

a better future

Getting there with **Ethical Funds**[®]

Strategies to keep you on course in all markets

While market fluctuations can be unsettling, how your investments perform over time has less to do with what happens today than how you react to it. If you're feeling a tug of emotion, take time to talk to your advisor about how your portfolio is designed to weather short-term volatility. At **Ethical Funds**, we always have our eye on the future and support the following strategies that work in all market conditions.

Expect downs, as well as ups

Upswings and downturns are a natural part of the market cycle. In fact, over a typical 10-year period, stock markets typically experience two great years, two years of negative returns, and six years of "average" returns. Despite fluctuations, they've posted good long-term returns.

Stick to your plan

The investment plan you created with your advisor incorporated potential market swings in its calculations of future returns, as well as your tolerance for risk. So a market decline is not a divergence from your plan; it's a short-term dip in a longer upward market trend.

Similarly, **Ethical Funds** stays consistent, holding true to our approach in all conditions. This consistent approach helps to weather volatility. In fact, the **Ethical**[®] Canadian Index (ECI) has outperformed the broader Canadian market, as measured by the S&P/TSX Total Return Index, for the year to date — the ECI's performance is 2.3%, as compared with 1.3% for the S&P/TSX (to Aug. 31).

Resist the urge to sell

It can be tempting to simply retreat and sell your investments when prices go down. But that's not a winning strategy. You may find that you've sold when stock values are at or near their lowest levels, and

continued on Page 4

what's inside

Page 2: **Gaining the consent and support of communities**

Page 3: **Mine site visit addresses sustainability and local concerns**

Page 4: **Helping to preserve our Boreal Forest**

Ethical Advantage Series keeps your target date in sight

The shorter your investment timeline, the greater impact market volatility can have on your portfolio's performance. That's why your time horizon and goals are important factors shaping your financial decisions.

The **Ethical Advantage Series**, North America's first socially responsible "lifecycle" investment solution, minimizes that risk by managing portfolios focused on set target dates. As the date nears, your portfolio adjusts automatically to decrease market risk and protect savings — so you can count on your money when you need it.

For example, if your goal is to send your teenager to college or university in a few years' time, **Ethical Advantage 2015** could align with your goals and risk tolerance. The **Ethical Advantage Series** funds can also be held within a Registered Education Savings Plan (RESP) or, for retirement, in an RRSP.



To learn how the **Ethical Advantage Series** can help you reach your goals, see "Fund Profiles" at ethicalfunds.com or talk to your advisor

The
**Ethical
Funds**
Company[®]





Gaining the consent and support of communities

The impact of exploration projects on local communities has become a significant concern for many companies in the oil, gas, mining, and other resource sectors. Increasingly, these companies are being asked to apply a new standard when negotiating with communities affected by their operations: Free, Prior, and Informed Consent (FPIC).

The principles of Free, Prior, and Informed Consent assert that communities have the right to be informed about exploration, development, and closure of resource operations that affect them on a timely basis and to approve these operations before they start.

The FPIC principles are developing as a standard in international law, including the UN Declaration on the Rights of Indigenous Peoples. And while they give only indigenous communities the right to veto a resource project, they offer an ideal model for working with all local communities.

Why companies should care

The stakes can be high for resource companies when the economic, social, and environmental impacts of projects become an issue. Companies have experienced huge losses when projects have been cancelled because of local protests. For example, in 2004,


community opposition caused Royal Dutch Shell to walk away from a Peruvian oil project after investing more than US\$250 million.

A company's reputation can also be damaged, sending stock prices tumbling and diminishing prospects for future projects. As well, there are possible effects on the financing, operations, profitability, and government regulation of the project in question.

Respecting communities

Ethical Funds supports the rights of indigenous and all communities to Free, Prior, and Informed Consent on resource projects affecting them. We urge the companies we invest in to use these principles, and we have developed guidelines to help them negotiate with the stakeholders they encounter, including different and often opposing groups within the local community, non-governmental organizations (NGOs), and transient workers.

Our actions to promote FPIC principles are one way we use shareholder action to make a better world. The result may be resource projects that serve the interests of the company, the local community, and the environment. And that's good for everyone.

 Learn more about the FPIC principles at ethicalfunds.com or enter "FPIC" under "Search" to read our White Paper



CHANGEMAKERS

How they're changing the world

Transcontinental Inc. is at the forefront of the printing industry for its commitment to the environment. A major influence on best practices, it prints more than 500 magazine titles in North America, including *Elle*, *Canadian Living*, and *Maclean's*.

The company's purchasing policy promotes use of recycled paper made from recovered fibres. Seven of Transcontinental's printing plants have earned the Chain of Custody (COC) Certification, a standard of the Forest Stewardship Council, to guarantee that paper has been manufactured using pulp from forests managed in a sustainable way. The company also offers 100% recycled paper at price parity to book publishers.

In 2007, the company received an award from *PrintAction* magazine in the category "Most Progressive Environmental Process." In its printing operations, the company cleans its presses with a product that's free of volatile organic compounds (VOC) — a contributor to air pollution and smog.

At the time of printing, Transcontinental Inc. was held in the **Ethical** Special Equity Fund and the **Ethical** Canadian Dividend Fund.

 Read about other Changemakers at ethicalfunds.com/changemakers

Making a lasting impression

- COMPANY:** Transcontinental Inc.
- INDUSTRY:** Printing and publishing
- LOCATION:** Montreal, PQ
- EMPLOYS:** 15,000 employees in Canada, the U.S., and Mexico
- REVENUE:** \$2.3 billion (2007)



Mine site visit addresses sustainability and local concerns

After we visited the site of a **Barrick Gold Corporation** mining project in Nevada and heard serious objections from surrounding Native American communities to its proposed expansion, **Ethical Funds** used our shareholder voice to urge the company to conduct a **Human Rights Impact Assessment**.

Gold is an important commodity in world markets and a major influence on TSX returns. But whatever the value of gold, we believe that sustainable mining operations must also weigh the impact on local communities.

Site visit sheds light

When **Ethical Funds** first learned of the opposition to Barrick's Cortez Hills mine expansion by members of the Western Shoshone Native American communities and others, this prompted our sustainability analysts to seek a first-hand understanding of the situation. Company disclosures did not shed light, so our goal was to talk to management directly, as well as to community representatives. Our intent was to learn how effective the company's process was to hear out and acknowledge local concerns.

In May 2008, our analysts travelled to the Nevada site to investigate the challenges and help us determine our course of action as a shareholder.

The site of the proposed expansion, Mount Tenabo, is considered to be a sacred place by the Western Shoshone as part of their ancestral land, used for religious ceremonies and as a burial ground. For many years, the land has also been the subject of an ongoing ownership dispute between the Shoshone and the U.S. government.

Hearing all sides of the story

Ethical Funds met with six of the eight Western Shoshone elected band councils, as well as with Barrick and the Bureau of Land Management — the government agency responsible for managing public lands. These meetings indicated mixed feelings in the community and widespread opposition to the mine expansion.

In large part, Barrick's environmental plan for the mine expansion has won praise from local authorities, although opponents have raised questions over changes to the landscape due to proposed excavation and effects on water quality. We found that the company's efforts to maintain a dialogue with the Western Shoshone are unique among



We visited Barrick's proposed Cortez Hills mine expansion in Nevada in May

companies operating in the area. But, despite this outreach, the company has been unsuccessful in producing a workable agreement.

Many Shoshone felt little attention had been paid to cultural issues such as their spiritual connection to the land. Others felt the dialogue was used by Barrick to make it appear that they approved of the project.

Why more action is needed

Since no formal process had been conducted to engage the local community on this project, such as the internationally recognized Free, Prior, and Informed Consent principles on land rights (see *article on opposite page*), **Ethical Funds** asked Barrick to commission a Human Rights Impact Assessment, a process that will better define the expansion's impact on the local community. We believe it will also help distinguish the roles of Barrick and the U.S. government in the land rights dispute. And, without having community support, the success of any major resource project could be in doubt.

At press time, Barrick had indicated it is preparing a response to our requests.

 For an update about Barrick Gold, visit ethicalfunds.com and enter "Focus List" under "Search"

you may miss significant gains when the markets climb again. Rebounds can be sudden, and a large part of the markets’ long-term advances are made in a limited number of trading days.

Stay diversified

While it might seem possible to avoid market volatility altogether by keeping your money in low-risk investments, it’s *always* risky to put all your eggs in any single basket. Cash equivalents and fixed-income investments have an important place in every portfolio but, on their own, they produce relatively low returns that could leave you well short of your goals. Also, remember that mutual funds offer you built-in diversification through the range of investments they hold.

Think of long-term potential

Keep an eye beyond the day-to-day market news to consider the economic and social factors that will drive future markets — and your investments. While the global boom has slowed, there’s still potential for robust growth, as nations like China and India develop. Also, emerging industries such as green technologies and alternative energy may also reshape the economy.


Ethical Funds’ approach to sustainable investing is all about the long term, and how companies we invest in can advance social equality, protect our ecosystems, and be accountable.

Keep an eye on opportunities

Finally, remember that the shares of good-quality companies typically bounce back in price as markets become more optimistic and recognize their worth. In fact, market pullbacks often present ideal opportunities to buy stocks and equity funds at prices that may be below their real value. This can produce significant gains for those with the patience to invest now and wait for future growth.

Talk to your advisor

When you have questions about shifts in the markets, contact your financial advisor. Professional advice can help you evaluate any changes and reassure you that you’re on the right track.

 Find out more about **Ethical Funds** investments at ethicalfunds.com

Invest with us. For information about how **Ethical Funds** can help you reach your financial goals, contact your investment professional or visit our Web site: ethicalfunds.com

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their value changes frequently and past performance may not be repeated.

®Ethical, Ethical Funds, The Ethical Funds Company, and Ethical Growth Fund are registered marks owned by Northwest & Ethical Investments L.P.

Helping to preserve our Boreal Forest

Canada’s northern Boreal Forest is a national treasure, covering almost one-sixth of our land. **Ethical Funds** is helping protect this precious asset by supporting the Boreal Forest Conservation Framework, spearheading change through our participation in Canada’s Boreal Leadership Council.



Nature’s economic force

The Boreal Forest is home to countless wildlife species, including the world’s largest caribou herds. Its natural wealth supports First Nations communities and creates thousands of resource jobs.

Ethical Funds was the first financial company to endorse a national vision for our Boreal Forest. As a member of the Boreal Leadership Council, we’re part of an influential coalition of conservation groups, First Nations, and corporate stakeholders. The goal, laid out in the Boreal Forest Conservation Framework, is to preserve at least 50% of the forest as it is and allow only responsible economic development of remaining areas using leading-edge stewardship practices.

How Ethical Funds is helping

To fulfil our commitment, our action plan includes:

- Urging oil and gas companies and banks to support the Canadian Boreal Initiative, dedicated to preserving the forest’s ecological diversity and contribution to Canada’s cultural heritage.
- Asking the government of Alberta to slow oil sands developments until a full land-use plan is in place.
- Promoting the Forestry Stewardship Council (FSC), which certifies companies that manage forests sustainably. And we opt to use FSC-certified paper whenever possible.

 Discover more about the Canadian Boreal Initiative at www.borealcanada.ca and look for news about our role on the Boreal Leadership Council at ethicalfunds.com

We value your opinion. Send us your comments or questions. Email **The Ethical Funds Company** at editor@ethicalfunds.com or call 1.877.ethical (1.877.384.4225).

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their value changes frequently and past performance may not be repeated.

®Ethical, Ethical Funds, The Ethical Funds Company, and Ethical Growth Fund are registered marks owned by Northwest & Ethical Investments L.P.

DOMTAR EarthChoice
High quality paper with a conscience



bullfrogpowered™
Printing is bullfrogpowered

ISO 14001



EF 2008 07 049
Inv.# 2090099000
410478