



SUSTAINABLE INVESTMENTS IN SWITZERLAND 2010

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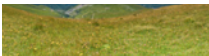


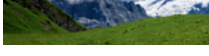
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EXECUTIVE SUMMARY

This report presents results of the regular survey of the Swiss sustainable investment market per end of December 2010, which includes all sustainable assets managed in Switzerland through funds, mandates and structured products. A total of 21 asset managers reported their assets under management (AuM) in a range of different sustainable investment styles.¹

The survey shows that in 2010 the Swiss sustainable investment market continued on its path of strong growth already observed in 2009. Per end of 2010 the sustainable market reached a new high of 42.0 billion CHF (funds, mandates, structured products), which corresponds to an increase of 23.2% compared to the same value per end of December 2009. If we take sustainable funds only, the assets increased by 30.1%. In comparison, the total Swiss fund provider market increased by 34.6% in the period Dec. 2009 to Dec. 2010.²

On average, sustainable funds/mandates/structured products experienced a net asset inflow of approximately 5.4% in 2010. If we limit the analysis to sustainable funds only, the average inflow was 3.6% in 2010. This latter figure can be compared with the average net outflow of 4.0% experienced by Swiss fund providers (total market) in 2010.³

Funds account for approximately 58% (having therefore increased their share compared to the previous year), mandates for 38% and structured products for 4% of the total sustainable investment market volume. Retail/private banking investors have further expanded their majority position in the market (57% of the total market, compared to the 43% of institutional investors). Equity, with its share of 63%, remains the most important asset class having slightly increased its market share compared to last year.

Not much has changed in terms of the use of different sustainable investment approaches, but the use of active proxy voting has notably increased. To align ourselves further to the Eurosif methodology, we have this year for the first time distinguished between negative screening with only one or two criteria from negative screening using three or more criteria. Swiss sustainable asset managers almost exclusively use the latter category. Swiss managers also have a strong preference for 'best-in-class' approaches compared to positive screening. For the first time we also identified about 5.6 billion CHF of assets for which an integration approach is used. The managers in charge of those assets specified using a mix of regular environmental, social and governance (ESG) training of responsible investment managers and/or pre-defined ESG criteria that investment managers must consider in their analysis of and engagement with companies.

Survey participants were also asked about their expectations for the future growth of the sustainable investment market. The majority of participants expect a growth of the sustainable market of up to double the growth rate experienced by the average Swiss investment market. Participants were also asked about proxy voting and engagement policies at their institutions: 44% of respondents are planning to introduce a proxy voting policy that includes ESG issues for the entire assets managed by their institutions in the course of the next two years. A fourth of respondents is planning to introduce a similar policy for ESG engagement in the next two years.

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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 2009 and per end of 2010 was used (the data provided per end of 2010 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.

³ All figures calculated as a percentage of the end of 2009 net asset value; for Swiss fund providers the combined categories 'Equity funds' and 'Asset allocation funds' were used



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 2010.

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 Ritter Partner, SAM, Swisscanto, UBS and Zürcher Kantonalbank.



2. METHODOLOGY

For the survey we use a methodology compatible with the Eurosif (European Sustainable Investment Forum) statistics.⁴ 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.⁵ 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):

- Negative screening (1-2 criteria)
- Negative screening (3 and more criteria)
- Positive screening
- „best-in-class“ approaches
- Sustainable themes ⁶
- Proxy voting
- Engagement
- Integration.

⁴ 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)”

⁵ Data are based on the declaration of providers and are not verified externally

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). 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 the results of our survey of the sustainable investment market per end of Dec. 2009 and end of Dec. 2010.

SWISS SUSTAINABLE INVESTMENT MARKET

MILLION CHF	VOLUME DEC 09	VOLUME DEC 10	CHANGE DEC 10– DEC 09
Funds	18815	24481	30.1%
Mandates	13596	16129	18.6%
Str. products	1664	1357	-18.4%
Total	34075	41967	23.2%

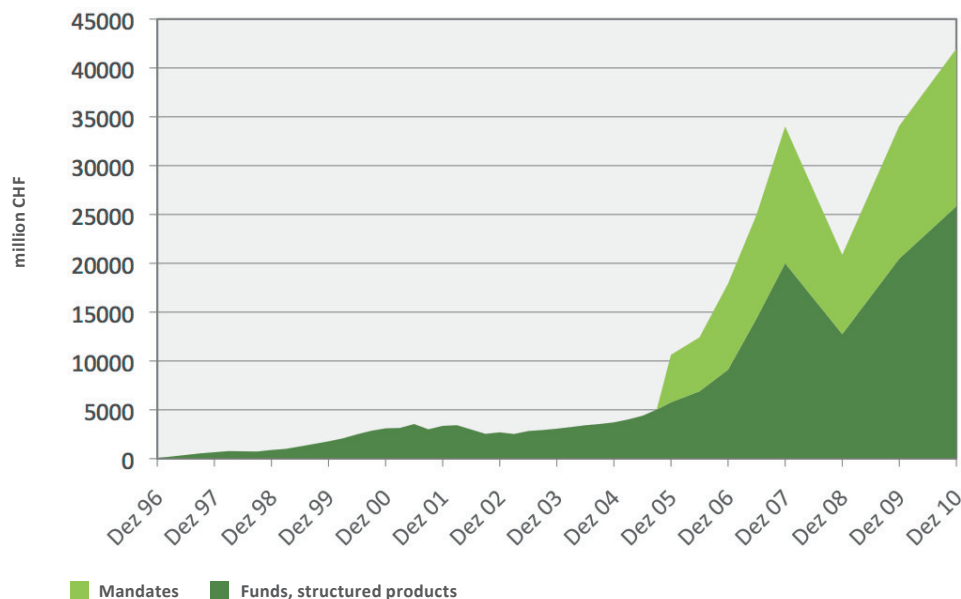
Per end of 2010 the sustainable market reached a new high of 42.0 billion CHF (funds, mandates, structured products), which corresponds to an increase of 23.2% compared to the same value per end of December 2009. If we take sustainable funds only, the assets increased by 30.1%. In comparison, the Swiss fund provider assets under management for comparable fund categories increased by 34.6% in the period Dec. 2009 to Dec. 2010.⁷

Funds account for approximately 58% (having therefore increased their share compared to the previous year), mandates for 38% and structured products for 4% of the total sustainable investment market volume.

In the following graph we show the updated time series for the volume of the Swiss sustainable investment market between Dec. 1996 and Dec. 2010. The graph shows that in 2010 the Swiss sustainable investment market continued on its path of strong growth already observed in 2009.

⁷ 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 2009 and per end of 2010 was used (the data provided per end of 2010 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.

SWISS SUSTAINABLE INVESTMENTS DEC. 1996 TO DEC. 2010



*) 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.⁸

Participating institutions for the current survey include:

- Bank Coop
- BCGE (ex Synchrony)
- BlueOrchard
- Care Group
- Credit Suisse
- EPS Value
- Ethos
- Hauck & Aufhäuser (Schweiz)
- LGT
- 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:	27.0%
• Ethos-Pictet:	18.7%
• SAM:	13.5%
• Vontobel-Raiffeisen:	9.7%
• Credit Suisse (incl. responsAbility):	8.9%
• Swisscanto:	6.4%
• UBS:	4.2%
• ZKB:	3.8%

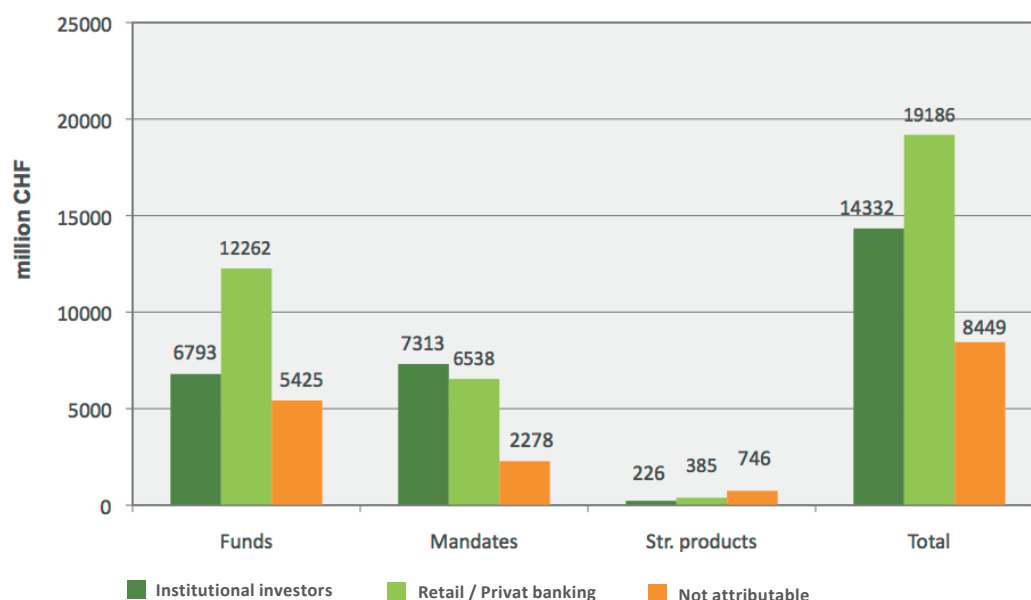
⁸ LGT is a new participant

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, retail/private banking investors have further expanded their majority position in the market (57% of the total market, compared to the 43% of institutional investors per end of 2010).

TOTAL AuM FOR DIFFERENT INVESTOR TYPES (31 DEC. 2010)

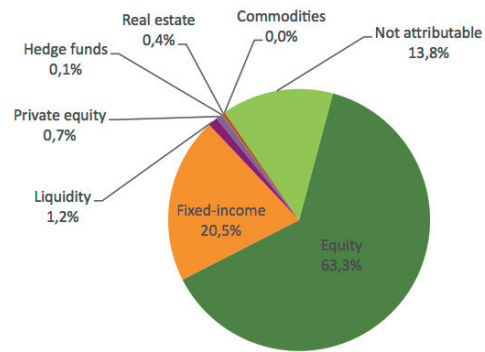


Equity, with its share of 63%, remains the most important asset class having slightly increased its market share compared to last year.

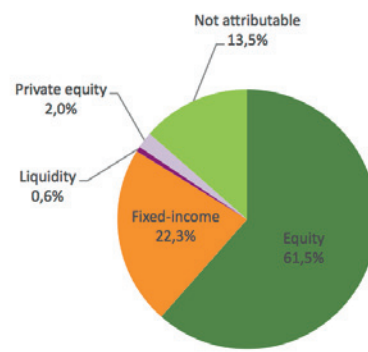
The picture has not changed much in terms of the use of different sustainable investment approaches. We nevertheless note that the use of active proxy voting has notably increased.

To align ourselves further to the Eurosif methodology, we have this year for the first time distinguished between negative screening with only one or two criteria from negative screening using three or more criteria. Swiss sustainable asset managers almost exclusively use the latter category. Swiss managers also have a strong preference for 'best-in-class' approaches compared to positive screening. For the first time we also identified about 5.6 billion CHF of assets for which an integration approach is used. The managers in charge of those assets specified using a mix of regular ESG training of responsible investment managers and/or pre-defined ESG criteria that investment managers must consider in their analysis of and engagement with companies.

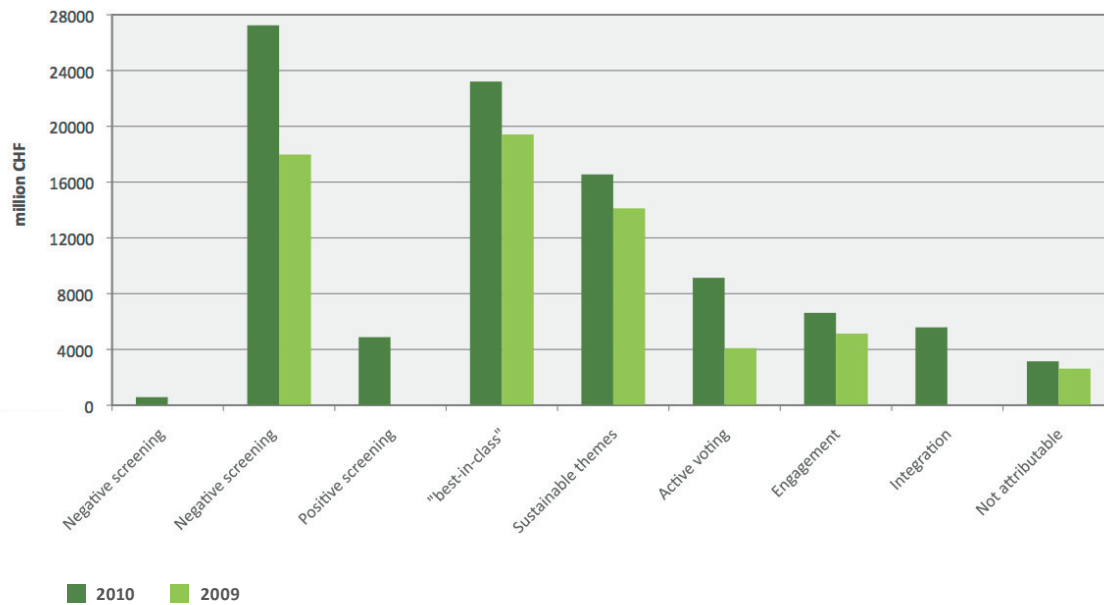
AUM SHARE OF DIFFERENT ASSET CLASSES (31 DEC. 2010)



AUM SHARE OF DIFFERENT ASSET CLASSES (31 DEC. 2009)



USE OF DIFFERENT INVESTMENT APPROACHES PER END OF 2010 AND END OF 2009 (MULTIPLE MENTIONS POSSIBLE)



3.3 ANALYSIS OF NET IN-/OUTFLOWS

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

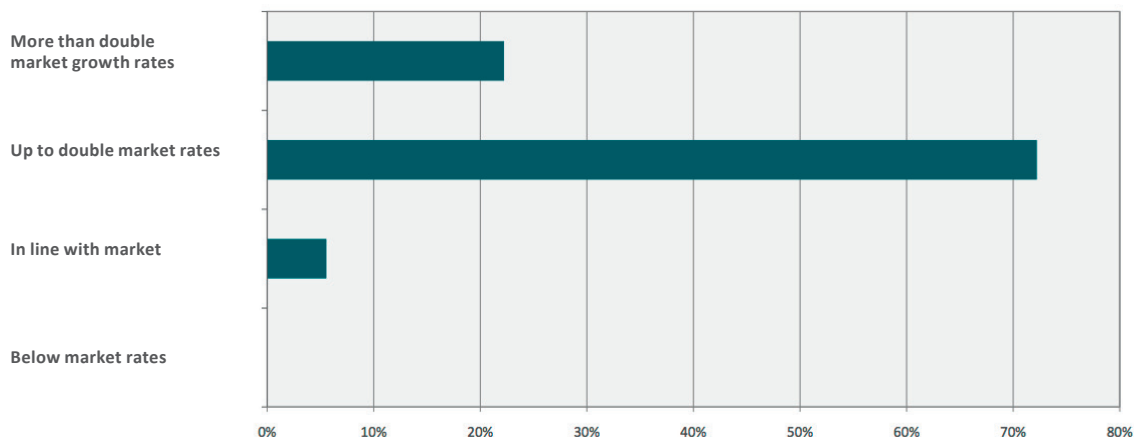
On average, sustainable funds/mandates/structured products experienced a net asset inflow of approximately 5.4% in 2010.⁹ If we limit the analysis only to sustainable funds, the average inflow was 3.6% in 2010. This latter figure can be compared with the average net outflow of 4.0% experienced by Swiss fund providers (total market) in 2010.¹⁰

3.4 QUALITATIVE QUESTIONS

The survey included a series of qualitative questions aimed at assessing market participants' expectations vis-à-vis the future development of the sustainable investment market. Eighteen out of the 21 participants, including all the large ones, participated in this part of the survey. In the questionnaire, participants were asked to select from a predefined range of possible answers.

Survey participants were asked 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 growth rate experienced by the average Swiss investment market.

EXPECTED GROWTH RATES OF SUSTAINABLE INV. MARKET COMPARED TO WHOLE MARKET (DISTRIBUTION OF 18 REPLIES)



Participants were also asked about proxy voting and engagement policies at their institutions: 44% of respondents are planning to introduce a proxy voting policy that includes ESG issues for the entire assets managed by their institutions in the course of the next two years. A fourth of respondents is planning to introduce a similar policy for ESG engagement in the next two years.

⁹ In addition to this cash inflow, new sustainable funds contributed another approx. 12% to the growth of the sustainable market.

¹⁰ All figures calculated as a percentage of the end of 2009 net asset value; for Swiss fund providers the combined categories 'Equity funds' and 'Asset allocation funds' were used



3.5 THE SUSTAINABLE INVESTMENT MARKET IN LIECHTENSTEIN

In 2010, the trend toward sustainability and sustainable investments further progressed in Liechtenstein. The share of sustainable investments continued to rise. Awareness of this topic and its significance has risen among both institutions and clients. Institutions and clients recognise the enormous potential and the establishment of sustainability as a topic for the future. Especially in the funds sector, numerous new products with a best-in-class approach have been launched. Investments are being made in special projects.

Not least of all, the new financial centre strategy of the Liechtenstein Bankers Associations takes account of this development. Sustainability is one of the three main pillars of its strategy for the future. Liechtenstein is also an attractive hub in terms of sustainability because the public and private sector are acting in concert and have declared sustainability a top priority. The Microfinance Initiative, for instance, has already successfully established itself and is now in its fifth year. The financial world is also showing its commitment to sustainability with the LIFE Climate Foundation. But sustainability means more than just social and ecological engagement in Liechtenstein.

The stability of the banks and the State, which has recently been confirmed with a AAA rating by Standard & Poor's, is at least as important a sustainable factor. It will be important for the future to further sharpen the awareness that sustainability means profitability in financial matters over the long term.

This section is contributed by the LIECHTENSTEINISCHER BANKENVERBAND.



4. ANNEX: DATA

The following tables show aggregated data for the Swiss sustainable investment market as of 31 December 2010:

SWISS SUSTAINABLE INVESTMENT MARKET

	NAV	INVESTOR TYPES MILLION CHF		
	MILLION CHF	INSTITUTIONAL INVESTORS	RETAIL / PRIVATE BANKING	NOT ATTRIBUTABLE
Funds	24481	6793	12262	5425
Mandates	16129	7313	6538	2278
Struct. products	1357	226	385	746
Total	41967	14332	19186	8449

SWISS SUSTAINABLE INVESTMENT MARKET

	NAV	ASSET CLASSES (STRATEGIC ASSET ALLOCATION)							
	MILLION CHF	MILLION CHF							
	MILLION CHF	EQUITY	FIXED-INCOME	LIQUIDITY	PRIVATE EQUITY	HEDGE FUNDS	REAL ESTATE	COMMODITIES	NOT ATTRIBUTABLE
Funds	24481	16910	5182	461	314	1	178	3	1432
Mandates	16129	8651	3173	28	0	23	5	1	4246
Struct. products	1357	1008	238	6	0	0	0	0	106
Total	41967	26569	8593	495	314	24	183	5	5784

SWISS SUSTAINABLE INVESTMENT MARKET

	NAV	INVESTMENT APPROACHES (MULTIPLE CHOICE)								
	MILLION CHF	MILLION CHF								
	MILLION CHF	NEGATIVE SCREENING (1-2 CRIT.)	NEGATIVE SCREENING (3+ CRIT.)	POSITIVE SCREENING	„BEST-IN-CLASS“	SUSTAINABLE THEMES	EQUITY VOTING	ENGAGEMENT	INTEGRATION	NOT ATTRIBUTABLE
Funds	24481	422	16530	3385	12623	12944	8011	5821	5241	537
Mandates	16129	154	10201	1495	10062	2572	1119	796	342	2508
Struct. products	1357	0	509	0	523	1033	6	5	0	102
Total	41967	576	27240	4880	23208	16549	9136	6622	5584	3147

