

July 2008

Dear Client,

Attached are your current account reports and newsletter from First Affirmative. This time I thought a question and answer session might be a good way to share what's on my mind. So here goes:

*People are asking, what about the economy?*

I have to say, this is the worst global economy and financial market I've seen in 22 years of professional investing. Food, water, and fuel prices have more than doubled yet wages have stagnated and the wealth divide has worsened. We have a \$1 trillion military, a bad reputation, and a record deficit. So far this decade, the US financial markets if measured by the S&P 500 and the NASDAQ, have amounted to not very much.

*The next question is, how did we get here?*

In short, Nixon/Reagan/Bush's so-called free-market economic theory is once again proven wrong-headed, this time after the stealthy full and final release by Bush II and his associates.

**Food and famine:** The World Bank and the IMF in their attempt to "reduce poverty" have been manipulated by the agribusiness-industrial complex. Monsanto and their peers have convinced well-meaning folks at the World Bank that if they supply GMO crop seeds for free to famine stricken regions, the hungry will be able to feed themselves. But farmers cannot save seed from GMO crops and that fact alone breaks the back of subsistence farming. Subsistence farmers have always let some of their crop go to seed and saved those for next season's plantings. And policies requiring mono-cropping and grain for ethanol combined with unregulated commodity speculation have led to a global food crisis largely hidden from our view.

**Water:** The two main rivers in Iraq plus the Nile are the major water supplies for that region. The Cheney/Bush Administration's foreign policy and military dictates are all about controlling oil *and* water, then privatizing those profits. Elsewhere, expensive privatization has resulted in for-profit corporations taking control of water sources and services previously efficiently and cheaply run by the local people and their own governments. Unregulated free-market economics fails the test again.

**Fuel:** Unregulated speculation in commodities and futures by the likes of Goldman Sachs, JP Morgan, and BP has largely driven the spikes in fuel prices. Hedge fund managers joined in on the party. It still only costs about \$15 to produce a barrel of oil yet between ExxonMobil's markup and speculation in the commodities markets the price is around \$130. That's not investing; it is unregulated market manipulation. Peak oil? It would seem so if you believe oil company propaganda spoon-fed to us—to justify their record prices and profits. Reliable non-commercial data shows enough permitted but untapped cheap supply to last decades. (Of course the environmental ramification of *that* is horrible, but that's another story.) The attack on Iraq and now the military preparing to attack Iran has led to additional speculation on disruption to the supply of oil. Iraq and Iran have five times the oil that the US has. Only Saudi Arabia has more. Along with spikes in food and water, the cost of fuel has hit the poorest populations the hardest, driving actual famines. Like a one-two punch to the world's poor.

And we've all begun to hear about causes of the real estate crisis here and abroad: Mainstream media marches out a clueless individual that got in over his head, took on too much debt.

What the media outlets conveniently forget though is that the former (Republican majority) Congress allowed abusive lending practices and actually encouraged a reckless mortgage investment banking industry. Now after the profits were privatized, the Bush regime wants us to socialize the losses, bail out investors, but let citizens and whole communities wither.

### *Well, what can be done?*

In case you didn't notice, yes, there is a clear theme emerging here and it is one that most commercial media (including corporate sponsored "public" media) does not want to mention. The basic human rights of food, water, fuel, and health, all need protection, oversight, and citizen-friendly regulation. Otherwise we arrive exactly where we are today—in a society whose government is domineered by industry favoring bloated corporate special interests rather than a government serving its citizenry. Our work as citizens now is not just to be informed and speak out, but to actively participate in electing sensible representation and promote community-supported media. While campaign finance is still a big mess in this country, for his 2008 presidential election campaign, Senator Obama is going to turn down campaign funding from federal lobbyists. Opponent "McSame" is welcoming the tainted money.

### *All this poverty and globalization, what can I do?*

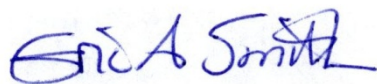
In addition to the other SRI strategies, nearly all the people I serve have invested at least 1% of their assets in pooled community investment notes. The notes we use, now invest a total of \$123 million in community loan funds, microfinance, and other nonprofits fighting poverty through economic empowerment. A recent survey indicates that the need for such investment among their portfolio organizations is \$4 billion over the next five years. So I'm making a special push encouraging clients to add to their notes or establish new ones. Let me know if you'd like to do so—I'm available to help you.

### *My investment portfolio is down, what should I do now?*

First of all, looking over our aggregate client account performance for the past year I see that the conservative and moderate risk portfolios dropped by only a third to half of what US stock market indexes lost while our more aggressive ones dropped by around two-thirds as much. Our disciplined process, broad diversification, and the sustainable and responsible investing strategies have really helped. By patiently allowing our money managers do their job of paying attention to economic trends, financial markets, and opportunities, that's how wealth can be maintained and built. There is over \$3 trillion of investor cash sitting on the sidelines right now. Much will be invested back into the markets when things "feel better" they say and I want to be invested *before* that money comes back in. No one knows, but this might be one of those times when you look back five years from now and smugly remember how smart you were to add to your investment accounts, taking advantage of the bargain prices.

That is what *I* think. But I'd really like to know what is on *your* mind and how *you* feel—please contact me if you have questions, comments, or changes to report that might affect how your finances are managed or anything else. Otherwise I look forward to talking with you during your next periodic financial review and renewal session.

Best regards,



*Sources: Centre for Research on Globalization [www.globalresearch.ca](http://www.globalresearch.ca); Morningstar Advisor; Calvert Foundation.*