

Sponsor: KLD & Company

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(Note: This project was offered last year. Needs confirmation for this year)

Risk in Socially Responsible Investment Strategies

Portfolio managers may want to optimize based on more than risk and reward characteristics alone. Social responsibility is becoming more important among the other characteristics that matter. Some recent studies, using KLD data, have shown that one may not have to give up return due to stressing social responsibility. For example, the Domini Social Index probably is more risky but also has higher returns on average to compensate for higher the increased risk. In this study you will use KLD data to examine other characteristics of the Domini Social Index – whether socially responsible firms are more liquid, more transparent, and hence have lower risk characteristics not captured by the conventional return standard deviation measure of risk.