

INVESTING

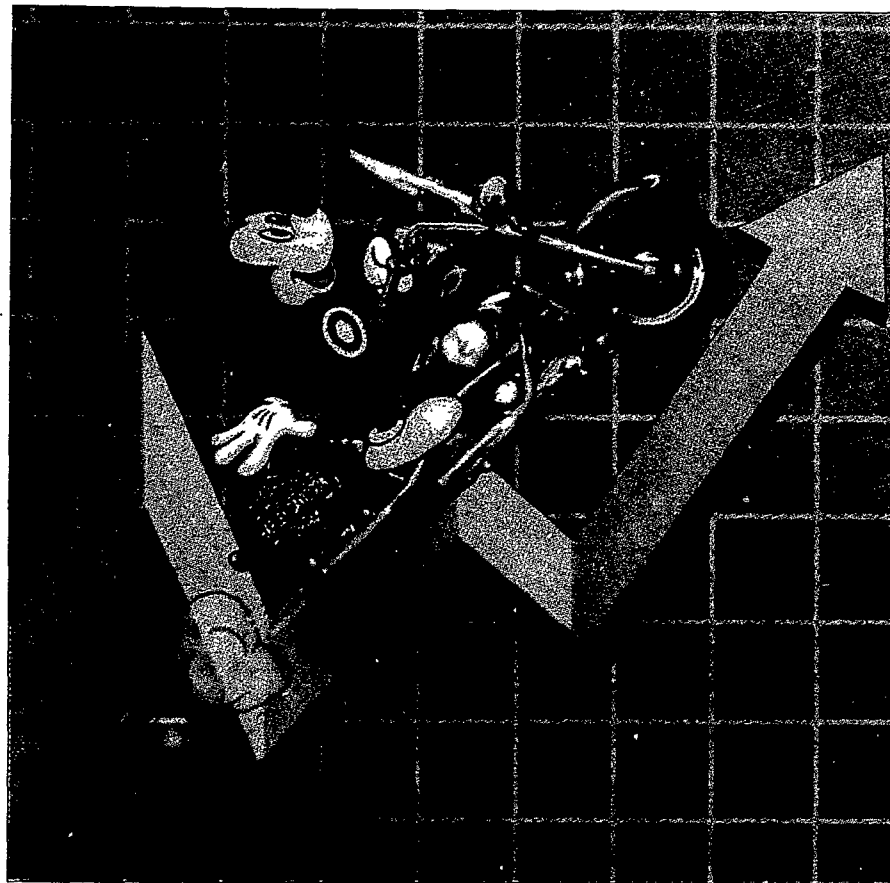
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to change them.

"We did a lot of research and we couldn't find a single company in the United States that changed" because of people trying to blacklist it, said Frank Rauscher, president of Aquinas Funds. "We could find lots of examples of companies that had changed because they were owned by social activists and the activists put pressure on them."

Aquinas claims a high success rate in changing corporate behavior over the past eight years. "Our philosophy is 95 percent of companies are changeable," Rauscher said.

Among Aquinas' claims of success: Tenet Healthcare Corp. no longer performs abortions; six major drug companies in their portfolio pledged they would not be involved in the production or distribution of the RU-486 abortion pill; Whirlpool Corp., Target Corp. and Harley-Davidson have discontinued funding Planned Parenthood; The Walt Disney Co. appointed a priest to its board of directors and hired an external person to monitor labor practices; and PNC Bank and General Electric now recruit women to management positions, after Aquinas put pressure on them for gender discrimination.

Rauscher said the way to effect change in a company is to show management how objectionable policies could affect their bottom line. "None of them are going to get out of it because it's the morally right thing to do. They're going to get out



of it because it's the economically right thing to do," he said. "You get their attention real fast if it's an issue that's going to affect their pocketbook."

If Aquinas is unable to engage a company in dialogue over objectionable behavior, or is unable to make "reasonable progress" toward changing that behavior, managers will remove the company from its portfolio. To date, Aquinas has eliminated fewer than a dozen companies. "The reason is we've been very

successful," Rauscher explained.

Leo Yballe, assistant professor of business and management at Nazareth College in Rochester, N.Y., said he has researched both the Ave Maria and Aquinas funds in recent years. Describing Ave Maria as a fund with "a wholesome attitude," he said, "I think we have a duty as individuals and potential investors to make sure that we don't provide resources to activities and organizations that don't meet our standards of ethics and morals."

Ultimately, however, Yballe favors Aquinas' tactics. "I think there's the other side of the coin — not just to avoid doing something wrong, but also a duty wherever possible to do something good. That's a more active, initiative-taking type of strategy," he said. "Aquinas embodies that kind of an approach, to look for companies where there's a good chance of making radical changes. It's a more challenging approach, but when we're trying to do something good we don't do it the easy way. Doing something good to transform organizations is ultimately something more and more people need to rally behind."

Faith-based investing is not a new concept. Thousands of years ago, Jewish laws gave detailed directives for ethical investing. In the 1500s, Quakers refused to invest in weapons and slavery. Concerns about war, the environment, civil rights and women's rights in the 1960s, as well as apartheid in South Africa in the 1970s and '80s, gave rise to modern social investing.

Today, faith-based investing has enjoyed a renewed surge of popu-

larity in the wake of corporate scandals. In 2001, there were 75 religious mutual funds, a handful of them Catholic, investing \$4.42 billion.

In the Diocese of Rochester, one socially conscious investment option, the Calvert Social Balanced Portfolio, is offered to diocesan employees by Mutual of America Life Insurance Co., the firm designated to handle employee retirement accounts.

Though not a Catholic fund, Calvert shares concerns similar to those of Ave Maria and Aquinas. According to its Web site, Calvert seeks to avoid aligning with companies that "are major polluters or have consistent environmental compliance problems; are primarily engaged in nuclear power; have a record of employment discrimination, aggressive anti-union activities or provid(ing) unsafe workplaces; are significantly engaged in the manufacture of weapons, tobacco (and) alcohol or are involved in gambling operations."

Although socially conscious funds might limit one's options, Yballe said he believes they don't necessarily mean a lower rate of return. "If you do a really well-planned social investment process, it's not true that you're going to suffer a loss," he said.

Yballe, who is Catholic, said he'd like to see more priests publicize socially conscious investing from the pulpits. "A lot of people don't realize these funds and vehicles are there," he said, noting that "none of my students have heard of the Aquinas Fund or Ave Maria Fund."

Thus, Yballe said many well-intentioned Catholics may unwittingly be investing in funds that go against their principles. To lessen this possibility, he suggested detailed research of prospective funds, and/or checking with one's employer about the availability of a socially conscious fund option. Otherwise, too many investors will remain concerned with the bottom line alone.

"A lot of people are more aware of the financial and monetary returns, almost in a very cavalier way. There's a lot wrong with that," Yballe commented, saying that such an attitude could result in supporting enterprises "that will end up killing their children."

"The success of the investing dynamic has to be measured and defined in a broad way," Yballe added. "The community, the poor, the advancement of education — does a fund allow people to think more responsibly? Are the Catholic charities getting support from these funds? Those kinds of questions must be included in our calculation."

Contains reporting by Mike Latona in Rochester.

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