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Be Socially Responsible via an ETF

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In the past, if you wanted to be a socially responsible investor, shunning companies that engaged in practices you disliked (such as pollution, animal testing, discriminating against women, etc.), you had to study companies on your own and choose carefully among them. Then, beginning in the 1970s, you had the option of investing in new mutual funds that did the research for you. The nearly 36-year-old pioneer **Pax World Balanced Fund** (FUND: [PAXWX](#)), for example, has racked up average annual gains of 9.5% in its history and has recently counted among its top holdings companies such as **Cisco Systems**, **Cemex**, and **Staples**.

There's a new option available to you, though. Now you can invest in a socially responsible manner via exchange-traded funds (ETFs), which offer some advantages over traditional mutual funds. Like index funds, ETFs are typically based on some index or grouping of stocks. They tend to sport low fees, and whereas some mutual funds have minimum investment amounts of \$3,000 or more, you can buy as little as a single share of an ETF (though that extreme is not always smart, given commission costs -- spending \$15 to buy a \$45 share puts you down 33% from the get-go).

So if you're interested in socially responsible investing (SRI) and in ETFs, where should you look? Here are two possibilities:

- The **Barclays iShares KLD Select Social Index** (NYSE: [KLD](#)) invests in companies in the KLD Select Social index, which itself is composed of around 200 to 300 companies from the S&P 500 and Russell 1000 indices. Top recent holdings included **Texas Instruments**, **Hewlett-Packard**, and **Procter & Gamble**.

The **Power-Shares WilderHill Clean Energy Portfolio** (AMEX: [PBW](#)), in its own words, "seeks to replicate, before fees and expenses, the WilderHill Clean Energy Index, which is designed to deliver capital appreciation through the selection of companies that focus on greener and generally renewable sources of energy and technologies that facilitate cleaner energy." Its top holdings include **Zoltek**, **Cree**, and **Emcore**.

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