

# SRI Funds Advice

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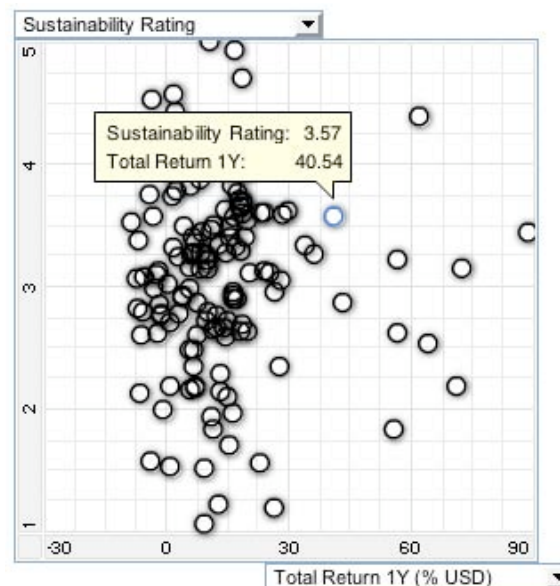
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A Joint Venture of:



# Key theses

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- 1. The diversity of SRI funds is very high**
- 2. Quite some self declared SRI funds are like a watermelon: Green marketing slogans, but conventional portfolio**
- 3. Investors have to select SRI funds carefully, if they want to achieve high ethical/ sustainable performance and a high financial performance**

# Background

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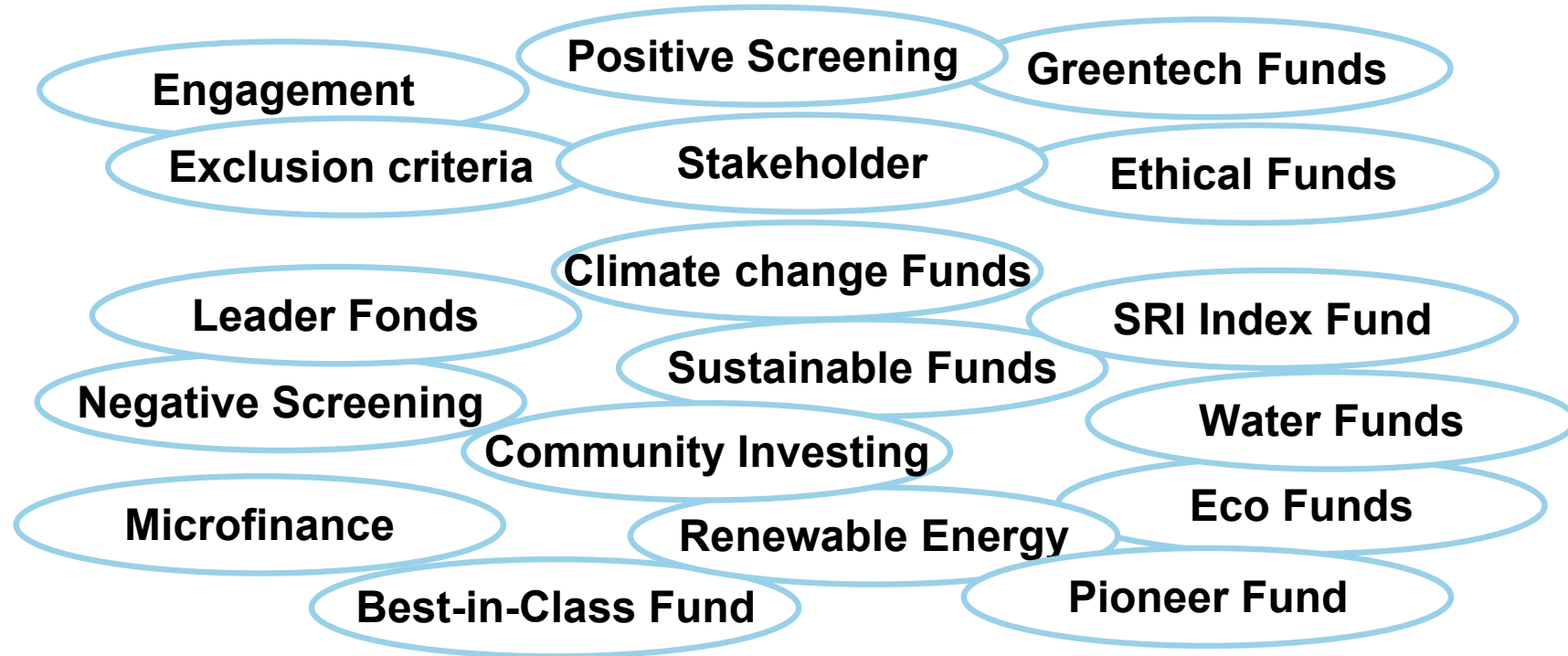


- » With increasing SRI volume (CH 2007: plus 67 %, Source: onValues) also the number of SRI funds increased.
- » Existing platforms offer either qualitative information about sustainability and ethical criteria or/and only financial information on a quantitative level.
- » There is no information platform, which covers the SRI funds globally
- » Goal of SRI Funds Advice:  
Global coverage, quantitative rating with respect to financial and sustainability performance

## **Thesis 1.**

**The diversity of SRI funds is very high**

# Colorful variety of SRI Funds



- Conclusion: Many strategies exist to integrate sustainability into funds, but no generally valid typology

# Global market overview

## Number of available SRI funds according to investment focus

	Global	Continental Europe	UK	Nordic Countries	North America	Pacific	Emerging Markets	Total
<b>Equities</b>	<b>224</b>	<b>85</b>	<b>24</b>	<b>21</b>	<b>70</b>	<b>53</b>	<b>18</b>	<b>495</b>
<b>Bonds</b>	<b>17</b>	<b>43</b>	<b>3</b>	<b>0</b>	<b>16</b>	<b>2</b>	<b>1</b>	<b>82</b>
<b>Asset Allocation</b>	<b>36</b>	<b>24</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>67</b>
<b>Money Market</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>16</b>
<b>Total</b>	<b>281</b>	<b>158</b>	<b>28</b>	<b>22</b>	<b>97</b>	<b>55</b>	<b>19</b>	<b>660</b>

» Source: [www.srifundsadvice.com](http://www.srifundsadvice.com)

## **Thesis 2.**

**Quite some self declared SRI funds are  
like a watermelon:**

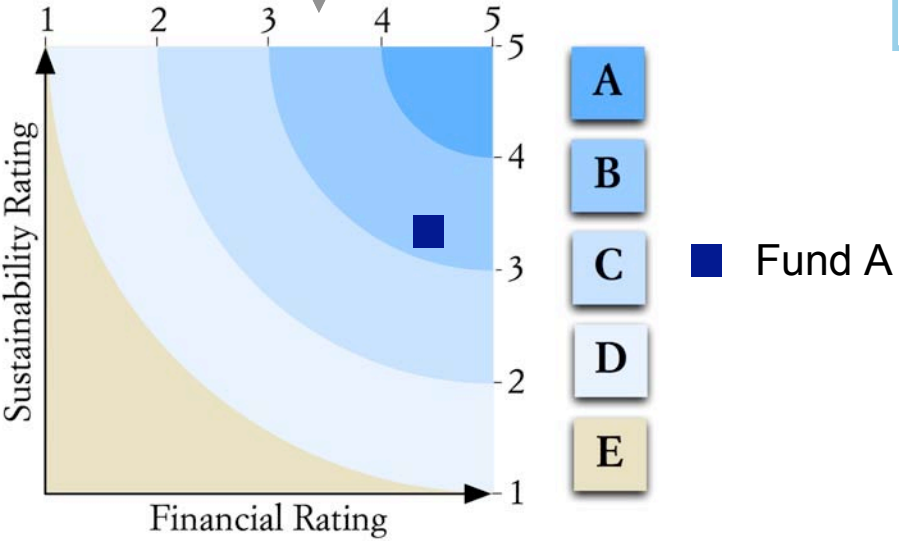
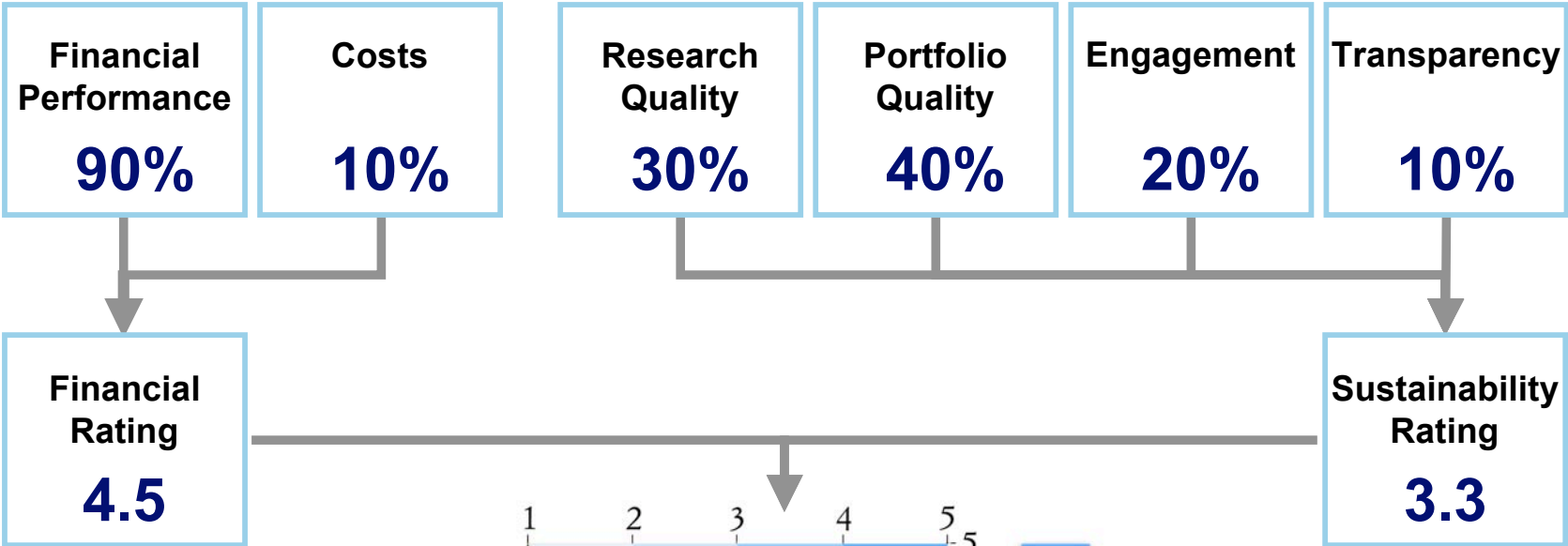
**Green marketing slogans, but  
conventional portfolio**

# Set of criteria to assess sustainability of funds

<b>Financial Research</b>	
<b>Financial Performance</b>	Fund Management skills, Cumulative performance, Financial risk, Consistency analysis, Turnover of portfolio
<b>Costs</b>	Management Fee, Total Expense Ratio TER
<b>Sustainability Research</b>	
<b>Research Quality</b>	Concept and Methodology (Screening, in-house research, External rating agencies, Sector analysis, Validation) Resources und processes (Team, Experience, Capacity, Universe, Frequency of updates )
<b>Portfolio Quality*</b>	Environmental and social performance, Sustainable sector allocation, Controversial business activities (set of negative criteria)
<b>Engagement</b>	Dialogue with companies, Execution of voting rights, Shareholder Resolutions
<b>Transparency</b>	Investment philosophy, Sustainable screening criteria, Rating examples, Publication of the portfolios, Transparency with respect to engagement, General responsiveness of the fund management

\*Inclusion of external research:: Ratings by SiRi Company, Country Ratings by Zürcher KantonalbankZKB

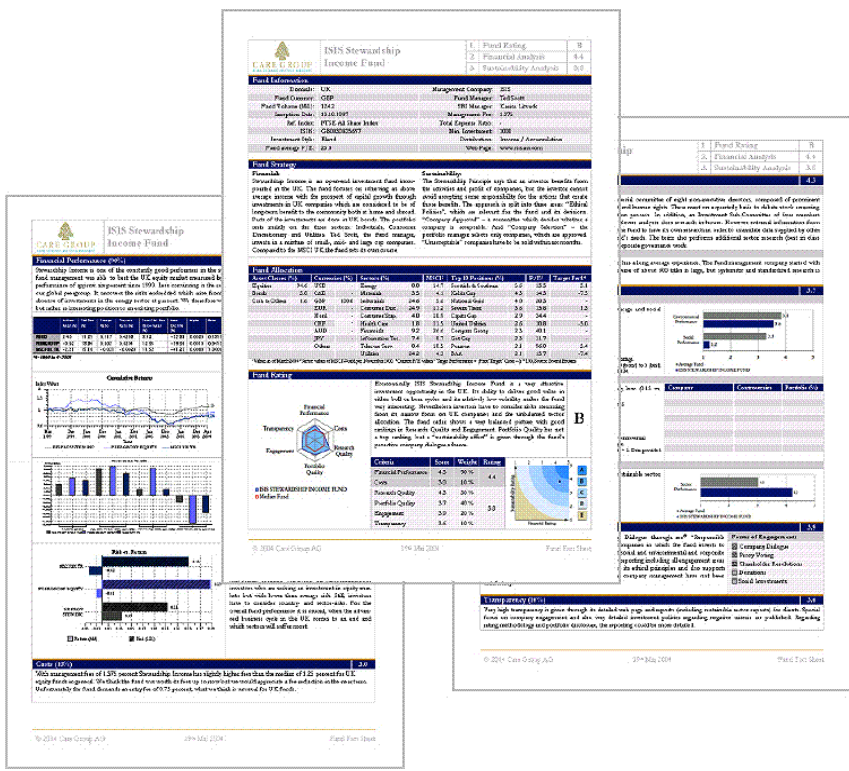
# Aggregated total rating



# Analysis of controversial business activities of the fund portfolio

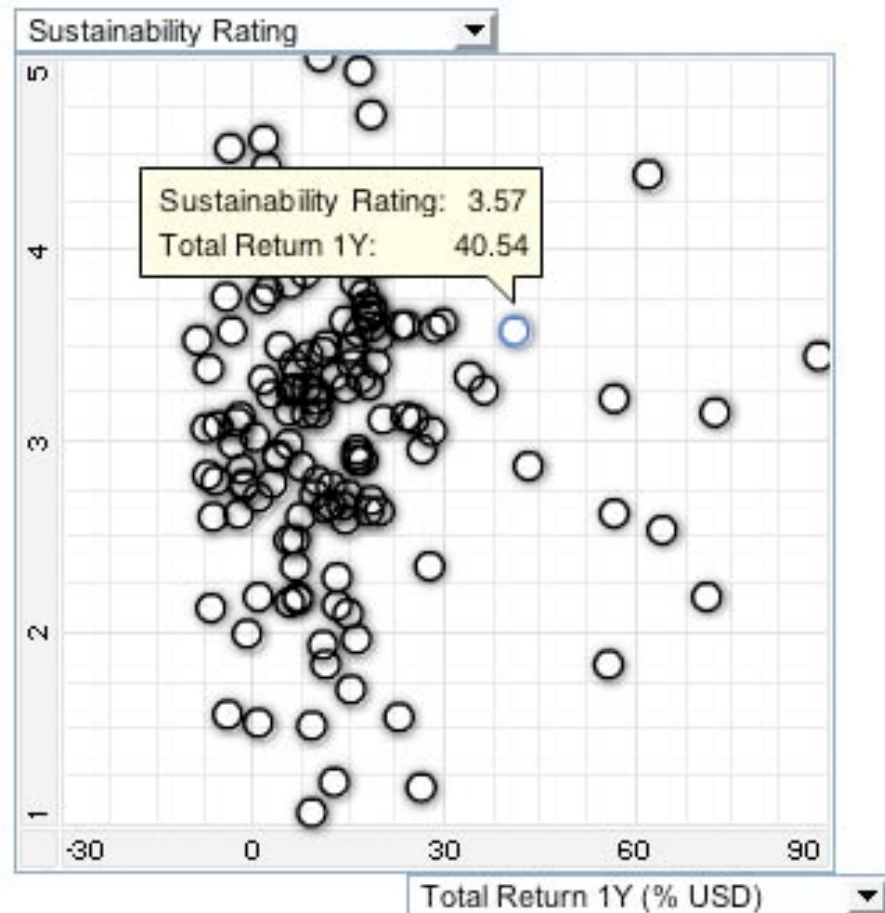
Business Ethics	Bribery & Corruption Political Donations	Other business ethics issues
Community	Local communities Tax issues	Activities in sensitive countries
Corporate Governance	Remuneration Shareholders' rights	Governance structures or practices
Customers	Products or services Marketing practices	Anti-competitive practices
Employees	Health & Safety fines Health & Safety incidents Freedom of association Discrimination	Child / Forced Labour Restructuring Employment conditions
Environment	Major recent fines Waste management Soil pollution Water pollution	Air pollution Resource use or damage to ecosystems Products & Services Supply chain issues
Contractors	Health & Safety issues Freedom of association Child / Forced Labour	Discrimination Employment conditions

# Standardized fact sheets



- » Three pages fact sheet for each fund
- » Page 1: General information and overall rating
- » Page 2: Financial Performance  
Performance Analysis  
Cost structure
- » Page 3: Sustainability  
Performance  
Research  
Portfolio-Analysis  
Engagement  
Transparency

- » Up to date SRI funds universe with 660 funds and for 160 with detailed rating and fact sheets
- » Dynamically database requests:
  - » Availability for sale
  - » Regional focus of investment
  - » Asset class
  - » (Sustainability class)
- » Charts for selected funds with financial and sustainability performance



# Investors have to carefully pick SRI funds to achieve good financial and sustainable performance



Fund Name	AA Status	AA Status FIN	AA Status SUST	Date	ID ISIN
MACIF Gestion MACIF Court Terme	observation	yes	observation	20.02.2008	FR0000975617
Aviva Investors Sicav - European Socially Responsible Equity Fund	yes	yes	yes	21.12.2006	LU0126373819
AXA Euro Valeurs Responsables	observation	yes	observation	22.11.2006	FR0000982761
Credit Agricole Asset Management CAAM Actions Durables	no	no	no	26.07.2007	FR0000991432
Credit du Nord Etoile Partenaires	no	observation	no	24.02.2005	FR0010502096
Dexia Sustainable Europe	no	no	observation	01.11.2003	BE0173540072
Ecofi Investissements Epargne Ethique Actions	no	no	observation	24.01.2008	FR0000004970
Ecureuil 1,2,3 Futur	no	no	no	23.04.2008	FR0010091116
ESPA VINIS Stock Austria	no	observation	no	25.04.2007	AT0000706528
ESPA VINIS Stock Europe	yes	yes	yes	14.12.2007	AT0000645973
Federal Gestion Federal A					FR0000442949
Federis Gestion d'Actife E					FR0007045950
Financiere de Champlain f					FR0010086520
FORTIS L FUND - Equity :					LU0082276832
Groupama Asset Manager					FR0010013987
IDEAM - Europe Gouvern					FR0000285702
IDEAM - Integral Develop					FR0010458745
IN.Flanders Index Fund	no	yes	no	24.05.2006	BE0175210286
ISICA Epargne Ceres Actions Ethiques	yes	yes	yes	25.10.2006	FR0000984346
IXIS Asset Management IXIS Euro 21	no	no	no	29.03.2006	FR0000970840
Julius Baer Multipartner - SAM Sustainable European Equity Fund	no	yes	no	23.04.2008	LU0199234955
KBC Eco Fund - Sustainable Euroland	no	no	observation	24.11.2007	BE0175718510
KBC Institutional Fund - Ethical Euro Equities	no	yes	no	29.08.2007	BE0175761940
Kempen-Orange SeNSe Fund	yes	yes	yes	23.06.2005	NL0000113082
Lazard Objective Ethique Socialement Responsable	no	yes	no	29.03.2006	FR0000003998
LBPAM Actions Developpement Durable	no	observation	no	20.02.2008	FR0000008963
MACIF Gestion MACIF Croissance Durable et solidaire	no	yes	no	29.08.2007	FR0000983819
MACIF Gestion MACIF Croissance Durable Europe	no	yes	no	29.09.2007	FR0000971160
Mellon Global Funds PLC - European Ethical Index Tracker	no	yes	no	24.01.2007	IE0030820165
Norwich Sustainable Future ICVC - European Growth Fund	yes	yes	yes	13.12.2006	GB0030029283

**Illustrative example of 30 out more than 180 investment recommendations**

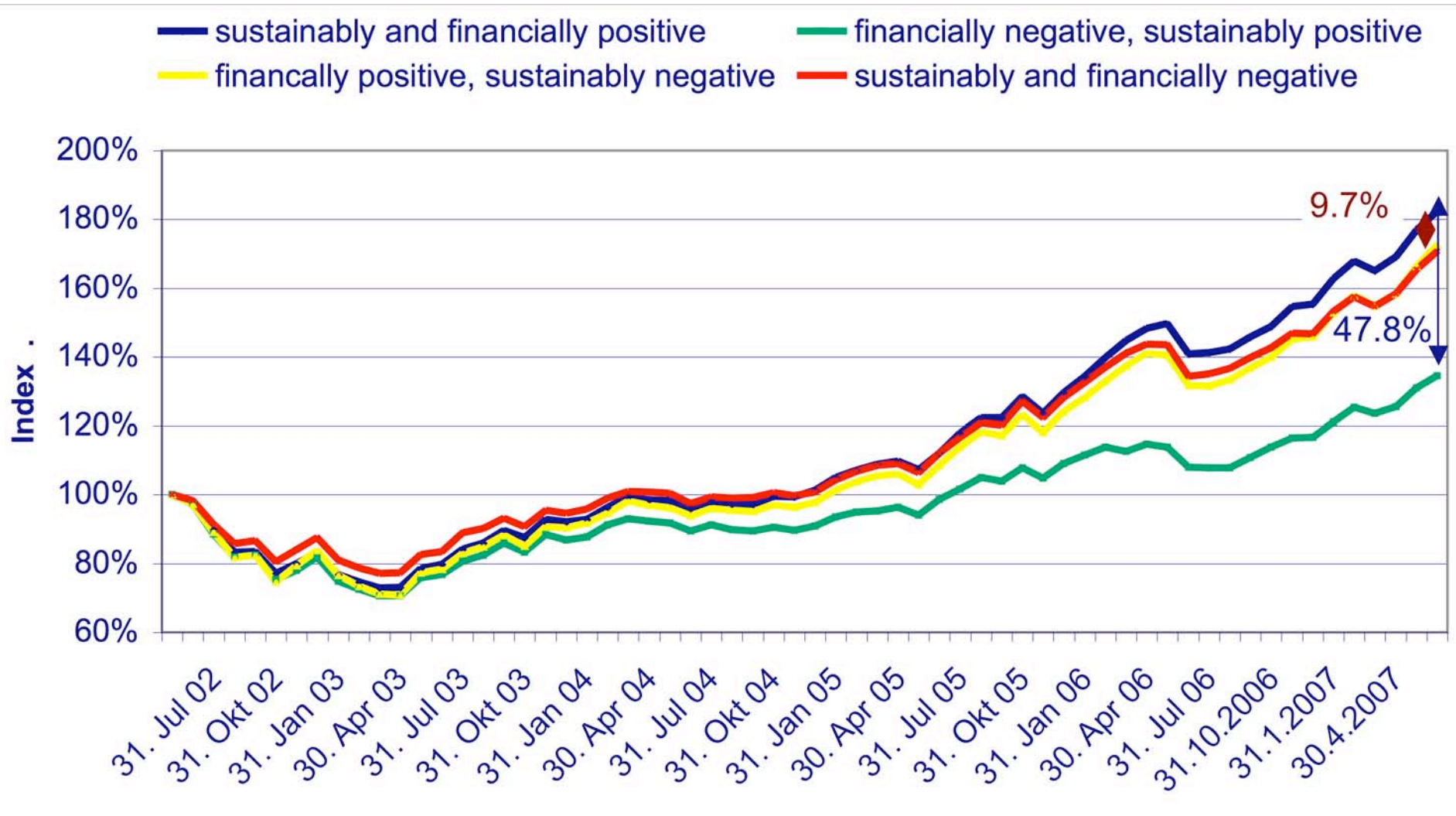
- AA Status: overall recommendation of the investment committee based on fact sheet with detailed financial rating and sustainability rating
- AA Status FIN: financial recommendation
- AA Status SUST: sustainability recommendation

## **Thesis 3.**

**Investors have to select carefully,  
if they want to achieve  
high financial performance and  
high ethical/sustainable performance**

- » Analysis of 170 funds with positive and negative investment recommendations with respect to financial and sustainability performance
- » Monthly returns of 170 Funds between 2002 and 2007
- » Control of influence of currency, asset classes etc.
- » Analysis of development of returns including tests of significance

# Financial Results for four Groups of Funds



# How to combine financial analysis and sustainability analysis?

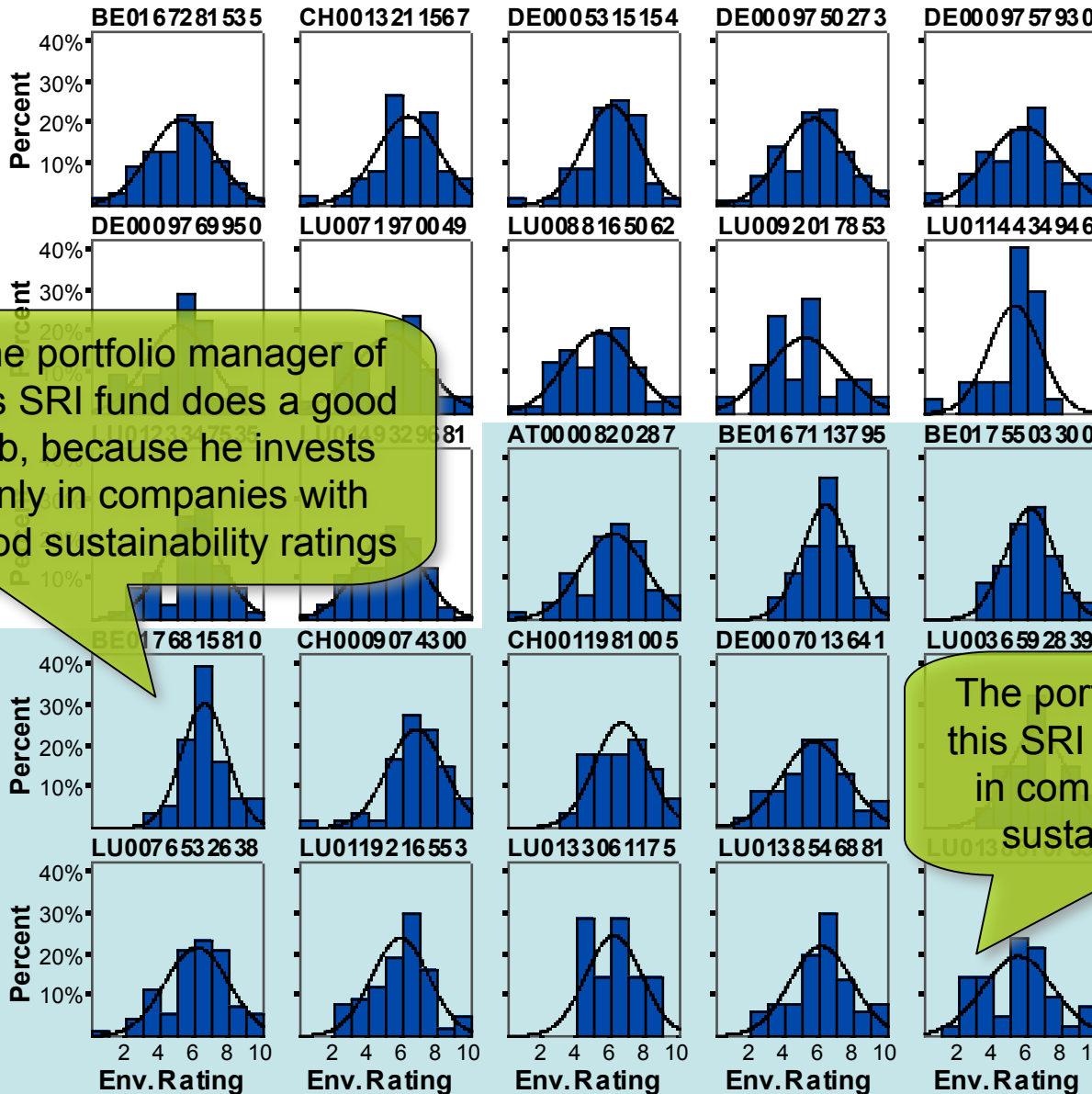
Step 1:  
Financial Analysis

positive      negative

Step 2:  
Sustainability Analysis

positive	select	reject
negative	reject	reject

# Comparative portfolio analysis of 12 conventional and 13 SRI funds



Rating 1: bad sustainable rating

Rating 10: good sustainable rating

Based on **SiRi Company Ratings**

The portfolio manager of this SRI fund does a good job, because he invests only in companies with good sustainability ratings

## SRI Funds

The portfolio manager of this SRI fund invests a lot in companies with bad sustainability rating

# Conclusion

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- » Combination of financial rating with sustainability rating can increase the financial performance of a portfolio of funds
- » Sustainability analysis without financial pre-screening decreases the financial performance of a portfolio of funds
- » SRI Funds Advice enables investors to select SRI funds according to financial and ethical/sustainability criteria.