

Social responsible funds

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These are funds invested without following the normal economic guidelines of making profits irrespective of the type of business. Examples are investments in religious views, human rights, or environmental responsibilities. Funds may invest in the companies that are environmentally friendly and leave those that encourage pollution. Such funds are also not invested in activities that facilitate manufacture and consumption of drugs and alcohol or gambling.

Most of the investors ask themselves one question. The question is whether an investor who puts his or her personal values first will earn money more than the one that do not consider such a factor. The most answer by many is indefinite leaving 'sometimes' as the answer to such a question. It is the most appropriate answer one would come to after an observation at the Social Responsible Investments (SRI) from the Morningstar article. There are other examples of social responsible funds that will be addressed in the paper. The first example of such funds is Parnassus Workplace (PARWX).

Many years ago, the manager, Jerome Dadson, realized that many stocks of companies, traded publicly, appeared on the "Top one hundred best companies to work for." This was according to Fortune Magazine several years back. The funds also invested in other several companies that, according to the manager, boosted environmental status for the good stay of the employees. Just like all the funds run and managed by the Parnassus, the Parnassus Workplace screened out companies from tobacco, weapon-contracting industries, gambling, alcohol, and companies generating electricity by the use of nuclear power. This is to ensure that moral and good

working conditions for the employees are uplifted to the highest level possible.

Another example is Sentinel Funds. Sentinel, through its advisor, Sentinel Investment has also started the screening process. It rejected companies that are involved in the production of alcohol and other hard drugs, illegal weapons and nuclear energy. It had similar roles just like the Parnassus Workplace. Socially screened funds are still not very common compared to other types of funds. Research data shows that there were less than 75 of such screened funds by the year 2000.

Although the number has doubled today, the fund is still considered a speck in the world of funds. According to Morningstar, investors had about \$55billion in responsible social finds. Such an amount is quite low as it contains only 0. 5% of the total world funds. Another research revealed in the Morningstar shows that the total investment fund in the United States is \$163billion.

However, only \$2. 7 billions out of this belong to Responsible Social Funds. This shows that the funds are still at their early stages of life cycles. These companies are very important in the promotion of ethical values in the business and management world. However, their growth has been lagging due to some reasons; the cost of screening is relatively high in most of the times.

Due to the high cost, the funds tend to charge relatively higher prices in the operating expenses. The fund is also very selective business operations it involves itself in. It normally withholds itself on energy and industrial stocks

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since they are always prone to poor environmental test results. On the other hand, they favor sectors such as technology and healthcare sectors since the criteria for the screening always favor such sectors. Some of these funds also focus on the companies that produce lead free substances in order to conserve the environments.

Lead companies are numerous and getting one that is mainly against it is hard and may as well mean the deteriorating development rates of these funds. In conclusion, social responsible funds are funds mainly focusing on the well-being of our societies. They are up to the ethical excellence of business societies. However, they do face numerous challenges as shown above.