High Net Worth Individuals and Sustainable Investment – Part II

By **Matt Christensen**
Eurosif

Matt Christensen has served as Executive Director of Eurosif since 2002. He is a frequent speaker at international events on sustainable finance matters and is a member of the European Commission Coordination Committee to explore the evolution of sustainability in the EU. He was formerly a European Director at The Motley Fool. Prior to that, he advised FTSE 100 clients as a strategy consultant with Braxton Associates/Deloitte Consulting based in London, Paris and New York. Christensen is a Non-Executive Director to three investment funds (clean tech private equity, microfinance and fundamental index tracker) and holds masters degrees from the Wharton School (MBA) and University of Pennsylvania (MA – International Political Economy). This paper was created with the support of Sarasin and KPMG.

SUSTAINABLE INVESTMENT PRODUCTS

Strategies used

There are a number of different strategies available to interested sustainable investment practitioners, which are not necessarily exclusive from one another. They include:[1]

1. Negative screening
2. Positive screening
3. Thematic investing
4. Community investing

Microfinance is on the cusp of becoming a strategy or asset class for HNWIs but it was not included in this survey as traditionally, it did not meet the market return requirement of our sustainable investment definition. This is changing and where explicitly mentioned by respondents in our survey as part of their sustainable investment strategy, it has been included as "Other" in Figure 1.

Negative screening

Negative screening (also called exclusion) consists of barring investment into certain companies, economic sectors, or even countries for ESG related reasons. The "norms-based screening" approach, often grouped together with negative screening, involves monitoring corporate complicity with internationally accepted norms, such as the UN's Global Compact, Millennium Development Goals, ILO Core Conventions, and OECD Guidelines for Multinational Enterprises.

Positive screening

Positive screening is the selection, within a given investment universe, of companies that perform best against a defined set of sustainability or ESG criteria. The most popular form of positive screening is called "Best in Class", where companies are selected within each sector of a given index, thereby retaining sector balance within the investment universe. For example, a Best in Class fund might contain criteria which enables it to invest in the oil and gas sector, but will only invest in those oil companies which are "best in their class" as they have a better record on the environmental and social issues than others in their sector.

Thematic investing

A new generation of SRI funds is emerging, driven by investors' focus on certain themes in the market where they see strong growth, often driven by sustainability trends. Stimulation of technological improvements, the creation of new markets through government regulations that reward sustainable practices (such as carbon markets) and an increased spending on health, quality of living and education from both governments and consumers all present investment opportunities.[2] Funds focusing on themes such as water, climate change, renewable energy, eco-efficiency or health and nutrition have multiplied since 2006.

Community investing

We define community investing as capital from investors that is directed to communities underserved by traditional financial services. It provides access to credit, equity, capital, and basic banking products that these communities would otherwise not possess, while often matching market rate return expectations. A typical example would be a venture capital fund whose investments reflect its mission to harness the entrepreneurial spirit in under-invested communities to stimulate economic growth and job creation.

Figure 1 shows the different strategies utilised for HNWI sustainable investments. Thematic investment is the strategy most often employed by respondents that practice sustainable investing, with 57 per cent of respondents using it.

A growing enthusiasm for thematic investments

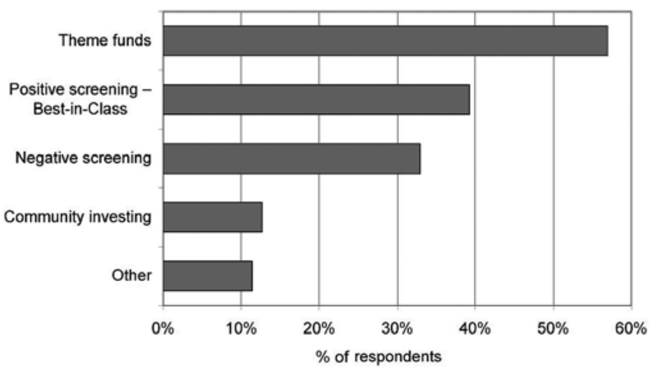
Thematic funds may focus on sectors or issues such as the transition to sustainable development and a low carbon economy. Thematic investing has experienced tremendous growth in the last three years – new funds investing in water, energy efficiency, renewable energy and more recently, climate change were launched and in many cases, have delivered financial out-performance for investors.

In fact, thematic investing has become big business among HNWIs. A recent survey on the Swiss sustainable theme investments assessed that the overall total assets under management for three themes (climate change, renewable energy/energy efficiency and sustainable water) amounts to 21.67 billion CHF (€13.3 billion).[3] Eighty percent of these investments come from retail/private banking clients. The Swiss study also shows that investors in sustainable themes are driven by a combination of financial and altruistic motives. Most of them expect an above or strongly above average growth rate, especially for renewable energy/energy efficiency.

The fact that thematic investment is of particular interest for HNWIs was emphasised in the latest World Wealth Report 2008. The report devoted a special section to "Green Investing" as an area of growth. Interestingly, and as illustrated in Figure 2, the most environmentally attuned HNWI populations, as measured by the percentage of affluent investors allocating part of their investment portfolios to green technologies and alternative energy sources, were found in Europe (17 per cent) and the Middle East (20 per cent).[4] The report also indicated that among all HNWIs worldwide, approximately half pointed to financial returns as the primary reason for their allocations to green investing.

In terms of actual themes, Figure 3 details those most favoured by our surveyed populations, with clean energy and water being at the forefront. Given the significant importance of the "multi-thematic" choice, we believe that this area is going to grow.

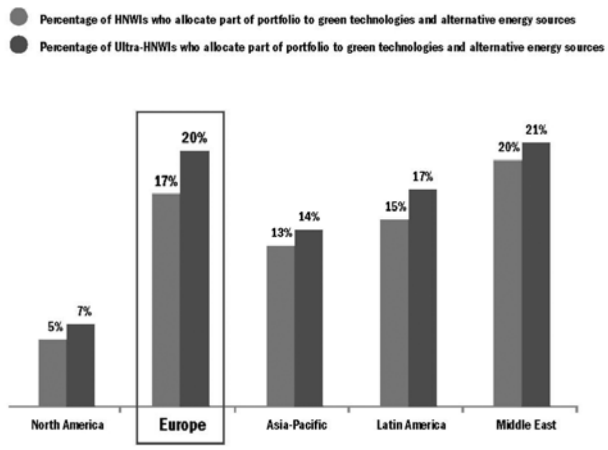
FIGURE 1. Sustainable investment strategies used



Source: Eurosif HNWI & Sustainable Investment Survey, 2008

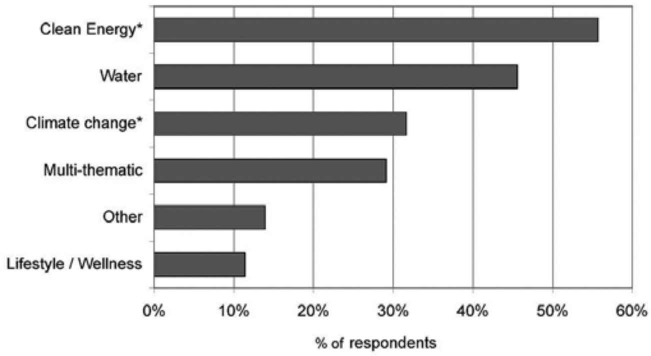
Note: the "other" category includes Microfinance Funds and Engagement

FIGURE 2. HNWIs' interest in green investing, 2007 (by regions)



Source: Capgemini / Merrill Lynch Financial Adviser Survey, April 2008

FIGURE 3. Breakdown of themes used



Source: Eurosif HNWI & Sustainable Investment Survey, 2008

* Theme definitions: Clean energy: companies whose new technologies and services help ensure the most efficient and environmentally friendly use of energy.
Climate change: companies offering products and services that reduce or delay climate change, or help to alleviate the consequences fo global warming.

The success of theme funds with private investors is also partly due to their relative straightforwardness. One interviewed wealth manager argued, "It is easier for HNWIs to apprehend the sustainable logic of a theme fund than that of a best-in-class fund, which could include in its portfolio sectors not necessarily perceived as sustainable (such as oil for instance). Thematic investing can clearly echo the HNWI investor's own values."

As discussed previously, some players acknowledge the existence of a bubble risk linked to certain themes, although they are moderately concerned. Another risk associated with thematic investments is that investors might have exaggerated expectations with regards to risk-adjusted returns.

Theme investing and sustainability

Some sustainable investment players might also claim that a theme fund is not necessarily sustainable; that to be sustainable, a theme fund needs an additional screening taking into account Environmental, Social and Governance (ESG) issues.[5] In this inaugural survey on the EU HNWI sustainable investment segment, Eurosif chose not to include that argument in the questionnaire itself but did address it in follow-up phone interviews. When asked whether thematic investing is sustainable investing, the interviewed respondents provided mixed responses, reflecting the large spectre of opinions on this matter. One interviewed family office was suspicious about the development of sustainable investments by some "opportunistic" providers which may delude HNWIs: "Many banks and financial institutions recognise the fee potential to sell sustainable and green investments but if you analyse those investments, there is nothing ethical about them. There is a risk of deep disappointment for some investors." Another interviewed wealth manager responded: "Our theme funds are based on sustainable ideas but we do not have social criteria in place for these funds … You might not call it sustainable investment in the strictest sense … HNWI clients are mostly interested in new emerging fields, new markets and are not yet ready to have an additional ESG screen added to the theme fund."

(See case study on Sarasin)

CASE STUDY

Bank Sarasin & Co. Ltd, a pioneer in sustainability

Background

Established in 1841, Sarasin is one of the largest providers of sustainable investments; its volume of sustainably managed assets has increased by over 1,000 per cent since 1998 to currently more than €5 billion. A pioneer in sustainability, Sarasin is at the origin of the "best in class" approach and its underlying eco-efficiency concept.

An integrated research team

Sarasin initiated sustainable research for companies as early as 1989 and has now a team of nine sustainability analysts. The integration of its research team into the portfolio management process allows the private bank to identify and exploit the reciprocal effects of environmental, social and financial factors, and advise its clients accordingly.

Examples of sustainable investment offering

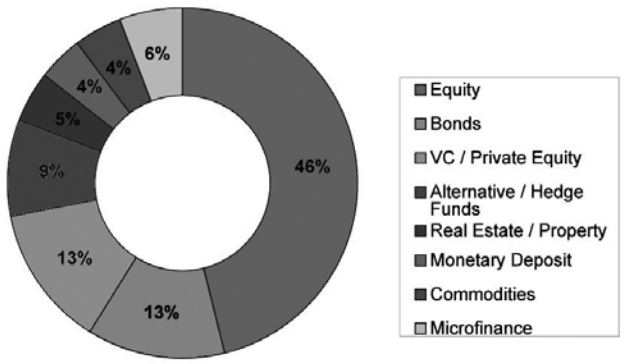
The Sarasin New Power Fund is investing in companies that have a far-sighted and innovative approach to the use of energy and whose commitment to sustainability also takes into consideration environmental and social aspects. Special attention is paid to companies that are active in renewable energies (wind, water, biomass, solar and geothermal power) and efficiency (power sector efficiency, electricity end-use efficiency, etc.).

Sarasin OekoSar Equity – Global is a diversified equity fund with investment focus on sustainable small/mid-cap leaders. The investments are concentrated in selected themes deemed crucial for a sustainable future: clean energy, health, water, sustainable consumption and sustainable mobility.

Challenges

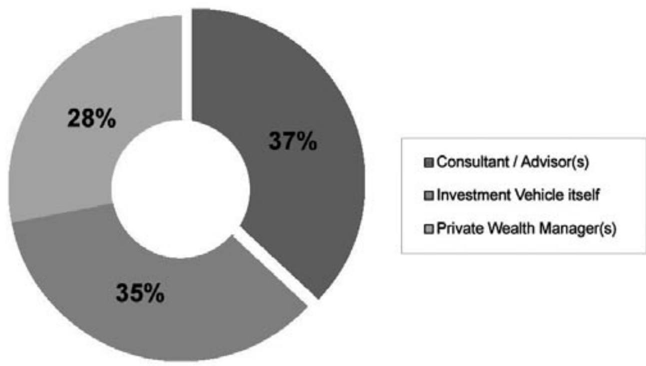
Are sustainability theme investments totally unproblematic? For instance, are biofuels all that sustainable? What are the environmental and social implications of an "uncontrolled" growth of biofuel production? In order to make an investment really sustainable it is essential to always look at opportunities (in the biofuels example, reduced dependency on fossil fuels, reduction of greenhouse gas emissions, etc.) and risks (environmental impact of vast tracts of monoculture, crops in competition with the food and animal feed industry, etc.).

FIGURE 4. **Asset allocation of sustainable investments (number of mentions, by weight of importance)**



Source: Eurosif HNWI & Sustainable Investment Survey, 2008

FIGURE 5. **Sources of sustainable products for family offices and HNWIs**



Source: Eurosif HNWI & Sustainable Investment Survey, 2008

ALLOCATIONS

Asset allocation

In terms of asset allocations, not surprisingly, equities are the most often employed asset class by respondents as illustrated in Figure 4. Noteworthy is the relative weight of the private equity class as well as the alternative/hedge fund one. HNWIs' interest for Venture Capital was already apparent in Eurosif's study "VC4S – Venture Capital for Sustainability 2007", which showed that the most prominent investors allocating capital into VC4S funds were family offices (19 per cent) and HNWIs (13 per cent).[6]

This is one of the areas where HNWIs' behaviour differs greatly from that of institutional investors. Generally speaking, HNWIs are more open to new and alternative investments. One interviewed wealth manager indicated for instance that there is a need to develop hedge funds with a sustainable component as there is great client demand for it. Therefore servicing this specific segment offers great opportunities for product innovation which could eventually prove useful for other investor segments such as institutional investors which are less inclined to test things out and more tied by their fiduciary duties.

(See case study for a typical innovative process)

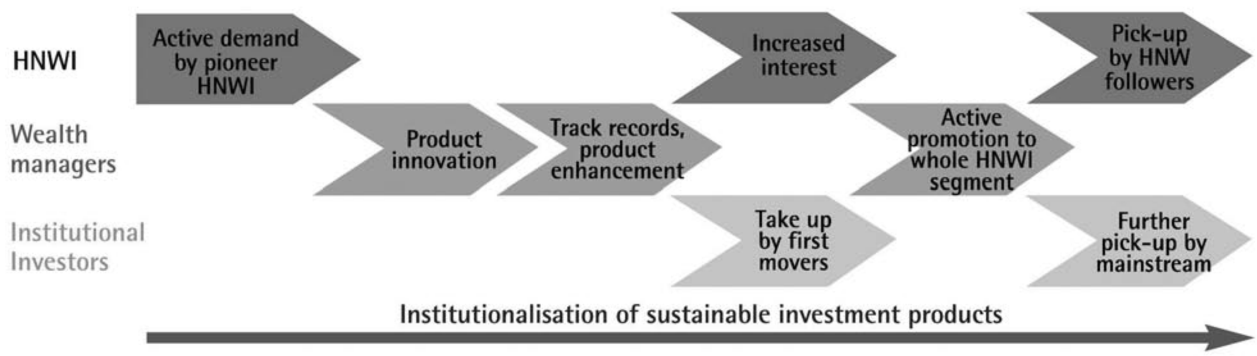
Geographic allocation

With regards to geographic allocation (referring to equity investments only), Europe and the specific domestic market of the respondents have the largest exposure (35 per cent and 26 per cent respectively). Exposure to North America, Asia and emerging markets is however quite significant. We would expect that the current emerging markets' share (11 per cent) will increase over time as the combination of investment opportunities and the sustainable development challenges in emerging markets offer potential for investment products with both sustainable impacts and superior financial prospects.

Cap size allocation

While HNWI sustainable investors invest mainly in large caps, the share of small and medium caps is quite significant (45 per cent on average). This is another area where this segment differs from institutional investors. HNWIs interested in sustainable investment cited small/medium cap exposure as critical in participating in new "sustainable" companies that would either eventually be bought out by large cap companies or become the new companies of tomorrow that define and lead their respective industry segments.

CASE STUDY. **A typical innovative process**



Source: Eurosif

PRODUCTS' ORIGIN

Existing and bespoke investments

On average, 67 per cent of respondents' sustainable products come from existing sustainable investment vehicles while 33 per cent is bespoke[7] sustainable investment. Bespoke investments include tailor-made exclusions, discretionary mandates based on ESG criteria set up with the HNWI client. The bespoke investments are vital to product development and may be compared to an R&D department; this is where new innovative products can be developed as HNWI investors have sufficient assets to demand bespoke solutions and are less bound by fiduciary duties.

Product sourcing

Responding wealth managers source 59 per cent of their sustainable investments internally while 41 per cent of investments come from external providers, either for very specific products or because wealth managers do not have sustainable competence and expertise internally. It seems that wealth managers do not always have a clear process for selecting sustainable investment providers and assessing their sustainability expertise. All practice the traditional financial due diligence process but seldom apply a specific review on sustainable criteria and returns. Assessing sustainability expertise is however possible; one responding wealth manager indicates "we screen fund managers that offer sustainable investments on their SRI qualities based on eight themes: Environment, Employees, Community, Clients & Competitors, Corporate Governance, Contractors, Business Ethics and Controversial Activities."

As for the HNWIs side, because sustainable investments that respond to specific needs are hard to come by, and also partly due to mistrust with wealth managers, family offices often count on a close circle to find the right sustainable investment opportunities at the present time. As shown in Figure 5, respondents source their sustainable investments first from a consultant or advisor[8] (37 per cent on average), closely followed by the investment vehicle itself (35 per cent) such as a venture capitalist for instance, and lastly from private wealth managers (28 per cent).

Phone interviews with family offices confirmed that informal networking with other family offices, HNWI and sustainable experts is essential for them to find investment ideas, products and opportunities to co-invest together. One family office indicated for instance: "We do not use any consultant to source products (although we do for conventional investment), we analyse these opportunities ourselves. Our main source is networking. We receive a lot of information from our clients, from other family offices and from the managers and entrepreneurs we invest in. It is very seldom that we choose the typical offer of private banks or other financial institutions – their fees are too expensive."

(See case study on a family office)

CASE STUDY

An HNWI Family Office

Informal networking among HNWIs to source sustainable investment products

Context

Members of a family office in the UK have increasingly become interested in sustainable investments as the younger generation has taken over the financial leadership. Two challenges that they face is effectively gathering information on the many different sustainable investment trends and sourcing new products for potential investments.

Networking

Over time, the family has formed relationships with a few other families and currently, they meet one to two times a year for a weekend to discuss ideas. Participation is limited to a very select number of decision makers of leading families to create an atmosphere of trust and frankness. In these sessions, they share experiences and ideas among peers, with the conversation including:

- Balancing family wealth with entrepreneurial creativity,
- Techniques for sustainable investment and effective philanthropy,
- Leadership in society through public service.

The format integrates families and expertise. A family is charged with leading a discussion and an expert is invited to lend detailed knowledge. This approach ensures buy-in from the participants and tailored discussions around meaningful subject matter. Sustainable investment topics have included best-in-class screening, community investing and thematic investments. The family has found that this networking approach has been fruitful in generating ideas, discussions, and ultimately decisions.

Sustainable Investment Philosophy

When the younger members of the family began to look more closely at sustainable investing, the first decision agreed was to exclude companies engaged in weapons making. The next phase has been to allocate funds to specific themes such as renewable energy, water, and most recently nutrition. These are split between private and publicly listed equities. The most recent discussion centres around whether sustainable investing should be integrated into the overall fund management of the family's wealth. At the moment, weaponry is a screen for the entire portfolio; thematic funds are a specific allocation. A deeper discussion has been started about how to integrate best in-class and ESG criteria into the work of some of the other funds that have been managed on a 'traditional' financial basis.

Sourcing from Wealth Managers

When sourcing sustainable investments from private banks, the family prefers to use the services of independent wealth managers with demonstrable expertise in sustainable investing. The family is wary of private banks practicing unfair fees and offering sustainable investment products as an add-on, without real depth in their investing process. Fortunately, the family has seen an improvement in wealth managers' offerings in the past 12–18 months, and they are presently engaging more seriously with them on these matters.

OPPORTUNITIES AND OBSTACLES

Drivers of demand

According to our overall respondents the main drivers of demand for sustainable investment are responsibility, the search for sustainable return and financial opportunity as shown in Figure 6. However, looking at the wealth managers and HNWIs separately reveals that the perceptions differ between the two segments.

A combination of sustainable and financial returns

For HNWIs, financial opportunity is a leading driver for For HNWIs, financial opportunity is a leading driver for sustainable investment while this is only ranked third by wealth managers. Family offices are interested in sustainable investments because sustainable investing makes financial sense while allowing investors to be responsible. As pointed out earlier through the example of thematic investing, HNWIs are looking for a combination of sustainable and appropriate risk adjusted financial returns.

Again, individual motivations among HNWIs vary. A respondent indicated that HNWIs feel they have an important role in society and that they wish to act as public models regarding social responsibility. "HNWIs choose sustainable investments with their heart, because they think it is a responsible thing to do," added another wealth manager. At the same time, the evidence shows that financial gain is a part of the rationale. A multi-family office based in the UK went further: "We take sustainable investments seriously where there is a client requirement. As with all investment, the emphasis is on clarity over all the key performance indicators (which may not be financial with such investing) and then clear measurement of achievement vs. the goals set. Everything else in our view is hot air."

Clearly, wealth managers able to demonstrate the close connection between sustainability and financial returns will separate themselves from other providers at a quickening pace in the coming years. There is also a need to present and promote sustainable investment products to HNWI differently from institutional investors. The value-based and financial returns aspect of a sustainable investment product can and should be emphasised with HNWIs.

Sustainability vs. philanthropic investments

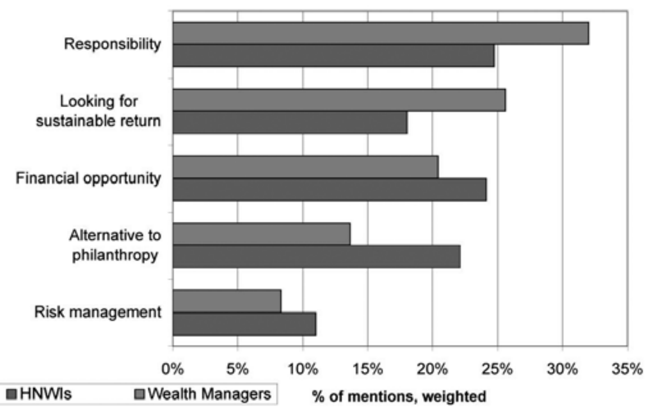
Philanthropy is certainly a driver for sustainable investment as was illustrated in Figure 6 by the relative importance of the "alternative to philanthropy" choice. Many HNWIs search for market return investments but with a motivation that is underpinned by a link to philanthropy. In fact, some wealth managers still include sustainable investing within the same department that covers philanthropy for this reason. Nevertheless, in phone interviews conducted by Eurosif, HNWIs stated that there is a key difference: sustainable investments do not compromise on financial return whereas in philanthropy, it is definitely not a main factor. One family office explains, "Philanthropy investment can take risk without reward whereas sustainable investment has risk and reward in alignment."

Interestingly, a wealth manager argued that some of its HNWI clients use both techniques to solve sustainable issues. The example shared was education in underprivileged areas, which was being tackled both through sustainable investment (investing in an infrastructure fund or microcredit fund) and also through more concrete philanthropic projects (funding a specific school in a poor area for instance).

Overall, it is essential to understand HNWI motives as they can vary from one to the next as reminded by a wealth manager: "Clients have different reasons for investing sustainably: ethical, financial, risk or a combination t hereof. It is important that the relationship manager identifies the sometimes latent interest of the client. For the asset manager it is important to find the optimal balance between sustainable and financial criteria while keeping the risk in hand."

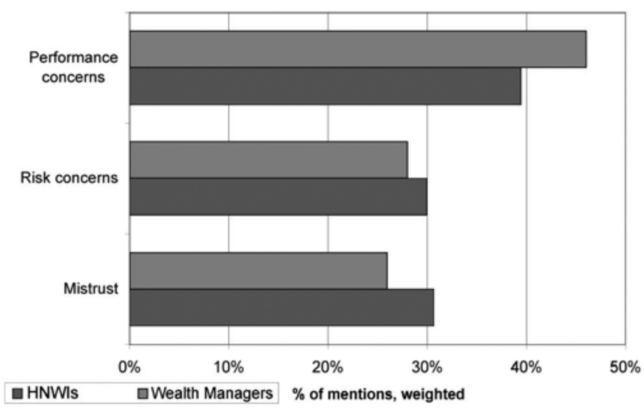
Over time, Eurosif also expects to see HNWI risk profiling and assessment techniques being aligned with ESG performance evaluation at a security and portfolio level. One initial tool to gauge HNW clients' interest and motives is to include sustainable investment questions in the "Know your Customer" questionnaire.

FIGURE 6. Drivers for sustainable investment demand



Source: Eurosif HNWI & Sustainable Investment Survey, 2008

FIGURE 7. Reasons for not demanding sustainable investments



Source: Eurosif HNWI & Sustainable Investment Survey, 2008

Barriers

Not surprisingly, performance concerns are cited as the principal barrier to sustainable investment, followed by risk concerns and mistrust as shown in Figure 7. Here again, HNWIs perception slightly differs from that of wealth managers'

Performance concern

Performance concern is the first hurdle that wealth managers need to overcome with their clients. HNWIs are interested in successful track records and good business cases. One respondent indicates "We need proof that sustainable investment can be profitable, at least as much as any other type of investment."

As with other type of investments, sustainable investment performance is also linked to the quality of the fund manager – hence the importance of a thorough assessment of sustainable investment providers and their processes, both financial and sustainable. A recent report features influential academic studies and a diverse set of studies from renowned brokerage firms, analysing responsible investment performance at both the company/stock and fund/portfolio level. Of the 20 academic studies reviewed in the report, there was evidence of a positive relationship between ESG factors and portfolio performance in half of these, with seven reporting a neutral effect and three reporting a negative association.[9]

Risk concern

Linked to financial performance are risk concerns; as touched upon previously, there are some concerns about a bubble risk, particularly with regards to thematic investing and some specific sectors. Respondents mentioned for instance some aspects of clean tech or renewable energy where return expectations are high but investment opportunities could become scarce. A number of respondents said they were vigilant in this regard.

Mistrust

Mistrust is an obstacle that private banks are experiencing for all types of investment. Specifically for sustainable investment, HNWI clients might question the sincerity of the wealth managers' approach. One family officer explains "private banks are not concerned with the real motives of sustainable investments; they only recognise the business opportunities ... they are not concerned about the long term consequences of these investments."

Track record and experience with sustainable investment are needed to gain customers' trust. Some would argue that wealth managers need to be sustainable investment specialists in order to be trustworthy, but track records can be built over time and partnerships can be made with those who already have experience and competency.

(See case study on Triodos Private Banking)

Respondents are also concerned with unprofessional practices which could undermine the development of sustainable investment. A family office advisor mentioned for instance "the carbon market space where some providers' methodology is suspicious at the least, all the more so as this area is unregulated." When choosing their sustainable investment providers, HNWI clients should ask them specific questions to gauge their competence and experience related to sustainable investment.

CASE STUDY

Triodos Private Banking

A sustainable investment specialist developing a private banking offer

Mission

Triodos Bank finances companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage corporate social responsibility and a sustainable society.

A specialist in sustainable investing

Triodos Bank started operating in the Netherlands in 1980 and in 1990 launched the first green fund in Europe, Biogrond Beleggingsfonds, followed by the Wind Fund and Green Investment Fund. In 2004, Triodos launched the Sustainable Real Estate Fund, the first real estate fund to invest exclusively in sustainable buildings. Triodos Bank now has offices in the Netherlands, Belgium, UK, Spain and Germany.

A recent private banking offer

Triodos has offered limited sustainable private banking services to customers in the Netherlands and Belgium since 1999. In 2005, this service was expanded further by launching a joint venture with FortisMeesPierson, one of the most experienced private banks in the Netherlands. FortisMeesPierson's broad asset management expertise has been combined with Triodos Bank's sustainable banking experience under the name Triodos MeesPierson Sustainable Investment Management.

Sourcing Process

Triodos Bank's research team selects the sustainable investment universe, based on best in class and exclusionary principles. The portfolios are then jointly managed by Triodos MeesPierson Sustainable Investment Management.

Example of a Sustainable Investment offering

Triodos Innovation Fund BV is a venture capital fund dedicated to invest in enterprises that are characterised by an environmentally friendly, socially responsible and/or innovative business approach. Triodos Bank, as a financial institution, has many years of experience in financing companies in sectors like renewable energy, the organic food chain, fair trade, clean technologies and in sectors like services, culture, care and wellness.

Triodos Innovation Fund geographically focuses on investments in the Netherlands, Belgium, United Kingdom and Spain. The Fund considers investments from €0.5 million to €4 million per investment. The Fund has a long term vision, aims to build a sustainable relationship with its investees and is not predominantly exit-driven.

Challenges

Change HNWI clients thinking towards a conscious use of their wealth, either through investments or consumption that can improve quality of life.

Transparency is another important aspect to consider in order to gain trust when sourcing sustainable investments. One respondent mentioned for instance that they rely on the European SRI Transparency Guidelines[10] to select external providers, along with their usual due diligence.

Relationship manager and operational factors including unfavourable pricing and incentive structures, a lack of familiarity with sustainable products and services, a lack of awareness as to the implications of ESG issues (for global political, economic, industry and social development), scepticism and/or discomfort in embracing market change, lack of management understanding as to positive business benefits accruing from a sustainable focus, requirements to re-engineer business processes and human capital approaches to realise opportunities also constitute additional barriers to take up.

Ideas going forward

This report makes clear that the potential demand for sustainable investment from HNWI is vast. Close to 90 per cent of the survey's respondents predict interest for sustainable investment will increase in the next year and 75 per cent of HNWIs think that sustainable investment will increase in the generational transfer of their family's wealth.

However for this area to reach its full potential, Eurosif advocates the following:

- A clear understanding of HNWI investors' motives to demand sustainable investment, in order to develop or find the proper financial products that share and reflect their concerns. One wealth manager mentioned in the questionnaire: "There is a large diversity of profiles and expectations, both in terms of ESG impact and financial returns: there is a necessity to build a broad offering in order to match the diversity of the HNWI demand for SRI products."
- Wealth managers need to develop a track record and case examples of market rate performance to convince HNWI clients that sustainable investment can perform as well as other traditional investments. Appropriately measuring sustainable returns would also bring convincing facts to HNWI clients.
- Reporting methodologies, processes for the robust assessment and incorporation of ESG factors into investment analytics and global legislative regimes (covering reporting, disclosure, emission targets and trading schemes, financial products, etc.) must continue to evolve in a way that promotes transparency, comparability and support for sustainability driven investment markets.
- Information and education on sustainable investment should be provided to the wealth management community. Many respondents indicated that they were interested in this space but were lacking information. Also crucial is a thorough training of relationship managers so that they feel comfortable offering sustainable investment to their clients and discussing this area with them. This can be done through internal communication, presentations and concrete examples.
- A genuine backing from the top management of wealth management companies is also essential to give credibility to the concept, both internally and to HNWI clients.
- Examples of respected wealthy figures publicly endorsing sustainable investment or sustainable issues would be helpful.

Concluding thoughts

HNWIs are beginning to play a meaningful and substantive role in sustainable investment. With this study, Eurosif aims to clarify the European HNWI sustainable investment space. The findings from this work will provide comfort to HNWIs that sustainable investing can yield market rate returns while fulfilling many of their long-term responsibility and stewardship concerns. So too, this document will assist wealth managers in better understanding the approaches to sustainability for their existing and future clientele.

The market is evolving quickly and future studies will be able to elaborate on geographic differences better as well as detail specific investment strategies. With this in mind, Eurosif will continue to monitor this space in the coming years and observe how it is evolving in Europe and beyond. ●

NOTES

1 A fifth SRI strategy, engagement, was not included in our questionnaire as this is a practice mainly used by institutional investors although a couple of respondents mentioned it in the survey.

2 Henderson Global Investors, Thematic Investing article. September 2007.

3 OnValues *Sustainable investments in Switzerland*. March 2008.

4 2008 Capgemini / Merrill Lynch Financial Advisor Survey, April 2008.

5 Novethic *The new frontiers of SRI: the Green Investments claiming to be SRI*. October 2007.

6 VC4S is a fast-growing, new segment within venture capital where profit objectives are supplemented by a mission which has direct impacts on sustainability.

7 Custom-made, specific to individuals' values.

8 Often individuals coming from the family officer's informal network.

9 *Demystifying Responsible Investment Performance* jointly produced by UNEP FI Asset Management Group and Mercer. October 2007.

10 The European SRI Transparency Guidelines aim to create more clarity on the principles and processes of SRI mutual funds. As of May 2008, there were 45 signatories, representing more than 140 SRI funds. For more information: www.eurosif.org/publications/european_sri_transparency_guidelines.

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