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ETFs Get a Conscience

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Exchange-traded fund companies are wearing green as they roll out two new offerings designed to track socially responsible indexes.

Barclay's Global Investors, the leader in ETFs with over \$111 billion in ETF assets, formally introduced the **iShares KLD Select Social Index Fund** ([KLD:NYSE](#) - [commentary](#) - [research](#)) Monday. The ETF started trading last Friday under the ticker "KLD" on the **New York Stock Exchange**.

The expense ratio for the ETF is 50 basis points. Shares of KLD recently traded at \$50.36, up 52 cents.

The KLD follows the **KLD Select Social Index**, which comprises 250 to 350 non-tobacco companies found in the Russell 1000 and ranked according to their social and environmental impact. The rankings are performed by KLD Research & Analytics, a Boston-based investment research and index firm.

In evaluating a company, KLD says it considers the environment, labor relations, community relations, diversity, product safety human rights record and governance.

The Select Social Index was introduced in June 2004 and returned 9.8% in the fourth quarter, matching the Russell 1000, according to KLD. For the month of December 2004, the KLD index gained 3.65%, 3 basis points better than the Russell 1000.

The index's top 10 holdings at Dec. 31 were **Wells Fargo** ([WFC:NYSE](#) - [commentary](#) - [research](#)), **Microsoft** ([MSFT:Nasdaq](#) - [commentary](#) - [research](#)), **Procter & Gamble** ([PG:NYSE](#) - [commentary](#) - [research](#)), **Fannie Mae** ([FNM:NYSE](#) - [commentary](#) - [research](#)), **General Mills** ([GIS:NYSE](#) - [commentary](#) - [research](#)), **Bank of America** ([BAC:NYSE](#) - [commentary](#) - [research](#)), **Johnson & Johnson** ([JNJ:NYSE](#) - [commentary](#) - [research](#)), **General Electric** ([GE:NYSE](#) - [commentary](#) - [research](#)), **St. Paul**

Travelers ([STA:NYSE](#) - [commentary](#) - [research](#)) and **Intel** ([INTC:Nasdaq](#) - [commentary](#) - [research](#)).

Lee Kranefuss, CEO of BGI's Intermediary Business, says KLD addresses one of the principal barriers facing socially responsible investment: the reluctance of institutional investors to limit diversification across the market.

"This ETF responds to these concerns by investing in domestic companies representing every industry, except tobacco, modifying their weights based on their social characteristics and maintaining risk exposure similar to the Russell 1000," says Kranefuss.

PowerShares Capital Management, BGI's far smaller rival with about \$500 million in assets, announced its intentions today to release its own socially responsible ETF.

Go to NEXT PAGE

The company says the **PowerShares WilderHill Clean Energy Portfolio** ([PBW:Amex](#) - [commentary](#) - [research](#)) ETF will begin trading on the **American Stock Exchange** in mid-February under the ticker "PBW." The expense ratio for the fund will be 60 basis points.

PBW is based on the **WilderHill Clean Energy Index**, which represents 37 U.S. companies that focus on greener and generally renewable sources of energy, like wind and the sun, and technologies facilitating cleaner energy. The WilderHill Clean Energy index was unveiled on the Amex in August 2004 and is up approximately 21% since inception.