

Appleseed Fund Plucks Cheap Stocks

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Joshua Strauss, manager of the **Appleseed Fund**([APPLX Quote](#) - [Cramer on APPLX](#) - [Stock Picks](#)), deviates from most managers of socially responsible funds who favor [growth-oriented companies](#) over value stocks.

"Historically, value investing has proven to be a superior methodology," says Strauss, a partner at Chicago-based **Pekin Singer Strauss Asset Management**, which oversees the \$11 million fund. "There's a lot of opportunity to find good stocks with low P/Es and low price-to-book ratios."

Socially responsible funds gravitate toward alternative energy and technology stocks, which typically aren't considered cheap. But Strauss looks for undervalued companies that emphasize human rights, environmental conservation and community investing. His mid-cap value fund, named after the famed apple entrepreneur, shuns tobacco, gambling, alcohol, pornography and weapons stocks.

Those stock-picking restrictions haven't limited the fund's performance. Appleseed is down 9% year-to-date while the **S&P 500** has fallen 17.5%. The fund was the [best-performing](#) socially responsible fund in 2008, according to Morningstar. It lost 18% last year, when the index dropped 37%.

One stock that Strauss is especially high on is peanut and almond purveyor **John B. Sanfilippo & Son**([JBSS Quote](#) - [Cramer on JBSS](#) - [Stock Picks](#)). The company takes up 15% of Appleseed's assets, quite a chunk considering the fund holds fewer than 25 stocks.

"John B. is trading at about half its book value with over a 20% free cash-flow yield, so we love it from a value perspective," says Strauss. "Nuts are a healthy source of vegetarian protein to protect against heart disease, and the carbon footprint for nuts is far smaller than that compared to other forms of protein like beef or chicken."

Strauss says cosmetics maker **Avon Products**([AVP Quote](#) - [Cramer on AVP](#) - [Stock Picks](#)) also meets his value and social criteria. He's been buying shares of the company, which accounted for 4.5% of the fund's assets at the end of last year.

"Avon is trading at 11 times earnings with a 4.7% dividend yield, and the make-up business is relatively recession-resistant," says Strauss. "The company maintains proactive workplace policies for women and minorities. And many women in developing countries become Avon reps to help put food on their tables."

Politicians might [demonize drugmakers](#) like **Pfizer**([PFE Quote](#) - [Cramer on PFE](#) - [Stock Picks](#)) and **Schering Plough**([SGP Quote](#) - [Cramer on SGP](#) - [Stock Picks](#)), but Strauss says they're trying to improve society. They're also fantastic value propositions, he says.

"[Drug companies](#) make products that improve people's lives and save people, so we think they are tremendous from a sustainability or socially responsible outlook," says Strauss. "Pfizer tries to get 35% of the energy they consume from renewable sources, so they are thinking about the environment as well."

Strauss also likes women's condom maker **Female Health Co.**([FHC Quote](#) - [Cramer on FHC](#) - [Stock Picks](#)), which has a market value of \$90 million. "The company's products help cut unwanted pregnancies and HIV rates in developing countries," says Strauss. "They're growing units at more than a 20% clip with a tremendous free cash flow. So it's the perfect type of stock for us."

Strauss remains optimistic that the new presidential administration will help socially responsible companies, especially alternative-energy stocks, which have historically been too pricey for value investors. "There is a lot in Obama's stimulus package for alternative-energy companies," Strauss says. "We were not involved in that space in 2008, but we are excited about that category now because valuations have fallen through the floor."

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