

January 2009

Dear [Client],

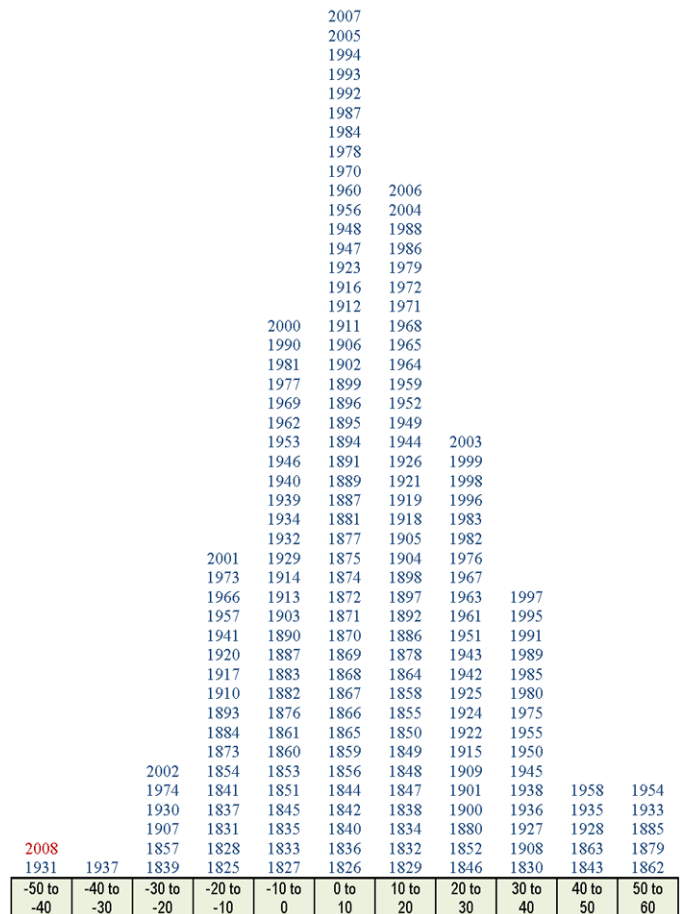
Normally you receive my periodic client letters attached with your First Affirmative Financial Network quarterly account reports. But due to the economic turmoil and volatile financial market performance, I wanted to contact you directly this time. You will see on your First Affirmative generated reports that while your accounts are significantly down nominally, relative performance is actually quite good. Relative to many of the market indexes, our sustainable and responsible investment strategies are doing a respectable job. I'd be happy to get into more details if you wish to contact me.

Market challenges, opportunities

2008 proved to be one of the most challenging investing environments in a century. Among other things, trust and confidence in the economy dropped to an all-time low causing credit to dry up and economic activity to grind to a halt. A quick look at a histogram really puts the past year into perspective. In only one other year since 1926 has the stock market suffered such a decline. That year was 1931, when the US unemployment rate was approaching 25 percent. Each column in the histogram represents percentage deciles of total return for the broad stock market. The data represent 183 years, of which 129 years produced positive returns (70% of the time) and 54 years produced negative returns (30% of the time).

While there are signs of progress (i.e. Obama's stimulus plan, actions taken by the Federal Reserve and Treasury) most economists continue to predict a drop in GDP and rising unemployment. Today's low stock prices may already reflect this, as is often the case. It is in emotional times like these that a commitment to the investment process can prove most helpful. Following blindly the temptation to make rash, ill-conceived changes to your portfolio could result in the age-old mistake of buying high and selling low.

There's also a very cool depiction of the be-



behavioral finance cycle found in the Market Commentary that accompanies your First Affirmative account reports this quarter. It sheds light on the emotions many investors are experiencing now: fear, panic, capitulation, despondency, depression. To me it looks like we're at or close to the bottom of this behavioral finance cycle. Of course these cycles move at times with unpredictable timings but it's interesting to observe this way. Take a look and let us know what you think.

Shareholder action report

Make sure to check out the newsletter article about the shareholder advocacy work First Affirmative is doing on your behalf. For example, they successfully:

- Co-filed environmental, social, and governance related shareholder resolutions at companies including:
 - Intel – asking the company to adopt a reasonable executive compensation plan.
 - ConocoPhillips – requesting an independent report on environmental damage that would result from the company's oil sands operations in Canada's boreal forests.
 - Enbridge (large North American energy delivery company) – requesting disclosure of material risks related to free, prior, and informed consent of First Nations for the company's proposed 1,170 km petroleum pipeline project.
- Joined a group of attorneys and investors in writing to president-elect Barack Obama, urging his administration to quickly reverse steps taken by Bush's SEC that were limiting investors' ability to file shareholder resolutions.
- Joined investor groups from around the world in signing the Investor Statement on a Global Agreement on Climate Change.

So as you can see, First Affirmative is applying its influence on several fronts of the shareholder action movement, with the support of your participation of course. This work is driving positive transformative change in the business world and economy.

Voting for change

Despite the dreadful economic environment there are reasons to be grateful and celebrate. We're going to have an elected president after doing without for eight years! We've improved the Democrat majority in Congress. And some of the unsustainable greedy practices in the financial services industry are coming to an end to be replaced with, well hopefully anyway, a regulatory system that protects citizens and society.

President Obama demonstrated strong leadership, even before the inauguration. In early January focusing on the economy, Obama boldly called out Wall Street executives, "No longer can we allow Wall Street wrongdoers to slip through regulatory cracks. No longer can we allow special interests to put their thumbs on the economic scales. No longer can we allow the unscrupulous lending and borrowing that leads only to destructive cycles of bubble and bust." Obama also outlined encouraging elements of his plan: creating jobs by sparking the creation of a clean energy economy by doubling production of alternatives, modernizing 75% of federal buildings, and improving efficiency of two million homes.

While conservative critics are already complaining about these strategies, most economists agree that swift and bold economic action is necessary and appropriate. Some economists such as Nobel Prize-winner Paul Krugman even suggest that the current proposal isn't bold

enough. At any rate, we remain hopeful Obama will demonstrate strong leadership favoring all citizens rather than just the elite and powerful.

New friendly voices

The news around the office here is that our practice is in a growth phase. We are expanding capacity to serve you even better and help more discerning investors participate in the sustainable and responsible investing movement. With the economy and financial markets how they are now, clients and the people they send our way need competent trustworthy advice even more than ever. Last Fall, Ryan Jones-Casey joined the practice as a Financial Services Specialist. You may have already spoken to him. He is providing client account and financial services and supporting improved client communications. Many of you know my wife, Alice Smith. She joined the practice on a part time basis last Fall. She is our Client Services Administrator and Office Manager. In this capacity she is competently coordinating several special projects to help us scale up our services. So next time you call you may be greeted with a new friendly voice!

We are changing the business name to Goodfunds Wealth Management and you will see it rolled out in the coming months. We believe this captures the essence of our mission: to serve the investment needs of individuals and institutions by helping them implement sustainable investment solutions that have a positive and transformative impact on the world.

The name change does not require any paperwork from you—the only change you will notice is new stationery. I continue to provide your services through my dual registrations with KMS Financial Services, Inc.

Survival in this age

Here are some healthy steps for coping with the current economic downtown. Limit your exposure to commercial television, radio, and print news (noise). Read a good book or magazine on a topic you love. Go for a walk or sit and listen to the birds sing. Make meaningful progress every day on your goals, even if small steps. Find gratitude. Ask what is important in life.

And back to investing, remember that relying on a time-tested fiduciary process, diversification, long-term view, and a steady hand can enable us to resist counter-productive reactions.

Fundamentally, our investment managers are looking further out at the horizon than perhaps many other analysts who are still stuck in obsolete systems. With even only a little extra effort you can see past the rubble and wreckage left behind by short-termism and short-sightedness. SRI managers are seeking opportunities in renewable energy, health, resource efficiency, and fair dealing. They are looking at a triple bottom line with our investments, i.e., the environmental, social, *and* financial factors that are going to make for tomorrow's leading services and products. And they are engaged in constructive dialogue with the companies we invest in. I have to agree, I think that's where the *good* money is, don't you?

As you review your account reports and consider your financial plans, please contact us with any questions or concerns. We stand by ready to discuss your situation and your ideas. If appropriate we'll make adjustments to your accounts or services. It is our pleasure to serve you and we look forward to hearing from you.

Best regards,

