Socially Responsible Investing:
Be socially conscious and still earn solid returns on investments.

By Frank Restorick, CFP

As we consumers become more socially and environmentally aware of our actions, we're also paying closer attention to how we invest our hard-earned dollars. A growing number of us would prefer not to invest in companies accused of creating products or services that damage the environment, contribute to global warming, threaten human health or promote the arms race.

Welcome to the era of socially responsible investments or SRI. Our conscience and personal sense of morals often dictate not only how we behave and interact with others, but also how we invest our money in stocks or mutual funds. Overall, we want our investment decisions to be aligned with personal ethics. And as we evolve into a gentler, greener society, our moral compass may point firmly in the direction of SRI.

How do we identify ethical funds? Financial advisers and fund managers use a screening process to separate responsible investments from those deemed to be suspect or negative contributors to society, as a whole. They know that some SRI investors want to stay clear of companies involved in products or services related to tobacco production or weapons manufacturing. Avoiding pornography companies may be at the top of the negative list for others. At the same time, those investors embrace companies that establish corporate governance and transparency, minimize environmental impact or advocate for human rights initiatives.

So, does that mean investors have to give up lucrative returns? Not at all. Although much depends on the expertise of the fund manager, the methods of selecting stocks and the size of the fund, studies show that the screening process has a negligible impact on earning solid results. As proof of strong performance, the Jantzi Social Index®, from Jantzi Research, for 60 socially responsible companies in Canada shows SRI returns that exceed the Standard & Poor's/ Toronto Stock Exchange (S&P/TSX) Composite Index.

RETURNS	May 2007	3 mths	6 mths	1 yr	3 yr*	5 yr*	Inception*	Inception**
JSI	**5.48%**	**8.36%**	**10.93%**	**25.43%**	**20.97%**	**16.03%**	**9.40%**	**94.77%**
S&P/TSX COMPOSITE	**4.99%**	**8.42%**	**11.60%**	**22.73%**	**21.14%**	**15.22%**	**9.03%**	**89.84%**
S&P/TSX 60	**5.31%**	**8.73%**	**10.98%**	**24.86%**	**22.48%**	**15.42%**	**8.55%**	**83.78%**

Source: State Street Global Advisors (SSgA) *** Annualized ** Cumulative**

(since 01/01/2000)

Recent data certainly confirm the growth and continuing interest in SRI. A Globescan 2004 report claimed that at least 84 per cent of Canadians believe the financial community should pay more attention to social and environmental causes when valuing companies. The same research reported that about 80 per cent of shareholders show more than a passing interest in learning about SRI performances of companies in their investment portfolios.

The result is that half a million Canadians currently have an SRI component in their personal portfolios, having invested well over $500 billion and accounting for nearly 20 per cent of all assets under fund management. The actions of both individual and institutional investors also have a huge impact in motivating companies – from oil and gas to the financial sector – to behave well, be socially responsive and contribute to the changing economic and political climate of our world.

Even companies, once suspect, are changing the way they operate to align themselves with the values and morals of investors. Collectively, we investors will continue to influence companies to use renewable resources, enact fair trade practices, treat employees well and promote a greener environment. That is the growing power of SRI.

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