

# Green, Social and Ethical Funds in Europe

## 2011 Review

October 2011

All rights reserved. Reproduction and dissemination of material in this report for educational or other non-commercial purposes are authorised without any prior written permission from Vigeo provided the source is fully acknowledged. Reproduction of material in this report for resale or other commercial purposes is strictly prohibited without written permission of Vigeo.





# Table of contents

2.

## Key findings

### Analysis

- Number of SRI funds
- Assets under management
- Market share
- 10 largest green, social and ethical funds in Europe (by AUM)
- Breakdown by asset class
- Top performing SRI funds
- Top holdings in portfolios
- Conclusions

### About this report

- The research
- Objectives
- Use of this report
- Definitions
- Funds not taken into account
- Funds domiciliation and coverage

### About Vigeo



3.

## Key findings



## Socially responsible investing: 2011 key data and trends

4.

- ✓ **There were 886 SRI retail funds in Europe at the end of June 2011.**  
Following two years of impressive growth in the number of SRI retail funds (+65%), the market has been consolidating in 2011, with the net creation of 7 funds.
- ✓ **Assets under management continued to grow (+12% in 2011) and reached € 84 bn at the end of June 2011.**  
This represented 1.42% of the overall retail funds market, a slightly higher proportion than in 2010 (1.34%).
- ✓ **France was the most dynamic market for SRI retail funds,** in terms of AUM growth, while the increase in other countries was moderate.
- ✓ The 3 largest funds are provided by **Amundi AM** (Amundi Trésor ISR) and **Natixis AM** (Fonsicav) in France and **Friends Provident Pensions** (Stewardship Pension Fund) in the UK.



5.

## Analysis

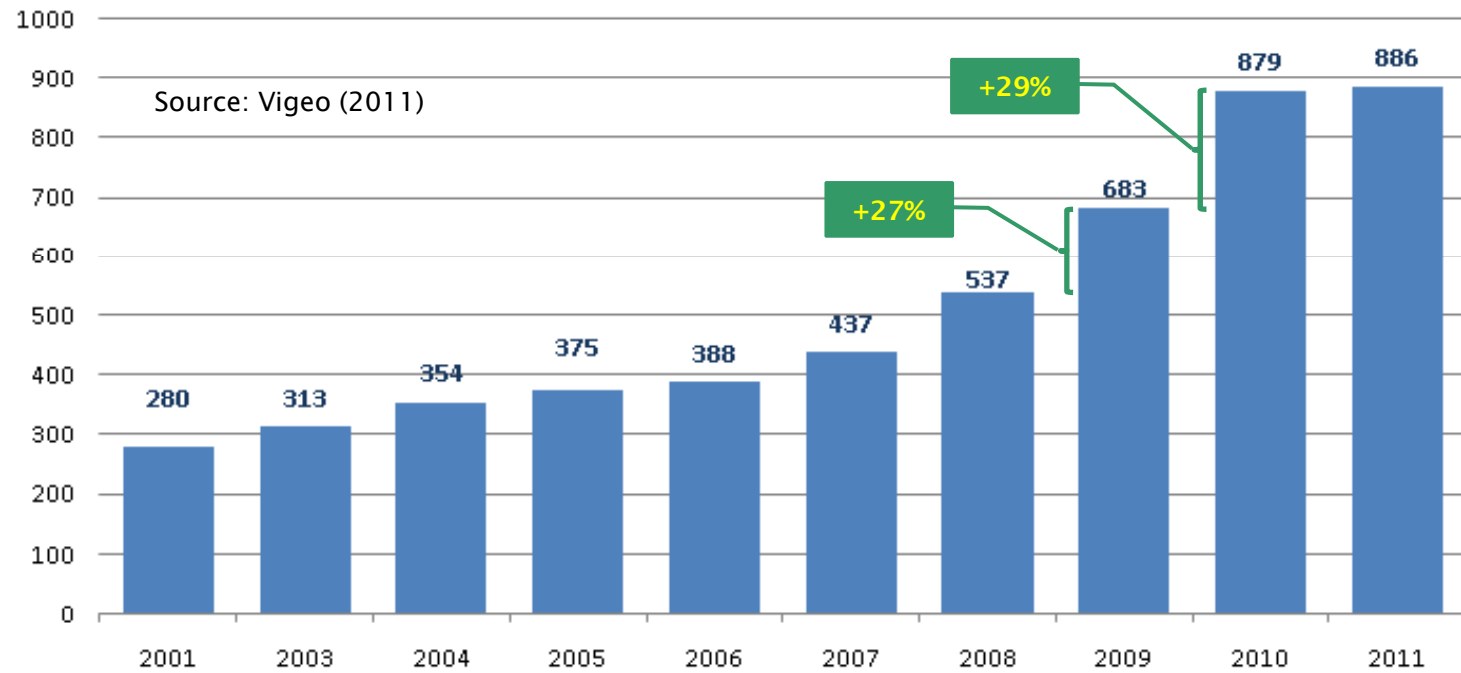


## Number of SRI retail funds in Europe

6.

### Number of SRI Funds, cumulated, in the period 2001 to 2011

(on June 30, 2011)

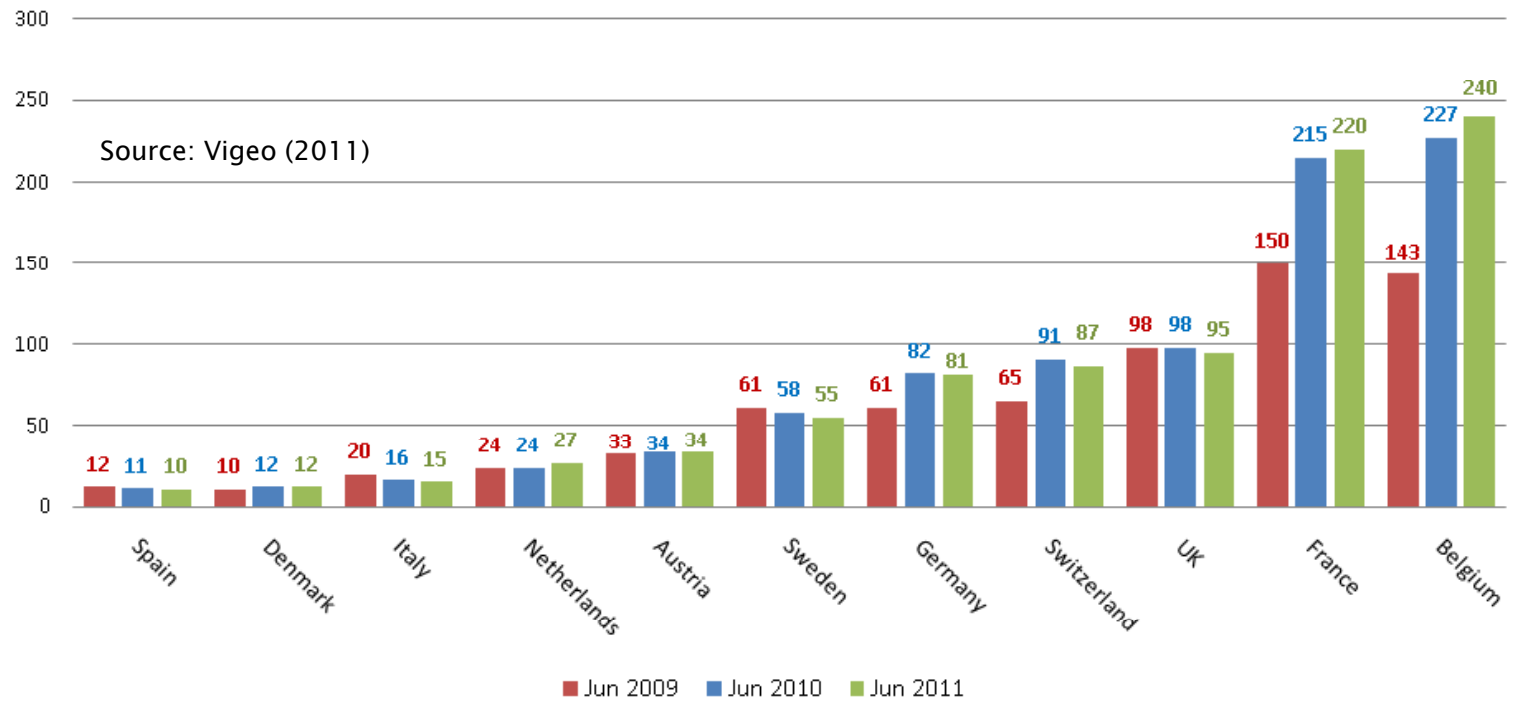




## Number of SRI retail funds per country

7.

Number of SRI funds domiciliated in each country



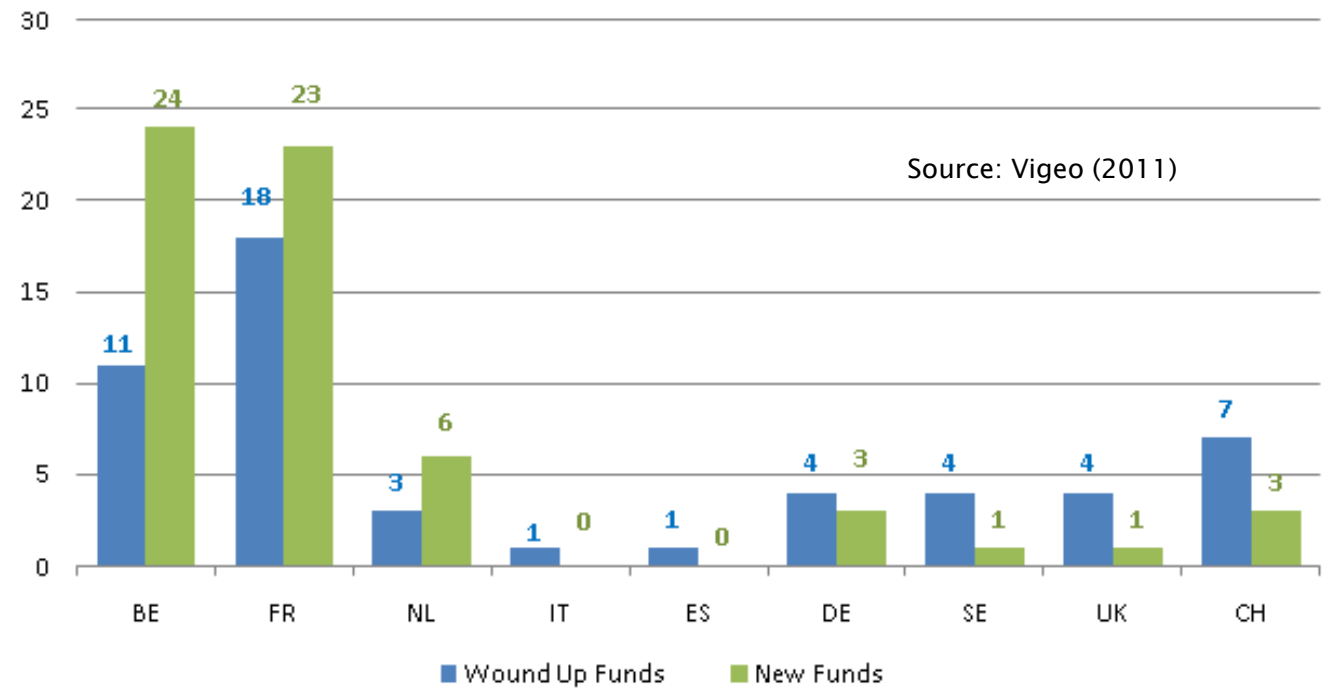


## Number of SRI retail funds per country

8.

### Wound Up Funds vs. New Funds

(end of June 2011)







## Number of SRI retail funds in Europe

9.

**At the end of June 2011, there were 886 green, social and ethical funds domiciled in Europe.**

- Following a 29% record growth in the previous year, the market has been consolidating with the net creation of 7 funds.

**France, Belgium, the United Kingdom and Switzerland account for 72% of total SRI retail funds.**

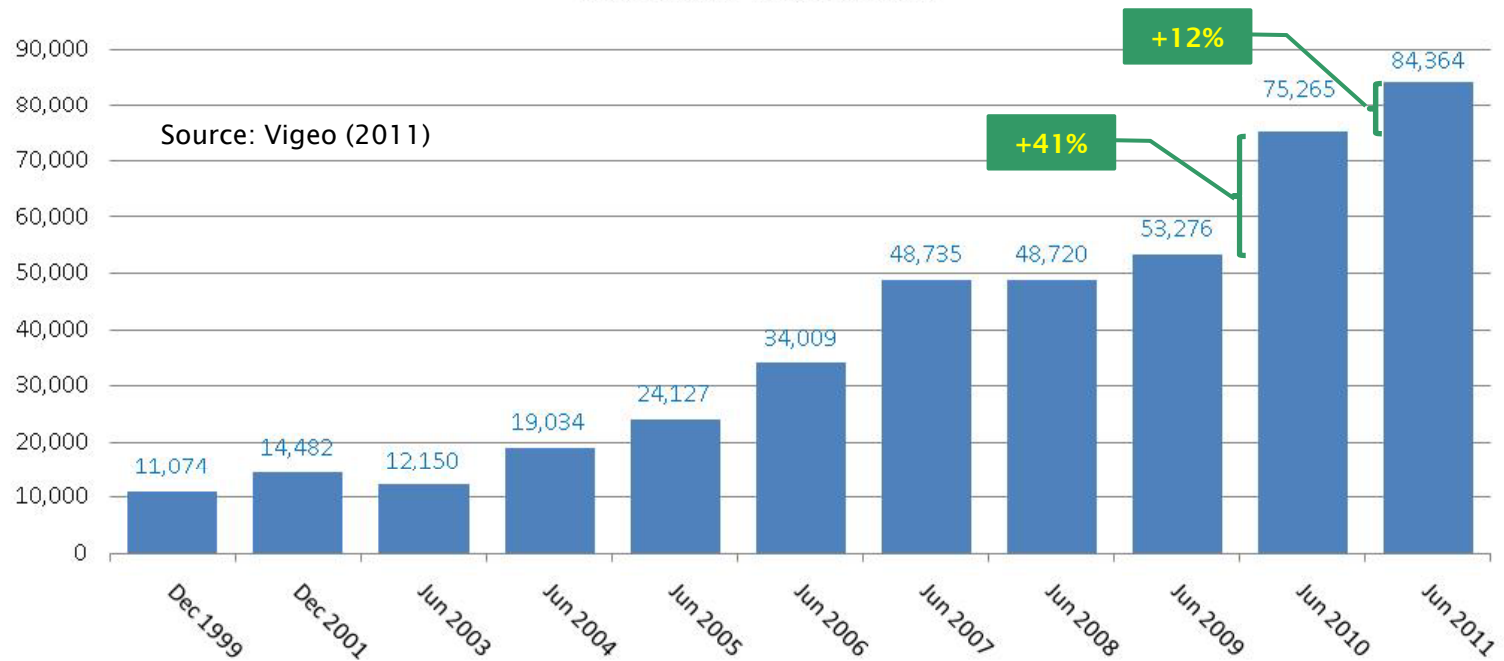
- The Netherlands recorded a +13% increase in number of funds offered to retail investors. For the second year in a row, Belgium has shown a significant increase (+6%), followed by France (+2%).
- The United Kingdom, Switzerland, Germany, Sweden, Italy and Spain all showed a net reduction in the number of SRI retail funds.



# Assets in the SRI retail funds industry

10.

**Total asset under management for SR funds domiciled in Europe**  
(end of June 2011, mln Euro)

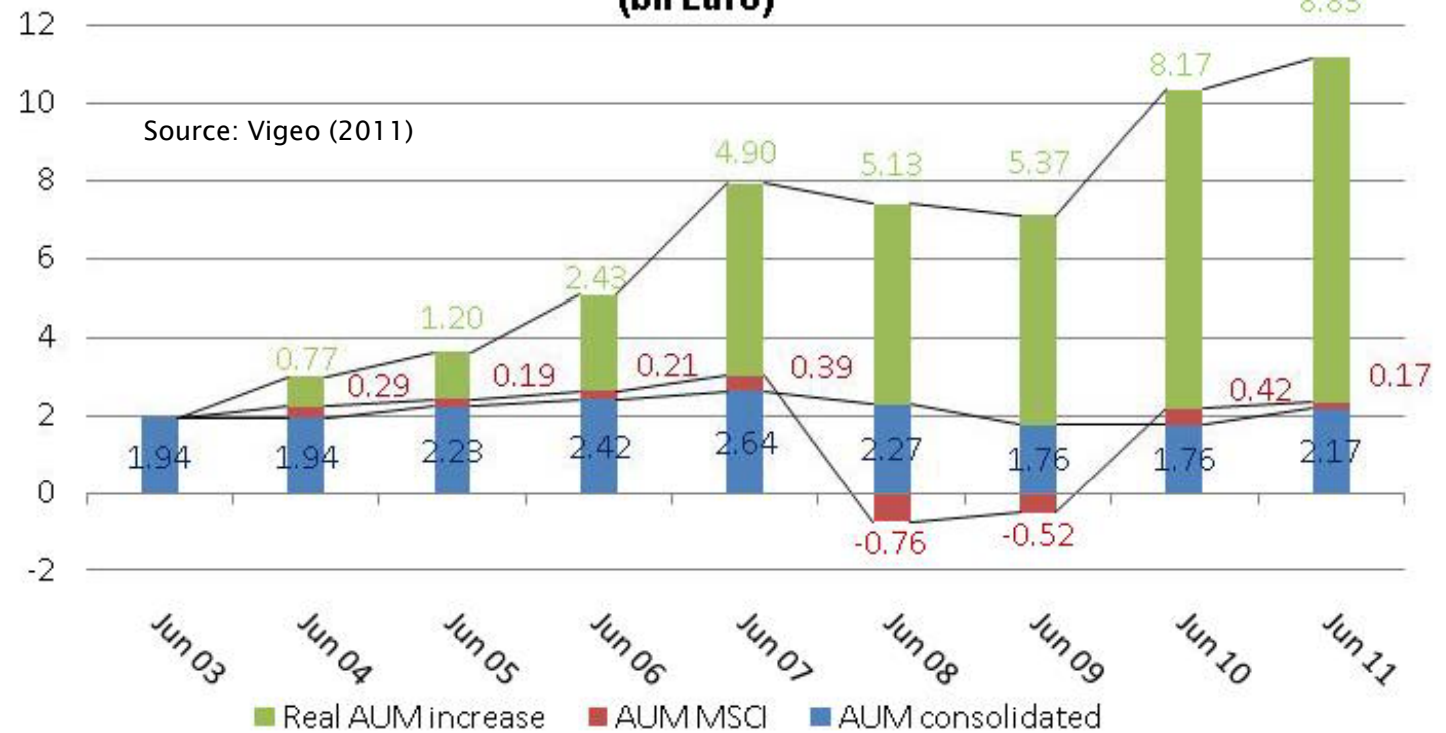




# SRI assets trend vs. MSCI World annual growth rate

11.

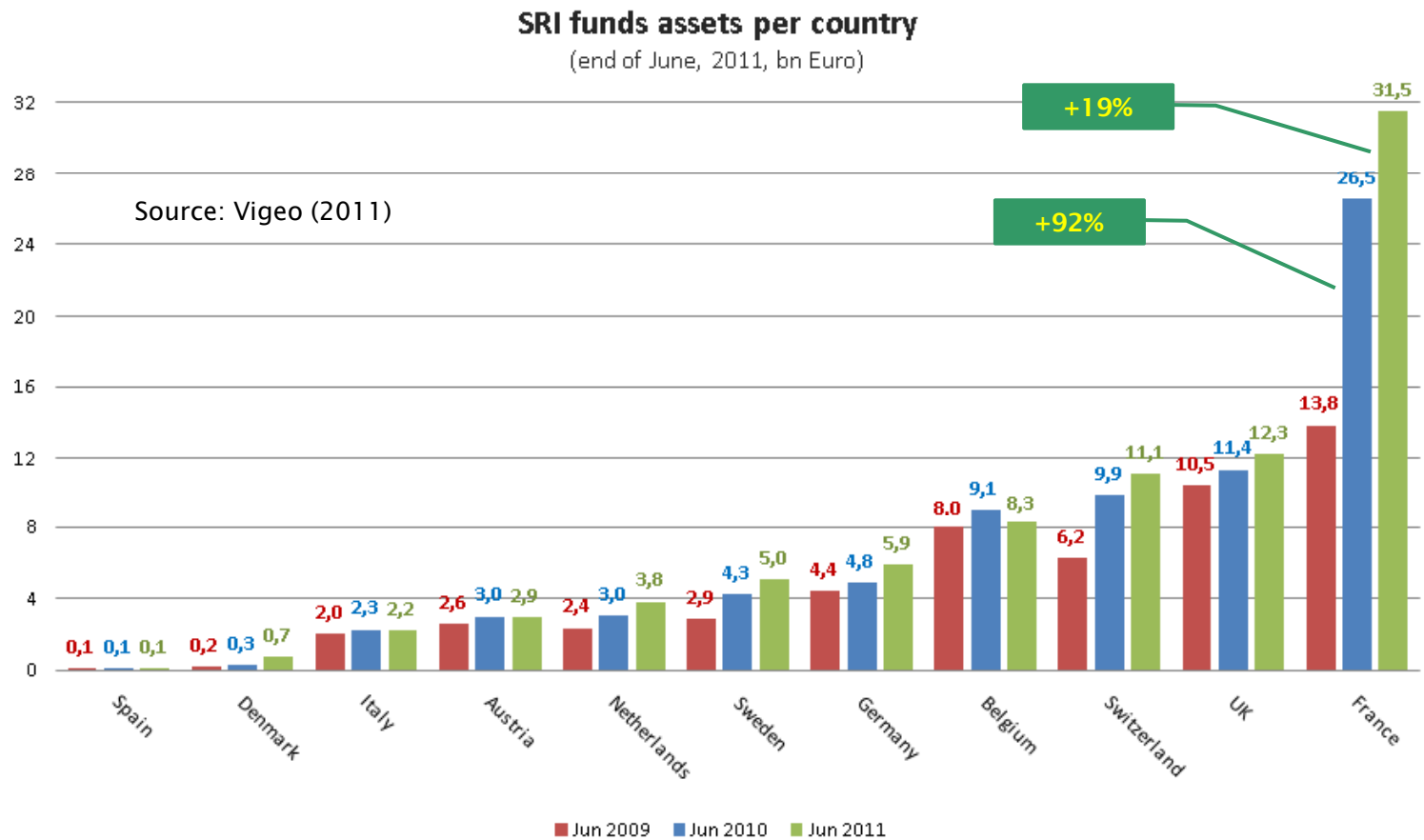
## AUM equity world funds vs MSCI World Index AGR (bn Euro)





## SRI funds' assets per country

12.

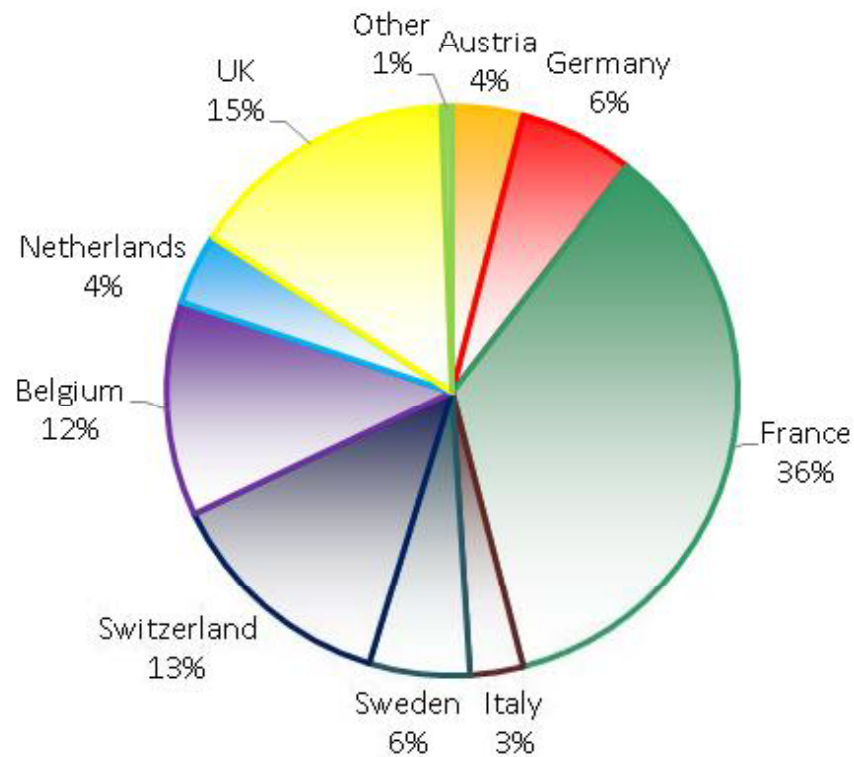




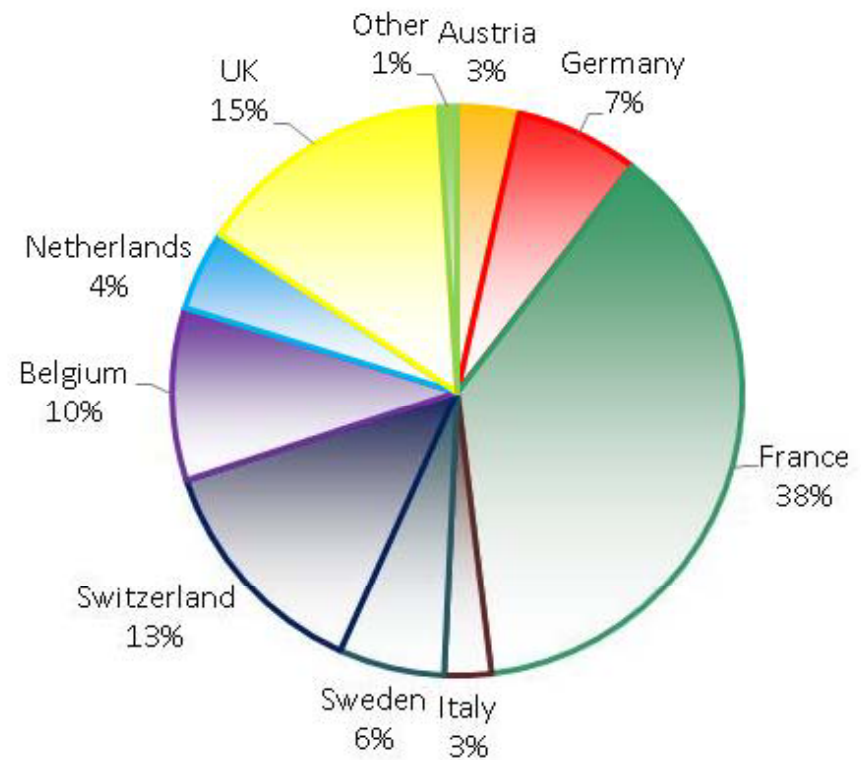
## SRI retail funds' assets in Europe

13.

**SR funds assets per country  
(% breakdown, end of June 2010)**



**SR funds assets per country  
(% breakdown, end of June 2011)**





### **SRI retail fund assets under management grew by 12% over the twelve months to June 2011 and reached €84 bn.**

- The comparison between SRI equity funds and MSCI World index over the last ten years shows that growth is not only driven by stock market appreciation but also to real inflows of money, even in the worst periods.

### **Trends per country are mixed:**

- Some countries showed solid growth: +26% in the Netherlands, +21% in Germany, +19% in France and +18% in Sweden.
- SRI assets growth was moderate in Switzerland (+12%) and in the UK (+8%) whilst some countries experienced a decline in SRI assets (-9% in Belgium, -2% in Austria, -1% in Italy).

### **The four largest markets (France, UK, Switzerland and Belgium) confirm their leadership and still account for 76% of European assets.**

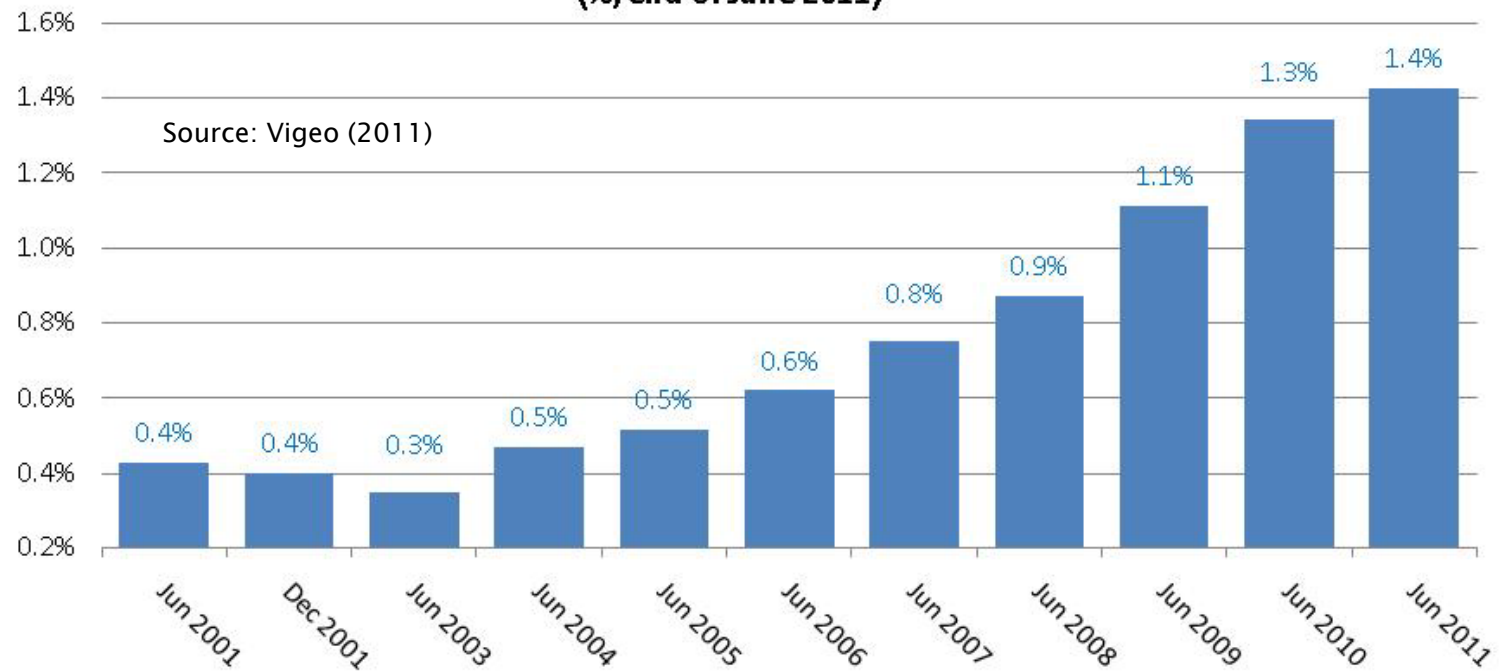
- France was confirmed as the largest European SRI retail market (38% of the total) and is characterised by a high proportion of fixed income funds.
- The UK remained in second place (15%), closely followed by Switzerland (13%).
- The share of the Belgian market has slightly decreased (10% vs 12% in 2010).



# Share of SRI funds in the European retail funds market

15.

**European SR funds assets over total UCITS**  
(%, end of June 2011)



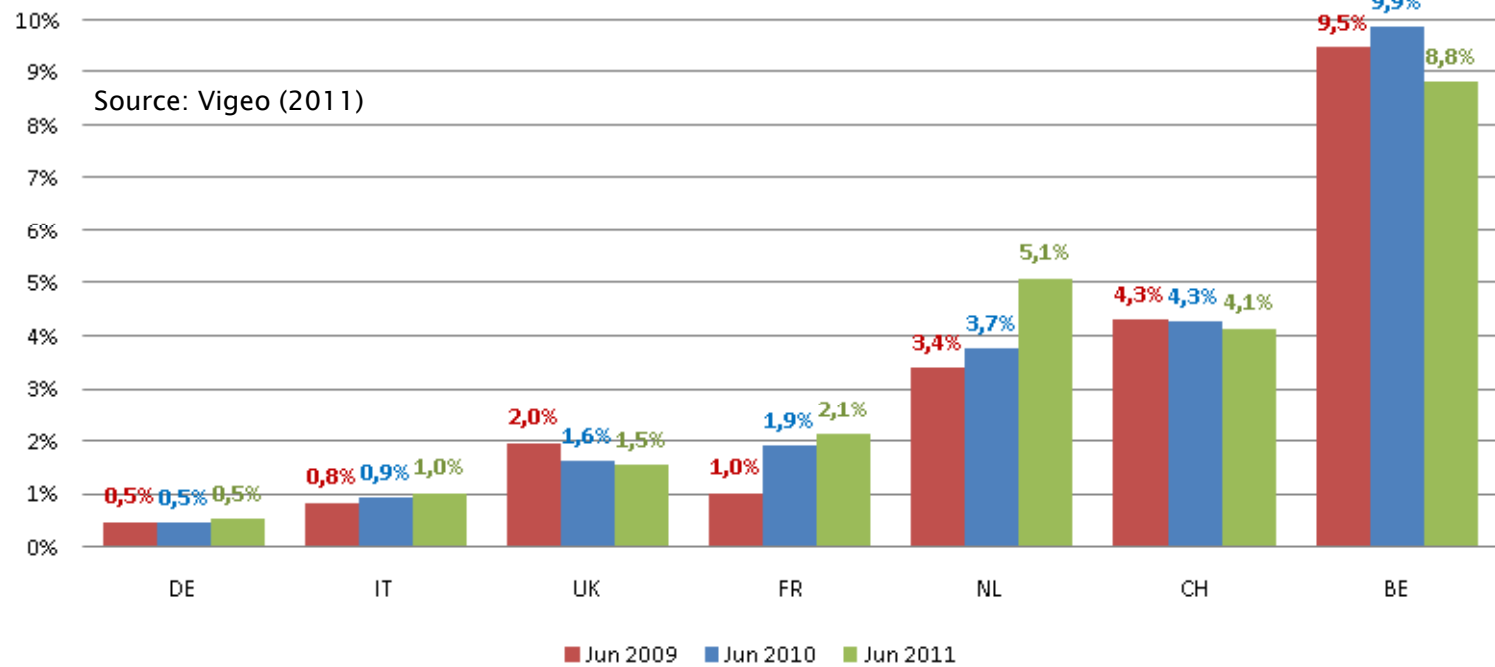


# Market share of SRI funds in selected countries

16.

## SR funds assets over total assets in selected countries

(data in %)







**In aggregate, SRI funds represented 1.42% of the overall European retail funds market\*, a slightly higher proportion than in 2010 (1.34%).**

**Belgium retains the highest country market share for SRI retail funds (8.8%)**

- However, this share has been declining by over 1 percentage point from the previous year (9.9%).

**The fastest growing penetration was seen in the Netherlands with a market share progressing from 3.7% last year to 5.1% this year.**

- This now places the Netherlands in 2<sup>nd</sup> position behind Belgium in terms of penetration of SRI funds in the retail funds market.



## The size of green, social and ethical funds: average and median

18.

**The average size of SRI retail funds has increased from €86 million to €95 million, showing a moderate increase (+11%) for the second year in a row:**

- The average size has increased in all countries, except in Belgium (-14%), Spain (-13%) and Austria (-2%),
- On average, SRI funds are larger in Italy (€148M), followed by France (€143M), the Netherlands (€141M), the UK (€129M) and Switzerland (€128M),
- Fixed income (bonds and money market) funds are the largest on average (€251M), compared to equity funds (€92M) and balanced funds (€77M).

**The median size of funds (€31 million vs €29 million in 2010 ) is still much lower than the average in every country, showing that all domestic markets remain concentrated around a few leading funds.**

- This is particularly true in countries with large fixed income funds: France (median of €33M vs mean of €143M), Austria (€27M vs €86M) and Germany (€24M vs €72M).



# 10 largest green, social and ethical funds in Europe (by AUM)

19.

Ranking June 11	Ranking June 10	Asset Management Company	Fund Name	Country	Assets €M
1	1	Amundi Asset Management	Amundi Trésor ISR	FR	7,510
2	New Entry	Natixis Asset Management	Fonsicav	FR	4,514
3	2	Friends Provident Pensions	Stewardship Pension Fund	UK	1,372
4	3	OFI Asset Management	Ofi Trésor ISR	FR	1,109
5	8	Pioneer Asset Management	Pioneer Funds - Global Ecology	IT	1,033
6	New Entry	Deka Investment	Deka-Stiftungen Balance	DE	1,015
7	5	Natixis Asset Management	Natixis Impact Aggregate Euro	FR	991
8	6	Allianz Global Investors	Allianz Valeurs Durables	FR	970
9	4	Swiss & Global Asset Management	SAM Sustainable Water	CH	870
10	New Entry	Vontobel Fonds Services	Raiffeisen Pension Invest Futura Balanced	CH	759

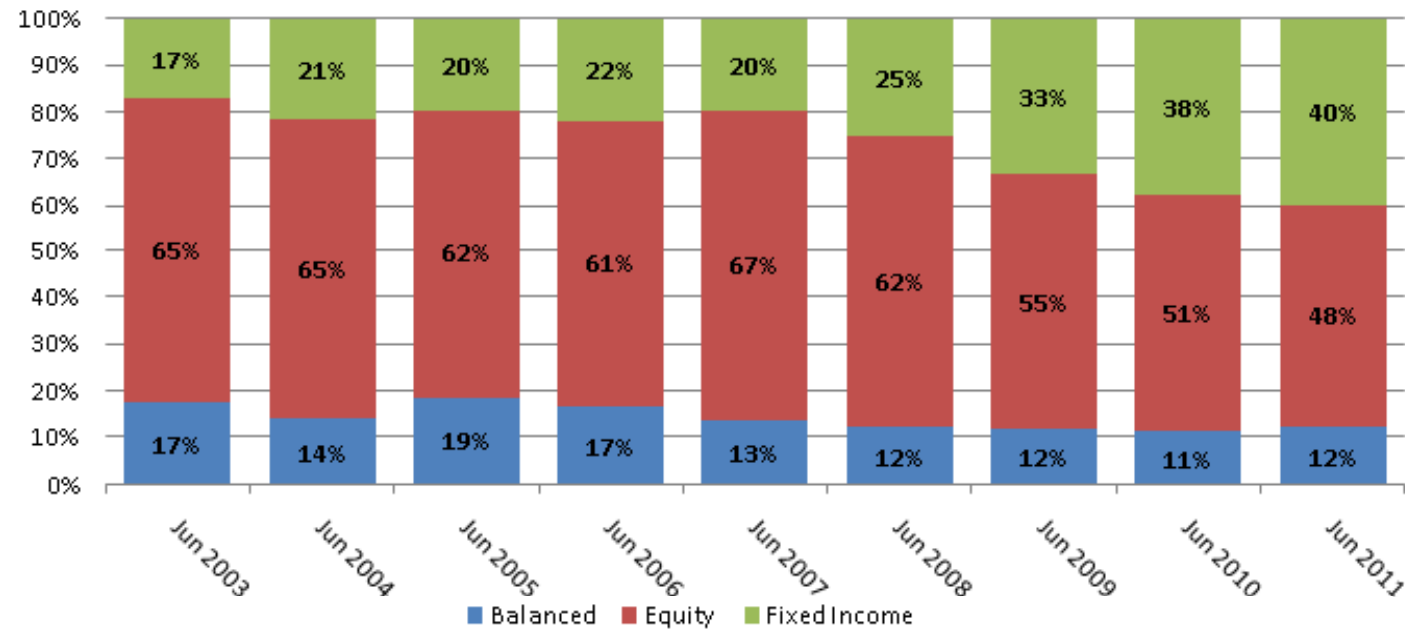


# SRI retail funds: breakdown by asset class

20.

## SR Funds Breakdown by Asset Class

(% breakdown in terms of AUM, end of June 2011)



Source: Vigeo (2011)



**Equity funds (48% of the total) still outweigh fixed income funds (40%) and balanced funds (12%). However their share has been consistently declining since 2007 (when they accounted for 67% of the total).**

- This declining trend results from lower stock market valuations combined with a general shift in asset allocations towards more prudent and conservative instruments.

**2011 saw a continuation of this trend with the shares of fixed income funds and balanced funds gaining respectively 2 and 1 percentage points.**

**The breakdown of SRI funds by asset class varies greatly across Europe:**

- The share of equity component is prevalent in Sweden (86%), the UK (78%) and Switzerland (67%),
- Fixed income funds are more prominent in Austria (78%) and France (68%).

**In numbers, equity funds are still the large majority (417 funds, i.e. 47%), followed by fixed income and balanced (127 and 126 respectively).**



The next table lists the top 5 funds based on one-year performance and compares funds returns with their peer groups average.

The table does not aim to give information about fund managers abilities, as the ranking includes funds investing in different financial instruments/markets whose performances cannot be therefore compared.

The table gives a general indication of the best performances achieved by European SRI funds during the last 12 months.

By price the Eurozone Mid-Cap Equity funds classify as the most expensive (TER 4.01% on average), while the Euro Money Market - Short Term category emerges as the cheapest (0.24%).



## Top performing SRI funds in Europe (one-year returns, end of August 2011)

23.

Asset Management Company	Fund Name	Country	Category	1y Fund Perf	1y Cat Perf
Swiss & Global Asset Management	SAM Smart Materials	CH	Sector Equity Industrial Materials	16.2	1.7
KBC Asset Management	KBC Renta NZD-Renta	BE	Other Bond	15.5	1.5
Amundi	LCL Actions USA ISR	FR	US Large-Cap Blend Equity	14.4	3.3
KBC Asset Management	KBC Renta AUD-Renta	BE	AUD Bond	13.3	12.3
Vontobel Fonds Services	Raiffeisen Futura Swiss Franc Bond	CH	CHF Bond	12.5	11.4

Source: Vigeo (2011), elaboration on Morningstar data; returns calculated using Euro as base currency.



## Top holdings in SRI retail fund portfolios (as of June, 30 2011)

24.

Ranking June 11	Ranking June 10	Company	Country	Ranking June 11	Ranking June 10	Company	Country
1	5	BG Group Plc	UK	11	9	Ericsson	SE
2	1	Vodafone Group	UK	12	16	Schneider Electric	FR
3	8	Nestle SA	CH	13	14	Allianz	DE
4	7	ABB Ltd	CH	14	13	Danone	FR
5	New Entry	Novartis	CH	15	11	Hennes & Mauritz	SE
6	3	Roche Holding	CH	16	20	Nordea Bank	SE
7	2	HSBC Holdings	UK	17	New Entry	SAP	DE
8	4	Sanofi	FR	18	New Entry	BASF	DE
9	6	BNP Paribas	FR	19	New Entry	Saint-Gobain	FR
10	New Entry	Siemens AG	DE	20	10	Total SA	FR

Source: Vigeo (2011), elaboration on Morningstar data.

Companies included in the 2010 top holdings, that no longer feature are: Vestas Wind Systems, AstraZeneca PLC, Koninklijke Philips Electronics N.V., ENI SpA and GDF Suez. The table above displays the stocks that are most frequently selected by the funds considered in this study. However, the ranking should not be construed as an ethical ranking; the inclusion and weight of each stock also results from fund managers financial assessment. Changes in the funds' investment policies may also affect the results.





- ✓ The SRI retail funds market has continued to grow over the 12 months to June 2011 albeit at a slower pace than in the previous periods. SRI still remains more niche than mainstream but its significance continues to increase year on year.
- ✓ In our previous two reviews, it was clear that the financial crisis that affected the asset management industry encouraged further sustainable investing, particularly in countries where SRI was already prevalent. This year, the SRI growth trend has slowed. The SRI market has clearly been affected by the financial uncertainties; impacting growth and resulting in only slight increases to AUM and number of funds.



- ✓ The general interest showed by market players, institutions and stakeholders enlarged investors' focus to new frontiers, including new asset classes (private equity, commodities, infrastructures, real estate), favouring the recovery of the market and contributing to the definitive affirmation of SRI in the end.
- ✓ On the other hand, the ESG research made relevant improvements, too, and it is now part of the mainstream investment activities of important asset managers.
- ✓ Finally, there is indication that the involvement of key institutional investors, media coverage and closer interfaces between corporate management and fund managers (in some cases through research agencies) are enhancing the power of SRI investments as catalysts for innovation.



## About this report



Since 1999, this is the 11<sup>th</sup> edition of the report *Green, social and ethical funds in Europe*, a publication that has rapidly become a benchmark in the field of SRI in Europe.

This report was prepared in October 2011

by **vigeo**

in cooperation with **MORNINGSTAR**<sup>®</sup>

Giovanni Familiari and Federico Pezzolato put together the data.



### The research questions for the report can be summarised as follows:

- What is the size of the assets under management in green, social and ethical funds in Europe?
- How many funds are available to the retail market?
- What are the top holdings for these funds?
- What are the country-specific approaches to socially responsible investing?
- How much does it cost to invest in these funds? How have they performed relative to their traditional peers?
- What are the main trends of the industry and what can we expect in the future?

### The key objectives of this continuous research on SRI funds in Europe are:

- To provide professionals, the media and the general public with key figures and trends for green, social and ethical funds in Europe
- To provide high quality services to SRI professionals, CSR managers with companies and financial advisors



### This report is intended to serve the following users:

- Managers of financial institutions already engaged in socially responsible or ethical investing,
- Managers of financial institutions that are considering incorporating social screening in their portfolios or launching green or ethical funds,
- Managers of corporations willing to improve their understanding of trends in socially responsible investing,
- Policy makers who are interested in identifying appropriate policy instruments to stimulate financial institutions and business managers to address issues related to social responsibility.



A fund has to meet all these conditions in order to be eligible for the analysis

The report covers green, social and ethical funds operating in Europe as of June 30, 2011. The analysis covers: Austria, Belgium, Denmark, France, Germany, Italy, Norway, Spain, Sweden, Switzerland, the Netherlands and the United Kingdom.

### The funds considered in this report:

- All use ethical, social or environmental screening for stock and bond issuers selection,
- All are marketed as socially responsible investment products,
- All are available to the public (retail funds).

UCITS is used in the same sense as for The European Fund and Asset Management Association (EFAMA) Statistical Releases: publicly offered open-end funds investing in transferable securities and money market funds. However, the data are not fully comparable, as this report includes some life insurances and pension funds complying with our definitions and some of the countries (even if with a marginal weight on the total assets managed in Europe) considered in EFAMA statistics are not considered by this research.



### Therefore the research does not take into account:

- Funds that simply donate a part of their commissions or profits to charitable or other “good” causes,
- Funds and other investment products available to institutional investors only,
- Funds applying one or multiple CSR screens that are not marketed as socially responsible products.

According to these definitions, funds that have significantly diluted their screening approach have been deleted from the panel.





When reading this report it is important to consider the method applied for the allocation of products to countries. To avoid double counting, the survey takes into account the country where the asset management firm is based e.g. when a fund is domiciled in Switzerland and also sold in Germany, it is considered to be a Swiss fund. This approach can create a bias when assessing the size of a national market (that does not correspond to the assets managed by domiciled funds). Luxembourg SICAVS have normally been allocated to the country where the parent company of the fund retailer is located.

While Vigeo has done its best to cover all the funds in a comprehensive manner, some funds may have been missed. More funds could have been launched since the collation of the information for this report. While there are some limitations in this research, the report and the database provide a reliable picture of the size of the market, of the diverse situation in various European countries, of the approach to fund management, and of the criteria used.



Vigeo



Vigeo is a gateway to investment insight on the long-term risks and opportunities facing investors.

Vigeo, the leading European expert in the assessment of environmental, social and governance (ESG) risk factors, facing today's companies, institutions and countries. Through its 15 year heritage, Vigeo has established a reputation for rigorous and in-depth ESG research, centred on core and sector-specific drivers of sustainable performance and risk mitigation.

Vigeo measures companies' performance on ESG criteria and identifies related risk factors with regard to six areas: Environment, Human Rights, Human Resources, Community Involvement, Business Behaviour and Corporate Governance.

The Vigeo team comprises nearly 100 employees of 14 different nationalities and is present in Paris, Brussels, Milan, Casablanca, London and Tokyo. 150 clients and partners worldwide use Vigeo research and services.



### Federico Pezzolato

CSR auditor & consultant  
T: +39 02 27 72 71 32  
federico.pezzolato@vigeo.com

### Simonetta Bono

Business Development Manager  
T: +39 02 27 72 71 40  
simonetta.bono@vigeo.com

PARIS  
Les Mercuriales, 40 rue Jean Jaurès  
93170 Bagnole - France  
T : +33 1 55 82 32 40  
F : +33 1 55 82 32 50

BRUXELLES  
Rue du Progrès 333 / B7  
1030 Bruxelles - Belgique  
T : +32 2 206 67 91  
F : +32 2 206 67 90

LONDRES  
Ouverture en 2011

TOKYO  
2-8-8 Nakamachi Meguro-ku  
153-0065 Tokyo  
T : +81 3 5721 6159  
F : +81 3 6425 4675

MILAN  
Via Settala 6  
20124 Milan - Italie  
T : +39 02 277271  
F : +39 02 277222

CASABLANCA  
Technopark - Route de Nouacer  
PB 16435 - Casablanca - Maroc  
T : +212 529 00 38 83  
F : +212 522 87 47 27