

NOV'S
HOT TOPICResponsible
Investment,
Screened

COME ON RETAIL INVESTORS!

Interest in responsible investment (RI) is growing but the main investors are institutions, such as pension funds, rather than individuals. Surveys show that retail investors are keen on the idea but they are not following their words with actions. In the UK, several asset managers are currently sponsoring National Ethical Investment Week to raise awareness of green and ethical investment options among retail investors and encourage their greater involvement. Even in France, Europe's largest market for responsible investment funds, the share of individual investors in the RI sector dropped from a third to a quarter in 2008, while the institutional segment rose by 54%, according to the latest annual study by Novethic, the RI research institute. Asset managers in France believe greater transparency and simplicity in RI would attract more retail investors. Tax incentives have been called for. Investment advisers across Europe are also being asked to play a greater role in promoting RI funds to individuals.

MORE SOCIALLY RESPECTABLE

Sales of RI screened funds, which take a positive investment approach by, for example, seeking out best-of-class companies and using engagement to improve corporate practices, have recovered this year as investor confidence has improved. Over €5bn has been invested so far in 2009, 65% more than in the whole of 2008. Asset levels in RI screened funds have increased by over 25% to €48.8bn this year and the number of funds has also continued to expand. Over €1.4bn has been attracted into 47 new fund launches so far this year. The majority of RI funds focus on equities. They are followed by mixed asset and bond RI funds.

NAMING AND SHAMING

The most ethical investors in Europe are the Belgians, the French and the Swiss, measured by the proportion of assets in RI screened funds relative to the size of the national fund industry. However, the proportions are still modest at 6%, 2% and 2% respectively. In terms of sales activity this year, France and Switzerland were joined by the UK, while Belgium slipped marginally into the red. Those with the lowest proportion of assets in RI screened funds are the Spanish and the Italians, each with under 0.5%. And they are becoming less ethical; over the year to date, both nations have withdrawn more from RI screened funds than they have invested.

IN BRIEF

65% of UK retail investors are ethical without realising it, according to a survey by Co-operative Investments.

Assets under management in RI extended funds amount to only just over 1% of European fund assets.

Norway's Government Pension Fund has announced a €500m investment in environmental equities in 2010.

Top ethical concerns of investors are pollution, energy conservation and climate change, a recent survey found.

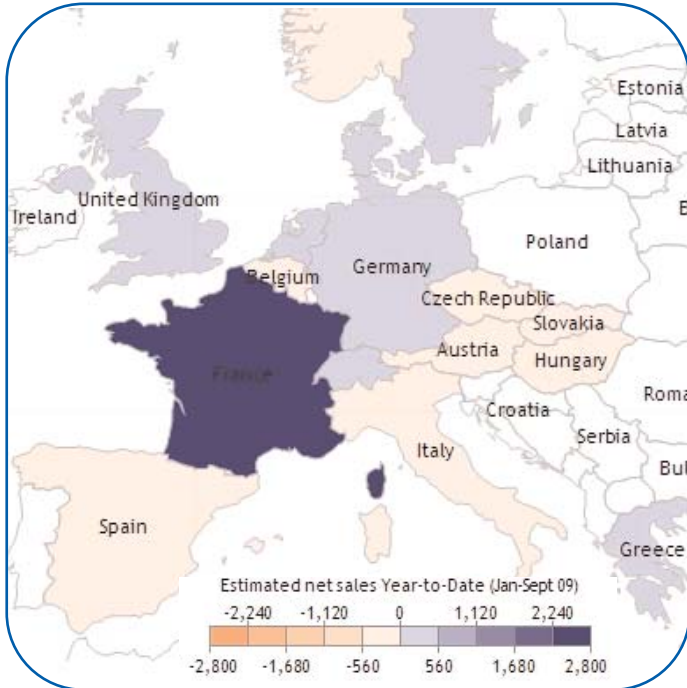
Investors do not sacrifice returns by sticking to their principles. RI funds perform as well as, or better than other funds.

RI extended funds use a multi-exclusion, or thematic approach. They are not included in the data for this Hot Topics newsletter.

HOT TOPICS



European map of RI Screened fund sales in YTD (€m)



Top 10 largest markets for RI Screened funds (€m)

Fund market	# funds	Assets Sept 09	YTD gth %
France	147	16,414.8	34.1%
Belgium	142	7,053.6	8.2%
International	108	8,368.4	40.1%
United Kingdom	56	5,656.0	36.3%
Switzerland	50	4,055.3	26.6%
Sweden	36	2,364.8	36.2%
Germany	34	1,423.3	21.7%
Netherlands	21	1,354.7	28.0%
Italy	16	940.8	9.4%
Austria	26	884.6	15.1%
Rest	35	288.2	26.4%
Total	671	48,804.5	28.8%

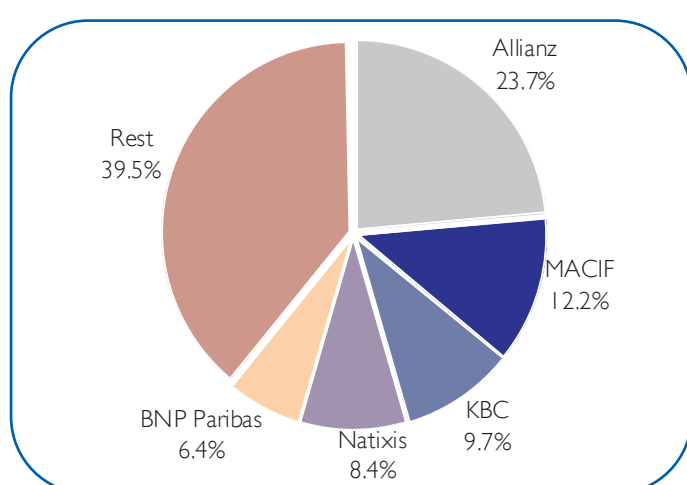
Top 5 RI Screened groups by assets in September 09 (€m)

Master Groups	Nat	Assets
KBC	BE	4,955.6
Allianz	DE	4,616.9
BNP Paribas	FR	3,709.2
Natixis	FR	3,671.5
Dexia	BE	2,839.3
Rest		29,011.8
Total		48,804.5

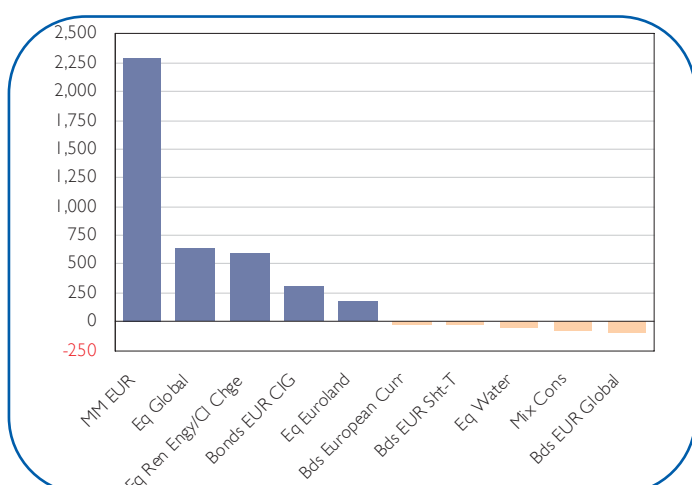
Best-selling RI Screened funds in Year-to-Date (€m)

Fund	Dom	Sales
Allianz Securicash SRI	FR	1,237.0
MACIF Court Terme ISR (C)	FR	608.6
KBC AM Institutional - Eco Alternative Energy	IE	424.0
Dexia Money Market Euro Sustainable	LX	309.8
KBC Obli Euro	BE	199.8
Rest		2,359.2
Total		5,138.4

Top 5 RI Screened groups by sales in YTD (€m)



Top and bottom 5 RI Screened sectors in Year-to-Date (€m)



Notes: Sales are estimated net sales. Year-to-Date is the period Jan-Sept 09.