



Sustainable investments in Switzerland 2008

onValues
March 2009

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Swiss market survey per end of 2008

onValues GmbH

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Zürich, 12 March 2009

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Cover page photo: the Churfirsten mountains, Switzerland.

Executive summary

This report presents results of the regular survey of the Swiss sustainable investment market per end of Dec. 2008, which includes all sustainable assets managed in Switzerland through funds, mandates and structured products. A total of 18 managers reported their assets under management (AuM) in a range of different sustainable investment styles¹.

Due to the financial crisis, the strong growth trend experienced by the sustainable investment market in the past years has been stopped and for the first time since inception of the survey the market has shrunk considerably. The size of the sustainable market per end of 2008 was 20.9 billion CHF (funds, mandates, structured products), which corresponds to a decrease of 38.7% compared to the same value per end of December 2007. If we take sustainable funds only, the assets decreased by 35.3%. In comparison, the Swiss fund provider assets under management for comparable fund categories decreased by 40.2% in the period Dec. 2007 to Dec. 2008².

Funds account for approximately 58%, mandates for 39% and structured products for 3% of the total sustainable investment market volume. Retail/private banking investors retain their dominating market position by a slight margin (51%, compared to 49% for institutional investors). The share of equity investments as a percentage of total assets has decreased considerably mainly due to performance effects (67%, compared to 83% at the end of 2007), whereas fixed-income investments have increased their share considerably (21%, compared to 11% a year ago).

In spite of one of the toughest years on record for the asset management industry, Swiss sustainable investment providers continued to expand their offer and capabilities: notable is the launch of 14 new equity funds, 3 new strategy funds and 6 new fixed-income funds in 2008.

The asset inflow in existing and new sustainable funds in 2008 (especially in lower-risk broadly diversified equity, strategy and fixed-income funds) more than compensated the outflow (especially pronounced for some higher-risk theme funds). This resulted in a net asset inflow in sustainable funds of approximately 8.5%, compared to a net outflow of 6.4% experienced by the average Swiss fund provider in 2008. In relative terms, the net inflow experienced by microfinance and fixed-income/strategy funds was particularly marked.

¹ Including Socially Responsible (SRI), sustainability, ethical, engagement and sustainable theme investment styles; the survey is estimated to cover over 95% of the total Swiss sustainable investment market.

² For the purpose of comparison, the data for the fund categories 'Equity funds' and 'Strategy funds' provided by Swiss Fund Data per end of 2007 and per end of 2008 was used. These two fund categories combined display a similar asset allocation to the sustainable investment market and are therefore considered a good basis for comparison.

1. Introduction

Since the end of 2005, onValues has performed periodic surveys of the Swiss sustainable investment market (including Socially Responsible (SRI), sustainability, ethical, engagement and sustainable theme investment styles). This report presents the results of the survey per end of December 2008.

It is important to note that the goal of this survey is to assess the market of *specialist* sustainable investment products or mandates, and not to assess the degree to which environmental, social and governance considerations are increasingly being used to manage mainstream portfolios. Therefore the *results of this survey should not be seen as an indicator of total - probably considerably larger - assets-under-management for which environmental, social and governance considerations are taken into account.*

As in previous years, the survey was part-sponsored by and overseen by a committee of representatives of the following Swiss financial institutions: Bank Sarasin, Ethos, Forum Nachhaltige Geldanlagen, SAM, Swisscanto, UBS, Vontobel and Zürcher Kantonalbank.

2. Methodology

For the survey we use a methodology compatible with the EuroSIF (European Social Investment Forum) statistics³. The survey includes all sustainable assets managed in Switzerland (i.e. for which the asset management function is located in Switzerland).

Data are collected directly from the asset managers by means of customized data sheets⁴. onValues then aggregates the information at the level of the entire market. The data collection and aggregation is supervised by a Committee of representatives of the Swiss financial institutions mentioned in the Introduction. The following asset classes are evaluated (strategic, not actual asset allocation is surveyed):

- Equity
- Fixed income
- Liquidity
- Private equity
- Others.

The survey assesses the following sustainable investment approaches (multiple mentions are possible):

- Negative screening
- Positive screening/"best-in-class"
- Sustainable themes⁵
- Proxy voting
- Engagement.

³ According to EuroSIF "... a national market is defined by the country where the assets are being managed (i.e. where the asset management team is located)"

⁴ Data are based on the declaration of providers and are not verified externally

⁵ For 'Sustainable themes' investments to qualify for the Swiss market survey, it is not enough that an investment vehicle or mandate focus on the exposure of companies to specific sustainable themes (e.g. climate change, renewable energy). An additional analysis of the environmental, social and/or governance performance of the investee companies must be part of the investment process.

3. Results for the Swiss sustainable investment market

3.1 Market volume

The following table shows results of the Swiss sustainable investment market survey per end of Dec. 2007 and Dec. 2008. For comparison, also data for Swiss fund providers is included in the table.

	<i>million CHF</i>	Volume Dec 07	Volume Dec 08	<i>Change Dec 08 - Dec 07</i>
Swiss sustainable investment market	Funds	18839	12187	-35.3%
	Mandates	13998	8115	-42.0%
	Str. products	1164	556	-52.2%
	Total	34001	20858	-38.7%
Swiss fund providers (equity and strategy funds)	Funds	358502	214362	-40.2%

The size of the Swiss sustainable investment market according to the survey amounts to 20.9 billion CHF per end of 2008, which corresponds to a decrease of 38.7% compared to the same value per end of December 2007. In comparison, the Swiss fund provider assets under management decreased by 40.2% in the period from Dec. 2007 to Dec. 2008⁶.

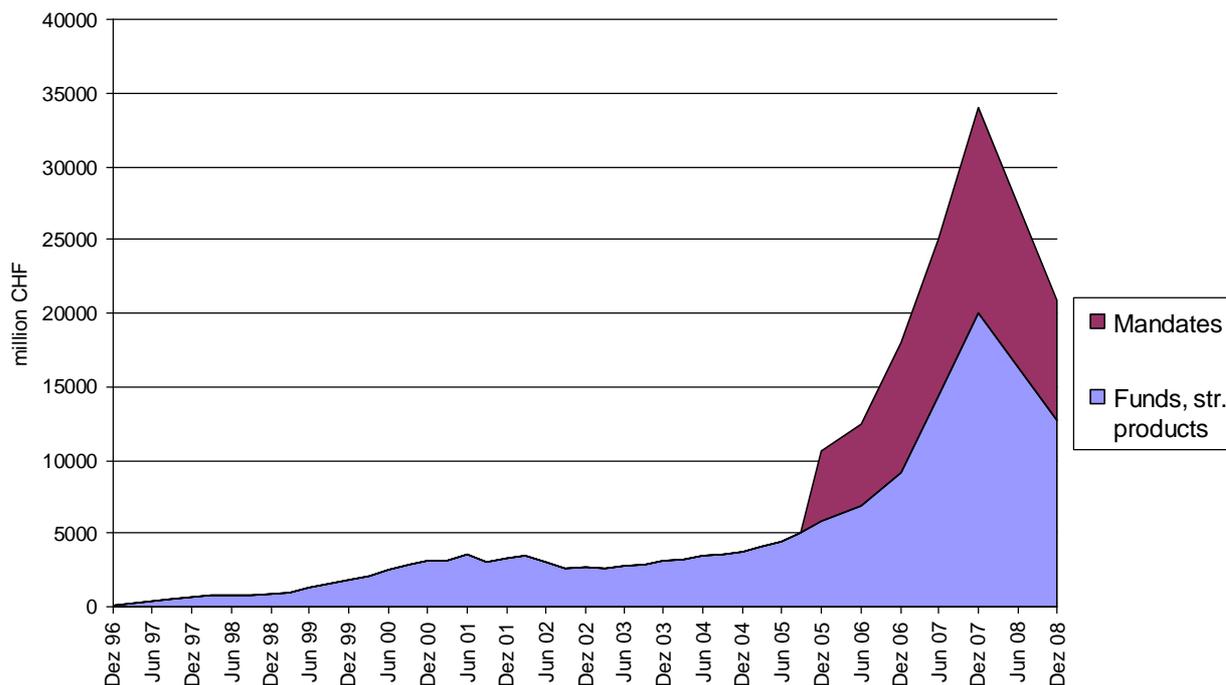
It is not surprising that the biggest decrease in sustainable assets relates to structured products, given an almost complete stop of new product issuances due to the financial crisis. The assets managed in funds have decreased less than the average.

Funds account for approximately 58%, mandates for 39% and structured products for 3% of the total sustainable investment market volume.

The following graph shows the time series for the volume of the Swiss sustainable investment market between Dec. 1996 and Dec. 2008. Due to the financial crisis, the strong growth trend experienced by this market in the past years has been stopped and for the first time since inception of the survey the market has shrunk considerably.

⁶ For the purpose of comparison, the data for the fund categories 'Equity funds' and 'Strategy funds' provided by Swiss Fund Data per end of 2007 and per end of 2008 was used. These two fund categories combined display a similar asset allocation to the sustainable investment market and are therefore considered a good basis for comparison.

Swiss sustainable investments Dec. 1996 to Dec. 2008



*) Mandates were assessed for the first time in the Dec. 2005 survey; in Dec. 2007 for the first time (and from then on) also assets managed in Switzerland on behalf of foreign clients or subsidiaries are included in the survey.

Practically all asset managers that had participated in the previous survey also contributed to the current survey. Participating institutions for the current survey include:

- Bank Coop
- BCGE (ex Synchrony)
- Care Group
- Credit Suisse
- EPS Value
- Ethos
- LODH
- Migros Bank
- Pictet
- Raiffeisen
- responsAbility
- SAM
- Sarasin
- Swisscanto
- UBS
- Vontobel
- Zegora
- ZKB.

The market shares of the leading Swiss asset managers are as follows (in decreasing order of market share):

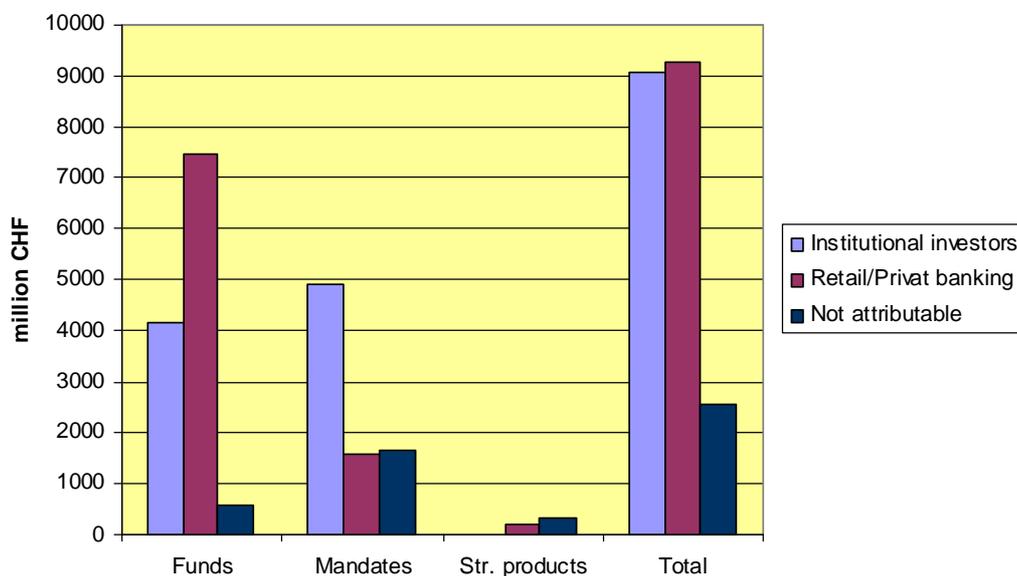
- Sarasin, 21.0%
- SAM, 17.2%
- Swisscanto, 9.8%
- Credit Suisse, 9.6%
- Ethos-Pictet, 9.4%
- Vontobel-Raiffeisen, 7.5%
- UBS, 6.9%
- ZKB, 4.7%

3.2 Analysis of investor types, asset classes and investment approaches

As in the previous evaluation, the split of AuM by different investor types, asset classes and investment approaches was assessed.

In terms of different investor types, retail/private banking investors retain their dominating position by a slight margin (51% of the total market, compared to the 49% of institutional investors, not considering the share of non-attributable assets).

Total AuM for different investor types (31 Dec. 2008)

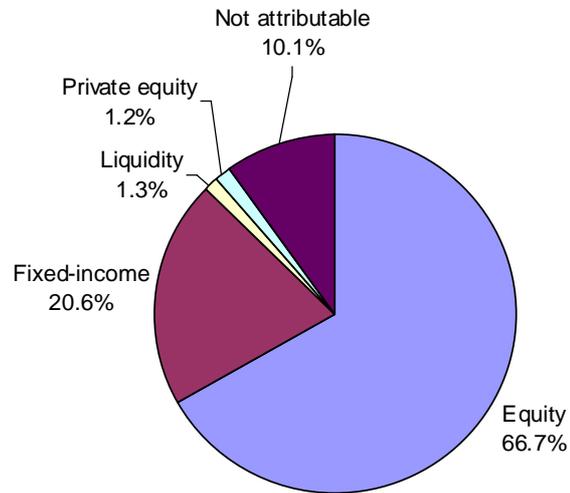


The dominating position of equity as the most important asset class has been reduced mainly due to performance effects (see figure on next page). Equity now accounts for approximately 67% of total AuM, having decreased from 83% as of end of 2007. The importance of bonds as an asset class has increased considerably and now accounts for 21% of total AuM (compared to 11% a year ago).

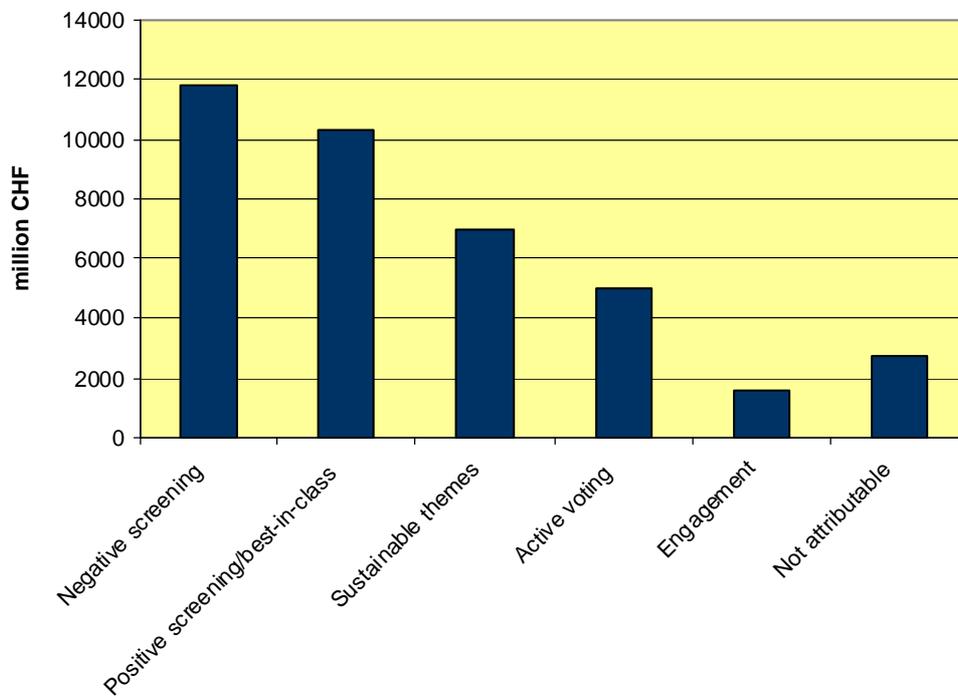
In terms of the different investment approaches used, the situation is more or less unchanged (see figure below). Mainly due to performance effects, the volume of assets

invested in sustainable themes has decreased stronger than for the other investment approaches.

AuM share of different asset classes (31 Dec. 2008)



Use of different investment approaches (31 Dec. 2008)



3.3 Analysis of net in-/outflows

For the first time, we have this year asked providers to report net fund asset in-/outflows, in order to differentiate between in-/outflow and performance effects on total assets.

Our aggregated figures show a net asset inflow in sustainable funds of approximately 8.5%, compared to a net outflow of 6.4% experienced by the average Swiss fund provider in 2008 (both figures calculated as a % of the end of 2007 net asset value, for Swiss fund providers the combined categories 'Equity funds' and 'Strategy funds' were used). In relative terms, the net inflow experienced by microfinance and fixed-income/strategy funds was particularly marked.

This is not surprising given the continued commitment and marketing efforts of many providers and the fact that in the past years the sustainable market has always shown considerably larger growth rates than the overall Swiss fund market. It is nevertheless encouraging given that 2008 was one of the toughest years on record for the asset management industry.

The asset outflow experienced by certain sustainable funds (especially some higher-risk theme funds) was more than compensated by the inflow in other areas (especially in lower-risk broadly diversified equity, strategy and fixed-income funds). Notable is the launch of 14 new equity funds, 3 new strategy funds and 6 new fixed-income funds in 2008, in spite of the financial crisis.

4. Annex: Data

The following tables show aggregated data for the Swiss sustainable investment market as of 31 December 2008:

	NAV	Investor types		
	million CHF	million CHF		
	million CHF	Institutional investors	Retail/Private banking	Not attributable
Funds	12187	4153	7462	572
Mandates	8115	4898	1585	1632
Struct. Products	556	0	217	339
TOTAL	20858	9052	9264	2543

	NAV	Asset Classes (strategic Asset Allocation)				
	million CHF	million CHF				
	million CHF	Equity	Fixed-income	Liquidity	Private equity	Not attributable
Funds	12187	8464	2963	240	254	267
Mandates	8115	5153	1274	40	0	1647
Struct. Products	556	298	68	0	0	190
TOTAL	20858	13915	4305	280	254	2105

	NAV	Investment approaches (multiple choice)					
	million CHF	million CHF					
	million CHF	Negative screening	Positive screening/best-in-class	Sustainable themes	Active voting	Engagement	Not attributable
Funds	12187	8109	5841	5334	2756	1355	909
Mandates	8115	3429	4309	1346	2251	181	1632
Struct. Products	556	303	129	297	9	10	198
TOTAL	20858	11840	10279	6977	5016	1546	2739