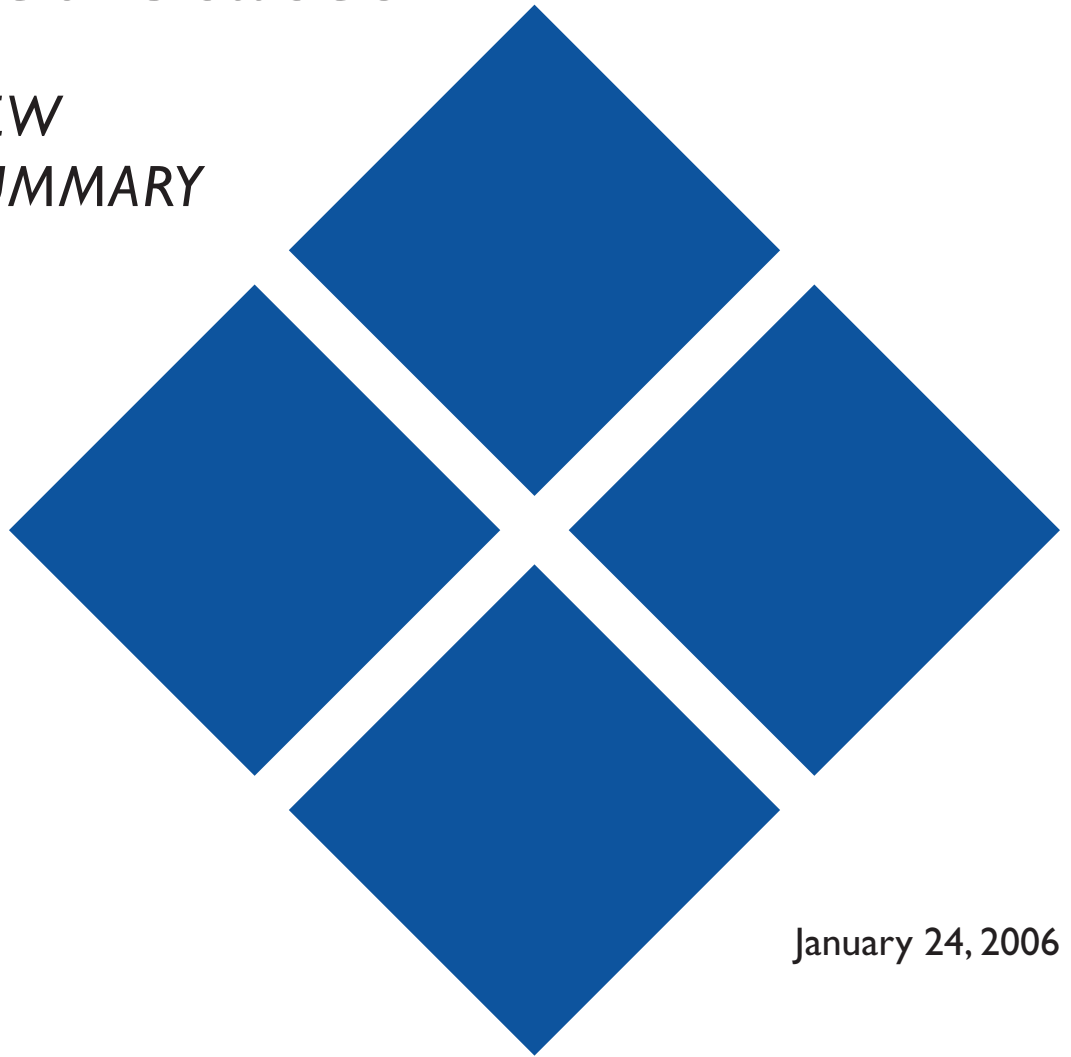


SOCIAL INVESTMENT FORUM

2005 Report on Socially Responsible Investing Trends in the United States

*10-YEAR REVIEW
EXECUTIVE SUMMARY*



January 24, 2006

SOCIAL INVESTMENT FORUM
INDUSTRY RESEARCH PROGRAM

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EXECUTIVE SUMMARY

2005 Report on Socially Responsible Investing Trends in the United States • Ten-Year Review

This report marks ten years since the Social Investment Forum published its first biennial report on socially responsible investing (SRI). Over those ten years, socially responsible investment assets grew four percent faster than the entire universe of managed assets in the United States, the 2005 report finds.

SRI assets rose more than 258 percent from \$639 billion in 1995 to \$2.29 trillion in 2005, while the broader universe of assets under professional management increased less than 249 percent from \$7 trillion to \$24.4 trillion over the same period.

HIGHLIGHTS OF THE 2005 REPORT:

Total Socially Responsible Investing Assets

The 2005 Report has identified \$2.29 trillion in total assets under management using one or more of the three core socially responsible investing strategies—screening, shareholder advocacy, and community investing. In the past two years, social investing has enjoyed healthy growth, increasing from \$2.16 trillion in 2003.

Share of Total Universe

Nearly one out of every ten dollars under professional management in the United States today—9.4 percent of the \$24.4 trillion in total assets under management tracked in Nelson Information's Directory of Investment Managers—is involved in socially responsible investing.

Socially Screened Mutual Funds

Assets in socially screened mutual funds and other pooled products rose to \$179.0 billion in 2005, an 18.5-percent increase over the \$151 billion tracked in 2003. Over the same period,

the number of mutual funds and pooled products tracked increased slightly from 200 to 201. Over the past ten years, mutual funds have been the fastest growing segment of SRI. Assets increased from \$12 billion in 1995—a 15-fold increase to today's \$179.0 billion.

FIGURE A

Socially Screened Mutual Funds • 1995-2005

	1995	1997	1999	2001	2003	2005
Number of Funds	55	144	168	181	200	201
Total Net Assets <i>(In Billions)</i>	\$12	\$96	\$154	\$136	\$151	\$179

SOURCE: Social Investment Forum Foundation

Socially Screened Separate Accounts

With more than \$1.5 trillion in assets, socially screened separate accounts managed for individual and institutional clients constituted the bulk of SRI assets tracked in 2005, including \$17.3 billion managed for individual clients and another \$1.49 trillion under management in institutional client accounts. SRI separate account assets have increased ten-fold from the \$150 billion identified in 1995. Since 2003, institutional client assets have declined somewhat as single-issue screening has waned and institutional investors have preferred to use shareholder advocacy to raise issues of concern, for example, through coalitions such as the Investor Network on Climate Risk, a project of Ceres. Additionally, new institutions are beginning to incorporate screening on the environment, repressive regimes (particularly Sudan), and terrorist states, which will be included in future reports.

Shareholder Advocacy

Shareholder resolutions on social and environmental issues increased more than 16 percent from 299 proposals in 2003 to 348 in 2005. Social resolutions reaching a vote rose more than 22 percent, from 145 in 2003 to 177 in 2005. Institutional investors that filed or co-filed resolutions on social or environmental issues controlled nearly \$703 billion in assets in 2005, a 57-percent rise over the \$448 billion in assets counted in 2003.

Community Investing

Assets in community investing institutions rose 40 percent from \$14 billion in 2003 to \$19.6 billion in 2005. Community investing assets have nearly quintupled from the \$4 billion identified a decade ago.

FIGURE B

Socially Responsible Investing in the US • 1995-2005

(In Billions)	1995	1997	1999	2001	2003	2005
Social Screening ¹	\$162	\$529	\$1,497	\$2,010	\$2,143	\$1,685
Shareholder Advocacy	\$473	\$736	\$922	\$897	\$448	\$703
Screening and Shareholder ²	N/A	(\$84)	(\$265)	(\$592)	(\$441)	(\$117)
Community Investing	\$4	\$4	\$5	\$8	\$14	\$20
Total	\$639	\$1,185	\$2,159	\$2,323	\$2,164	\$2,290

SOURCE: Social Investment Forum Foundation

1. Social Screening includes mutual funds and separate accounts. Since 2003, SRI mutual fund assets have increased (see Section II) while separate account assets have declined (see Section III) as single issue screening has waned and shareholder advocacy increased on the part of institutional investors.

2. Assets involved in Screening and Shareholder Advocacy are subtracted to avoid double counting. Tracking Screening and Shareholder only began in 1997, so there is no datum for 1995.

Ten-Year Trends

Over the past decade, SRI has become a force within the US financial marketplace.

- ◆ Socially and environmentally screened mutual funds have experienced substantial growth in the number and diversity of products and screens offered.
- ◆ Mainstream money managers are increasingly incorporating social and environmental factors into their investing.
- ◆ A growing number of institutional investors are active owners of the companies in their portfolios, and support for the growing numbers of shareholder resolutions filed on social, environmental and corporate-governance issues rose dramatically over the last ten years. Shareholder advocacy, whether through the proxy process or in direct dialogue with companies, produced tangible changes in corporate policies and practices.
- ◆ Community investing is experiencing significant growth in assets, helping to increase the economic opportunities for lower-income communities and spurring industry developments that are making it easier for a broad range of investors to participate in this expanding field.
- ◆ The globalization of socially and environmentally responsible investing continues to advance through a diversity of developments in different regions around the world, from the largest SRI markets in Canada, Europe, Australia and Japan to the more sophisticated emerging markets of Latin America, South Africa and the Asia Pacific region.