



**CROWELL**  
SCHOOL OF BUSINESS  
BIOLA UNIVERSITY



**BY: SHANE ENETE, CFA**

ASSISTANT PROFESSOR OF FINANCE  
BIOLA UNIVERSITY



# Inspired Investing

*AN INTRODUCTION TO BIBLICALLY RESPONSIBLE INVESTING (BRI)*

***Biblically Responsible Investing (BRI) is a growing movement among Christian investors and investment firms, with significant potential for cultural impact.***

***BRI is an investing approach that seeks to ensure that a Christian is investing in a way that is consistent with the moral standards of the Bible. Is BRI a helpful investment approach? Or just a marketing ploy meant to exploit?***

***As this paper will argue, BRI products, through their excluding, engaging and endorsing activities, help Christian investors maintain their integrity and responsibility to biblical stewardship while actively investing in the stock market.***

## Discovering BRI

There is a growing movement among Christian investors to align their investments with biblical values. This movement is called Biblically Responsible Investing (BRI) and it is on the rise.

But is BRI just a marketing gimmick designed to prey on Christians who see the word, “Bible,” and automatically direct their money to it without any thought about investment prudence?

The answer is clearly “no” when the implications of being a stock owner are fully understood.

### Stock Ownership is Business Ownership

In order to understand the implications of being a stock owner, it is good to define what stock ownership really means. “Shares of stock” are certificates of ownership that an investor receives in exchange for investing money in a corporation.

## "If you are a stock owner, you are a business owner."

Once a corporation receives money from investors, the corporation buys "assets" (e.g., machines, land, property, etc.). These assets are then "managed" by managers who receive a salary so that they will, hopefully, be able to generate a profit while managing those assets. This profit belongs exclusively to the stock owners

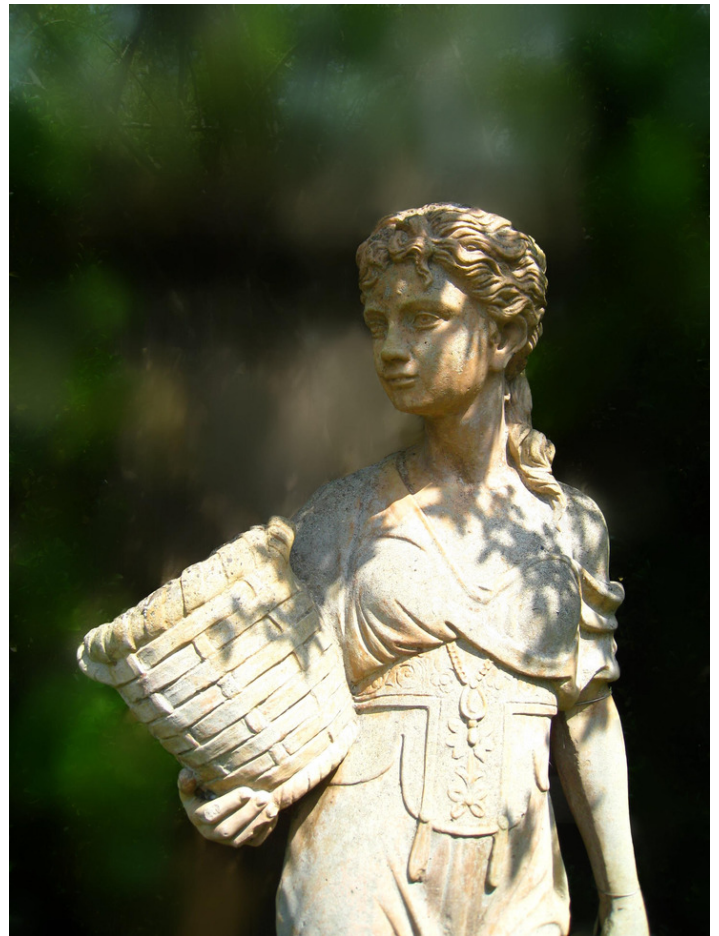
For example, if a lemonade company received \$250 from an investor, the company would hire a manager to buy a lemonade machine and some lemons, which they hope will generate sales that are in excess of expenses (i.e., profit).

So, given that stock owners "own" the profits of a company, then this would mean that a stock owner is a residual owner of the business, effectively making a stock owner a business owner.

However, most stock owners either do not know they own businesses, or really do not believe this is true. Perhaps this is because, for most companies, there are millions of other stock owners, so it seems like each individual ownership claim is too insignificant to be an actual ownership claim. But that is not true: Ownership is ownership, whether small or large.

One of the clearest signs that a shareholder is a business owner is that shareholders are asked to vote on all important company matters. Shareholders receive voting packets in the mail every quarter, and to vote is to be counted as a member; or, put another way, to cast your vote means you have certain rights within that company that you are exercising, which were given to you through stock ownership.

Shareholders also receive dividends, which are company profits. This is the most important part of being an owner: entitlement to the company's profits. As a company's assets generate profits, they accrue to the owners of those assets.



### Losing Integrity

There is a certain pride in owning, and profiting from, companies that are making great products (e.g., automobiles) and providing great services (e.g., hospital care). But, what if a company is not acting in a way that an individual would deem "responsible to society"?

For example, what if an individual had a strong moral conviction that it is not responsible to society to slaughter cattle for meat consumption? It would not be a source of pride for that individual to accumulate the profits of McDonald's. In fact, if this individual discovers that they own McDonald's, and continues to accumulate McDonald's' profit, that individual will eventually lose their integrity.

Integrity is defined as "the quality of being whole or undivided; moral consistency; honesty and truthfulness." (1) Integrity comes from the word, "integer," as in, whole number. When a person loses integrity, they become fractured; they are no longer a whole number.

---

1. A Comprehensive Dictionary of Psychological and Psychoanalytical Terms



*"An individual who knowingly profits from practices that they believe are 'hurtful to society' is at risk of losing their integrity"*

One of the big psychological consequences of losing integrity is the gradual erosion of our sense of self.(2)

Many investors are at risk of losing their integrity.

The moment of truth comes when, as business owners, they actually look at what businesses they own. At that point they will need to make decisions about whether they want to continue to profit from certain companies that violate their internal sense of morality or stay true to their moral convictions. For example, a third-party values-based screening company, evaluator, recently released a list of 77 companies that directly fund Planned Parenthood.(3)

Many of these companies are members of the S&P 500 index, which means that the vast majority of investors in the world own at least a few of these companies. If an investor believes strongly that abortion is the destruction of human life, then to willingly receive the profits from companies that are helping fund abortions is evidence that this investor's sense of self is eroding since they are not acting in a consistent way with their internal convictions. Another example would be Microsoft and their video game division, which sells three games that have graphic nudity. If an individual has a strong moral conviction that pornography harms society and they own shares in Microsoft,

2. <http://www.docdreyfus.com/psychologically-speaking/integrity-relationships-and-your-mental-health-part-2-of-3/>

3. [http://evaluator.com/download/77\\_Companies\\_Funding\\_Planned\\_Parenthood-LD.pdf](http://evaluator.com/download/77_Companies_Funding_Planned_Parenthood-LD.pdf)

4. Games include: "Ryse: Son of Rome" (2013), "Fable III" (2011), "Fable II" (2008).

they are actually helping to finance the production of pornographic content, and sharing in the profits as well.

### **Strong Moral Convictions**

So, what is an investor supposed to do?

If the investor has weak convictions about moral issues, then there is not much that needs to be done; this investors' integrity is not threatened by questionable corporate activity. But, if an investor has strong moral convictions, action should be taken. And for a Christian, action must be taken.

A Christian has a strong sense of moral conviction that is derived from the words of the Holy Bible. The Bible lays out a way of life that is considered "life and light" (i.e., truth) and, also, a way of life that is considered "death and darkness" (i.e., untruth). A Christian of high moral convictions will seek to "walk in the light" while "fleeing the darkness." The loss of integrity would be the greatest for the Christian who has the strongest ideas of what is good and true, and does not act in accordance.

Or put another way, because light and darkness are well defined by the Bible, the Christian who acts in a way that is inconsistent with the truth that they know (i.e., taking the profits from a company that is profiting from abortions), will be the most at risk of losing integrity.

**"Biblical  
Stewardship is  
abdicated when  
Christians invest  
God's money in  
ways that violate  
His law"**

But, the reason to act for a Christian is not simply to maintain their integrity, it is to honor their Lord and Savior and their responsibility to Him to manage His assets according to His will for His glory.

### **The Owner of All Things**

One of the truths set out in the Bible is that the Creator of the Universe, God, actually is owner of all things.

*"Thus says the LORD: 'Heaven is my throne, and the earth is my footstool; what is the house that you would build for me, and what is the place of my rest? All these things my hand has made, and so all these things came to be, declares the LORD. But this is the one to whom I will look: he who is humble and contrite in spirit and trembles at my word.'"*  
Isaiah 66:1-2, ESV

This adds another layer to the investing conversation, because they are also stewards (i.e., managers) of what God owns.

If this is true, a Christian that invests God's money in a company that produces pornography has acted as a very bad manager, doing the very thing that God would not want to do with His money. If this is happening with the Christian's full knowledge, there is a fundamental failure of that Christian's Biblical stewardship responsibility – they are not acting like a good steward.

Therefore, when a BRI product helps a Christian take seriously their role as steward of God's money through a combination of divesting, engaging and endorsing, that BRI product is serving the investor in a very meaningful way.

### **The Owner of All Things**

Besides protecting a Christian investors' integrity and sense of biblical stewardship, the BRI product is also able to serve culture in a positive way. BRI gives Christian investors the opportunity to use their ownership influence to bring about positive cultural change. Many corporations take public (and non-public) stances on cultural issues such as abortion and gay marriage.

Many such corporations take these positions not because they are actually passionate about the cause, but rather because a special interest group is lobbying them and they think it is a good business decision to promote that cause.

BRI provides a voice. This voice becomes more able to get the attention of corporations as more Christians invest in BRI products.



The BRI movement has already produced some important cultural changes in recent years, a few of which are listed below:

- Exxon ends abortion philanthropy (2013)
- Home Depot ends corporate LGBT activism (2014)
- Hilton removes pornography from their hotels (2015)
- Abercrombie and Fitch eliminates sexualized marketing (2015)
- Chevron ends abortion philanthropy (2015)

## Taking Action

Biblically Responsible Investing products are constructed in a way that is consistent with biblical truth. These products achieve a “consistency” with biblical truth by doing at least one of the following three things:

(1) Endorse companies that are acting especially consistent with biblical truth.

(2) Engage with companies that are acting in ways not consistent with biblical truth through shareholder activism, with the hope of changing the company's behavior.

(3) Exclude companies that are acting in ways not consistent with biblical truth. It is important to note that many BRI investment products attempt to do a combination of all three of these activities, and excluding, engaging, and endorsing are, in many ways, complementary activities.

**"BRI investing seeks to endorse companies that are aligned with Biblical truth especially well."**

### (1) Endorse

One of the most fulfilling aspects of BRI is to reward companies that are especially living out biblical truth in how they operate by investing in their stock. What does it mean to live out biblical truth well? It is more than just avoiding what is “bad.” It is acting out the greatest commandment of the Bible, which is “to love God and love your neighbor as yourself.”<sup>(5)</sup> Currently, the desire to endorse companies “loving God and their neighbor well” expresses itself in two different ways in the investment marketplace: (i) Impact Investing, or (ii) Best-in-Class Investing.

(i) Impact Investing

The first expression, known as Impact Investing, focuses on making investments that will specifically help to solve a social or environmental problem.

Examples of impact investments include:

- Xylem (ticker: XYL), a publicly traded water infrastructure company, seeks to ensure that the world, particularly the poor, will have adequate access to water through the use of their technologies. Their vision is that they will use their technology, time and talents to help advance the “smarter” use of water.
- A EUR 150 million European private equity fund invests between EUR 2-10 million in companies that provide clean electricity to rural communities in developing countries with limited access to energy.
- A \$65 million U.K. fund invests in a Fair Trade and organic-certified coffee cooperative located in Ecuador.

For more examples of impact investing, ImpactAssets 50 provides a selective list of 50 investment management firms that are engaged in impact investing and what they are doing.(6)

## (ii) Best-in-Class Investing

This second expression of endorsing companies “loving God and their neighbor well” is called Best-in-Class Investing, which focuses on only buying the companies within every sector that are leading the way in social, moral, and environmental behavior.

For example, a “best-in-class” BRI product that is seeking to be excellent to the environment could still own an oil company, as long as they are endorsing the oil company that is the most environmentally friendly, and, through their support of that company, encourage the rest of the industry to improve their environmental policies.

## (2) Engage

While selling (i.e. divesting) “what is bad” is the most common reaction by Christians to owning companies that violate Biblical truth, “engaging” these companies should have a better chance of creating corporate change.

# "Engaging corporations through shareholder activism has a better chance of creating cultural change than divesting"

The most famous divestment movement in the U.S. was the divestment of all South African companies in the 1980s during the anti-apartheid movement. This movement resulted in hundreds of investors publicly divesting from South African companies in order to put public pressure on them to change their apartheid ways. Siew et al., (1999) study showed that, while there was a lot of publicity that resulted from this movement, there was no discernible impact on the market valuations of the divested companies.

6. [http://www.impactassets.org/publications\\_insights/impact50](http://www.impactassets.org/publications_insights/impact50)

7. Naber, Mary (2006), "Christ's returns," Christianity Today; Sep 3, 2001; 45, 11; ProQuest pg. 78

8. Domini, Amy (2001), Socially Responsible Investing, Dearborn Trade, 2001

9. <http://christianwm.com/inspire-mission/hilton-says-no-more-pornography/>

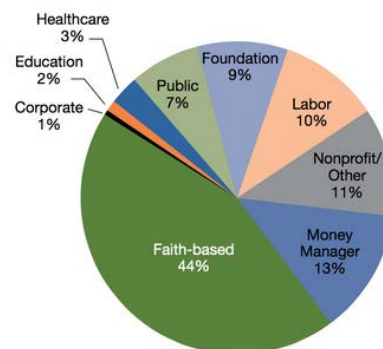
All that appeared from this movement was that shares were exchanged from “investors of conscience” to investors who were more morally-neutral.

Therefore, while divestment may be the most natural response to owning morally controversial companies, many BRI investment products have chosen to engage corporate management of these companies before divesting in order to see if they might first change their behavior.

Some examples of successful shareholder engagement (also known as shareholder advocacy):

- In 1997, a Christian shareholder of General Mills, Kleinbrook, discovered that the company had been directing corporate money to Planned Parenthood. Instead of simply divesting General Mills (ticker: GIS) stock, Kleinbrook organized investors and put enough pressure on management to change their policy.(7)
- In 1999, Home Depot announced that they would phase out sales of products made from woods harvested in old growth forests. This happened after about three years of shareholder dialogue. During that time a series of meetings between environmentalists, concerned shareholders, and management took place.(8)
- In 2015, Hilton announced that they are no longer going to offer pornographic films in their hotels in response to pressure from Christian investors.(9)

Interestingly, the majority of shareholder engagement today is by faith-based investors (see pie-chart).



SOURCE: US SIF Foundation.

		Abortion	Pornography	Anti-Family Entertainment	Homosexuality	Human Rights	Bioethics	Abuse of the Poor
1	3M					X		
2	Alcoa							
3	American Express			X	X			
4	AT&T		X	X	X			
5	Bank of America				X			
6	Boeing							
7	Caterpillar					X		
8	Chevron				X	X		
9	Cisco Systems							
10	Coca-Cola					X		
11	du Pont							
12	Exxon Mobil	X						
13	General Electric						X	
14	Hewlett-Packard				X			
15	Home Depot				X			
16	Intel							
17	IBM				X	X		
18	Johnson & Johnson	X			X		X	
19	JPMorgan Chase	X			X			
20	Kraft Foods							
21	McDonald's			X				
22	Merck	X				X	X	
23	Microsoft				X			
24	Pfizer	X				X	X	
25	Procter & Gamble					X		
26	Travelers							
27	United Technologies					X		
28	Verizon		X	X	X			
29	Wal-Mart	X						X
30	Walt Disney			X				

### (3) Exclude (i.e., Divest)

The most common BRI products simply exclude companies from their portfolios that are not consistent with biblical truth, and for the investor who does not have the time or expertise to endorse or engage, this is a valid method of upholding biblical values and maintaining integrity as a Christian.

Investment products centered around divestment are nothing new; in fact, this practice is as old as stock investing itself. As early as 1696, the Quakers advocated against investing in the slave trade through such companies as the Dutch East India Company, which being founded in 1602, was the first company ever to issue shares of stock.<sup>(10)</sup>

In the U.S., the Pioneer Fund Group established a fund that refused to invest in companies that were involved in alcohol or tobacco as early as 1928.

Subsequent divestment movements (e.g., anti-Vietnam War, anti-apartheid in South Africa, anti-Sudan, anti-greenhouse gases) have created an ample amount of investment products for investors seeking to invest in the stock market while also avoiding areas of moral controversy.

10. Bohoslavsky, Juan P. and Jernej Letnar Cernic (2014), Making Sovereign Financing and Human Rights Work, Bloomsbury Publishing, pg. 324

11. Source: Inspire Large Cap Impact Indexpg. 324

Typical BRI products will screen out companies which support or profit from the following issues: abortion, pornography, LGBT activism, human rights violations, anti-family entertainment, alcohol, tobacco, gambling.

Some investment products also include additional issues, such as environment, weapons, and corporate pay.

For a quick reference of the prevalence of corporate support for unbiblical issues such as these, see the table above, which lists a sampling of large U.S. companies (from the Dow Jones Industrial Average Index), showing how many of them are engaged in activities that are not consistent with biblical truth.

While this list may seem discouraging, the good news is that the overwhelming majority of publicly traded stocks pass biblical screening criterion.

Violations such as illustrated below are mainly concentrated in the largest companies, while small and mid-sized companies tend to be much less egregious as a group. In addition, even within the large company space there are still plenty of options: out of the 500 stocks in the S&P 500, 247 pass biblical screening criterion.<sup>(11)</sup>

# Common Questions

While BRI is an attractive proposition for most Christians, there are a couple common questions that give some investors pause:

- (1) Does BRI deliver lower returns due to a restricted investment universe?
- (2) Are there an adequate number of BRI investment options available to invest prudently with sufficient diversification?

## **Question #1: Does BRI mean lower returns?**

A common objection to BRI investing is that an investment strategy that divests large amounts of companies from the investable universe will limit their ability to earn a reasonable return. The rationale for this fear is that by reducing the possible investment opportunities, it is likely that many good investment opportunities will be missed. However, through numerous research papers over the last 10 years, this objection does not appear to hold up.

Revelli, C. and Viviani, J.-L. (2015), who conducted a meta-analysis of 85 studies and 190 experiments of other studies, concluded that there was no compelling evidence that various “sustainable and responsible” investing methodologies drove return performance in either a positive or negative direction relative to non-restricted peers. A few specific examples of these studies include: Goldreyer and Diltz 1999; Statman 2000; Bauer et al. 2005; Bello 2005; Benson et al. 2006.

These studies have been done for investment products labeled “socially responsible,” which includes “biblically responsible” investments as a subset, and counter the fear that a portfolio that restricts its investable universe will automatically have lower returns. The empirical data shows that performance is not hindered by “sustainable and responsible” investing methodologies, including BRI.

**"Limiting the investment universe does not appear to materially impact investment performance"**



## **Question #2: Are there enough BRI options to build a good portfolio?**

While it is easy to convince a Christian that owning a company that violates Biblical conviction threatens their integrity and sense of Biblical stewardship, it is less easy providing the appropriate bridge to a BRI solution. Are there enough BRI solutions for investors to invest prudently? While there are certainly more “non-BRI” solutions than BRI solutions, there are sufficient options in the marketplace for an investor to create a well-diversified BRI portfolio.

New BRI investment options are becoming more prolific as part of the overall trend toward responsible investing. As the graph on the next page illustrates, sustainable and responsible investing in the United States is growing exponentially, rising 76 percent between 2012 and 2014 to represent a total of \$6.57 trillion of investment capital. This trend is expected to continue in the years ahead, which will help build the supply of BRI products and services available to Christian investors.

However, as the supply of BRI products have grown, the risk of buying a BRI product that is not actually Biblically responsible has gone up as well. For that reason, a “Certified BRI” standard has begun to be developed but it is still in the nascent stages. As such there is still a need for investors to do their homework to make sure the funds they are considering for investment actually do live up to the BRI label.



This can be accomplished by using BRI screening technology that will provide investors a “moral audit” report on their investments, detailing the violations present in the investment being screened. At least one firm, Christian Wealth Management, offers this service free of charge to investors at [www.christianwealthmanagement.com](http://www.christianwealthmanagement.com).

That said, while there are a significant amount of BRI products available to investors in the open marketplace, there are very few situations where a BRI product is made available to investors housed in their company's 401(k) or 403(b) retirement accounts. A company's 401(k) or 403(b) retirement offering tends to have limited investment options. For most employees in a retirement program with their employer, they can only choose from one of a few possible mutual funds, which are likely not BRI products. There are two possible solutions to this problem for an employee seeking BRI options: divest or engage. The first solution, divesting, would involve an investor liquidating all of their company's retirement assets and going outside of their company to invest in BRI products. While this is a viable solution, it is not an ideal solution; tax deductibility and company matching for all employee contributions would be lost given this solution.

Employees “engaging” employers is an alternative solution to the lack of BRI investment products. This would mean employees voicing an opinion that there is a need for BRI investment options within their investment choices. The current investment options that are available to employees are the result of previous investors requesting a change.

For example, over the last 20 years, employees, through their active engagement, have expanded the current options available in most retirement accounts from large, actively managed U.S. stock funds, to a wide variety of small and large domestic and international funds that are both actively and passively managed. This engagement has also resulted in the widespread adoption of “socially responsible” funds, such as those focused on helping the environment. With effective engagement, biblically responsible funds can also find their place in 401(k)s on a massive scale.

By “engaging” their employers, a Christian employee can maintain integrity and uphold biblical stewardship, even with owning controversial companies, with the hope that they will improve the current system. However, once engagement proves to be fruitless, the former, divestment option, is likely the next best solution for a Christian of strong moral conviction.

This can be accomplished by using BRI screening technology that will provide investors a “moral audit” report on their investments, detailing the violations present in the investment being screened. At least one firm, Christian Wealth Management, offers this service free of charge to investors at [www.christianwealthmanagement.com](http://www.christianwealthmanagement.com).

That said, while there are a significant amount of BRI products available to investors in the open marketplace, there are very few situations where a BRI product is made available to investors housed in their company's 401(k) or 403(b) retirement accounts. A company's 401(k) or 403(b) retirement offering tends to have limited investment options. For most employees in a retirement program with their employer, they can only choose from one of a few possible mutual funds, which are likely not BRI products. There are two possible solutions to this problem for an employee seeking BRI options: divest or engage. The first solution, divesting, would involve an investor liquidating all of their company's retirement assets and going outside of their company to invest in BRI products. While this is a viable solution, it is not an ideal solution; tax deductibility and company matching for all employee contributions would be lost given this solution.

What about employers, and Christian employers in particular? How can they respond to the requests of their employees for BRI retirement plan options, and more importantly, fulfill their stewardship of God's resources in their company retirement plan?

Thankfully, along with the boom in the BRI trend, new options are opening for employers desiring to implement BRI in their retirement plans, along with others which have been available for some time. For instance, Timothy Plan mutual fund company ([www.timothyplan.com](http://www.timothyplan.com)), has been providing their funds inside of 401(k)s and 403(b)s since the 1990's.

In fact, the company itself was founded originally to meet the need for biblically responsible retirement plans for pastors.

A relatively new solution is being provided by Inspire ([www.inspireinvesting.com](http://www.inspireinvesting.com)), which has pioneered low cost, index based BRI portfolios. Inspire delivers a turn-key, low cost retirement plan solution to employers both large and small, leveraging the latest technology to bring a broad variety of indexes and strategies into the retirement plan market, as well as endowment management and individual investors.



## Concluding Thoughts

Employees “engaging” employers is an alternative solution to the lack of BRI investment products. This would mean employees voicing an opinion that there is a need for BRI investment options within their investment choices. The current investment options that are available to employees are the result of previous investors requesting a change.

For example, over the last 20 years, employees, through their active engagement, have expanded the current options available in most retirement accounts from large, actively managed U.S. stock funds, to a wide variety of small and large domestic and international funds that are both actively and passively managed. This engagement has also resulted in the widespread adoption of “socially responsible” funds, such as those focused on helping the environment. With effective engagement, biblically responsible funds can also find their place in 401(k)s on a massive scale.

By “engaging” their employers, a Christian employee can maintain integrity and uphold biblical stewardship, even with owning controversial companies, with the hope that they will improve the current system. However, once engagement proves to be fruitless, the former, divestment option, is likely the next best solution for a Christian of strong moral conviction.

A special thanks to:  
Inspire Investing



*A leading provider of equally-weighted index portfolios, Inspire's mission is to "inspire transformation" for God's glory throughout the world by providing low cost, Biblically Responsible Investing (BRI) solutions. Learn more at [www.inspireinvesting.com](http://www.inspireinvesting.com). Investment advisory services provided by CWM Advisors, LLC dba Inspire, a Registered Investment Advisor. National Admin Office: 650 San Benito St, Ste. 130 Hollister, CA 95023*