How You Could Unknowingly Be Supporting the Sex Trade Industry

A prominent pornography website created something of a stir recently when they announced a contest whose prize would be a $25,000 college scholarship. Contestants were asked to submit a video on the topic “How do you strive to make others happy?”

In announcing the contest, the company said “We work hard to help make millions of people feel happy every single day … we would like to help support the recipient of (our scholarship) to realize their goal of doing the same.” A company executive added that they hope the winner will share their “sex positive belief system.”

“Feminist and sexual-violence groups quickly pounced on the scholarship, criticizing it as a way to get young women unable to afford college to make sexually explicit videos of themselves,” according to *TIME* magazine.

So here’s my question: How do you feel about this? More pointedly, how would you feel if you learned that your daughter was thinking about entering the contest? For most of us, the answer would be “aghast and appalled.” And we would do whatever we could—within the considerable limits of parents’ ability to influence 18-year-olds on anything—to convince our child to drop the idea. As many critics of the contest noted, pornography exploits women, and this “scholarship” in particular targets vulnerable young people who shouldn’t have to sell their bodies in order to get a college education.

Hopefully your daughter is convinced. But here’s another question: Do your mutual fund portfolios include Metro Global Media (MGMA) … or Beate Uhse AG (BEUHF) … or RCI Hospitality Holdings (RICK)? Not sure? That’s not surprising—it’s a real challenge to know all the holdings of one's mutual fund(s). And even if you did, how could you be expected to know the actual business activities of companies with such generic and innocuous sounding names?

Still, not knowing is a problem … since Metro and Beate are primary producers and distributors of pornography and RCI Hospitality Holdings is one of the country's largest operators of high-end strip clubs. Which means that if your mutual funds do include these companies, you are involved in the same sort of behavior you otherwise find reprehensible—profiting from the sexual exploitation of young women.

You may be comforting yourself with the thought "What are the odds? I'm sure it's unlikely that any of my mutual funds have invested in these or other sex-related businesses." Not so fast. Mutual funds are typically among the largest owners of sex-related stocks, including funds from prominent companies like Fidelity, T. Rowe Price, Goldman Sachs and Nationwide. And if you are a devotee of the index-fund variety of mutual funds, for example, from companies such as Vanguard, know that you are especially likely to be profiting not just from sex-related companies, but from the full complement of "sin stocks." Suppose your daughter learned that. How would she feel? You're right, "aghast and appalled."

What's a conscientious investor to do? Swear off mutual funds entirely and try to become a capable stock-picker? Not likely. A better alternative is to choose mutual funds that intentionally bring a moral assessment to their investing decisions. Only then can you be confident that you won't be in the position of so many investors—profiting from companies that directly contradict their deepest convictions. In other words, engaging in what we all understand as hypocrisy.

Fortunately, there are hundreds of ethical choices in the "socially responsible investing" (SRI) and "biblically responsible investing" (BRI) mutual fund categories—many with excellent performance records, ethics and outperformance, which means you’d have no reason to fear that your daughter, or anyone else, might learn what’s actually in your portfolio.

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