



Green, Social and Ethical Funds in Europe 2016 release

October 2016

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Key findings

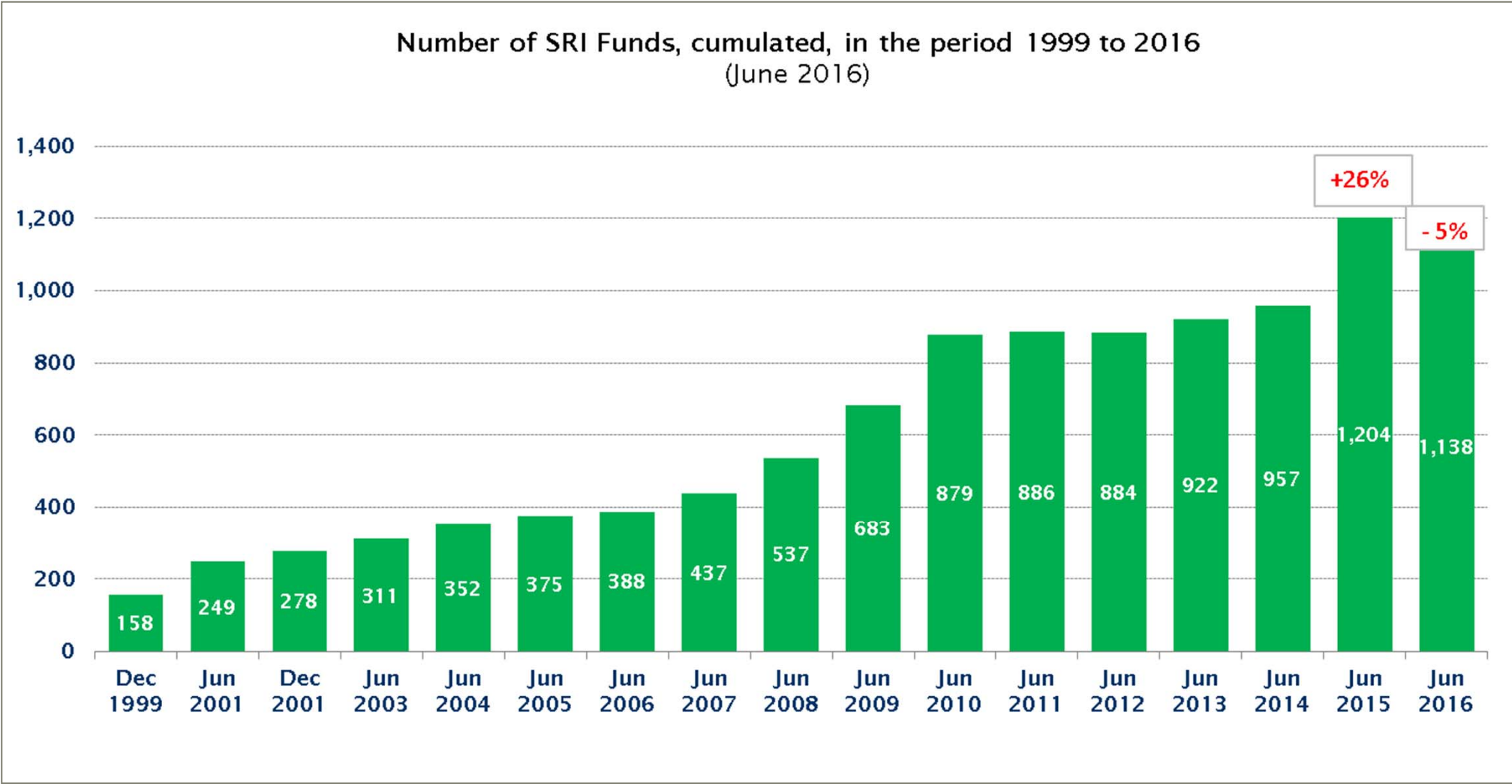
Socially responsible investing: 2016 key data and trends

- ✓ At the end of June 2016, there were **1,138 green, social and ethical funds domiciled in Europe** (-5% versus June 2015). After the impressive growth in the number of the SRI retail funds in 2015 (+26% to 1,204), **a consolidation year has returned.**
- ✓ Notwithstanding the decline in funds number, the **total asset under management continued to grow** (+16%) and reached 158 bn/€.
- ✓ The **four largest markets in terms of assets** (France, UK, Switzerland and The Netherlands) **confirmed their leadership**, accounting for 68%.
- ✓ In aggregate, **SRI funds represented 2% of the overall European retail funds market**, a higher percentage than in 2015 (1.7%).
- ✓ **Equity funds (46% of the total) still outweigh fixed income funds (30%) and balanced funds (23%).**

Analysis

- At the end of June 2016, there were **1,138 green, social and ethical funds domiciled in Europe** (-5% versus June 2015). After the impressive growth in the number of the SRI retail funds in 2015 (+26% to 1,204), a consolidation year has returned (slide 7).
- There are three main movements (slide 8):
 1. **Countries in Northern and Central Europe recorded an increase** in the number of funds offered (France, The Netherlands, Sweden, Norway, Ireland, Denmark, Finland and Liechtenstein);
 2. **Other countries experienced some adjustments** (approx. -10% for Switzerland, Germany, Spain, Italy);
 3. **Belgium showed a relevant decrease**, with SRI funds number moved from 167 to 69 (due to a large rationalization of SRI funds range);
- **Eastern countries present for the moment only a few number of funds** (Lithuania, Poland, Slovenia, Hungary).

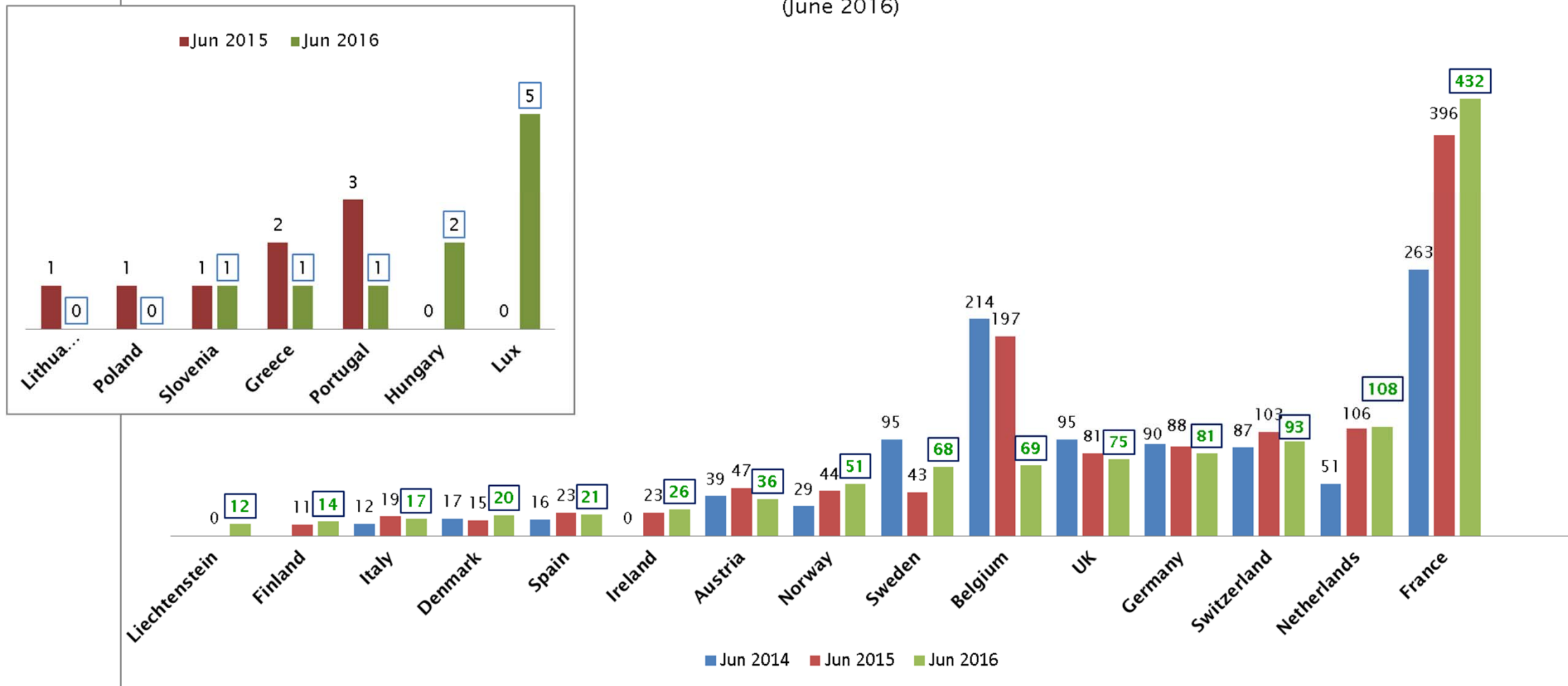
Number of SRI retail funds in Europe



Source: Vigeo Eiris (2016)

Number of SRI retail funds per country

Number of SR funds domiciled in each country
(June 2016)

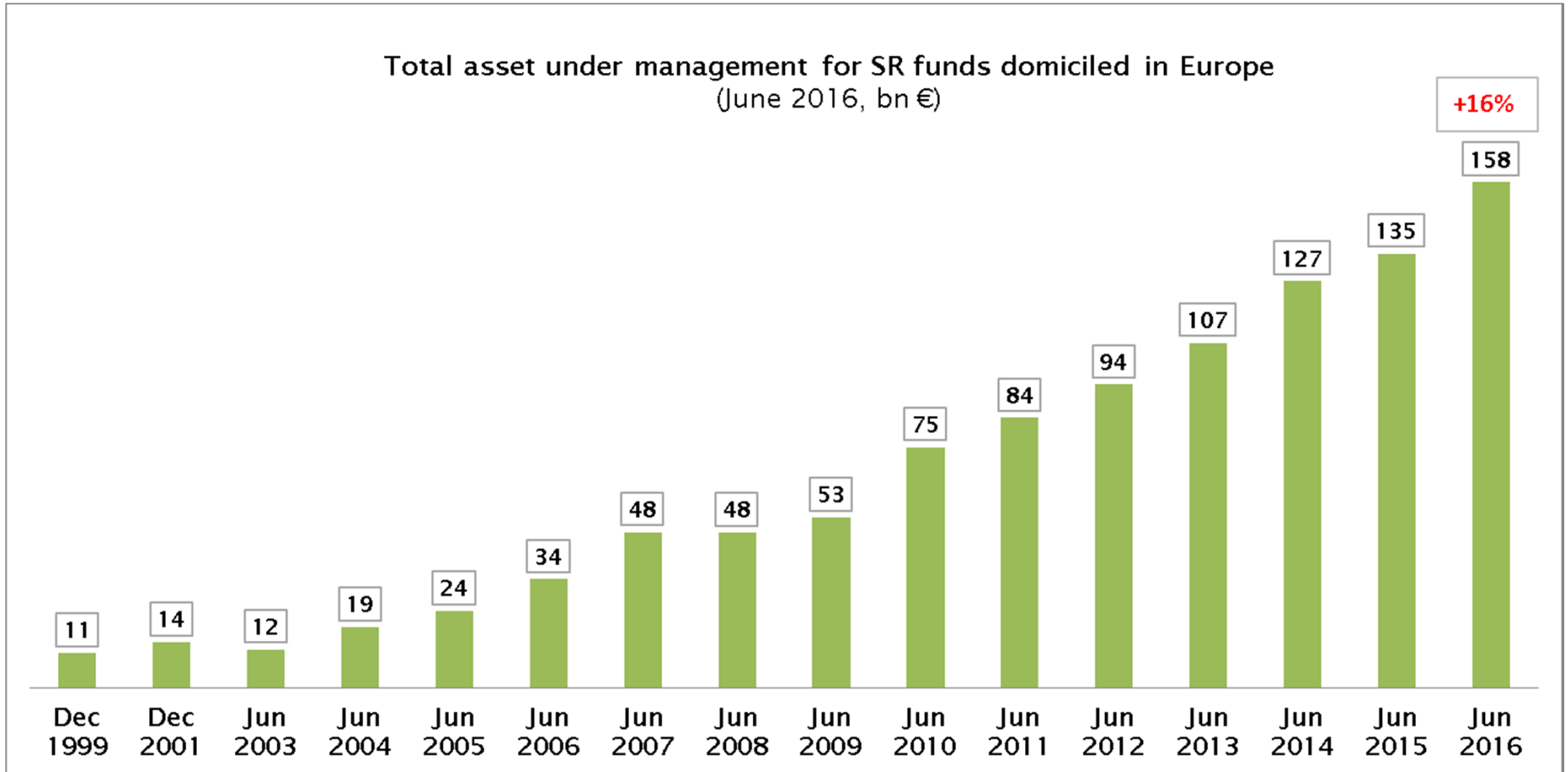


Source: Vigeo Eiris (2016)

- Notwithstanding the decline in the funds number, the total asset under management continued to grow (+16%) and reached 158 bn/€ at the end of June 2016 (slide 10).
- Trends per country are mixed, in line with the number of funds directions (slide 11-12):
 - in Northern and Central Europe asset showed a growth (France +22%, The Netherlands +38%, Sweden +20%, Norway +24%);
 - UK continued to fall for the second consecutive year (-6%);
 - Belgium in particular deserves a focus because despite the large decline in funds number, the total AUM remained stable (at 6.5 bn/€).
- The four largest markets in terms of assets (France, UK, Switzerland and The Netherlands) confirmed their leadership , accounting for 68% (slide 13).

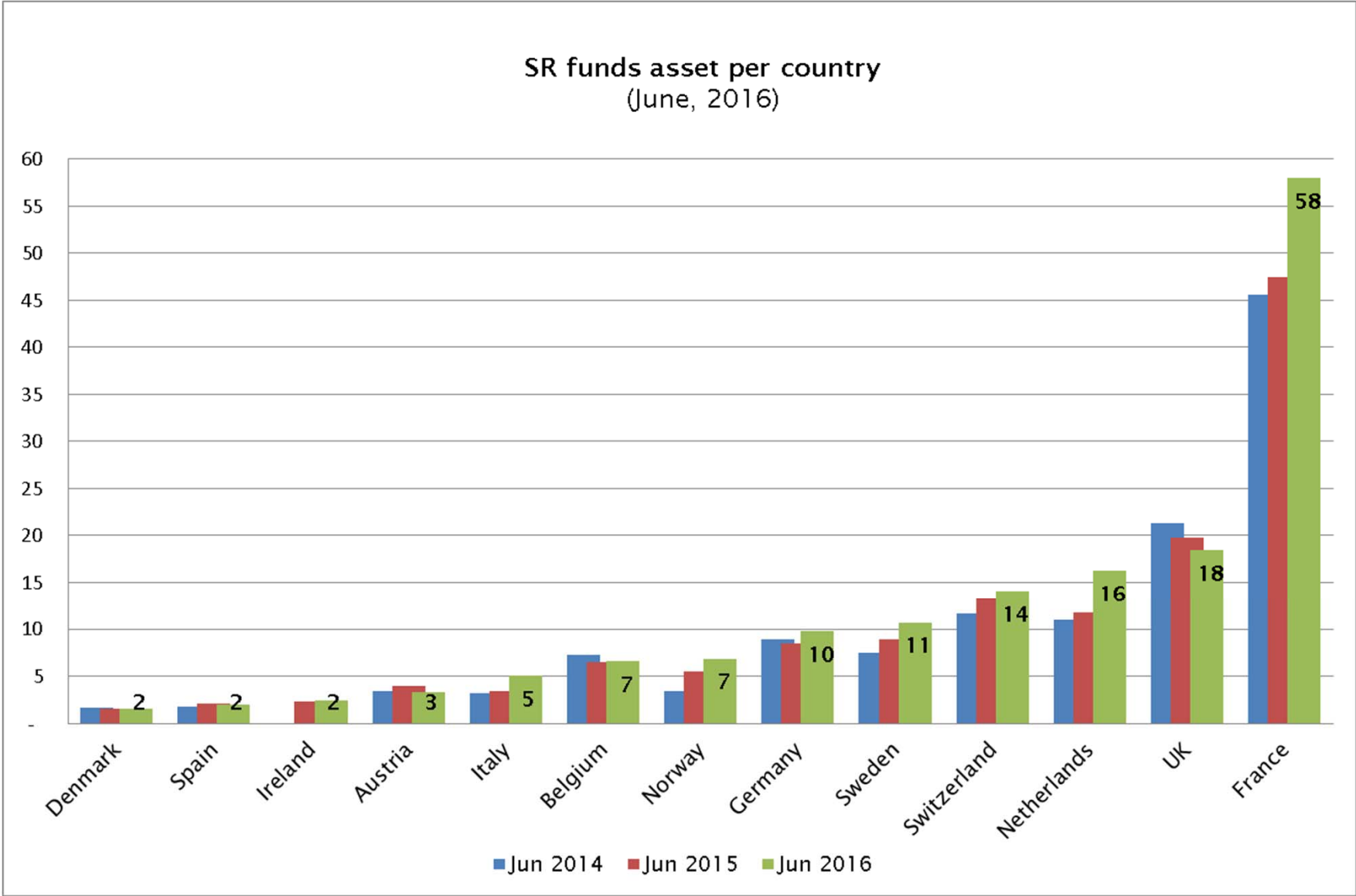
To point out that:

- France was confirmed as the largest European SRI retail market (37% of the total);
- UK remained in second place (12%), followed by The Netherlands (9%);
- Switzerland moved from third to fourth place.



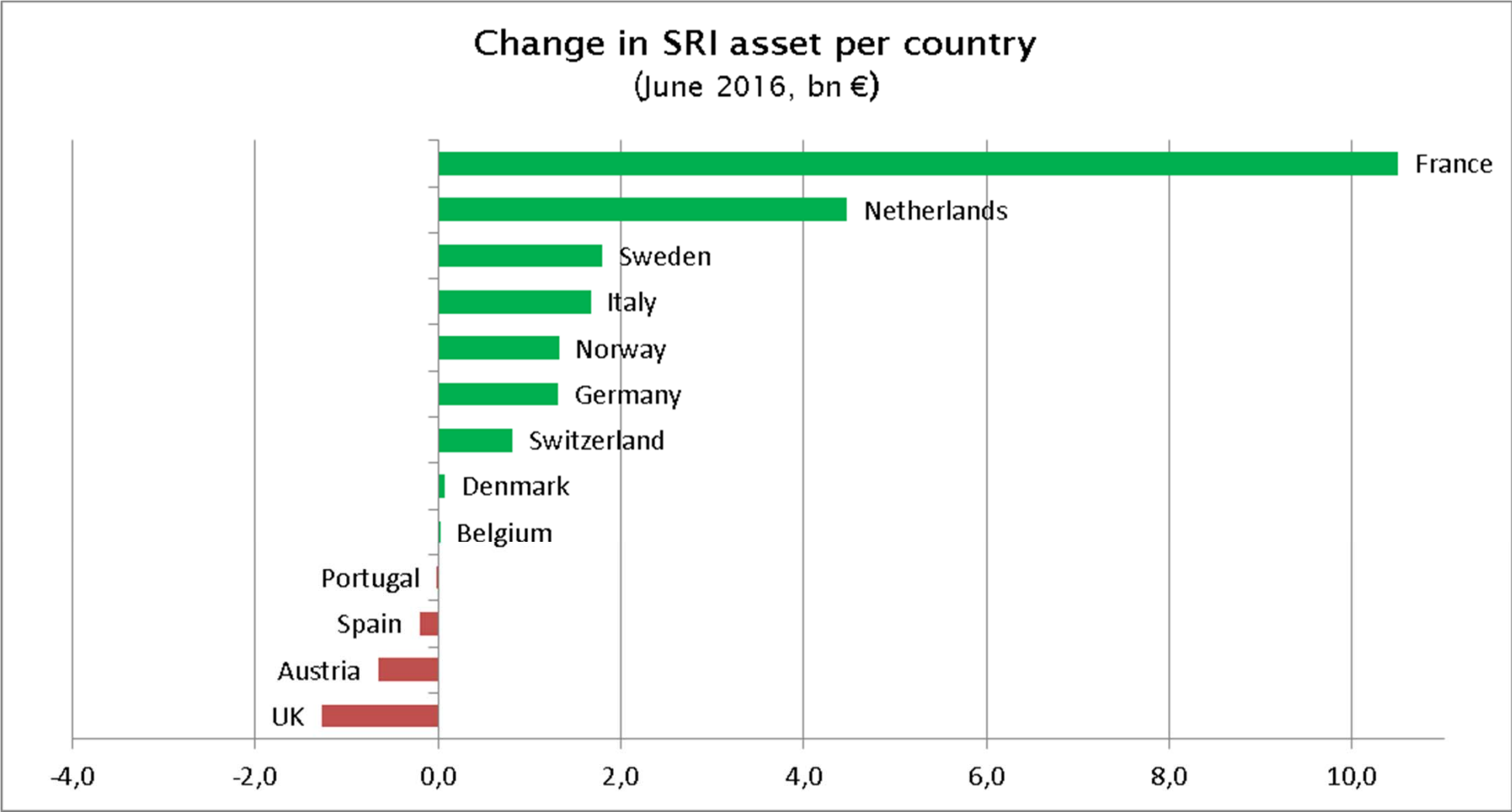
Source: Vigeo Eiris (2016)

SRI funds' assets per country



Source: Vigeo Eiris (2016)

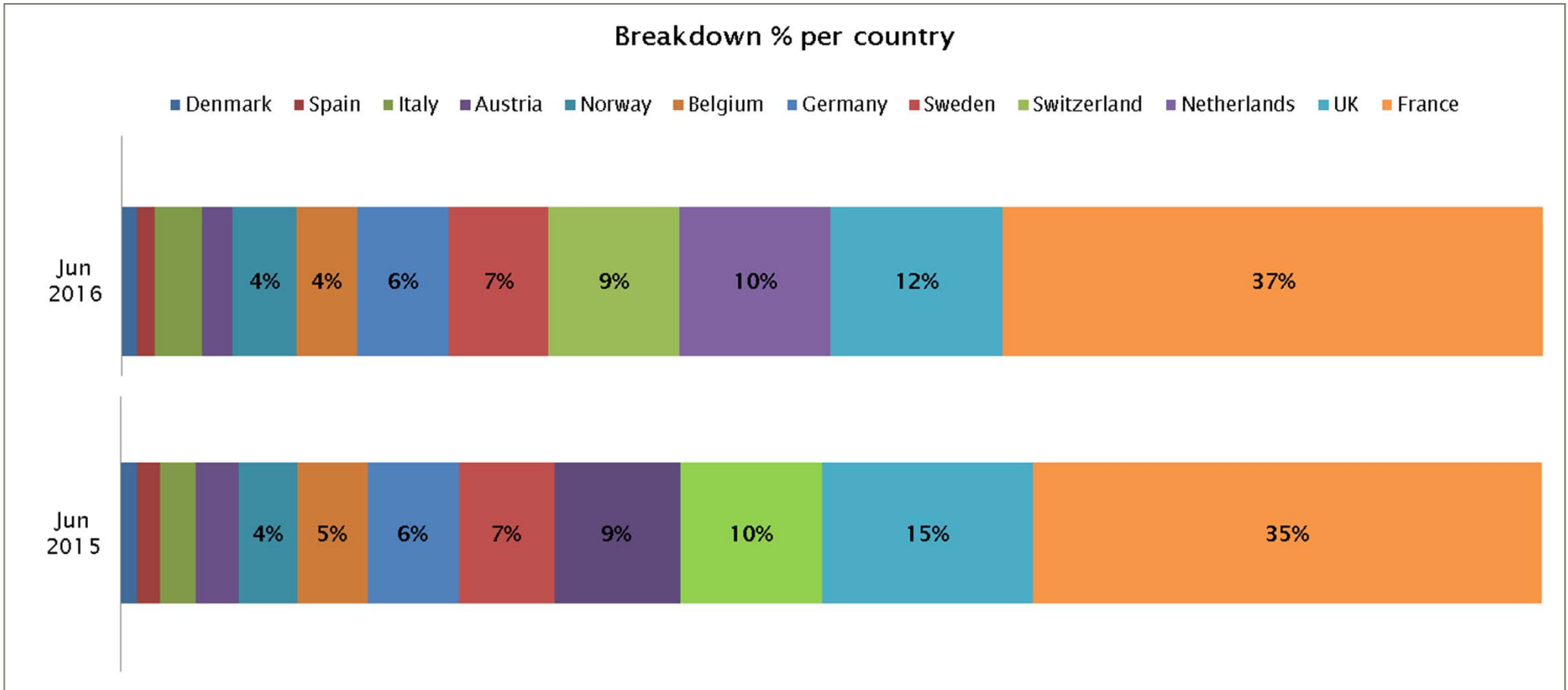
Change in SRI funds' assets per country



Source: Vigeo Eiris (2016)

SRI retail funds' assets in Europe

Breakdown % per country

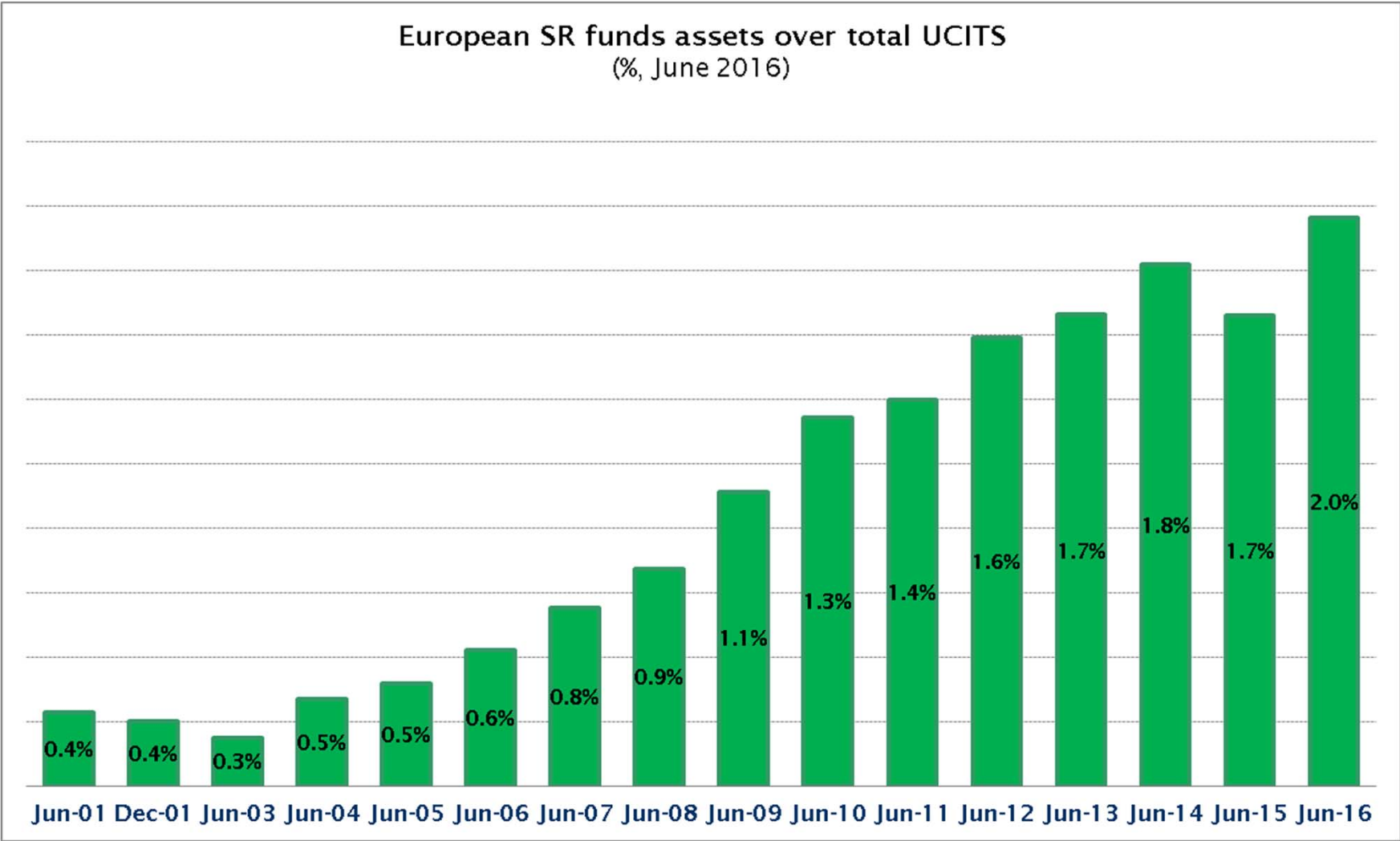


Source: Vigeo Eiris (2016)

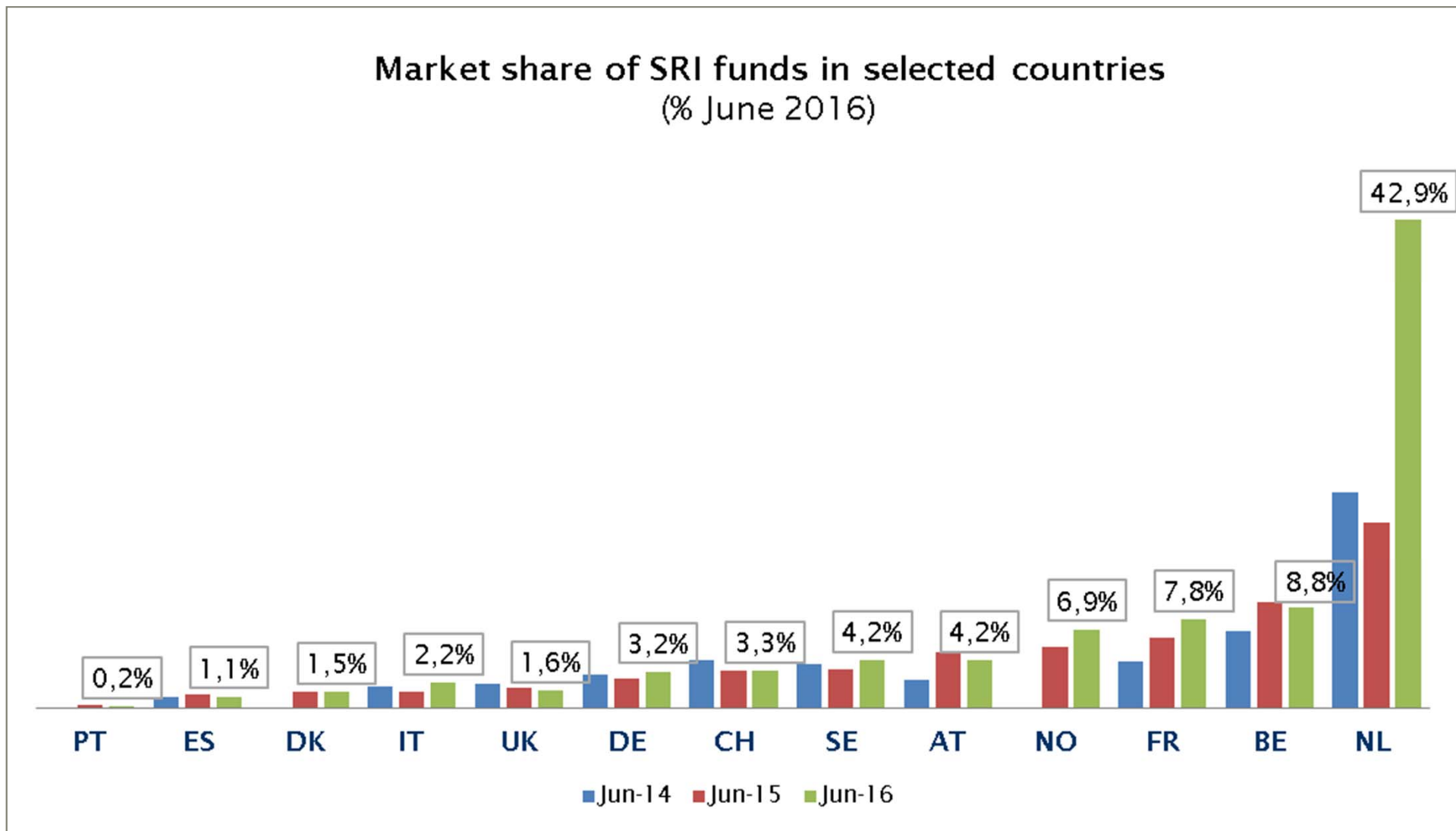
- In aggregate (slide 15), **SRI funds represented 2% of the overall European retail funds market***, the highest proportion ever.
- The Netherlands retains the highest country market share for SRI retail funds (42.9%), with an impressive increase from the previous 16% reached in 2015. This is due to a large decline in the total retail asset under management between June 2015 and 2016. Not a single reason, but several of them caused the fall of the AUM:
 - In the Netherlands there has been a huge increase in property value (residential) during the past year. This could be the asset class safest and most profitable now that interests are so low and stocks "felt" as volatile/risky.
 - Delta Lloyd, a Dutch insurer and fund house, has come under scrutiny with the regulator. It has seen a possibly related outflow in many of their funds.
- Belgium ranked 2nd (8.8%) in terms of penetration of SRI funds in the retail funds market, France the 3rd (7.8%), as shown in slide 16.

(*) % of total UCITS assets in Europe – cf slide 24

Share of SRI funds in the European retail funds market

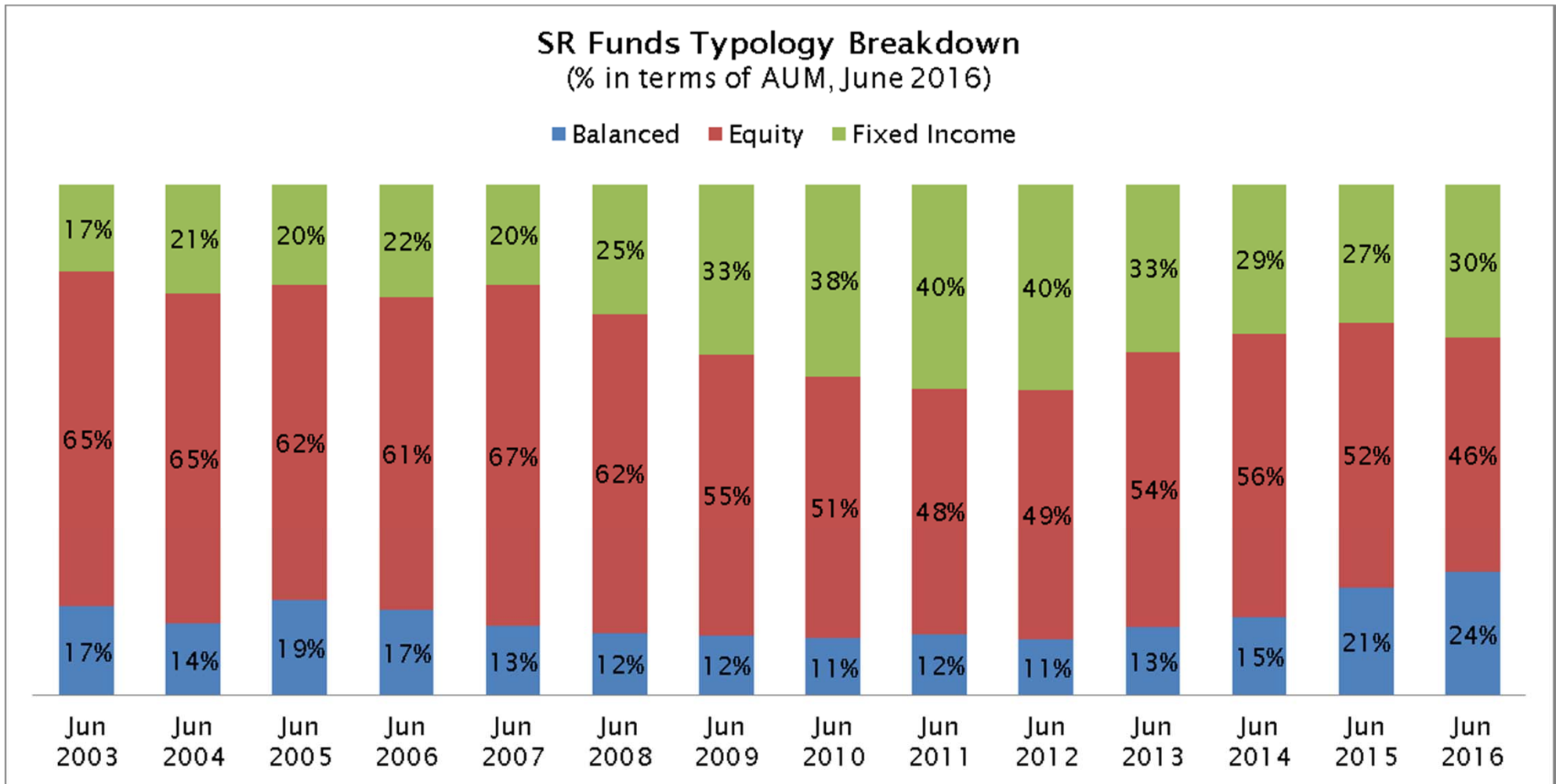


Source: Vigeo Eiris (2016)



Source: Vigeo Eiris (2016)

- Equity funds (46% of the total) still outweigh fixed income funds (30%) and balanced funds (24%).



Source: Vigeo Eiris (2016)

Top performing SRI funds in Europe

The next table lists the top 5 funds based on one-year performance and compares funds returns with their peer groups average.

The table does not aim to give information about fund managers abilities, as the ranking includes funds investing in different financial instruments/markets whose performances cannot be therefore compared.

The table gives a general indication of the best performances achieved by European SRI funds during the last 12 months.

Top performing SRI funds in Europe

Asset Management Company	Fund Name	Country	Category	1y Fund Perf	1y Cat Perf
Old Mutual Investment Management Ltd	Old Mutual Ethical	UK	Global Flex-Cap Equity	37.7	10.4
First State Investments Ltd	Stewart Invs Wldwd Sstnbty	UK	Global Large-Cap Blend Equity	35.6	8.6
Storebrand AM AS	Storebrand Vekst	NO	Norway Equity	38.2	12.2
Standard Life Investments	SLI European Ethical Equity	UK	Europe ex-UK Large-Cap Equity	23.4	0.9
Aberdeen AM PLC	Aberdeen Ethical World Equity	UK	Global Large-Cap Blend Equity	30.8	8.6

Source: Vigeo Eiris (2016), elaboration on Morningstar data; returns calculated using Euro as base currency.

About this report

Since 1999, this is the 17th edition of the report *Green, social and ethical funds in Europe*, a publication that has rapidly become a benchmark in the field of SRI in Europe.

This report was prepared in October 2016 by Vigeo Eiris in cooperation with Morningstar



The research questions for the report can be summarised as follows:

- What is the size of the assets under management in green, social and ethical funds in Europe?
- How many funds are available to the retail market?
- How have they performed relative to their traditional peers?
- What are the main trends of the industry?

The key objectives of this continuous research on SRI funds in Europe are:

- To provide professionals, the media and the general public with key figures and trends for green, social and ethical funds in Europe
- To provide high quality services to SRI professionals, CSR managers with companies and financial advisors

This report is intended to serve the following users:

- Managers of financial institutions already engaged in socially responsible or ethical investing,
- Managers of financial institutions that are considering incorporating social screening in their portfolios or launching green or ethical funds,
- Managers of corporations willing to improve their understanding of trends in socially responsible investing,
- Policy makers who are interested in identifying appropriate policy instruments to stimulate financial institutions and business managers to address issues related to social responsibility.

The report covers green, social and ethical funds operating in Europe as of June 30, 2016. The analysis covers: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Liechtenstein, Lithuania, Lux, the Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland and the United Kingdom.

The funds considered in this report:

- All use ethical, social or environmental screening for stock and bond issuers selection,
- All are marketed as socially responsible investment products,
- All are available to the public (retail funds).

UCITS is used in the same sense as for The European Fund and Asset Management Association (EFAMA) Statistical Releases: publicly offered open-end funds investing in transferable securities and money market funds. However, the data are not fully comparable, as this report includes some life insurances and pension funds complying with our definitions and some of the countries (even if with a marginal weight on the total assets managed in Europe) considered in EFAMA statistics are not considered by this research. Assets under management are as at June 30th, 2016, as well as exchange rates.

A fund has to meet all these conditions in order to be eligible for the analysis

When reading this report it is important to consider the method applied for the allocation of products to countries. To avoid double counting, the survey takes into account the country where the asset management firm is based e.g. when a fund is domiciled in Switzerland and also sold in Germany, it is considered to be a Swiss fund. This approach can create a bias when assessing the size of a national market (that does not correspond to the assets managed by domiciled funds). Luxembourg SICAVS have normally been allocated to the country where the parent company of the fund retailer is located.

While Vigeo Eiris has done its best to cover all the funds in a comprehensive manner, some funds may have been missed. More funds could have been launched since the collation of the information for this report. While there are some limitations in this research, the report and the database provide a reliable picture of the size of the market, of the diverse situation in various European countries, of the approach to fund management, and of the criteria used.

About Vigeo Eiris

- **Worldwide network**
 - 200 experts
 - Offices in 15 countries
 - A network of partners: Vigeo Eiris Global Network
- **Independence and transparency of certified methodologies (ARISTA)**
 - International and multistakeholder shareholder structure
 - Exclusive methodology reviewed by an independent Scientific Committee
 - Strict separation between rating activities and consulting missions



Empowering Responsible Investment

Large range of products and services (analysis, opinion, rating and ranking, risks review, portfolios review,...) for investors and asset managers willing to integrate social responsibility factors into their operations:

- More than 4,000 issuers covered (corporates, regions, states)
- More than 300 partners worldwide: investors and asset managers, civil society organisations and international institutions



Empowering Responsible Management

Audit and ESG integration missions for companies from all sectors, local authorities and NGOs, in order to help them assess and develop their social responsibility policies:

- Second Party Opinion for Green and Sustainable Bonds issuances (CBI verifier)
- Independent third-party for social responsibility labels and certifications: LUCIE, CGEM, Diversity,...
- More than 700 missions in 41 countries since 2002

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