ECOLE POLYTECHNIQUE, PROMOTION X- 97
Programme International
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RAPPORT DE STAGE D'OPTION SCIENTIFIQUE

Les fonds éthiques

Economie
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Dates du stage:10/04/00 – 30/06/00

ABSTRACT

Cet article présente le concept de l'investissement socialement responsable. Il se concentre sur son origine, son développement, et sur des stratégies principales que les investisseurs socialement conscients suivent aujourd'hui. En raison de leur croissance rapide, et leur succès ces dernières années, on se restreint à l'étude des OPCVM éthiques. L'analyse est concentrée sur trois pays: les Etats-Unis, le Canada et la France. Le mouvement d'investissement socialement responsable est né, et est devenu le plus important aux Etats-Unis. Par conséquent, nous prenons les fonds éthiques américains comme la base de notre comparaison. D'une part, nous examinons si l'investissement socialement responsable est uniforme à travers le monde. D'autre part, la question centrale concerne la performance des fonds éthiques. Les deux questions les plus importantes sont si les fonds socialement responsables peuvent dépasser les fonds communs de placement traditionnels, et s'il est possible qu'un jour, l'investissement socialement responsable devienne une forme traditionnelle d'investissement?

This paper introduces the concept of socially responsible investing. It focuses on its origin, development, and on the main strategies socially conscious investors follow today. Due to their fast growth, and success in the past years, a special emphasis is given to examining ethical mutual funds. The analysis is focused on three countries: the United States, Canada and France. The socially responsible investment movement was born, and is the largest in the United States. Therefore we take American ethical funds as the basis of our comparison. On one hand, we examine whether socially responsible investing is uniform across borders. On the other hand, the central question concerns the performance of ethical funds. The two main questions arising are whether socially responsible mutual funds can outperform traditional mutual funds, and whether it could be possible for SRI to once become a mainstream form of investment?

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I. United States of America

I. 1 What is Socially Responsible Investing?

The terms socially responsible investing, social investing, socially aware investing, ethical investing and mission based investing, all refer to the same concept. These terms are used to describe investing which integrates personal values such as social and environmental concerns into investment decisions, without abandoning financial profitability. Socially responsible investing considers both the investor's financial needs and an investment's impact on society. Socially responsible investors are intended to build a better, more just and sustainable economy tomorrow, while earning competitive returns today.

The origins of socially responsible investing date back to early biblical times, when Jewish law already laid down some directives on how to invest ethically. In the mid1700s, John Wesley, founder of Methodism emphasized that the use of money was the second most important subject of New Testament teachings. So, the Methodist Church in North America decided to invest in the stock market, having previously viewed it as a form of gambling. However, they wished to exclude certain types of companies, specifically those involved in alcohol or gambling. The Quakers soon followed, but they were especially keen to avoid weapons manufacture and slavery. Their Pioneer Fund set up in 1923 is said to be the first socially responsible one. Many religious investors avoided investing in enterprises that profit from military or other "sin products", such as alcohol, tobacco gambling, and pornography.
The modern root of social investing is traced back to the 1960s by most studies. During that decade the social and environmental movements (human and women's rights, anti-war and green movements) raised awareness around several issues of social responsibility. Later these concerns broadened to include management and labor issues, anti-nuclear sentiment, or protests against animal testing. In the late 1970s due in large part to indisposition against the racist system of Apartheid in South Africa, social investing began to attract more and more American investors.
Throughout the 1970s and 1980s a growing number of investors used both screening and shareholder advocacy to press for change in South Africa.
In 1993, after Nelson Mandela stated that all economic sanctions should end against South Africa, most analysts predicted that social investing has came to its end. To the contrary, rather than fading away, social investing continued in full force and had grown dramatically since 1993.

Social investors include individuals and institutions such as corporations, universities, hospitals, foundations, insurance companies, pension and mutual funds, nonprofit organizations, churches and synagogues.

I. 2. Strategies of Socially Responsible Investing

There are three main strategies of socially responsible investing, which work together in contributing to improve the quality of life in society.

1. ***Screening***
2. ***Shareholder Activism***
3. ***Community Investing***

1. *Screening* is including or excluding publicly traded securities from mutual funds or investment portfolios based on social and/or environmental criteria.

Generally, social investors seek to own profitable companies that make positive contributions to society, and avoid investing in those whose products and business practices are harmful.

In analyzing the ethical character of investing, we must start with the list of products and processes that are defined as ethical and unethical. After John Hal –consultant at Morningstar- we distinguish three groups in screening.
First a heterogeneous group, including the traditional sin products such as tobacco, arms, gambling and alcohol.
Next, green and animal rights categories.
Last, social categories to do with human rights, conditions of employment.

These screen categories are further divided into positive or negative ones. "Does the company invest in tobacco, or military production?" If yes, then bad. "Does the company do all it can to further environmental sustainability, or to ensure a safe working environment?" If yes, then good. Traditionally social funds use negative screens, mainly because it is simpler to screen out companies which are involved in certain industries than to analyze and judge the elements of positive screens. As mutual funds become more involved in shareholder activism, they tend to use more positive screens, too.

The key terms on an ethical list might include several of the following

I group

- Tobacco
- Armaments
- Gambling
- Alcohol (Beers, wines and spirits)

II group

- Involvement in the nuclear industry
- Excessive greenhouse gases or effluent discharge

- Use of tropical hardwood
- Pesticides
- Mining
- Any products, e.g. fur, involving 'inhumane' animal use, pharmaceuticals and cosmetics, using animal experimentation

III group

- Failure to promote equal opportunities
- Inadequate health and safety record
- Lack of trade union rights
- Inadequate level of giving to charity, or of community involvement
- Political donations
- Unreadiness to disclose information to ethical investing information groups
- Failure to match First World employment conditions in Third World countries
- Investment in countries with unethical regimes (notably South Africa in the past)

2. Shareholder activism

Shareholder advocacy refers to the actions socially responsible institutional investors take as owners of corporations, to influence corporate behavior toward a more responsible level, and toward the well-being of all the company's stakeholders.
This includes dialogues with the companies on certain issues of concern, and submitting/voting proxy resolutions.

As stockholders, shareholders should not only take interest in a company's financial performance, but also in its policies, practices and impacts on society. The shareholder resolution process provides a communication channel between shareholders, management, and board of directors on issues of corporate governance and social responsibility. Corporate governance addresses issues such as qualifications, compensations, or composition of the board. Social responsibility includes concerns for policies and practices on environment, safety, gender, race, or other human rights issues.

"Shareholder resolutions" are proposals placed on the ballot by shareholders to be voted on at either an annual meeting or a special meeting of stockholders.. In many cases the management discusses these issues with investors in order to avoid a formal shareholder proposal; meaning it might not always be needed to formally introduce a resolution to have an impact.

Investors who own stocks through mutual funds do not have the ability to vote their shares, which is one of the most important ownership rights. Ethical mutual funds dedicated to the promotion of responsible corporate practices in furtherance of a just and sustainable economic system, take this responsibility seriously.

Most shareholders vote by proxy rather than attend the meeting in person. When shareholders offer resolutions, they are engaging management in a discussion of an issue that concerns them, it means more than simply filing with the company. The filer has the responsibility of pressing its case with the company. This process can be both time-consuming and expensive.

The goal of filers is not simply a vote of the shareholders but a change in corporate direction. If the filers achieve their goal before the annual meeting, they may choose to withdraw the resolution. Should negotiations fail to produce a satisfactory result, the filers' objective becomes to have a strong showing and gain enough votes to place the resolution on the proxy ballot the next year and continue discussions with management

Filers of social-issue resolutions don't expect their resolution to receive a majority vote and be adopted by management. Rather, filers use these resolutions to get management's attention, and to raise the issue with other shareholders. They hope to achieve a vote sufficient to allow them to return the next year.

As the social investing industry inches toward transparency in their shareholder advocacy campaigns, a significant step is the publication of proxy voting records by socially responsible mutual funds.

Proxy Voting Guidelines

Domini Social Investments was the first mutual fund company ever to publish its proxy voting guidelines in 1999, and in 2000, it became the first mutual fund company to provide complete, up to date information on their website, on how they vote proxies for each and every company in their portfolio, presenting an open challenge to other funds to follow.

Kinder, Lydenberg, Domini & Co. the Fund's adviser on social screening, is responsible for voting proxies for each company in the portfolio, consistent with the screening criteria applied to them. KLD votes these proxies in accordance with Domini Social Investments' annually published Proxy Voting Guidelines. KLD votes proxies after considering the fund's shareholders' financial interests and social objectives.

Each year, SDI publishes its Proxy Voting Guidelines, which provides a principled description of opinions on a wide range of issues, such as Community, Diversity, Environment, Governance, Militarism and Violence, Non-U.S. Operations, and Tobacco.

The reasons for publishing these guidelines are:

- To inform the shareholders how the fund intends to vote their proxies.
- To have a proactive effect by providing corporations with a basic outline for what the fund considers to be socially responsible corporate practices.
- Also to provide direction to all shareholders seeking to vote their proxies in a socially responsible manner.

SDI's website also provides a link to a new database, which is another valuable resource for social investors. The Interfaith Center on Corporate Responsibility (ICCR), and SocialFunds.com, a financial web site for socially responsible investors, have created a data base-driven web tool which features an extensive range of social-issue shareholder resolutions being voted on this year. This interactive tool allows users to search for shareholder resolutions by company or social issue and includes an email feature providing users the opportunity to send email directly to the company. Content is maintained and provided by SocialFunds.com.

Following the example set by SDI, two of the Pax World Fund Family, one of the first and oldest socially responsible funds, became the second to publicize the results of their proxy voting activities in 2000 on their website.

Pax Funds have always offered their voting decisions to their shareholders upon request, but this level of openness is still rare among mutual funds. In 1999, Pax voted on over 80 shareholder resolutions, wielding the weight of its over $1 billion assets on a variety of issues.

Pax teamed up with Proxy Monitor, a leading shareholder resolution research and voting firm, to provide the online proxy voting results. Proxy Monitor's research encompasses over 18,000 companies in the United States and abroad, reportedly the largest coverage offered by any proxy advisory service.
Proxy Monitor will provide Pax with voting recommendations consistent with the fund family's social screens. Pax and Proxy Monitor will then collaborate to inform Pax website visitors about recent proxy items, upcoming meeting dates and, most importantly, Pax World's voting decisions on proxy questions.

Shareholder activism plays a big role in socially responsible investment, and these examples of commitment to informing shareholders and to the socially responsible investment community as a whole are important for the mutual fund industry. Because fund advisors control the weighty votes cast by these funds, instead of the shareholders, transparency on voting records will become increasingly important to social investors and others.

3. Community-based investment

Community-based investment institutions provide capital to people who can not attain it through conventional channels. These institutions can be community development banks, loan funds, credit unions or venture capital funds for low-income housing and small business development. They enable people to improve their standard of living, develop their own businesses, thus creating jobs for themselves and their neighbors.

Community development loan funds are the second largest type of community development financial institutions, with 1,742 million dollars in assets out the total 5,415 billion in 1999. This 5,4 billion dollars represent a 35% increase compared to the 4 billion in community investing in 1997.

The Social Investment Forum is focusing on the expansion of community investment, by encouraging all socially responsible investors involved in screening or shareholder advocacy to direct at least 1% of their portfolios to community investing.

The first mutual fund that is managed by a Community Development Financial Institution, is the The Domini Social Bond Fund, which commenced operations on June 1, 2000.
The Domini Social Bond Fund will use the same social and environmental screens applied to the Domini Social Equity Fund and will also seek to play a positive role in the economic and social development of communities by investing up to ten percent of its assets in debt instruments and other investments that support and promote community development.

"While an equity fund such as the Domini Social Equity Fund can have an impact on corporate behavior through its screening policies, its proxy voting and shareholder activism, a socially responsible bond fund provides a special opportunity to make a significant and immediate difference to people and their communities," says Amy Domini, co-founder and manager of DSI.

The Fund’s community investments will be focused in two critical areas: affordable housing and economic empowerment for low-to-medium income entrepreneurs through the financing of small business loans. For example, the Fund expects to invest a portion of its assets in mortgages, loans and pools of loans issued by community development banks and financial institutions and by community loan funds. These investments will be targeted to under-invested areas, low- to-moderate income individuals, and small businesses.

II. Social Indices

The terms "index" and "benchmark" are often used interchangeably, but they are not the same. An index is a mechanism for showing how a market has changed based on the prices of underlying securities. A benchmark is a tool for evaluating the success of a process. In order for an index to work as an investment benchmark, it must be:

Practical An index should provide an unbiased model of the market segment it is intended to represent, and thereby provide a basis that managers may strive to outperform through good investment management.

Investable The securities that make up the index should be available for investment.

Representative An index should be as representative as possible of the underlying market, both in terms of market capitalization and industry coverage.

Complete . An index of a particular market should include as many securities as possible.

Widely recognized: Sometimes broad recognition of an index is better than perfection in the index, because it facilitates gaining acceptance, comparisons and, above all, the process of gathering of information.

For a long time, there was a perception that social investing necessarily meant sacrificing diversification or long-term investment returns. The last two or three years has shown that that is not necessarily the case. The long-term performance of ethical funds will not be significantly different from the broader market, but in shorter periods, it may differ meaningfully due to under- or over-weightings in certain sectors.

Socially responsible indices were created to serve as benchmarks, and they possess all of the above characteristics. Because the performance of a socially responsible portfolio is easiest and best assessed with the help of these indices, we will examine each of them in detail.

Social indices are all lighter in industries that tend to have a substantial negative social or environmental impact, such as the steel industry, and oil and mineral extraction, tobacco, alcohol, firearms and nuclear weapons. On the other hand, they are likely have heavier weightings in industries such as technology or financial services.

The screening process is not a simple exercise, and there are many gray areas. There is a constant wrestle with the question of where to draw the line on many issues. In the example of the environment; a company with some level of environmental problems might be included if, in the assessor’s opinion, company management is proactively working to reduce the company's environmental impact with tangible results. This may hold true with any number of issues, including labor relations, community relations, animal testing, and so forth.

Socially responsible portfolio managers are convinced, that companies are extremely concerned about non-financial practices and the broader society. Particularly in the last five years, there have been tremendous interest and growth in innovative practices within major corporations regarding what is defined as social responsibility. The rapid growth of the organization Businesses for Social Responsibility is a testament to how many companies are committed to taking a hard look at their non-financial impacts and how they can move toward best practices.

Indices are not divestment indices or boycott lists. Companies excluded from them would not be publicly critiqued or debated. Talking directly to company management is the proper venue for this type of discussion, and these discussions are a typical part of the work.

Normally companies will not be included or excluded in the index simply to influence their social agenda. First and foremost, the indices represent the universe of companies that meet or exceed the given minimum social criteria requirements. However, there is an advocacy component to each research. Through research and dialogue with companies, socially responsible institutional investors are trying to encourage best corporate practices across industries.

II. 1. Domini Social 400 Index

The DSI was launched on May 1, 1990 by Kinder, Lydenberg, Domini & Co., a Boston-based firm that provides social research to financial professionals and institutional investors. It was the first benchmark for assessing the performance of socially screened portfolios and it continues to do so for 10 years now.

By creating the Index KLD hoped to fill the following needs:

- To answer the question: how does the application of social criteria affect investment performance?
- To provide a socially screened equity benchmark.
- To communicate the standards of mainstream social investors to corporations and the general public in a viable format.

The DSI is a market capitalization-weighted common stock index. It contains 400 companies that, in addition to passing multiple, broad-based social screens, reflect the general market behavior of stocks available to the average socially responsible investor.

When creating the index KLD first surveyed the screens and standards, used by most social investors. These include the avoidance of alcohol, tobacco, gambling, nuclear power, and military weapons. They also include evaluation of environmental impact, product safety, non-U.S. impact, citizenship, employee relations and diversity.
However, DSI is not an approved list, the screens reflect those most widely used by a broad cross-section of social investors, not all companies necessarily reflect everyone’s standards.

In the initial screening process roughly half of the Standard & Poor 500 companies qualified for the DSI. KLD then added roughly 150 new companies with two goals in mind. One goal was to get a broad representation of industries, so that our index would better reflect the stock market as it exists for social investors. Another goal was to find companies that are particularly strong models of corporate behavior.

The DSI is maintained by KLD, normally companies that were selected to be part of the index, stay there. A company might be removed from the DSI because it is acquired by another company, or because it splits into two companies, and only one of the surviving companies is selected to stay in the DSI. Occasionally the social profile of a company deteriorates, causing KLD to remove it.

When a company is removed from the DSI, KLD replaces it with another company. In the selection process KLD considers three primary factors:

- It favors companies with strong social stories
- Second it looks for companies with large market capitalization
- Third, it favors companies in industries in which the DSI is under-represented relative to the S&P 500.

The DSI has very low turnover, 6%-8% in a typical year. This is about the level of turnover in the S&P 500.

II. 1/a A new index by KLD

KLD plans to launch a broad-market index over the fall of 2000, which consists of up to 1,600 companies, applying comparable social screens to those used in the DSI.

Besides acting as a broader benchmark, the new index will also provide access to KLD's detailed social research on almost four times more companies than presently available from DSI or other social indices. KLD intends to provide investors with complete social research on as many different companies as possible.

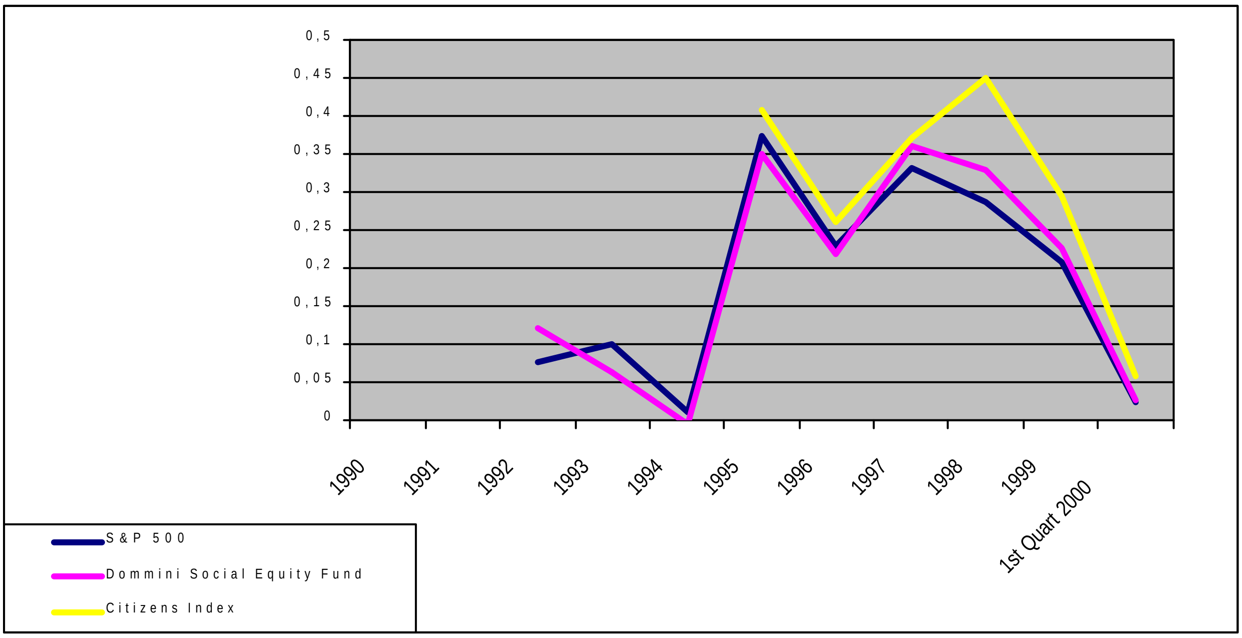
II. 2. The Citizens Index

The Citizens Index was also designed to serve as a benchmark for socially responsible investing, in much the way the S&P 500 Index is the barometer of the large-cap market as a whole.

Citizens Funds created the Citizens Index in 1994, by applying its rigorous social and environmental screens to the S&P 500. Of those 500 companies, approximately 200 passed Citizens' screens. Citizens then added additional 100 companies to give the index appropriate sector diversity and weightings.
The Citizens Index seeks to demonstrate that superior financial performance and high social and ethical standards go hand in hand.

By eliminating sectors like tobacco, alcohol, oil and defense, the Citizens Index is over-weighted in what it considers to be the industries of the new information-based economy such as technology, financial services, and consumer products.
This can be the explanation of the index's continued performance over the S&P 500.

The graph below shows how the Domini Social and the Citizens indices has outperformed the S&P 500, and a list of the 180 companies included in both indices can be found in annex I.



II. 3. Calvert Social Index

On May 8, 2000 a new index, the Calvert Social Index was launched. Vanguard, the leader in indexing, and Calvert Group, the United States' largest family of socially screened funds, opened the Vanguard Calvert Social Index Fund.

The index is constructed similarly to the other indices, and is fashioning from the Russel 1000 index. Calvert conducts a social audit of the 1,000 largest companies in the stock market, then focuses its analysis on four essential questions.

1. Product safety

No companies that produce firearms, tobacco, alcohol, pornography, casino games, or weapons for the military.

2. Environmental record

Is it in compliance with government regulations? Is the company trying to reduce its impact on the environment?

3. Labor relations
Does the firm treat employees fairly, offer reasonable benefits, and provide a safe workplace?

4. Community relations
The index acknowledges banks that provide credit without discriminating against people in its service area, and companies that extract natural resources to deal fairly with indigenous people.

Finally, international operations are an important part of the analysis of human rights issues.

From the analytical perspective, Calvert uses a standards-based approach. A company must meet the minimum standards within each category to be eligible for investment; Calvert does not balance the core social issues.

To measure a company's performance the research methodology includes the following areas.

1. Calvert has in-house files on almost 7,000 companies. It follows the company's public records, by collecting information from various database and specialty publications. They can also access the data of environmental and social regulatory agencies.

2. Calvert talks to company management regarding the specialized questions. This is also a way to learn about innovative programs that contribute to best practices within their industries.

3. Calvert talks to advocacy organizations, too, such as environmental groups, consumer groups, labor unions, or human rights organizations.

Currently there are 468 companies in the index, but over time Calvert expects it to be in the range of 500 companies.
There is a limit on the largest sector weighting, which cannot exceed 40% of the entire index's capitalization. Calvert looks for the "best of sector" players within each industry to diversify the fund across the market.

The index will be annually reconstituted based on market-capitalization change, e.g. if new companies move into the relevant market-cap range, they will be screened for inclusion. Also companies will be added or excluded quarterly based on a changing status regarding the social criteria.

II. 4. Dow Jones Sustainability Index

On September 8th, 1999, the world's leading global index provider, Dow Jones & Company, in partnership with Sustainability Asset Management (SAM), a Zurich-based consultant launched the world's first global equity indices for socially aware and environmentally friendly companies. The new Dow Jones Sustainability Group Indices (DJSGI) give a high profile to the growing market demand for socially responsible investments, and lend credibility to the assertion that responsibility is related to long-term performance.

The new indices provide a consistent measure of companies' commitment to economic, social and environmental issues, that are equally weighted in a multi-factor analysis. Corporate attitudes about environmental standards, profit sharing, stakeholder activism, and worldwide social standards for employees such as child employment, forced labor, discrimination, health and safety, and workers' rights, are all included in the assessment of sustainability. The core criteria for each industry group are the same, but other criteria focus on future trends and technologies specific to that industry. For instance, companies in the auto industry are interviewed on their efforts to introduce alternative-fuel vehicles, reduce vehicle weights, and reduce emissions. Using industry-specific questionnaires, company policies, reports, and stakeholder relations are assessed and ranked within each industry group.

SAM asserts that their evaluation process takes a more consistent and positive approach than just screening for or against certain activities, and is therefore an objective measure of the status of sustainability on the market. Sustainability is seen as way of measuring the "opportunities" and "risks" that arise from the exploitation of environmental, social, and economic growth potential in a given industry. Companies seen to maximize future opportunities and minimize risks are leaders in sustainability. Corporate sustainability emphasizes the corporation's financial future.

The 5 corporate sustainability principles are; technology, governance, shareholders, industry, society. The aim of corporate sustainability is to increase long-term shareholder value, by achieving business goals consistent with integrating economic, environmental, and social growth opportunities. Companies that pursue these opportunities in a pro-active, cost-effective, and responsible manner may be better positioned to outpace their competitors.

According to the principles of corporate sustainability, superior performance is directly related to a company's commitment to: innovative technology and the efficient use of natural and social resources; positive corporate governance and stakeholder relations; responsiveness to shareholders; and commitment to social well-being. In other words, the components of sustainability are concerns shared by a growing number of investors.

There are 1 global (DJSG World Index), 3 regional (DJSG Europe, North America, Asia/Pacific), and 1 country indices (DJSG USA Index), all of then with 4 key attributes: they are global, rational, consistent and flexible.

DJSGI's sustainability ratings provide investors with a valuable tool to judge companies in terms of sustainability in addition to the usual financial information, and thus take social and environmental growth potential into account when making investment decisions. Using input measures such as those in SAM's methodology has its risks: corporation standards may not be the best measure of their behavior. But the new indices put social and environmental parameters into the mainstream, and in an important way advance the dialogue about socially responsible investing in the evolving global market.

II. 5. LGA ECO Index

The first environmental performance index investment product in the United States is the LGA ECO Index launched by Light Green Advisors (LGA) and Parametric Portfolio Associates in January 2000. This broadly diversified index closely parallels the industry weights of the S&P 500 Index and is designed to add value by identifying the companies that are most likely to create bottom-line cost efficiency through successful environmental management.

The security selection process for the ECO Index is managed by Light Green Advisors, a Seattle-based investment adviser that has pioneered the field of corporate environmental performance evaluation. Parametric Portfolio Associates, a US market leader in tax-managed and customized equity index portfolios, performs portfolio implementation and ongoing management.

Mainstream investors with environmental concerns that desire an S&P 500 exposure can invest with assurance in the ECO Index . Research conducted by Opinion Research Corporation of Princeton, NJ has found that between forty and fifty million Americans are interested in investing in the broadly-diversified, performance-based, best-of-class approach to environmental leadership embodied in the LGA ECO Index as part of their retirement plan.

The ECO Index uses an environmentally-based scoring system to evaluate and rank the environmental conduct of all companies in the S&P 500 index. LGA E-scores are developed from third-party data provided by the Environmental Protection Agency and other organizations evaluating:

Corporate expenses associated with compliance with US environmental statutes

- Frequency and cost of corporate chemical and oil spills
- Toxic chemical releases to the environment and associated expenses
- Superfund and hazardous waste cleanup liabilities
- Corporate waste generation costs and trends in costs savings generated by waste reduction
- Stocks within Standard & Poors-defined industry groups are ranked by their E-score and companies in the top half of the industry capitalization are included in the ECO Index . Companies in industries with no relevant environmental data, e.g. financial services, are also included in the ECO Index

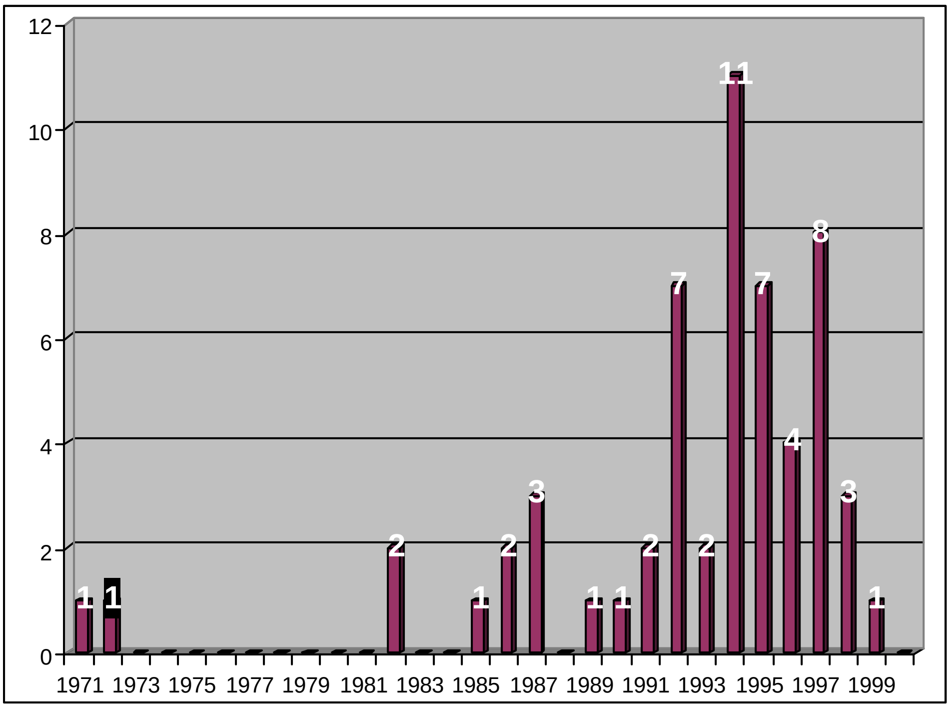
The ECO Index has similar portfolio characteristics to the S&P 500 Index, maintaining broad industry and market exposure, and will normally closely track the S&P 500 index. While eliminating the environmental laggards, the ECO Index concentrates on companies that exhibit superior corporate environmental performance within their industry. The LGA ECO Index allows investors with environmental concerns to invest in a structured, broadly diversified index portfolio that has the potential for generating outstanding returns by investing in corporations that demonstrate pro-active environmental leadership.

III. 1. Screened mutual funds

1 Numbers and assets

Of the three types of SRI, screening is the most popular one. In 1999 1,497 billion dollars, almost 70% were screened out of the total 2, 159 billion under SRI. Most of this 1, 497 billion dollars are screened private portfolios on separate accounts - 1,343 billion dollars-, and only the remaining 154 billion dollars are under the management of mutual funds. But mutual funds are one of the fastest-growing segments of the SRI universe. Their assets have grown from 12 billions in 1995, to 96 billions in 1997, and to 154 billions in 1999. The number of screened funds also increased from 55 in 1995, to 139 in1997, and to 175 in 1999.

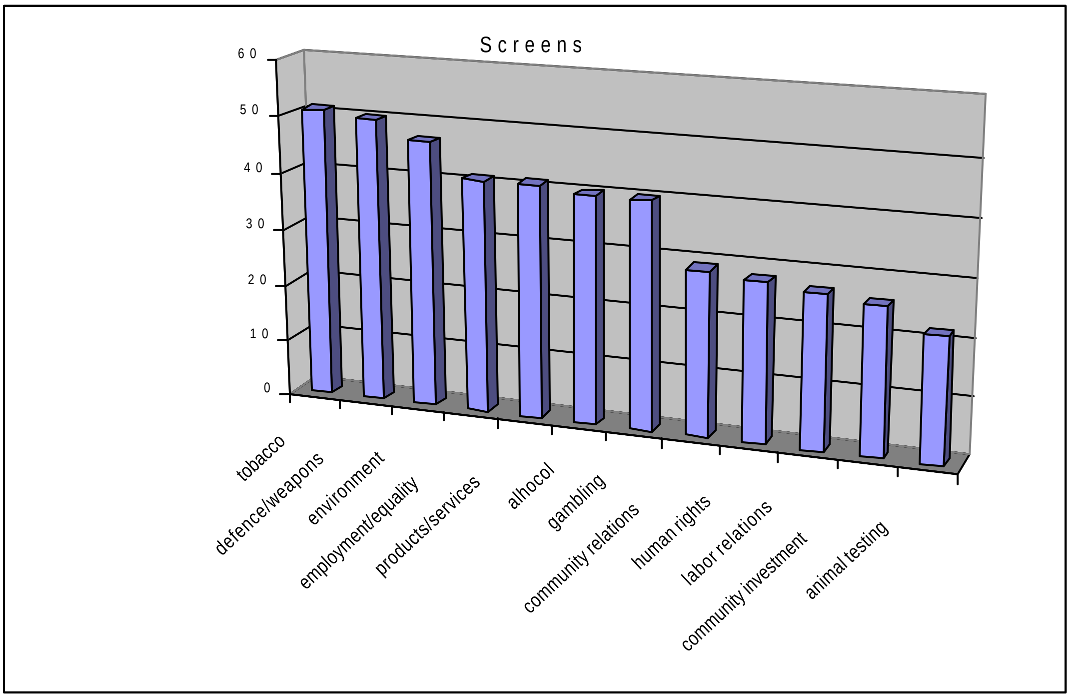
As of March 31, 2000 72 screened funds were listed on the socialfunds.com website, and 57 were members of the Social Investment Forum. The analysis which follows primarily uses the reliable data gathered through these two sources.
The diagram shows the distribution of inception of those 57 funds supplying the relevant information.



2. Screens

Out of the 57 screened funds that are members of the Social Investment Forum, 51 use tobacco as a negative screen. Weapons come next, but both alcohol and gambling are headed by concerns about the environment, equality in the workplace, and the quality of products and services.

On the eighth place, we find community relations, followed by human rights, and then labor relations. Community investment is next, and only 21 funds screen against animal testing.



3. Categories

For the SRI universe is very broad, the main task of a socially conscious investor is to examine his own values, and to decide whether he wants a religious or a secular fund.

a.) Big families of ethical funds

The largest and best-known SRI funds, such as Domini Social Equity, Pax World, the Citizens funds, and the Calvert funds, are secular funds. They all avoid nuclear-power firms and alcohol, tobacco, and weapons makers. In addition, many secular SRI funds look for those companies with the best environmental, human-rights, and workplace-diversity records.

Known for offering the largest family of socially-screened mutual funds, Calvert Group, Ltd. has quickly evolved from a single-fund management company in 1976 to become one of the Washington D.C. area's largest mutual fund management firms. It offers 8 domestic equity growth funds, 3 international, 2 balance, and 1 fixed income fund; 14 different social funds, with total assets of 1,570 million dollars.

Citizens was founded by Sophia Collier in 1992. The social considerations include environment, equal opportunity, employee and community relations, human rights, nuclear power, alcohol and tobacco, weapons, gambling and the treatment of animals.
Citizens funds group 6 funds, with assets exceeding 1,474 million dollars.

The Domini Social Equity Fund is a no-load US domestic equity, and the first index fund, based on the DSI 400. It was founded by Ami Domini in 1991, and has been leading the way in all 3 types of socially responsible investing. In addition to the 4 negative screens, the fund screens out gambling, too. The qualitative screens include strength and concerns related to community, diversity, employee relations, environment, non-US operations, product and other, mainly corporate governance issues.
It is the second largest fund with 1,334 millions in assets.

The Pax World Fund Family "Empowering Socially Responsible Investors for over 25 Years", is the oldest of all ethical funds, and was founded in 1971. In addition to the 4 negative screens, they screen for companies that provide goods and services that improve the quality of life, companies in the fields of health care, technology, pollution control, housing, utilities, and education.
The Pax World Fund is a no-load balanced type, with 1,126 million dollars, it's the third biggest fund in terms of assets.

b.) Religious funds

A growing number of religious offerings cater to an assortment of denominations. The MMA Praxis funds are designed for Mennonite investors; the Lutheran Brotherhood Funds for Lutherans; the American Trust Allegiance, Catholic Values and Aquinas funds serve Catholics; the Amana funds were created for Islamic investors; and the Timothy, Noah and Shepherd Values funds serve conservative Christians. The majority of religious funds avoid alcohol, gambling, and pornography stocks, but their screens vary widely in other ways. For example, because of an Islamic principle against usury, the Amana funds don't invest in bonds or many financial stocks.

c.) Socially screened funds offered by a big, traditional mutual fund group

Besides the well-known socially responsible fund-families, and the religious funds, there are quite a few ethical funds offered by traditional, big mutual funds. The largest one is Dreyfus Third Century, with more than 1,375 billion dollars in assets. But others, such as Merill Lynch, Neuberger Bermann, Delaware Investment are also offering socially screened funds.
For the supporters of SRI, that is enough to prove the growing public interest, and the success of this kind of investments. To look a bit further, that is one of the first steps for the SR movement, to become mainstream investing form.

d.) Smaller secular funds with specific social concerns

The last group of funds include all the funds with one explicit goal, like the exclusively environmental funds, such as; the Green Century funds, the funds for the rights of animals, e.g. the Cruelty Free Value Fund, the Meyers Pride Value which fights for Lesbian and Gay Rights, or the Woman's Equity Fund, which goal is to ensure equal rights for women in workplaces.

A comprehensive list of all funds, and the information they supply about themselves can be found in annex II.

III. 2. The Performance of Ethical Mutual Funds

Part of the reason for the increase in assets in mutual funds that use at least one social screen, is undoubtedly the general explosion in funds. (Annex III lists the advantages of mutual funds, and gives a general introduction to the technical terms used later in the analysis.)
But over the same period, between 1997 and 1999 the number of screened funds have increased by 60%, mutual funds have increased by only 42%.

Although screened funds have seen a boom in the past years, they still face criticism from both ends of the spectrum. One camp, argues that even if screened funds do put financial criteria first, limiting one's investment universe for non-financial reasons inevitably limits returns and increases risk. If, for example, we out with a universe of 100 stocks, and the social screens disqualified 20 of them, we would have only 80 choices available to try to outperform the market and other active investors who have the entire 100 stocks at their disposal. The conventional wisdom might be different if social criteria effectively screened out the worst-performing stocks, but a lack of social graces is not necessarily an impediment to a company's stock price.
So, an investor would be better off making money first, then contributing a portion of any gains to causes he or she feels strongly about.

The other camp points out that SRI funds don't have overly rigorous social screens and therefore sell out their values in favor of the bottom line.
Truly socially responsible funds, according to this line of argument, would have little use for most multinational corporations, which often follow objectionable policies somewhere in their far-flung operations. Some would argue further that the SRI movement ought to fight against the intrinsic power and dominance of multinationals.

In reality SRI is not really aimed at transforming capitalism, but it does offer a method for investing in some of capitalism's more socially responsible companies.
The standard argument for socially screened investing is simple: It allows people to avoid investing their money in companies whose products or behavior they find objectionable. That makes a lot of sense for large institutions-state pension plans, university endowments, labor unions-that can afford to alienate their constituencies and may only require moderate returns on their investments over time.

Increasingly, sound social policies are not just intrinsically good, in the opinion of SRI advocates, they are good for business. Good employee and community relations, a diverse workforce, and protecting the environment are all things that can add to a company's strength by giving it more productive workers, community support, a good corporate image, and less exposure to lawsuits. But in fact, no one yet found a clear-cut relationship, positive or negative, studying the link between commonly used social criteria and stock performance.

Screened mutual funds are not charity organizations though. They do not hold securities solely on the basis of social criteria. Indeed, all of the ethical mutual funds look for strong financial records. SRI fund managers go about the business of security selection the same way other fund managers do-by following their particular stock-picking styles. In most cases, managers select securities first, then submit them for social screening, which is done by a separate team of screening analysts.

The question is, can SRI mutual funds provide performance good enough to satisfy those who want to do well by doing good, as the cliché goes?

The public opinion has changed dramatically over the past years.

A Morningstar study two years ago did not find any 5-star rating fund out of the 42 socially screened funds with three-year records.
When SRI funds were compared with non-screened offerings that followed similar investment strategies, only two were placed in the top 15% on the basis of their risk-adjusted performance over the trailing three years. In general, socially screened funds' star ratings and their performances relative to funds with similar investment strategies are skewed towards the bottom third of the mutual fund universe.

Two years later in 1999, 4 out of the 20 SRI funds in the Morningstar database had the necessary three-year record sport a 5-star rating. These are all growth type funds on the US Domestic Equity market, and only Citizens Emerging Growth is small cap style, the other three; Amana Growth, Bridgeway Social Responsibility, and IPS Millennium are mid-large cap style funds.
This 25% nevertheless is still twice the rate of the overall fund universe. Moreover, only 19% of SRI funds find themselves in 2-star or 1-star territory, while a third of the overall fund universe rates that low.

SRI funds perform even better when they are compared to their specific Morningstar categories. One quarter of these funds currently sport a top category rating of 5, and half have category ratings of 4 or 5.

The smaller group of SRI funds that have a five-year record (35 in all) is less impressive, though still acceptable. A total of 19 have outperformed their category peers over the trailing five years while 16 underperformed.

That doesn't mean social screens add value, but it's hard to make the case that they subtract it.
Screening out tobacco companies and nuclear power utilities has kept the funds away from some of the market's worst performers over the past few years. Avoiding these and other firms with poor environmental records leaves the typical SRI domestic-equity fund underweighted in value stocks and overweighted in growth stocks. Indeed, in the SRI arena growth funds outnumber value funds 14 to 5. Most SRI domestic-equity funds are also large-cap offerings.

That proved to be a potent combination in 1997 and 1998 when large-growth stocks fueled the stock market's rise. Of the 14 funds that came of age between October 1997 and August 1999, eight had significant exposure to large-growth stocks and seven of those funds garnered 5-star ratings. Two older funds improved to five stars for the same reason.

That's not the entire explanation, though. The large-growth tilt helps explain SRI funds' improved star ratings, but not their improved category ratings. Lots of large-blend and large-growth funds sport 5-star ratings because they are being favorably compared with smaller-cap offerings, but SRI funds still do well when they are compared to funds in the same styles and categories.

Some of this success owes to the impact of two socially screened indices, which together are tracked by six of the top-rated passively managed funds. The Domini Social index and the Citizens index have prospered for the same basic reason that the S&P 500 index has over the past couple of years: The stocks at the top of these capitalization-weighted indices were those that led the market's rise.

Comparing the ethical funds among themselves, the same funds end up on the top of the list. The sharp-ratio –which is a measure of risk-adjusted performance calculated by dividing the excess return of a portfolio above the risk-free rate by its standard deviation – is the best indicator on how well a fund is doing.
Both the 3 and 5 year sharp ratio is the highest for the Pax World Fund (2,1 and 1,91); then follows IPS Millennium (2,09 and 1,61); the third one is the Citizens Emerging Growth (1,75 for 3 years) and the Citizens Index (1,48 for 5 years).
On the other end the low performers are Calvert New Africa (-1,17), Rightime Social Awareness (0,08) and Parnassus Fixed Income (0,13) for the 3 year period.

Social funds are often criticized for their high expense ratio, which is generally 15% higher than that of other mutual funds in their categories (after Morningstar). If we add up the expense ratios, the front and end loans of ethical funds, we get an average of 2,931%, which is high, indeed. The Pearson correlation between assets and expenses is –0,135, showing a very weak negative correlation. As assets grow, the expanse ratio does not diminish proportionally. It is interesting to see, that best performing funds have lower expense ratios, and the ones with high expenses usually underperform the category average.

Finally we try to highlight some of the best SRI offerings in each asset class--domestic equity, international equity, and fixed-income.

Large Cap
Domini Social Equity is a passively managed fund that tracks the Domini Social index. Like many socially responsible funds, Domini Social Equity has a growth tilt, although the fund still manages to land consistently in the large-blend column of the style box. That fondness for growth stocks has helped this fund to a superb record: Its three- and five-year returns best the S&P 500 index. Domini's shareholder activism gives the fund added appeal. Considered to be a great core holding.

Alternative: Like Domini, Citizens Index is a large-cap fund, but it contains even more growth names than its rival. Citizens' record is very good, but its 1.59% expense ratio is quite high for an index fund.

Mid-Cap Value/Blend
Ariel Appreciation is a solid fund that provides some much-needed diversification to a socially conscious portfolio. Its manager looks for undervalued stocks and finds a lot of his favorites in financials, services, and industrial cyclicals. He doesn't invest much in technology, making

this offering a nice counterweight to the tech-heavy portfolios of most other SRI offerings. The fund also holds a healthy dose of small caps.. Ariel isn't as aggressive in its social screening as many of its SRI peers.

Alternative: At Neuberger Berman Socially Responsive, another value-oriented fund, manager Janet Prindle does her social screening a little differently than most. Rather than avoiding entire industries, she looks for the companies in each sector with the best environmental and workplace records that also meet her financial criteria. Thus, this fund owns more industrial-cyclical names than many of its SRI peers. A solid record adds to the appeal.

Mid-Cap Growth

Citizens Emerging Growth is an actively managed fund.. Manager Richard Little's earnings-momentum approach, along with a concentrated portfolio and a huge technology stake (currently 40% of assets), has delivered strong returns. Such aggressive traits will inevitably lead to volatility, though. Unfortunately, the fund shares a family trait with Citizens Index: a high expense ratio. On the plus side, the fund uses extensive positive and negative social screens.

Alternative: Calvert Capital Accumulation has a less stellar--but recently improved--record, and it's not as risky as Citizens Emerging Growth. Calvert's social screens are wide-ranging, but its expenses are also high.

Fixed Income

Calvert Social Investment Bond is a straightforward fixed-income choice. It invests mostly in mortgages and mid- to high-quality corporate bonds. Just as with its stock funds, Calvert avoids bonds issued by firms that fail their screens. For example, management eschews companies with poor environmental and workplace records. Moreover, manager Greg Habeeb doesn't buy Treasuries because their proceeds could finance government defense spending. The fund's long-term record is respectable, and it has a category rating of 4.

International

Calvert World Values International Equity is one of the few socially screened international funds available, and the only one with a three-year record. Manager Andrew Preston looks for cheap stocks within undervalued markets. The fund lands in the middle third of the foreign-stock group.

Alternative: Citizens Global Equity has an outstanding record, but it's a world-stock fund with a third of assets in the United States, so its doesn't provide the diversification of an all-foreign fund.

Annex IV. contains all performance information on US ethical funds, and a list of French holdings of the international funds.

B. Canada

Canada is pursuing many of the same goals in responsible investing as the US, and exploring new venues, too. Social investing in Canada is an impressive movement in a country with a fraction of the population of the U.S; More than 5 billion US dollars are invested in 23 socially screened mutual funds and 5 broadly screened labor-sponsored venture capital corporations.

The modern origins of SRI in Canada can be traced to the mid 1970s. At that time, church organizations began to use their influence as shareholders, by virtue of their pension and endowment fund investments, to oppose the system of apartheid in South Africa; raise corporate awareness concerning the environmental impacts of logging and mining activity; challenge the activities of resource extraction companies on ancestral lands claimed by aboriginal peoples; and to address the issue of bank lending criteria and practices in relation to foreign regimes involved in international human rights violations.

In 1975, Canadian churches established the Taskforce on the Churches and Corporate Responsibility (TCCR) to facilitate corporate dialogue and responsible shareholdership on these and other issues.

Instruments designed to help retail investors integrate social criteria into investment decision-making began to appear in the 1980s and proliferated in the 1990s. In 1983 the first labor-sponsored fund, Quebec's Solidarity Fund, was established to direct capital for maximum economic gain. English Canada followed suit with the Working Opportunity Fund and the Crocus Investment Fund (1992), the First Ontario Fund (1994), and New Brunswick's Workers Investment Fund in 1996. All these funds are sponsored by genuine labor bodies and use a social audit process in screening their investment prospects.

This heightened involvement of labor unions in social investments, is an important difference, a vehicle with no U.S. counterpart. A series of very successful labor-sponsored venture capital funds are supported with generous federal and provincial tax credits to individual investors.. They use screens and social audits to ensure that the companies they invest in are socially responsible, and have recently begun to be more involved in shareholder advocacy.

Socially responsible mutual funds in Canada have evolved to emphasize quality over quantity. While many of the screened funds in the U.S. rely heavily on "sin" screens that exclude tobacco, alcohol, and gambling, these screens are not as common in the Canadian funds, and no fund exercises them exclusively. Screened funds are typically more comprehensive on social and environmental issues, and lack the wide variety of perspectives found in U.S. funds, such as those on abortion or animal rights.

The first widely-distributed socially-screened mutual fund went live in 1986 with the formation of the Ethical Growth Fund by VanCity Savings and Credit Union. Now owned by the Credit Union Central of Canada, and distributed by credit unions all over Canada, Ethical Funds has grown to 2,3 billion dollars in assets in a family of 12 funds and nearly 200,000 unit-holders.

The Ethical Principles and Criteria, the screens of the Ethical Funds, guide the fund's approach to SRI and are used for the purposes of:

- Helping to construct the investment portfolios;
- Identifying areas of social and environmental non-performance among the Fund holdings for the purposes of the Corporate Dialogue Program
- Assessing and voting on proxy issues and shareholder resolutions under the Fund's Proxy Voting activity.

The criteria used by Ethical Funds to evaluate securities are based upon screens developed by Michael Jantzi Research Associates Inc. (MJRA) of Toronto, Ontario and Kinder, Lydenberg, Domini, & Co. Inc., (KLD) of Boston, Massachusetts.

Exclusionary screens today, allow investors in Canada to avoid investment in military production, the generation of nuclear power, and the tobacco industry, but not in the alcohol, gambling and resource extraction industries. Given the evidence from recent market surveys in Canada, alcohol and gaming do not appear to be issues that sit high atop the agenda of most social investors in Canada.
Ethical Funds has rejected this sector avoidance style of social investment for two main reasons:

- Financial

In Canada, it is difficult to avoid investing in resource extraction industries because of their importance to the economy and their prominence on the stock exchanges. From a market perspective grounded in the responsibility to provide competitive rates of return to our investors, it is necessary to be in a position to diversify our portfolios and invest in as many sectors of the economy as possible.

- Social

Socially responsible investors have expressed dissatisfaction with an investment strategy that would leave them disengaged from large portions of our economy, the people employed in these industries, and the ecosystems these industries exploit and impact. SRI is not designed to deny our current social and economic reality, or our history as a country. With the exception of tobacco, nuclear, and military production, the SRI industry in Canada has embraced a philosophy of engagement using the Best of Sector approach.

Best of sector is an investment strategy that enables socially responsible investors to invest in those Canadian companies with the better social and environmental performance records within each sector of the economy. Best of sector allows Ethical Funds to diversify portfolios and to address a wide range of social and environmental issues challenging many industries and communities around the world.
BoS is a made-in-Canada approach to SRI, pioneered by Michael Jantzi Research Associates Inc. (MJRA) and the Social Investment Organization (SIO).

In general, Ethical Funds strives to avoid investing in companies falling in the bottom third of their sector. Ethical Funds is reluctant to divest from companies without first engaging the company in discussion concerning areas where performance could be improved

The application of qualitative screens is of course more complex than the application of the exclusionary screens.
Qualitative screens are applied by Ethical Funds on a Best of Sector basis.
The Focus List for the Corporate Dialogue Program includes:

- Environmental Practices
- Industrial Relations
- Human Rights

Although these social funds may have not reached the mainstream in Canadian investing circles, they are a unique genre that calls attention to Canada's divergent social investing development.
On the Canadian equity market, the largest fund, Investors Summa’s is outperforming the market average, and Clean Environment Equity is also doing better, but only in the long-run.
Working Opportunity Balanced is an excellent choice of labor-sponsored venture capital, its yield is twice as much as the average, and Ethical North American Equity is performing really well on the US equity market.
Clean Environment Global Equity Fund shows varying results, so does the Asian Pacific Rim Fund Average. Ethical Money Market follows the market trend exactly, and ethical funds on the bond market are mostly getting the same interest levels as the average.
But the small and mid cap equity funds are definitely performing better than their ethical counterparts.
Annex V. contains the comparative performance data of Canadian ethical funds.

Social Index

To prove that socially responsible stocks can outperform conventional stocks, Michael Jantzi Research Associates (MJRA, founded in 1992) has created Canada first socially screened, market capitalization-weighted common stock index modeled on the S&P/TSE 60, the Jantzi Social Index, with 60 Canadian companies selected on social responsibility criteria.

MJRA began development of the JSI by analyzing the social and environmental records of the S&P/TSE 60 companies. The exclusionary screens ensure that no company with significant involvement in the production of nuclear power, tobacco products, or weapons-related contracting is a part of the JSI.
The JSI’s qualitative screens cover the areas of business practices, community, diversity, employee relations, environment, international/human rights, and product safety. They were used to identify those companies whose records on balance where negative or positive in these areas so they could be excluded or included. However, a relatively poor record in one of these areas did not necessarily eliminate a company from JSI contention.

Seventeen companies were eliminated from JSI contention through the screening process, and were replaced by other companies in the TSE 300, attempting to maintain large market capitalization and industry representation. Another goal was to find companies that demonstrated exceptional social characteristics as well.

In selecting companies to add to the JSI MJRA will consider three primary factors.
First, MJRA will favor companies with strong social and environmental records.
Second, MJRA will favor companies with larger rather than smaller market capitalization. Third, MJRA will favor companies in industry sectors in which the JSI is underweighted relative to the S&P/TSE 60.
And although it is difficult to find companies with all of these characteristics, MJRA will also favor firms that are listed on the TSE 300.

The index was launched in February, 2000. Using historical data, the index was backdated to determine if it was able to outperform indices of conventional Canadian stocks. This data shows that the value of the JSI stocks increased by 18.9 per cent during the last five years, while the TSE 100 grew by 18.1 per cent and the TSE 300 rose by 17.4 per cent.

Michael Jantzi Research Associates provides a full range of social investment research and support services to institutional clients and financial professionals who integrate social and environmental criteria into their investment decisions. It has created and maintains the Canadian Social Investment Database.(CSID) the first database of its kind in Canada. CSID. contains social and environmental profiles of over 400 publicly-traded Canadian companies.

The biggest disadvantages social investors face in Canada are significant legal barriers to shareholder activism. There is no national body analogous to the U.S. Securities Exchange Commission that regulates such activity, and Canadian law permits companies to reject shareholder resolutions based on social, religious, or ethical criteria. The government is currently reviewing this legislation, and social investing advocates are hopeful that it will be changed within the next few years, opening the door to shareholders with social agendas.

Citizens Bank, a national internet-based bank, has become the first Canadian bank to adopt socially responsible lending guidelines, and it has promoted them widely. This could be an important trend in the future, as large regional credit unions adopt similar guidelines in coming years and bringing socially responsible ideals into people's basic banking transactions, a positive development in Canadian social investing.

At this point Canadians can't buy U.S. screened mutual funds, and vice versa, but with more and more U.S. and Canadian financial services spanning the borders, it will be only a matter of time before restrictions on international mutual fund sales are eased. There may be many future opportunities for collaboration between social investors in the U.S. and Canada, so the future development of the industry in Canada will be especially instructive.

C. France

In France, the offer of ethical funds is in full takeoff. Ethical financial products were invented by the Americans, but the movement, although a bit belated, arrived to Europe, too. The United Kingdom, with its Anglo-Saxon financial system, was the first one to follow, today more than 50 billion font sterling is invested in about 40 ethical funds. In Switzerland 430 million Swiss francs are working for socially conscious investors in 3 large funds. Belgium, the Netherlands and Denmark are also catching up.
French ethical funds, and the capital represented by them are still less significant, but their speed of development has been accelerating over the past years.

Appeared in the 80's, socially responsible funds can be divided into two big categories; the investment funds of sharing (FCP de partage) and the ethical mutual funds (FCP ethics).
The fundamental principle of the investment funds of sharing is that investors chose to offer part of their earnings to humanitarian organizations.
The oldest among them, "Faim et Développement" was launched by CCFD and Crédit Coopératif in 1983. Later others, such as Epargne Solidarité Habitat, Epargne Solidaire, Conciliance, Humanis Investissement, Actions Sud were created. These investment funds of sharing have modest performances, so ethical funds, with their higher profitability are more successful on the market.

Contrary to the investment funds of sharing, shareholders in Frenh ethical funds do not give up part of their profits, they invest directly in " socially responsible " companies, according to several criteria (employment policies, respect for the environment, for humans right, social justice, support for the countries of the South, community relations).

The oldest ethical fund; Nouvelle Stratégie 50, was created by Sister Nicole Reille in 1983. Exactly as in the United States, the socially responsible movement in France started with a religious cause.
Sister Nicole Reille began to show interest to the stock exchange at the beginning of the 80's.while she was looking for a solution to gather some money for the Congregation "Notre-Dame" which " operational budget " she managed. To ensure the future of the religious congregation, she had to create financial reserves.
With thirty-nine other congregations, they were facing the question; how to make profitable financial investments, without having to compromise their values. They did not want to invest in the capital-intensive economy, which in their eyes was equal to the crushing of the Southern Hemisphere by the Northern Hemisphere.
Depending on the use of money by the companies on the stock exchange, investments can indeed be put at the service of development or, on the contrary, they can contribute to the enlargement of gaps, and inequalities between nations.
They concluded that their financial investments could and should serve mankind and its development, with special attention to the least privileged " To ensure that their money would not be invested in companies that do not respect the human person, the religious congregation created the association Ethique & Investissement in 1983. Its role was to audit the companies, to analyze their strategic choices and their social policy. To meet its goal, association made a list, consisting about 20 ethical criteria, including in particular job- creation, employee-

training, working conditions, and safety standards, employment of handicapped people; young people with difficulties, or less qualified workforce; the social utility of the goods produced by the company. For the companies established in the countries of the South, the association also checks whether they work in the direction of the economic needs of the country and not only of their own profitability.
Its method of investigation is very simple: initially a questionnaire is sent to the companies, then managers and union representatives are interviewed by the association. At the end of each audit, the association evaluates the company. They try to disseminate this information as much as possible, in order to encourage future shareholders to be informed about the impact of their investments and to help them to make responsible choices.
Under the chaperonage of the association, with the support of professionals from Meeschaert, the very first French ethical investment fund "Nouvelle Stratégie 50" was followed by "Actions Ethique" in 1998. Its subscribers share the same concerns: making sure that their money is well used, while securing a good profitability. Concerning the question of profitability, Sister Nicole Reille remains very serene " I do not look at money as a poison, but as a neutral tool which can be used as an engine to help the development of the world and its people, under the condition that men does not become enslaved by money." Today, Ethique & Investissement gather 150 members, among whom only a quarter are religious. But, the co-fondatrice of Ethics & Investissement is convinced that she had contributed to make the world of economics more human " Our steps make company managers think about those issues. We regularly send a report of our observations to them. That gives them another vision of the world "

The 'Nord Sud Développement", founded in 1985 was the first ethical Sicav in France. The fund is managed by "Caisse des dépôts et consignations", BNP and the "Caisse française de developpement". While an FCP can be created with only 5 million Francs, the founder of a Sicav needs to collect 50 million francs. In 15 years, it has collected 2723 million French francs, mainly from institutional investors. Directed towards the development of non-industrialized, so mainly Southern countries, 'Nord Sud Développement", invests in French and international obligations guaranteed by the State, and other obligations emitted by the World Bank, or the African Bank of Development, the Asian Bank of Development. 10% of the portfolio is invested in riskier emerging market stocks.

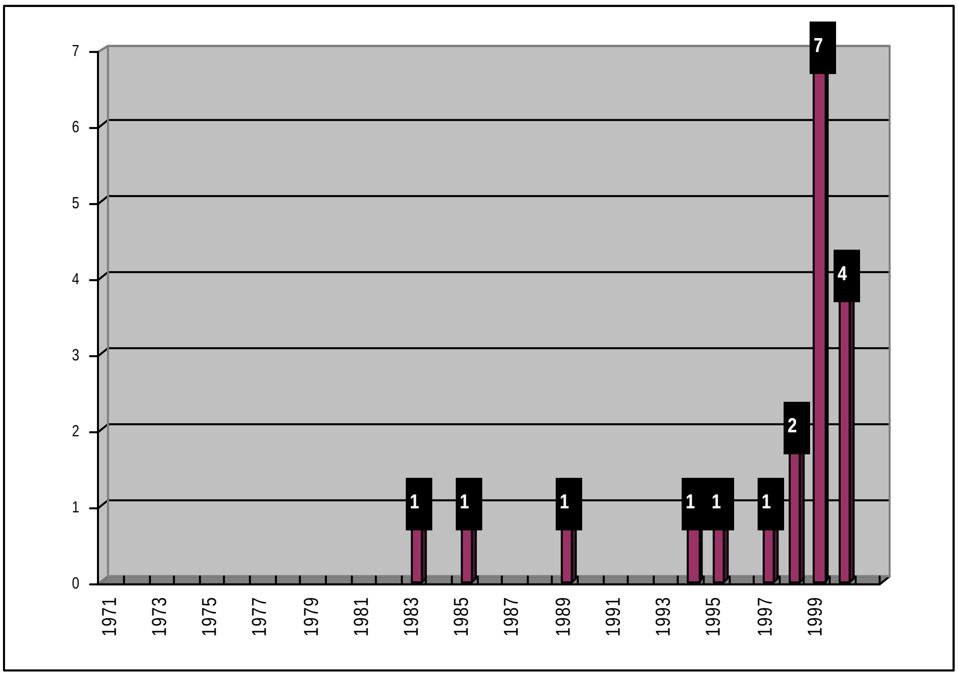
Crédit Lyonnais followed the trend, and founded the FCP Hymnos in 1989 to satisfy the needs of religious congregations. Also equipped with an ethical committee and a Charter, Hymnos invests in companies that respect Christian ethics.

Insertion Emploi was launched by Caisse des depots et consignations, Caisse d'epargne, and CFDT in 1994. It was the first ethical fund that invested in French companies, with the goal of helping integration and creation of employment. 90% of the fund's assets are invested in French companies present on the stock exchange, and the remaining 10% are in non-quoted ones, that follow a dynamic employment policy.

In 1995 Apoge promoted Plurial Ethique, the first fund of ethical funds on the market. It invests in other FCP-s and Sicav-s , selected by their performance and ethical criteria. Part of the portfolio is composed of foreign ethical funds, such as the American Domini Social Equity Fund. The 3 principle areas Plurial Ethique concentrates on, are environmental protection, community relations and health issues. From 1997, the fund also invests directly in French equities of those companies selected by Arese, so shares of other social funds represent 75 % of Plurial Ethique's portfolio.

Capital Emploi, launched by Fimagest in 1997, invests in shares of French companies which answer a double criterion on the long term: they are profitable, and they have been net creators of employment during the past five years. This choice of investment policy is justified by the convictions, that only those companies can create profit in the long term, which expand their capacity. 80% of the portfolio consist of shares of large capitalization quoted French companies, and 20% are shares of small- mid cap companies from the secondary or new financial markets.
The fund has an impressive record over the past three years, it is the best performing of all French ethical funds. In six months its interest rate was twice as high as the category average, in 1 year it has overperformed it's category average by 85%, and in 2 years by 90%. Compared to the other funds that invest in French shares, Capital Emploi is number 8 from 203 in Micropal's database.

In 1998 two ethical funds were born, and from 1999 the growth in numbers is accelerating. The following diagram shows the distribution of inceptions in France.



One reason for this sudden growth is that in 1997, the first ethical research cabinet, Arese was founded by Caisses d'épargne et Caisse des depots et consignations. Arese conducts the analysis of French companies on double criteria; social and environmental. It emphasizes that companies can not be credibly judged based only on their financial performance, but social and environmental indicators must also be taken into consideration.

Arese provides information for different investors, intuitional and privates as well. It assists in the creation of ethical funds, and advises French firms on how to become socially responsible.

From 1998, the following funds were launched with the help of Arese:

Name of funds	Management company	Criteria applied when selecting companies
Action Ethique	Meeschaert	- French companies - Excluded: tobacco, alcohol, gambling - Respect for the environment, human relations and prompt information for shareholders and suppliers
France Expansions Durable	Expertise Asset Management	- French companies - Preferred sectors: distribution, services, car industry - Respect for the environment, human relations and prompt information for shareholders and suppliers
Sicav Euro sociétale	BNP	- Companies quoted in the Euro Zone - Respect for human relations (30%), clients and suppliers (30%), shareholders (20%), environment (10%)
Macif Croissance Durable	Macif	- French companies - Social relations, quality of relations with clients
Ecureuil 1 2 3 Futur	Caisse d'épargne	- French companies - Quality of social relations, respect for the environment

Also in 1999 Banque Robeco created RG Hommes Terres Expansion, CDC Asset Management the CDC Euro 21 fund, and the Branics group Fonds Branics.
The performance of these young funds can not be analyzed, in the short term they all underperform their category average.

The performance of the older funds are quite satisfactory, Nouvelle Stratégie 50, Nord-Sud Developpement, and Hymnos all yield higher interests than their category averages, nevertheless the assets gathered by Nouvelle Stratégie 50, and Hymnos together is only around 150 million Francs. Plurial Ethique long-term yield is very close to that of the market’s. HSBC Universalis, Insertion Emploi and Action Ethique all underperform by 50-70 % to their category averages.

A socially responsible index does not exist on the market, yet, when it arrives it will be easier to track the performance of an ethical portfolio, and in case of a good record, persuade French investors to pour more money into social funds.
Annex VI. contains a list of French ethical funds and their performances.

Conclusion

Socially responsible investing was born in the United States, so due to its longer history and traditions it continues to be the strongest there. More than 10 % of all investments are socially conscious, part of them through the various ethical funds. This proportion is only around 1 % in other parts of the world. Most of these American funds still only use negative screens, and select sin products out, while this approach never became mainstream in other parts of the world, particularly in Canada, or in Europe.

Those countries joined the socially responsible movement later, but already with a more sophisticated approach; the use of positive screens is widespread among ethical funds.
Because of the different economical and cultural background, totally excluding certain industrial sectors is not common in Canada and Europe. The best of sector approach shows their style of evaluation. Identical in its main concerns, SRI has its differences in the various countries where it is already gaining acknowledgement.

Around for almost 20 years, the booming of ethical funds has just commenced, with bull markets on the stock exchanges. Showing superior performance, especially in the past two years; the success of passively managed funds lies mainly in the fact that the indices they track are overweighted with new economy growth stocks. In the case of actively managed funds, the yield depends largely on the portfolio manager.

Hostility and suspicion experienced in the first times are disappearing, all players on the market accept the ethical approach as a credible form of investing.
The time horizon is not long enough to judge, whether the success of socially responsible funds will continue, but all three segments of it are expanding. Community investment is still a fraction within the movement, but shareholder activism is the next promising area after screening. It already has some impact on management teams of companies, and thanks to the expanding transparency shareholders are becoming more aware, educated, and involved.

Whether it will become a mainstream investment can not be foreseen yet, but socially responsible investors are doing what they claim to do: making a difference.

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http://www.goodmoney.com/latenews.htm
Announcements and late breaking news

http://www.socialinvest.org/areas/research/index.html
Research Reports

http://mutualfunds.miningco.com/finance/mutualfunds/library/weekly/aa070997.htm
Socially Responsible Investing – part II.

http://mutualfunds.miningco.com/finance/mutualfunds/gi/dynamic/offsite.htm?site=http://www.betterworld.com/BWZ/9604/cover1%2D1.htm
Social Assessment

http://mutualfunds.miningco.com/finance/mutualfunds/gi/dynamic/offsite.htm?site=http://www.greenmoney.com/gmj/index.htm
The Greenmoney Journal

http://mutualfunds.miningco.com/finance/mutualfunds/gi/dynamic/offsite.htm?site=http://www.greenmoney.com/gmj/index.htm
Investing with your Values

http://mutualfunds.miningco.com/finance/mutualfunds/gi/dynamic/offsite.htm?site=http://www.betterworld.com/BWZ/9604/learn1.htm
What is ethical Investment?

http://mutualfunds.miningco.com/finance/mutualfunds/gi/dynamic/offsite.htm?site=http://www.goodmoney.com/wpubco.htm%23FBV
The Green Money Public Company Web

http://www.proxymonitor.com
Proxy Monitor

http://www.efqm.org/
European Foundation for Quality Management

http://www.worldmonitors.com/
World Monitors business and human rights consulting

http://www.corpgov.net/
Corporate Governance

http://www.corpgov.net/forums/commentary/mutual.html
Corporate Governance Mutual Funds – commentary

http://www.corpgov.net/forums/commentary/ending.html
Ending the Wall Street Walk, Why Corporate Governance now?

http://www.bsr.org/
Business for Social Responsibility

http://www.friendsivoryfunds.com/
Friends Ivory Mutual Fund

http://www.depaul.edu/ethics/ref1.html
DePaul's Institute for Business & Professional Ethics

http://www.kld.com/
Kinder, Lyndenberg, Domini
Social Research on Corporations for Institutional Investors

http://www.socialfunds.com/
Data

http://www.socialfunds.com/funds/chart.cgi?sfChartId=General+Information
charts + general information

http://www.evalueator.com/
Source of screening for Values-Based Investing and publisher of the evaluator screening software.
Morally screening mutual funds

http://www.timothyplan.com
Timothy Plan mutual funds

http://www.oneworld.org/ethical-investors/
Ethical Investors Group

http://www.lifeatwork.com
The life @ work Journal

http://www.money.com
Financial Strategy Center

www.irrc.org
Investor Responsibility Research Center

http://www.nationalreview.com
National Review online

http://www.betterworld.com/BWZ/
The online Better World magazine

http://www.saturna.com/mutual.html
Amana Funds

http://www.aquinasfunds.com/
Acquina Funds

http://www.amertrust.com/AllegianceFund/
American Trust Allegiance

www.ebnsc.com
European Business Network for Social Cohesion

http://www.moneyworld.co.uk/faqs/ethfaq3.htm
Ethical Investments

http://www.triodos.co.uk/
Triodos Bank

http://www.co-operativebank.co.uk/
The Co-operative Bank

The Economists, April 22nd 2000
Business Ethics, Doing well, by doing good

Green @ Work, March/April 2000
Top Fund Performers

CANADA

http://www.socialinvestment.ca/
Social Investment Organization – Canada's non-profit resource association for responsible investment.

www.ethicalfunds.com
Ethical Funds.

www.cleanenvironment.com
Clean Environment Funds.

www.desjardins.com/index.shtml
Desjardins Funds

www.investorsgroup.com
Investors Summa Fund

http://www.depaul.edu/ethics/ethicscan.html
EthicScan Canada

http://www.eiris.u-net.com/
EIRIS, Ethical Investment Research Service

www.mackenziefinancial.com
Mackenzie Universal Global Ethics Fund

www.navigator.ca
Navigator SAMI Fund

www.ymg.ca
YMG Sustainable Development Fund

http://www.cbsr.bc.ca/
Canadian Business for Social Responsibility

http://www.ethicsinaction.com/awards/index.html
Ethics in action Awards

www.ethicscentre.com
Canadian Centre for Ethics and Corporate Policy

www.bsr.org
Business for Social Responsibility

http://www.mjra-jsi.com/
Michael Jantzi Research Associates

http://www.citizensbank.ca/
Citizens Bank of Canada

http://www.crosbieco.com/FirstOntario.html
First Ontario Fund

http://www.vancity.com/csr/index.cfm
Van City Corporate Social Responsibility / Social Auditing

FRANCE

http://www.utopies.com/
Utopies
Strategie et citoyennete d'entreprise

http://www.utopies.com/themes/investethique.html
L'investissement ethique

http://www.arese-sa.com/
Analyse recherche et études sociales sur les entreprises

http://www.inaise.org/
Association Internationale des Investisseurs dans l'Economie Sociale

http://www.cdc-assetmanagement.com/internet/cdc.nsf/webpages/opcvm
Credit Lyonnais Asset Management Nord-Sud Developpement

http://www.robeco.fr/
Le groupe Robeco : RG Hommes Terres Expansion

http://www.abf-cm.fr/html/produits/eurosocietale/frame.html
La Sicav EuroSociétale

www.ethinvest.asso.fr
Ethical Investment Assosiation

http://www.place-publique.fr/mag/archmag02/mag22.html
Ethical Investments in France

www.enpc.fr/CEA/eth.htm
Cercle.Ethique.Affaires

http://www.mfq.asso.fr/
Movement Francais pour la Qualité

http://www.ethosfund.ch/
Swiss Investment Foundation for Sustainable Development

http://www.alternatives-economiques.fr/
Alternatives Economiques

http://www.breggs.com/
Breggs Consulting

www.globenet.org/finansol
Finansol

http://www.globenet.org/adome/dossier.html
L'investissement Socialement Responsable en France

Investir Magazine, Avril 2000
Fonds éthiques: donnez du sens à vos placements

Gestion de Fortune, Janvier 2000
Les fonds éthiques: nouvelle tendance et nouveaux besoins

Gestion de Fortune, Mai 2000
Un fonds éthiques ouvertement engagé

Les placements éthiques, 2^{e} édition 1999
Alternatives Economiques, Hors-serie pratique n 3

Mieux Vivre Votre Argent, Mai 2000
L'argent propre des Sicav éthiques

Revue Economie Financière, Juin 2000
Indices et performances boursières dans l'investissement éthique

Dossier information Plurial Ethique

Interview with Mme. Laville at Utopies

Annex II. List and characteristics of US ethical funds

<u>Religious funds</u>:

1. **Amana funds** (Islamic)
2. **American Trust Allegiance** (Catholic)
3. **Aquinas Funds** (Catholic)
4. **Catholic Values Investment Trust** (Catholic)
5. **Lutheran Brotherhood Funds** (Lutheran)
6. **MMA Praxis Growth** (Anabaptist Christian)
7. **Noah Fund** (Judeo-Christian)
8. **Timothy Plan** (Judeo-Christian)

<u>Big families of social investments funds</u>:

Calvert

Domestic Equity

1. Capital Accumulation (A)
2. Capital Accumulation (C)
3. New Vision Small Cup (A)
4. New Vision Small Cup (C)
5. Social Equity (A)
6. Social Equity (C)
7. Social Managed Index (A)
8. Social Managed Index (C)

International

9. New Africa
10. World Values International Equity (A)
11. World Values International Equity (C)

Balanced

12. Social Balanced (A)
13. Social Balanced (C)

Fixed Income

14. Social Bond

Citizens

Domestic Equity

1. Emerging Growth
2. Index Fund

International

3. Global Equity Fund

Fixed Income

4. Income Fund

Pax World Fund Family

Equity

1. Pax World Growth Fund

Balanced

2. Pax World Fund

Fixed Income

3. Pax World High Yield Fund

Money Market

4. Pax World Money Market Fund

Domini Social Equity Fund (First index fund)

<u>Other, secular funds</u>

Ariel Fund (Regular)

1. Ariel Appreciation Fund
2. Ariel Premier Bond Fund

Bridgeway Social Responsibility (Regular)

1. Micro-Cap limited
2. Aggressive Growth
3. Ultra-Small Index
4. Ultra-Small Company

Cruelty Free Value Fund (Human treatment of animals)

Delaware Social Awareness

Evergreen Select Social Principles Fund (Environment)

Flex Funds

1. The Dynamic Growth Fund
2. The Aggressive Growth Fund
3. The Murfield Fund
4. The Total Return Utilities Fund
5. The Highlands Growth Fund
6. The U.S. Government Bond Fund
7. The Money Market Fund

Friends Ivory Social Awareness Fund (Regular)
Friends Ivory European Social Awareness

Green Century Equity (Environmental)
Green Century Balanced Fund

IPS Funds
1. IPS Millennium
2. IPS New Frontier Fund

Merill Lynch Principal Values (Regular NI)

Meyers Pride Value (Lesbian and Gay Rights)

Neuberger Bermann Socially Responsible (Social from a big family of funds)

New Alternatives Fund

Parnassus Fund (Regular)
1. Equity Income Fund
2. *Fixed Income Fund*
3. California Tax Exempt Fund

Rightime Social Awareness (NI)

Security Social Awareness (Regular, NI)

Victory Lakefront (Employment)

Women's Equity Fund (Equal rights for women)

NAME	AMANA FUNDS
NASDAQ symbol	Income fund: AMANX Growth fund: AMAGX
Category	Domestic Equity
Type	Income fund: Equity Income
Objective	To invest according to Islamic principles.
Investment Objective	
Investment strategy	
Positive screens	
Negative screens	No liquor, wine, casinos, pornography, gambling
Management company	Saturna Capital Corporation, under the direction of a Board of five Trustees
CEO/ President:	Nicholas Kaiser
Founded:	Amana Income Fund began operations in 1986 Amana Growth Fund in 1994.
Address:	
Website	www.saturna.com

NAME	AMERICAN TRUST ALLEGIANCE
NASDAQ symbol	ATAFX
Category	Domestic Equity
Type	M-L Cap Growth
Objective	
Investment Objective	growth or capital appreciation for socially conscious investors.
Investment strategy	utilization of a disciplined investment process for equity securities
Positive screens	
Negative screens	tobacco, alcohol, gambling, pharmaceutical or medical companies
Management company	American Trust Company
CEO/ President:	
Founded:	1997
Address:	
website	http://www.amertrust.com/AllegianceFund/

NAME	AQUINAS FUNDS America's first Catholic Values Mutual Funds
NASDAQ symbol	Aquinas Equity Growth Aquinas Equity Income Aquinas Balanced Aquinas Fixed Income
Category	Domestic Equity Domestic Equity Balanced Fixed Income
Type	
Objective	
Investment Objective	
Investment strategy	Select companies on financial aspects and then apply Catholic value screens to identify companies that have aspects that are in conflict with Catholic values. Eliminating the company from the portfolio may give some short term good feeling*; but it does not improve the situation***.** As an owner of these companies, we work for you to change corporate behavior and reduce the conflict with Catholic values.
Positive screens	
Negative screens	Abortion, gender discrimination, religious discrimination
Management company	
CEO/ President:	
Founded:	1993
Address:	5310 Harvest Hill Road, Suite 248 in Dallas, Texas 75230
E-mail	http://www.aquinasfunds.com/

NAME:	***NOAH FUND***
NASDAQ symbol	NOAHX
Category	Domestic Equity
Type	Large Cap Growth Equity Fund based on Biblical principles
Objective:	To provide the investing public a viable alternative to mainstream investing while maintaining a core set of values and beliefs (the opportunity to invest Biblically, that is, in a way consistent with Judeo-Christian principles.)
Investment Objective	Capital appreciation consistent with preservation of capital, as adjusted for inflation and current income.
Investment strategy	Invests in a diversified portfolio of U.S. common stocks with the objectives of income and capital appreciation. (companies with at least one billion dollars in market capitalization.) Companies selected have demonstrated the ability to increase earnings consistently over the last five years.
Positive screens	
Negative screens	tobacco, alcohol, gambling, pornography, abortion
Management company	Polestar Management Co
CEO/ President:	William L. Van Alen, Jr.

Founded:	17/05/1996
website	http://www.noahfund.com/

NAME	MENNONITE MUTUAL AID PRAXIS FUNDS
NASDAQ symbol	MMA Praxis Growth MMA Praxis International MMA Praxis Intermediate
Category	Domestic Equity International Fixed Income
Type	
Objective	Anabaptist Christian believes
Investment Objective	Stewardship investing is a philosophy of financial decision making motivated and informed by faith convictions. It holds in tension a responsibility for the productive use of financial resources and a deep-seated concern for the individuals, communities, and environments that are impacted by our investment choices.
Investment strategy	
Positive screens	the respect for human dignity, responsible management, and environmental stewardship
Negative screens	gambling, alcohol and tobacco production, and military contracting.
Management company	Oechsle International Advisors for the International, individual managers for the other funds
CEO/ President:	John Liechty
Founded:	
Address:	P.O. Box 483 Goshen, IN 46527 (219) 533-9511/ 1-800-348-7468
Website	http://www.mmapraxis.com/

NAME	THE TIMOTHY PLAN Family Morally Responsible Investing
NASDAQ symbol	
Category	Domestic Equity
Type	Growth-income M. Cap Value
Objective	Objective is to provide principled, concerned investors with a place they can invest their money in order to achieve their moral objectives without sacrificing investment return opportunities. The Timothy Plan avoids investing in companies that are involved in practices contrary to Judeo-Christian principles. Our goal is to recapture traditional American values. We were America's first pro-life, pro-family, biblically-based mutual fund
Investment strategy	
Positive screens	
Negative screens	Abortion, pornography, alcohol, tobacco and gambling (Non-traditional married lifestyles. Anti-family entertainment.)

Management company	
CEO/ President:	
Founded:	
Address:	1304 West Fairbanks Ave. WinterPark, FL 32789
website	http://www.timothyplan.com/

NAME	BRIDGEWAY FUND INC. (6 portfolios)
NASDAQ symbol	BRSRX
Category	Domestic Equity
Type	Large Cap Value Growth
Objective	
Investment Objective	
Investment strategy	Bridgeway believes that stock market investments are only appropriate for investors with a long-term (at least a five-year, but preferably a ten-year or more) time horizon
Positive screens	
Negative screens	tobacco, defence
Management company	Bridgeway Capital Management
CEO/ President:	John Montgomery
Founded:	1993
Address:	
website	http://www.bridgewayfund.com

NAME	ARIEL FUNDS
NASDAQ symbol	ARGFX
Category	Domestic Equity
Type	Growth-income S.-M. Cap Value
Objective	
Investment Objective	Stocks of small companies with market capitalization under 1.5 billion dollar, and medium sized companies with market capitalization between 200 million and 5 billion dollars. Invest in sound companies that other institutional investors misunderstood or ignored
Investment strategy	
Positive screens	employment/equality
Negative screens	tobacco, defence

Management company	individuals
CEO/ President:	
Founded:	1986
Address:	
website	http://www.arielmutualfunds.com/

NAME	DEVELOPMENT CAPITAL
NASDAQ symbol	DESRX
Category	
Type	
Objective	To allow individuals and institutions to invest in a portfolio of socially-screened stocks AND make a tax-deductible donation of a portion of their investment returns to organizations which fund "microenterprises" of the working poor in developing nations.
Investment Objective	
Investment strategy	
Positive screens	
Negative screens	abortion, tobacco, military products, threat to the environment, pornography
Management company	Edwin C.H. Ek is the portfolio manager
CEO/ President:	
Founded:	
Address:	
website	http://www.devcap.org/

NAME	FRIENDS IVORY SOCIAL AWARENESS FUND
NASDAQ symbol	
Category	Domestic equity
Type	L Cap Core
Objective	
Investment Objective	
Investment strategy	Invests primarily in common stocks issued by large, well established and socially aware companies that the manager believes have above-average growth prospects.
Positive screens	seek out companies that operate responsibly — *actively* working to protect their employees, the environment, local communities and their customers. Safe products, environmental stewardship, human rights protection, safe workplaces, protecting communities

Negative screens	
Management company	
CEO/ President:	
Founded:	
Address:	
website	http://www.friendsivoryfunds.com

NAME	GREEN CENTURY EQUITY
NASDAQ symbol	GCEQX
Category	Domestic Equity
Type	L Cap Index
Objective	To encourage environmentally healthy corporate behaviour
Investment Objective	Channel capital toward companies whose products and services contribute to a safe and healthy environment Divert capital away from environmentally destructive businesses Make small investments in less responsible companies to use as leverage to influence corporate behaviour.
Investment strategy	
Positive screens	
Negative screens	
Management company	
CEO/ President:	
Founded:	1991
Address:	
website	http://www.greencentury.com/

NAME	FLEX FUNDS (7 funds)
NASDAQ symbol	FPBAX
Category	Domestic Equity
Type	
Objective	M Cap Value
Investment Objective	
Investment strategy	

Positive screens	
Negative screens	
Management company	R. Meeder & Associates
CEO/ President:	Robert S. Meeder Sr.
Founded:	1974
Address:	
website	http://www.flexfunds.com

NAME	MEYERS PRIDE VALUE FUND
NASDAQ symbol	MYPVX
Category	Domestic Equity
Type	
Objective	to attain long-term capital appreciation through investing in a diversified portfolio of stocks of under-valued but nevertheless fundamentally sound companies.
Investment Objective	the fund's goal is to provide strong investment returns for its shareholders (long term above-average returns)
Investment strategy	invests only in companies with open workplace policies. invests for long-term capital appreciation by seeking out undervalued, well-managed companies that we believe will out perform the market in the long term.
Positive screens	Specifically stated progressive policies towards gays and lesbians, including at a minimum, stated policies against discrimination in hiring and promotion based on sexual orientation.
Negative screens	
Management company	Meyers Capital Management, LLC (Beverly Hills, CA and Boston, MA)
CEO/ President:	Shelly J. Meyers
Founded:	
Address:	
website	http://www.pridefund.com/

NAME	***PARNASSUS INVESTMENTS*** *"the mutual fund company that does well by doing good."*
NASDAQ symbol	PARNX
Category	Domestic Equity
Type	
Objective	

Investment Objective	*long-term growth of capital*
Investment strategy	contrarian investment (buys stocks overlooked by mainstream investors. out of favor with the financial community and are, therefore, undervalued)
Positive screens	respect the environment, treat their employees well, have effective equal employment opportunity policies, good community relations and ethical business dealings.
Negative screens	alcohol, tobacco or weapons, gambling, nuclear power
Management company	
CEO/ President:	Jerome L. Dodson (founding 3 financial institutions: Continental Savings of America, Working Assets and the Parnassus Fund.)
Founded:	1984
Address:	
website	http://www.parnassus.com
NAME:	***PAX WORLD FUND*** *"Empowering Socially Responsible Investors For Over 25 Years"*
NASDAQ symbol	PAXWX
Category	Domestic Equity
Type:	
Objective:	
Investment Objective	Seek income, preservation of capital, and moderate growth; long-term capital growth is secondary
Investment strategy	For the Fund's stock component, the managers seek out well established companies that they believe can achieve above average growth. The Fund's bond component, primarily approved government agencies, moderates the Fund's volatility and provides income. (a blend of carefully chosen stocks, bonds, and government securities)
Positive screens	companies that provide goods and services that improve the quality of life health care, technology, pollution control, housing, utilities, and education
Negative screens	Defence or weapons-related products or companies, tobacco, liquor, gambling
CEO/ President:	
Management company	Pax World Management Corp. (Portsmouth, New Hampshire)
Founded:	08/10/1971
Address:	The Pax World Fund P.O. Box 8930 Wilmington, DE 19899-8930
website	http://www.paxfund.com/

NAME	VICTORY LAKEFRONT
NASDAQ symbol	VLAKX

Category	Domestic Equity
Type	
Objective	
Investment Objective	Invests in companies that have demonstrated a commitment to diversity, which may include participation of women and minorities on the board of directors and senior management, having a written or demonstrated policy concerning diversity, and having an act"
Investment strategy	
Positive screens	Employment
Negative screens	
Management company	
CEO/ President:	
Founded:	
Address:	P.O. Box 8527 Boston, MA 02266-8527
website	

NAME	WOMEN's EQUITY MUTUAL FUND
NASDAQ symbol	FEMMX
Category	Domestic Equity
Type	
Objective	
Investment Objective	To achieve long-term capital appreciation for our investors by investing in corporations that meet both our financial standards and our criteria for the advancement of women in the workplace
Investment strategy	Invest in companies that are well-managed, growth-oriented, and financially sound. (common and preferred stocks) Analyze macroeconomic indices (inflation, interest rates, corporate profits, market trends, etc.). then examine the long-term earning growth potential of promising companies, selecting for inclusion in the portfolio those companies that have the strongest policies with regards to hiring, supporting and promoting women.
Positive screens	* Promote women to top executive positions and compensate them accordingly *Have a high percentage of women directors on the board *Provide career development and training programs for women employees, including mentoring and company-sponsored women's networking groups *Monitor hiring and promotion activity closely *Offer programs addressing work/family concerns *Use women-owned companies as vendors and service providers *Present positive images of women in their advertising, promotion and marketing *Are accountable to employees, investors, and the local community
Negative screens	* Have patterns of Equal Employment Opportunity Act violations * Use sexist stereotypes in the workplace or in advertising * Sell or promote products that adversely affect women * Demonstrate unwillingness to engage in a dialogue concerning women's issues

Management company	Pro-Conscience Funds, Inc United States Trust Company of Boston (Walden Asset Management, the socially responsive investment division of USTCB carries out the social research analysis)
CEO/ President:	
Founded:	
Address:	The Women's Equity Mutual Fund 625 Market Street, 16th. Fl. San Francisco, CA 94105 415.547.9135 | 888-552-WEMF | 800.385.7003
website	http://www.womens-equity.com/

Annex III. Advantages of mutual funds, and technical terms in the analysis

Why mutual funds?

A mutual fund is a company that invests in a diversified portfolio of securities.
Mutual funds offer investors ownership of a professionally managed portfolio, thus convenient and affordable access to a variety of investments like stocks, bonds, and money market securities. In the US today, an estimated 77 million individuals in 44 million households invest $4.3 trillion in mutual fund shares. Following are the benefits of investing in mutual funds.

1. Lower Costs
Most mutual funds require a small initial investment and allow investors to make small subsequent investments. By combining the investments of many shareholders, a mutual fund can invest in a variety of securities. Trading costs, that might otherwise be prohibitive to an individual investor, are spread across the fund's shareholders. This cost sharing makes mutual fund investing even more accessible to the individual investor.

2. Professional Investment Management
Mutual funds give investors access to experienced, professional portfolio managers who understand the complexities of the markets and securities in which they invest. These professionals choose investments that best match the fund's objectives as described in the prospectus. Their investment decisions are based upon extensive knowledge and research of market conditions and upon financial performance of individual companies and securities.

3. Diversification
The portfolio manager of a mutual fund invests the pooled shareholder monies in a variety of securities, or diversifies the portfolio. A diversified portfolio helps reduce risk by offsetting losses from some securities with gains in others. Individual investors would find it expensive and time consuming to develop a portfolio as diversified as a mutual fund. Diversification distributes the money among a variety of investments preventing extreme loss from one security and providing greater stability.

4. Convenience
Each unit of a mutual fund is called a share. Purchasing and redeeming shares of a mutual fund is an easy process, which can be done through a financial adviser or the investor itself through his own knowledge and research. Most mutual funds have toll free phone numbers to place orders and seek fund information. Many mutual funds allow automatic reinvestment of dividends (payments from the fund's investments), which allows purchasing more shares with the investment earnings. Systematic investing is another feature that allows investors to send money directly from a bank account.

5. Liquidity
Investors are able to redeem their shares on any business day at current market value, which may be more or less than the original purchase value. Some mutual funds may apply a redemption fee on withdrawals.

6. Performance Reporting
It is easy to track the performance of mutual funds through news media and the internet. Investors also receive detailed monthly or quarterly statements that outline the performance history of their investments.

7. Regulation
The US Securities and Exchange Commission (SEC) strictly regulates all US mutual funds. SEC oversight ensures investors are not mislead by false advertising or unfair business practices. As part of the SEC regulations, all mutual funds must provide investors with written disclosure about the fund in the prospectus.

Mutual funds now number in the thousands and run the gamut from conservative money market funds to ultra-aggressive stock funds. "Conservative" investments are those that have relatively modest risk/reward potential, with a lot of emphasis placed on preserving the value of your initial investment and/or on generating regular income. “Aggressive" investments are those that take on a greater degree of risk for potentially greater long-term capital appreciation.

A spectrum of choices
The following spectrum is designed to give a general idea of the risk/return potential of various types of mutual funds. The funds are listed by their "objective," which helps to indicate what area of the market they focus on and what strategies their portfolio managers employ in pursuing their goal.

Low Risk/ Return Potential	Money Market Funds
	Objective: Preservation of capital; some current income *Typically invest in:* Short-term government securities Short-term money market securities Short-term tax-exempt municipal obligations
	Bond Funds
	Objective: Current income; some capital appreciation *Typically invest in:* U.S. government bonds U.S. corporate bonds Tax-free municipal bonds Foreign bonds (government and corporate)
High Risk/ Return Potential	Stock Funds

		Objective: Capital appreciation *Typically invest in:* Dividend-paying stocks Growth stocks Emerging growth stocks International stocks Emerging markets stocks

Securities
A general term for publicly traded stocks, bonds and other financial instruments.

Stock
A share of ownership, or equity, in a corporation. For example, if an investor buys 10,000 shares in a company with 1 million shares outstanding, he owns 1% of the company.

Bond
A type of security that pays a fixed amount of interest at a regular interval over a certain period of time. Bonds are essentially loans given to companies and government entities who promise to pay back the loan at a specified interest rate. Bonds are considered less risky investments than stocks. A bond’s rating is like a person's credit rating. It gives an idea of whether the company that issued the bond will be able to make its payments on the loan. As a bond holder, investors receive that interest payment periodically.

Market capitalization
The total number of a company's shares multiplied by the current price per share. For example, if a company has 10 million shares, and the current price per share is $20, then the company's market capitalization is $200 million ($20 x 10 million). When investors refer to small cap mid cap or large cap stocks, they're referring to the amount of the stock's market capitalization. In the Quicken.com Portfolio, stocks with a market cap below $3.5 billion are designated as small cap, and stocks with market caps above $3.5 billion are deemed to be large caps. For mutual fund data at Quicken.com, Morningstar determines market cap size. Currently, funds with a median market cap below $1.7 billion are small caps. Funds with a market cap between $1.7 billion and $10.74 billion are midcaps, and funds with median market caps above $10.74 billion are large caps.

Minimum Initial Investment
When referring to a mutual fund it is the smallest amount a fund will accept as an initial investment. Most funds have minimum initial investments; the specific amount varies from one fund to the next.

Front-end Load
A sales charge taken out of an initial mutual fund investment. Typically the load is used to compensate brokers and financial advisors, but sometimes it goes directly to the fund company. By law fund companies can charge a maximum sales charge of 8.5%. Because of competition among mutual funds, however, front-end loads typically are between 4.5% and 5.5%. That means $45 to $55 is taken out of each $1,000 that is invested. People who invest

large sums usually can get a break on the sales charge. Many funds do not charge this fee, and are thus called no-load funds. Also called an initial load.

Expense ratio

The percentage of assets that mutual fund shareholders pay annually. This fee includes operating, management and administrative, expenses, as well as any 12b-1. Investors often use this statistic to compare mutual fund costs because high expense ratios can substantially cut into a fund's return. The average expense ratio for stock funds is 1.4%, and 1.0% for bond funds. All other things being equal, it's best to choose a fund that has an expense ratio that is lower than average for its category.

12b-1

Charged by some mutual funds to pay for marketing costs. Typical 12b-1 fees range from 0.20% to as much as 1.0%. The fee is included in a fund's annual expense ratio To maximize your returns, you should always look to minimize your fund costs. Funds that do not charge the 12b-1 typically have lower expense ratios.

Definitions of Modern Portfolio Theory Statistics

Alpha

A measure of risk adjusted performance used to quantify the difference between the security's actual performance and the performance anticipated in light of the security's risk (beta) and the market's (relative market index) behavior. In short, alpha tells us how much better, or worse, a security did relative to what it was expected to do based on its risk posture. A positive alpha indicates a security's return has been more than commensurate with its risk posture. Higher numbers are better than lower.

Beta

A measure of a security's volatility in relation to the equity market as measured by the market index relative to each security's investment category. This statistic reflects only the market-related portion of a security's risk, and so is a narrower measure than standard deviation, which reflects total risk (market related and unique.) In general, the volatility of the relative market index is considered to be 1.00, so beta of 1.50 would indicate a volatility level 50% greater than that of the market. Since this statistic is relative to the market, betas for securities with little or no correlation to the market are less significant. You may wish to consider R-Squared as a measure of more significance of this statistic.

R - Squared

A measure of a security's diversification in relation to the market, this statistic indicates the percentage of a security's risk which cannot be eliminated through further diversification. In precise percentage terms, this figure indicates just how closely a security's performance variation paralleled the market over the same time period. Lower figures indicate less correlation with the market, and hence lower significance of the beta statistic. A relative market index is used as a proxy for the market when measuring R-Squared.

Sharpe ratio

A measure of risk-adjusted performance calculated by dividing the excess return of a portfolio above the risk-free rate by its standard deviation. Higher values are desirable and indicate greater return per unit of risk.

Standard deviation (Stdv.)
A statistical measure of the month-to-month ups and downs of a security's returns. Money-market securities, which have stable asset values, have standard deviations of zero. Volatile, aggressive-growth portfolios can have standard deviations of 6 percent or more.

List of US International funds French holdings

1. Citizens Global Equity Fund

Investments in France:	4,96%
Canal Plus (media)	28 000
Havas Advertising (advertising)	7900
ST Microelectronics NV (electronics)	25 000

2. Friends Ivory European Social Awareness

ST Microelectronics NV (electronics)	3,48%
AXA-UAP	2,53%
Vivendi	2,51%

3. Portfolio 21

ST Microelectronics NV (electronics)	4,22%

4. MMA Praxis International

Investments in France:	6,77%
Carrefour	6780
Equant Eu	2974
Rhodia Sa	28 338
Valeo	13 551
Vivendi Eu	19 740

5. Calvert World Values International Equity

Investments in France:	11,05%

Annex V. Information on Canadian ethical funds

The 23 socially screened funds are operated by the following seven mutual fund companies. All of these funds invest broadly in the sectors of the economy to achieve a diversified portfolio

1. **Clean Environment Funds**. Managed by Acuity Funds Inc. There are three Clean Environment Funds that invest in companies reflecting the concept of sustainable development. Stocks are chosen according to a scientific analysis based on sustainable technologies, processes or products.
Website: www.cleanenvironment.com

2. **Desjardins Funds**. Managed by Desjardins Trust. Includes four funds. Three hold units in various Ethical Funds, which are screened for industrial relations, racial equality, tobacco, military production, nuclear energy and environmental practices. As well, Desjardins manages the Desjardins Enevironment Fund, which screens on a broad range of environmental issues
Website: www.desjardins.com/index.shtml

3. **Investors Summa Fund**. Managed by Investors Group, the Summa Fund screens for alcohol, tobacco, gambling, military weapons, pornography, environmental policies and repressive regimes.
Website: www.investorsgroup.com

4. **Mackenzie Universal Global Ethics Fund**. Managed by Mackenzie Financial, the Universal Global Ethics Fund positively screens for community involvement, education and training, healthcare, employee relations, audits and openness, relationships, corporate governance and various environmental criteria. Negative screens include: alcohol, gambling, tobacco, irresponsible marketing, armaments, oppressive regimes pornography and animal rights and various environmental criteria.
Website: www.mackenziefinancial.com

5. **Navigator SAMI Fund**. Managed by Navigator Mutual Funds Inc. Navigator SAMI invests in companies that meet certain screens. These screens have been developed so as to identify companies which are consistent with the precepts of Koranic law.
Website: www.navigator.ca

6. **YMG Sustainable Development Fund**. Managed by YMG Capital. The fund uses a sustainable development index (SDI) of at least 80 measures of social, economic and environmental sustainability. The fund also uses an economic value-added (EVA) approach to evaluate the investment-worthiness of companies.
Website:www.ymg.ca

7. Ethical Funds. Managed by Ethical Funds Inc. Includes 12 funds. These funds screen for industrial relations, racial equality, tobacco, military production, nuclear energy and environmental practices. Ethical Funds does not invest in tobacco companies and companies whose primary activity involves military production and nuclear energy. Ethical Funds also encourages companies to respect the environment and basic human rights, and practice progressive industrial relations.
Website: www.ethicalfunds.com

Canadian Income
Ethical Money Market Fund
Ethical Income Fund

Foreign Income
Ethical Global Bond Fund

Balanced
Ethical Balanced Fund

Canadian Equity
Ethical Growth Fund
Ethical Canadian Equity Fund

Foreign Equity
Ethical Global Equity Fund
Ethical RSP Global Equity Fund
Ethical RSP North American Equity Fund
Ethical North American Equity Fund
Ethical Pacific Rim Fund

Ethical Funds	**Compound Annual Rates of Return**				**NAV Per Unit**	**Total Assets (millions)**
	1yr	**3yr**	**5yr**	**10yr**		
Ethical Money Market Fund						
Current Yield:4.37%	3.8%	3.4%	3.7%	5.2%	$10.00	$112.6
Ethical Incom Fund	0.6%	4.9%	7.2%	8.1%	$10.61	$187.4
Ethical Global Bond Fund	(4.7)%	1.2%	3.2%	-	$5.00	$28.5
Ethical Balanced Fund	8.2%	5.9%	10.3%	9.2%	$16.28	$632.4
Ethical Growth Fund	11.6%	5.7%	12.1%	9.9%	$12.63	$752.8
Ethical Special Equity Fund	7.4%	1.3%	8.1%	-	$6.52	$78.5
Ethical North American Equity Fund	22.4%	31.4%	30.7%	19.3%	$41.48	$378.1
Ethical Pacific Rim Fund	1.2%	(18.8)%	(6.2)%	-	$3.83	$40.1