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MONEY

Hindus are discovering how to help themselves by helping others as they follow Vedic principles to invest hard-earned money responsibly, yet profitably

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For Hindus raised in the warm glow of principled, Vedic living, the uncertainty of today's fast changing times should generate more than enough impetus to seek a spiritually and financially secure future within the

time-tested wisdom of their own religious heritage. First-class advice on the dignified and profitable investment of money is nestled right within Hindu scripture, especially in the teachings of karma and dharma. The relevant principle here is that one can be honest, wealthy and religious--all at the same time. With this kind of philosophical backbone, one might think that Hindus would be first in line to invest their money in a socially responsible way. Surprisingly, they are not.

Catholics, Muslims, Mennonites, Lutherans, Methodists (who have a 200-year old history of managing money) and other Christian denominations all invest in specially tailored mutual funds organized to screen out the support and promotion of activities and values that conflict with their religious beliefs. A 2004 survey of 151 Catholic institutions, including colleges, dioceses, religious orders and hospitals, shows that the Roman Catholic Church is being more and more diligent in assuring that their dollars are not funding media enterprises that promote sex and violence through mainstream entertainment industries.

Satguru Bodhinatha Veylanswami, leader of Saiva Siddhanta Church, is responsible for making investment

decisions for the Church and the five-million-dollar funds of Hindu Heritage Endowment. Working closely with financial advisors, he maintains a list of companies whose activities or corporate policies he feels make them unsuitable for investment by a Hindu organization. Drawing inspiration and wisdom from ancient Hindu scripture, he contends that working to reap financial benefits from investments made honestly, ethically and responsibly is in sync with the Hindu belief structure. According to the Vedas, the four main goals of life are dharma, artha (wealth), kama and moksha.

"Love and wealth are goals for all mankind, " he says. "Dharma is not really a separate goal from artha and kama but rather governs the way we pursue them. Are we honest or dishonest in the way we acquire wealth? If we are honest, then we are fulfilling the goal of dharma."

The common sense to invest money conscientiously and responsibly is at least as old as stocks and bonds. About 30 years ago, however, it was codified as an investment strategy and formally named "Socially Responsible Investing." Since then, it has become a movement of sorts, with a momentum that has

consistently grown.

"Socially responsible investing is one of those things that developed organically, " says Steve Schueth, who is affiliated with the First Affirmative Financial Network and was the president of the Social Investment Forum. "It started in the living room of a person's home in Boston. A bunch of people were sitting around and talking about the need for social change in a variety of areas of our society. They recognized that money is kind of the lifeblood of the economy. What if you could get money flowing in a different direction? What if you could redirect the flow of investment capital in ways that would make a positive contribution to the quality of life across all aspects of society? The intent that grew out of that was to begin to organize and begin to offer choices to investors."

A Google search on the words "socially responsible investing " turns up considerable resources that include mutual funds. A mutual fund is an investment company that offers to use your money to buy a diverse group of stocks or bonds from other companies. Also included in your simple Web search would be a variety of investment advisers ready and willing to help you direct your money into mutual funds and/or companies that

would meet your standards, be they religious, moral or ethical.

"Socially responsible investing is an investment process that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis," reads the 2003 Report on Socially Responsible Investing Trends in the United States published by the Social Investment Forum (<http://www.socialinvest.org>). "It is a process of identifying and investing in companies that meet certain standards of corporate social responsibility and is increasingly practiced internationally."

The Social Investment Forum conducted its first industry-wide survey in 1984 and found a total of us\$40 billion involved in social investing. In 1995, that figure rose to \$639 billion. By 2003, despite a market downturn, social investing assets were at \$2.16 trillion.

Some mutual funds have their own social research departments. There are also organizations that specialize in social research.

"We work with investors who want to match their personal values--maybe it's religious values--with their investments, " says Schueth. "Researching actual companies is not an inexpensive process. We design custom portfolios of stocks, bonds and mutual funds for investors. We make sure that we're meeting their financial goals and doing it in a way that's consistent with their personal, moral and ethical values."

The First Affirmative Financial Network ( <http://www.firstaffirmative.com>) is connected to about 130 individual financial advisors across the United States, to whom they can refer investors.

"I've never heard of anyone in the Hindu realm getting involved in socially responsible investing, " says Schueth. "That doesn't mean they aren't out there."

Schueth says that if a Hindu were to specify his or her desires, a customized portfolio could be established. Because there are no established Hindu mutual funds, the investment advisor would need to do his own

screening, so there would be additional fees involved. Screening here refers to analyzing a mutual fund for specific activities or affiliations that would not be acceptable to Hindus.

"The portfolio managers and their analysts do the financial research like any mutual fund company would do. The added thing is we have a social research department," says Mariann Murphy, vice president of marketing for Pax World (<http://www.paxworld.com>), in explaining how her company screens. In 1971, two Methodist ministers, Luther Tyson and Jack Corbett, who were also economists and lobbyists, launched the Pax World Fund in response to a letter they'd received from a woman in Ohio who said she simply did not want to invest her money in any company that supported war-related industries.

Anita Green, vice president of social research for Pax World, screens for subjects like weapons, tobacco, gambling, liquor, corporate pollution, corporate fair hiring policies and environmental issues.

"If there are any questions, she will call the company, "

says Murphy.

Pax World also engages in corporate activism and advocacy. In that area, they sometimes collaborate with other socially responsible investing organizations. Recently, they got together with the Calvert Group and the Citizens Fund, and approached Michael Dell of Dell Computers to talk with him about "recycling."

"We spoke about their recycling initiatives," Murphy explains. "Computer recycling is a very dicey endeavor, because there are so many chemicals in them. A lot of companies are saying they're doing recycling while they are really shipping them off to Third World countries where the stuff is now seeping into the land. There are not the same rules and regulations there that we have in the USA about how to do it safely. We definitely did not want to see that happening. Dell has been very, very receptive. All they needed was someone to come in."

Murphy cautions people who expect socially responsible investing to cover all of their values. She directs people to check out Pax World's Web site as well as

[www.socialfunds.com](http://www.socialfunds.com) and [www.socialinvest.org](http://www.socialinvest.org) and get a sense of what possibilities exist. Pax World does have a private account division, where each specification of an individual investor can be taken into consideration, but the minimum investment for that would be \$250,000--quite a bit more than the \$250 minimum required to invest in a basic Pax Fund.

While a Pax Fund investor may not have the same comprehensive control as with a private account, there are extensive opportunities to ask questions, and feedback is constantly being sought. In 2002, Pax World did a shareholder survey to gauge shareholder concerns and desires.

"Our shareholder base is both very loyal and very vocal, which is great," Murphy says. "We send out a newsletter three or four times a year and try to profile different companies in the portfolios. A lot of people don't know what good things a company is doing."

A regular flow of information is available from <http://www.socialfunds.com>, which updates constantly and puts up news reports three or four times a week.

They also provide a weekly newsletter.

"There is a wide range of topics we can cover, " says Mark Thomsen of Social Funds. "It's been proven many times over that investing with your values has a neutral effect on performance. So you can do it and not lose money. It seems some people still don't believe it, but there is academic evidence. Because it limits your options for investment, it can increase the risk, but an investor can take steps to mitigate that risk."

Money manager Sekhar Vemparala, who describes himself as a devout Hindu, says that--other than people indicating they don't want to invest in tobacco companies--he rarely receives requests for any sort of socially conscious screening.

"If a client asks or restricts or encourages me to go after certain markets, " Vemparala says, "my response is: 'If you want to be an absolute purist and you want me to do or not do certain things, I will follow your requests.' "

Although Vemparala is a trustee at a Hindu temple, he will not give advice concerning that temple's investments. "I don't want to have a conflict of interest," he states. "I do not get involved with other trustees. I don't take the temple or any of the board members as clients."

Vemparala says he has not had a single Hindu client ask him to make faith-based investments, nor does he make any of his own personal investments restricted by any sort of religious conviction. "Your investments must support you and certainly you may support causes, but these things should not go together," he says. "A lot of people combine things and the outcome is less than desirable. If you want to support a cause, do it independently."

Easan Katir, a Hindu with more than 20 years of experience as a money manager, does make personal investment decisions within the perimeters of his religious convictions.

"I personally believe that ahimsa, non-violence, is the best way to proceed through life," he says. "I avoid

investing in companies that promote violence in the world. That includes manufacturers that create weapons or inflict harm upon animals in any way. In making my decisions, I weigh the company in my mind. If their primary business is meat processing, for example, it's off my list. But if it's a restaurant chain that serves good food but some non-vegetarian items, I'll still consider it. One can get too fanatical."

In addition to managing money, Katir works with Ed Seykota, conducting workshops that explore the psychological components of investing. "Computer technology has made investment analysis about 95 percent efficient," Katir notes. "As far as the emotional, psychological side of investing is concerned, I think people are only maybe 20 to 30 percent efficient. There are methods we share that can bring that from 20 percent to around 50 percent or more. That's a quantum leap."

Bodhinatha agrees with Katir with regard to maintaining a balanced view in making investment choices. "We also screen for meat processing, which is direct involvement," he says, "but not for restaurants or supermarkets which sell meat. That would be too much. But if a company's activity is slaughter, it is reasonable

not to invest in it."

Bodhinatha strenuously emphasizes the necessity of patience in investing. "In our opinion, the core area of dharmic investing is to control risk and avoid excessive speculation in your overall investment portfolio, " he says. "If this is not done, you are risking your family's or institution's wealth, and investing becomes a form of gambling. Gambling is definitely not a part of dharma. The first thing is understanding and abiding by the time frame of your investment. For example, funds that you may need to spend for emergencies are savings and not investments. As such, they should not be placed in an investment program but kept in a savings vehicle. This is because you do not want to be forced to withdraw funds for an emergency from an investment when the investment has lost significant value. No one can accurately predict the short-term movement of financial markets. Investments all need to be long-term to avoid being the nature of gambling."

While Bodhinatha does not give specifics for seeking financial advice, he does advocate consulting with an investment professional to minimize risk. He also suggests diversification in investments and mentions mutual funds. It is this approach that he utilizes in

overseeing the funds of the Hindu Heritage Endowment (<http://www.hheonline.org>, founded in 1994), which is handled by 79 fund managers.

Saiva Siddhanta Church maintains its investments separately. While personal relationships are nice and trust is essential, he maintains that it is usually in one's best interest to remain dispassionate.

"Our experience is that it is best to leave manager selection to a professional, " he says. "Otherwise, if we make the choice, it may be based on our friendship with the manager rather than his skill, or on our biases for or against certain types of investments rather than a professional's objective approach and lack of bias."

Bodhinatha also maintains that professionals can strengthen resolve when it comes to patience, since they will routinely advise against rash decisions to sell off investments due to market fluctuations. He also asserts that, while investment decisions should not be fueled by emotions, they can be fortified by conviction. Professionals can assist you in matching your convictions with sound investments.

Schueth says, "The academic research and real-world interaction with mutual funds and asset managers that have been doing this for a long time essentially have dispelled the myth that if you're going to invest in a socially and environmentally responsible way you're going to have to give up something. I'm not sure where that myth comes from, but somehow we're wired to automatically expect that. What we've done over the last 15 years is to prove otherwise. There are now probably a couple of dozen academic studies that have been published, all of which conclude that there is no reason to expect any kind of give-up."

Pax World offers four different funds. There is the balance fund, which is a mix of stocks and bonds. There is a growth fund, which consists of all stocks. There is a high yield fund, which is a bond fund. And there is a money market fund.

"We have some investors who are just looking for a good balanced fund. The screening was just a plus. However, most investors are in because of the screening," says Murphy, who estimates that Pax World Funds have about 65,000 shareholders. "Our balanced

fund is rated five stars (the highest rating) by Morning Star, which is a rating agency. That's rated against all balance funds, whether they're socially responsible or not."

Trusting the advice of professionals does not diminish an individual's responsibility for doing research. Bodhinatha has taken the time to familiarize himself with companies and funds and make informed decisions. This is particularly applicable when investing in companies, rather than mutual funds, which have screening plans in place.

"When individuals or institutions choose to hold individual securities in their portfolios, they then have the opportunity to screen out companies that are engaged in activities they consider to be harmful, such as the manufacture of cigarettes," he says. "Though we usually hold only institutional mutual funds, whenever we do hold individual securities, we apply social screens by excluding a specific list of companies from our holdings."

In addition to screening out companies engaged in

tobacco and gambling or gaming, Hindu Heritage Endowment adds the concern that Hinduism has for protecting animals. Thus, they would avoid pharmaceutical companies that engage in animal testing as well as companies in the food industry that have a significant amount of business revolving around packaged meat, fish or fowl.

Bodhinatha does not really investigate how much a corporation may give in terms of charitable donations or community involvement.

"Charity is a valid consideration, though not one to us," he says. "For one thing, how does one measure it and against what standard? It also doesn't work for global investing. Nike has companies all over the world, so which local community do we want to consider? Similarly with the environment, how does one measure it? All industries are involved in pollution to one degree or another. Our strategy is deliberately simple, using screens that are accurately measurable and not gray. We don't screen for defense or weaponry because we believe in the value of a strong military. It is the nature of where we are. Every country needs a military.

"My overall advice to Hindus is that if you feel strongly about certain values, you can invest accordingly. That's how other religions look at it. We know a person in Malaysia who handles investments for Muslims. They have a number of screens, including no banks and no hotels, which they consider immoral.

"If one is a strong vegetarian, one could find a way to implement that in one's investments. Vegetarianism is a powerful part of many Hindus' lives, but there are, to my knowledge, no mutual funds based on vegetarianism. If someone created a vegetarian fund, it could be popular and find Hindus participating."

Fortunately, the world of socially responsible investing is making it more and more possible to combine the values by which you live your life with your investment strategy. "It's been a fast growing trend for the last 15 years," says Schueth. "Socially responsible investing is typically growing faster than the market in general, which means that we're gaining market share. That is one of the things the trend reports consistently show us."

Hindus are just learning they can see their religion's values strengthened by simply diverting their money into dharmic investments. Its a way of doing well while doing good.

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