



# NELSON CAPITAL MANAGEMENT



*Lloyd Kurtz, Chief Investment Officer*

*Northfield 2010 Asia Seminar Series – Hong Kong, September 27, 2010*

*Singapore, October 1, 2010*

I. The Social Investment Landscape

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II. Performance of a Social Investment Universe

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III. A Holdings-Based Attribution Analysis

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# The Social Investment Landscape



“Whatever their differences in their approaches...social investors share an intent to act responsibly with their money, to try to achieve social objectives while reaching their financial aims.”

Source: Peter Kinder, “Values-Based Investing: Who – Not What – is ‘Socially Responsible’” KLD Newslines, December 2005.

# Motivations for Social Investment

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## Values-Based

- ✓ Values are important, so they should be incorporated into investment decisions.
- ✓ Example: General Board of Pension and Health Benefits of the United Methodist Church

## Value-Seeking

- ✓ Companies that understand and respond to the changes that are taking place in the world should offer superior long-term investment opportunities.
- ✓ Example: Generations Asset Management

## Governance

- ✓ Company management teams should be held accountable to investors.
- ✓ Example: CalPERS

## Change

- ✓ Use market forces to create change in the world
- ✓ Example: Skoll Foundation

*Sources: Peter Kinder's "Socially Responsible Investing: And Evolving Concept in a Changing World, Nelson Capital Analysis*

# Types of Social Investing

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## **Portfolio Screening**

Portfolio screening on a wide range of issues.  
Examples include: Tobacco, alcohol, gambling, weapons manufacturing, nuclear power, environmental impact.

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## **ESG Integration**

ESG = Environmental, Social, Governance  
This approach seeks companies with superior characteristics in these areas in the belief doing so will lead to better investment results over time.

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## **Corporate Engagement**

Engage with portfolio companies on key sustainability issues, seeking outcomes favorable to both shareholders and society.  
Dialog with management and vote proxies on the sustainability issues.

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## **Impact Investing**

Where appropriate, seek direct investment in microenterprise, community development, clean technology, and other investment opportunities that provide high social or environmental impact while making a profit for investors.

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# Studies of U.S. Social Funds Find Performance is About the Same

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- Hamilton, Jo, and Statman (1993)
  - SRI fund performance about the same
- Bauer, Koedijk, and Otten (2002)
  - SRI fund performance about the same
- Bollen and Cohen (2004)
  - SRI fund performance about the same
- Benson, Brailsford, and Humphrey (2005)
  - SRI fund performance about the same
- Renneboog et al (2007)
  - SRI fund performance about the same

*These studies suggest that conventional investment factors are running the show, and that social factors are not having much impact on portfolio alpha.*

# The Irrelevance Hypothesis

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Social and environmental factors don't matter for returns.



## But Some Studies Suggest ESG Factors Can Help Performance

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- Edmans (2007)
  - *Fortune* magazine’s “100 Best Companies to Work for in America”
- Derwall and Guenster (2005)
  - Innovest sustainability ratings
- Barber (2010)
  - CalPERS corporate governance program

## Other Studies Suggest Boycott Effects Could Hurt Performance

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- Hong (2006)
  - Tobacco stocks have had large unexplained alpha for decades.
- Statman (2008)
  - Finds offsetting effects:
    - Underweighting sin stocks has hurt performance
    - But “social alpha” has been an offsetting effect

Social and environmental factors matter for returns. They may have positive or negative performance impact. In the historical record positive and negative alphas have almost perfectly offset one another, but that does not mean they will do so in the future.

# The Performance of a Social Investment Universe



# A Longstanding Social Investment Universe

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## Characteristics

- Launched in May 1990
  - Original name: The Domini Social Index
  - New name: MSCI KLD 400 Index
  - Also known in the past as the KLD FTSE 400
- Composed of 400 stocks
- Market capitalization weighted

## Social Exclusions

“Companies involved beyond specific thresholds in alcohol, tobacco, firearms, gambling, nuclear power and military weapons are not eligible for the KLD400.”

## Areas of Social Evaluation

“The Committee selects companies for the KLD400 that have positive social and environmental records based on the following issues: community relations, diversity, employee relations, human rights, product quality and safety, and environment and corporate governance. The companies are evaluated in the context of their industry and sector as well as in relation to the broader market.”

*Source: FTSE KLD 400 Social Index fact sheet, accessed at KLD.com, 9/4/2010*

## Top Ten Holdings of the Social Index

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- Microsoft Corp.
- Procter & Gamble Co.
- Johnson & Johnson
- International Business Machines Corp.
- Wells Fargo & Co.
- Cisco Systems Inc.
- Google Inc.
- Hewlett-Packard Co.
- Intel Corp.
- Merck & Co Inc

*Source: FTSE KLD 400 Social Index fact sheet, accessed at KLD.com, 9/4/2010*

# Social Index Performance

<b>Annualized Returns</b>	
	<b>Since 5/1/90*</b>
<b>Social Index</b>	<b>+9.14%</b>
<b>S&amp;P 500</b>	<b>+8.39%</b>

*Past performance is not indicative of future results*

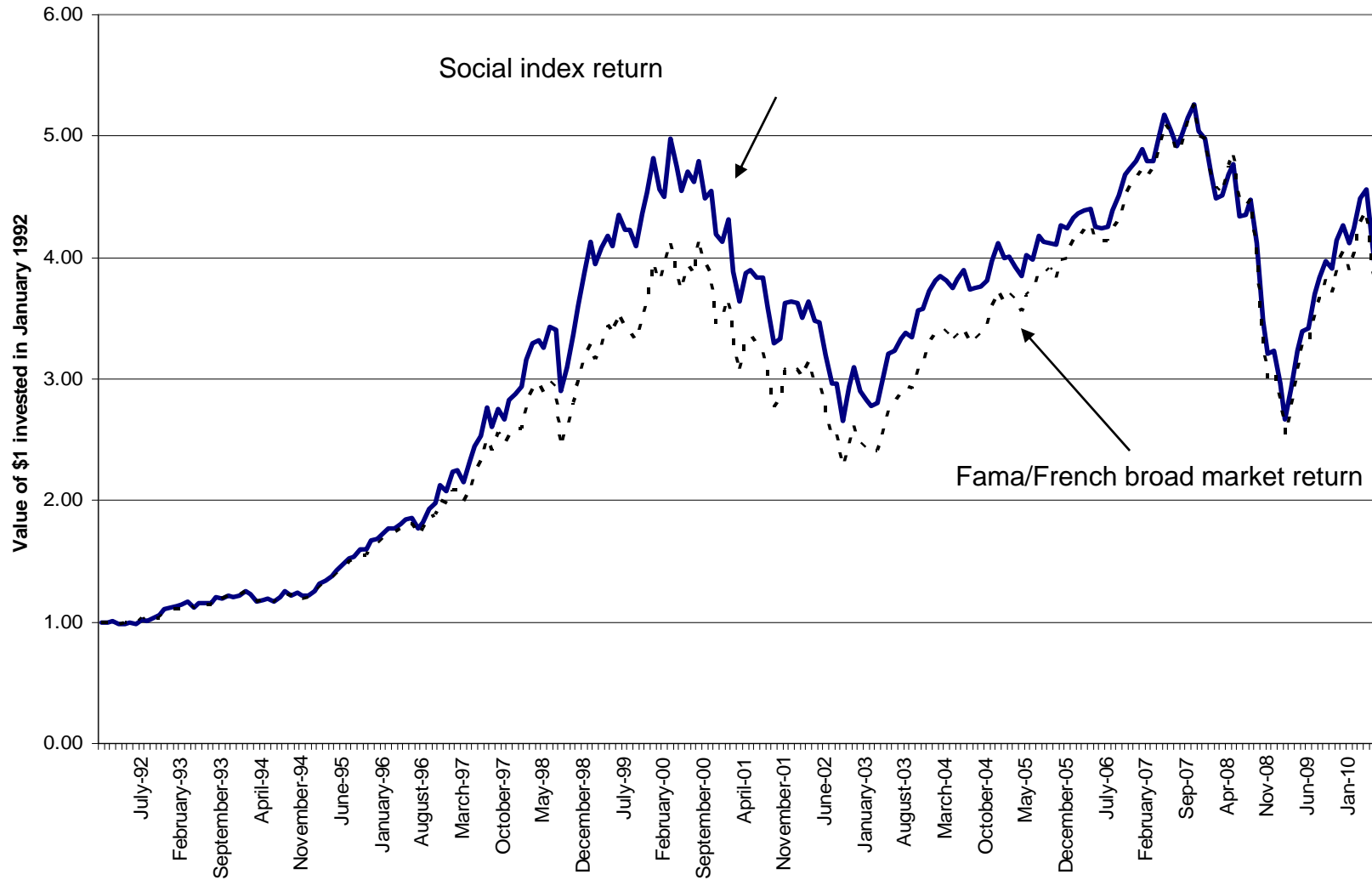
## **FTSE KLD 400 Risk Profile:**

- Modest growth bias
- Sector weights
  - Overweighted in Technology, Consumer, Finance
  - Underweighted in Energy, Utilities

Source: KLD Website; S&P annualized return calculation from Bloomberg.

\* Performance calculated from 5/1/90 inception date of Domini Social Index, now titled the FTSE KLD 400 Social Index, through 7/31/10

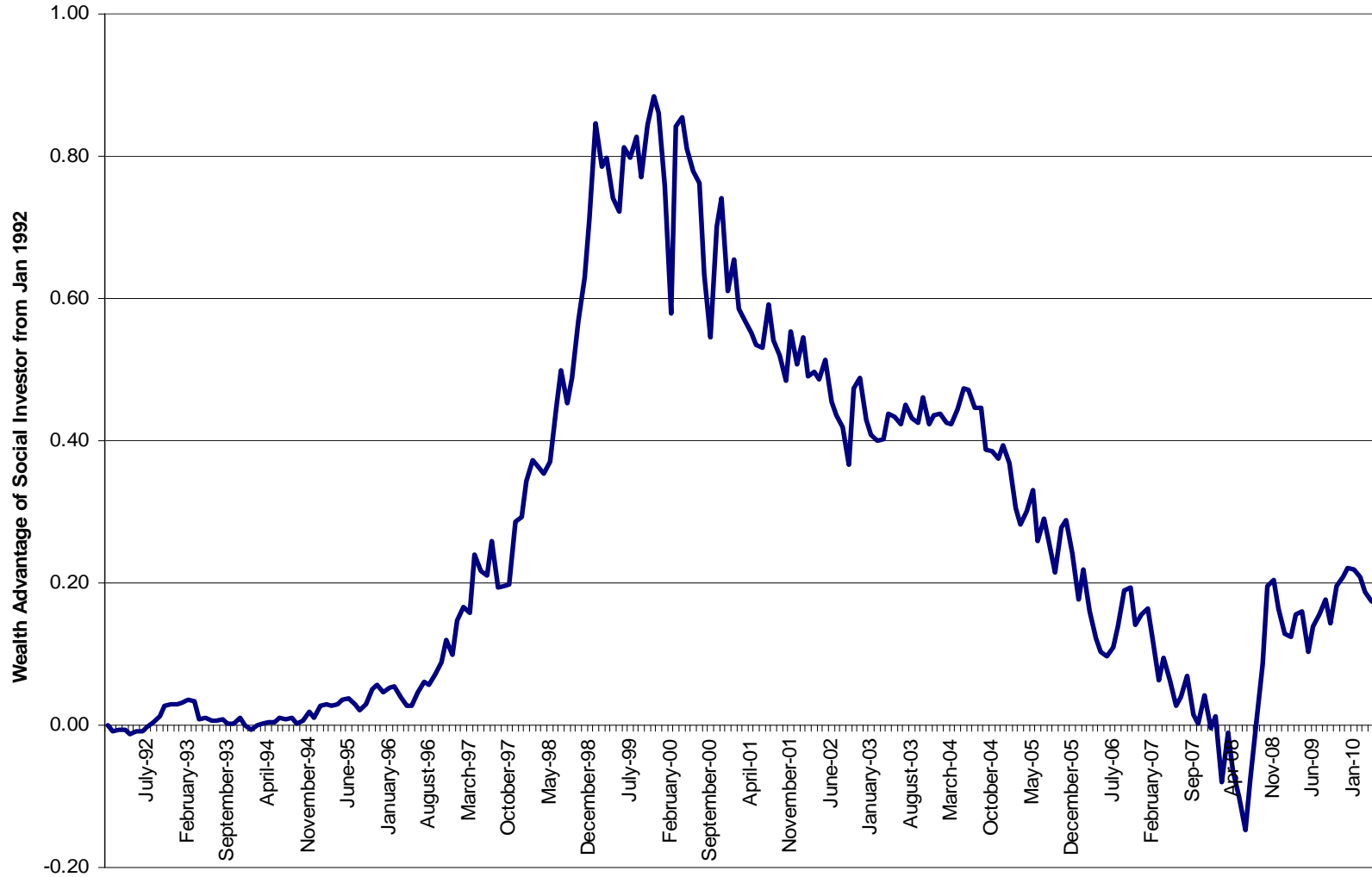
# Social Index vs. the Broad Market, January 1992 – June 2010



Source: KLD Research & Analytics, Ken French Data Library, LK analysis



# Cumulative Difference in Wealth



- **Positive Performance Effects**

- ✓ Luck and Pilotte (1993) – Using the BARRA fundamental factor model, finds positive unexplained performance of 17 basis points per month for the April 1990-September 1992 time period.
- ✓ Luck (1998) – Using the BARRA fundamental factor model, Luck found positive unexplained performance of 77 basis points per year.
- ✓ Bechetti (2007) – Finds that stocks added to the index (1990-2004) tended to outperform and stocks deleted tended to underperform.

- **Neutral Performance Effects**

- ✓ Kurtz and Dibartolomeo (1996) - Using the Northfield fundamental factor model, find the index's performance is fully explained by conventional investment factors (no statistically significant outperformance or underperformance).
- ✓ Dibartolomeo and Kurtz (1999) – Using the Northfield fundamental factor model, find the index's performance is fully explained by conventional investment factors (no statistically significant outperformance or underperformance).

- **Negative Performance Effects**

- ✓ Sauer (1997) – Found the Domini Social Index underperformed on a risk-adjusted basis from May 1990 through 1994, but that that this underperformance disappeared if the results of a 1/86-4/90 backtest were included.
- ✓ Statman (2000) – Found higher risk-adjusted returns for the Domini Social Index for the May 1990-September 1998 time period.

# Fama & French Regression

SUMMARY OUTPUT					
<i>Regression Statistics</i>					
Multiple R	97%				
R Square	95%				
Adjusted R Square	95%				
Standard Error	1.03				
Observations	223				
<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	4,166.3	1,388.8	1,303.0	0.000%
Residual	219	233.4	1.1		
Total	222	4,399.8			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	
Intercept	0.07055	0.07	1.00	31.8%	
Beta3	0.98765	0.02	<b>61.04</b>	0.0%	
SMB	(0.17388)	0.02	<b>(8.37)</b>	0.0%	
HML	(0.03008)	0.02	(1.39)	16.6%	

Alpha for the social index is positive (compared to the Fama & French broad stock market benchmark). But the difference is *not* statistically significant.



Bias toward larger stocks

Bias toward growth-oriented stocks (higher price/book ratio), but not statistically significant.



## An Attribution Analysis of the Social Index



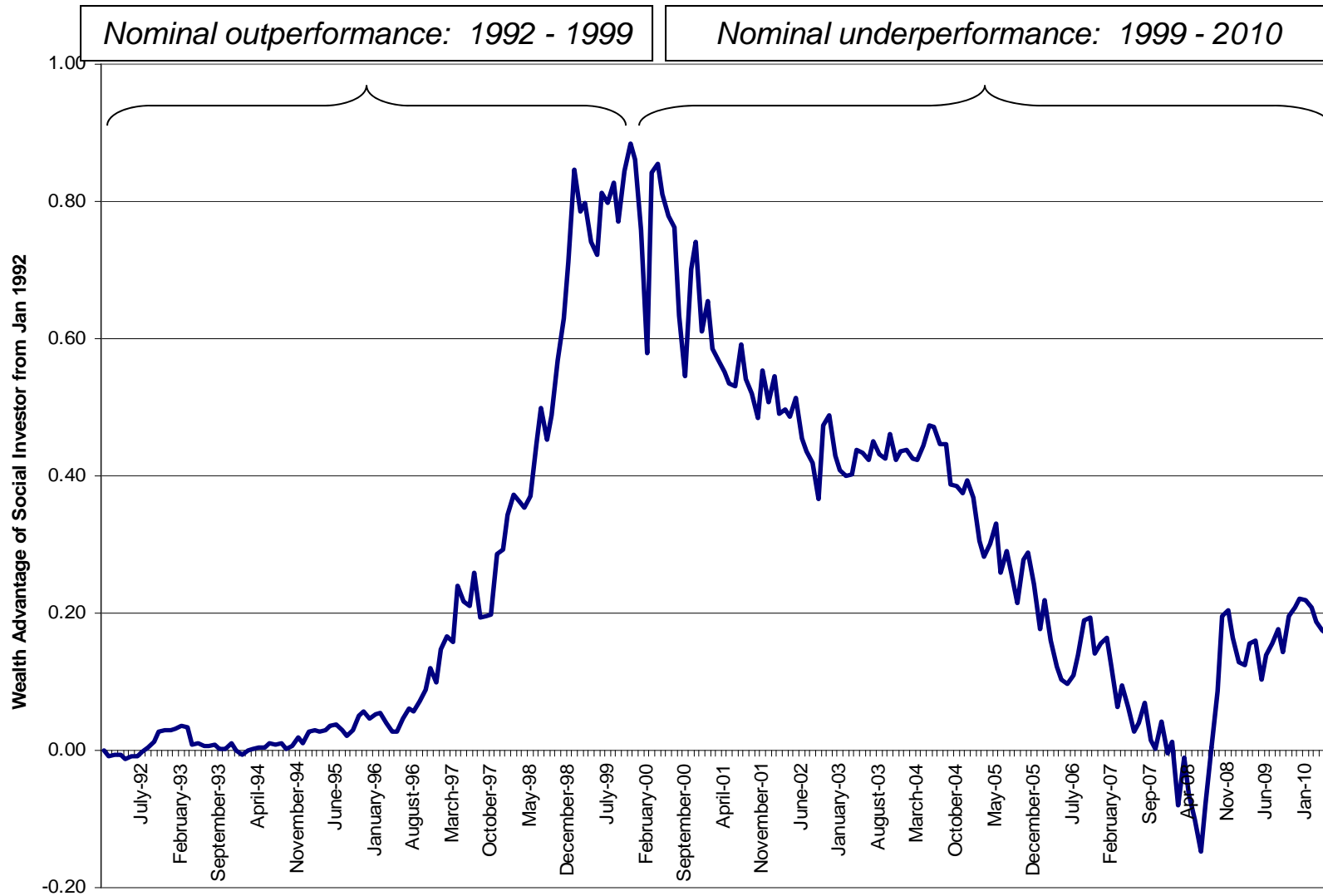
## Parameters of the Study

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- Attribution type: Holdings-based
- Benchmark: S&P 500
- Risk model: Northfield Fundamental U.S. Equity Model
- Time period: January 1992 – June 2010
- Sub-period analyses:
  - January 1992 – November 1999
  - December 1999 – June 2010

*Lloyd Kurtz and Dan Dibartolomeo. "The Long-Term Performance of a Social Investment Universe." Working Paper, 2010*

# Cumulative Difference in Wealth



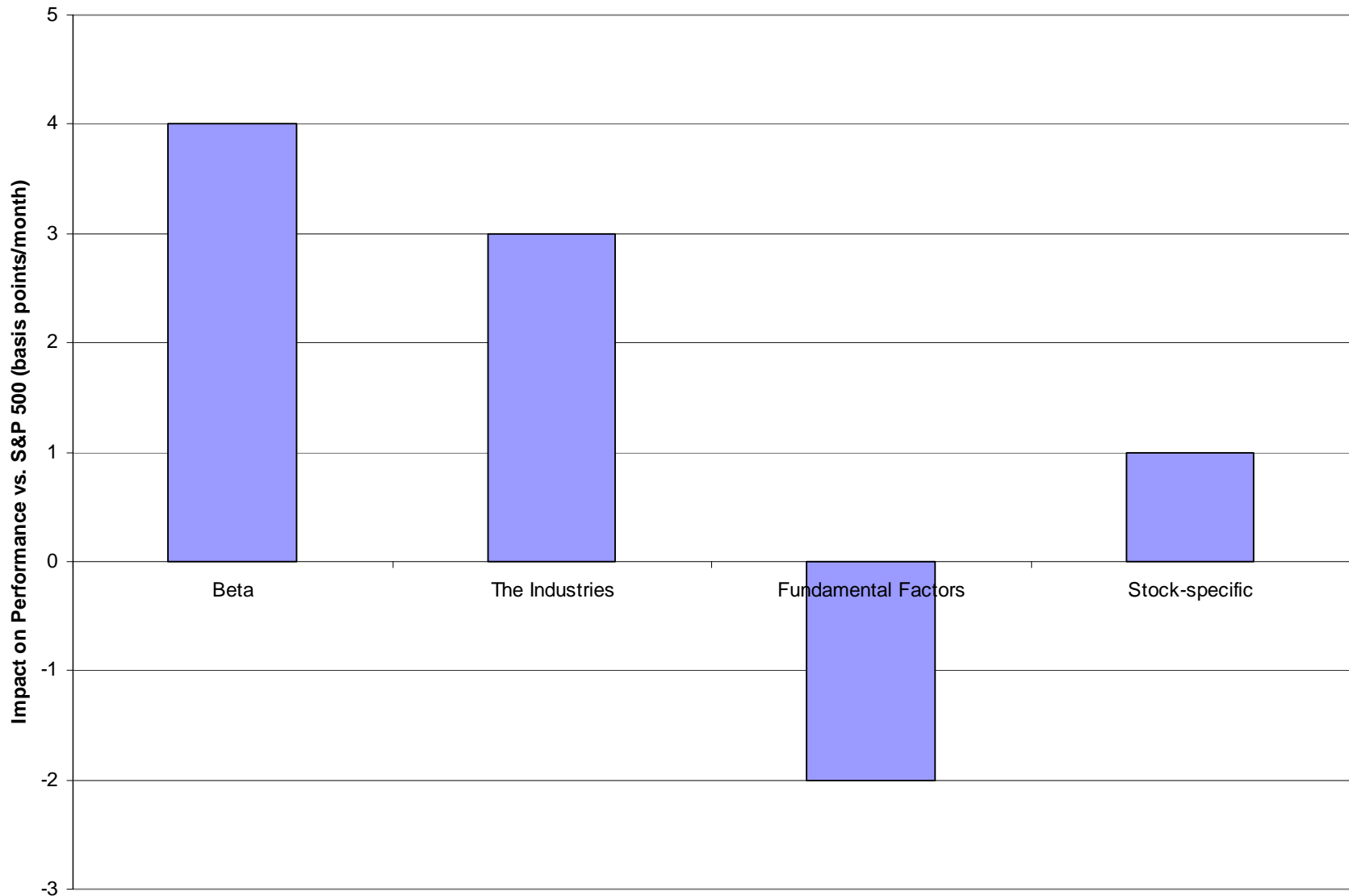
# Northfield Fundamental U.S. Equity Risk Model

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- Multifactor model that can be used for attribution and optimization
- Based on CAPM, but relaxes the constraint of uncorrelated residuals
  - “[W]hile acknowledging the importance of Beta in measuring the risk of a portfolio, it goes further to include other variables in capturing sources of covariance between securities.”
  - The model is based on 67 factors
    - Beta
    - 11 fundamental factors, e.g., P/E ratio, EPS Growth
    - 55 industry dummy variables
- Covers 8000 US companies including several hundred major ADRs.
- Historical data sets are available for each month starting with January of 1989.

*Source: “U.S. Fundamental Equity Risk Model,  
Northfield Information Services, March 31, 2009.*

# Source of Relative Performance



Lloyd Kurtz and Dan Dibartolomeo. "The Long-Term Performance of a Social Investment Universe." Working Paper, 2010



# Summary Findings

<b>Return Decomposition</b>								
<i>Returns are expressed as percent return per month (e.g., 0.73=0.73% or 73 basis points per month)</i>								
	<b>Jan92-Jun10</b>	<b>t-stat</b>		<b>Jan92-Nov99</b>	<b>t-stat</b>		<b>Dec99-Jun10</b>	<b>t-stat</b>
Social Index	0.73			1.68			0.02	
S&P 500	0.67			1.53			0.04	
Total Active Return	0.06	0.86		0.15	1.61		(0.02)	(0.18)
<i>of which...</i>								
- Beta	0.04	<b>2.17</b>		0.05	<b>1.98</b>		0.03	1.20
- Industries	0.03	1.04		0.10	<b>2.64</b>		(0.02)	(0.62)
- Fundamental Factors	(0.02)	(0.66)		0.02	0.38		(0.04)	(1.33)
- Stock Specific	0.01	0.16		(0.01)	(0.14)		0.02	0.30

Lloyd Kurtz and Dan Dibartolomeo. "The Long-Term Performance of a Social Investment Universe." Working Paper, 2010

# Impact of Sectors

<b>Impact of Sectors</b>											
<i>Impacts are expressed as percent return per month (e.g., 0.0118=.0118% or 1.18 basis points per month)</i>											
	<b>Jan92-Jun10</b>				<b>Jan92-Nov99</b>				<b>Dec99-Jun10</b>		
	<u>Active Exp (%)</u>	<u>Impact</u>	<u>T-stat</u>		<u>Active Exp (%)</u>	<u>Impact</u>	<u>T-stat</u>		<u>Active Exp (%)</u>	<u>Impact</u>	<u>T-stat</u>
Energy	(6.1)	(0.0041)	(0.27)		(6.0)	(0.0011)	(0.05)		(6.2)	(0.0063)	(0.30)
Financial	3.5	0.0058	0.85		5.3	0.0099	0.97		2.1	0.0026	0.29
Tel&Utilities	0.1	0.0118	<b>2.17</b>		(0.2)	0.0244	<b>3.25</b>		0.3	0.0024	0.32
Transportation	0.5	(0.0018)	(1.30)		0.6	(0.0037)	(1.46)		0.4	(0.0003)	(0.22)
Technology	3.5	0.0180	1.41		2.5	0.0389	<b>2.16</b>		4.2	0.0023	0.13
Health	(1.2)	(0.0004)	(0.06)		(2.8)	0.0094	0.89		(0.0)	(0.0077)	(0.82)
Consumer Staples	4.8	(0.0026)	(0.25)		7.5	0.0079	0.40		2.7	(0.0104)	(0.98)
Cons Discretionary	1.8	-	0.01		2.6	(0.0007)	(0.13)		1.1	0.0006	0.12
Basic Industry	(7.1)	0.0017	0.20		(10.3)	0.0083	0.55		(4.7)	(0.0032)	(0.30)

Lloyd Kurtz and Dan Dibartolomeo. "The Long-Term Performance of a Social Investment Universe." Working Paper, 2010

# Impact of Fundamental Factors

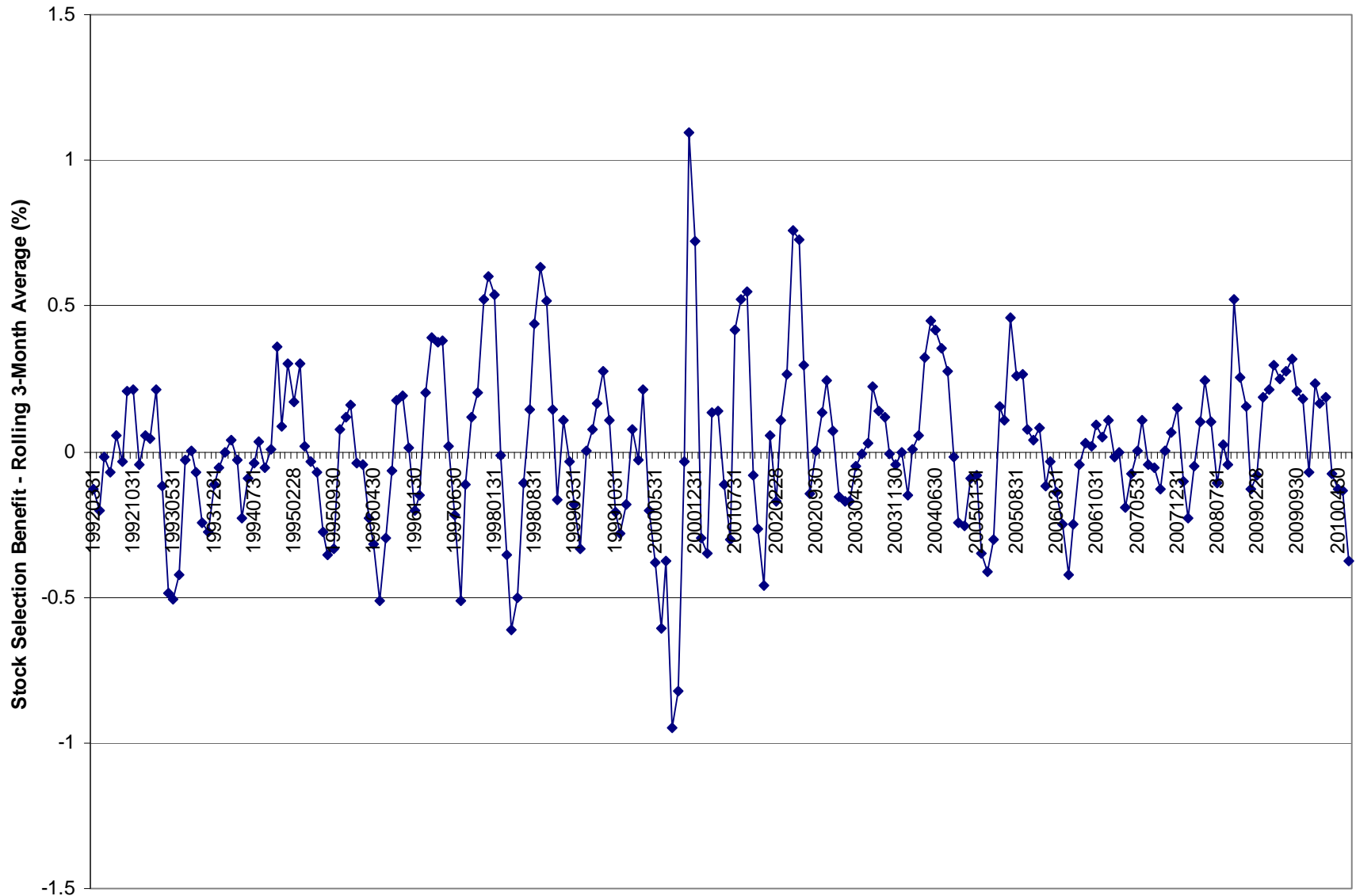
Impact of Fundamental Factors									
<i>Impacts are expressed as percent return per month (e.g., 0.0118=.0118% or 1.18 basis points per month)</i>									
	Jan92 - Jun10			Jan92 - Nov99			Dec99 - Jun10		
	Active Exp (%)	Impact	T-stat	Active Exp (%)	Impact	T-stat	Active Exp (%)	Impact	T-stat
<i>Valuation Factors</i>									
Price/Earnings	0.07	(0.0140)	<b>(3.10)</b>	0.04	(0.0014)	(0.33)	0.09	(0.0234)	<b>(3.30)</b>
Price/Book	0.06	(0.0072)	(1.64)	0.08	(0.0190)	<b>(2.82)</b>	0.05	0.0017	0.30
Dividend Yield	(0.13)	(0.0181)	<b>(2.26)</b>	(0.19)	(0.0229)	(1.36)	(0.09)	(0.0145)	<b>(2.37)</b>
Price/Revenue	0.06	(0.0085)	<b>(2.03)</b>	0.04	(0.0058)	(1.15)	0.07	(0.0105)	<b>(1.68)</b>
<i>Growth-Related Factors</i>									
Relative Strength	0.02	0.0037	0.42	0.06	0.0366	<b>2.45</b>	(0.01)	(0.0209)	<b>(2.09)</b>
EPS Growth Rate	0.05	(0.0044)	(1.24)	0.09	0.0042	0.80	0.02	(0.0109)	<b>(2.27)</b>
<i>Other Factors</i>									
Earnings Variability	(0.09)	0.0071	1.09	(0.17)	(0.0130)	(1.30)	(0.03)	0.0221	<b>2.66</b>
Price Volatility	0.05	(0.0080)	(1.36)	0.10	0.0005	0.05	0.01	(0.0144)	<b>(2.20)</b>
Debt/Equity	(0.18)	0.0103	1.52	(0.23)	0.0131	1.18	(0.15)	0.0083	0.97
Trading Activity	0.03	0.0027	0.61	0.05	0.0117	1.25	0.02	(0.0041)	(1.33)
Market Cap	(0.15)	0.0206	<b>2.39</b>	(0.19)	0.0112	0.72	(0.11)	0.0276	<b>2.89</b>

Lloyd Kurtz and Dan Dibartolomeo. "The Long-Term Performance of a Social Investment Universe." Working Paper, 2010

Factor	Port Wt %	Bench Wt %	Actv W%	Port Ret%	Bench Ret%	Port Contrib	Bench Contrib	Weight Impact	WI T-Stat
Oil Integrated Majors	0.99	5.70	(4.71)	0.59	0.94	0.01	0.05	(0.01)	(0.85)
General Manufacturing	1.03	4.94	(3.91)	0.45	0.79	0.01	0.04	-	(0.48)
Drugs	4.05	7.30	(3.25)	0.54	0.64	0.01	0.04	0.01	0.47
Electric Utilities	0.41	3.22	(2.81)	0.26	0.63	-	0.02	0.01	0.64
Aerospace	0.02	1.81	(1.78)	(0.03)	1.06	-	0.02	(0.01)	(1.28)
<b>Tobacco</b>	<b>-</b>	<b>1.59</b>	<b>(1.59)</b>	<b>-</b>	<b>1.20</b>	<b>-</b>	<b>0.01</b>	<b>-</b>	<b>(0.21)</b>
Chemicals Basic	0.16	1.41	(1.25)	1.15	0.90	-	0.01	-	0.10
Auto & Truck	0.18	1.37	(1.18)	0.18	0.93	-	0.02	-	(0.28)
Oil Refining & Sales	0.15	1.12	(0.98)	0.84	0.91	-	0.01	-	0.18
Oil Services	0.18	1.11	(0.92)	1.83	1.02	-	0.01	-	(0.32)
Foods Basic	0.12	0.57	(0.45)	0.07	1.03	-	-	-	0.71
Metals & Mining	0.24	0.57	(0.34)	0.48	0.92	-	-	-	(0.25)
Forest Products	0.01	0.33	(0.32)	0.17	0.67	-	-	-	0.40
Environmental & Waste	0.05	0.35	(0.30)	0.88	0.32	-	-	-	2.08
Precious Metals	0.03	0.26	(0.22)	(0.39)	0.94	-	-	-	0.89
Medical Services	0.78	0.98	(0.20)	0.78	0.88	-	0.01	-	0.81
Paper	0.57	0.72	(0.15)	0.59	0.59	-	-	-	2.24
Financial Misc.	0.51	0.59	(0.08)	1.23	0.83	-	-	-	0.80
Machinery	0.91	0.98	(0.07)	1.10	1.18	0.01	0.01	-	0.88
Services Consumer	0.22	0.27	(0.05)	0.67	0.61	-	-	-	0.34
Building Materials	0.46	0.48	(0.02)	0.86	0.74	-	-	-	1.12
Building Construction	0.20	0.20	-	0.83	0.49	-	-	-	1.81
Broadcasting	0.73	0.73	-	0.37	0.89	0.01	0.01	-	(0.02)
Regional Banks	0.60	0.58	0.02	0.59	0.54	-	-	-	(0.26)
Iron & Steel	0.25	0.21	0.04	1.21	1.05	-	-	-	0.71
Trucking	0.09	0.03	0.06	0.40	0.39	-	-	-	(0.92)
Auto Aftermarket	0.33	0.23	0.11	0.59	0.45	-	-	-	(0.49)
Leisure	1.86	1.73	0.13	0.63	0.52	0.01	0.01	-	(1.06)
Railroads & Shipping	1.21	1.09	0.13	0.64	0.83	0.01	0.01	-	1.62
Electrical Equipment	0.62	0.47	0.15	0.73	0.83	-	-	-	0.85
Publishing	1.27	1.10	0.17	0.63	0.53	0.01	0.01	-	(1.49)
Insurance Life	1.16	0.88	0.28	1.05	1.02	0.01	0.01	-	0.36
Apparel & Textiles	0.70	0.42	0.28	0.78	0.74	-	-	-	(0.69)
Chemicals Specialty	1.04	0.76	0.28	0.97	0.97	0.01	0.01	-	0.78
Consumer Products	0.65	0.35	0.30	0.55	0.99	-	-	-	(1.29)
Major Banks	7.29	6.97	0.32	0.86	0.85	0.05	0.04	-	0.32
Airlines	0.55	0.23	0.32	0.35	0.25	-	-	-	(1.52)
Savings & Loans	0.79	0.41	0.38	0.71	0.86	-	-	-	0.30
Services Business	0.94	0.52	0.42	0.44	0.38	-	-	-	(1.38)
Lodging & Restaurant	1.36	0.90	0.45	1.15	1.11	0.02	0.01	-	1.02
Oil Extraction	1.15	0.66	0.49	1.32	0.94	0.01	-	-	0.46
Gas & Water Utilities	1.28	0.64	0.64	0.84	0.61	0.01	-	-	(0.26)
Foods Packaged	2.57	1.77	0.80	0.77	0.69	0.02	0.01	-	(0.85)
Retail Food & Drugs	1.91	1.09	0.83	0.77	0.60	0.01	0.01	-	(0.58)
Retail Hard Goods	2.64	1.43	1.21	0.89	0.88	0.02	0.01	-	0.17
Insurance Other	4.46	3.23	1.23	0.75	0.59	0.04	0.02	0.01	1.44
Retail Soft Goods	5.19	3.93	1.26	0.88	0.76	0.04	0.02	-	(0.54)
Financial Services	4.93	3.60	1.33	0.73	0.87	0.03	0.02	0.01	1.85
Electronics	5.63	4.23	1.40	1.29	1.19	0.04	0.02	0.01	0.65
Beverages	4.45	3.02	1.43	0.81	0.76	0.04	0.02	-	(0.18)
Computer Software	6.90	5.38	1.52	0.92	1.19	0.03	0.03	-	0.57
Soaps & Toiletries	4.10	2.30	1.80	1.02	1.01	0.04	0.02	-	0.63
Medical Supplies	5.59	3.35	2.24	0.93	0.87	0.04	0.02	0.01	1.13
Telecommunications	8.79	6.52	2.27	0.72	0.48	0.07	0.03	-	(0.10)
Computers	7.68	5.37	2.31	1.26	1.22	0.09	0.06	0.02	1.59
TOTAL								0.06	

Lloyd Kurtz and Dan Dibartolomeo.  
"The Long-Term Performance of a  
Social Investment Universe." Working  
Paper, 2010

# Stock Selection Impact After Adjusting for Factors – 1992-2010



Lloyd Kurtz and Dan Dibartolomeo. "The Long-Term Performance of a Social Investment Universe." Working Paper, 2010

# Performance of a Risk-Managed Social Index Fund

## Indexed Price

31-Jan-2005 to 7-Sep-2010 (Monthly)

31-Jan-2005=100; Local

- iShares KLD Select Social Index Fund (KLD) 95.0
- S&P 500 (SP50) 92.9



Data Source: Prices / Exshare

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# Conclusions

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- The performance of this universe of socially responsible stocks has been surprisingly competitive.
  - Predictions of negative alpha were wrong.
- Quantitative analysis of the social index suggests that return differences are primarily factor-driven:
  - Beta has been a positive contributor
  - Industry impact has been positive
  - Fundamental Factor impact has been negative (primarily valuation)
- After accounting for the impact of investment factors, the performance impact of social policies appears to be very small.
- Investors seeking superior investment performance have incurred no material benefit or cost from using this universe. Above-benchmark performance therefore needs to come from superior management:
  - Superior financial insight
  - Superior social/environmental insight



# NELSON CAPITAL MANAGEMENT





# Appendix



# Firm Profile

## Overview

Nelson Capital Management is a leading investment manager with unique expertise in Socially Responsible Investing (“SRI”) and strategies incorporating Environmental, Social & Governance (“ESG”) considerations into a consistent, disciplined investment process

## Ownership

Founded and registered with the SEC 1974

A wholly-owned non-bank investment affiliate of Wells Fargo & Company

Part of the Wells Fargo Asset Management Group

Nelson Capital maintains autonomy and local responsibility for the investment process while benefitting from the ability to leverage certain centralized resources (i.e. infrastructure) of a major financial institution

## Assets under Management

\$871 million, as of July 31, 2010

## Primary Investment Strategies

SRI U.S. large cap core equity

U.S. large cap core equity

## Packaging & Services

Mutual Fund

Institutional Separate Accounts

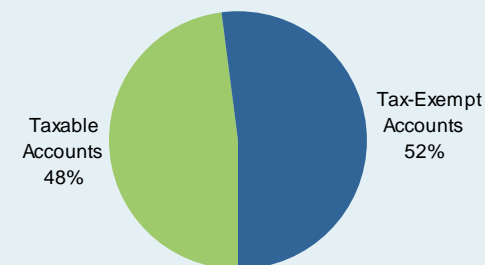
Sub-advisory

HNW Separately Managed Accounts

SRI / ESG Advisory Services

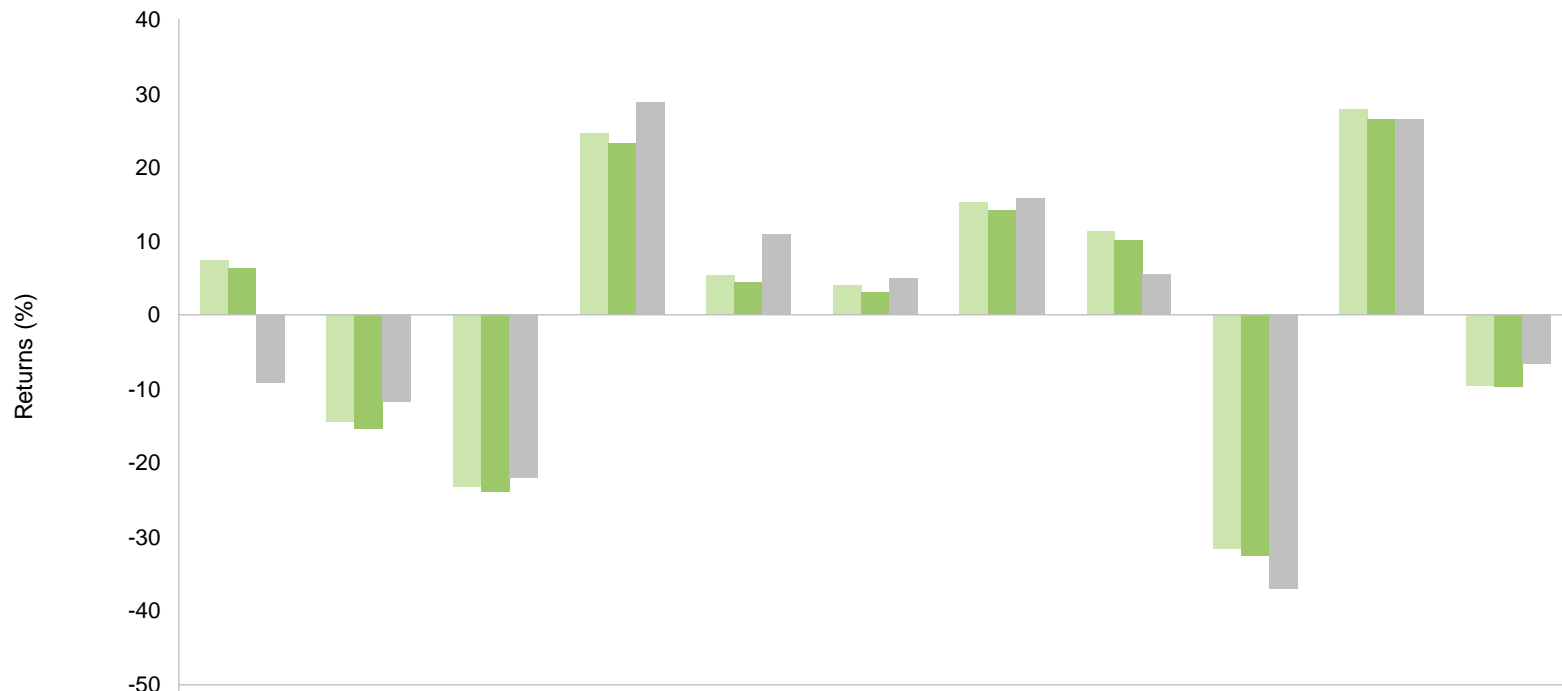
Customization Capabilities

## Account Composition



# ESG Investing Composite Performance

as of 6/30/2010



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD
SRI Equity (Gross of Fees)	7.5	-14.4	-23.1	24.5	5.4	4.1	15.3	11.3	-31.6	27.9	-9.4
SRI Equity (Net of Fees)	6.4	-15.3	-23.9	23.3	4.4	3.1	14.1	10.2	-32.5	26.4	-9.6
S&P 500	-9.1	-11.8	-22.1	28.7	10.9	4.9	15.8	5.5	-37.0	26.5	-6.7

	1 Year	3 year	5 Year	10 Year
SRI Equity (Gross of Fees)	12.1	-6.4	1.6	-1.5
SRI Equity (Net of Fees)	11.1	-7.3	0.6	-2.5
S&P 500	14.4	-9.8	-0.8	-1.6

GIPS compliant presentation is included in the Appendix

# ESG Investing Composite Performance

as of 6/30/2010

5 Year Period  
July 2005 – June 2010

<b>Portfolio Performance</b>	<b>NCM</b>
Annualized Return (%)	1.47
Cumulative Return (%)	7.55

<b>Risk / Return Statistics</b>	<b>NCM</b>	<b>S&amp;P 500</b>
Beta	0.93	1.00
Standard Deviation (%)	15.90	16.83
Downside Risk (%)	12.53	13.27
Alpha (%)	2.16	0.00
Information Ratio	0.80	0.00
Sharpe Ratio	-0.07	-0.05
R-squared	97.38	100.00

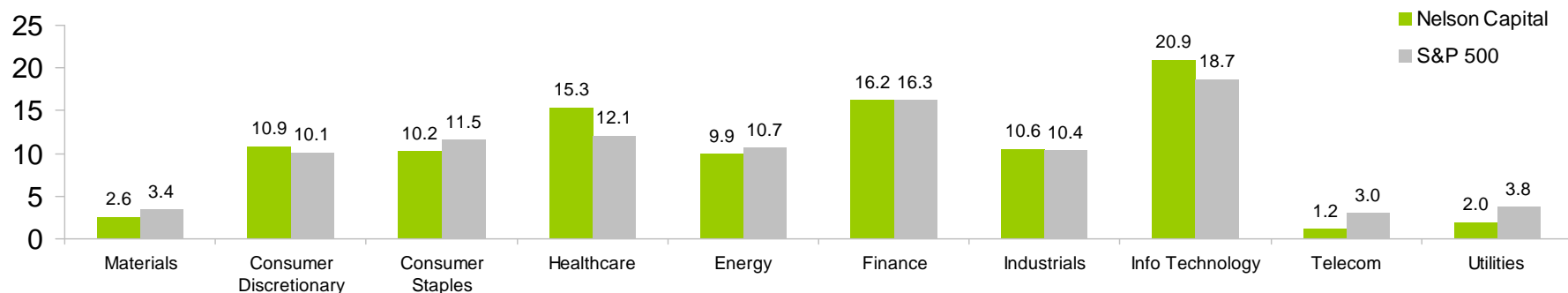
<b>Upside / Downside</b>	<b>NCM</b>	<b>S&amp;P 500</b>
Up Capture	100.10	100.0
Down Capture	92.50	100.0

Return Attribution based on gross of fees performance history  
Calculated using Zephyr Style Advisor

# ESG Investing Composite Attributes

as of 6/30/2010

## NCM Composite Sector Weights (%)



## Top 10 Active Positions

Holding	Sector	Active Wgt
General Mills	Consumer Staples	2.81 %
Emerson Electric	Industrials	2.76 %
Cameron International	Energy	2.74 %
PNC Financial	Financial	2.68 %
Danaher	Industrial	2.61 %
Laboratory Corp	Healthcare	2.45 %
Prudential	Financial	2.31 %
Accenture	Info Technology	2.26 %
Google	Info Technology	2.24 %
CVS Caremark	Healthcare	2.17 %

## Market Capitalization Distribution

< \$2 Billion	0.0 %
\$2 – 7.5 Billion	2.9 %
\$7.5 - \$30 Billion	44.7 %
\$30 - \$100 Billion	28.0 %
> \$100 Billion	24.4 %

## Characteristics

	NCM	S&P 500
Weighted Average Market Capitalization (\$B)	58.4	71.8
Beta	1.0	1.0
LT Debt / Total Capital %	24.3	49.2
EBIT Margin	20.2	13.3
Return on Equity	18.1	12.6
Price / Earnings (Last 12 months)	19.2	17.5
Price / Earnings (Next 12 months)	14.1	12.6
Price / Earnings (NTM) - to - Growth	1.2	1.4
Price / Book	2.9	2.1
Dividend Yield	1.6	2.1

Portfolio Attributes as of 6/30/2010

Source: Factset

# ESG Investing Performance

as of 12/31/2009

Year End	Total Firm	Composite Assets	
	Assets (millions)	U.S. Dollars (millions)	Number of Accounts
2009	731	165	134
2008	525	97	100
2007	566	97	75
2006	473	64	52
2005	466	53	30
2004	397	8	16
2003	554	31	32
2002	530	27	31
2001	669	34	15
2000	714		

Annual Performance Results				
Composite			Composite Dispersion	
Gross	Net	S&P 500	High	Low
27.86%	26.35%	26.47%	40.25%	16.74%
(31.64%)	(32.46%)	(37.00%)	(26.85%)	(39.41%)
11.29%	10.21%	5.49%	15.11%	4.91%
15.26%	14.14%	15.79%	17.89%	11.23%
4.09%	3.06%	4.91%	4.90%	(1.03%)
5.41%	4.35%	10.86%	12.07%	2.70%
24.48%	23.30%	28.67%	27.82%	17.25%
(23.12%)	(23.94%)	(22.05%)	(18.94%)	(29.49%)
(14.37%)	(15.26%)	(11.83%)	(8.93%)	(15.94%)
7.48%	6.44%	(9.10%)	11.42%	4.13%

Nelson Capital Management ("NCM") has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Nelson Capital Management is a registered investment advisor and a non-bank affiliate of Wells Fargo and Company. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Leverage is not used in this composite. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Beginning April 1, 2008, net of fee performance was calculated using the highest management fee charged to any NCM client at that time. Prior to April 1, 2008, the lowest management fee charged to any account in the composite was added back to net performance in order to calculate gross returns. Prior to 2002, net of fee performance was calculated using the highest management fee charged to any NCM client at that time. Composite dispersion "High" and "Low" represents the highest and lowest annual portfolio return, respectively, for accounts included in the composite for the entire year. Additional information regarding policies for calculating and reporting returns is available upon request.

**SRI Equity Composite** contains fully discretionary SRI equity accounts and for comparison purposes is measured against the FTSE KLD 400 Social Index (formerly the Domini 400 Social Index).\*

Beginning January 1, 2004, balanced portfolio segments are included in this composite and performance reflects required total equity segment plus cash returns using a predetermined cash allocation percentage. 100% of the equity segment carve-out is being used for the calculation. The SRI Equity Composite was created January 1, 1995. Nelson Capital Management's compliance with the GIPS standards has been verified for the period January 1, 2001 through September 30, 2009 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the SRI Equity Composite beginning January 1, 1995. A copy of the verification reports is available upon request.

The management fee schedule for equity and balanced accounts is as follows:

1.20% on the first \$2,000,000; 0.80% on the next \$3,000,000; 0.50% on all assets over \$5 million. Actual investment advisory fees incurred by clients may vary.

Notes



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**Investment Products: ► NOT FDIC Insured ► NO Bank Guarantee ► MAY Lose Value**

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Real estate investments carry a degree of risk and may not be suitable for all investors.

Past Performance does not indicate future results. The value or income associated with a security may fluctuate. There is always the potential for loss as well as gain. Returns include the reinvestment of all income.

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Additional information is available upon request.