



SUSTAINABLE INVESTMENTS IN SWITZERLAND 2011

Published by



onValues
investment strategies & research

IMPRINT

Publisher: FNG – Sustainable Investment Forum Switzerland www.forum-ng.org

Authors: Dr. Ivo Knoepfel, David Imbert, onValues www.onvalues.ch

Design: www.christinaohmann.de

Sponsored by



CONTENTS

	Executive summary	04
	1. Introduction	05
	2. Methodology	06
	3. Results for the Swiss sustainable investment market	08
	3.1 Market volume	08
	3.2 Analysis of investor types, asset classes and investment approaches	10
	3.3 Analysis of net in-/outflows	12
	3.4 Other market trends and outlook	12
	4. The sustainable investment market in Liechtenstein	13
	5. Annex: Data	14

EXECUTIVE SUMMARY

This report presents results of the regular survey of the Swiss sustainable investment market¹ per end of 2011, which includes all sustainable assets managed in Switzerland through funds, mandates and structured products. A total of 20 asset managers reported their assets under management (AuM) in a range of different sustainable investment styles.

At the end of 2011 the sustainable market reached the value of 42.3 billion CHF, which is only marginally higher than the value it had at the end of 2010 (42.0 billion CHF). This indicates a good resilience of the sustainable market given the challenging market environment and investors' risk aversion, especially in the second half of 2011.

Decreases in the assets managed through funds and structured products were offset by the increase of assets managed through mandates. This increase is due to institutional mandates for which sustainability considerations were for the first time integrated directly into financial analysis and investment decisions. This marks a new trend in the industry towards integration of sustainability in asset management.

In 2011, funds accounted for approximately 53%, mandates for 44%, and structured products for 3% of the total sustainable investment market volume. The use of sustainability information for institutional mandates mentioned above has led to a more balanced investor distribution, with institutional and retail/private investors now each representing about 50% of the market. In 2011 the market share of equity investments decreased from about 63% to 53%. The market share of fixed-income investments, on the other hand, grew from 21% to 31%.

There have also been changes in the use of different investment approaches. Sustainable theme investments have decreased from 16.5 to 13.5 billion CHF, assets for which active voting of proxies applied rose from 9.1 to 11.4 billion CHF, assets using the integration approach increased from 5.6 to 9.1 billion CHF. The newly surveyed approach of 'international norms screening', frequently used by investors in Scandinavia and other parts of the world, is almost not used in Switzerland.

In terms of new innovative strategies coming to market, 2011 has been a relatively quiet year. We nevertheless observed a number of new products relating to emerging markets equity, corporate bonds, real estate, natural resource themes and impact investments being launched. Survey participants were asked about their expectations for the future growth of the sustainable investment market. Aggregated results indicate that the majority of participants expect this market to grow at up to double the average rate experienced by the Swiss investment market in the coming years.

¹ This includes all assets managed in Switzerland according to responsible/sustainable/SRI investment approaches. The survey is estimated to cover over 95% of the total Swiss sustainable investment market.



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 2011.

It is important to note that the present survey focuses on assets managed by banks and investment management companies in Switzerland. It does not capture assets managed internally by pension funds, insurance companies or other asset owners. It therefore doesn't capture the entirety of assets for which environmental, social and governance considerations are taken into account.

The survey was overseen by a Working Group of members of FNG Switzerland, including the following institutions: Bank Sarasin, Bank Vontobel, Ethos, Inrate, Kaiser Partner, SAM, Swisscanto and Zürcher Kantonalbank.



2. METHODOLOGY

For the survey we use a methodology compatible with the Eurosif (European Social Investment Forum) statistics². 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 sheets³. As a rule, managers with assets under management in excess of CHF 100 million are invited to participate in the survey. onValues then aggregates the information at the level of the entire market. The data collection and aggregation is supervised by the abovementioned FNG working group. The following asset classes are evaluated (strategic, not actual asset allocation is surveyed):

- Equity
- Fixed income
- Liquidity
- Private equity
- Hedge funds
- Real estate
- Commodities
- Others.

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

- International norms-based screening⁴
- Ethical/Values-based screening⁵
- Sustainability screening (positive-criteria or best-in-class approaches)
- Sustainable themes⁶
- Active voting
- Engagement with portfolio companies
- Integration⁷

² 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)".

³ Data are based on the declaration of providers and are not verified externally.

⁴ 'International norms' refers to screens based on international conventions and standards (e.g. issued by the UN, ILO, OECD, etc.).

⁵ 'Ethical/values-based screens' refer to exclusion criteria based on values, principles or beliefs defined by the provider and its clients (e.g. exclusions of tobacco, alcoholic beverage production, etc.).

⁶ 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, water etc.). An additional analysis of the environmental, social and/or governance performance of the investee companies must be part of the investment process.

⁷ Assets for which ESG issues are integrated directly into financial analysis and investment decisions based on a systematic process and appropriate research sources.





3. RESULTS FOR THE SWISS SUSTAINABLE INVESTMENT MARKET

3.1 MARKET VOLUME

The following table shows the results of our survey of the sustainable investment market per end of Dec. 2010 and end of Dec. 2011.

SWISS SUSTAINABLE INVESTMENT MARKET

million CHF	Volume Dec 10	Volume Dec 11	Change Dec 11– Dec 10
Funds	24481	22539	-7.9%
Mandates	16129	18666	15.7%
Str. products	1357	1047	-22.9%
Total	41967	42252	0.7%

**) data for previous years can be found in the annex.*

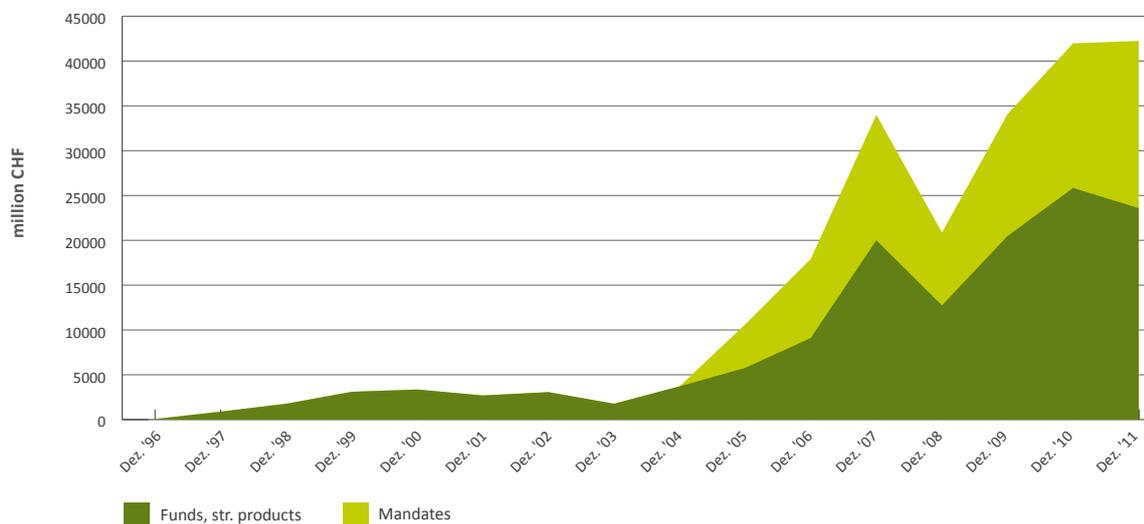
At the end of 2011 the sustainable market (consisting of funds, mandates, and structured products) reached the value of 42.3 billion CHF, which is only marginally higher than the value it had at the end of 2010 (42.0 billion CHF). Decreases in the assets managed through funds and structured products were offset by the increase of assets managed through mandates. This increase is due to institutional mandates for which sustainability considerations were for the first time integrated directly into financial analysis and investment decisions. This marks a new trend in the industry towards integration of sustainability in asset management. Without this effect, the sustainable market would have shrunk, similar to the rest of the market.⁸

In 2011 funds accounted for approximately 53%, mandates for 44% (having considerably increased their share due to the reasons explained above) and structured products for 3% of the total sustainable investment market volume.

⁸ Data by Swiss Funds Association shows that the size of the Swiss fund provider market decreased by almost 4% in 2011.

In the following graph we show the updated time series for the volume of the Swiss sustainable investment market between Dec. 1996 and Dec. 2011.

SWISS SUSTAINABLE INVESTMENTS DEC. 1996 TO DEC. 2011



**) 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.*

Participating institutions for the current survey include:

- Bank Coop
- Bank Sarasin
- Bank Vontobel
- BCGE (ex Synchrony)
- BlueOrchard
- Care Group
- Credit Suisse
- Ethos
- Hauck & Aufhäuser (Schweiz)
- LGT
- Lombard Odier Darier Hentsch (LODH)
- Migros Bank
- Pictet
- Raiffeisen
- responsAbility
- Sustainable Asset Management (SAM)
- Swisscanto
- UBS
- Quantex (ex. Zegora)
- Zürcher Kantonalbank (ZKB).

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

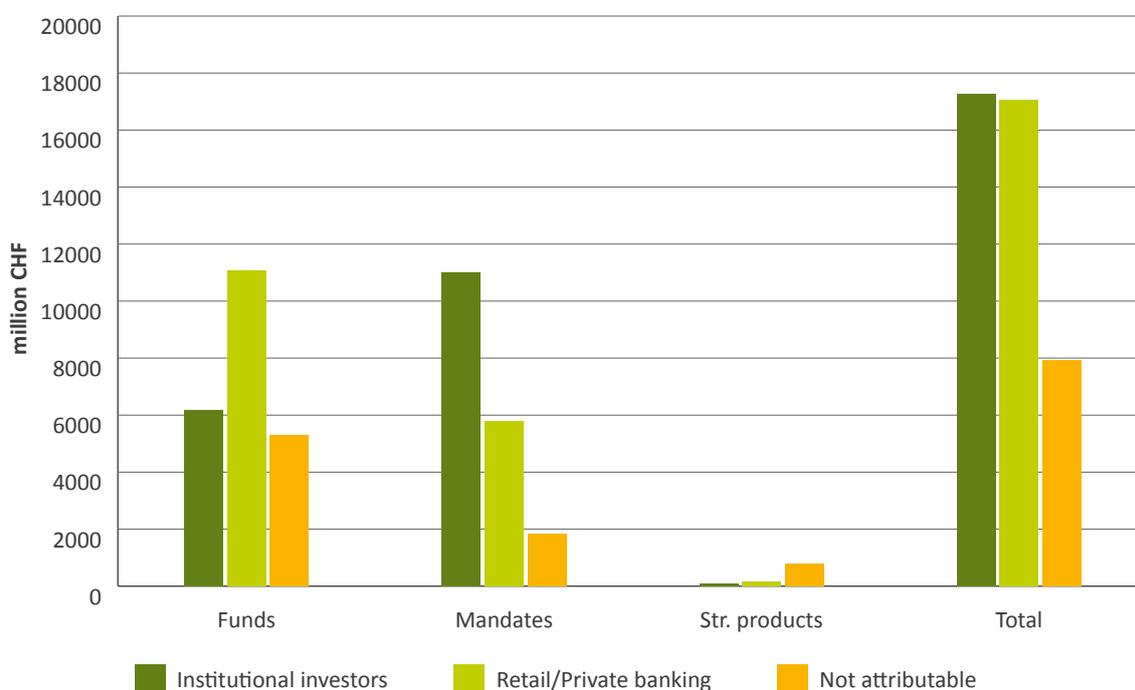
- Bank Sarasin: 35.8%
- Ethos-Pictet: 15.2%
- SAM: 11.5%
- Credit Suisse (incl. responsAbility): 9.3%
- Vontobel-Raiffeisen: 8.9%
- Swisscanto: 5.4%
- ZKB: 3.9%
- UBS: 3.9%

3.2 ANALYSIS OF INVESTOR TYPES, ASSET CLASSES AND INVESTMENT APPROACHES

As in the previous evaluation, the split of assets under management (AuM) for different investor types, asset classes and investment approaches was assessed.

In terms of different **investor types**, the historical trend toward higher shares of retail/private banking investors in the market has come to a halt. This year, institutional and retail/private clients account for an almost equal share of roughly 50% each of the market.

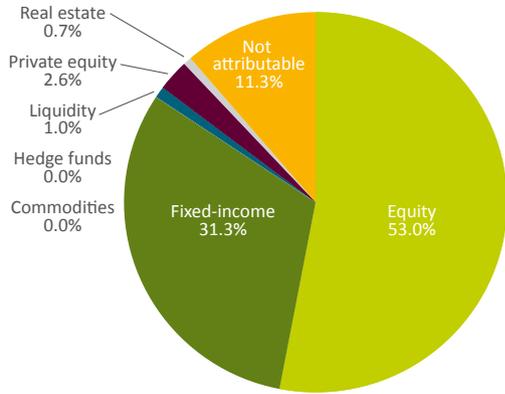
TOTAL AUM FOR DIFFERENT INVESTOR TYPES (31 Dec. 2011)



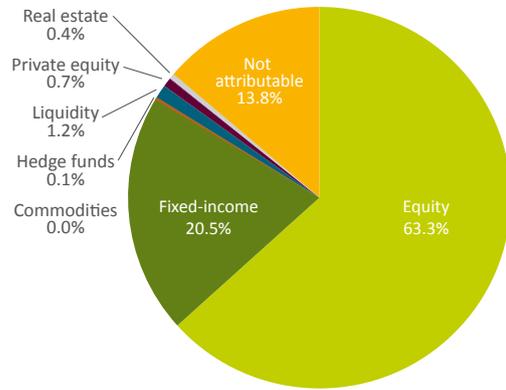
As a result of performance effects and outflow, the market share of equity investments decreased by almost 10% compared to the previous year (market share was 53% in 2011 compared to 63% in 2010). This is mirrored by the higher share of fixed-income investments (31% in 2011, compared to 21% in 2010). Notable is also a slight increase for private equity and real estate investments.

We also note some changes in the use of different investment approaches. Themed investments have decreased from 16.5 to 13.5 billion CHF. Theme funds still represent an important investment style and some of the biggest funds in the market relate to themes such as water and clean energy. Assets for which active voting of proxies applied rose from 9.1 to 11.4 billion CHF. Assets using the integration approach increased from 5.6 to 9.1 billion CHF. The newly-surveyed approach of 'international norms screening', frequently used by investors in Scandinavia and other parts of the world, is almost not used in Switzerland.

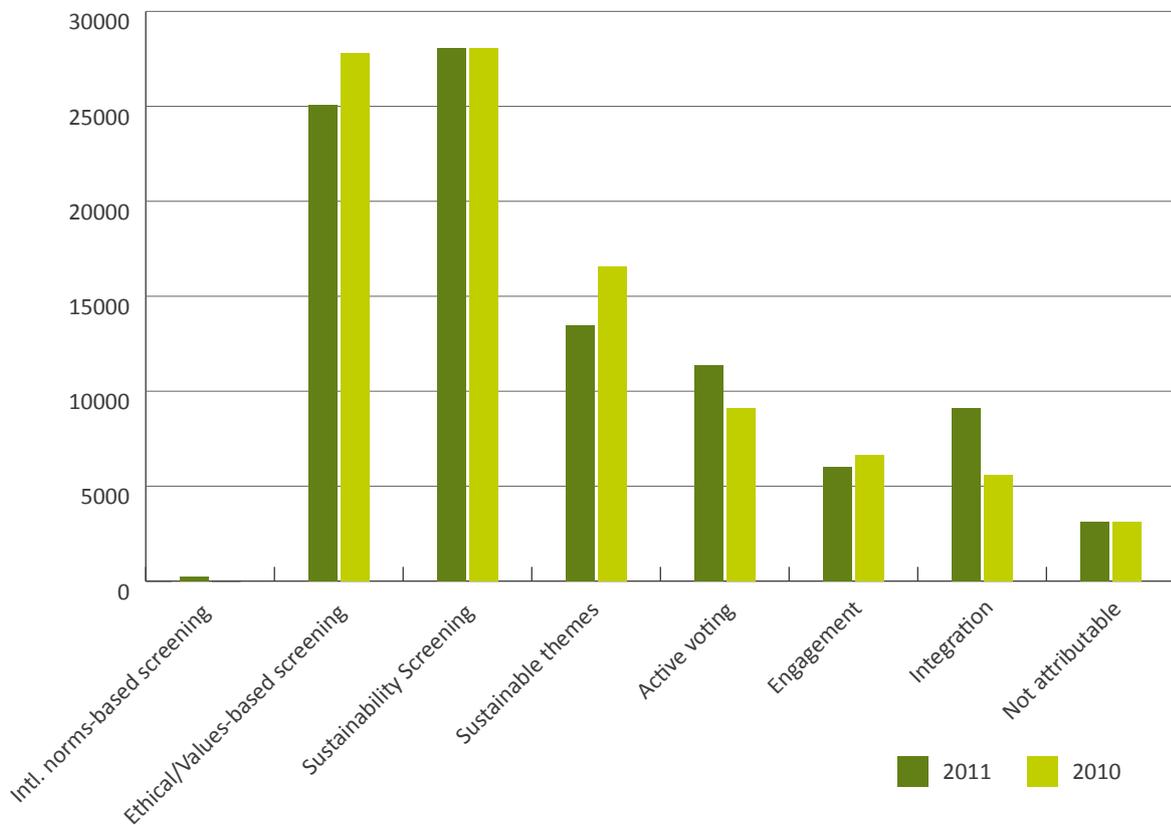
AUM SHARE OF DIFFERENT ASSET CLASSES (31 Dec. 2011)



AUM SHARE OF DIFFERENT ASSET CLASSES (31 Dec. 2010)



USE OF DIFFERENT INVESTMENT APPROACHES PER END OF 2011 AND END OF 2010 (multiple mentions possible)



*) Note: assets managed according to intl. norms-based screening were surveyed for the first time in 2011.

3.3 ANALYSIS OF NET IN-/OUTFLOWS

Values also asked survey participants to report net asset in-/outflows.

The results show that the Swiss sustainable investment market (funds/mandates/structured products) experienced a net asset inflow of approximately 11% in 2011. This includes existing institutional mandates for which sustainability issues were considered for the first time in financial analysis and portfolio management (integration approach). Without counting this, the sustainable market would have experienced a net outflow of about 1.2%. As a comparison, the total Swiss fund provider market experienced a net inflow (purchases) of about 1.3% in 2011.⁹

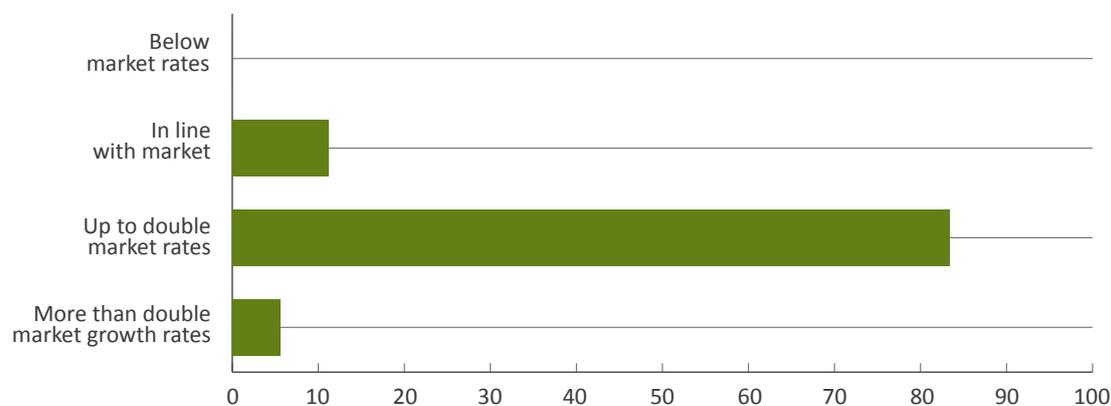
3.4 OTHER MARKET TRENDS AND OUTLOOK

Based on the detailed information provided by providers for 2011, we observe the following trends with respect to innovative investment strategies:

- The sustainable real estate/property strategies were able to attract considerable inflow
- Some funds targeting natural resource themes (agriculture, cleantech etc.) also experienced inflows
- Additional global emerging markets equity strategies have come to market, increasing the choice for investors
- One provider launched a new sustainable corporate bond fund, reflecting the trend toward more inclusion of sustainability in fixed income investments
- Managers offering so-called impact investments (specifically designed to create measurable social and/or environmental impact, while maintaining the potential for positive financial return) are looking beyond microfinance and have launched new strategies covering themes such as fair-trade agriculture, health and access to basic services
- Notable is the large increase in assets with active voting of proxies over the years. From 2.3 billion CHF in 2005, this category has grown to 11.4 billion CHF per end of 2011
- New 'balanced' strategies for institutional investors were offered, but the total volume and choice remain limited
- There was not much activity in the structured product domain, except for one provider
- There is still a lack of coverage of important asset classes, including commodities and real assets/infrastructure.

As part of the survey, we also asked participants about their expectations for the future growth of the sustainable investment market. The majority of participants expect a growth of this market of up to double the average growth rate experienced by the Swiss investment market ¹⁰ (see graph below).

EXPECTED GROWTH RATES OF SUSTAINABLE INV. MARKET COMPARED TO WHOLE MARKET *(distribution of 18 replies)*



⁹ All figures calculated as a percentage of the end of 2010 net asset value; Swiss fund providers data from the Swiss Funds Association.

¹⁰ Eighteen participants, including all the large ones, answered this question.



4. THE SUSTAINABLE INVESTMENT MARKET IN LIECHTENSTEIN

As in the previous year, the trend towards sustainable investments continued in 2011 and sustainable investments' share of total assets under management in Liechtenstein further increased. While the growth of total assets under management overall tended to stagnate as a consequence of the strong Swiss franc, sustainable investments grew slightly. This also reflects an increasing demand of clients for sustainable and values-based investments.

This growth can be mainly attributed to the increase in the volume of funds which make out the biggest part of sustainable investments. The share of sustainable funds in total funds under management of CHF36bn is at just under 2%. 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. The share of other asset classes such as microfinance or climate protection funds is rather small. As is the share of project funds so far, but showing an upward trend.

For the future a further growth of sustainable investments is to be expected. Both the Microfinance Initiative Liechtenstein (MIL, www.microfinance.li) as well as the LIFE Climate Foundation Liechtenstein (www.klimastiftung.li) have been well-established in Liechtenstein for quite some time. These initiatives aim to promote specific sustainable projects and financial products which are ecologically, socially and economically sustainable. Furthermore, the new AIFM legislation, which implements the European Alternative Investment Fund Managers Directive and has recently been submitted for public consultation, offers an ideal framework for alternative investments.

This section has been contributed by the Liechtenstein Bankers Association.

5. ANNEX: DATA

The following tables show aggregated data for the Swiss sustainable investment market as of 31 December 2011:

SWISS SUSTAINABLE INVESTMENT MARKET

	NAV	INVESTOR TYPES million CHF		
	million CHF	Institutional investors	Retail / Private banking	Not attributable
Funds	22539	6158	11084	5297
Mandates	18666	11011	5802	1853
Struct. products	1047	101	170	776
Total	42252	17270	17056	7926

SWISS SUSTAINABLE INVESTMENT MARKET

	NAV	ASSET CLASSES (strategic Asset Allocation) million CHF							
	million CHF	Equity	Fixed-income	Liquidity	Private equity	Hedge funds	Real estate	Commodities	Not attributable
Funds	22539	14221	5160	369	1117	0	280	0	1392
Mandates	18666	7257	7965	39	0	18	5	1	3382
Struct. products	1047	926	107	0	0	0	0	0	14
Total	42252	22403	13232	408	1117	18	285	1	4788



SWISS SUSTAINABLE INVESTMENT MARKET

	NAV	INVESTMENT APPROACHES (multiple choice)							
	million CHF	million CHF							
	million CHF	International Norms-based Screening	Ethical/ Values-based Screening	Sustainability Screening (positive-criteria or best-in-class)	Sustainable themes	Active voting	Engagement	Integration	Not attributable
Funds	22539	233	15738	17673	10711	10335	5616	4035	1212
Mandates	18666	0	9050	9950	1883	1058	397	4993	1913
Struct. products	1047	0	280	450	873	0	0	101	14
Total	42252	233	25068	28072	13467	11393	6013	9128	3140

SWISS SUSTAINABLE INVESTMENT MARKET (million CHF)

	Volume Dec 2005	Volume Dec 2006	Volume Dec 2007	Volume Dec 2008	Volume Dec 2009	Volume Dec 2010	Volume Dec 2011
Funds	5668	8829	18839	12187	18815	24481	22539
Mandates	4859	8811	13998	8115	13596	16129	18666
Struct. products	102	283	1164	556	1664	1357	1047
Total	10628	17923	34001	20858	34075	41967	42252

