Investing in Agreement With Your Beliefs

The case for aligning your portfolio with your outlook & worldview.

Provided by Jill E. Gleba

Do your investment choices reflect your outlook? Are they in agreement with your values? These questions may seem rather deep when it comes to deciding what to buy or sell, but some great investors have built fortunes by investing according to the ethical, moral and spiritual tenets that guide their lives.

Sir John Templeton stands out as an example. Born and raised in a small Tennessee town, he became one of the world's richest men and most respected philanthropists. Templeton maintained a lifelong curiosity about science, religion, economics and world cultures – and it led him to notice opportunities in emerging industries and emerging markets (like Japan) that other investors missed. Believing that "every successful entrepreneur is a servant," he invested in companies that did no harm and which reflected his conviction that "success is a process of continually seeking answers to new questions."[1]

Among Templeton's more famous maxims was the comment, "Invest, don't trade or speculate." Having endured the Great Depression as a youth, he had a knack for spotting irrational exuberance.[2,4]

As the 1990s drew to a close, he correctly forecast that 90% of Internet companies would go belly-up within five years. In 2003, he warned investors of a housing bubble that would soon burst; in 2005, he predicted "financial chaos" and a huge stock market downturn. To Templeton, a rally or an investment opportunity had to have sound fundamentals; if it lacked them, it was dangerous.[3,4]

Warren Buffett leaps to mind as another example. The "Oracle of Omaha" is worth $70 billion, and Berkshire Hathaway's market value has risen 1,826,163% under his guidance – yet he still lives in the same house he bought for $31,500 in 1958, and prefers cheeseburgers and Cherry Coke to champagne or caviar. He was born to an influential family (his father served in Congress), but he has maintained humility through the decades.[5]

Money manager Guy Spier dined with Buffett in 2008 at one of the billionaire's annual charity lunches, and in his book *The Education of a Value Investor* (co-written with *TIME* correspondent William Green), he shares a key piece of advice Buffett gave him that day: "It's very important always to live your life by an inner scorecard, not an outer scorecard." In other words, act and invest in such a way that you can hold your head high, so that you are staying true to your values and not engaging in behavior that conflicts with your morals and beliefs.[5]

Buffett has also cited the need to be truthful with yourself about your strengths, weaknesses and capabilities – as you invest, you should not be swayed from your core beliefs to embrace something that you find mysterious. "You have to stick within what I call your circle of competence. You have to know what you understand and what you don't understand. It's not terribly important how big the circle is. But it's terribly important that you know where the perimeter is."[5]

Speaking to a college class some years ago in Georgia, he cited the real reward for a life well lived: "When you get to my age, you'll really measure your success in life by how many of the people you want to have love you actually do love you. I know people who have a lot of money, and they get testimonial dinners and they get hospital wings named after them. But the truth is that nobody in the world loves them. If you get to my age in life and nobody thinks well of you, I don't care how big your bank account is, your life is a disaster."[5]

Values and beliefs helped guide Templeton and Buffett to success in the markets, in business and in life. For all the opportunities they seized, their legacy will be that of humble and value-centered individuals who knew what mattered most.

Today, socially responsible investing looks better than ever. Investors who want to their portfolios to better reflect their beliefs and values often turn to "socially responsible" investments – or alternately, "impact" investments that respond to environmental issues, women's rights issues and other pressing societal concerns. When they emerged in the late 1980s, people were skeptical about how well such investments would perform; that skepticism is still around, but it appears to be unwarranted. Since 1990, the average annual total return for the S&P 500 has been 9.93%; the Domini 400, considered the prime index tracking socially responsible companies, has an annual total return of 10.46% by comparison. So aligning your portfolio with your outlook and worldview looks like even more like a win-win these days.[6]

Citations.

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