

A Pioneering Mutual Fund for Pro-Free Market Investors



Steven Milloy

There's a new mutual fund on the block. The Free Enterprise Action Fund is the first mutual fund intended to produce investment returns and to yield ideological returns by responding to the politicization of investing by Left-wing social activists. This politicization, if left unchallenged, may harm businesses, shareholders and the American system of free enterprise.

The Left has responded to its waning loss of political power at the state and national level and its resulting inability to advance its political and social goals by constructing an elaborate and well-financed investor network focused on pressuring businesses.¹ The Left is actively leveraging about \$35 billion in mutual fund investments and hundreds of billions more in union and state pension funds in corporate pressure campaigns.

As noted in a *Wall Street Journal* editorial "The result is what one observer has termed 'the new politics of capital,' in which liberal activists attempt to turn entire corporations into lobbyists for their social and political goals, their campaigns all neatly disguised as 'shareholder activism'." Consider that:

- Union pension funds have threatened financial services companies to stay out of the debate over social security reform.
- Environmental groups have pressured Citigroup, Bank of America and JP Morgan Chase to restrict their lending practices in developing nations.
- Despite the political rejection of the Kyoto Protocol treaty on global warming, shareholder activists are making an end-run around our democracy by pressuring corporate managements to implement the economy-hurting treaty on a company-by-company basis.

Most recently, mega-bank JP Morgan Chase (JPM) was pressured by the Rainforest Action Network to compel borrowers to disclose their emissions of greenhouse gases – a practice likely to benefit only trial lawyers eager to sue based on allegations that such greenhouse gas emissions contributed to global warming, which the lawyers hope to link to property damage from natural disasters such as hurricanes and other severe weather events. JPM even announced it would form a coalition of financial services companies to lobby the government for a restrictive national global warming policy.

Not surprisingly, JPM admitted its policy was written with help from social activists. The Left's growing influence on corporate managements represents a direct threat

to organizations relying on corporate support. Union pension funds, for example, are pressuring corporations to stop support of the think-tanks like the American Enterprise Institute and the Manhattan Institute.

The Free Enterprise Action Fund was launched in March 2005 to meet this new threat to businesses and the free enterprise system. The Fund owns stock in most of the companies comprising the S&P 500. The Fund's investment goal is to meet or beat market performance. Stock selection and portfolio management is based on investment potential and isn't tied to the Fund's advocacy goals.

Fund managers, Steven Milloy and Tom Borelli of Action Fund Management, LLC, plan to leverage the Fund's shareholder standing to challenge corporate managers who are appeasing anti-business activists, thereby promoting and protecting the free enterprise system. The Fund is sub-advised by the Chicago-based investment management firm thinkorswim Advisors.



Steven Milloy is an adviser to the Free Enterprise Action Fund, www.FreeEnterpriseActionFund.com.

¹Manhein, Jarol B. *Biz-War and the Out-of-Power Elite: The Progressive-Left Attack on the Corporation*. Lawrence Erlbaum Associates. 2004.

Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes. The Free Enterprise Action Fund is a new fund with limited investment history and there is no guarantee that it will achieve its investment objectives.

An investor should consider the fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the Free Enterprise Action Fund can be found in the Fund's prospectus. To obtain a prospectus, please call 1-800-766-3960 or visit www.FreeEnterpriseActionFund.com. Please read the prospectus carefully before investing.

The Free Enterprise Action Fund is advised by Action Fund Management, LLC., which receives a fee for its services, and is distributed by BISYS Fund Services, LP, which is not affiliated with Action Fund Management, LLC.

The portfolio of the Free Enterprise Action Fund includes the common stock of Bank of America, Citigroup and JPMorgan Chase & Co.

"The new politics of capital..."

The Wall Street Journal