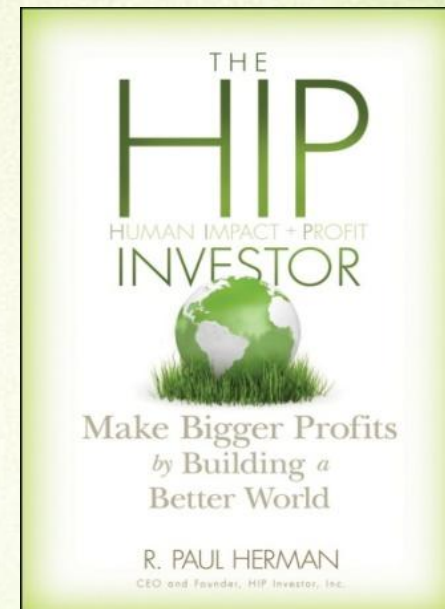
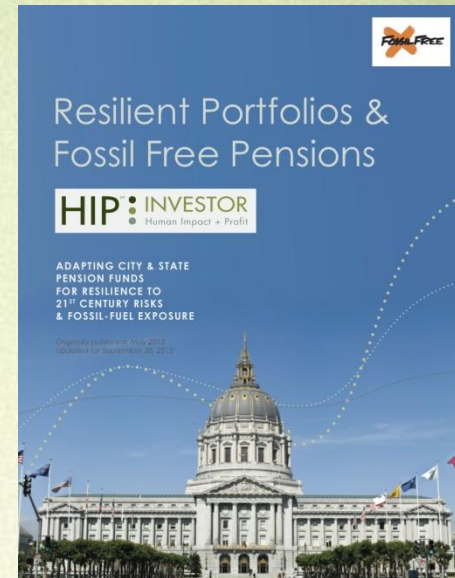
*\*Wiley.com*





# HIP Investor Serves Investors, Advisors & Fund Managers

1. **RATINGS** on 7000+ investments + funds:  
Research, analyze & score  
4500 Corporate equities (**80%** of global value),  
Corporate bonds (\$24 Trillion),  
2500+ muni bonds (half of \$3.7 Trillion),  
treasuries & agency bonds on  
**Future Risk & Upside Potential**
2. **SUBADVISE:** **Investors, Advisors, & Fund Managers** seeking to be more HIP
3. **ADVISE:** License HIP investment **indexes** and manage **portfolios** (incl'g **FOSSIL-FREE**)





## *Disclosure and Disclaimers*

**HIP Investor Ratings LLC is a California limited liability company, providing 7000 ratings for investors, advisers, fund managers, indexes, and retirement plans.**

**Shilpa Andalkar and R. Paul Herman are registered representatives of HIP Investor Inc., an investment adviser registered in the States of California, Washington, and Illinois, with clients across the USA.**

**This is not an offer of securities. All investing has risks.**

**Past results are not indicative of future performance.**



# Disclosure and Disclaimers

**R. Paul Herman is CEO and a registered representative of HIP Investor Inc., an investment adviser registered in the States of CA, WA and IL.**

The HIP Portfolio results represent the results of actual trading since inception by means of the application of a model, assuming a \$100,000 beginning portfolio. Client results may differ depending on the size of account, timing of trading and reinvestment of dividends. There are inherent limitations of showing composite portfolio performance based on model results. Unlike actual client-performance records (which can vary by client), model results cannot accurately reflect the effect of material economic or market factors on the price of the securities, and therefore, results may be over or under-stated due to the impact of these factors. Since model results do not represent actual client-specific trading and may not accurately reflect the impact of material economic and market factors, it is unknown what effect these factors might have had on HIP's decision making if HIP Investor were actually reporting client portfolios. During the period for which model results are shown, securities of U.S. companies have generally been rising, and the model returns are partly a function of this market environment. If this environment were to change materially, the model results portrayed by HIP would, in all likelihood, reflect results different from those portrayed.

The HIP 100 Portfolio and the S&P 100 indexed portfolio are actual net-of-fees results since inception of the model on 7/30/2009, including reinvested dividends and stock splits, and each deducts fees and trading costs quarterly based on a \$100,000 beginning balance at the inception date, as a client would have paid to HIP on a quarterly basis in advance for advisory fees and brokerage costs. During the period for which model results are shown, HIP has maintained the same investment strategies and advisory services as those that HIP offers to clients. There is potential for loss as well as for profits. It should not be assumed that the recommendations made in the future will be profitable or will equal the performance of the securities in the portfolio. The S&P index is shown as a general market indicator and is not available for direct investment. Tax consequences have not been considered. Investments are managed by HIP Investor Inc as the investment adviser via separately managed accounts at FOLIO or at Charles Schwab Institutional.

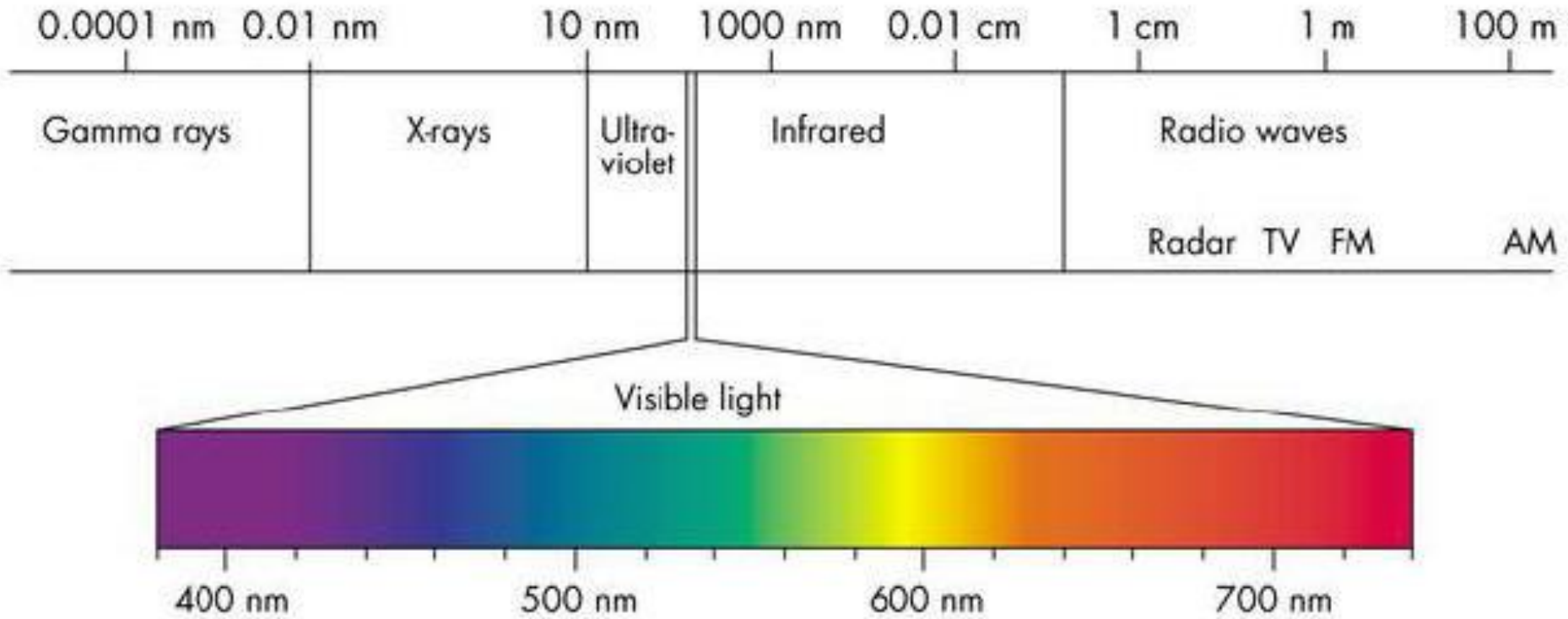
**This is not an offer of securities.**

**Past results are not indicative of future performance.**





# ***VISIBLE -vs- INVISIBLE***





# Knowable

# But

# Ignored







# FUTURE

# RISK





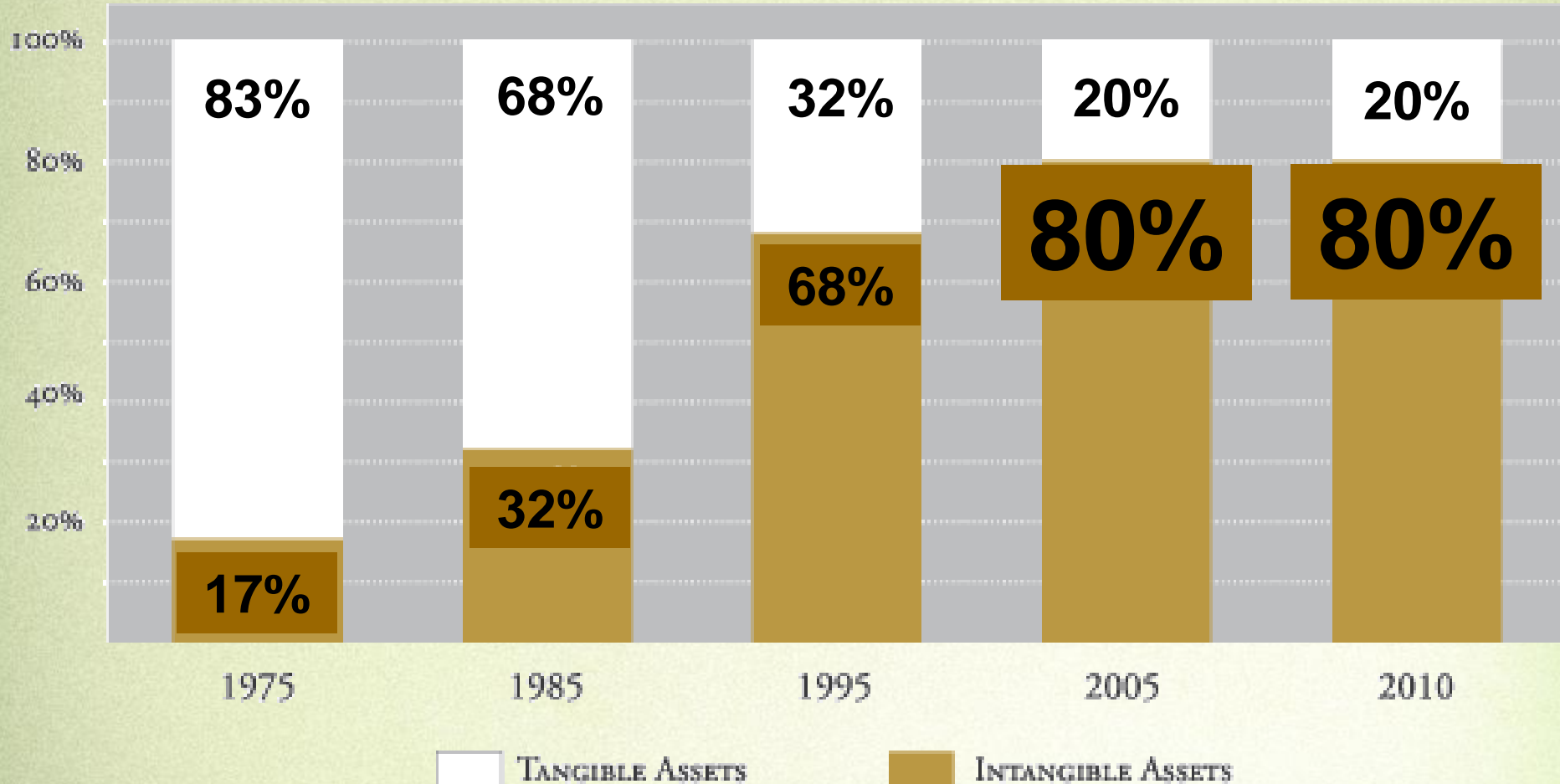
**FUTURE**

**RISK** +

**UPSIDE**

# 80% of Market Value = Intangible

COMPONENTS OF S&P 500 MARKET VALUE



Source: *Ocean Times*



# Intangibles Index Beats S&P500 (12/29/06 to 3/05/12)

## *Ocean Tomo Patent ETF (OTP)*

Mar 2 - Close

NYSEARCA real-time data - Disclaimer

Currency in USD



# Positive-Impact products are producing the **FASTEST GROWTH** categories across all sectors

Category	Market Size (U.S. \$Bil)	Sustainability Segment	Segment Growth	Segment Share
Food	\$550 Bil	<b>Organic</b>	<b>22%</b>	2.5%
Electricity	400 Bil	<b>Renewable</b> (excl. Hydro, Wood)	<b>17%</b>	2%
Fuels	1,000 Bil	<b>Alternative</b>	<b>20%</b>	2.6%
Health Care	2,300 Bil	<b>CAM*</b>	<b>17%</b>	>1%
Building Products	98 Bil	<b>Green</b>	<b>23%</b>	2.3%
Fiber (Apparel)	0.3 Bil	<b>Organic</b>	<b>50%</b>	1%
Automotive	228 Bil	<b>Hybrids</b>	<b>38%</b>	2%

Source: Pegasus Capital

\* Complementary & Alternative Medicine





# 5 Key Drivers Can Measure Future Risk & Value Creation Potential

***1. Customer Satisfaction***

***2. Employee Retention***

***3. Carbon Efficiency***

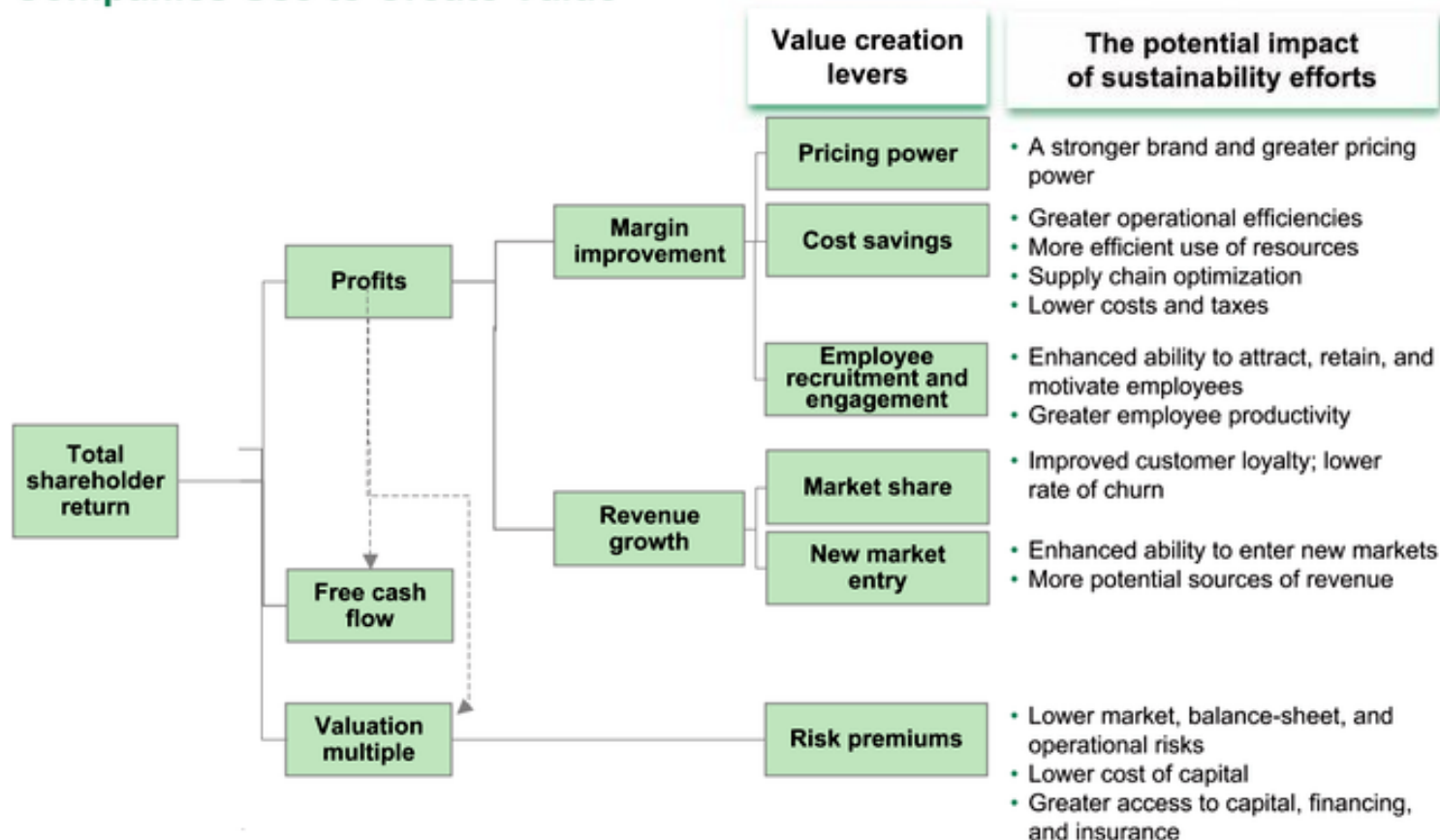
***4. Board Diversity***

***5. Legal Exposure***

# Sustainable Performance Impacts the Drivers of Shareholder Value

A study by Boston Consulting Group and MIT Sloan Management Review discusses how sustainability is changing the competitive landscape and reshaping the opportunities and threats that companies face.

## Exhibit 5. Sustainability Efforts Could Influence All the Levers That Companies Use to Create Value



Sources: The Sustainability Initiative 2009 Survey, BCG and MIT Sloan Management Review; interviews with thought leaders.



# Harvard Professors: Sustainability Can Benefit Shareholder Value

HARVARD | BUSINESS | SCHOOL



## The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance

Robert G. Eccles  
Ioannis Ioannou  
George Serafeim

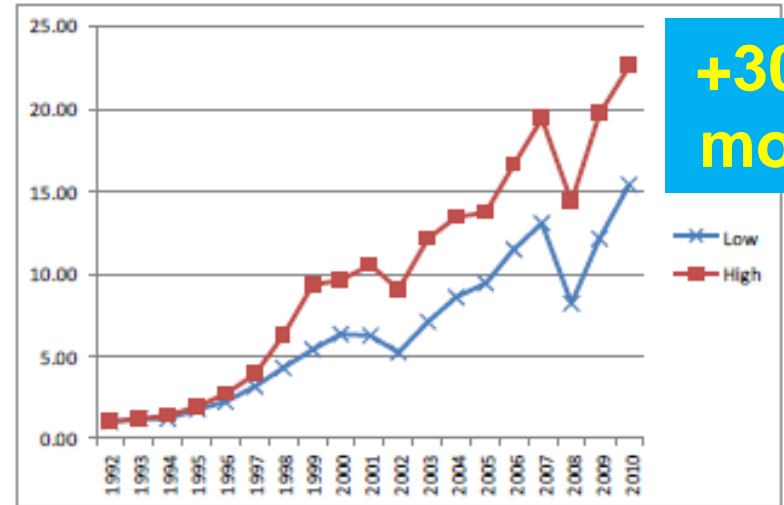
Working Paper

12-035

November 25, 2011

Figure 1

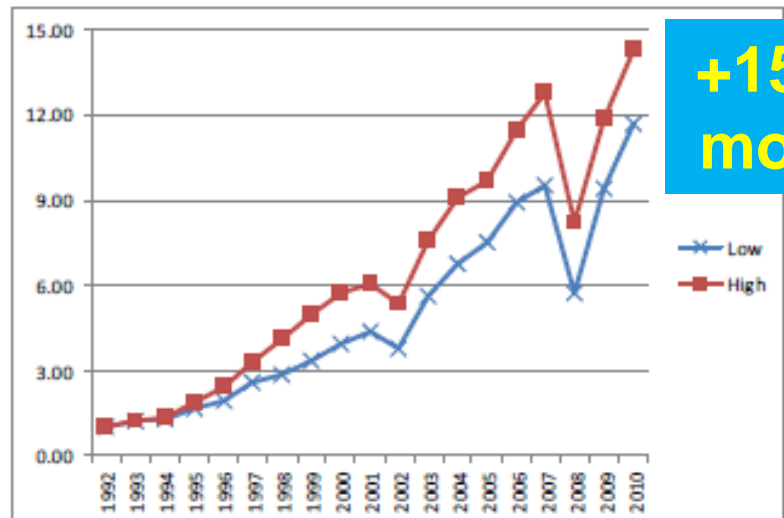
Evolution of \$1 invested in the stock market in value-weighted portfolios



**+30%  
more**

Figure 2

Evolution of \$1 invested in the stock market in equal-weighted portfolios



**+15%  
more**

# FORTUNE

**THE 100 BEST  
COMPANIES  
TO WORK  
FOR!**  
:]

PERKS. FLEXTIME.  
OPPORTUNITIES.  
GREAT BENEFITS.  
HEALTH CARE.  
WHO HAS THE BEST  
OF EVERYTHING?


||||||| PLUS  
**96,270  
JOBS**  
WAITING TO  
BE FILLED  
RIGHT NOW



FEBRUARY 8, 2012  
FORTUNE.COM

[http://money.cnn.com/magazines/fortune/bestcompanies/2011/full\\_list/](http://money.cnn.com/magazines/fortune/bestcompanies/2011/full_list/)





*Pop Quiz:*

What is  
your company's  
most important  
ASSET?



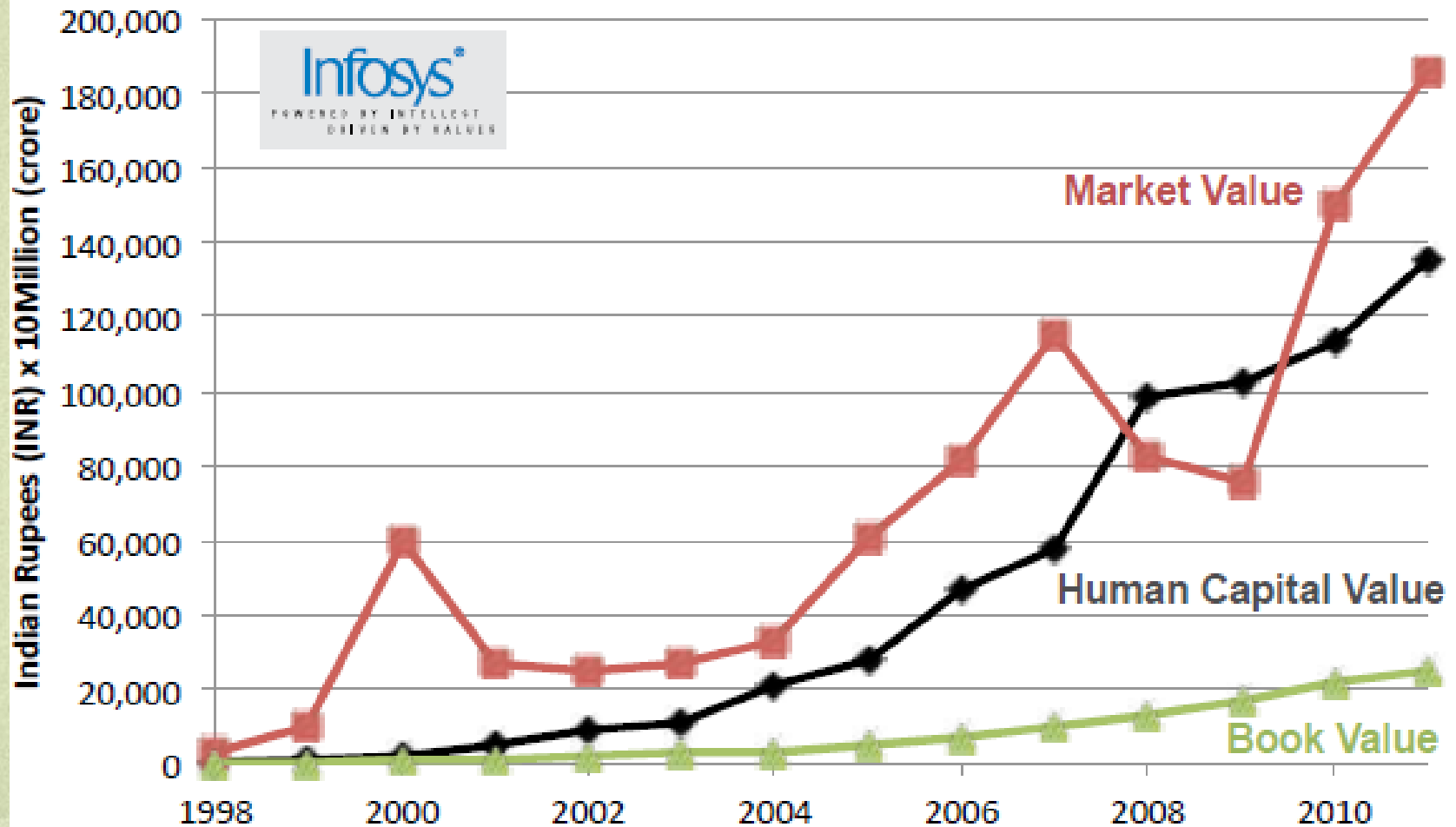


*If People Are Important:*

Where are People on  
the financial  
statements?

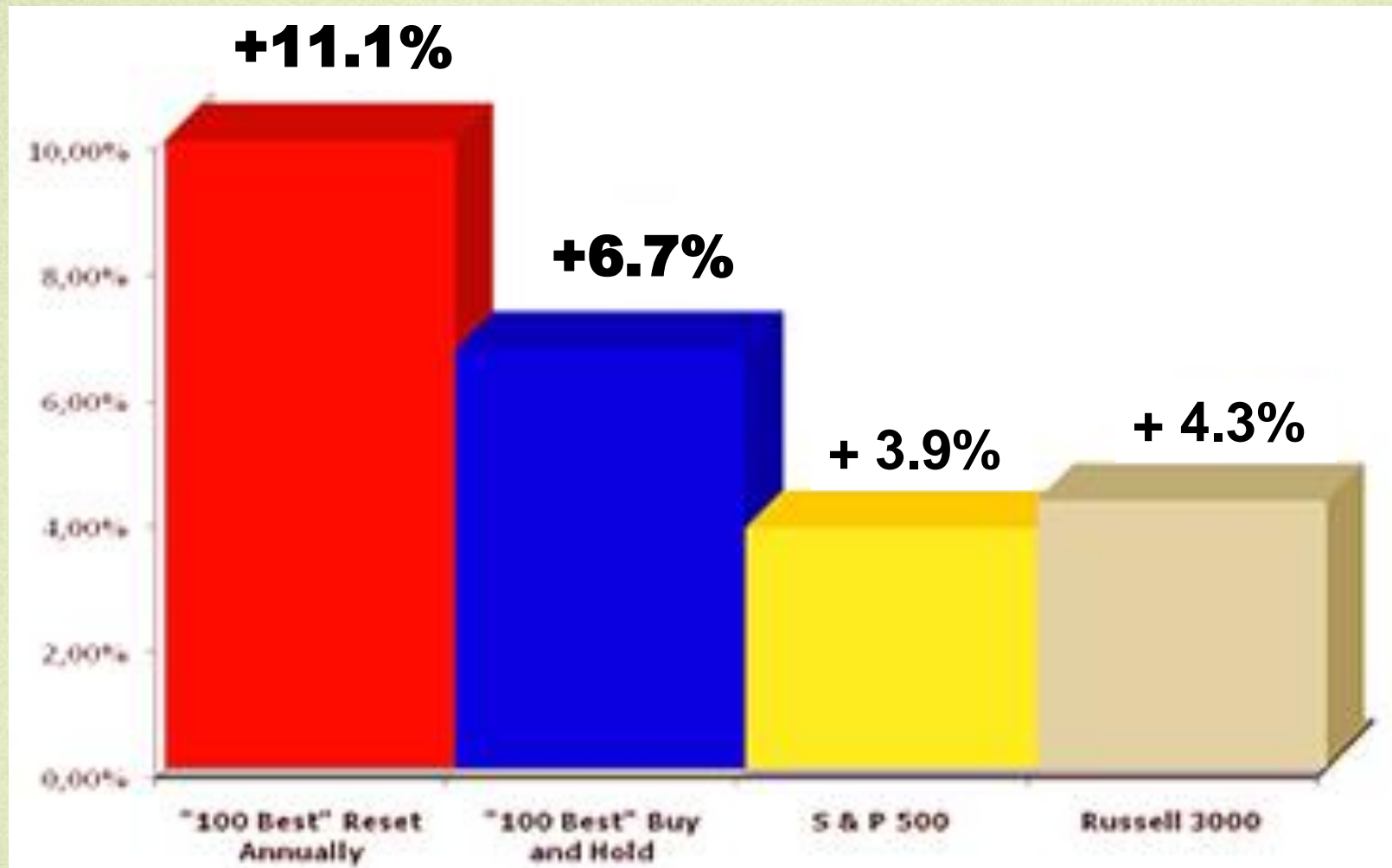
# Infosys Has Grown Its Market Value By Investing in Its Human Capital

## Human Capital Value, relative to Market & Book Value



Source: Infosys; HIP Investor analysis

# Investing in “100 Best” to Work For Can Beat the Market (1998-2010)



Source: [Russell](#) Investment Group, via  
© Great Places To Work® Institute  
1998-2010, **ANNUALIZED RETURNS**



# “Best Companies to Work For” Model Portfolio Outperformed S&P500 in 2013

## Model Performance: BestCosToWorkFor-2013

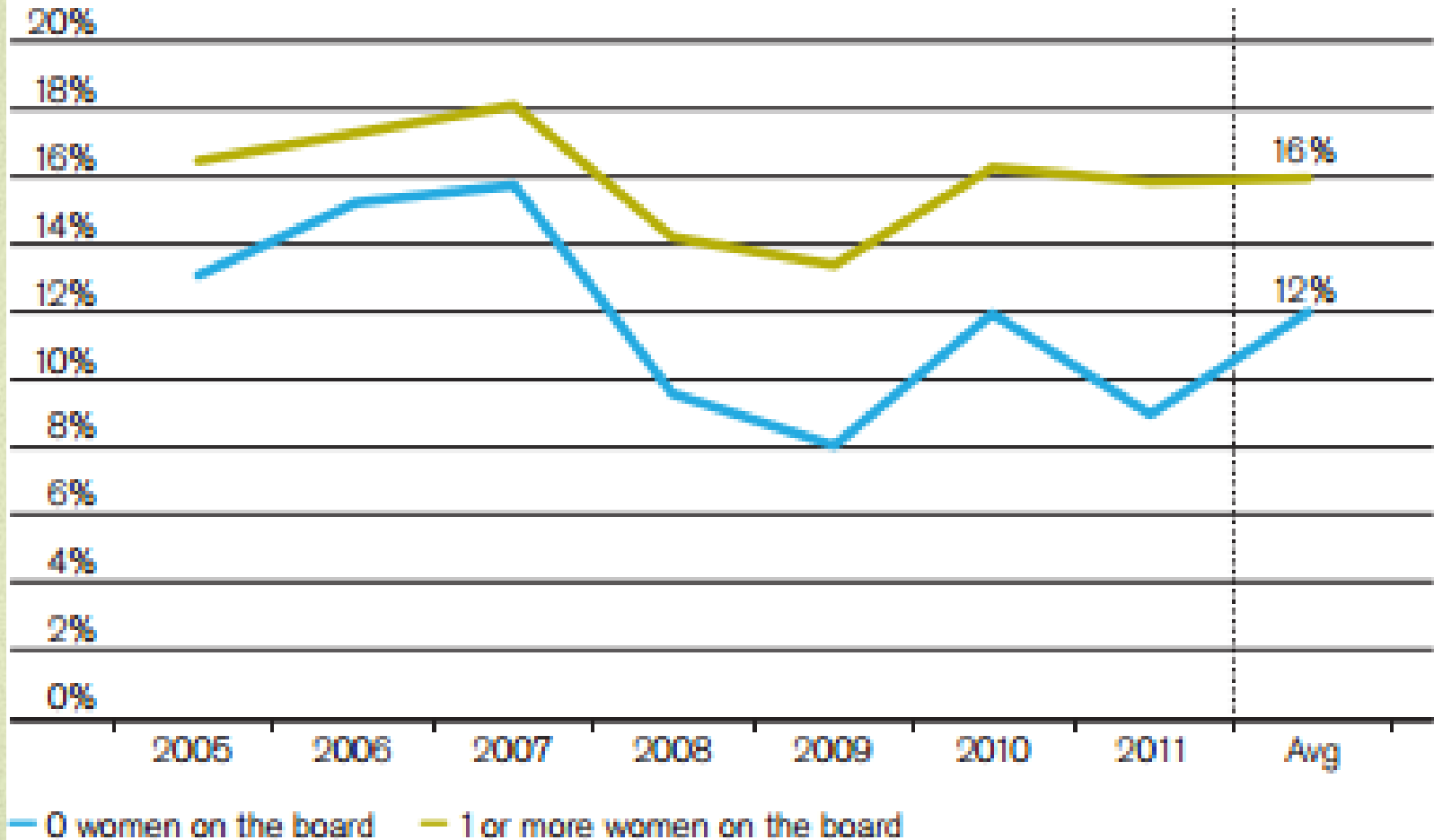
Change View to: BestCosToWorkFor-2013



# Globally, Firms with More Diverse Boards Have Yielded Higher Return on Equity (ROE)

## ROE: 0 vs. 1 or more women on the board

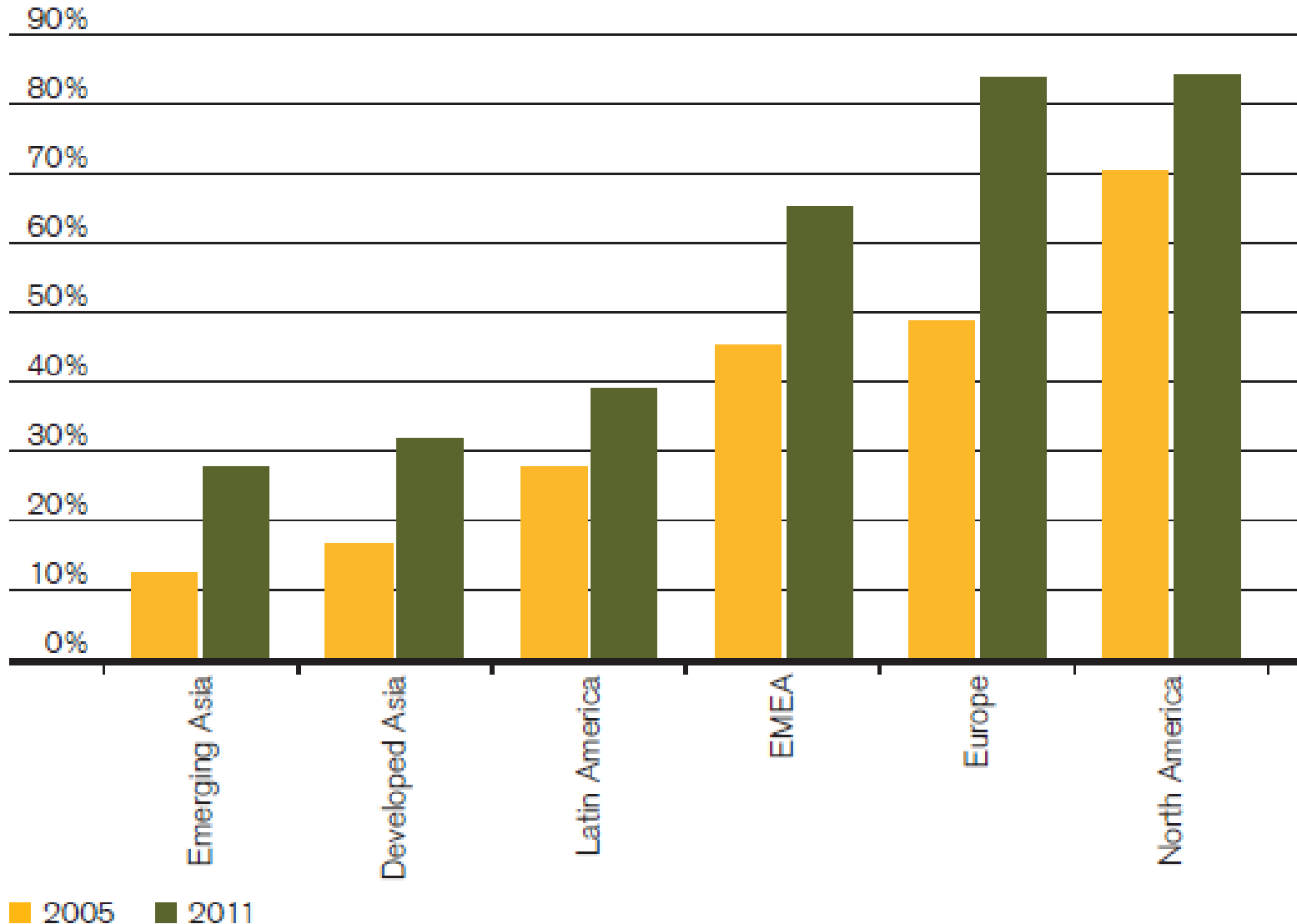
Source: Credit Suisse



Source: Credit Suisse

# Proportion of companies with one or more women on the board (end-2005 vs. end-2011) by region

Source: Credit Suisse



Source: Credit Suisse



# Thailand a Leader in Asia for 20 Surveyed Firms in 2011

		% with 1 or more women on the board		% change	Number of companies
		2005	2011	2011 vs. 2005	in the sample
<b>Developed Asia</b>	Australia	60.9	88.2	27.3	68
	Hong Kong	28.8	51.6	22.9	93
	Japan	2.9	11.2	8.3	312
	New Zealand	80.0	100.0	20.0	5
	Singapore	25.0	48.4	23.4	31
<b>Emerging Asia</b>	China	6.5	50.0	43.5	58
	India	30.4	46.5	16.0	71
	Indonesia	8.3	24.0	15.7	25
	Malaysia	4.3	42.9	38.5	42
	Philippines	58.8	38.9	-19.9	18
	South Korea	0.0	3.8	3.8	105
	Taiwan	4.3	9.2	4.9	98
	Thailand	44.4	80.0	35.6	20


## Malaysia

All public and limited liability companies with over 250 employees are required to have at least 30% women on their boards or in senior management positions by 2016.

As at November 2011, the percentage of women in senior positions in 200 companies listed on the Bursa Malaysia was 7.6%.



HIP Ratings reveal Drivers  
of possible **Higher Returns:**  
**+ 5% to 33% premium**



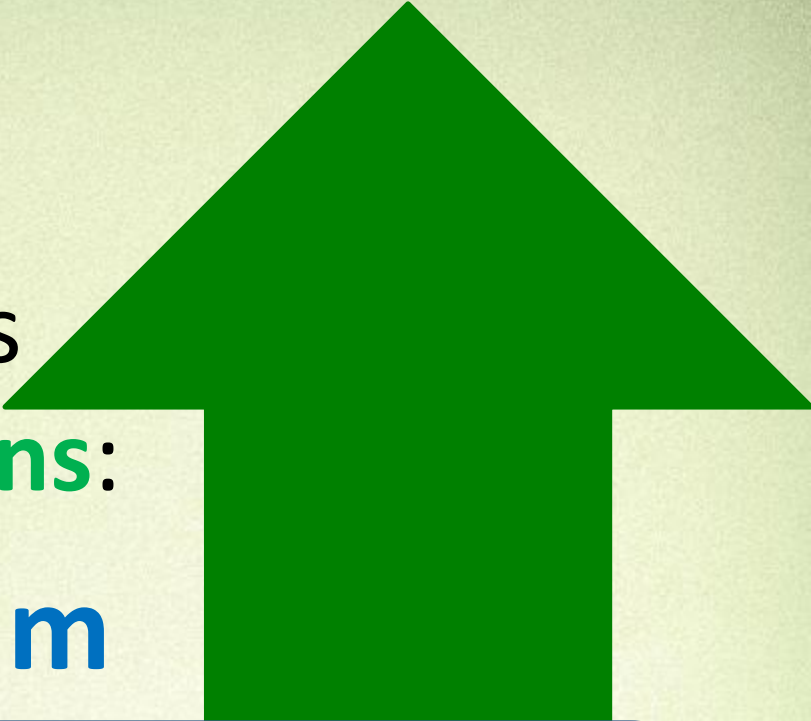
HIP Ratings reveal Drivers  
of possible **Higher Returns:**  
**+ 5% to 33% premium**

- with **Lower Risk**

– **10% less volatility**







HIP Ratings reveal Drivers  
of possible **Higher Returns:**  
**+ 5% to 33% premium**

HIP Ratings cover  
\$69 Trillion Mkt Value



## Global Coverage of HIP Ratings

**7000+ investments & funds**

**4500 corps = 80% global equity**

**Inv-grade corp bonds = \$24 T**

**2500+ muni bonds = \$1.8 T**



# The HIP Ratings





HIP  
reveals  
important  
info &  
surprises



**HIP = 5-X More Data**

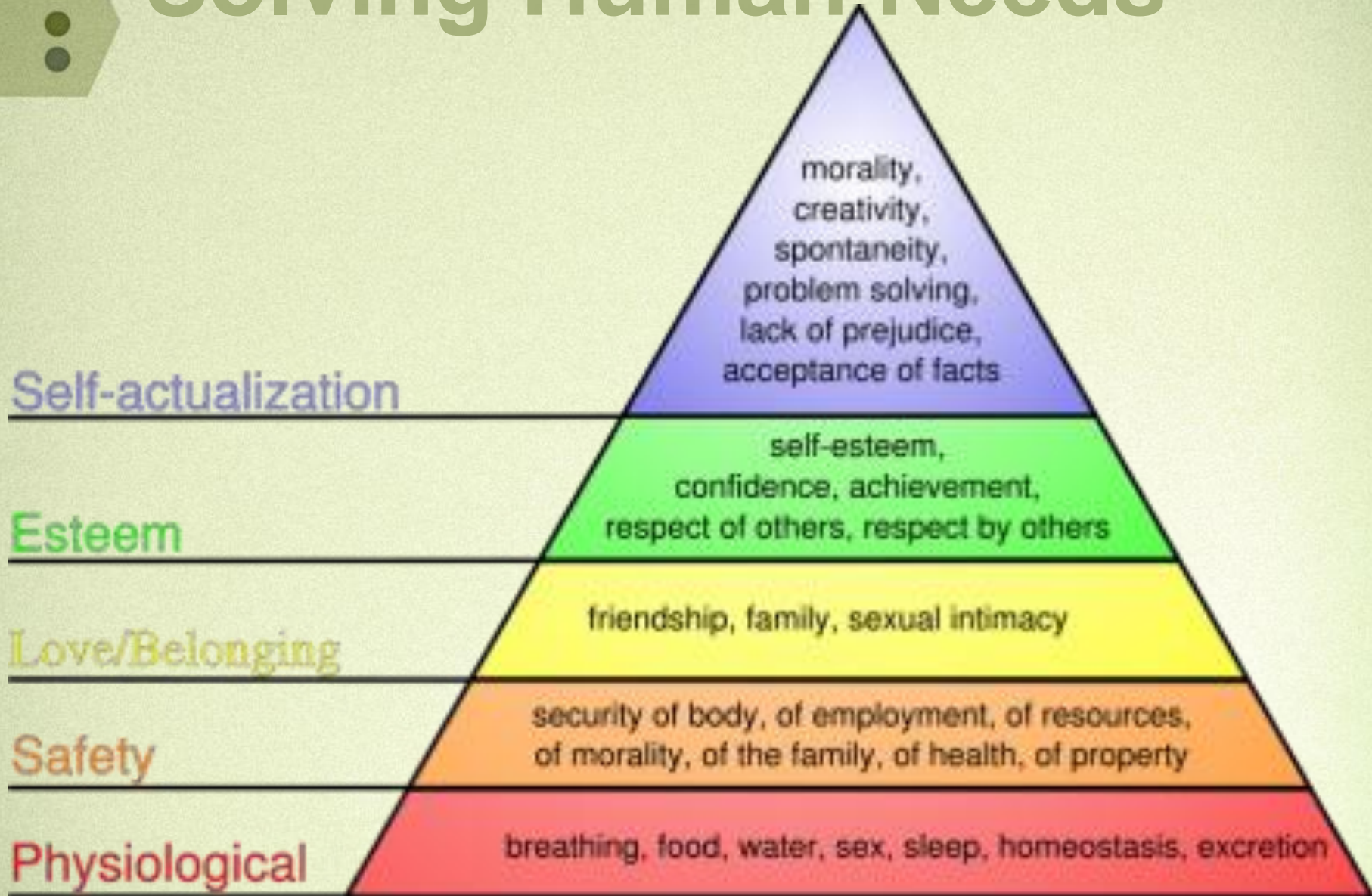
Can Help Your Portfolio Seek

**Higher Returns**

at **Lower Risk**



# Solving Human Needs





# HIP's 5 Dimensions of Measurable Impact Can Lead to Many Benefits

*HIP organizations innovate to answer five human needs:*

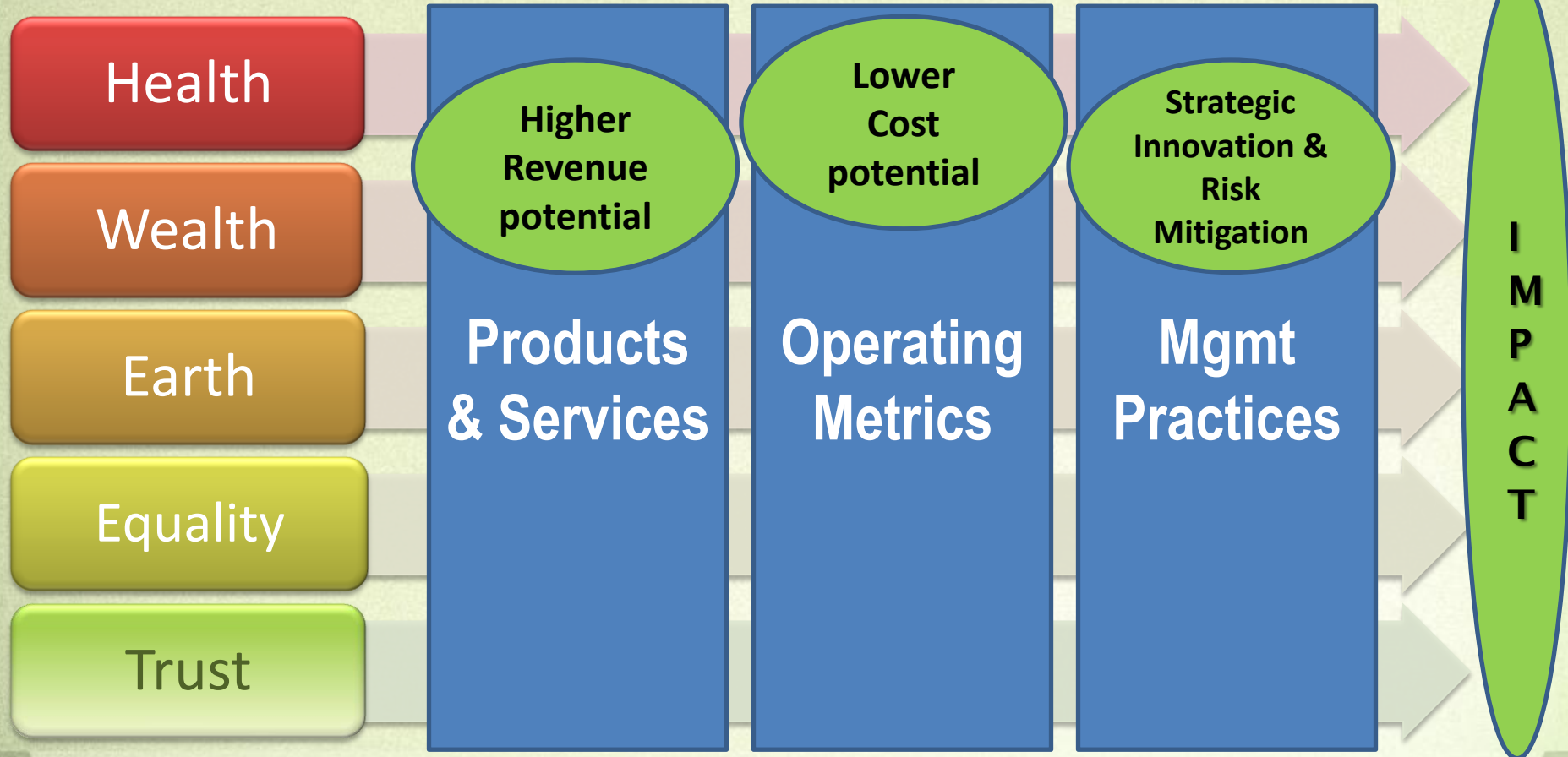
*Which can result in "I.P." for all stakeholders:*



# HIP's Factors Connect Directly to Cash Flow, Profit and Shareholder Value

"How HIP Is This Investment?"

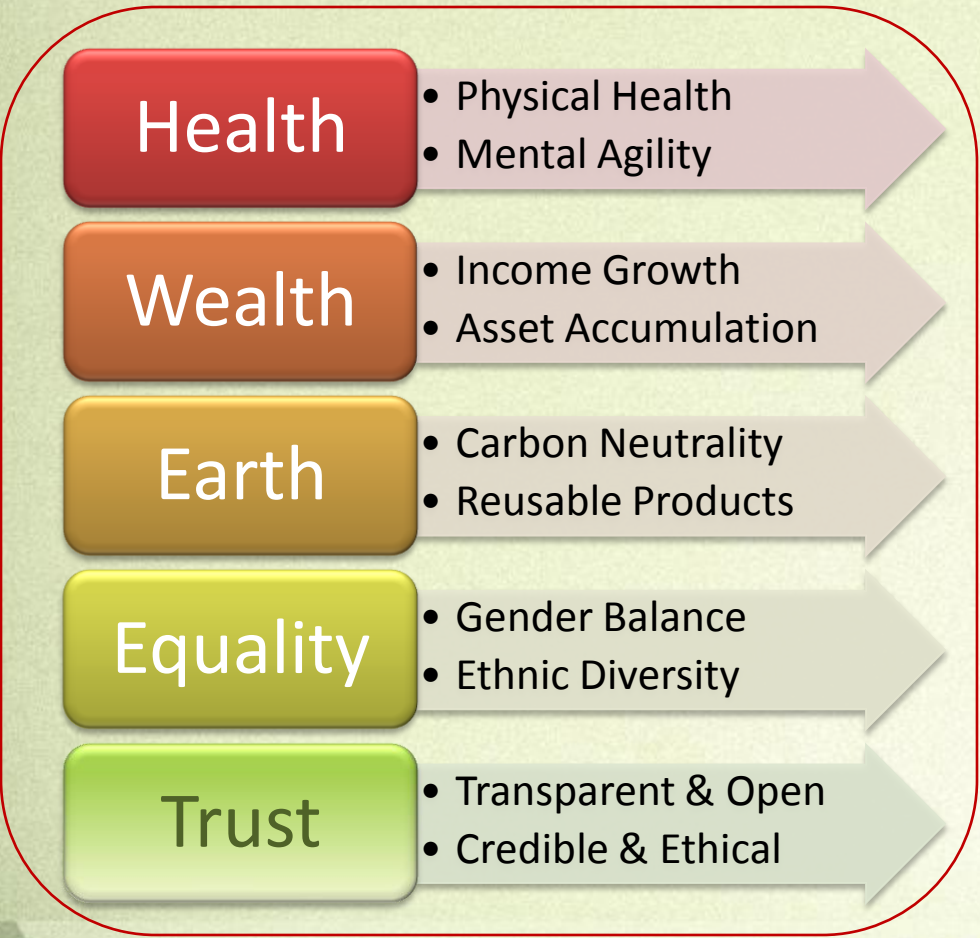
*HIP = Human Impact + Profit*



# HIP Rates these Factors, which drive Future Risk & Return, for Investors

*Companies innovate to answer five human needs:*

*Which can result in sustainable, profitable growth for all stakeholders:*





# The HIP Methodology Process

## Scores, Rates and Ranks Investments



- **Analytics based on 30 quantifiable metrics**
- **Recognizes new opportunities and risks**
- **HIP fundamentals drive weighting of portfolio**

# First, HIP Evaluates How Value is Created through Products and Services

## 1 Evaluate the Products & Services

Company	Categories	HIP Revenue Share
GE	EcoMagination	100+ products, \$18 Billion Equals about <b>12%</b> global revenue in 2010
Pepsi Co	Good for You Better for You Fun for You	<b>~30%</b> 'Good' and 'Better' for You <i>e.g. Tropicana Orange Juice, Quaker Oats</i>
Campbell's Soup	Organic, Full Vegetable Serving, Low Calorie, Low Fat, Heart Healthy Sodium & Whole Grain products	<b>26.8%</b> , \$2.0+ Billion in 2009 21.5% in 2008 16.4% in 2007



# Next, HIP Quantifies Impact Across 5 Dimensions: Health, Wealth, Earth, Equality, Trust

## 2 Quantify the Operating Metrics

HIP Dimension	Sample HIP metrics	How It Can Drive Profit
Health	Customer and Employee Satisfaction Access to health care and wellness	Higher revenue, more referrals Increased retention, and focus
Wealth	Total compensation matching CEO pay to worker pay	Boosted loyalty, longer-term staff More to invest in the business
Earth	Greenhouse Gas Emissions (GHG) Waste reduction and re-use	Reduced fuel intensity, value of credits Lower costs, lessened risk
Equality	Board diversity Supplier diversity	More risk-conscious decisions Stable supply base ensures deliveries
Trust	Legal exposure Certifications	Reduced liabilities today & future Systematic process keeps costs lower



# Third, HIP Tests for Strong Decision Systems That Embed Sustainability

## 3 Test for Strong Management Practices

Mgmt Systems	Leading HIP examples	Leading Firms
Vision	100% renewable/recyclable products Zero impact by 2020	Procter & Gamble Interface
Measures	Multi-point balanced scorecard	Starbucks Alcoa
Financials	10% or more of revenue \$400mm cost savings +2% more; 40% less energy Solar tax credits	GE, Pepsi, Campbell's Interface Liberty Property Trust Walgreens
Accountability	Board committees; Performance targets for VPs, managers, staff	GE, Intel , Herman Miller
Decision Making	Approval / integration of new product design	United Technologies Alcoa

# Then, All Three Categories Are Integrated Together Into A Weighted HIP Score

## 4 Scoring Companies On HIP Criteria

HIP Category	Portfolio Weights (total 100%)	Hypothetical HIP Results	Overall HIP Score
<i>Product</i>	15% x (multiplied by)	10% =	1.5%
<i>Human Impact</i>	60% x	50% =	30%
<i>Management Practices</i>	25% x	(20 of 25, or) 80% =	20%
		<b>Overall HIP score =</b>	<b>51.5%</b>

# HIP Weights Are Based on Impact, A Leading Indicator of Future Market Value

## 5 Weighting the Portfolio (e.g. The HIP 100 Index)

S&P Rank	S&P 100 (y/e 2009)	Market Value	S&P Weight
1	Exxon Mobil	\$323B	5.14%
2	Microsoft	\$235B	3.74%
3	Apple	\$189B	3.01%
5	Procter & Gamble	\$177B	2.81%
9	GE	\$161B	2.56%
19	Intel	\$116B	1.80%
23	Philip Morris	\$95B	1.40%
100	Lockheed Martin	\$24B	0.38%

HIP Rank	HIP 100 (y/e 2009)	HIP Score	HIP Weight
1	Procter & Gamble	71.0	1.47%
2	GE	70.8	1.46%
3	Intel	70.0	1.45%
24	Microsoft	57.2	1.18%
41	Lockheed Martin	53.2	1.10%
56	Exxon Mobil	48.4	1.00%
68	Apple	42.8	0.88%
100	Philip Morris	15.0	0.31%

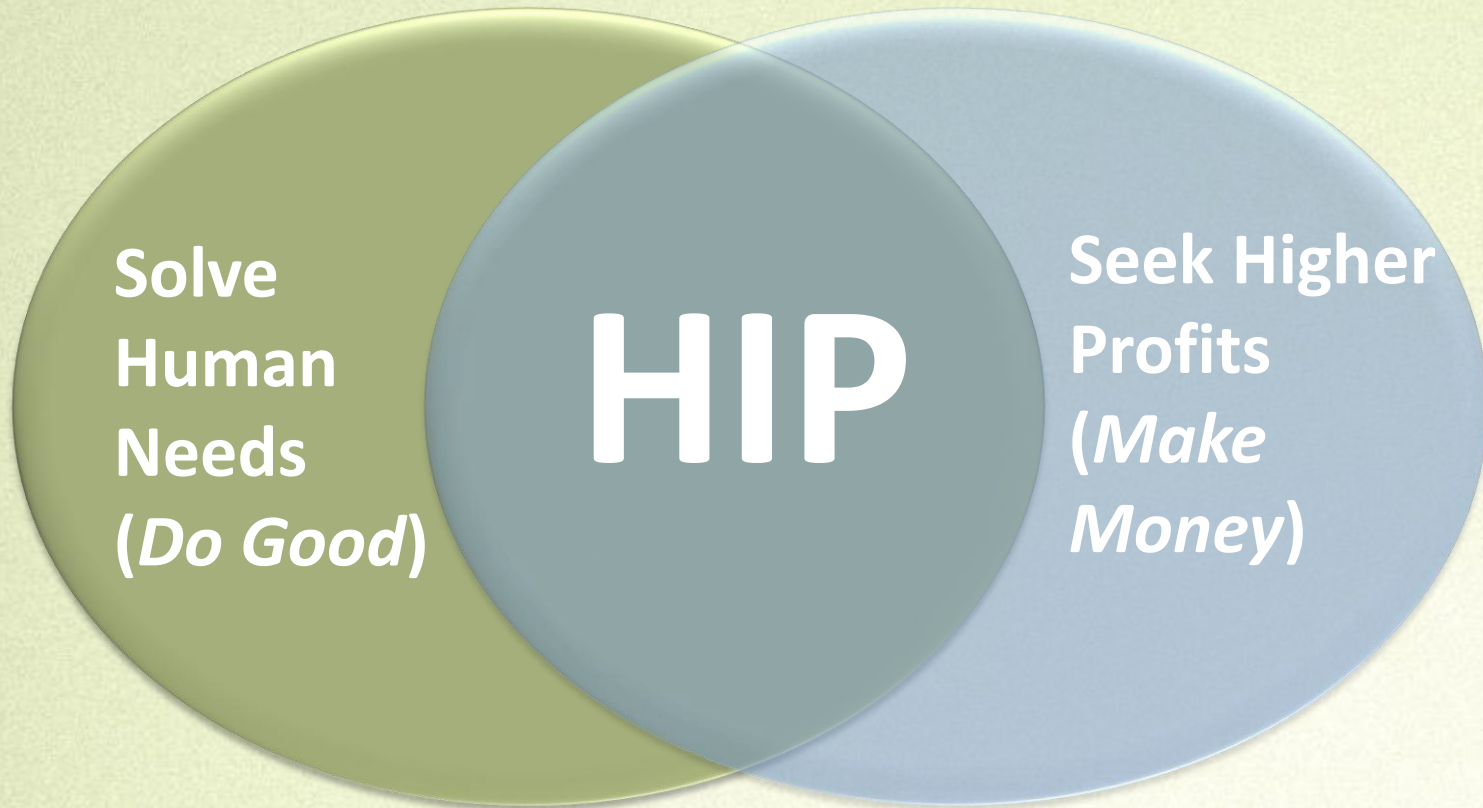


# Sustainable Investment Portfolios Outperformed their Benchmarks for the Periods Shown

Sustainable Investment Folio	Dividend Yield	Folio Performance (since inception)	Benchmark Performance	Inception Date to 12/31/2013						
<b>HIP 100</b>	2.1%	<table border="0"> <tr> <td style="text-align: center;"><u>Gross</u></td> <td style="text-align: center;"><u>Net</u></td> <td style="text-align: center;"><u>.</u></td> </tr> <tr> <td style="text-align: center;"><b>+107.9%</b></td> <td style="text-align: center;"><b>+ 97.2%</b></td> <td></td> </tr> </table>	<u>Gross</u>	<u>Net</u>	<u>.</u>	<b>+107.9%</b>	<b>+ 97.2%</b>		+ 79.8% (OEF) + 87.5% (SPY)	<i>July 30, 2009</i>
<u>Gross</u>	<u>Net</u>	<u>.</u>								
<b>+107.9%</b>	<b>+ 97.2%</b>									
<b>HIP "70": "Excluding Bad"</b>	2.1%	<b>+ 49.6% + 46.0%</b>	+ 47.5% (OEF)	<i>Jan 5, 2012</i>						
<b>HIP Real Estate</b>	4.2%	<b>+ 15.2% + 12.6%</b>	+ 14.1% (FRI)	<i>Feb 25, 2012</i>						
<b>HIP Best Companies To Work For</b>	1.5%	<b>+ 18.0% + 17.3%</b>	+ 15.8% (SPY)	<i>Feb 25, 2012</i>						

NOTE: These HIP-rated strategies are currently managed by HIP Investor Inc., and available on Folio Institutional as separately managed accounts.

# HIP = Human Impact + Profit

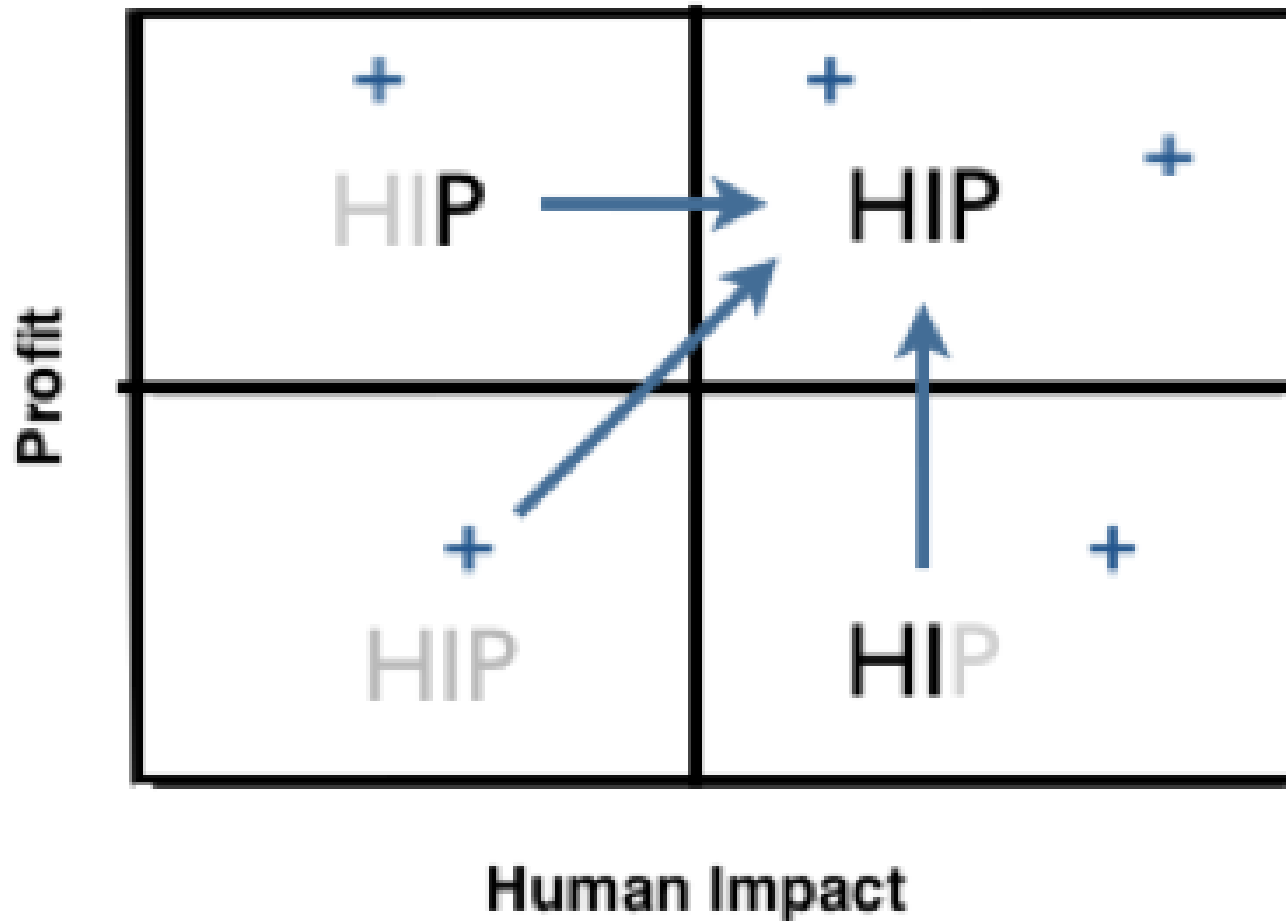


## HIP = Higher Impact Portfolios

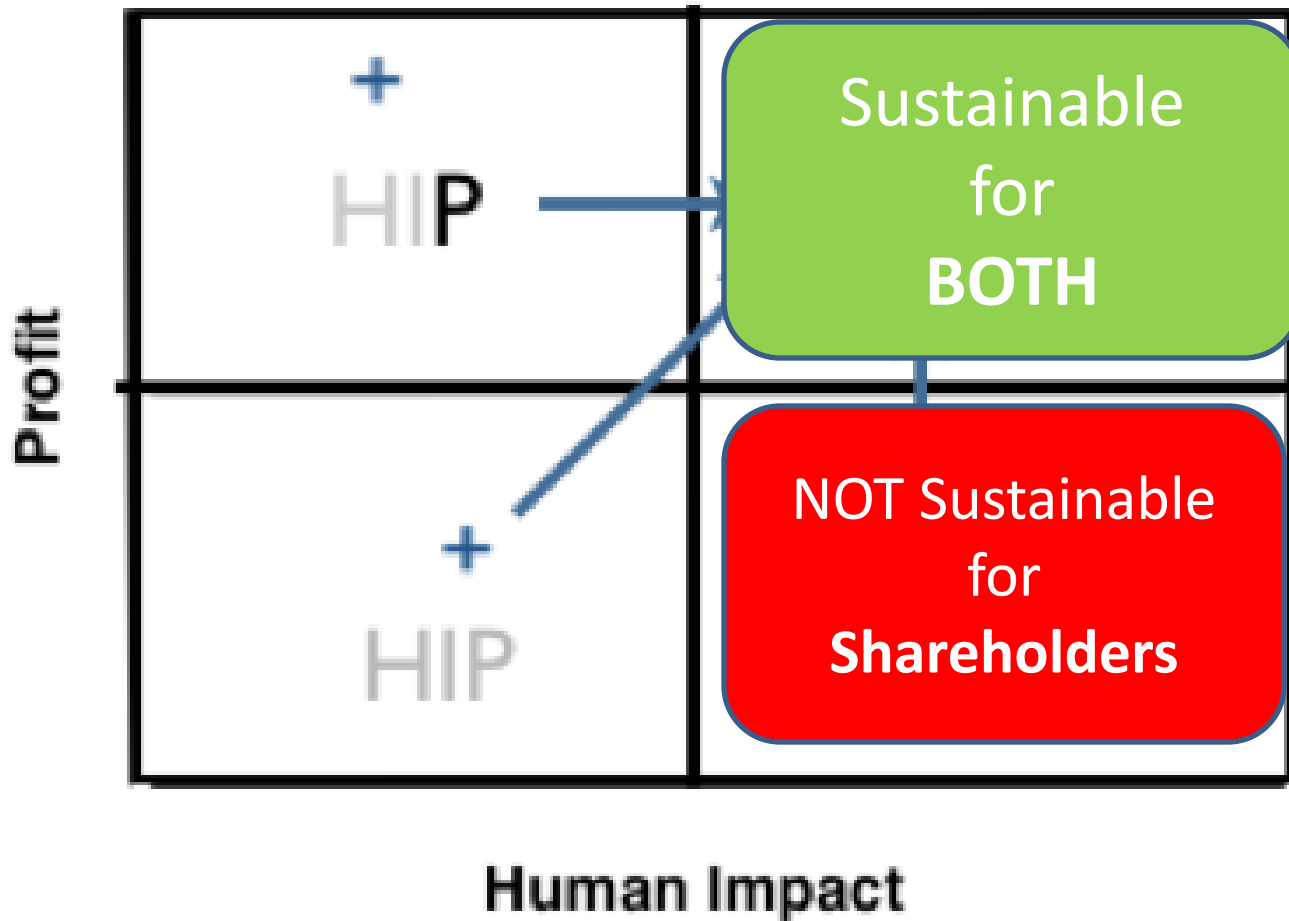




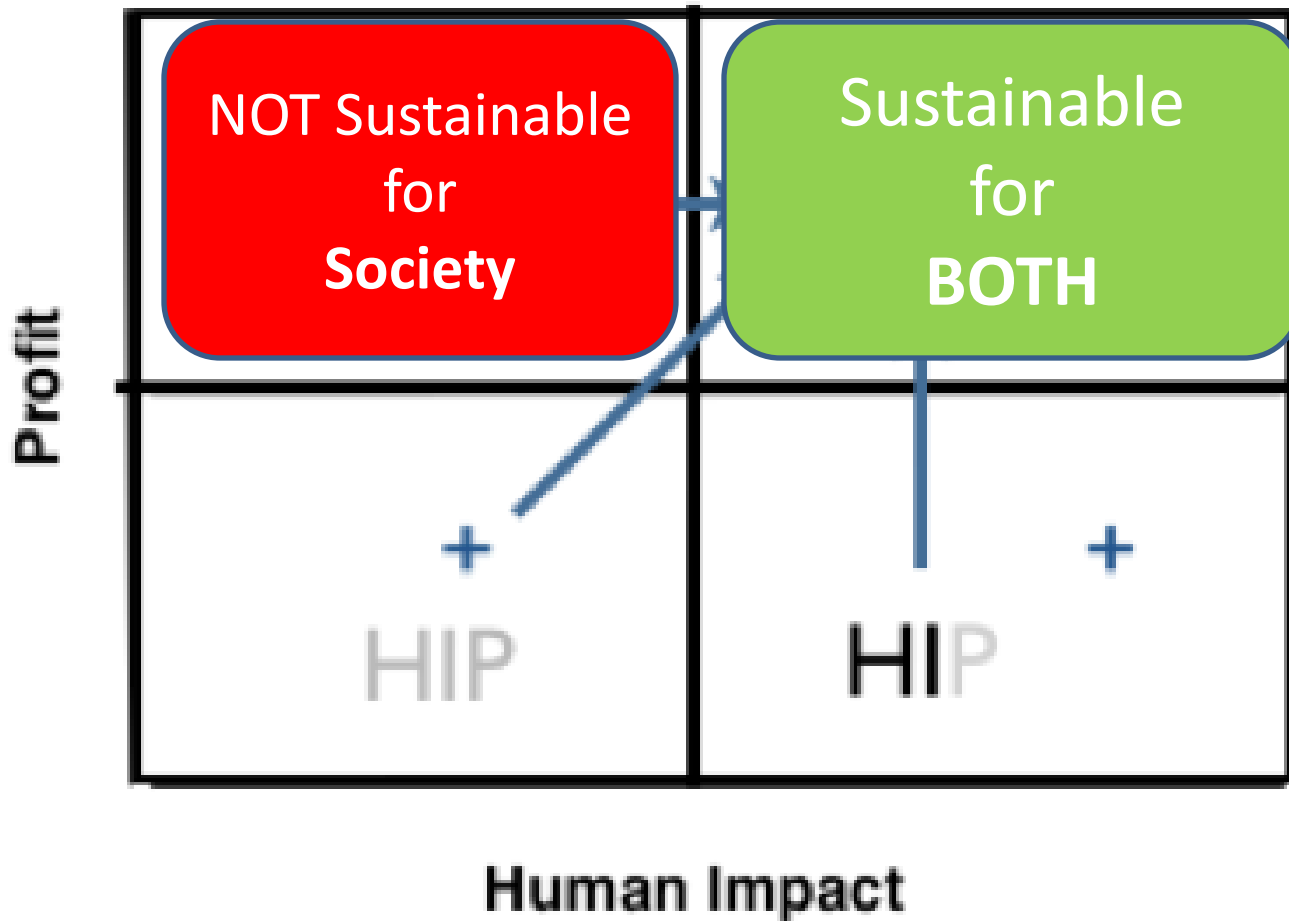
**HI = Sustainable for Society**  
**P = Sustainable for Shareholders**



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**P = Sustainable for Shareholders**

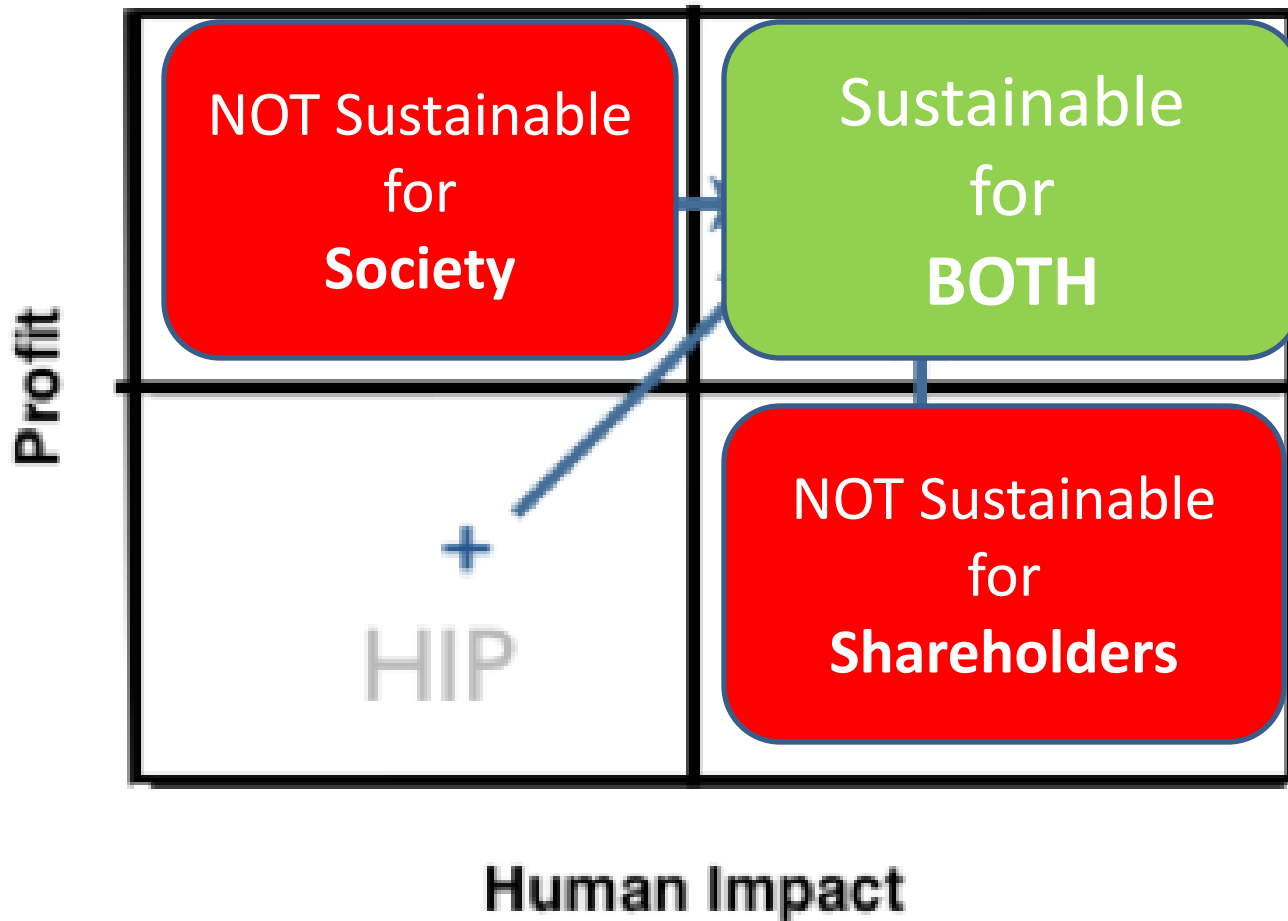


**HI = Sustainable for Society**  
**P = Sustainable for Shareholders**



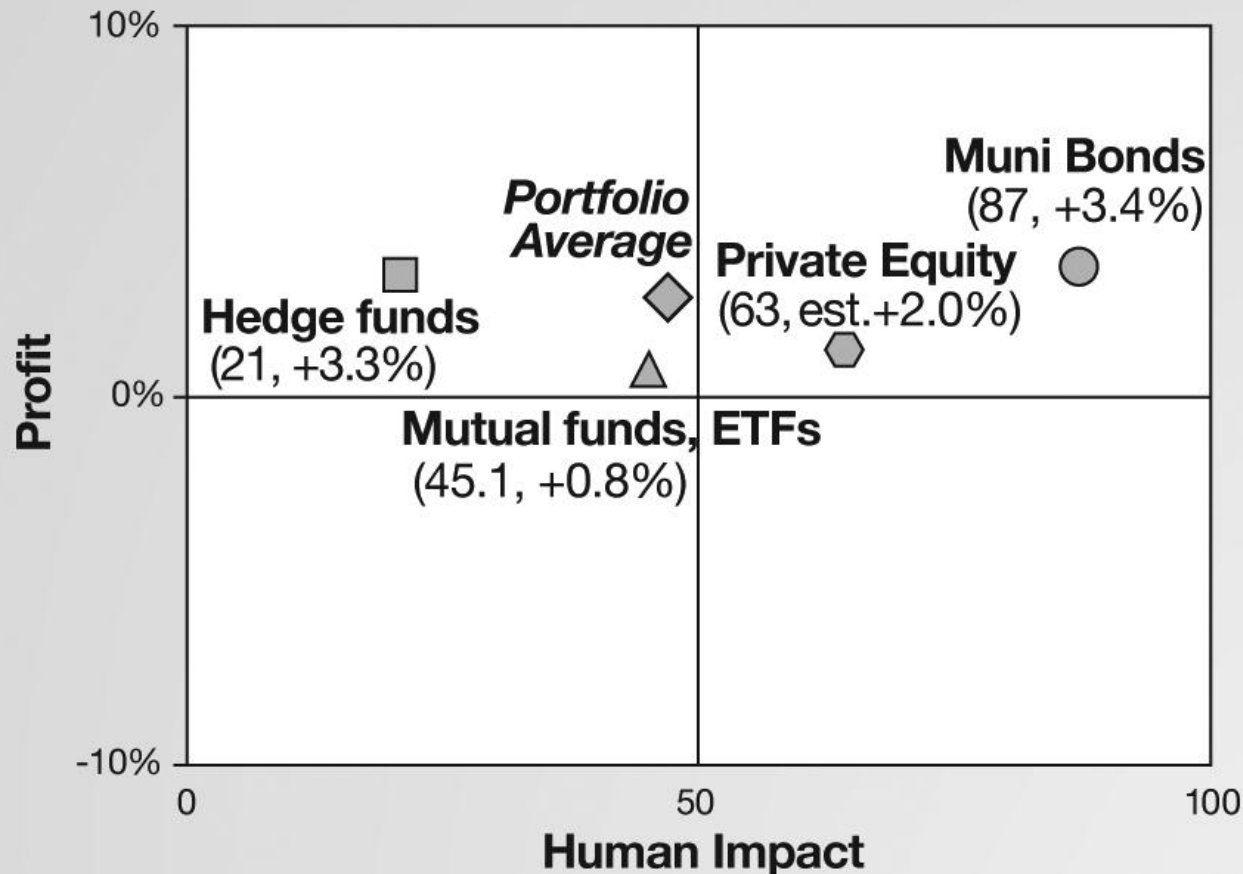


**HI = Sustainable for Society**  
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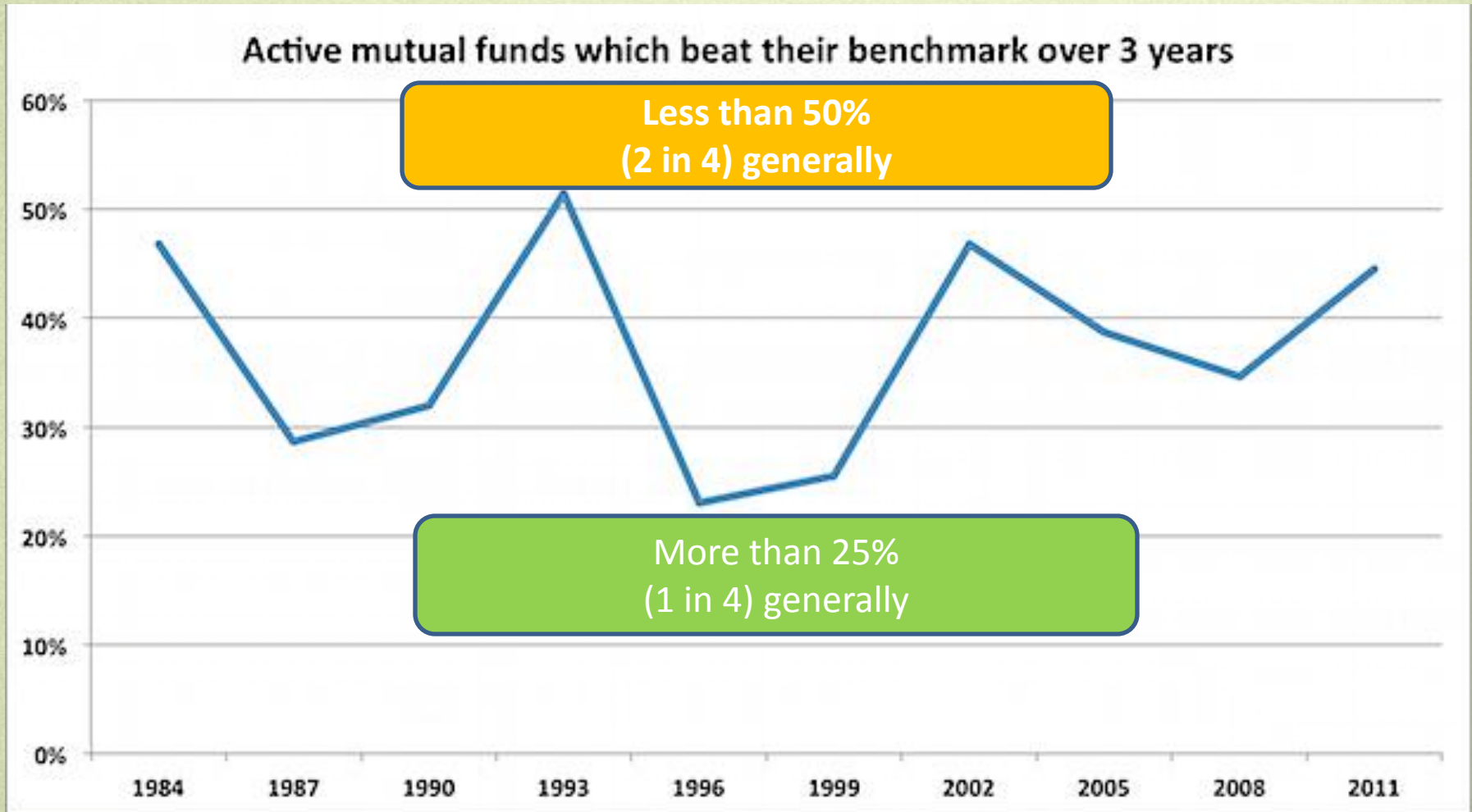


# In this Portfolio, HIP Scores Vary by Asset Class, With a Wide Range of Human Impact + Profit

## HIP (Human Impact + Profit) Score: Sample Portfolio Performance



# 25% to 50% of Mutual Funds (Active Stock Picking) Can Beat a Benchmark (Index)





# HIP RATINGS Are a Tool to Optimize Investor Portfolios: Risk, Return, Yield, Liquidity and Impact

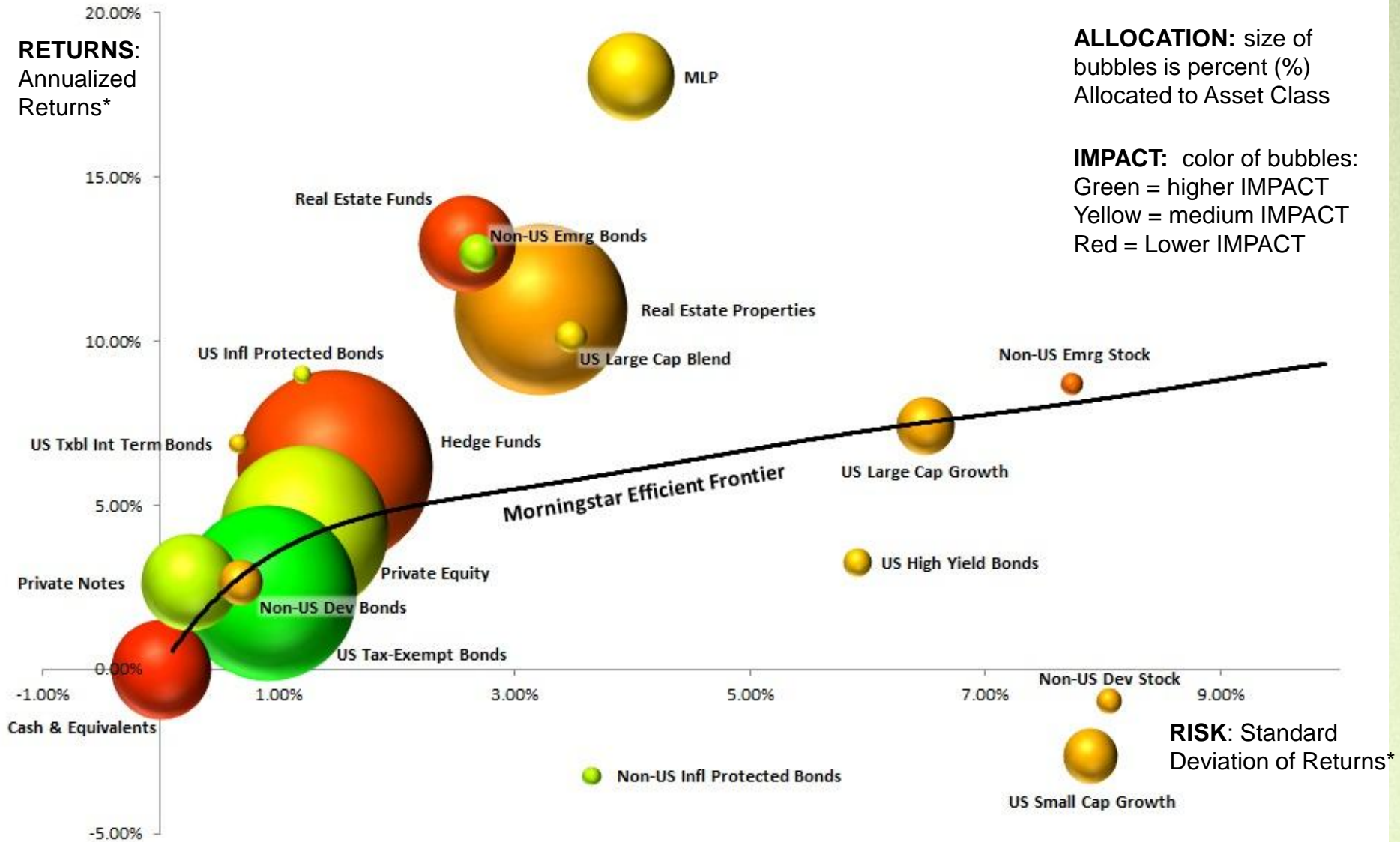
6/30/2012 Summary - Impact, Yield, Return, Liquidity and Risk

ASSET VALUES		IMPACT	YIELD	TOTAL RETURN				LIQUIDITY	RISK
Asset Class	% Weight	Current Adjusted Impact	Trailing 12 mo Yield <sup>2</sup>	1 mo. TWR	3 mo. TWR	1 yr. TWR 6/30/2012 <sup>3</sup>	ITD (2/1/11) TWR <sup>3</sup>	Liquidity <sup>4</sup>	3yr Alpha
1 Cash & Equivalents	5.3%	26%	0.0%	0.0	0.0	0.0	(0.0)	17%	n/a
2 US Muni Bonds	17.3%	87%	4.9%	(0.3)	(0.1)	4.8	5.4	0%	3.6
3 Bonds	1.8%	46%	7.8%	1.9	0.2	1.3	1.3	100%	4.4
4 Real Estate Funds	5.0%	29%	0.1%	0.9	(0.0)	11.6	13.8	13%	(0.1)
5 Real Estate Properties	16.5%	40%	0.0%	0.0	0.0	12.0	11.9	0%	n/a
6 MLP	4.1%	47%	2.3%	1.4	(1.2)	(1.5)	(0.8)	26%	9.1
7 US Large Cap	2.5%	44%	2.0%	2.6	(6.6)	(7.4)	(3.2)	100%	(4.2)
8 US Mid Cap	0.2%	26%	2.0%	4.9	4.3	5.7	7.4	100%	0.5
9 US Small Cap	1.5%	43%	2.0%	2.9	(12.1)	(27.7)	(23.9)	100%	(10.7)
10 Non-US Dev Stock	0.2%	42%	3.6%	4.4	(2.8)	(0.8)	(0.8)	100%	0.1
11 Non-US Emrg Stock	0.1%	33%	2.3%	7.9	(8.8)	6.1	6.1	100%	(0.6)
12 Hedge Funds	21.5%	30%	0.0%	(0.3)	(1.9)	(3.0)	(1.4)	0%	3.7
13 Private Equity	15.9%	60%	0.9%	0.0	0.1	2.9	4.5	0%	n/a
14 Private Notes <sup>1</sup>	5.1%	62%	6.5%	0.0	0.4	3.1	2.9	0%	n/a
15 Commodities	0.1%	80%	13.5%	3.8	(4.1)	(6.6)	(6.6)	100%	6.4
16 Other-Real Assets	1.6%	58%	0.0%	0.0	0.0	0.0	0.0	0%	n/a
17 Other-Non Performing	1.2%	62%	0.0%	0.0	0.0	0.0	0.0	0%	n/a
<b>Total Portfolio</b>	<b>100.0%</b>	<b>50%</b>	<b>1.7%</b>	<b>0.2</b>	<b>(0.8)</b>	<b>1.9</b>	<b>2.6</b>	<b>9%</b>	<b>3.0</b>

Moderate Blended Benchmark <sup>10</sup>

2.35

# Visualizing Future RISK, RETURN and IMPACT Relative to an Efficient Frontier



\* For annualized time period over the past 3 years ending July 30, 2012 (or for data since inception of strategy)

# HIP RATINGS – of a Portfolio by Asset Class

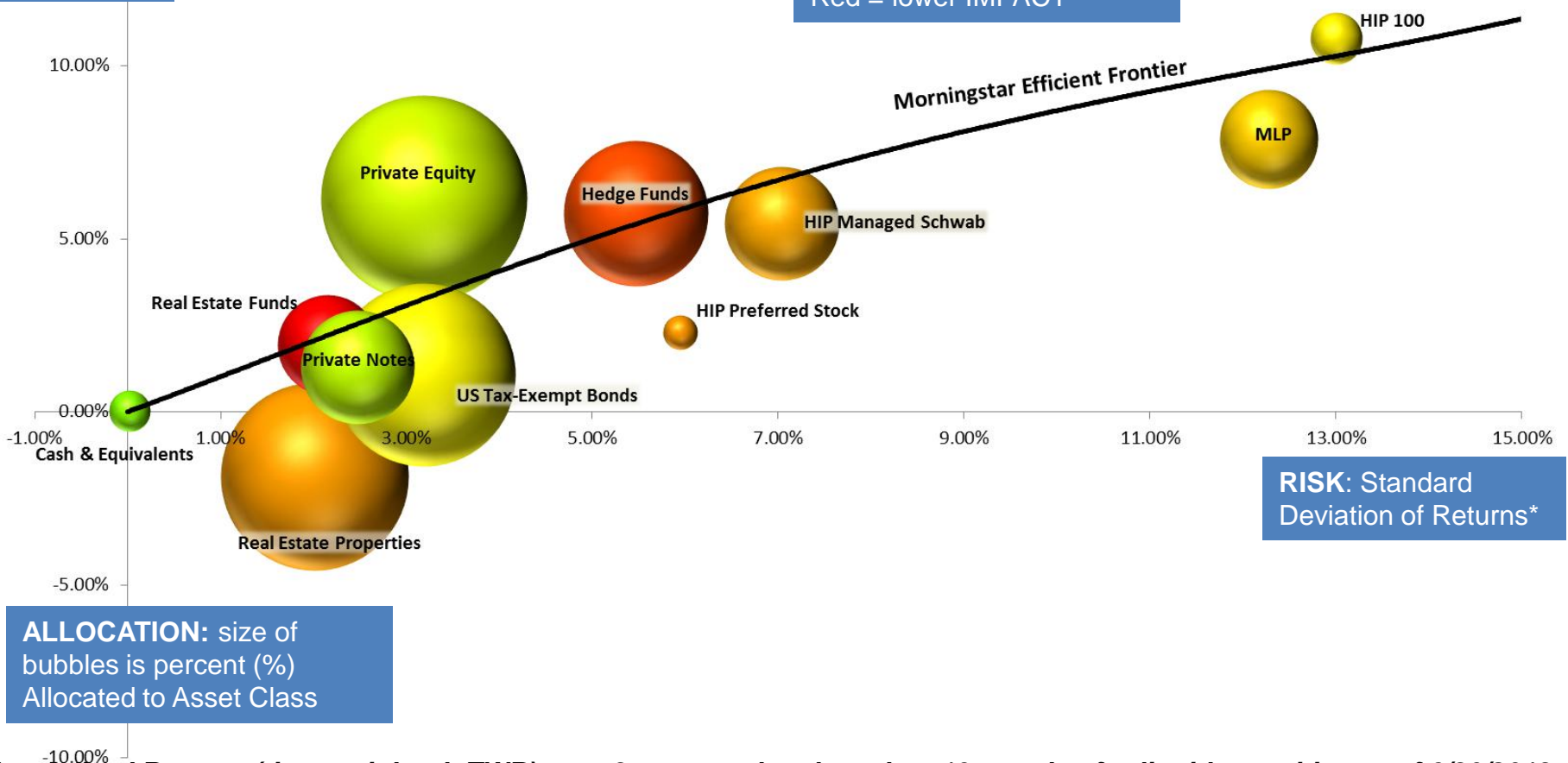
## RISK, RETURN, IMPACT and ALLOCATION

### Relative to an Efficient Frontier

**RETURNS:**  
Annualized  
Returns\*

**IMPACT:** color of bubbles:  
Green = higher IMPACT  
Yellow = medium IMPACT  
Red = lower IMPACT

 HIP REIT\*



**RISK:** Standard  
Deviation of Returns\*

**ALLOCATION:** size of  
bubbles is percent (%)  
Allocated to Asset Class

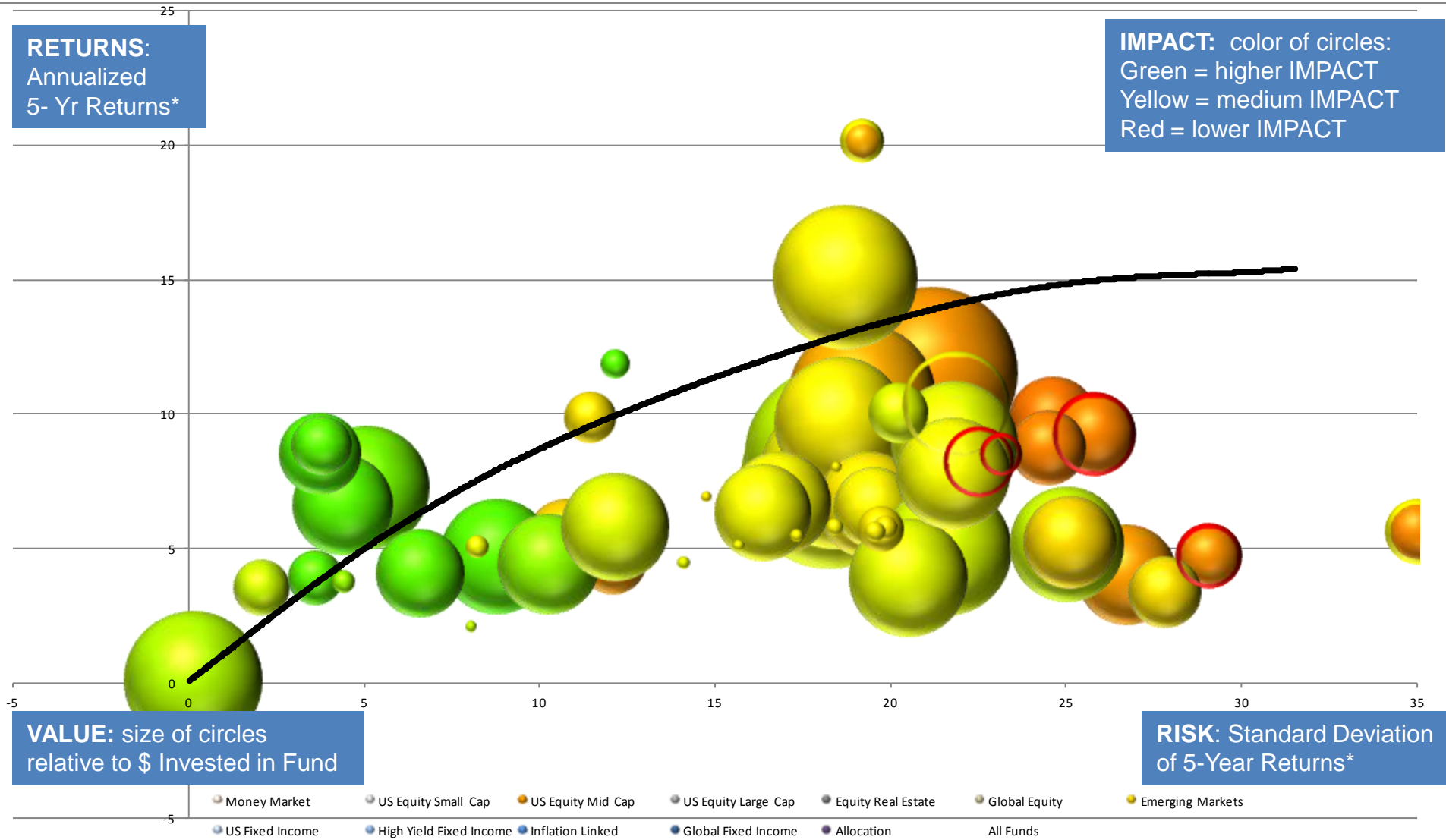
\* Annualized Returns (time-weighted: TWR) over 3 years and no less than 19 months, for liquid securities as of 6/30/2013; for remainder of funds/holdings as of 3/31/2013 or 12/31/2012. Returns are Gross of Advisory and Management Fees. HIP REIT included inside Real Estate Fund assets.



# 401(k) Plan Funds Scored for IMPACT

KLR's Retirement Plan: HIP Scoring of Return, Risk and Impact						
Name of Fund	ASSET CLASS		Morningstar Rating	RETURN	RISK	IMPACT
	Global Broad Category	Global Category		Total Ret Annlzd 5 Yr (Daily) USD	Std Dev 5 Yr (Qtr-End) USD	Tentative HIP Score
Nationwide Money Market Instl	Money Market	US Money Market	*	0.10	0.14	54.8%
Oppenheimer International Bond A	Fixed Income	Global Fixed Income	4	4.38	10.27	54.8%
Neuberger Berman High Income Bond A*	Fixed Income	High Yield Fixed Income	1	4.49	12.11	26.4%
Principal High Yield A	Fixed Income	High Yield Fixed Income	4	9.84	11.45	38.0%
PIMCO Real Return Instl	Fixed Income	Inflation Linked	4	4.69	8.80	69.6%
American Century ShDur Infl Prot Bd Intl	Fixed Income	Inflation Linked	4	4.06	6.62	69.0%
Prudential Total Return Bond A	Fixed Income	US Fixed Income	4	7.22	5.10	64.5%
PIMCO Total Return Instl	Fixed Income	US Fixed Income	4	6.58	4.41	69.7%
TCW Total Return Bond N	Fixed Income	US Fixed Income	5	8.50	3.77	71.4%
Eaton Vance Floating Rate A	Fixed Income	US Fixed Income	3	5.32	10.78	33.9%
TCW Total Return Bond I	Fixed Income	US Fixed Income	5	8.80	3.80	70.1%
Principal Short-Term Income A	Fixed Income	US Fixed Income	3	3.51	2.09	50.7%
Nationwide Bond Index A	Fixed Income	US Fixed Income	2	3.89	3.64	69.6%
Delaware Extended Duration Bond A	Fixed Income	US Fixed Income	4	11.86	12.17	69.6%
Wells Fargo Advantage Emerg Mkts Eq A	Equity	Emerging Markets Equity	4	5.21	25.14	36.4%
Lazard Emerging Markets Equity Open	Equity	Emerging Markets Equity	4	3.36	27.83	36.7%
Aberdeen Global Equity A	Equity	Global Equity	3	4.93	21.62	49.0%
American Funds Capital World G/I R6*	Equity	Global Equity	3	10.02	20.26	48.4%
American Funds EuroPacific Gr R6*	Equity	Global Equity Large Cap	3	8.88	21.85	46.7%
Thornburg International Value I	Equity	Global Equity Large Cap	4	3.87	20.52	47.4%
Harbor International Instl	Equity	Global Equity Large Cap	4	5.12	25.04	51.2%
Oppenheimer International Growth A	Equity	Global Equity Large Cap	5	7.77	21.80	43.6%
DWS RREEF Global Real Estate Secs A	Equity	Real Estate Sector Equity	2	4.00	26.74	26.2%
Invesco Real Estate A	Equity	Real Estate Sector Equity	3	4.71	29.08	24.3%

# Benefits of 401(k) Plan Scoring: Engaging Employees; Attracting Top Talent; Discovering How to Quantify Future Risk & Impact



\* Past 5 years, as of 8/31/2013; HIP Scores (2011/12)  
Source: KLR 401(k); Morningstar; HIP Investor Scores

# What's My Exposure?

## Forward-Looking Investors + Advisors



**Jennifer Anderson, MPH, SCSP**  
Principal at Resonate,  
Strategic Sustainability Management



**Lara Coviello MA CFA**  
Managing Partner at Auctus  
Wealth Management

Author of [feature](#) on investing

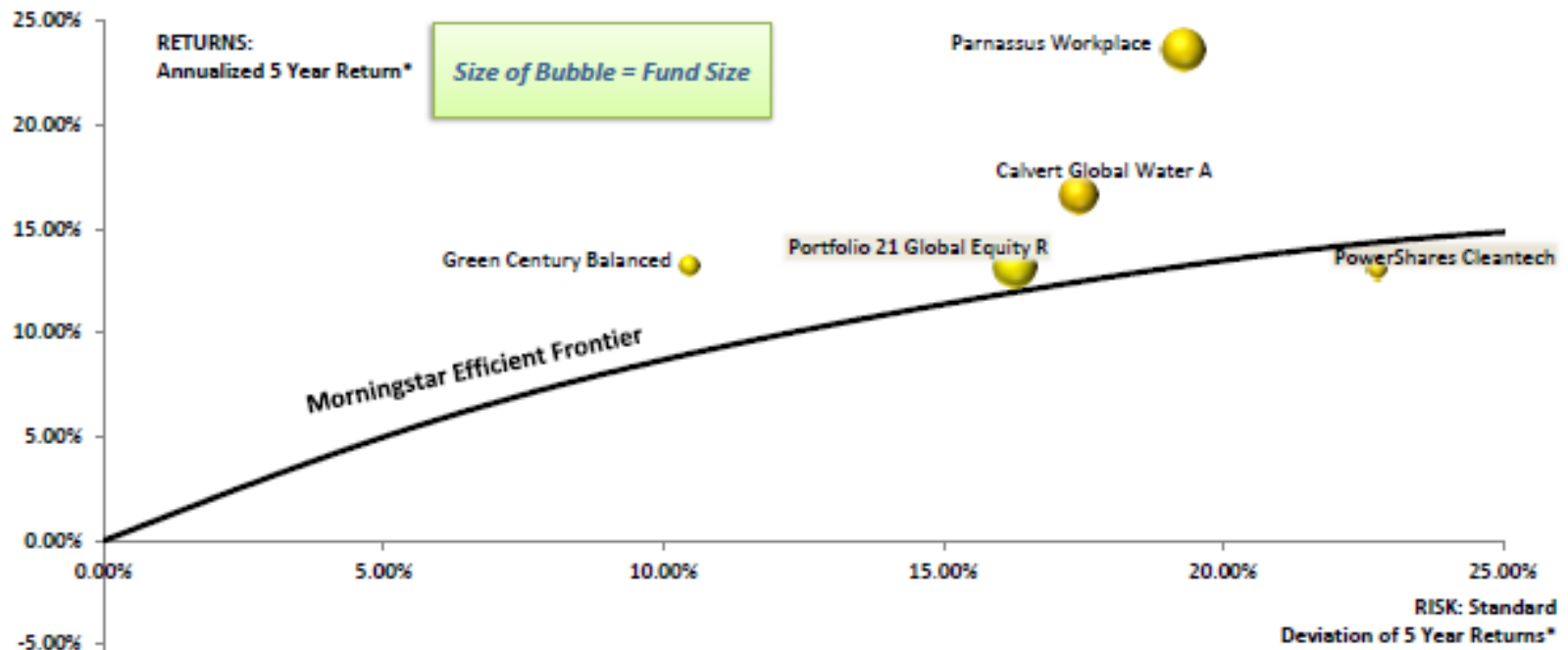


# Risk, Return, and Impact of Selected Sustainable Investing Funds

## HIP SCORING OF FUNDS: RISK, RETURN, IMPACT

Sources: Morningstar 5 yr risk-return data as of 1/31/2014  
HIP Investor scoring and analysis

Fund Name	Ticker	Morningstar Rating	RETURN		RISK	IMPACT	COVERAGE	HIP SCORE TIERS				
			Sharpe Ratio	Total Ret Annlzd 5 Yr (Qtr-End) USD	Std Dev 5 Yr (Qtr-End) USD	HIP Score	% of Fund \$ Scored	n/a	26-0-25	51-50	75-75	100-100
Portfolio 21 Global Equity R	PORTX	***	0.84	13.15	16.28	46.2%	88%	12	10	39	39	0
Green Century Balanced	GCBLX	**	1.24	13.26	10.46	44.0%	77%	23	14	29	34	0
Parnassus Workplace	PARWX	****	1.20	23.59	19.27	42.4%	89%	8	17	39	36	0
PowerShares Cleantech	PZD		0.65	12.99	22.74	41.9%	67%	33	16	22	29	0
Calvert Global Water A	CFWAX	****	0.97	16.62	17.41	40.7%	62%	38	10	32	21	0
						44%						



# Sustainable Cleaner-Energy Funds Outperformed Many Fossil-Fuel Intensive Funds, Over 5 Years

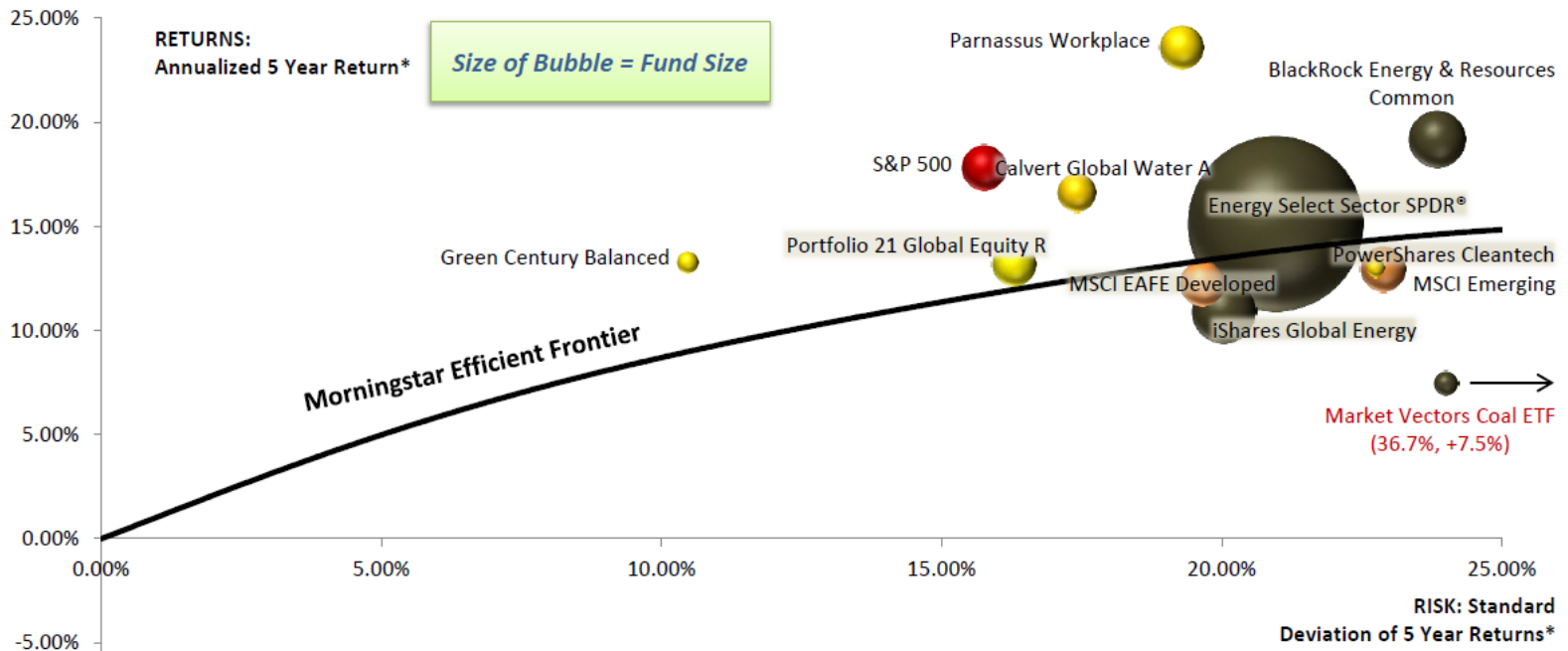
## HIP SCORING OF FUNDS: RISK, RETURN, IMPACT

Sources: Morningstar 5 yr risk-return data as of 1/31/2014

HIP Investor scoring and analysis

Fund Name	Ticker	Morningstar Rating	Sharpe Ratio	RETURN	RISK	IMPACT	COVERAGE	HIP SCORE TIERS				
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44%



# Sustainable Investing Frequently Lowers Risk and Can Enhance Returns

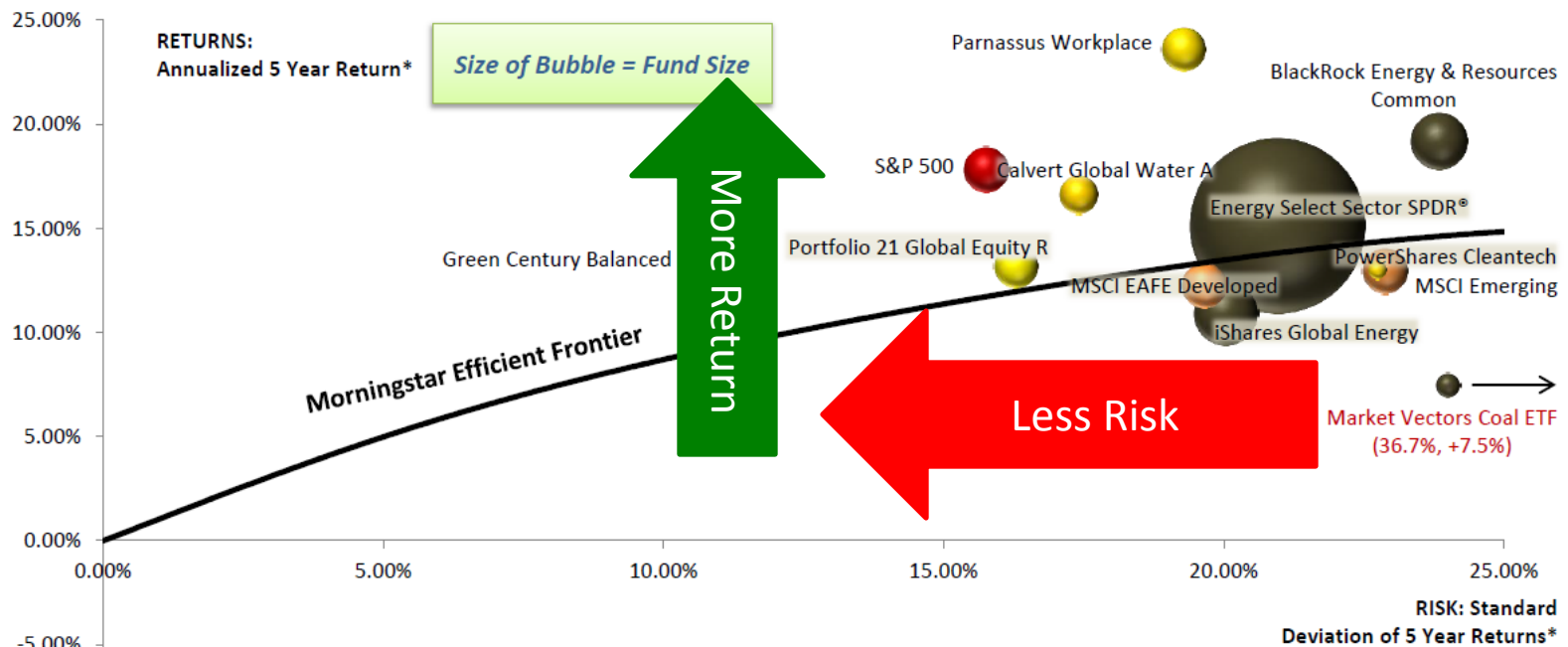
## HIP SCORING OF FUNDS: RISK, RETURN, IMPACT

Sources: Morningstar 5 yr risk-return data as of 1/31/2014

HIP Investor scoring and analysis

Fund Name	Ticker	Morningstar Rating	RETURN		RISK	IMPACT	COVERAGE	HIP SCORE TIERS				
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44%





# Since late 2011, Global Energy & Big Oil have diverged from, and dramatically lagged, the S&P500



**S&P 500**  
**+26.1%**

**Global Energy (IXC)**  
**-2.9%**

**Big Oil (BGR)**  
**-15.7%**

Settings | Technicals | [link to this view](#)

Source: Google Finance, Dec 31, 2007– May 15, 2014  
**Cumulative Return**

**HIP** : INVESTOR  
Human Impact + Profit

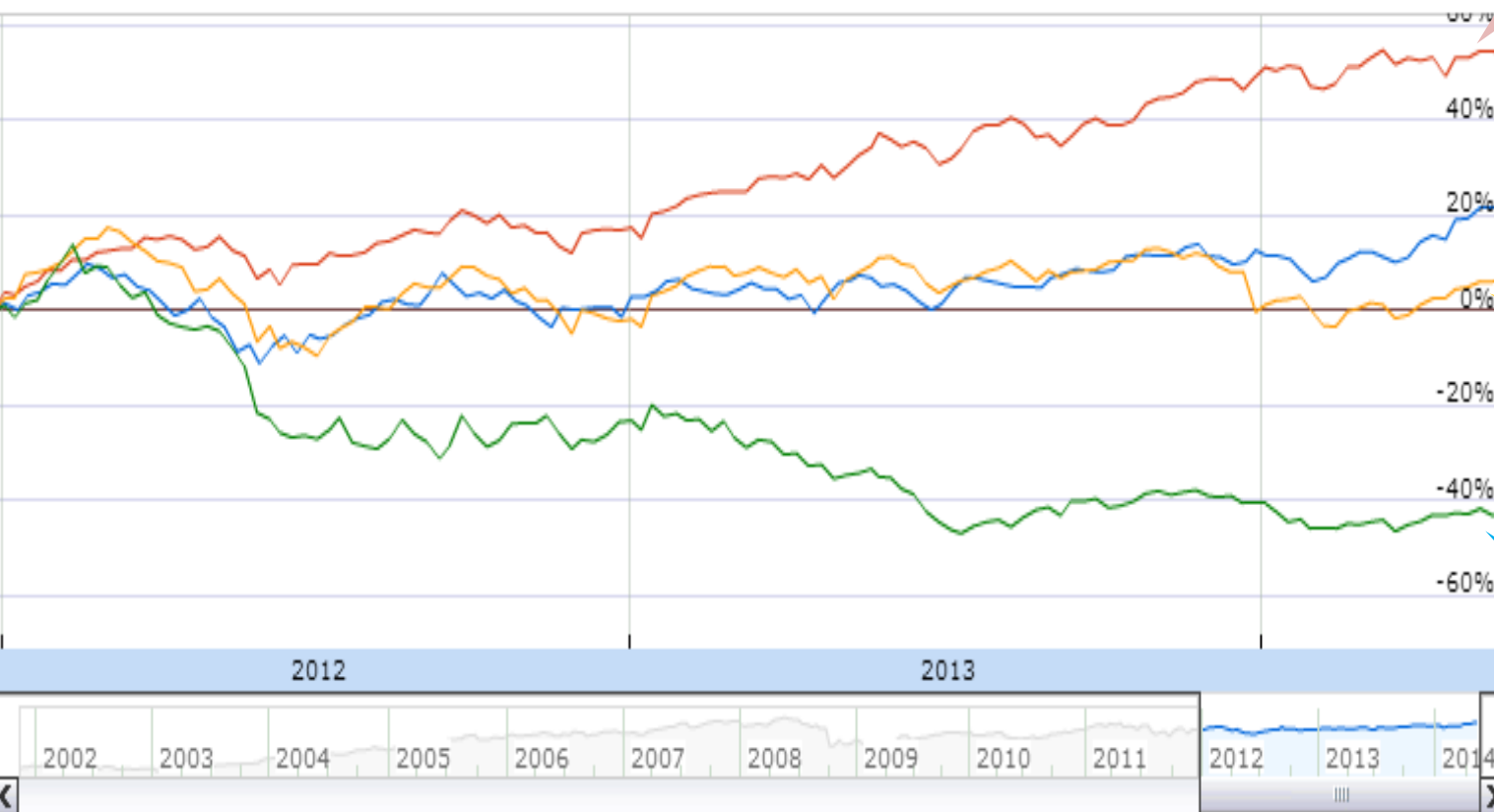
Volume delayed by 15 mins

# For 2+ Years, Indexes for Coal, Oil & Gas Have Lagged the S&P500

Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) YTD [1y](#) [5y](#) [10y](#) [All](#)

Jan 06, 2012 - May 15, 2014

● NYSEARCA:KOL -42.35% ● NYSE:BGR +6.00% ● NYSEARCA:SPY +53.59% ● IXC +20.94%



**S&P 500**  
**+53.6%**

**Energy (IXC)**  
**+20.9%**

**Big Oil (BGR)**  
**+6.0%**

**Coal (KOL)**  
**-42.3%**

Settings | Technicals | [Link to this view](#)

Volume delayed by 15 mins

# S&P-TruCost's Carbon-Efficient Index of Firms Has Outperformed since Launching



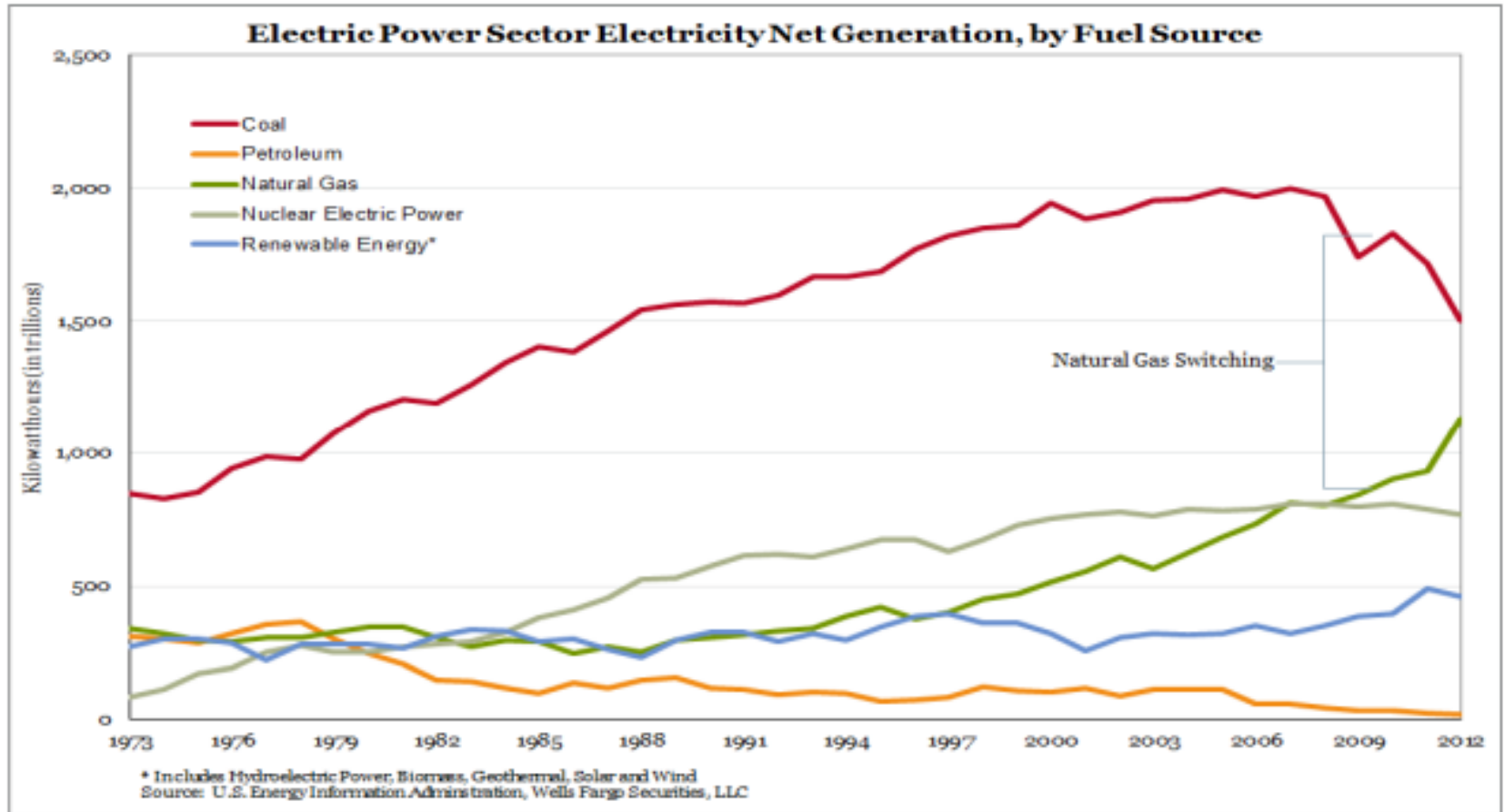
**Carbon Efficient Firms +50.1%**

**S&P 500 +41.0%**



# Why Is Coal Falling Off the Cliff? Energy Producers Switching Fuel Types

## The “Coal” Reality



# 2012 Investments in Fossil Fuel Reserves Versus Clean Energy



[www.ceres.org](http://www.ceres.org)



[www.carbontracker.org](http://www.carbontracker.org)

# How to Go Fossil-Free? Forward-Looking Investors



**Dr. Onnie Byers, PhD**

Chair, Conservation Breeding Specialist Group (CBSG)  
Part of the Global Conservation Network (GCN)

Author of [feature](#) on “Going Fossil Free” investing – and aligning  
NGO endowment portfolio with your organization’s mission





## These Vanguard Funds of Both Stocks & Bonds Rated As Carbon-Intensive (High Exposure)

Investment Type and Ticker	Fund Name (Fossil producer exposure)	Carbon Exposure to Top 200 Fossil Fuel Firms held by the Fund
<i>Stocks:</i> VWNAX	Vanguard Windsor II <b>(7.7% of fund value)</b>	12.9 kg per \$
<i>Stocks &amp; Bonds:</i> VASGX	Vanguard Life Growth Strategy <b>(146 of Top 200 fossil firms)</b>	6.5 kg per \$
<i>Cash:</i> VMMXX	Vanguard Money Market Fund <b>(no exposure)</b>	0.0 kg per \$

Note: 350.org and Carbon Tracker Institute for fossil-fuel firms and their proven carbon reserves; <http://gofossilfree.org/companies/>

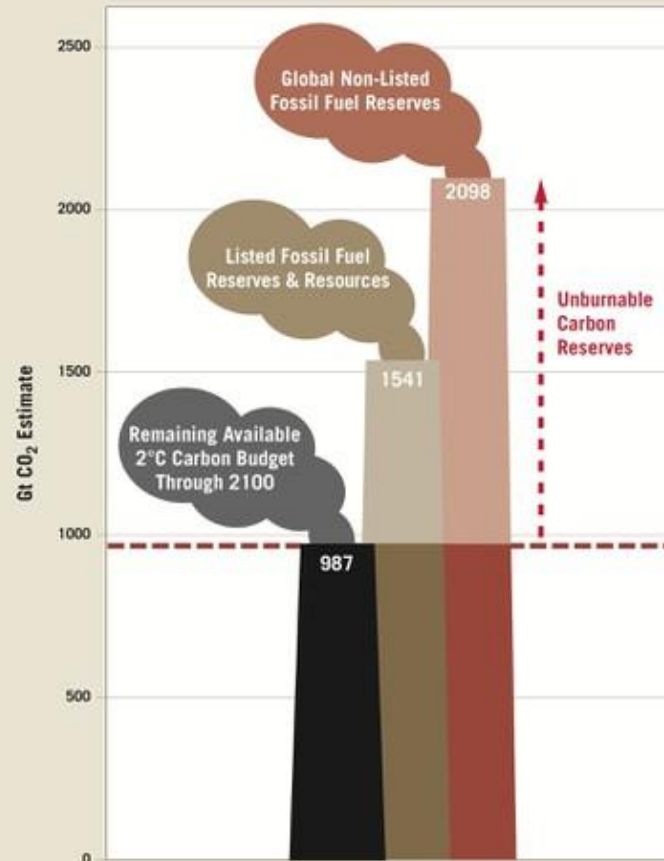
# Vanguard Windsor II's (VWNAX) Holdings Are Carbon-Intensive: Coal, Oil & Gas = Future Risk

<i><b>Fund Holding</b></i>	<i><b>Fossil Fuel Business</b></i>	<i><b>% Share of Fund</b></i>	<i><b>CO2 KG per \$</b></i>
Consol Energy Inc	Coal	0.3%	431.76
BP PLC ADR	Oil & Gas	1.8%	219.30
ConocoPhillips	Oil & Gas	1.7%	218.04
OAO Gazprom ADR	Oil & Gas	0.0%	188.36
Devon Energy Corp	Oil & Gas	0.3%	165.03
Total SA ADR	Oil & Gas	0.2%	129.42
Hess Corp	Oil & Gas	0.0%	121.93
Occidental Petroleum Corporation	Oil & Gas	1.8%	112.50
Chevron Corp	Oil & Gas	0.4%	105.00
Exxon Mobil Corporation	Oil & Gas	0.0%	103.32
Marathon Oil Corp	Oil & Gas	0.1%	94.54
Apache Corporation	Oil & Gas	0.5%	82.72
Anadarko Petroleum Corp	Oil & Gas	0.3%	70.47
Royal Dutch Shell PLC ADR Class B	Oil & Gas	0.2%	68.35
Royal Dutch Shell PLC ADR Class A	Oil & Gas	0.0%	68.35
Murphy Oil Corporation	Oil & Gas	0.0%	57.44
Chesapeake Energy Corp	Oil & Gas	0.0%	33.43

# Will Fossil-Fuel Assets Become Liabilities?

## Fossil Fuel Assets at Risk

Unburnable Carbon Reserves



A significant portion of the world's fossil fuel reserves will need to remain in the ground in 2050 if we are to avoid catastrophic levels of climate change. Fossil fuel companies, however, continue to develop reserves that may never be used.



# Going-Fossil-Free Investor Portfolio Still Holds Top 200 Firms in Some Funds – for Now

Ticker	Fund Name	Fossil Companies (of Top 200) held and % value of portfolio	Carbon Exposure (KG) per \$ of Fund
TICRX	TIAA-CREF Social Choice Equity	<b>Many</b> (22 = 5.9%)	<b>4.25 KG per \$</b>
DGS	WisdomTree Emerging Market Small Cap Dividend	<b>Few</b> (4 = 1.5%)	4.36 KG per \$
TFMAX	Templeton Frontier Markets	<b>Few</b> (4 = 3.9%)	4.85 KG per \$
PARSX	Parnassus Small Cap	<b>One</b> ( <b>Questar</b> = 2.2%)	1.04 KG per \$

# Many Mutual Funds & ETFs have Zero Exposure to Top 200 Fossil-Fuel Firms

*(as of 6/30/2013)*

Ticker	Fund Name	Fossil Companies held (of Top 200)	Carbon Exposure (KG) per \$ of Fund
AEMDX	Acadian Emerging Markets Debt	<b>Zero</b>	0.00 KG per \$
CAAPX	Ariel Appreciation Investor	<b>Zero</b>	0.00 KG per \$
ARDFX	Ariel Discovery Investor	<b>Zero</b>	0.00 KG per \$
CGAEX	Calvert Global Alternative Energy	<b>Zero</b>	0.00 KG per \$
CFWAX	Calvert Global Water	<b>Zero</b>	0.00 KG per \$
BNDX	Vanguard International Bond	<b>Zero</b>	0.00 KG per \$
SGOL	Physical Swiss Gold Shares	<b>Zero</b>	0.00 KG per \$
--	Folio HIP 70 Excludes Fossil	<b>Zero</b>	0.00 KG per \$
--	Folio HIP Best Companies	<b>Zero</b>	0.00 KG per \$
--	Folio HIP Real Estate	<b>Zero</b>	0.00 KG per \$
CGW	<b>Guggenheim Global Water ETF</b>	<b>Zero</b>	<b>0.00 KG per \$</b>
CUT	Guggenheim Timber	<b>Zero</b>	0.00 KG per \$

# Many Mutual Funds & ETFs have Zero Exposure to Top 200 Fossil-Fuel Firms

*(continued, as of 6/30/2013)*

Ticker	Fund Name	Fossil Companies held (of Top 200)	Carbon Exposure (KG) per \$ of Fund
TIP	iShares Barclays TIPs Bond	<b>Zero</b>	0.00 KG per \$
IFGL	<b>iShares International Real Estate</b>	<b>Zero</b>	0.00 KG per \$
KKR	KKR & Company LP	<b>Zero</b>	0.00 KG per \$
POPE	Pope Resources LP	<b>Zero</b>	0.00 KG per \$
PRFIX	Parnassus Fixed Income	<b>Zero</b>	0.00 KG per \$
PGRNX	Pax World Global Environmental	<b>Zero</b>	0.00 KG per \$
PAXHX	<b>Pax World High Yield Bond</b>	<b>Zero</b>	0.00 KG per \$
PXSCX	Pax World Small Cap	<b>Zero</b>	0.00 KG per \$
MIIAX	Praxis Intermediate Income	<b>Zero</b>	0.00 KG per \$
SIGVX	<b>Ridgeworth US Ultra-Short Bond</b>	<b>Zero</b>	0.00 KG per \$
NEXTX	Shelton Green Alpha	<b>Zero</b>	0.00 KG per \$
VMMXX	Vanguard Money Market	<b>Zero</b>	0.00 KG per \$

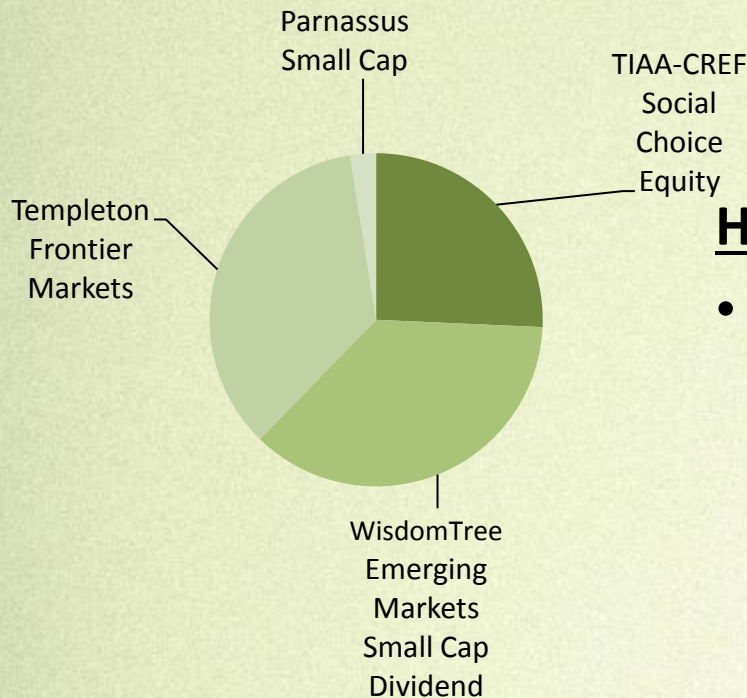


# Path to a Fossil-Free Portfolio:

## ENGAGE New Fund Managers down to 0% Carbon

### Holds 1 of Top 200 Fossil Companies

- US Stocks
  - Parnassus Small Cap (PARSX)
    - **Questar (2.1 % of fund value in Top 200)**



### Holds 4 of Top 200 Fossil Companies

- Emerging Markets
  - WisdomTree Emerg. Small Cap Dividend (DGS)
    - **1.5%** including China, Brazil
  - Templeton Frontier Markets (TFMAX)
    - **3.9%** including Kazakh, Mongolia

### Holds Many of Top 200 Fossil Companies

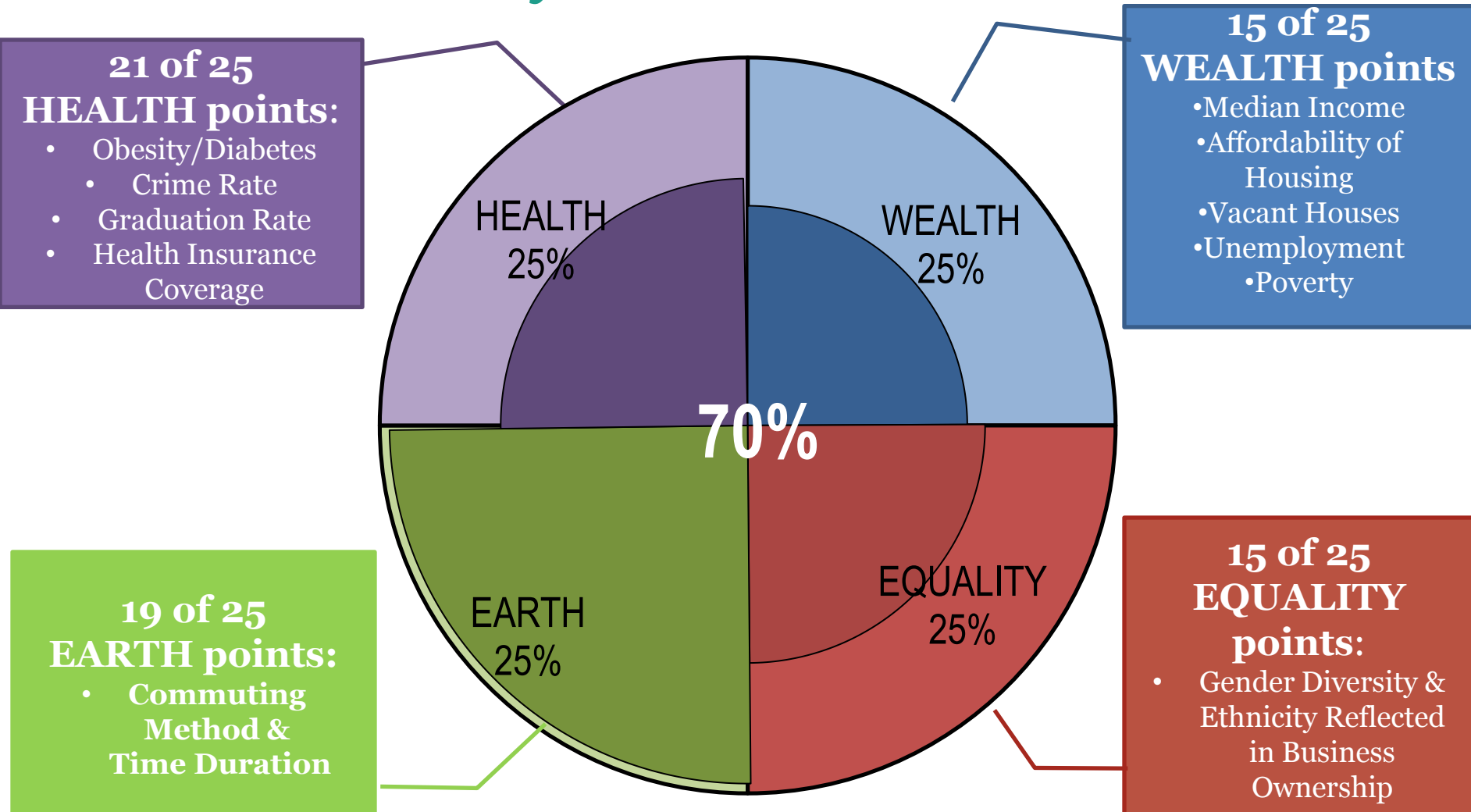
- US Equities
  - TIAA-CREF Social Choice Equity (TICRX: **5.9%**)

# Sustainable Investment Portfolios Have Outperformed their Benchmarks for the Periods Shown

Sustainable Investment Fund	Ticker/ Morningstar	Fund Performance	Benchmark Performance	Inception Date to 12/31/2013
<b>Portfolio 21</b>	PORTX ***	<b>+ 78.87%</b>	+25.09 % (SPY) +59.78% (EFA)	January 2000
<b>Parnassus Workplace Fund</b>	PARWX *****	<b>+ 65.59%</b>	+ 43.85% (SPY)	April 2006
<b>Ariel Fund</b>	ARGFX **	<b>+148.75 %*</b>	+ 25.09 % (SPY)	1986 * <i>Results since 1/14/2000</i>
<b>Ariel Appreciation Fund</b>	CAAPX **	<b>+87.601%*</b>	+25.09 % (SPY)	1989 * <i>Results since 1/14/2000</i>
<b>HIP 100 Portfolio</b>	Separately Managed Account	<b>+ 107.93% gross + 97.16% net for model folio</b>	+ 96.58% (OEF)	July 30, 2009 To 12/31/2013

# HIP Impact Rating EXPLAINED

*City of Seattle = 70%*





# A Tale of Six Cities: Comparing the Impact (HIP Ratings) of Some of America's Most Notable Cities

	City of Seattle WA	City of New York NY	City of Chicago IL	City of Los Angeles CA	City of Detroit MI	City of Dallas TX
Population	608,660	8,244,910	2,707,123	3,819,702	706,640	1,223,229
<b>HIP Rating</b>	<b>70%</b>	<b>49%</b>	<b>44%</b>	<b>40%</b>	<b>38%</b>	<b>36%</b>
HEALTH of 25%	21%	12%	8%	9%	1%	5%
WEALTH of 25%	15%	11%	7%	8%	6%	10%
EARTH of 25%	19%	13%	13%	12%	13%	12%
EQUALITY of 25%	15%	13%	16%	11%	18%	9%
<b>BOND RATING</b> of recent issue	S&P: AAA Fitch: AA+	S&P: AA Fitch: AA	S&P: AA- Fitch: AA-	S&P: AA- Fitch: AA-	S&P: C Fitch: n/a Moody's: B1	S&P: AA+ Fitch: n/a Moody's: Aa1

# Impact Rated Bonds for Water Utilities Score Hard Impacts

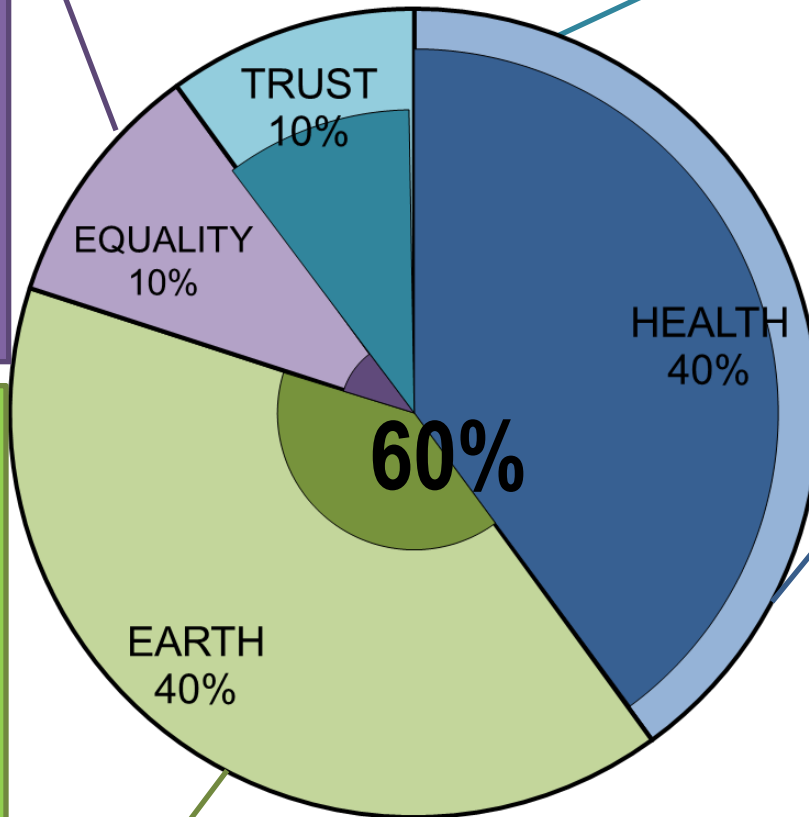
*City of San Diego Water = 60%*

2 of 10  
**EQUALITY** points:

- Gender diversity on the board and executive management

8 of 10  
**TRUST** points:

- Metering
- Smart-metering



36 of 40  
**HEALTH** points:

- Drinking water contamination, incl'g nitrate and fluoride
- EPA violations

14 of 40  
**EARTH** points:

- Treatment technique
  - Leakage
  - Per person water use
  - Use of recycled water

# HIP Ratings Are Inclusive & Comprehensive; Evaluate 30-Year Risk Factors, Not Only Financials

<i>Obligor – Bond issuer</i>	<b>S&amp;P bond rating</b>	<b>Moody's bond rating</b>	<b>Fitch bond rating</b>	<b>HIP Investor bond ratings</b>
City of Palo Alto	AAA	Aa3	<b>No Score</b>	<b>77%</b>
City & County of San Francisco	AA-	Aa3	<b>No Score</b>	<b>76%</b>
City of San Diego – Water	A+	A2	AA-	<b>60%</b>
San Diego County Water	AA+	<b>No Score</b>	AA+	<b>60%</b>
Sweetwater CA Water Auth.	AA	<b>No Score</b>	<b>No Score</b>	<b>60%</b>
JEA – Water	AA-	Aa3	AA-	<b>58%</b>
City of Goleta	BBB	<b>No Score</b>	<b>No Score</b>	<b>51%</b>
Castaic Lake Water Agency	AAA	Aaa	<b>No Score</b>	<b>46%</b>
East Bay Municipal Water	AA+	Aa2	AA-	<b>46%</b>
City of Gresham	AA	Aaa	<b>No Score</b>	<b>36%</b>
City of Hillsboro	<b>No Score</b>	Aa2	<b>No Score</b>	<b>36%</b>
City of Butte, MT	AA-	<b>No Score</b>	<b>No Score</b>	<b>35%</b>

*All HIP Ratings are subject to change based on new information or refinement of weightings*

CA





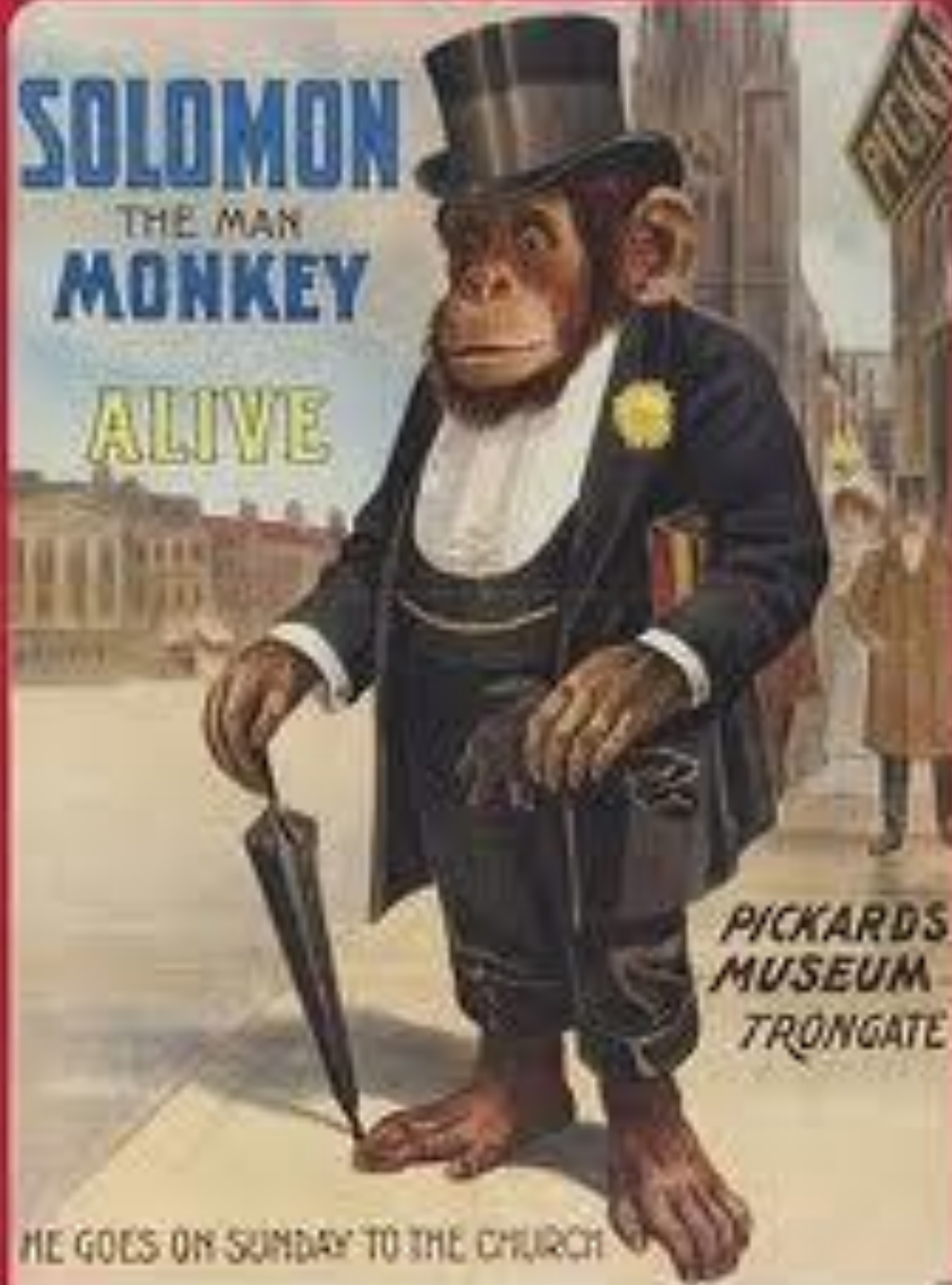
## Nobel-Prize Winning Financial Theories Embed Assumptions

- *“The markets are efficient”*
- *“All information is built into the prices immediately”*
  - *“You cannot outperform the market”*

# DARWIN'S MISSING LINK

**SOLOMON**  
THE MAN  
**MONKEY**

**ALIVE**



*PICKARDS  
MUSEUM  
TRONGATE*

HE GOES ON SUNDAY TO THE CHURCH





# BUT...

- “The markets are frequently IN-efficient”
- “All information is NOT built into the prices immediately”
  - “Portfolios can outperform the market”



# Long-Term, Intelligent Investors Invest Across All Asset Classes

## A Higher Impact Portfolio

Cash

Fixed income

Income  
Generating  
Appreciation

Equities

International  
and  
Emerging

Venture  
Capital and  
Private  
Equity

Alternatives

Banks and credit unions that focus on sustainability e.g. 22 banks in the GABV

Bonds from impact-focused corporates and Muni's (schools, hospitals) e.g. SNW Asset Mgmt

Real Estate Investment Trusts (REITs) who implement resource efficiency

Individual firms, mutual funds and ETFs based in OECD – rated on sustainability

Firms, funds ETFs – in emerging growth areas: Europe, Asia, Africa, Americas – rated by impact

Ventures, angel funds, VC, private equity – seeking impact results

Commodity funds that may include impact criteria





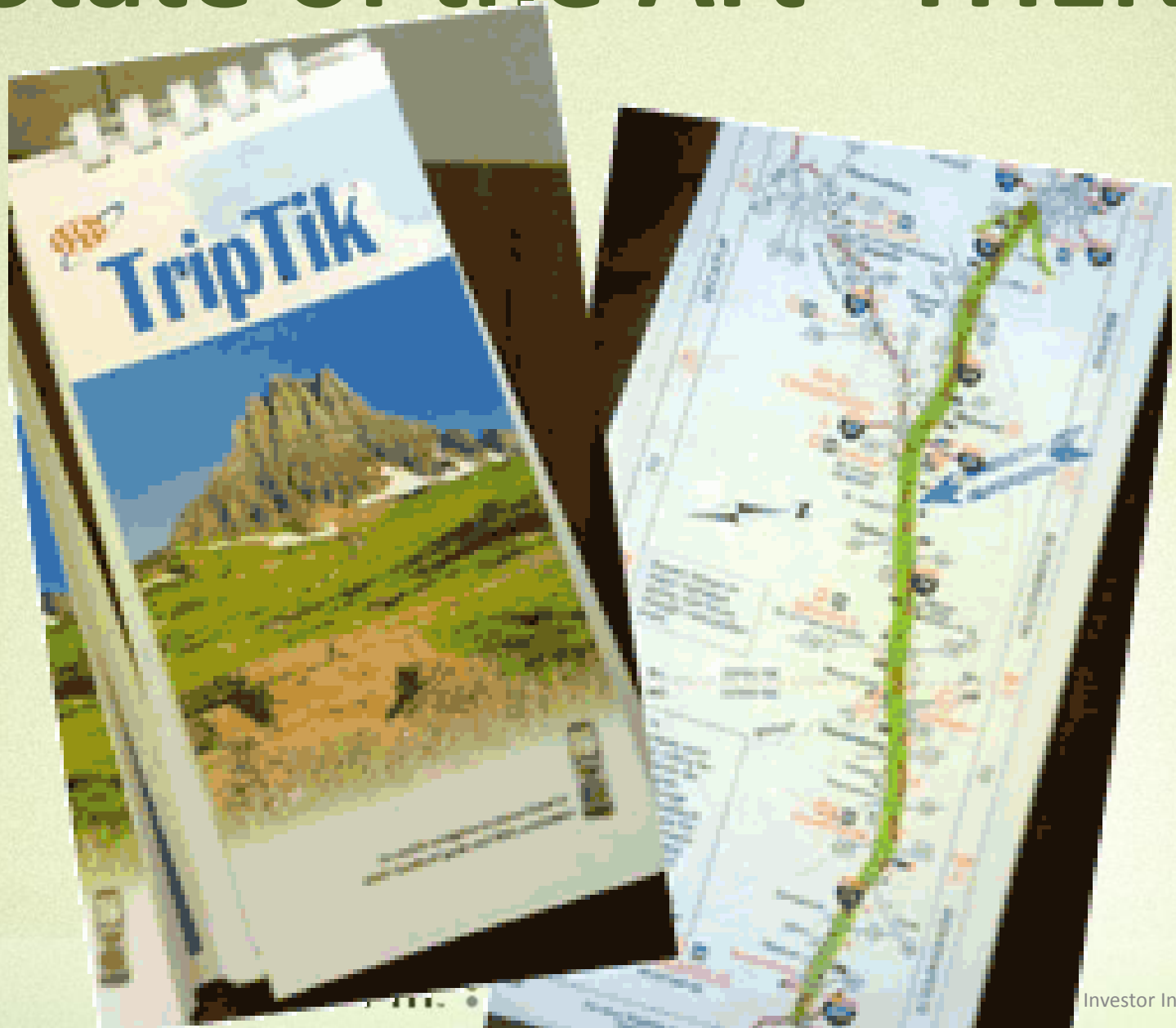


# The Best of 1952

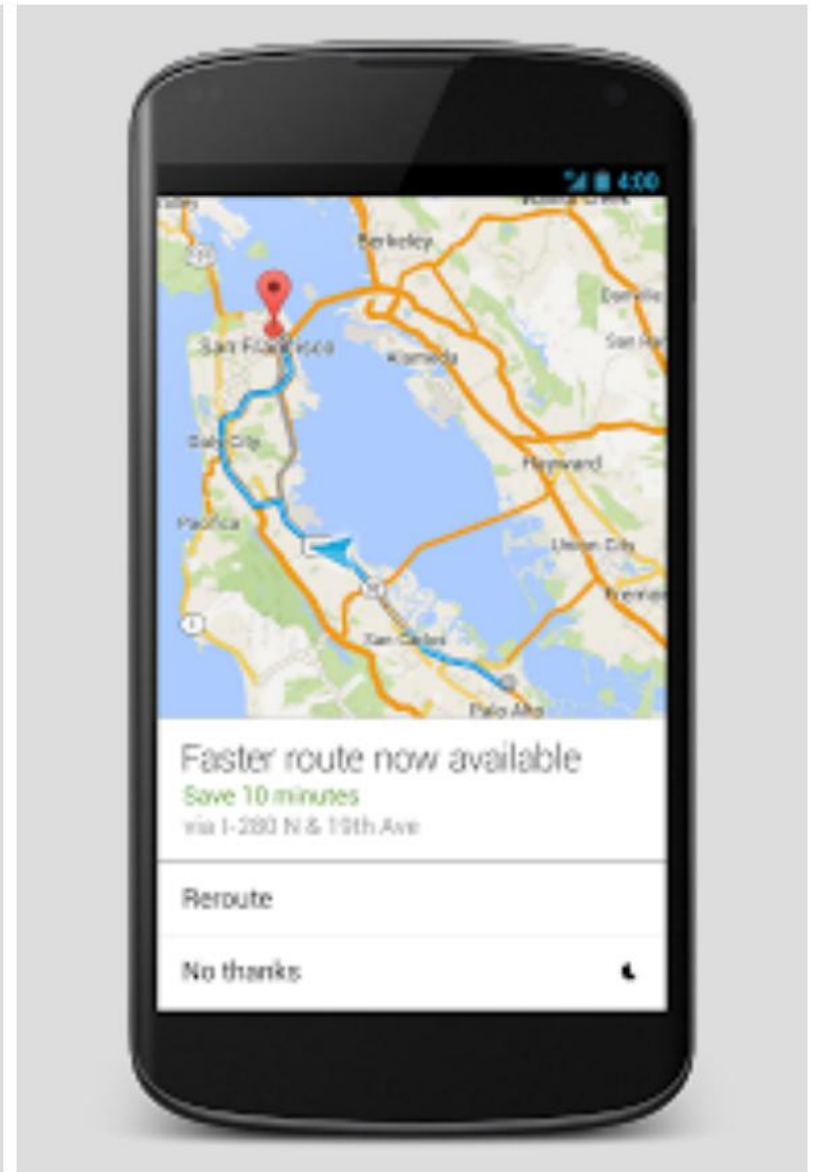
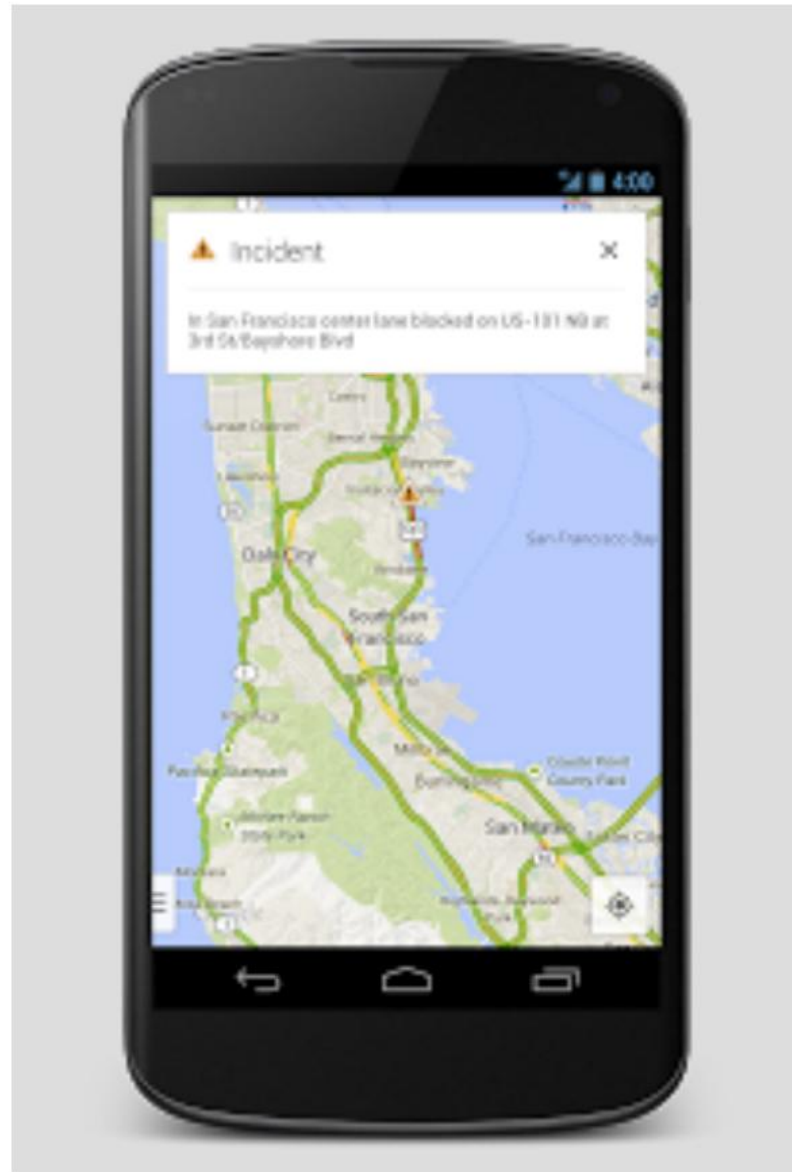




# ：“State of the Art” THEN



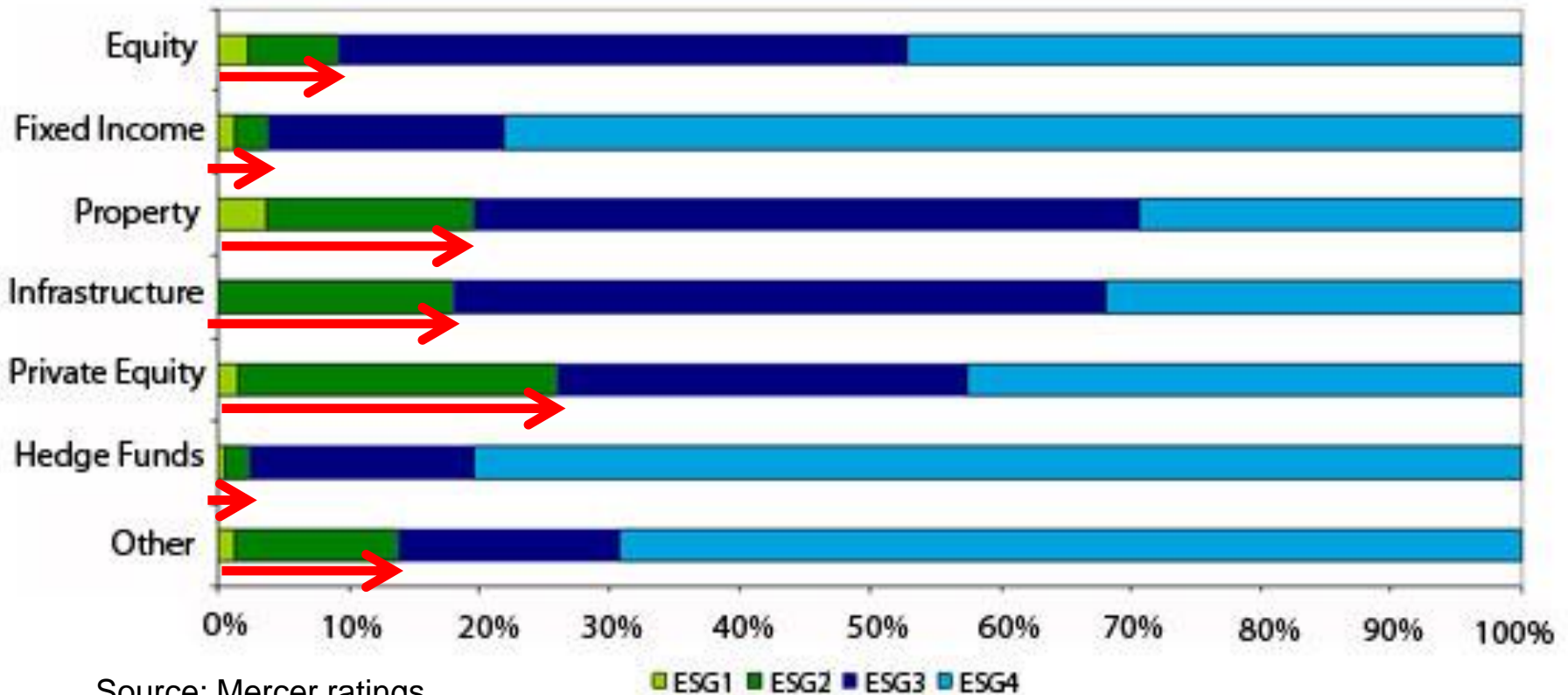
# ⋮ “State of the Art” NOW



# At Most, 1 in 4 Fund Managers Apply these “New Fundamentals” to their Investing

Distribution of ratings within asset classes

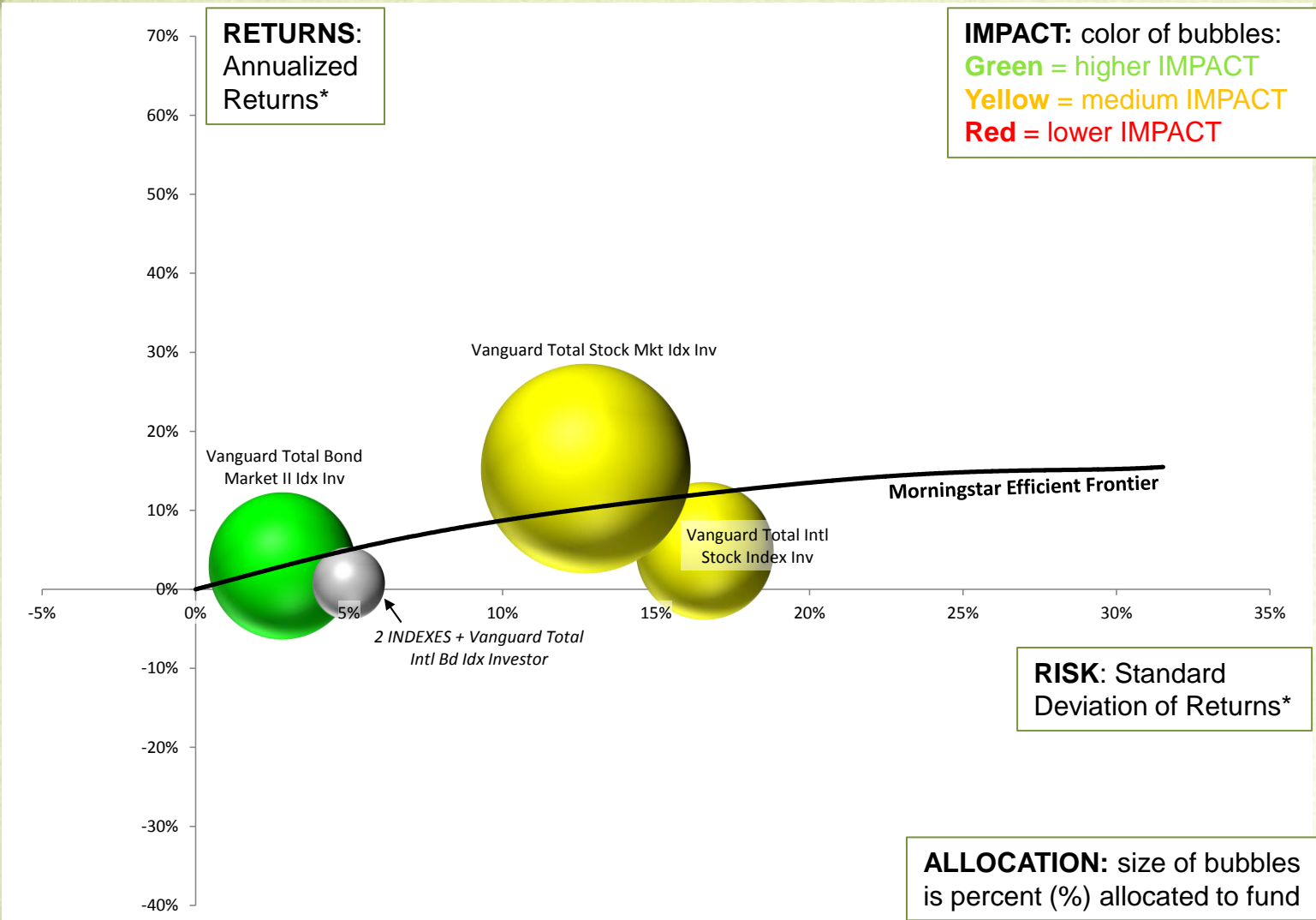
n=5,175



Source: Mercer ratings

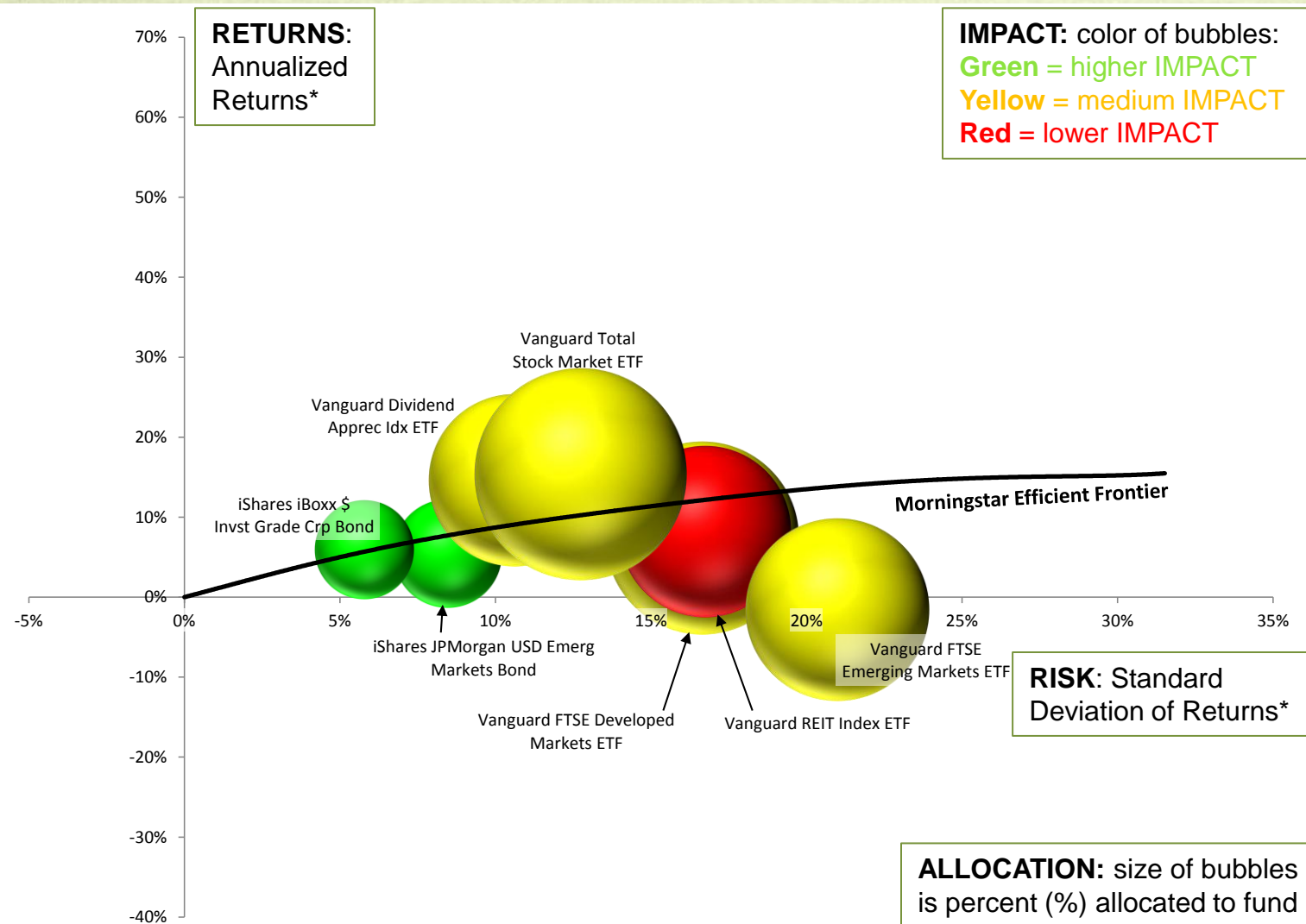


# From 2011-2013, the Funds Inside the Vanguard 2025 Target-Date Portfolio Delivered Returns Close to their Risk Level



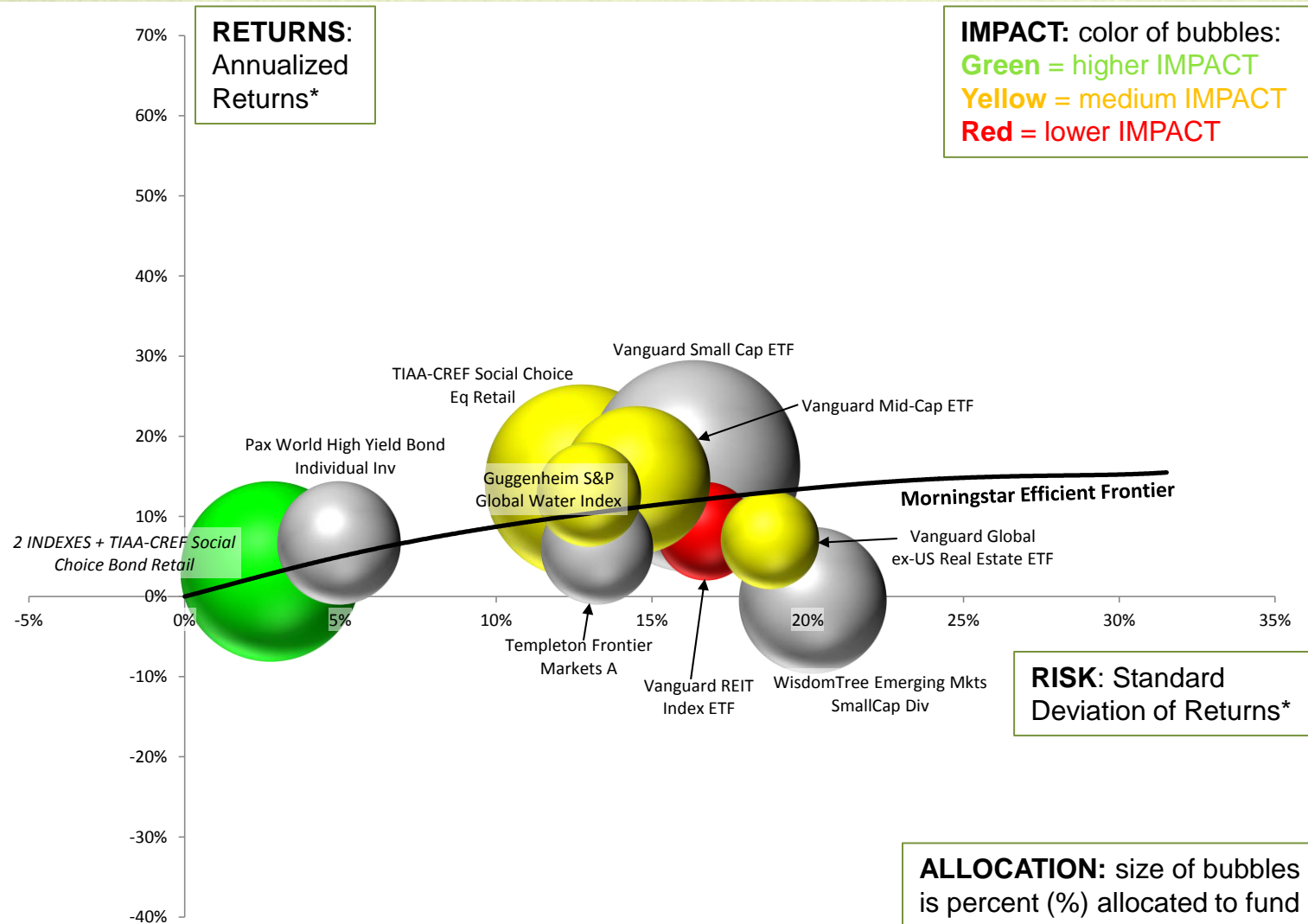
\* For annualized time period over the past 3 years ending December 31, 2013 (or for data since inception of strategy)

# From 2011 to 2013, Funds with Higher Risk in the MPT Portfolio Did Not Deliver the Expected Returns



\* For annualized time period over the past 3 years ending December 31, 2013 (or for data since inception of strategy)

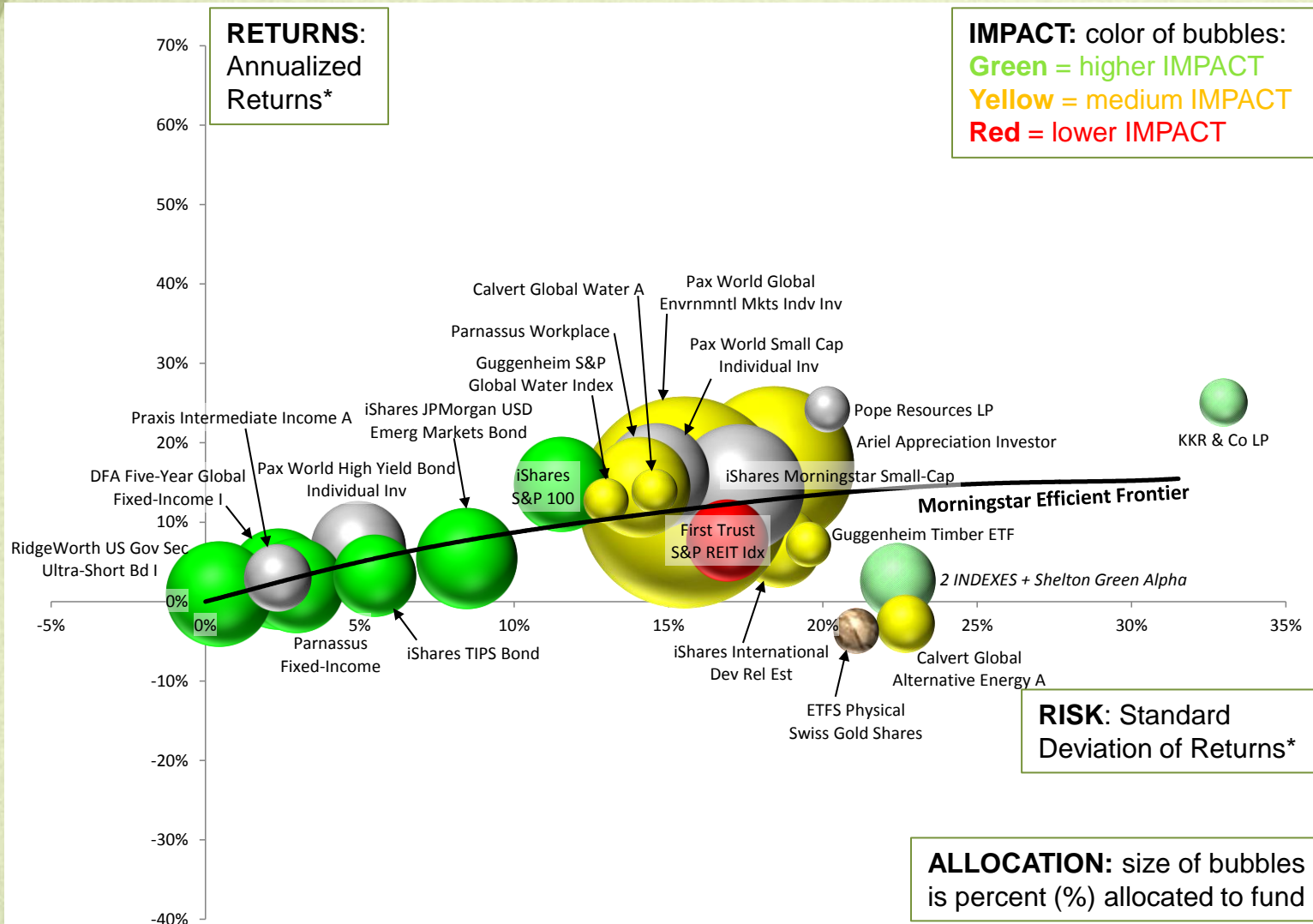
# From 2011 to 2013, Several Funds in the HIP 10 Portfolio Performed Strongly



\* For annualized time period over the past 3 years ending December 31, 2013 (or for data since inception of strategy)

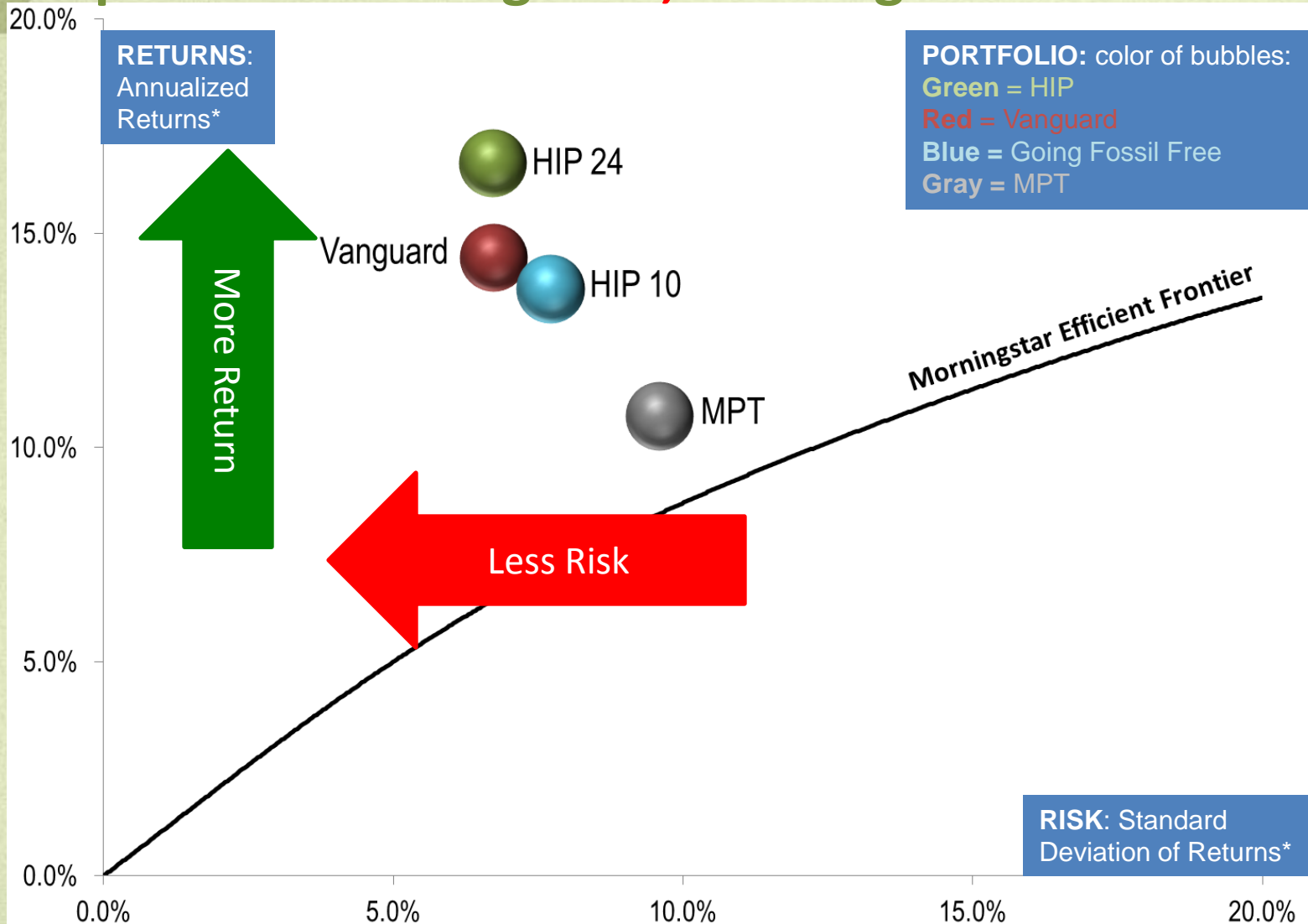


# From 2011 to 2013, Many Funds in the HIP 24 Portfolio Realized Returns At or Above their Risk Level



\* For annualized time period over the past 3 years ending December 31, 2013 (or for data since inception of strategy)

# In 2013, a HIP-Focused PORTFOLIO Was More Optimal: Lowering **RISK**, Beating the **RETURNS** of MPT

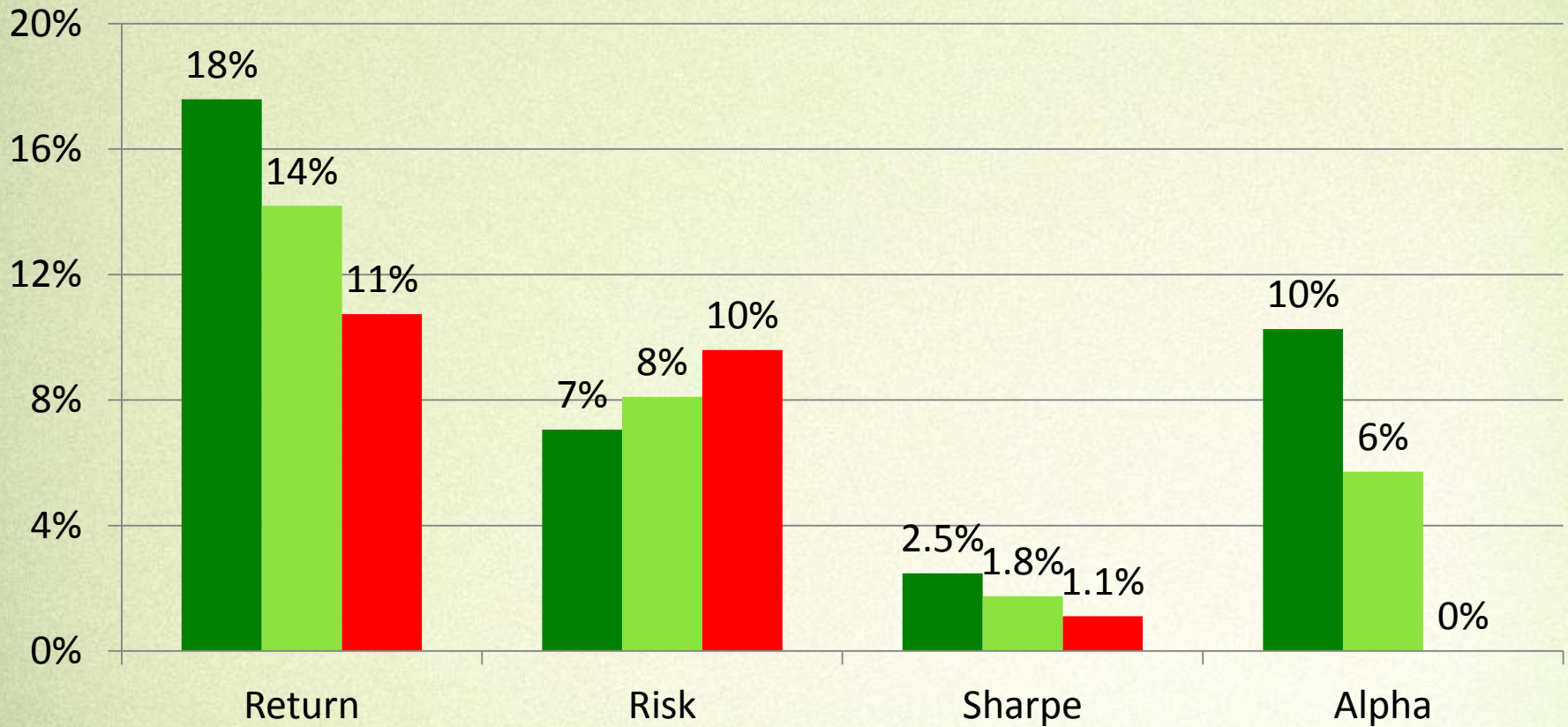


\* For annualized time period over the past 1 year ending December 31, 2013 (or for data since inception of strategy)

# 1-Year Portfolio Performance (2013)

## *HIP 24, HIP 10, MPT*

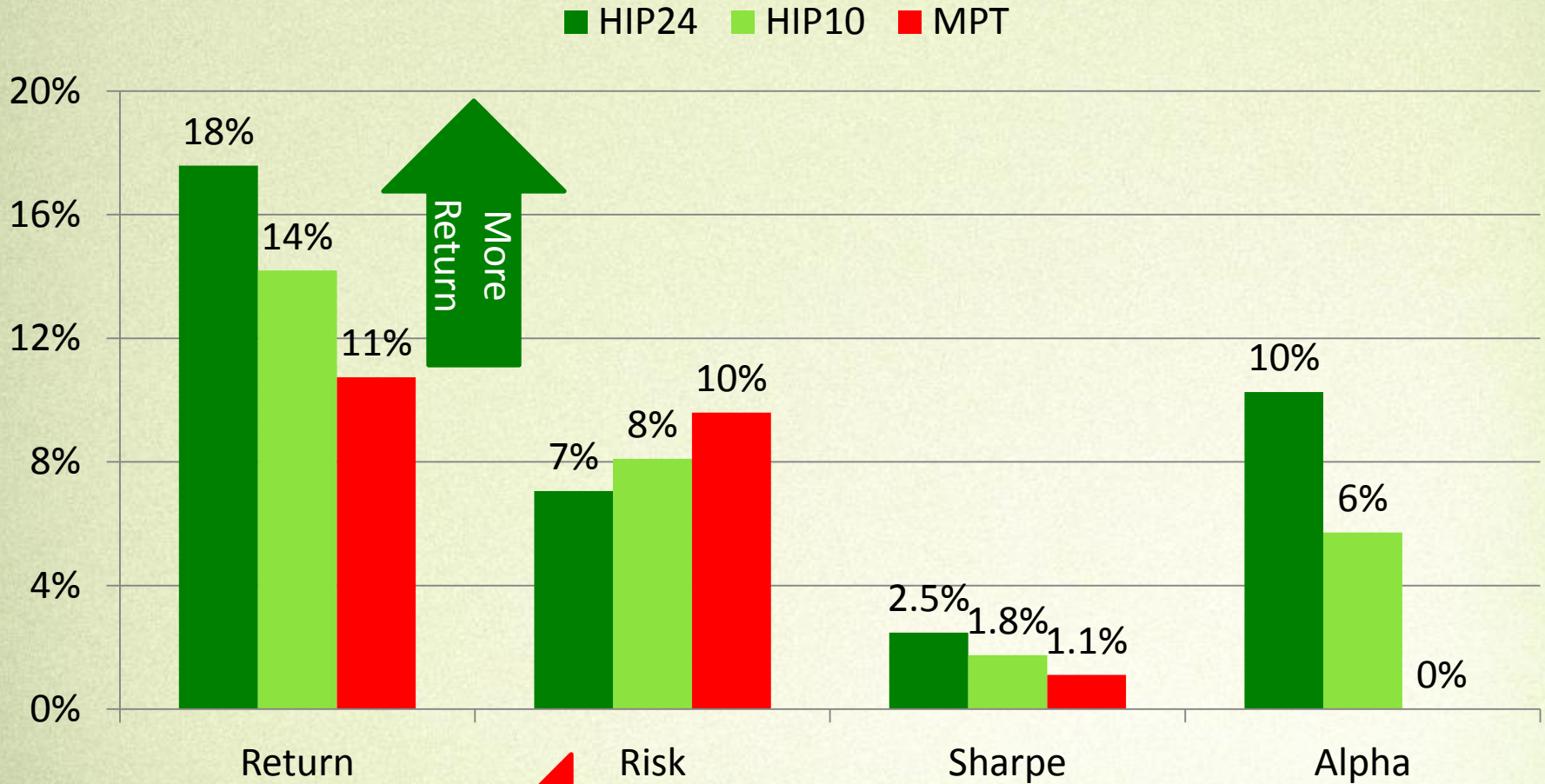
■ HIP24 ■ HIP10 ■ MPT





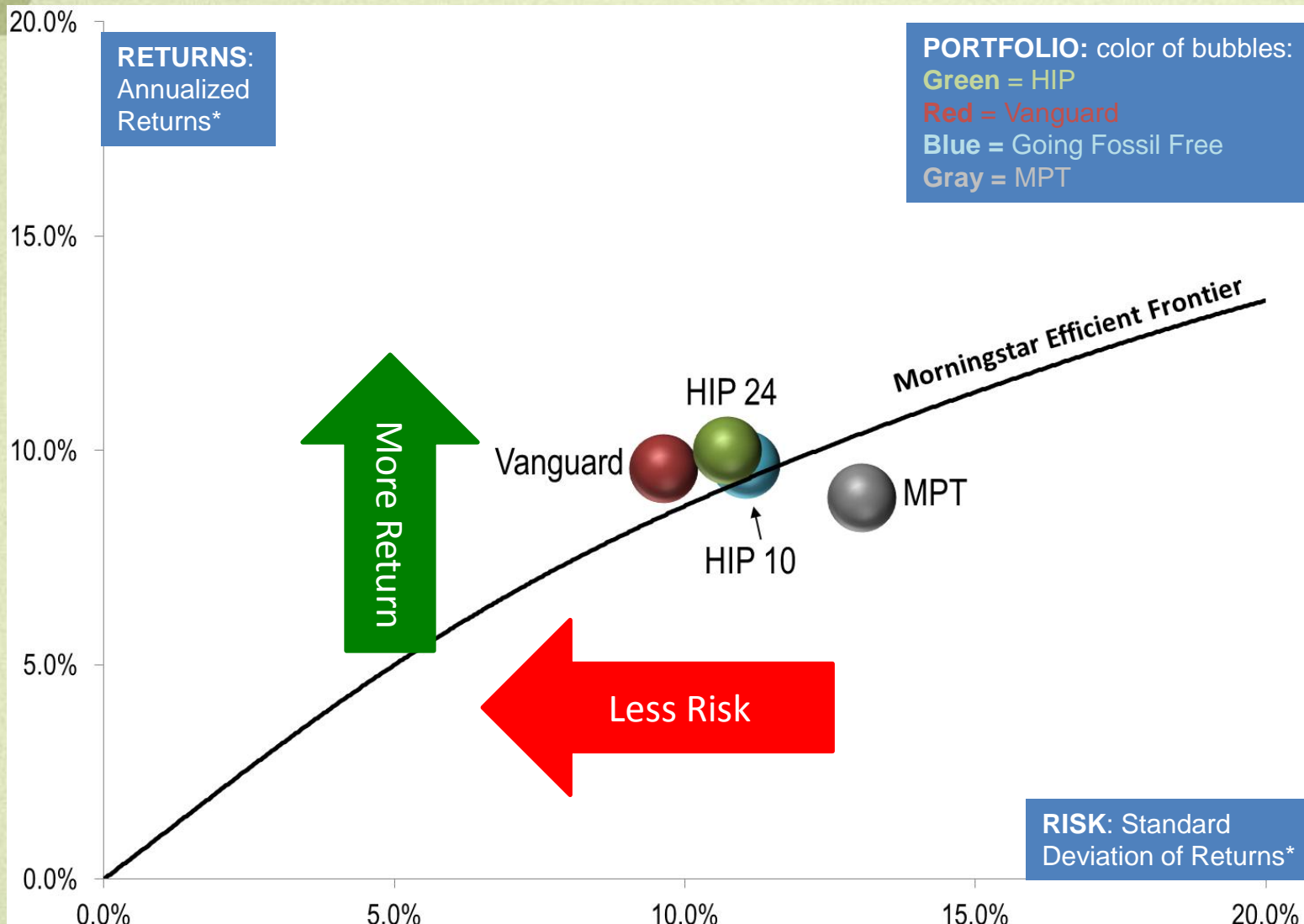
# 1-Year Portfolio Performance (2013)

## HIP 24, HIP 10, MPT



Less Risk

# Over 3 Years (2011-13), a HIP-Focused PORTFOLIO Was Also More Optimal: Lowering **RISK** Yet Exceeding MPT **RETURNS**

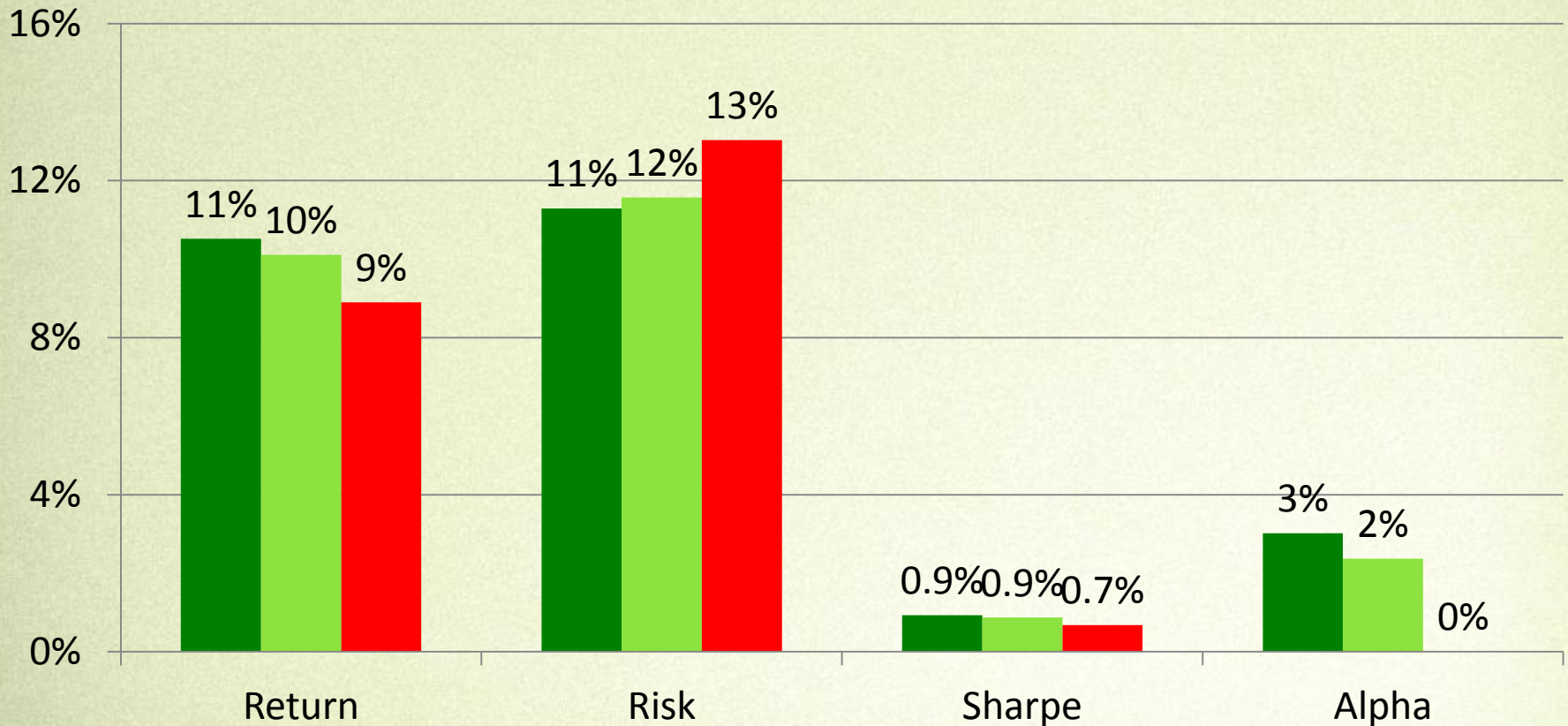


\* For annualized time period over the past 3 years ending December 31, 2013 (or for data since inception of strategy)

# 3-Year Portfolio Performance (2011-2013)

## HIP 24, HIP 10, MPT

■ HIP24 ■ HIP10 ■ MPT

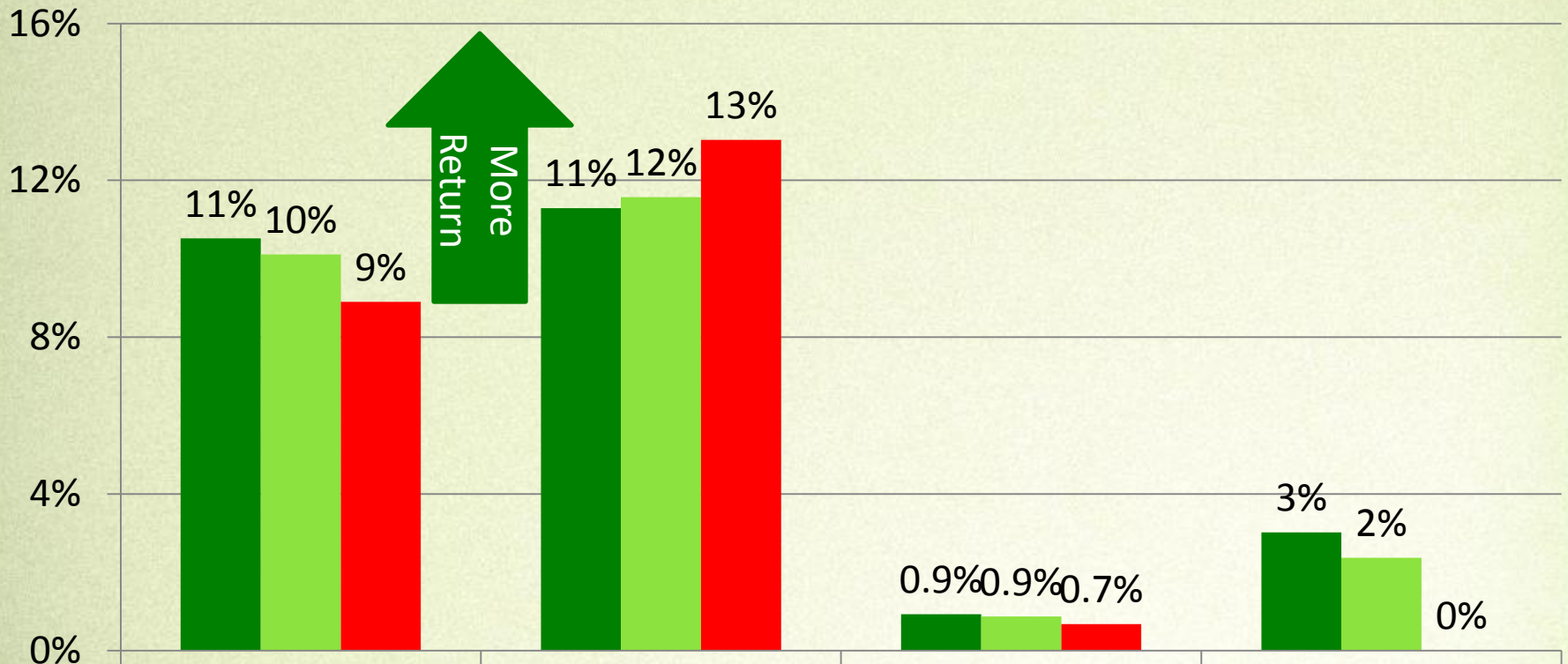




# 3-Year Portfolio Performance (2011-2013)

## HIP 24, HIP 10, MPT

■ HIP24 ■ HIP10 ■ MPT



Return

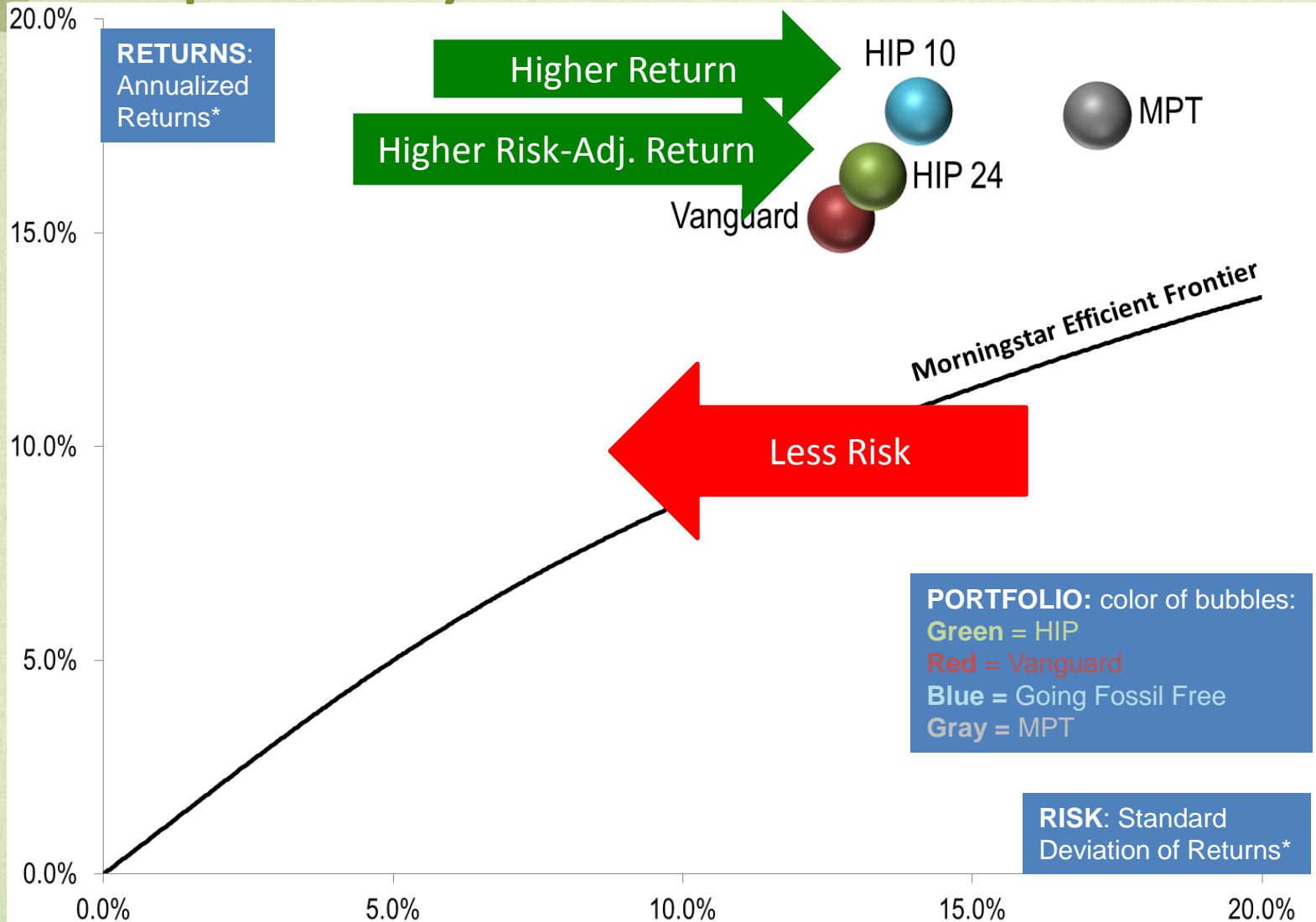
Risk

Sharpe

Alpha

Less Risk

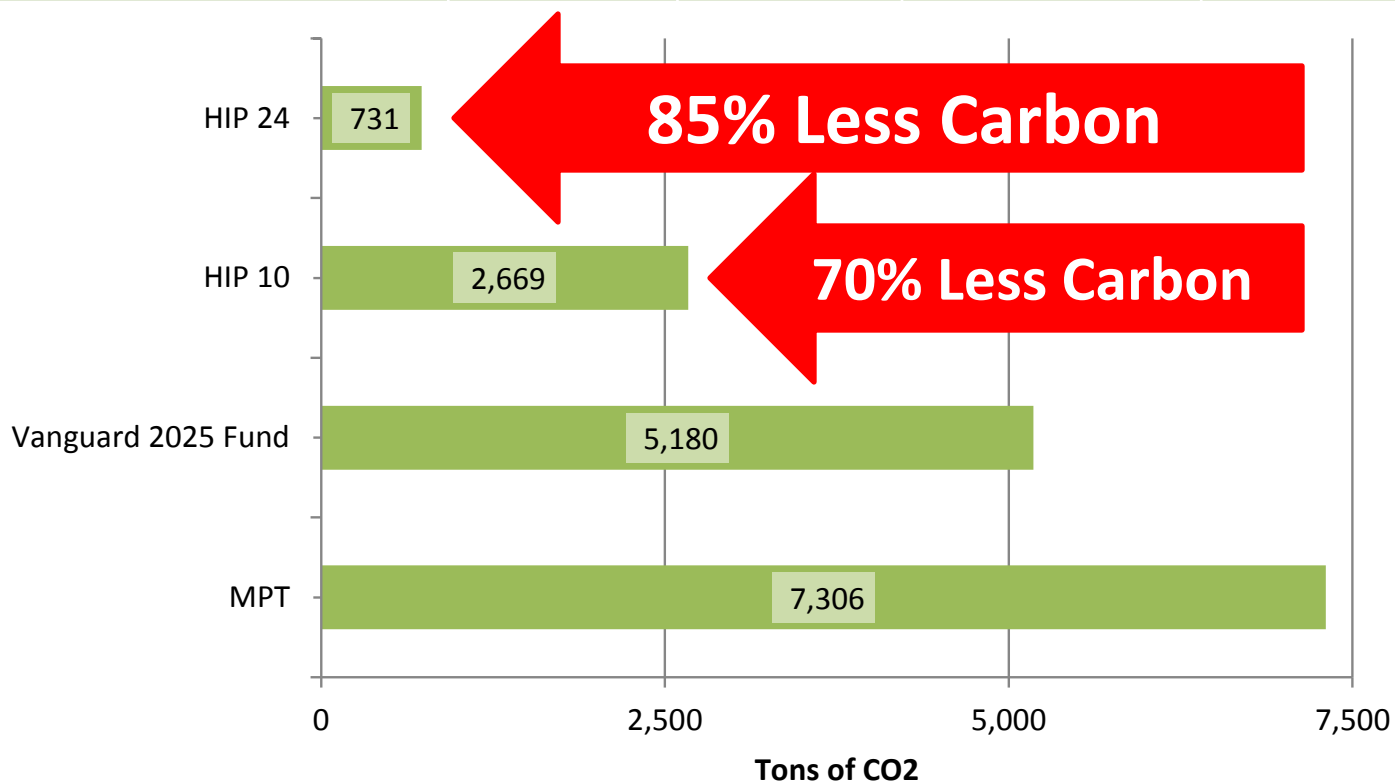
# Over 5 Years (2009-13), a HIP-Focused PORTFOLIO Proportionally Reduced **RISK** & **RETURN** vs. MPT



\* For annualized time period over the past 5 years ending December 31, 2013 (or for data since inception of strategy)

# HIP-Focused Portfolios Designed to Be More “Fossil-Free” than the “Efficient Market”

Portfolio Metric	HIP 24	HIP 10	Vanguard 2025 Fund	MPT
TONS CO2 of Fossil Fuel Reserves*	731.08	2,669.14	5,179.99	7,306.48



\* Fossil Fuel Reserves of Top 200 fossil-fuel producers; defined by Carbon Tracker Initiative, in concert with 350.org, and applied by HIP Investor to portfolio exposure



# Dr. Harry Markowitz

- 1952: Created “**Modern Portfolio Theory**” (MPT)
- 1990: Awarded **Nobel Prize** for MPT
- 2014: MPT is 62 years old: time to **retire** MPT?



# Millennials as Future Leaders: #1 Purpose of Business Is Building a Better World

Figure 2: Purpose of business (Business Leaders)



Figure 3: Purpose of business (Millennials)



- 80 million Millennials in USA
- Inheriting \$40 Trillion from Boomers

## *A Millennial View on Investing*

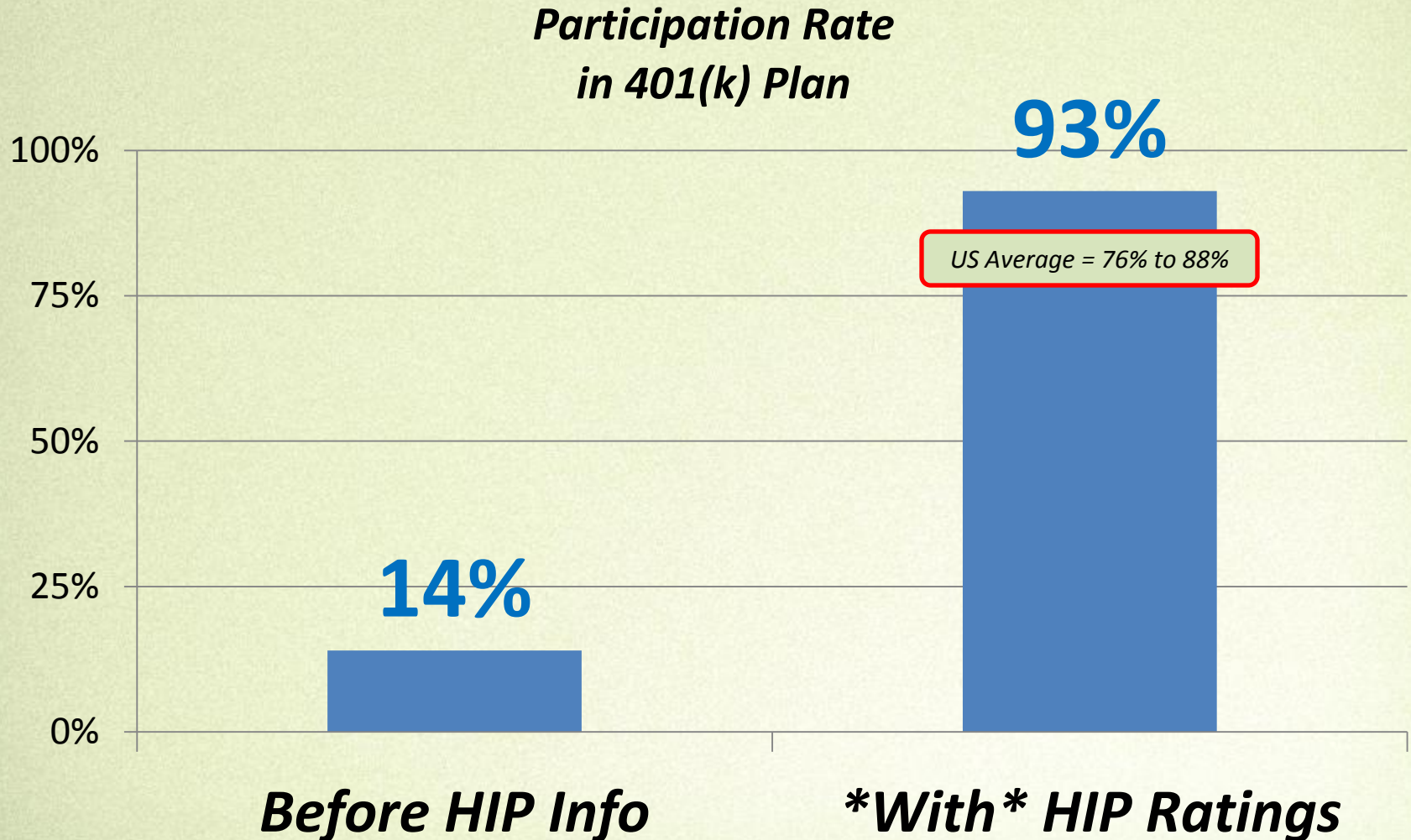
*“If I don’t know how  
sustainable this  
investment fund is,  
I am not going to invest”*



# EBS 401k Fund Choices

Name	Category	Ticker	PROFIT		IMPACT	IMPACT + PROFIT
			5-Year Morningstar Rating	5-Year Sharpe Ratio	HIP IMPACT Rating Relative to Industry Sectors	Overall
Calvert Short Duration Income I	Short-Term Bond	CDSIX	★★★★	2.26	77%	
Vanguard Short-Term Inv-Grade Adm	Short-Term Bond	VFSUX	★★★★	2.24	79%	
Praxis Intermediate Income I	Intermediate-Term Bond	MIIIX	★★★	2.03	67%	
Vanguard Total Bond Mkt Index Signal	Intermediate-Term Bond	VBTSX	★★	1.57	78%	
Vanguard Interm-Term Treasury Adm	Intermediate-Term Bond	VFIUX	★★★	0.76	85%	
Vanguard Interm-Term Bond Index Signal	Intermediate-Term Bond	VIBSX	★★★	1.43	79%	
DFA Inflation-Protected Securities I	Intermediate-Term Bond	DIPSX	★★★★	0.90	85%	
Calvert High Yield Bond I	High Yield Bond	CYBIX	★★★	2.38	57%	
Parnassus Equity Income - Inv	Large Blend/Growth	PRBLX	★★★★	1.51	71%	
DFA US Large Company I	Large Blend/Growth	DFUSX	★★★★	1.44	67%	
Vanguard Total Stock Mkt Idx Signal	Large Blend/Growth	VTSSX	★★★★	1.44	74%	
Calvert Equity I	Large Blend/Growth	CEYIX	★★★	1.34	76%	
DFA US Sustainability Core 1	Large Blend/Growth	DFSIX	★★★★★	1.40	69%	
DFA US Large Cap VALUE I	Large Blend/Growth	DFLVX	★★★★★	1.35	76%	
Vanguard Mid Cap Index Signal	Mid Blend	VMISX	★★★★★	1.43	52%	
Ariel Appreciation Investor	Mid Blend	CAAPX	★★★★	1.25	59%	
DFA US Small Cap I	Small Blend	DFSTX	★★★★★	1.34	39%	
DFA US Targeted VALUE I	Small Blend	DFFVX	★★★★	1.26	43%	
DFA Global Real Estate Securities I	Specialty - Real Estate	DFGEX	★★★★★	1.28	59%	
Calvert Global Water Y	Foreign Large Value/World Stock	CFWYX	★★★★★	1.25	66%	
DFA International Small Company I	Foreign Large Value/World Stock	DFISX	★★★	1.13	68%	
DFA Intl Sustainability Core 1	Foreign Large Value/World Stock	DFSPX	★★★★	0.92	79%	
Vanguard International GROWTH Adm	Foreign Large Value/World Stock	VWIIX	★★★	0.95	75%	
DFA International Small Cap VALUE I	Foreign Large Value/World Stock	DISVX	★★★	1.05	71%	
DFA Emerging Markets I	Foreign Large Value/World Stock	DFEMX	★★★	0.76	60%	
DFA International VALUE I	Foreign Large Value/World Stock	DFIVX	★★★	0.84	81%	
DFA Emerging Markets Core Equity I	Foreign Large Value/World Stock	DFCEX	★★★★	0.78	58%	
DFA Emerging Markets VALUE I	Foreign Large Value/World Stock	DFEVX	★★★	0.69	57%	

# Including Sustainability Ratings in 401(k) Plans Can Increase Employee Engagement + Education







# *How Corporates Can Be More HIP:*

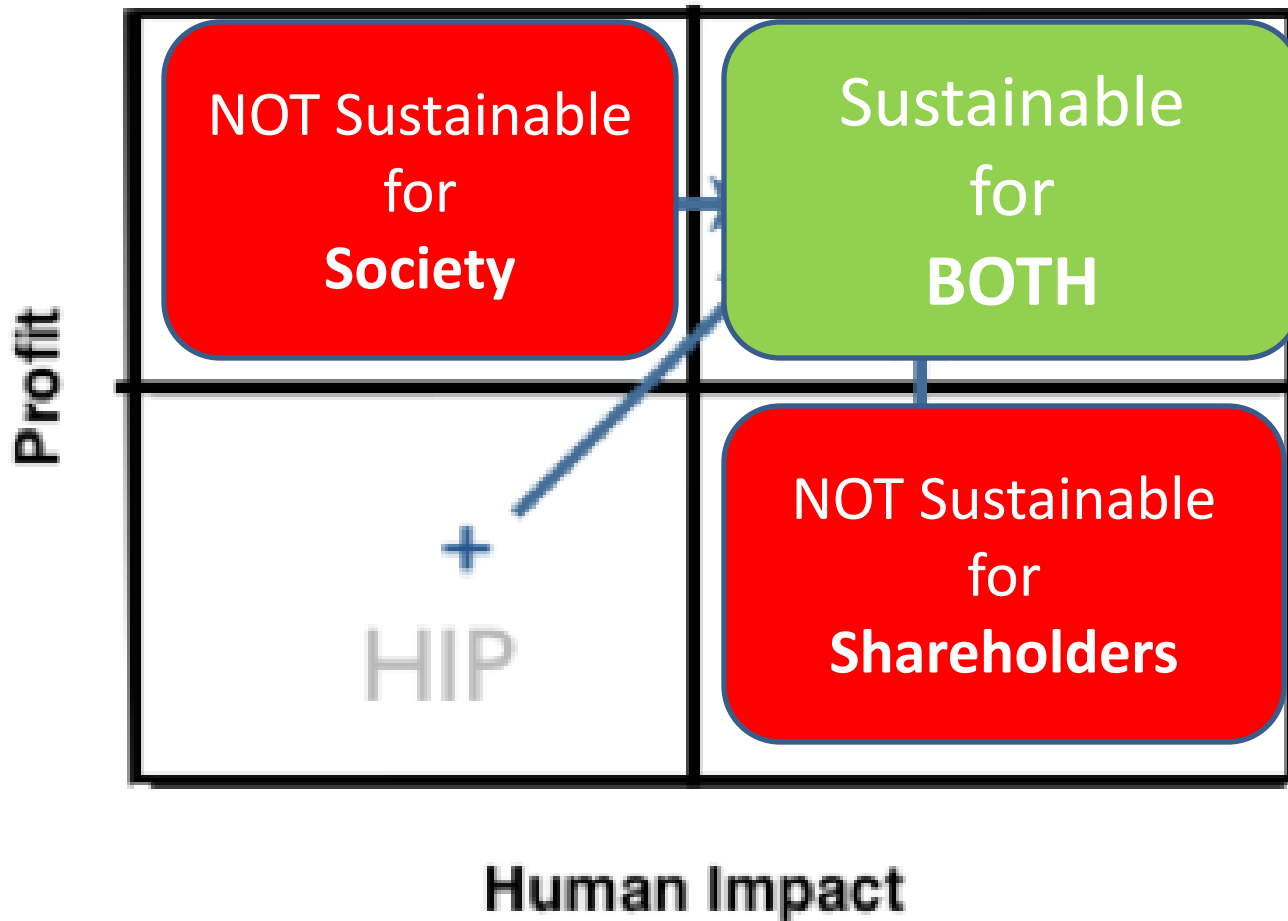
**Sustainable Products & Services:  
+ Grow Top-Line**

**Measure Invisible Operations:  
+ Discover New Profit Potential**

**Integrate into Decision-Making:  
+ Reduce Future Risk**



**HI = Sustainable for Society**  
**P = Sustainable for Shareholders**



# **How Investors & Funds**

## **Can Be More HIP:**

**Over-weight Sustainable Firms;**

**Under-weight Unsustainable**

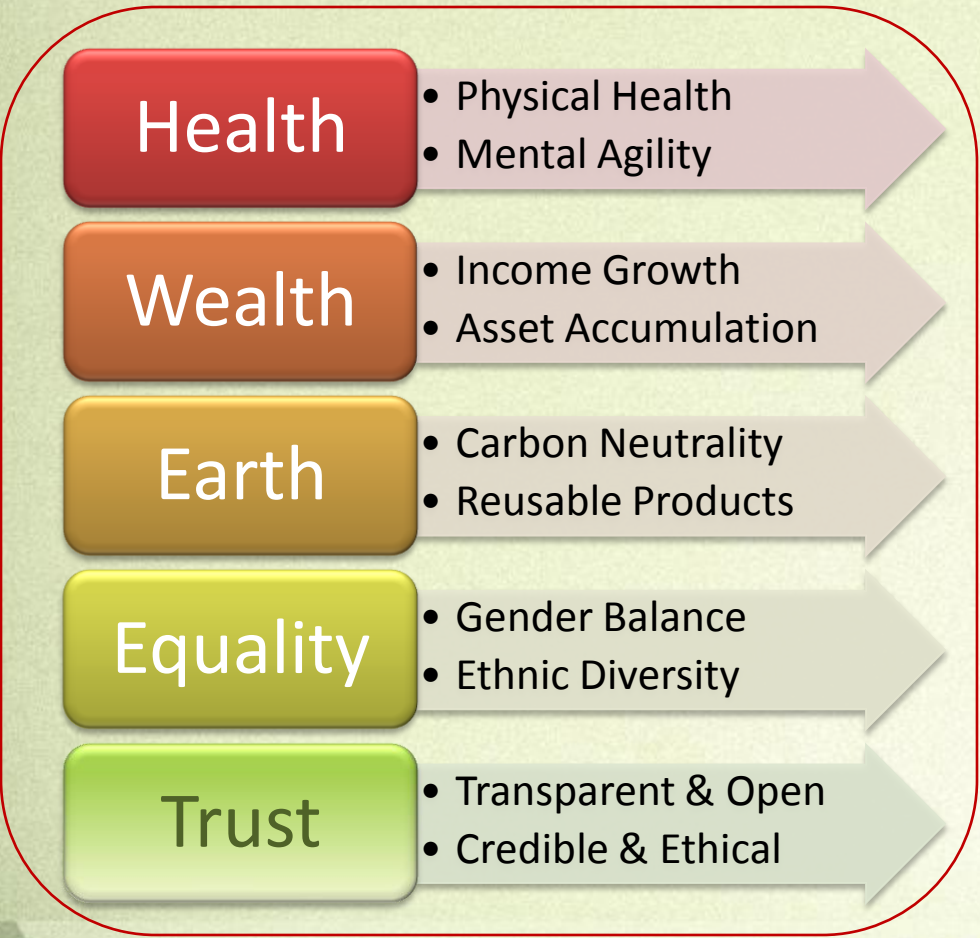
**Select Funds Rated Higher on  
Sustainability**

**Diversify Portfolios based on  
Future Risk-Return-Impact**

# HIP Rates these Factors, which drive Future Risk & Return, for Investors

*Companies innovate to answer five human needs:*

*Which can result in sustainable, profitable growth for all stakeholders:*





# HIP RATINGS – of a Portfolio by Asset Class

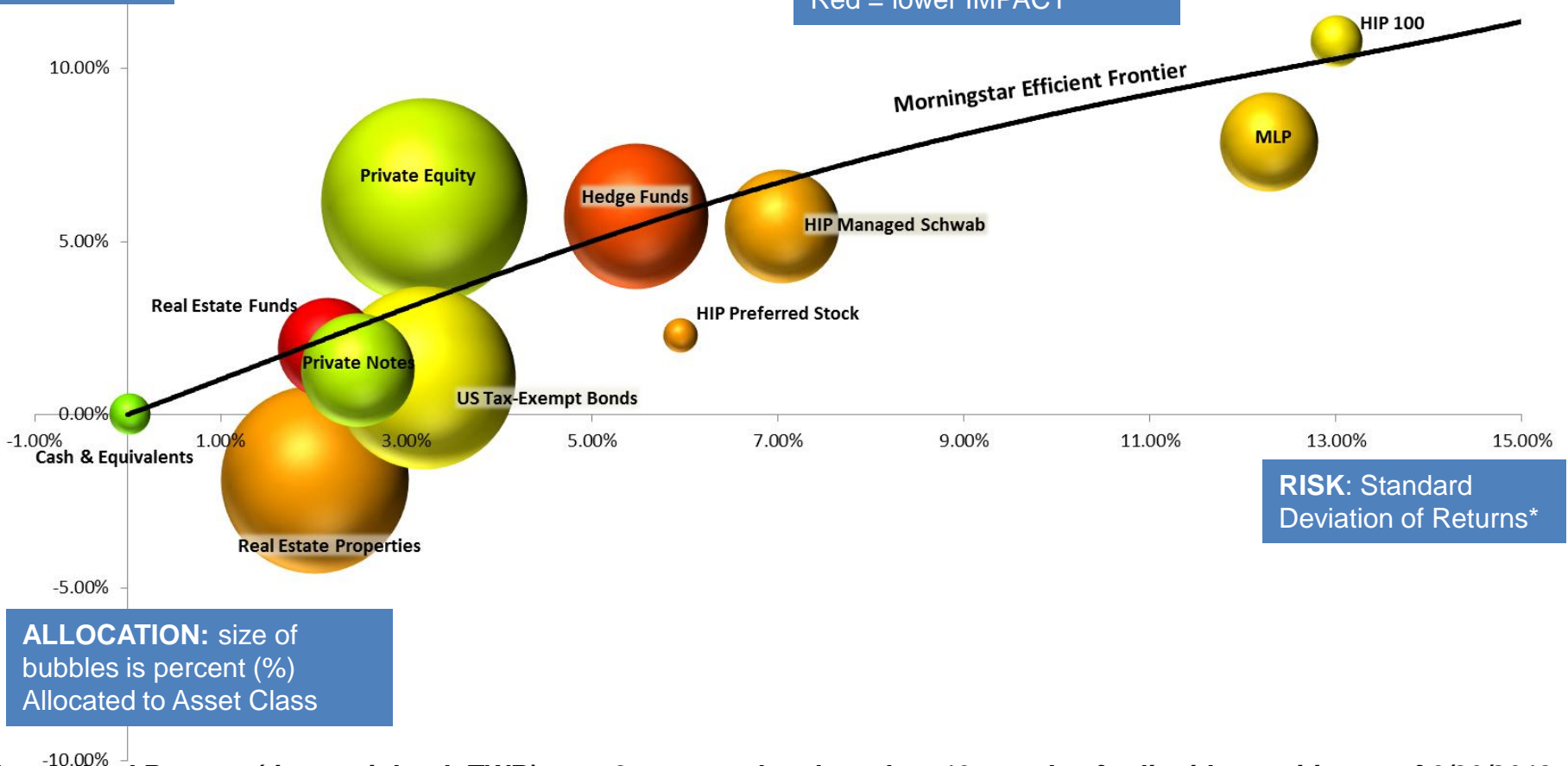
## RISK, RETURN, IMPACT and ALLOCATION

### Relative to an Efficient Frontier

**RETURNS:**  
Annualized  
Returns\*

**IMPACT:** color of bubbles:  
Green = higher IMPACT  
Yellow = medium IMPACT  
Red = lower IMPACT

 HIP REIT\*



**RISK:** Standard  
Deviation of Returns\*

**ALLOCATION:** size of  
bubbles is percent (%)  
Allocated to Asset Class

\* Annualized Returns (time-weighted: TWR) over 3 years and no less than 19 months, for liquid securities as of 6/30/2013; for remainder of funds/holdings as of 3/31/2013 or 12/31/2012. Returns are Gross of Advisory and Management Fees. HIP REIT included inside Real Estate Fund assets.

# HIP Ratings: Selected THAI Listed Companies

1	ISIN Map	THAILAND	SECTOR : Average HIP Score	SECTOR Percentile	INDUSTRY: Avg HIP Score	INDUSTRY Percentile
6	Basic Materials	45.0%	45.3%	80%	45.5%	76%
7	Chemicals	45.0%	45.3%	80%	45.5%	76%
8	Chemicals	45.0%	45.3%	80%	45.5%	76%
9	Commodity Chemicals	45.0%	45.3%	80%	45.5%	76%
10	INDORAMA VENTURES	45.8%	45.3%	82%	45.5%	80%
11	IRPC	44.2%	45.3%	78%	45.5%	71%
12	Industrials	44.8%	42.9%	73%	43.6%	66%
13	Construct. & Material	44.8%	42.9%	73%	43.6%	66%
14	Construct. & Material	44.8%	42.9%	73%	43.6%	66%
15	Building Mat.& Fix.	44.8%	42.9%	73%	43.6%	66%
16	SIAM CEMENT	44.8%	42.9%	73%	43.6%	66%
17	Oil & Gas	42.9%	39.7%	83%	31.0%	92%
18	Oil & Gas	42.9%	39.7%	83%	31.0%	92%
19	Oil & Gas Producers	42.9%	39.7%	83%	31.0%	92%
20	Exploration & Prod.	42.9%	39.7%	83%	31.0%	92%
21	PTT GLOBAL CHEMICAL	45.9%	39.7%	87%	31.0%	96%
22	PTT EXPLORATION & PRDN.	43.6%	39.7%	83%	31.0%	92%
23	PTT	39.1%	39.7%	77%	31.0%	88%

**NOTE: HIP Ratings based on available information; HIP Rating could be higher or lower with more information disclosure**

Source: HIP Ratings database

# HIP Ratings: Selected THAI Listed Companies

1	ISIN Map	THAILAND	SECTOR : Average HIP Score	SECTOR Percentile	INDUSTRY: Avg HIP Score	INDUSTRY Percentile
25	☐ Telecommunications	42.5%	49.7%	56%	48.0%	60%
26	☐ <b>Mobile Telecom.</b>	<b>42.5%</b>	<b>49.7%</b>	<b>56%</b>	<b>48.0%</b>	<b>60%</b>
27	☐ Mobile Telecom.	42.5%	49.7%	56%	48.0%	60%
28	<b>ADVANCED INFO SER.</b>	42.5%	49.7%	56%	48.0%	60%
29	☐ <b>C</b>					
30	☐ <b>Basic Materials</b>	<b>32.8%</b>	<b>45.3%</b>	<b>57%</b>	<b>27.9%</b>	<b>88%</b>
31	☐ Basic Resources	32.8%	45.3%	57%	27.9%	88%
32	☐ <b>Mining</b>	<b>32.8%</b>	<b>45.3%</b>	<b>57%</b>	<b>27.9%</b>	<b>88%</b>
33	☐ Coal	32.8%	45.3%	57%	27.9%	88%
34	<b>BANPU</b>	32.8%	45.3%	57%	27.9%	88%
35	☐ <b>Consumer Goods</b>	<b>32.7%</b>	<b>46.6%</b>	<b>47%</b>	<b>43.2%</b>	<b>59%</b>
36	☐ Food & Beverage	32.7%	46.6%	47%	43.2%	59%
37	☐ <b>Food Producers</b>	<b>32.7%</b>	<b>46.6%</b>	<b>47%</b>	<b>43.2%</b>	<b>59%</b>
38	☐ Farm Fish Plantation	32.7%	46.6%	47%	43.2%	59%
39	<b>CHAROEN POKPHAND FOODS</b>	32.7%	46.6%	47%	43.2%	59%

**NOTE: HIP Ratings based on available information; HIP Rating could be higher or lower with more information disclosure**

Source: HIP Ratings database



# HIP Ratings: Selected THAI Listed Companies

1	ISIN Map	THAILAND	SECTOR : Average HIP Score	SECTOR Percentile	INDUSTRY: Avg HIP Score	INDUSTRY Percentile
40	Consumer Services	34.6%	41.0%	60%	43.6%	29%
41	Travel & Leisure	34.6%	41.0%	60%	43.6%	29%
42	Travel & Leisure	34.6%	41.0%	60%	43.6%	29%
43	Airlines	34.6%	41.0%	60%	43.6%	29%
44	THAI AIRWAYS INTL.	34.6%	41.0%	60%	43.6%	29%
45	Financials	29.8%	41.3%	56%	44.1%	60%
46	Banks	29.8%	41.3%	56%	44.1%	60%
47	Banks	29.8%	41.3%	56%	44.1%	60%
48	Banks	29.8%	41.3%	56%	44.1%	60%
49	TISCO FINANCIAL GROUP	31.5%	41.3%	59%	44.1%	62%
50	SIAM COMMERCIAL BANK	29.2%	41.3%	55%	44.1%	59%
51	KASIKORNBANK	28.8%	41.3%	54%	44.1%	58%
52	Oil & Gas	35.7%	39.7%	72%	31.0%	83%
53	Oil & Gas	35.7%	39.7%	72%	31.0%	83%
54	Oil & Gas Producers	35.7%	39.7%	72%	31.0%	83%
55	Exploration & Prod.	35.7%	39.7%	72%	31.0%	83%
56	PTT CHEMICAL PUB.FB(OTC) DEAD - DELIST.11	35.7%	39.7%	72%	31.0%	83%
57	THAI OIL	35.7%	39.7%	72%	31.0%	82%
58	D					

NOTE: HIP Ratings based on available information; HIP Rating could be higher or lower with more information disclosure

Source: HIP Ratings database

# HIP Ratings: Selected THAI Listed Companies

1	ISIN Map	THAILAND	SECTOR : Average HIP Score	SECTOR Percentile	INDUSTRY: Avg HIP Score	INDUSTRY Percentile
59	Consumer Services	21.7%	41.0%	22%	43.6%	11%
60	Media	21.6%	41.0%	22%	43.9%	17%
61	Media	21.6%	41.0%	22%	43.9%	17%
62	Broadcast & Entertain	21.6%	41.0%	22%	43.9%	17%
63	<b>BEC WORLD</b>	21.6%	41.0%	22%	43.9%	17%
64	Retail	21.7%	41.0%	23%	43.4%	4%
65	Food & Drug Retailers	21.7%	41.0%	23%	43.4%	4%
66	Food Retail,Wholesale	21.7%	41.0%	23%	43.4%	4%
67	<b>CP ALL</b>	21.7%	41.0%	23%	43.4%	4%
68	Oil & Gas	20.4%	39.7%	41%	31.0%	47%
69	Oil & Gas	20.4%	39.7%	41%	31.0%	47%
70	Oil & Gas Producers	20.4%	39.7%	41%	31.0%	47%
71	Exploration & Prod.	20.4%	39.7%	41%	31.0%	47%
72	<i>PTT AROMATICS &amp; REFN. DEAD - DELIST.19/11</i>	20.4%	39.7%	41%	31.0%	47%
73	Utilities	25.8%	48.0%	21%	47.9%	20%
74	Utilities	25.8%	48.0%	21%	47.9%	20%
75	Electricity	25.8%	48.0%	21%	47.9%	20%
76	Con. Electricity	25.8%	48.0%	21%	47.9%	20%
77	<b>GLOW ENERGY</b>	25.8%	48.0%	21%	47.9%	20%

**NOTE: HIP Ratings based on available information; HIP Rating could be higher or lower with more information disclosure**

Source: HIP Ratings database

# HIP Ratings: Selected THAI Listed Companies

1	ISIN Map	THAILAND	SECTOR : Average HIP Score	SECTOR Percentile	INDUSTRY: Avg HIP Score	INDUSTRY Percentile
79	☐ Consumer Services	<b>18.2%</b>	<b>41.0%</b>	<b>12%</b>	<b>45.2%</b>	<b>9%</b>
80	☐ Retail	18.2%	41.0%	12%	45.2%	9%
81	☐ General Retailers	<b>18.2%</b>	<b>41.0%</b>	<b>12%</b>	<b>45.2%</b>	<b>9%</b>
82	☐ Broadline Retailers	19.3%	41.0%	14%	45.5%	19%
83	<b>SIAM MAKRO</b>	19.3%	41.0%	14%	45.5%	19%
84	☐ Home Improvement Ret.	17.0%	41.0%	10%	44.9%	0%
85	<b>HOME PRODUCT CENTER</b>	17.0%	41.0%	10%	44.9%	0%
86	☐ Financials	<b>16.1%</b>	<b>41.3%</b>	<b>19%</b>	<b>44.1%</b>	<b>27%</b>
87	☐ Banks	16.1%	41.3%	19%	44.1%	27%
88	☐ Banks	<b>16.1%</b>	<b>41.3%</b>	<b>19%</b>	<b>44.1%</b>	<b>27%</b>
89	☐ Banks	16.1%	41.3%	19%	44.1%	27%
90	<b>BANGKOK BANK</b>	<b>16.5%</b>	41.3%	20%	44.1%	28%
91	<b>BANK OF AYUDHYA</b>	<b>16.3%</b>	41.3%	20%	44.1%	27%
92	<b>KRUNG THAI BANK</b>	<b>15.5%</b>	41.3%	18%	44.1%	26%
93	<b>Grand Total</b>	<b>30.9%</b>	<b>42.3%</b>	<b>50%</b>	<b>40.6%</b>	<b>53%</b>
94						
95						

**NOTE: HIP Ratings based on available information; HIP Rating could be higher or lower with more information disclosure**

Source: HIP Ratings database





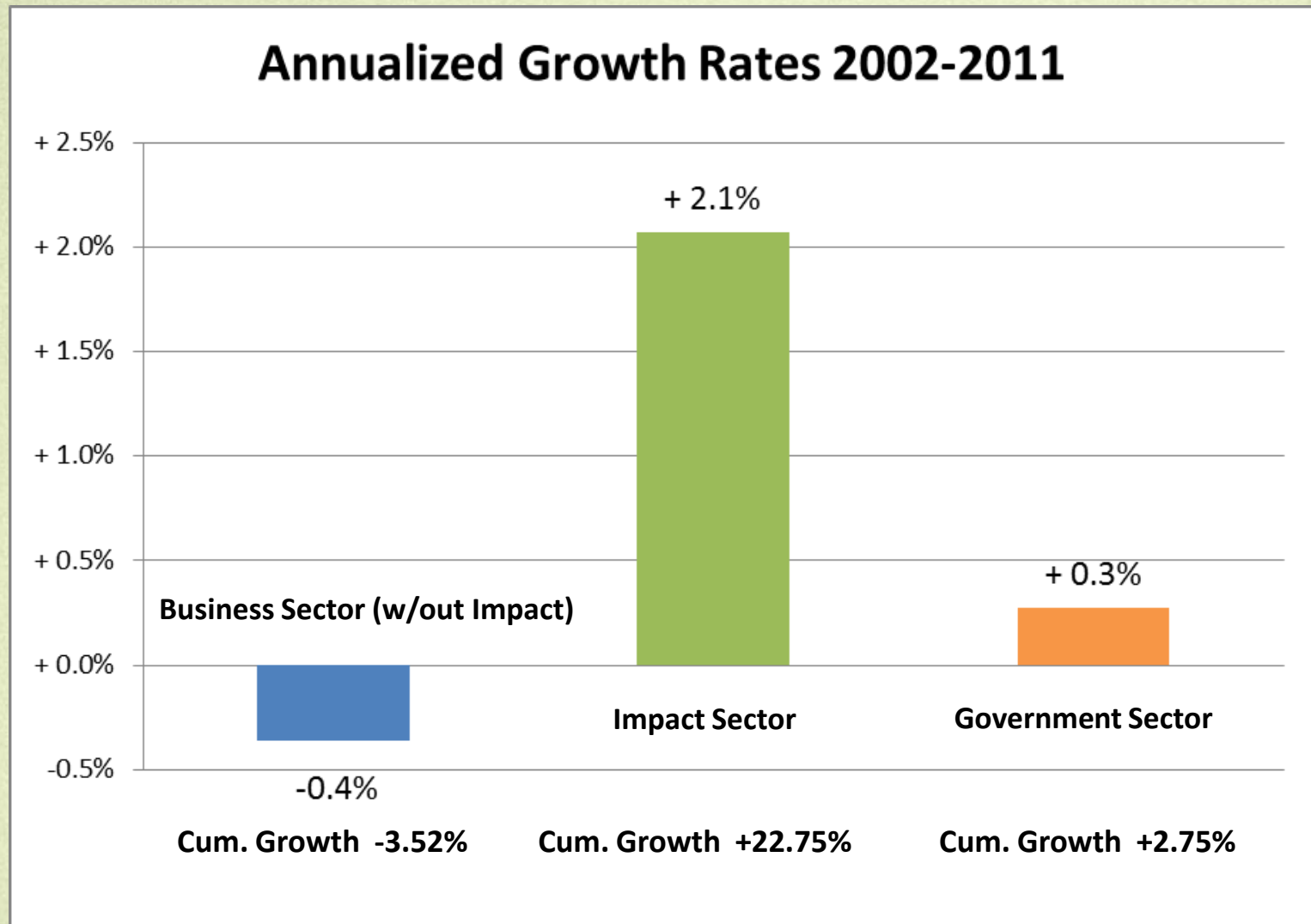
***How Exchanges  
Can Be More HIP:***

**Open, Transparent Disclosures:  
Global-Investor Friendly**

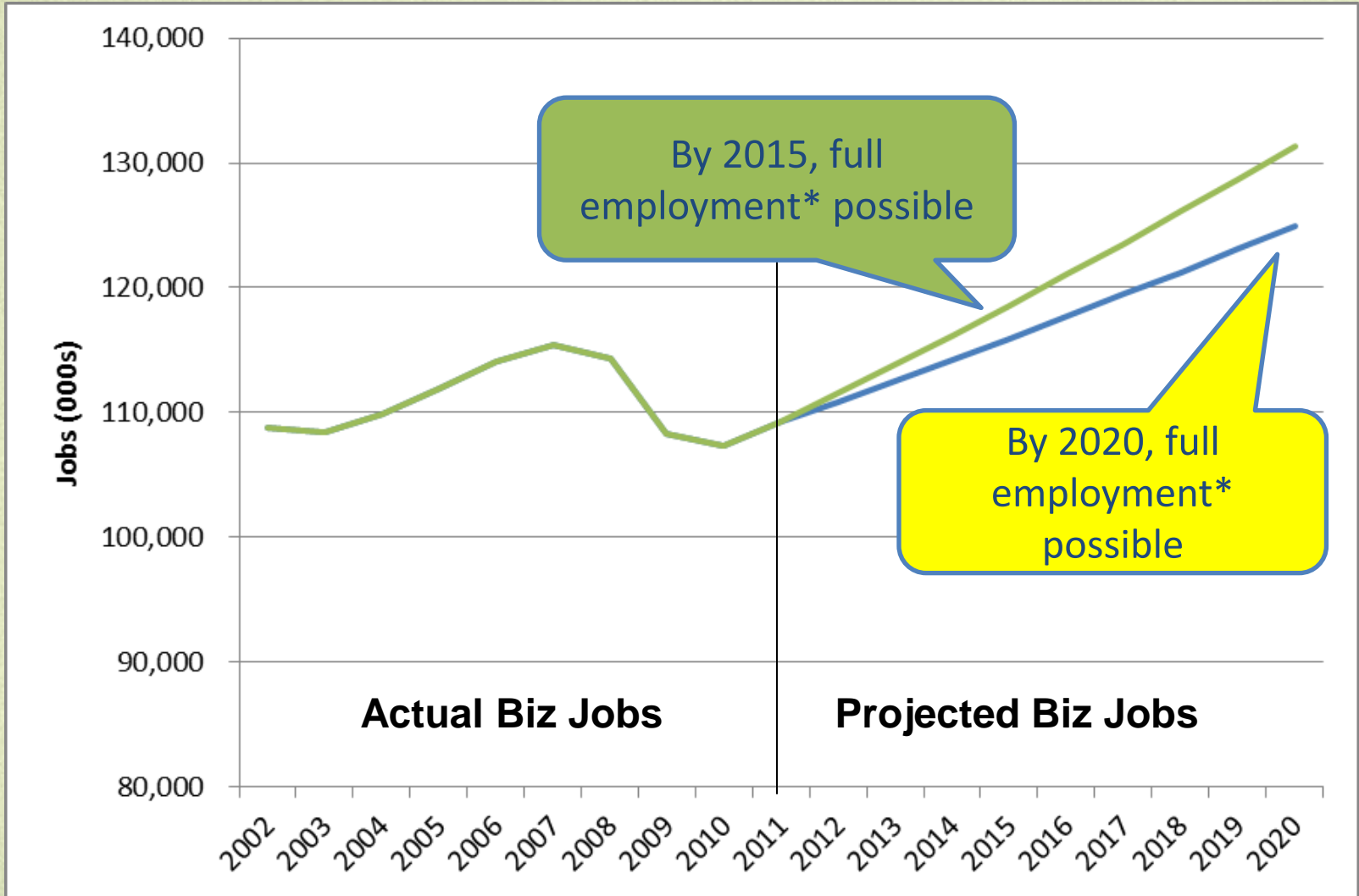
**Indexes for Investment:  
Unleash Market Demand**

**Focused Trading Platforms for  
Sustainable Investing**

# The Real “Job Creators” Invest in Solutions to Society’s Problems



# If BUSINESS Solved Society's Needs like the IMPACT Economy, then Full Employment is Possible by 2015



Source: Bureau of Labor Statistics ; HIP Investor analysis

\*Full employment is defined as ~ 5%





**Billion+ IMPACT**

**Million JOBS**

**Trillion \$ MARKET**



## GROSS NATIONAL HAPPINESS

The essence of the  
philosophy of Gross  
National Happiness is the  
peace and happiness of  
our people and the  
security and sovereignty  
of the nation.



# GNH, not GDP



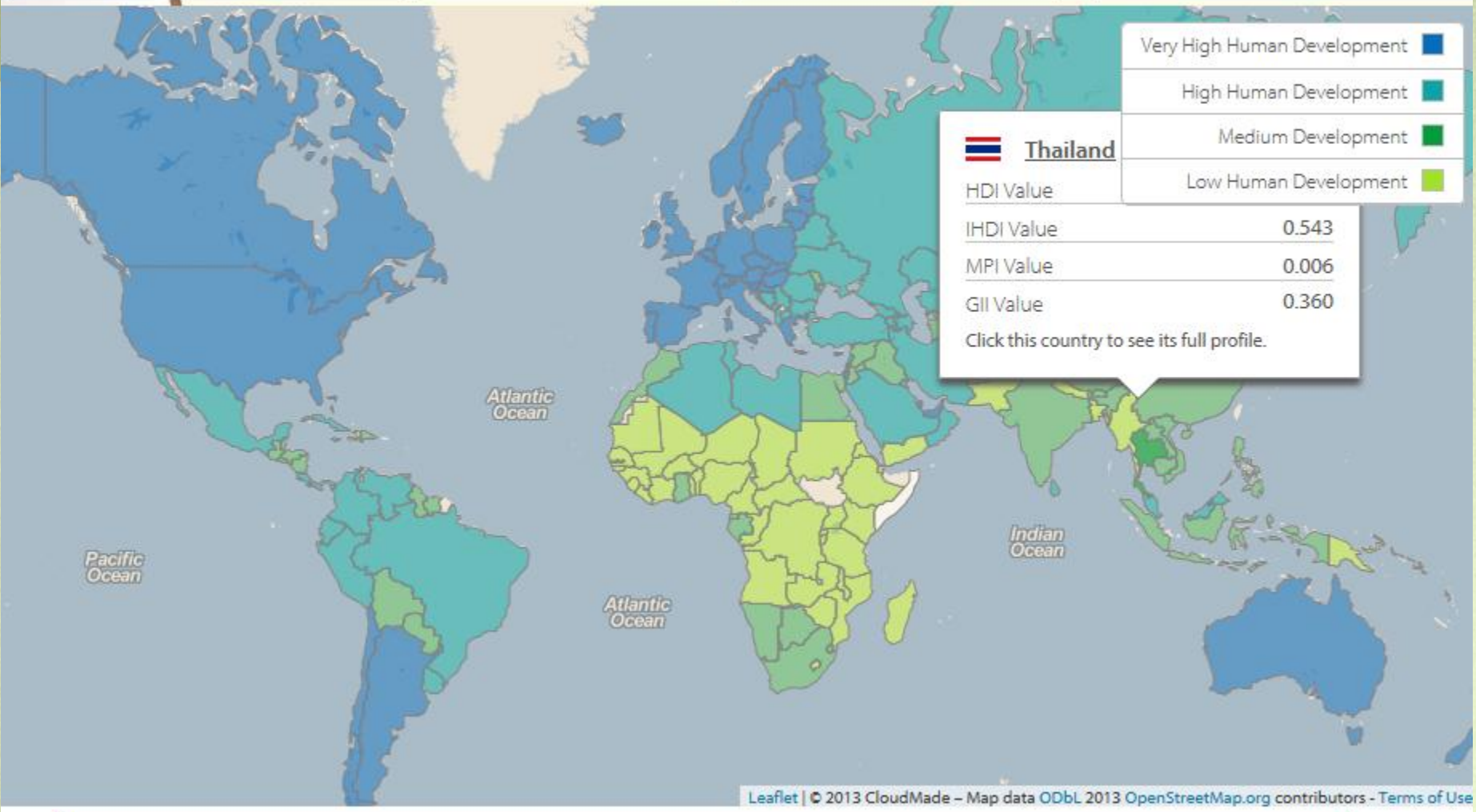
# Domains of Gross National Happiness





# Percent who rate themselves an 8, 9 or 10 on a 10-point scale of satisfaction





Leaflet | © 2013 CloudMade – Map data ODbL 2013 OpenStreetMap.org contributors - Terms of Use

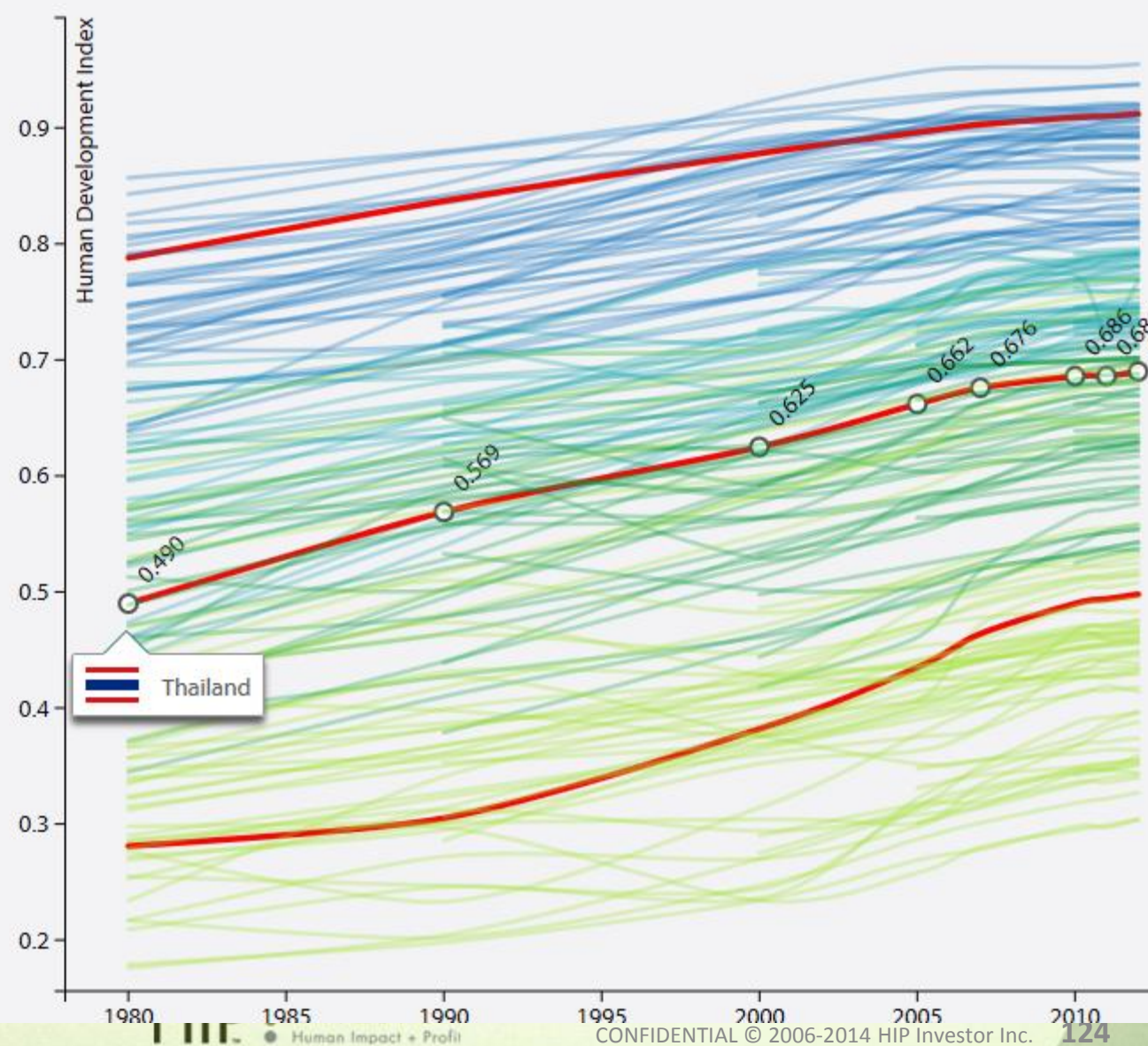


# Explore Indicator Trends

The HDI measures development by combining indicators of life expectancy, education attainment, and income. The education component contains two indicators: expected years of schooling and mean years of schooling. The income component is measured by GNI per capita (PPP\$). In 2013, 187 countries were included in the index, which seeks to expand its coverage as additional statistics become available.

To highlight a country, click its line in the chart or search for it below. You can highlight multiple countries.

- All Countries
- Very High HDI Countries
- High HDI Countries
- Medium HDI Countries
- Low HDI Countries
- Highlighted Countries

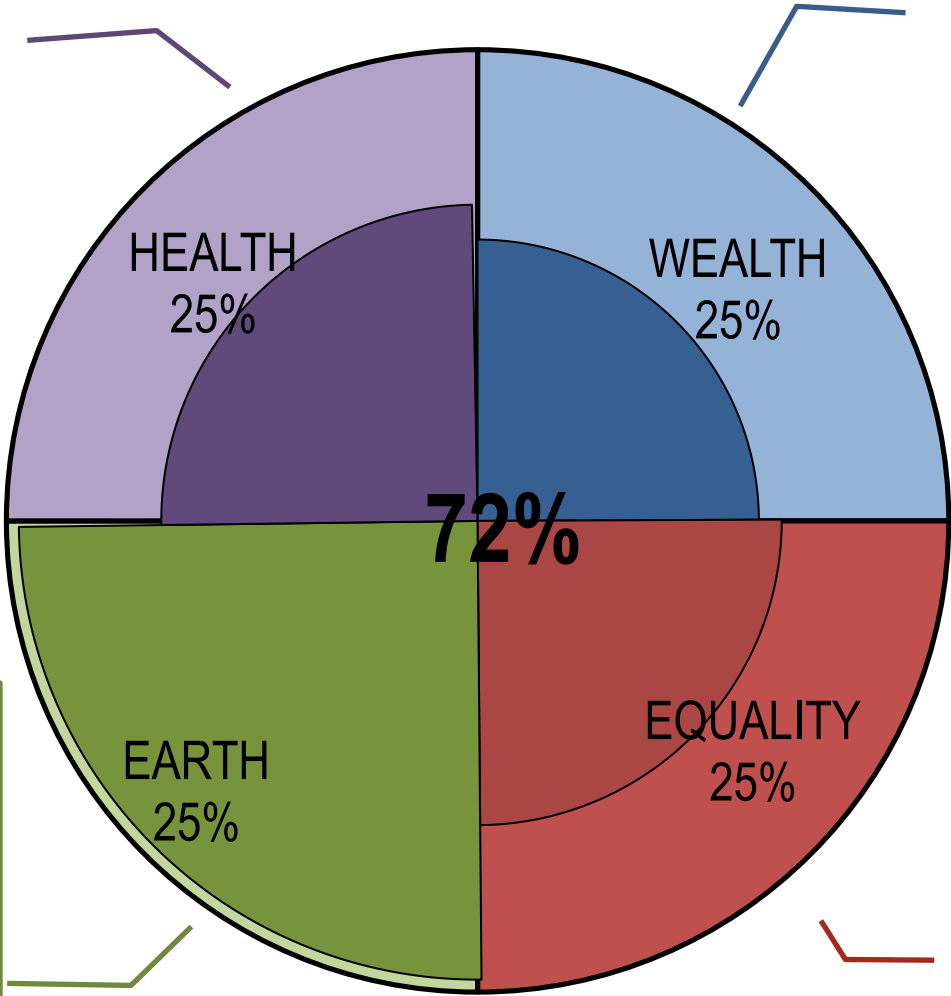


- Thailand ✖
- Japan ✖
- Myanmar ✖



# IMPACT-RATED GOV'T BONDS

*City of Seattle = 72%*



17 of possible 25 HEALTH points for

- Obesity/Diabetes
- Crime Rate
- Graduation Rate
- Health Insurance Coverage

15 of possible 25 WEALTH points for

- Median Income
- Affordability of Housing
- Vacant Houses
- Unemployment
- Poverty

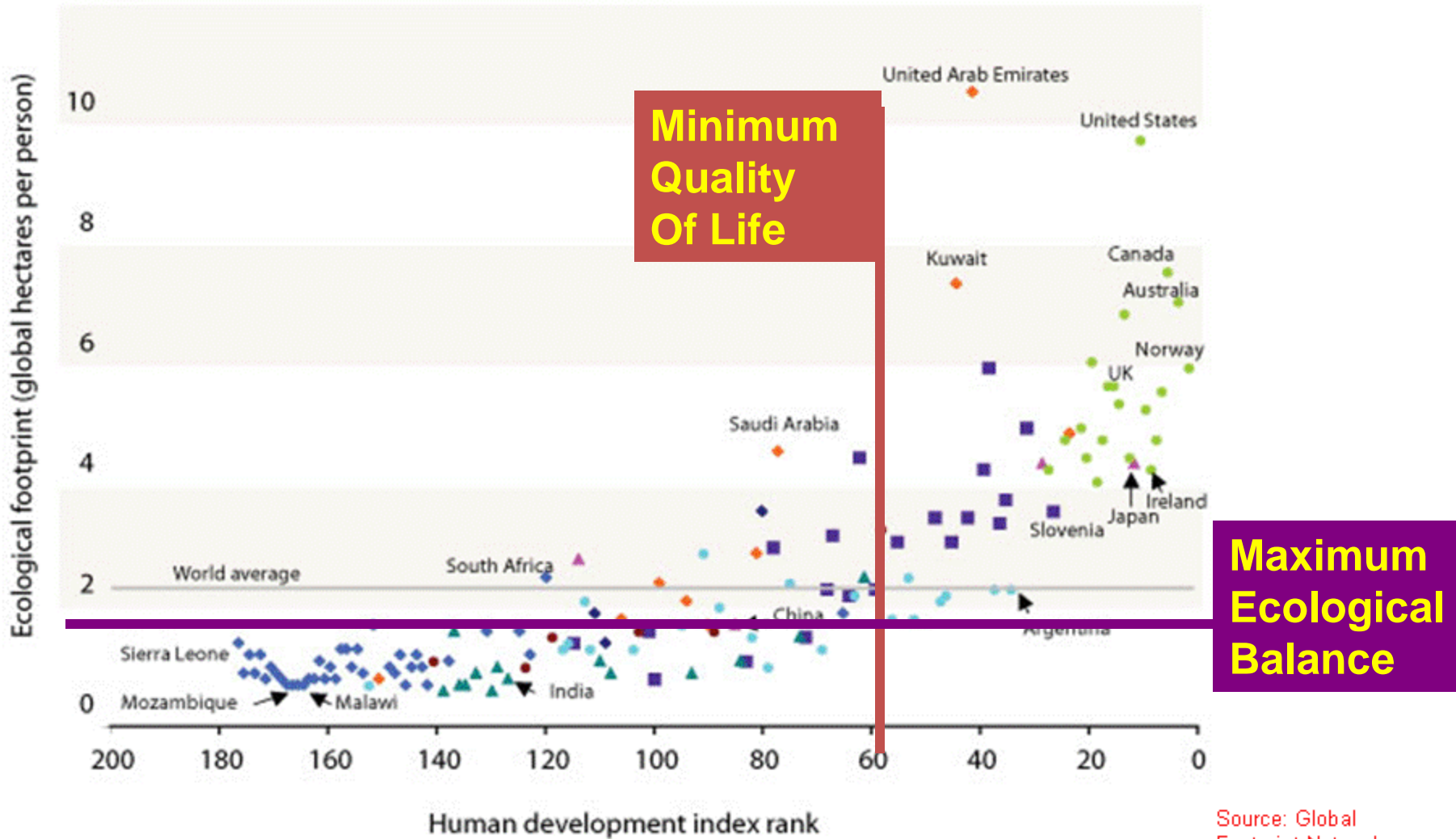
24 of possible 25 EARTH points for

- Commuting Method and Duration

16 of possible 25 EQUALITY points for

- Gender Diversity & Ethnicity Reflected in Business Ownership

# Human Development vs Nature



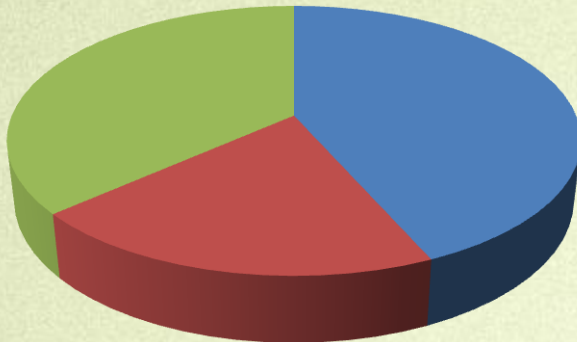
- ◆ Central Asia
- ◆ North Africa
- ◆ Eastern Europe
- ▲ East Asia
- ▲ South & Southeast Asia
- Latin America
- ◆ Sub-Saharan Africa
- ◆ Middle East
- The West

Source: Global Footprint Network (2006); United Nations Development Programme (2006).]

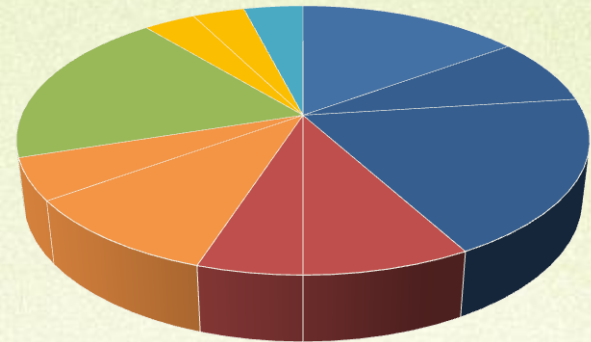
# How Much Carbon Do You Own?

**Current Funds**

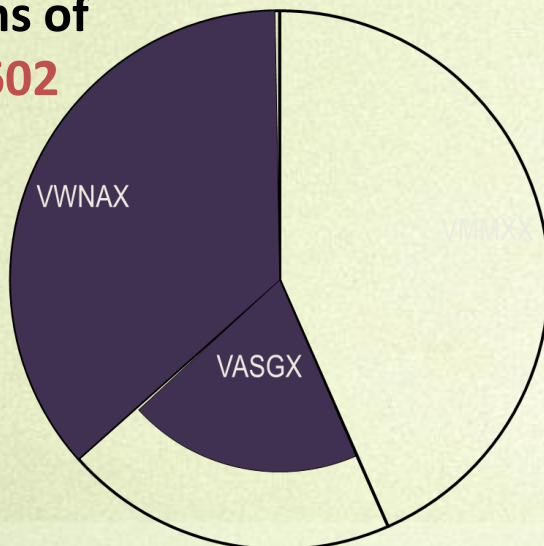
2



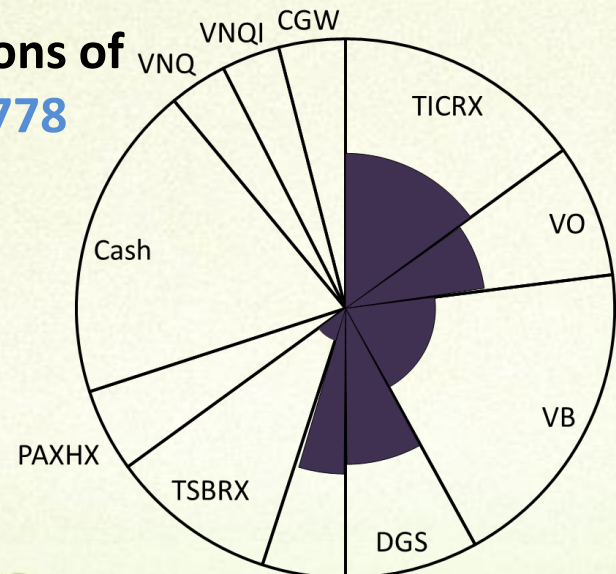
**Proposed Portfolio**



**Fund Tons of CO2 = 2602**



**Fund Tons of CO2 = 778**



Note 2 – Values as of 6/30/2013



# *Reducing Future RISK in Portfolios*



## Resilient Portfolios & Fossil Free Pensions

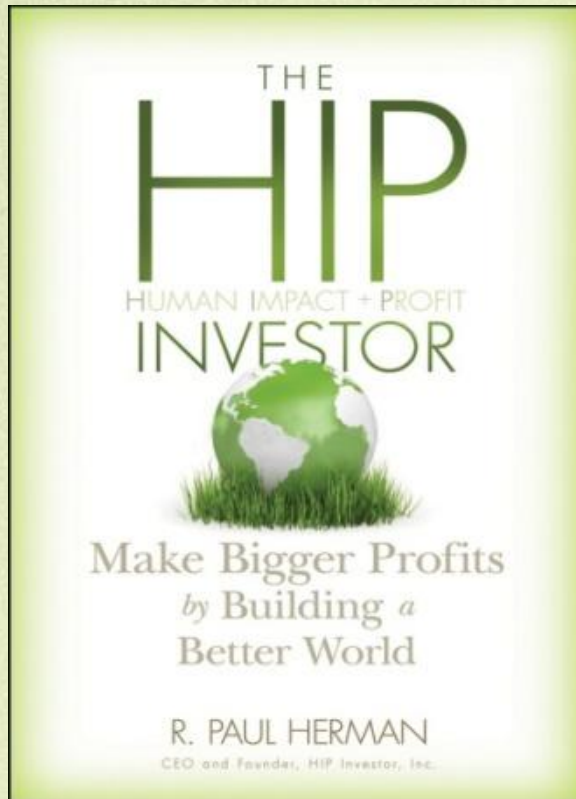
**HIP** : INVESTOR  
Human Impact + Profit

ADAPTING CITY & STATE  
PENSION FUNDS  
FOR RESILIENCE TO  
21<sup>ST</sup> CENTURY RISKS  
& FOSSIL-FUEL EXPOSURE

Originally published: May 2013  
Updated for September 30, 2013



# HIP Ratings, Indexes & Advisory



R. Paul  
Herman

*CEO*

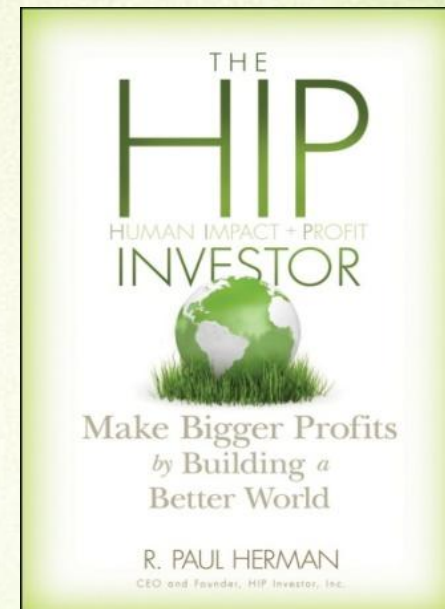
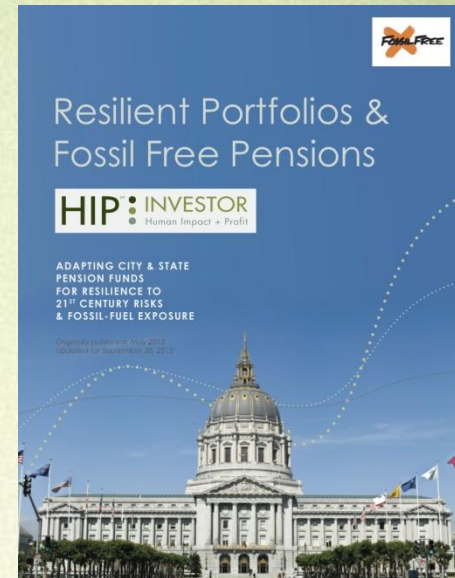
[Paul@HIPinvestor.com](mailto:Paul@HIPinvestor.com)

Direct: +1 415 902 7741



# HIP Investor Serves Investors, Advisors & Fund Managers

- RATINGS on 7000+ investments + funds:**  
Research, analyze & score  
4500 Corporate equities (80% of global value),  
Corporate bonds (\$24 Trillion),  
2500+ muni bonds (half of \$3.7 Trillion),  
treasuries & agency bonds on  
**Future Risk & Upside Potential**
- SUBADVISE: Investors, Advisors, &  
Fund Managers** seeking to be more HIP
- ADVISE:** License HIP investment **indexes**  
and manage **portfolios** (incl'g **FOSSIL-FREE**)







- APPENDIX + DETAILS

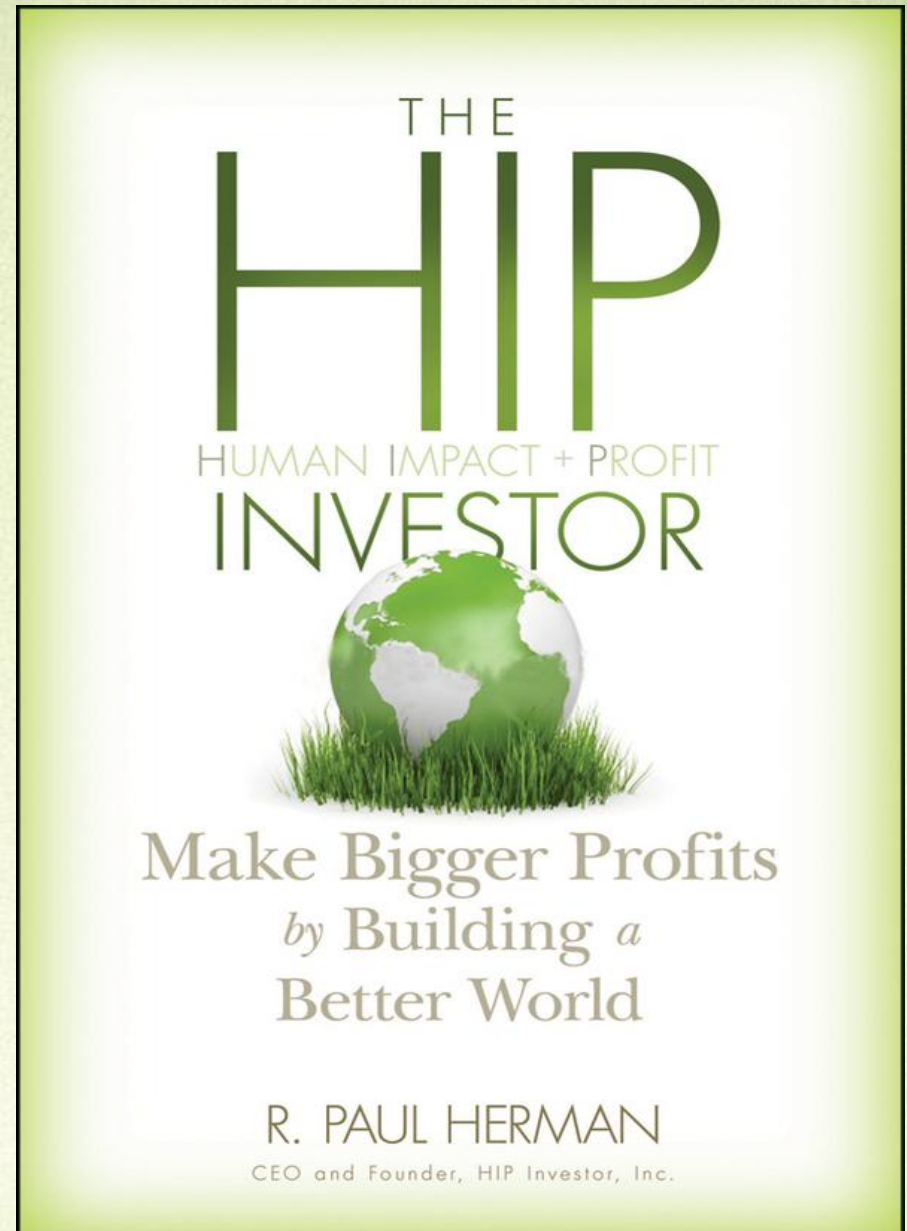
**Inc.** | 800ceoread

## Bestseller List

21 University +  
MBA Curricula

Global Libraries  
on 5 Continents

*Published 2010  
(John Wiley & Sons)*



# 1 Year (2013) Summary

Portfolio Criteria	HIP 24	HIP 10	Vanguard 2025 Fund	MPT
<b>TOTAL RETURN</b> (trailing; annualized)	17.58%	14.19%	14.44%	10.74%
Projected Forward <b>YIELD</b>	1.86%	1.96%	1.87%	2.95%
<b>RISK</b> (annualized std deviation)	7.06%	8.10%	6.73%	9.59%
Alpha (to S&P500)	-2.05%	-8.40%	-4.47%	-12.57%
<b>Alpha (to MPT)</b>	<b>+10.26%</b>	<b>+5.72%</b>	<b>+7.26%</b>	<b>0</b>
Beta (to S&P500)	0.75	0.87	0.73	0.90
<b>Beta (to MPT)</b>	<b>0.68</b>	<b>0.79</b>	<b>0.67</b>	<b>1.00</b>
Sharpe	2.49	1.75	2.14	1.12
<b>FUND FEES:</b> Expense Ratio (prospectus)	0.88%	0.53%	0.17%	0.13%



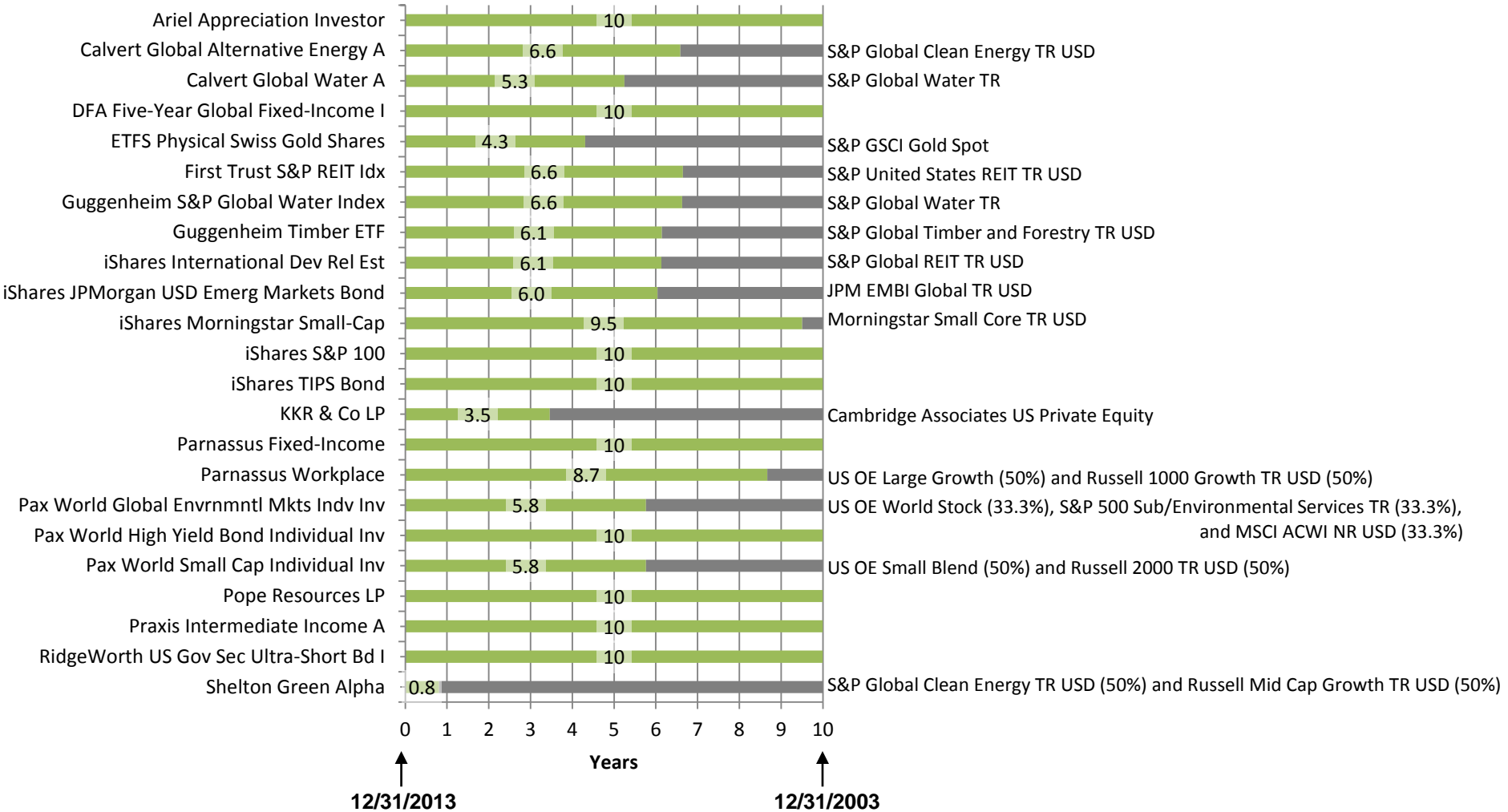
## 3 Year (2011-2013) Summary

Portfolio Criteria	HIP 24	HIP 10	Vanguard 2025 Fund	MPT
<b>TOTAL RETURN</b> (trailing; annualized)	10.52%	10.11%	9.58%	8.90%
Projected Forward <b>YIELD</b>	1.86%	1.96%	1.87%	2.95%
<b>RISK</b> (annualized std deviation)	11.29%	11.57%	9.63%	13.03%
Alpha (to S&P500)	-3.09%	-3.74%	-2.24%	-6.36%
<b>Alpha (to MPT)</b>	<b>+3.02%</b>	<b>+2.37%</b>	<b>+3.12%</b>	<b>0</b>
Beta (to S&P500)	0.89	0.91	0.77	1.00
<b>Beta (to MPT)</b>	<b>0.84</b>	<b>0.87</b>	<b>0.73</b>	<b>1.00</b>
Sharpe	0.93	0.87	0.99	0.68
<b>FUND FEES:</b> Expense Ratio (prospectus)	0.88%	0.53%	0.17%	0.13%

## 5 Year (2009-2013) Summary

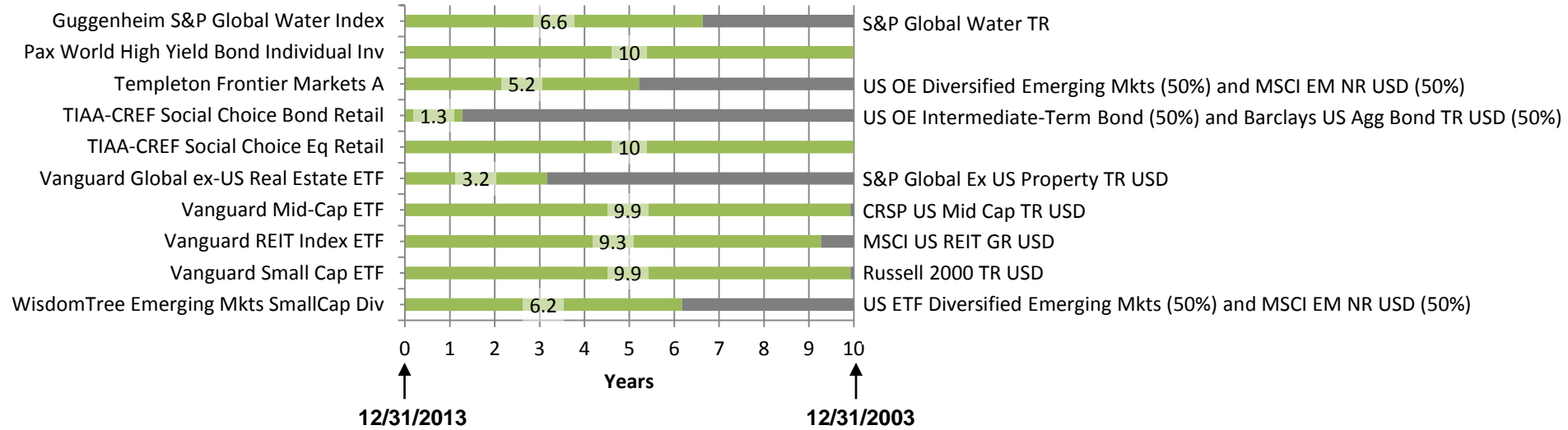
Portfolio Criteria	HIP 24	HIP 10	Vanguard 2025 Fund	MPT
<b>TOTAL RETURN</b> (trailing; annualized)	17.18%	18.74%	15.33%	17.73%
Projected Forward <b>YIELD</b>	1.86%	1.96%	1.87%	2.95%
<b>RISK</b> (annualized std deviation)	13.97%	14.74%	12.72%	17.15%
Alpha (to S&P500)	0.23%	0.86%	-0.57%	-3.01%
<b>Alpha (to MPT)</b>	<b>+3.08%</b>	<b>+3.77%</b>	<b>+2.35%</b>	<b>0</b>
Beta (to S&P500)	0.84	0.89	0.79	1.04
<b>Beta (to MPT)</b>	<b>0.80</b>	<b>0.84</b>	<b>0.73</b>	<b>1.00</b>
Sharpe	1.23	1.27	1.20	1.03
<b>FUND FEES: Expense Ratio</b> (prospectus)	0.88%	0.53%	0.17%	0.13%

# In the HIP 24 Portfolio, Most Funds Have More than 5 Years of History

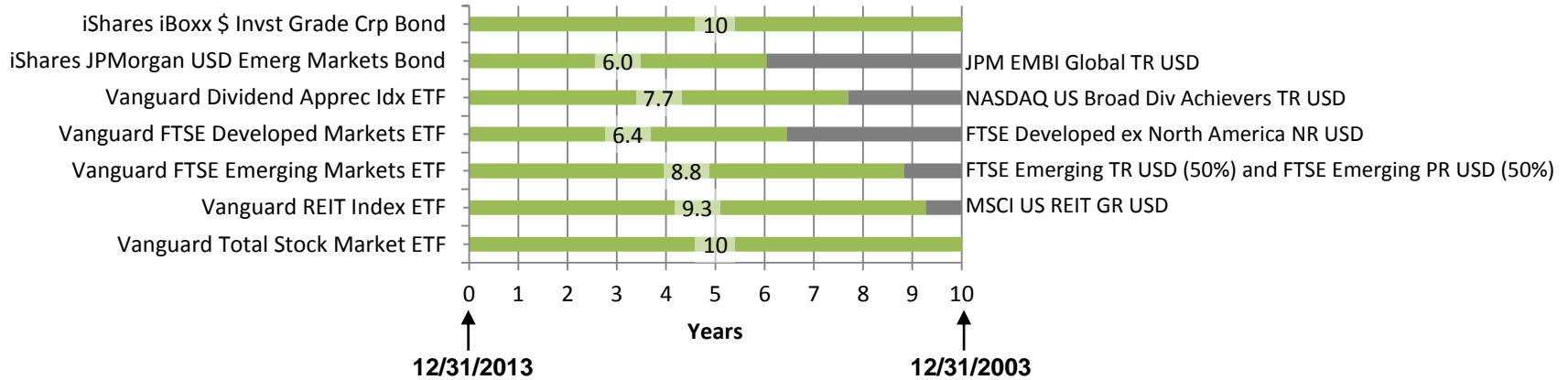




# In the HIP 10 Portfolio, Most Funds Have More than 5 Years of History



# In the MPT Portfolio, ALL Funds Have More than 5 Years of History



# The Vanguard 2025 Portfolio Combines 4 Index Funds, One with Less than a Year of History

