onValues
investment strategies & research

Sustainable investments in Switzerland 2009

onValues
March 2010

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 **f:** +41 (0)43 344 94 92 **e:** info@onValues.ch **w:** www.onValues.ch

onValues
investment strategies & research

Sustainable investments in Switzerland 2009

Results of the Swiss market survey per end of 2009

onValues GmbH
Report prepared by Ivo Knoepfel

Zürich, 10 March 2010

Contents:

Cover page photo: Sunset view at Schönbielhütte. Author: Jeff Pang.

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 **f:** +41 (0)43 344 94 92 **e:** info@onValues.ch **w:** www.onValues.ch

Executive summary

This report presents results of the regular survey of the Swiss sustainable investment market per end of December 2009, which includes all sustainable assets managed in Switzerland through funds, mandates and structured products. A total of 19 managers reported their assets under management (AuM) in a range of different sustainable investment styles[1].

After the decline experienced in 2008 due to the financial crisis, the Swiss sustainable investment market has in 2009 returned to the strong growth pattern observed in previous years. Per end of 2009 the sustainable market had reached and surpassed again the peak volume experienced before the financial crisis.

The size of the sustainable market per end of 2009 was 34.1 billion CHF (funds, mandates, structured products), which corresponds to an increase of 63.4% compared to the same value per end of December 2008. If we take sustainable funds only, the assets increased by 54.4%. In comparison, the Swiss fund provider assets under management for comparable fund categories increased by 12.2% in the period Dec. 2008 to Dec. 2009[2].

Funds account for approximately 55%, mandates for 40% and structured products for 5% of the total sustainable investment market volume, with only small changes in the relative share compared to the previous year. Retail/private banking investors have further expanded their majority position in the market (55.4% of the total market, compared to the 44.6% of institutional investors). Equity with its share of 61.5% remains the most important asset class in the sustainable market, having somewhat reduced its market share in favour of fixed income investments compared to last year. In terms of the different investment approaches, we observe a strong growth of 'Positive screening/best-in-class', of 'Sustainable themes' and of 'Engagement' approaches.

Sustainable funds experienced a considerably higher cash inflow than the market average in 2009. Net asset inflow in sustainable funds was approximately 22.9%, compared to 4.5% experienced by the average Swiss fund provider in 2009 (both figures calculated as a percentage of the end of 2008 net asset value; for Swiss fund providers the combined categories 'Equity funds' and 'Asset allocation funds' were used). The net asset inflow in sustainable funds was particularly marked for thematic equity funds and for recently launched funds, e.g. in the real estate and emerging market equity areas.

For the first time, the survey included also a series of qualitative questions aimed at assessing market participants' expectations vis-à-vis the future growth of the sustainable investment market. The results show that a large majority of participants expects strong growth for this market in the coming three years. The sustainable market is expected to grow at up to double the growth rates experienced by the average Swiss investment market. The asset classes that are expected to benefit most from this growth are by far equity (and within that mostly the themed approaches) and real estate. In spite of the gradual shift in favour of retail/private investors observed in the market in the past years, the majority of the participants believe that it will be mostly institutional investors that will drive growth in the coming three years.

---

[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 'Asset allocation funds' provided by Swiss Fund Data per end of 2008 and per end of 2009 was used (the data provided per end of 2009 is provisional according to Swiss Fund Data). These two fund categories combined display a similar asset allocation to the sustainable investment market and are therefore considered a good basis for comparison.

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

1. Introduction

Since the end of 2005, onValues has performed periodic surveys of the Swiss sustainable investment market. This report presents the results of the survey per end of December 2009.

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*.

The survey was part-sponsored by and overseen by a committee of experts representing different institutions with a link to the Swiss financial market: Bank Sarasin, Bank Vontobel, Ethos, Forum Nachhaltige Geldanlagen, INrate, Kaiser Ritter Partner, SAM, Swisscanto, UBS and Zürcher Kantonalbank.

For the first time, the survey included also a series of qualitative questions aimed at assessing market participants' expectations vis-à-vis future growth rates of the sustainable investment market, and the asset classes and investor types that will most contribute to that growth.

2. Methodology

For the survey we use a methodology compatible with the EuroSIF (European Social Investment Forum) statistics[3]. 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 sheets[4]. onValues then aggregates the information at the level of the entire market. The data collection and aggregation is supervised by a committee of experts 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"

[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

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

- Sustainable themes[5]
- Proxy voting
- Engagement.

3. Results for the Swiss sustainable investment market

3.1 Market volume

The following table shows the results of the Swiss sustainable investment market survey per end of Dec. 2008 and end of Dec. 2009.

Swiss sustainable investment market:

million CHF	**Volume Dec 08**	**Volume Dec 09**	*Change Dec 08 - Dec 09*
Funds	12187	18815	*+54.4%*
Mandates	8115	13596	*+67.5%*
Structured products	556	1664	*+199.2%*
Total	**20858**	**34075**	***+63.4%***

The size of the Swiss sustainable investment market according to this survey amounts to 34.1 billion CHF per end of 2009, which corresponds to an increase of 63.4% compared to the same value per end of December 2008.

Sustainable funds increased by 54.4% in the period from Dec. 2008 to Dec. 2009. In comparison, the volume of the Swiss fund provider market (Equity funds and Asset allocation funds) increased by 12.2%[6]. The sustainable fund market therefore grew considerably faster than the average market. Sustainable mandates grew by 67.5% and sustainable structured products by approx. 199%.

Funds account for approximately 55%, mandates for 40% and structured products for 5% of the total sustainable investment market volume, with only small changes in the relative shares compared to the previous year.

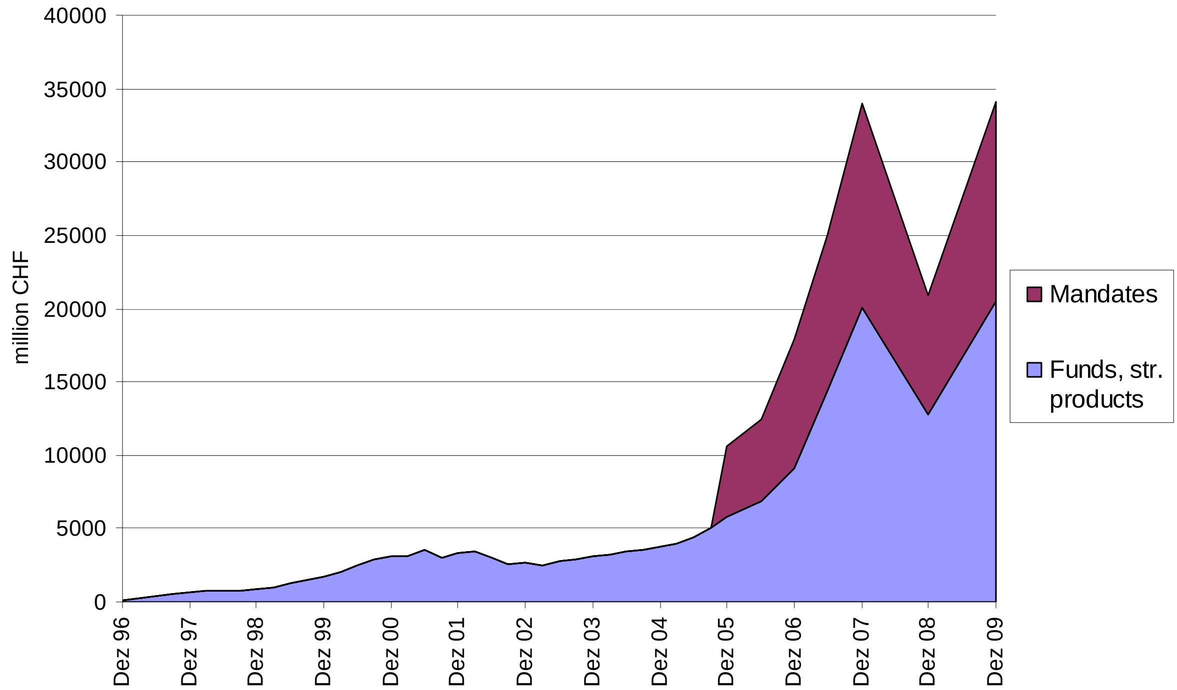
In the following graph we show the updated time series for the volume of the Swiss sustainable investment market between Dec. 1996 and Dec. 2009. After the decline experienced in 2008 due to the financial crisis, the Swiss sustainable investment market has in 2009 returned to the strong growth pattern observed in previous years. Per end of 2009 the sustainable market had reached again and surpassed the peak volume experienced before the financial crisis.

[5] For 'Sustainable themes' investments to qualify for the Swiss market survey, it is not enough that an investment vehicle or mandate focuses 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.

[6] For the purpose of comparison, the data for the fund categories 'Equity funds' and 'Asset allocation funds' provided by Swiss Fund Data per end of 2008 and per end of 2009 was used (data per end of 2009 is provisional according to Swiss Fund Data). These two fund categories combined display a similar asset allocation to the sustainable investment market and are therefore considered a good basis for comparison.

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

Swiss sustainable investments Dec. 1996 to Dec. 2009



*) 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.

All asset managers that had participated in the previous survey also contributed to the current survey[7]. Participating institutions for the current survey include:

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

[7] BlueOrchard is a new participant

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

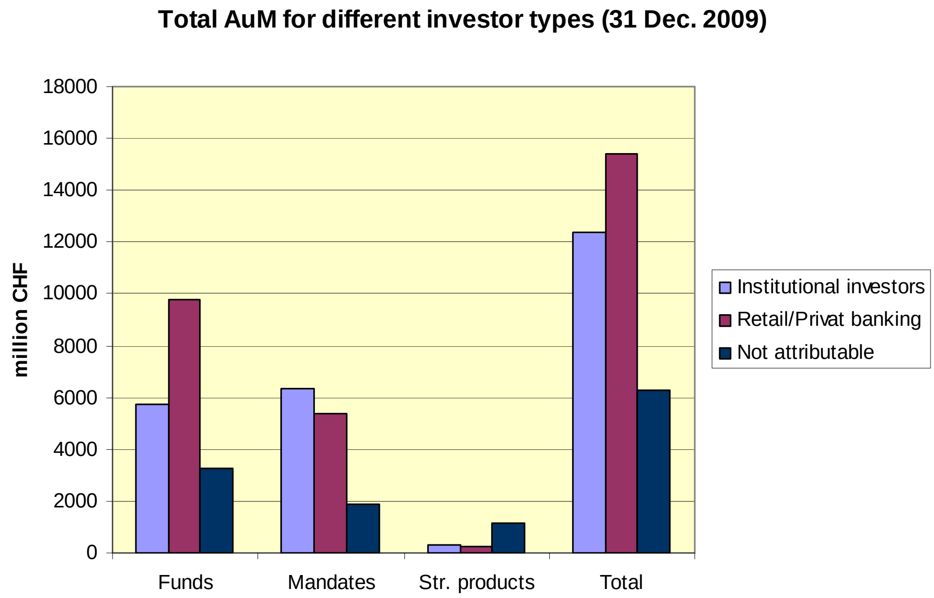
The market shares of the leading Swiss asset managers are as follows (in decreasing order of market share):

- Sarasin: 29.9%
- SAM: 16.5%
- Ethos-Pictet: 9.9%
- Credit Suisse (incl. responsAbility): 9.8%
- Vontobel-Raiffeisen: 9.3%
- Swisscanto: 8.3%
- UBS: 5.2%
- ZKB: 4.1%

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.

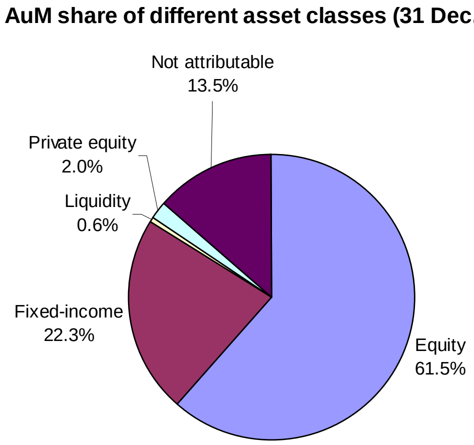
In terms of different investor types, retail/private banking investors have further expanded their majority position in the market (55.4% of the total market, compared to the 44.6% of institutional investors, not considering the share of non-attributable assets).

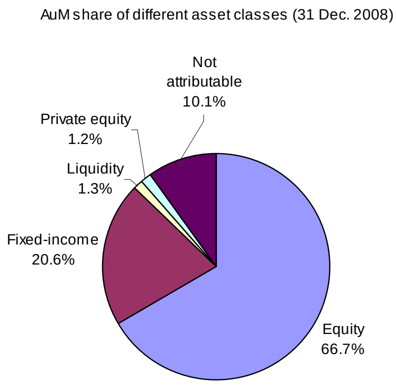


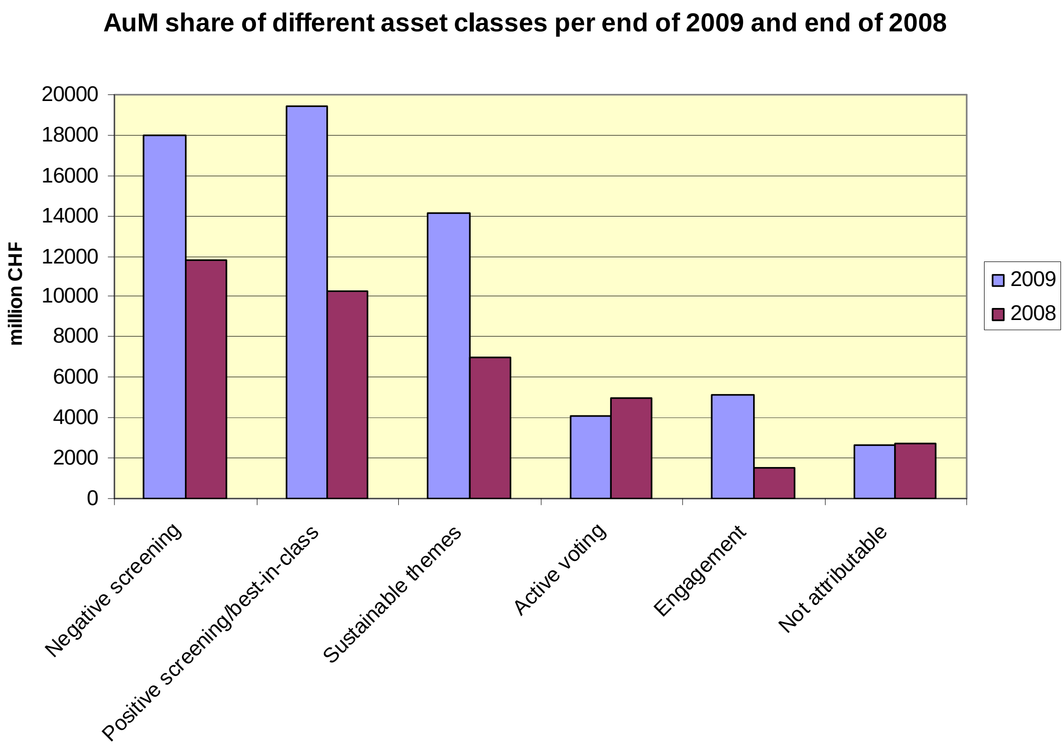
Equity remains the most important asset class, having somewhat reduced its market share in favour of fixed income investments compared to last year (see figure on next page). Equity now accounts for approximately 61.5% of total AuM, having decreased from 66.7% as of end of 2008. Fixed-income investments have increased their market share and now account for 22.3% of total AuM (compared to 20.6% a year ago). This is partly explained by the growth of microfinance debt investments. We would also like to highlight the fact that the 'Non attributable' category contains a small but growing share of real estate investments.

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

In terms of the different investment approaches used, the situation has changed significantly since last year. We observe a strong growth of 'Positive screening/best-in-class' and of 'Sustainable themes' approaches (see figure below). Interesting is also the observed strong growth of the 'Engagement' approach, where the manager (or a service provider) actively engage with companies on sustainability issues.







a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

3.3 Analysis of net in-/outflows

onValues also asked survey participants to report net fund asset in-/outflows, in order to understand what part of total asset growth was attributable to in-/outflow and what part to performance effects.

Our aggregated figures show a net asset inflow in sustainable funds of approximately 22.9%, compared to a net inflow of 4.5% experienced by the average Swiss fund provider in 2009 (both figures calculated as a % of the end of 2008 net asset value; for Swiss fund providers the combined categories 'Equity funds' and 'Asset allocation funds' were used).

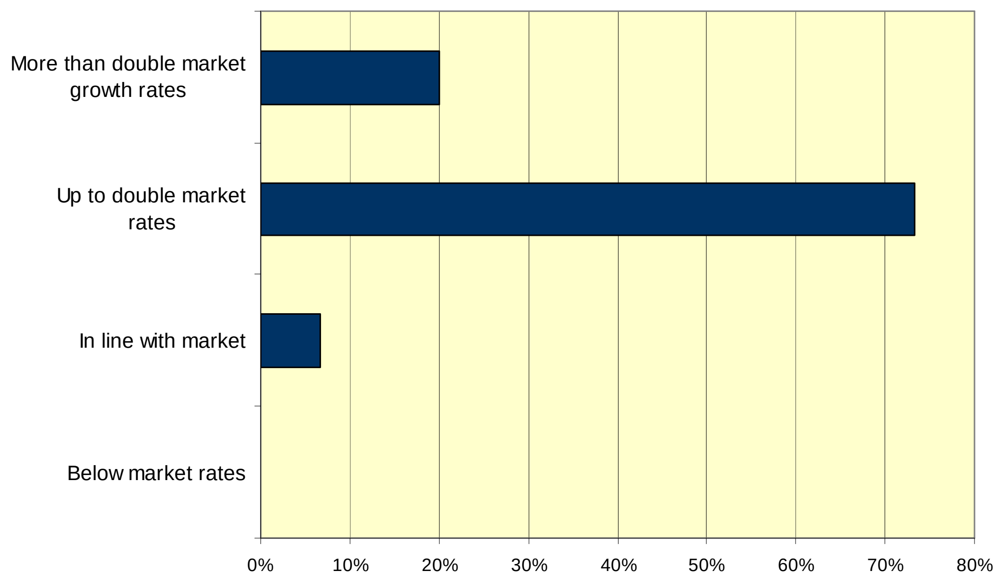
The net asset inflow in sustainable funds was particularly marked for thematic equity funds and for recently launched funds, e.g. in the real estate and emerging market equity areas.

3.4 Expected growth of the market

The survey included a series of qualitative questions aimed at assessing market participants' expectations vis-à-vis the future growth of the sustainable investment market. Fifteen out of nineteen participants, including all the large ones, participated in this part of the survey. In the questionnaire, participants were asked to select a predefined range for growth rates expected in the coming three years, compared to the average Swiss investment market.

The results (figure below) show that a large majority of participants expects strong growth for the sustainable investment market. This market is expected to grow at up to double the growth rates experienced by the average Swiss investment market.

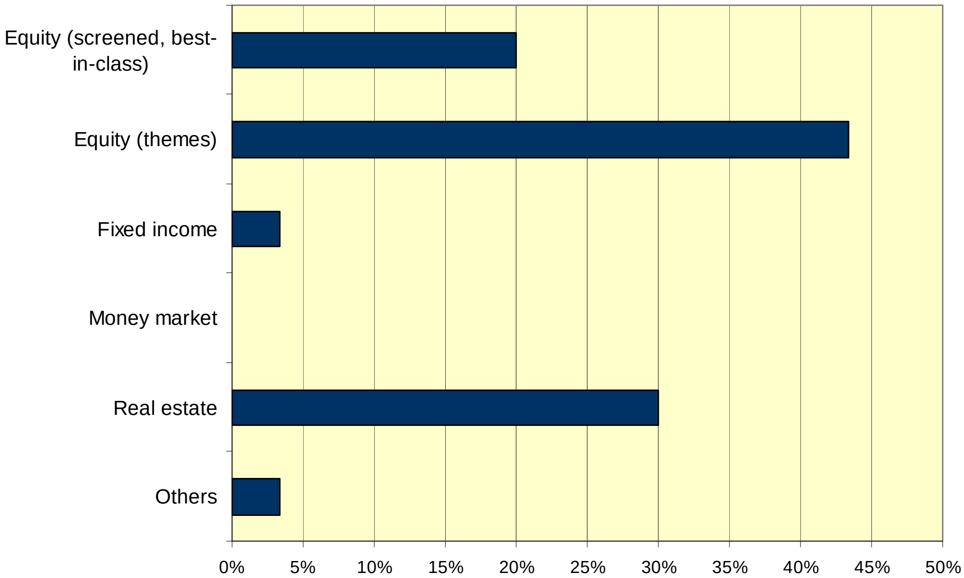
Expected growth rates of sustainable inv. market compared to whole market (distribution of 15 replies)



a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

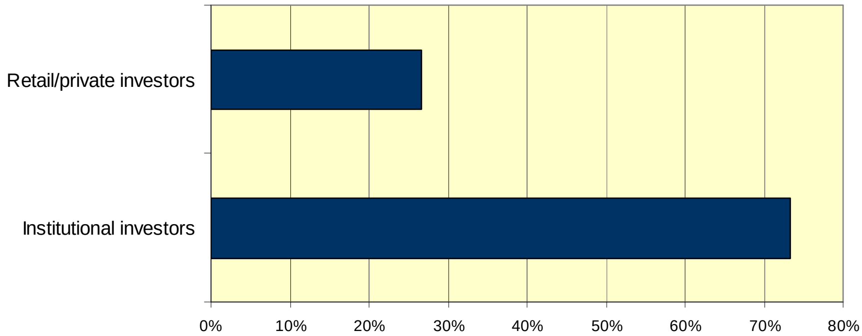
The asset classes that are expected to benefit most from this growth are by far equity (and within that mostly the themed approaches) and real estate. In the questionnaire, each participant was asked to name the two asset classes that are expected to grow most out of a predefined list (see figure below).

Asset classes expected to experience highest growth rates (distribution of 15 replies x 2 mentions)



In spite of the gradual shift in favour of retail/private investors observed in the market in the past years, the majority of the participants believes that it will be mostly institutional investors that will drive growth in the coming three years (see figure below).

Investor types expected to experience highest growth rates (distribution of 15 replies)



a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

3.5 Case-study on the sustainable investment market in Liechtenstein

(this section is contributed by the LIECHTENSTEINISCHER BANKENVERBAND)

The possibility of systematically assessing the sustainable investment market in Liechtenstein and including the data in the next edition of this report is currently under consideration.

Sustainable investments as an asset class are a rather new field in Liechtenstein. So far, no official statistics on sustainable investments managed in Liechtenstein are available, for instance. We nevertheless include a short overview of current trends in sustainable investments in Liechtenstein. Measured by the major players, an estimated 2% of total assets under management are likely to be sustainable investments as of the end of 2009. The trend is strongly increasing, however. Especially in the recent past, more and more institutions – whether banks, asset managers or fund providers – have recognized the enormous potential of sustainable investments as an asset class and are increasingly very active in this field. Equity and bond funds predominate, which – mainly as thematic funds – embody sustainable investment styles or reflect a broad investment universe as best-in-class funds. In addition to these investment forms, however, dedicated asset classes such as microfinance and climate protection funds have meanwhile emerged.

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch

4. Annex: Data

The following tables show aggregated data for the Swiss sustainable investment market as of 31 December 2009:

	NAV	Investor types million CHF		
	million CHF	Institutional investors	Retail/Private banking	Not attributable
Funds	18815	5752	9815	3248
Mandates	13596	6365	5350	1881
Struct. Products	1664	288	249	1127
TOTAL	**34075**	**12405**	**15414**	**6256**

	NAV	Asset Classes (strategic Asset Allocation) million CHF				
	million CHF	Equity	Fixed-income	Liquidity	Private equity	Not attributable
Funds	18815	12268	4455	207	693	1193
Mandates	13596	7496	2825	12	0	3263
Struct. Products	1664	1198	308	0	0	158
TOTAL	**34075**	**20961**	**7588**	**219**	**693**	**4614**

	NAV	Investment approaches (multiple choice) million CHF					
	million CHF	Negative screening	Positive screening/best-in-class	Sustainable themes	Active voting	Engagement	Not attributable
Funds	18815	11692	8430	10450	3133	4195	575
Mandates	13596	5726	10537	2294	945	647	1887
Struct. Products	1664	553	449	1370	10	294	158
TOTAL	**34075**	**17971**	**19416**	**14114**	**4088**	**5137**	**2620**

a: onValues Ltd., Josefstrasse 59, CH-8005 Zürich, Switzerland
t: +41 (0)43 344 94 93 f: +41 (0)43 344 94 92 e: info@onValues.ch w: www.onValues.ch