

News from Louis Letourneau.

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When it comes to eco-friendly investment, says [Louis Letourneau](#), you can keep your integrity and your wallet can follow your heart.

This month I'm going to talk about ethical investment. Whenever I talk to a new client, I always find out their attitude to ethical investment. It's just as important as their attitude to risk or whether they want growth or income from their investments, and yet many advisers never think to raise the issue - often because they don't know much about it themselves.

Ethical investment funds have been available in the UK for over 20 years now, and there's over £5.5bn invested in ethical funds (figure as at December 2004). When Friends Provident introduced its Stewardship fund in 1984, many industry insiders were sceptical. How, they thought, would this fund make money for its investors when it had deliberately shortened the list of companies it could invest in? In those days, people invested in ethical funds believing that their returns wouldn't be as good as those from ordinary funds. In fact, ethical funds have done just as well, and the proof is in the fact that there are now more of them around. Most investment houses and pension providers include at least one ethical fund in their range.

So how do the funds work – what makes them ethical? Some funds operate a traditional 'negative criteria' or screening approach. This means that the managers won't invest in any company that manufactures arms, tests its products on animals, exploits the Third World or supports a country that abuses the human rights of its citizens – obviously including its LGBT citizens. These aren't just morally worthy criteria – they also make sound commercial sense. Why? Because these are all issues that grab the headlines and generate bad publicity for companies which employ child labour in sweatshops in Myanmar, or let oil pollution destroy previously unspoilt parts of the world. And bad publicity leads to boycotting of a company's products. If lower sales result, it'll adversely affect the share price. With the World Trade Organisation increasingly concerned with companies which exploit the Third World, this is set to grow into an even more contentious issue.

Other fund managers operate on a 'best in class' approach to give a preferred selection. Take the oil industry: a fund manager could choose the best oil company in terms of its social, environmental and ethical guidelines. The advantage of this approach is that you don't have to avoid sectors such as oil and banking that might otherwise be excluded. These funds try to encourage companies to follow socially responsible policies. They'll invest in corporations which have a Fair Trade policy or which support equal opportunities for their employees. They'll also encourage companies whose business activities benefit the environment. Imagine if you bought shares in a company that went on to invent a viable alternative to oil. This makes sound business sense, too. More and more,

When a big fund invests in a company, it can become a major shareholder and can carry a lot of clout. Companies listen to their major shareholders. If you or I bought a share in Walmart and stood up at a shareholders' meeting and said the company should introduce domestic benefits for its gay employees, they wouldn't be that concerned, but if a big life and pensions company does that (as happened a few years ago) they change their policies.

So by investing in ethical or socially-responsible funds, you aren't just putting your money where your principles are – you're also making a sound commercial decision. These days, happily, ethical investment need not mean lower returns.

But what about risk? Aren't socially responsible companies generally more of an investment risk than the bigger, old-fashioned polluting industries? It used to be difficult to find a perfect fund for an ethical investor who was also risk-averse, but nowadays there are ethical funds which invest in bonds and fixed interest rather than equities.

So how can you get involved in ethical investment? The funds are available through ISAs, pensions and investment bonds, just like other funds. And for cash investment there are a number of ethical savings accounts available from organisations such as [Triodos Bank](#).

There's no lack of choice these days – ethical investment has come a long way since 1984.

Louis Letourneau, MA is an experienced independent financial adviser (IFA), specialist in financial planning and wealth management. He founded Rainbow Finance in 1995 and has consistently challenged financial companies and Government on their attitudes to gays, lesbians and same sex couples and was instrumental in the Inland Revenue to changing its guidance notes to recognise unmarried couples in pension benefits. His work has also resulted in life insurance companies starting to relax the discriminatory underwriting criteria toward gay men and people living with HIV. He was a founder of the Rainbow Research Project which surveys and educates private pension schemes in how they recognise unmarried couples on death benefits. He was also a founder member of the Stonewall Immigration Group (which campaigned for Immigration rights for same-sex couples, achieving a significant victory in April 1997) and helped set up the gaypartners.org initiative with gay.com in early 2001, campaigning for same-sex partnership rights. He speaks regularly on national and local radio.

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