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The Financial Performance of Ethical Investment Trusts: An Australian Perspective

| Published: May 2000

| Volume 25, pages 79–92, (2000) [Cite this article](#) [Save article](#)[View saved research](#) >**[Journal of Business Ethics](#)**[Aims and scope](#) →[Submit manuscript](#) →[Lorne S. Cummings](#)¹ **1523** Accesses  **140** Citations [Explore all metrics](#) →

Abstract

This study examines whether differences in financial performance exist for investment trusts which base their portfolio selection primarily on an ethical screen, compared to indexes which incorporate a broader spectrum of investments. Results indicate that on a risk-adjusted basis there is an insignificant difference in the financial performance of these trusts against three common market benchmarks. However as to the extent of the directional effect, there does exist slightly superior financial performance by ethical trusts against their respective industry average indexes, but an underperformance against a smaller company's index and the market as a whole. The lack of a distinct advantage in the

short to medium term for applying an ethical screen, may in part be due to the recent development of ethical investments in Australia. Stronger performances by older ethical investment trusts may indicate superior returns are more likely to occur over a longer term.



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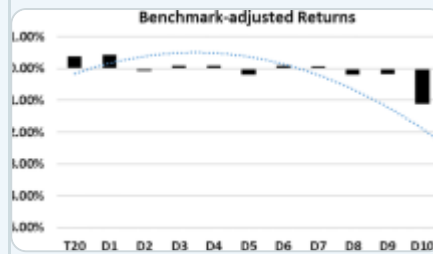
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Cite this article

Cummings, L.S. The Financial Performance of Ethical Investment Trusts: An Australian Perspective. *Journal of Business Ethics* **25**, 79–92 (2000). <https://doi.org/10.1023/A:1006102802904>

Issue date

May 2000

DOI

<https://doi.org/10.1023/A:1006102802904>

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