



Invest in the Best

Allen Jacobson has long invested only in companies he can be proud of—and he believes those are the ones headed for long-term success. **BY JUDY DAHL**

BACK IN THE SEVENTIES, Allen Jacobson, principal of **Jacobson & Schmitt Advisors, LLC**, didn't invest a penny in Dow Chemical, no matter how much he could have earned. It was during the Vietnam War and Dow was making napalm. It wasn't a company he could stand behind.

"I figured out pretty early that companies on the right side of social issues are more likely to succeed long term, and I'm a long-term investor," Jacobson says. "If your business generates a lot of waste

or spews pollutants into the atmosphere, you're fighting a headwind. If you resolve that and get a jump on your competition, you no longer have that headwind, and doing so is an indication of bright management.

"You want to invest in well-managed companies, and that's not always easy to discern," he continues. "The way a company behaves on social issues is one way of identifying capable, forward-thinking management."

That's been Jacobson's philosophy for more than twenty

years. "After I got my Ph.D., I worked as a business economist before getting into investing. Then I invested on my own while working for other companies. I found out what works for me, and I stayed with it," he says.

In 1990, along with four colleagues, Jacobson founded **Buttonwood Partners, Inc.**, which provides investment advisory and brokerage services to individuals and organizations. Jacobson served as president for close to fifteen years. "Then I stepped aside and formed J&S to focus my efforts in the area I most enjoy—investment advice to individuals," he says. Buttonwood still acts as broker and custodian for his company's investments.

Jacobson and his partner "eat their own cooking," or invest only in the same things their clients do. "It ensures we're not distracted by owning any 'hobby stocks,'" Jacobson says. "All my research efforts go to benefit my clients."

Typical customers are middle-aged couples, and personal relationships are important to J&S. "I'd rather sit around a kitchen table with a client than make presentations in boardrooms to big investment committees," Jacobson says.

At those kitchen tables, the conversation is likely to turn toward eco-friendly investments. "Renewable energy and global warming are inter-related. We're so dependent on imported oil—it's a national security risk and it takes a toll on our economy," Jacobson says. "And global warming could imperil the human race."

If companies have solutions to those problems, they're good investments, Jacobson believes. That's why he began researching renewable energy.

"A couple of years ago I barely knew what a solar cell was, but I dug around and started to find photovoltaic solar, wind energy and energy conservation companies to invest in."

Interestingly, another hot-button issue, the subprime mortgage debacle, hasn't affected his investment strategy or his clients. "Subprime is the story of the day now, but I'll be surprised if it is in 2009," he says. "As long as central banks around the world can manage the problem, and they're doing well so far, it's only a problem for the big U.S. financial institutions, and I don't feel too sorry for them."

There's a distinction to be made between subprime mortgages and the financial instruments derived from them, Jacobson explains. "When individuals find themselves—through no fault of their own—with mortgages they can't handle, we should find a way to help them."

But big financial institutions, in trouble through dealing in risky mortgage derivatives, are reaping what they sowed, Jacobson says. "They created various blends of things whose value is based on historical mortgage default rates, which went out the window last year," he says. "No one knows what they're worth now, so nobody wants to buy them. Then if [the financial institution's] lender wants their money back, you're Bear Stearns."

Jacobson believes more industry regulation is an obvious necessity.

"But capitalism is great, and the global solar industry is a good example," he says. "There are companies working their heads off to make more efficient solar panels. They'll make money and benefit society."

Judy Dahl is a contributing writer for Madison Magazine.