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## ETF INVESTING

## ETFs find their conscience

### First socially responsible ETF takes unique approach

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"One out of every nine investment dollars currently under professional management in the country is invested using some form of socially responsible criteria," said Elizabeth Laurienzo, a spokeswoman for Bethesda, Md.-headquartered SRI firm Calvert Group, which sells its funds through intermediaries.

SRI assets grew 40 percent faster than all professionally managed investments in the United States during the period 1995 to 2003, she added.

However, of the over \$2 trillion invested in socially responsible vehicles, which includes portfolios screened for particular stocks and sectors as well as separate accounts, only a small part of the pie is held in mutual funds.

According to Chicago-based investment research firm Morningstar, at the end of January there was \$35.7 billion invested in 206 SRI funds.

Nevertheless, the funds have been gaining steam with mainstream investors after the corporate shenanigans exposed at companies such as WorldCom, Enron and Tyco International.

"The corporate scandals of the past few years have highlighted to investors the intangible value of companies that have strong governance and ethics," said Steve Falci,

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Still, the broad Calvert Social Index has lagged the S&P 500 index ([SPX: news](#), [chart](#), [profile](#)) slightly over the past three years, averaging annual gains of 3 percent through Feb. 17, compared with 4.6 percent for the S&P 500.

Yet SRI fund managers have benefited from the fact their investors generally take a long-term view and tend to be loyal to the funds.

"Right after the corporate scandals broke and the market was going down, there was a net influx of money into socially responsible funds," said Todd Larsen, a spokesman for Social Investment Forum. "So they were holding their own and even gaining assets at a time when mutual funds as a whole were losing money."

### And coming soon: clean-energy ETF

An ETF based on an index of publicly traded energy companies that focus on environmentally friendly sources of energy and technologies is set to begin trading on the American Stock Exchange next month under the symbol "PBW."

The ETF, which will be managed by PowerShares Capital Management, will track the WilderHill Clean Energy Index, a benchmark calculated by the Amex that was launched in August. The Amex collaborated with index provider WilderShares LLC in developing the index.

The index contains 37 companies that use greener and renewable energy alternatives such as wind, solar and hydrogen fuel cells.

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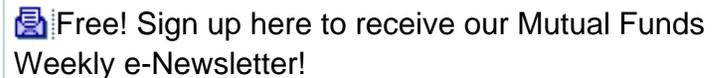
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