



A Better Way to Invest in Alternative Energy?

AMEX Publishes WilderHill Clean Energy Index

ENERGY CONSCIOUS INVESTORS want more alternative and clean energy investment options. Launched on August 12, 2004, the new WilderHill Clean Energy Index published by the American Stock Exchange is sure to promote new alternative energy investment options based on the Index.

Created and trademarked by WilderShares, LLC, the Index, (ticker symbol ECO), is composed of thirty-seven companies developing various zero and low carbon alternatives to fossil fuels. These include wind power, solar, hydrogen, fuel cells, flywheels, ultra capacitors, superconductors, and energy management technologies. When evaluating companies' practices, the Index creators emphasized proactive strategies such as pollution prevention versus end-of-pipe pollution controls, remediation, or after the fact clean up.

When WilderShares, LLC began constructing the Clean Energy Index, smaller companies whose sole mission is focused on alternative energy formed the major-

“ECO is the first U. S. alternative energy index and new investment vehicles. . . tracking the index aren't far behind.”

ity of the holdings. Joining these “pure play” alternative energy companies are a number of large companies involved in alternative energy as a small part of their business. However, there are few large conglomerates with primary interests in dirty

fossil fuels. The Index rules are designed to keep the emphasis on truly clean energy companies.

Like many purist investors, the WilderHill Index struggled with the big vs. small company problems inherent in clean energy investing. One problem is that many of the biggest players in solar and wind power development are also huge fossil-fuel conglomerates that many SRI investors would otherwise avoid. The creators of the Index were acutely aware of this issue, acknowledging, “The selection of equities here involved art as well as science”.

The Index is equally weighted and re-balanced each quarter. Unlike market cap weighted indexes, this allows the smaller companies to have a significant impact on the performance of the Index as a whole.

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Perspective

A PAM Newcomer's View of SRI

HAVING SPENT MANY YEARS working as a Financial Advisor at two of the country's largest brokerage firms, I thought I was pretty well up to speed with the most innovative financial products and solutions available to individual investors. Like many others on Wall Street, I thought SRI was a “feel-good” process having little to do with what I understood my job to be: generate the best financial performance possible within the risk/reward parameters of the clients I served.

Since I had the privilege to join the management team of Progressive Asset Management earlier this year, I have learned substantially more about SRI. I have come to understand several important things.

First, socially responsible investing is not inconsistent with enhanced financial

performance. SRI provides investors with an important means by which they may protect their investments against the hidden dangers of investing in companies that do harm to the environments they operate in. Academic studies (such as the Moskowitz Prize discussed on p. 3) are changing the mindset of non-SRI investors, helping them to understand that companies that carry out their business plans in a socially responsible fashion have better long-term prospects, making them potentially better investments.

Second, investors are demanding more ways to invest their money for social progress as well as financial return, and the financial marketplace is responding. An array of new and innovative opportunities exists, with others under development, both do-

*Phil Kirshman,
CFA,
PAM Director
of Business
Development*



mestically and internationally, for investors in the community banking, micro-lending, and mutual fund arenas.

Given the explosive growth in SRI invested dollars in recent years, socially responsible investing is poised for increasing stature and acceptance by all market participants. Here at Progressive Asset Management, we are pleased to be at the forefront of serving advisors and their clients who wish to bring their investment portfolios in line with their values. ■

SRI in Action

The Global Reporting Initiative

IMAGINE A WORLD where major corporations report their impact on society and the environment publicly, honestly and verifiably. Imagine that these public impact reports pressure corporations to commit resources improving their social and environmental performance annually. Imagine that corporations are motivated to comply because they know the world is watching; ready to punish their share price if they don't act responsibly.

This world was a pipe dream in 1989 when socially responsible investing pioneers, including Progressive Asset Management, met with environmental leaders to form the CERES Coalition. CERES drafted the first set of environmental guidelines for corporations to follow. The CERES Principles, a ten-point program of environmental responsibility, included standards for measuring progress. CERES pressured and cajoled American corporations to sign off on the ten-point Principles for years. Today hundreds of major multinational corporations endorse a set of standards stemming from the original CERES Coalition effort.

In 1997, CERES collaborated with the United Nations Environment Program, UNEP, convening a global task force called the Global Reporting Initiative, or GRI. The GRI produced an evolving set of reporting standards incorporating perspectives from thousands of participating stakeholders of economic activity: producers, employees, consumers, communities, environmental concerns, governments, and NGO's. The GRI expanded the original CERES Principles to encompass all global sustainability issues. These revised standards, the Sustainability Reporting Guidelines of the Global Reporting Initiative, are robust and flexible enough to have engendered wide acceptance among the global business community. The Guidelines are beginning to accomplish the powerful objective of corporate social and environmental responsibility. Over 600

multinational corporations have signed the Guidelines including IBM, Intel, PepsiCo and 3M in the United States; Barclays, BMW, Volkswagen, British Petroleum and Nokia in Europe; and Yamaha, Sumitomo, Sony and Fuji Photo in Japan.

The Guidelines call for measurable, regular reporting on environmental issues including emissions, transportation, water, resources and recycling. Labor reporting includes health, safety, diversity, training, education and labor/management relations. Human rights reporting includes child labor, indigenous peoples' rights, non-discrimination and disciplinary practices. Political and societal behavior reporting includes bribery and corruption, political contributions, and antitrust issues. Product related reporting includes health and safety, advertising practices and respect for privacy.

“Over 600 multinational corporations have signed the Guidelines . . .”

While 600 multinational companies endorsing these Guidelines is a great start, pressure is on the entire financial community to adopt these Guidelines as a standard. On October 7, 2004, Progressive Asset Management, Inc. joined seventeen leading socially responsible investment firms to demand the higher standard of reporting. In a joint statement, investment analysts sent a clear signal that companies should base their reporting on the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines.

In a media briefing following the release of the joint statement, Steven Lippman of Trillium Asset Management stated, “A company's GRI report should be the first place investors and research institutions consult

for information.” Dave Strangis of Intel Corp., a GRI reporting company, followed with, “In trying to address a multitude of stakeholders, companies need to build on a platform of credibility - and GRI helps deliver that.”

The size and energy of the SRI movement is largely responsible for the pressure behind corporate adoption of GRI reporting standards. According to the Social Investment Forum, nearly one in seven investment dollars in the US participates in at least one aspect of socially directed investing. Attracting those investment dollars is of paramount concern to corporate officers eager for more investors. Adopting the GRI standards becomes a win-win situation for both corporations and investors. Corporations get a clear and understandable approach to reporting, measuring and improving upon factors that attract socially concerned investor dollars, while socially concerned investors gain a mechanism to hold corporate feet to the fire for needed social and environmental progress. As the October SRI analyst statement pointed out, “. . . what gets measured, gets managed.”

With institutional and shareholder momentum building for the GRI worldwide, it is a matter of time before publicly traded corporations need to adhere to these reporting standards and be judged in the marketplace on their findings. Just as companies' share prices rise and fall by a company's financial statements, corporations with adherence to GRI will unambiguously feel the power of the share.

For more information, call your PAM representative

CERES Coalition: <http://www.ceres.org>

Global Reporting Initiative Website: <http://www.globalreporting.org/index.asp>

SRI Analysts' Statement on Corporate Sustainability Reporting:

<http://www.socialinvest.org/areas/news/100604-CorporateReporting.htm>

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SRI Meta Analysis

Challenging the “Under-Performance” Myth

A **GROUNDBREAKING ANALYSIS** of 52 studies looking at the link between corporate social responsibility and financial performance is the recipient of the Social Investment Forum’s 2004 Moskowitz Prize for outstanding research in the field of socially responsible investing.

Entitled *Corporate Social and Financial Performance: A Meta-Analysis*, the study by Marc Orlitzky, Frank Schmidt and Sara Rynes scrutinizes more than 50 academic reports and concludes “there is a positive association between corporate social performance and financial performance across industries and across study contexts.”

“This analysis provides strong evidence of what many people have suspected all along – that corporate social responsibility does indeed have a measurable impact on the financial bottom line,” said Social Investment Forum President Tim Smith. “That a survey of so many studies by so many respected individuals supports this view is a major finding that validates the core thinking of socially responsible investing.”

Lloyd Kurtz, portfolio manager at Nelson Capital Management, added: “This study is an important review of the literature of corporate social responsibility as compiled by management theorists, and deserves the

attention of managers, investment practitioners and academics. The statistical techniques used are complex and the results are novel. Nonetheless, the study poses a strong challenge to those who argue that no clear inference can be made from the academic work on corporate social responsibility that has been compiled over the years.” The Moskowitz Prize is annually awarded to a research paper that represents outstanding quantitative research in the field of socially responsible investing.

Source: *Social Investment Forum*

For more information please see:
<http://www.socialinvest.org/areas/news/102504release.htm>

WilderHill Index Components

as of 11/19/04

COMPANY NAME	SYMBOL	COMPANY NAME	SYMBOL
Active Power INC	ACPW	Kyocera Corp Adr	KYO
Evergreen Solar INC	ESLR	Intermagnetics Genl	IMGC
Ultralife Batteries INC	ULBI	Praxair Inc	PX
Mechanical Technology INC	MKTY	Maxwell Technologies INC	MXWL
Distributed Energy SYS CORP	DESC	BOC Group PLC -ADR	BOX
Energy Conversion Devices	ENER	Calpine Corp	CPN
Quantum Fuel SYS TECH WORLDW	QTWW	Amer Power Conversion	APCC
EMCORE Corp	EMKR	Itron Inc	ITRI
IMPCO Technologies INC	IMCO	Air Products & Chem	APD
Idacorp Inc	IDA	Scottish Power Ads	SPI
Kemet Corp	KEM	Fuelcell Energy INC	FCEL
Medis Technologies INC	MDTL	Plug Power INC	PLUG
Central Vermont PUB SERV	CV	SATCON Technology CORP	SATC
Zoltek COS INC	ZOLT	MGP Ingredients LTD	MGPI
Power-One	PWER	Power Integrations INC	POWI
Hydrogenics Corp	HYGS	C&D Technologies	CHP
Ballard Power Systems INC	BLDP	American Superconductor CP	AMSC
Capstone Turbine	CPST	Magnetek INC	MAG
		Echelon CORP	ELON

Clean Energy Index

Continued from page 1

The Index is weighted by sector, seeking a smart weighting balance between:

- Renewable Energy Supplies – Harvesting
- Energy Conversion
- Cleaner Fuels
- Energy Storage
- Greener Utilities
- Power Delivery and Conservation

Dr. Robert Wilder, managing director of WilderShares, calls the Index a “second-generation” approach to SRI, since the Index is based on companies and technologies that themselves will help address climate change, pollution, energy security, and rising costs of fossil fuels.

ECO is the first U.S. alternative energy index and new investment vehicles such as Exchange Traded Funds tracking the Index aren’t far behind. Given that any transition from a fuel-based economy will take time, investors may be very interested in new index-based investments because of their diversification across companies and forms of renewable energy. Ask your PAM Investment Consultant to keep you informed as these vehicles are introduced. ■



PROGRESSIVE
Asset Management

PAM National Headquarters
 1730 Franklin Street, Suite 201
 Oakland, CA 94612

1-800-786-2998

e-mail: info@ProgressiveAssetManagement.com

www.ProgressiveAssetManagement.com

Shareholder Advocacy Resources:

Interfaith Center on Corporate Responsibility (ICCR): www.iccr.org
 CERES: www.ceres.org
 Friends of the Earth (FOE) Shareholder Activism Handbook: www.foe.org/international/shareholder/
 Social Investment Forum (SIF)’s Advocacy & Policy Program: www.shareholderaction.org
 AFL-CIO’s Executive Pay Watch: www.aflcio.org/corporateamerica/paywatch
 Responsible Wealth’s Shareholder Activism: www.responsiblewealth.org/shareholder/index.html
 Proxy Matters: www.proxymatters.com
 The Corporate Library: www.thecorporatelibrary.com

PAM in the Community

How Our People and Products Empower Communities Globally

PAM COMMUNITY INVESTMENT NOTES, offered in conjunction with the Calvert Social Investment Foundation, give our clients the opportunity to direct their investments toward community development and economic justice. One of the organizations in the Foundation portfolio we are proud to support is Accion International (ACCN).

ACCN is a non profit enterprise dedicated to providing people the financial tools they need- micro enterprise loans along with business training and services- to work their way out of poverty. ACCN acts as an um-

With her profits Bertha has given her children a life much different from her own.

brella organization for a network of partner institutions that provide loans to entrepreneurs in 18 countries, and more than 30 U.S. cities. Together, the ACCN has disbursed \$5.8 billion in micro loans to more than 3.2



PHOTO: Jessica Boyatt

*Bertha Sandoval Rivera
Mercado San Juan de Miraflores, Lima, Peru*

million borrowers in Latin America, the Caribbean, sub-Saharan Africa, and the U.S.

One story illustrating the power of microlending is that of Bertha Sandoval Rivera of Lima, Peru. Twenty- six years ago, she made her living selling vegetables on a street corner. She was forced to buy produce on credit at inflated prices. By the time Bertha repaid her loan, she had only enough money remaining to feed her family for the evening. Today she has her own stand selling paper goods, snacks, and basic goods in a popular market as well as renting two other stalls.

Bertha's success resulted from determination and hard work, but also from dozens of loans she received from microlending

sources. In 1985, Bertha formed a borrowing group with two other market vendors. Together they paid off the first loan and continued to borrow as their businesses grew slowly, but steadily. With her profits Bertha has given her children a life much different from her own. They have grown up in their own house and have attended university.

To learn more, contact your PAM investment advisor and ask for a Community Investment Notes prospectus, which should be read before investing. Also you can visit PAM's Community Investment web page at www.progressiveassetmanagement.com/what/investing.html or the Calvert Foundation at www.calvertfoundation.org. ■

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