



Socially Responsible Portfolio Management

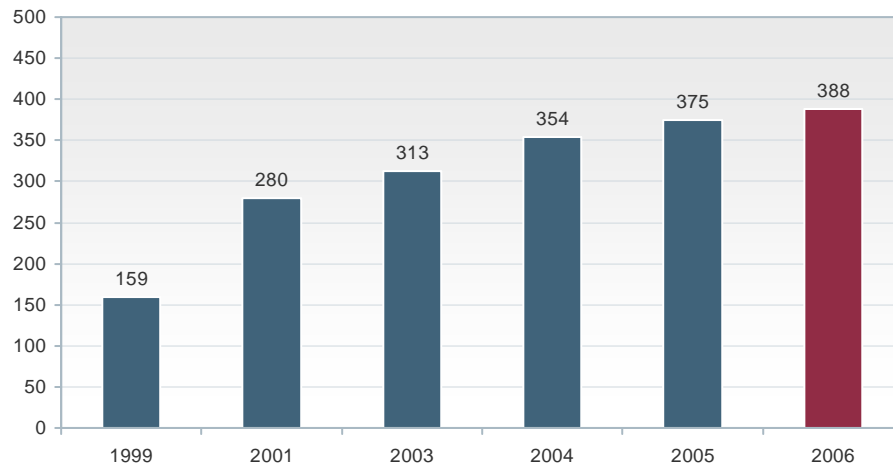
Dr. Manfred Schlumberger

Brussels, 22 February 2007

Demand for socially responsible investments

- ◆ Great deal of demand comes from institutional investors:
pension funds, non-profit organisations and foundations
- ◆ But there is also growing interest among private investors
Reasons:
 - They are increasingly willing to support economic and social development through their investments
 - They want to be invested in forward-looking business projects operating in line with their ethical values
 - They expect socially responsible investments to generate (higher) returns

Growing universe of socially responsible funds in Europe

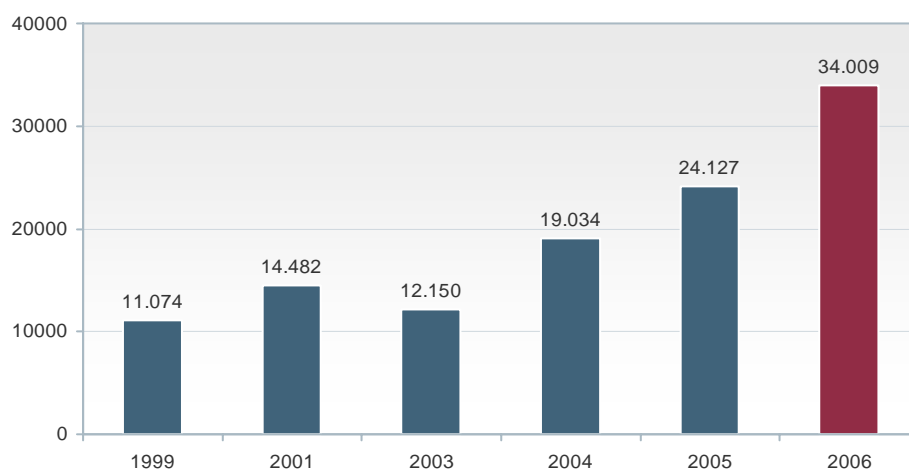


Source: Avanzi SRI Research (2006), as at 30.06.2006

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Assets managed in socially responsible funds in Europe



Source: Avanzi SRI Research (2006) / Mio. EUR, as at 30.06.2006

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Moderate increase in socially responsible funds on offer

- ♦ Net growth rate of 3 % over the last 12 months shows a certain slowdown
- ♦ France, UK, Sweden and Belgium account for 63 % of the funds on offer in Europe
- ♦ The total amount of assets has grown by more than 40 %
- ♦ But: socially responsible fund assets have benefited from positive equity returns and from the extremely positive returns of funds investing in the renewable energy segment

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The situation in Germany

- ♦ Socially responsible investments are still a niche market
- ♦ Account for 1 % of the mutual fund market
- ♦ After 14 months, BHF SustainSelect, the largest socially responsible fund of funds, has a volume of EUR 27 million

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Types of socially responsible funds (1)

Best-in-class funds

- ◆ invest in companies that clearly outperform their sector peers in terms of ecological, ethical and social criteria
- ◆ have an index-neutral industry weighting

Best-in-best-classes funds

- ◆ underweight or exclude industries failing to meet sustainability criteria

Theme or industry funds

- ◆ e. g. water, renewable energies or environmental technology funds

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Types of socially responsible funds (2)

Funds using exclusion criteria

- ◆ exclude companies that contravene generally accepted rules and standards (e.g. ILO standards, human rights, ban on child labour) or specific ethical preferences

Ethical bond funds

- ◆ invest in countries whose political leaders take above average account of ecological (environmental policy), social (minimum standards) and ethical (human rights, fight against corruption, limitation of military spending) criteria

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BHF SustainSelect (1)

- ◆ Currently invests in a universe of approx. 120 socially responsible funds which are licenced in Germany and have a total volume of EUR 8 billion
- ◆ Balanced fund of funds accepting socially responsible funds rated by agencies such as SAM, SIRI, EIRIS, OEKOM etc.
- ◆ Additional funds check carried out by the Sustainable Business Institute of the European Business School

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BHF SustainSelect (2)

Portfolio construction

- ◆ 40 % ethical bond funds
- ◆ 30 % best-in-class and best-in-best-classes equity funds
- ◆ 30 % special themes and technology funds in the water and renewable energies industries

Performance: +11,2 % 2006 yoy

+15,7 % since inception Dec. 2005

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New theme fund „Vision Microfinance“

December 10th 2006 Professor Muhammad Yunus received the Noble Peace Price „for his efforts to create economic and social development from below.“

- ◆ The Fund „Vision Microfinance“ invests in 14 Microfinance institutions and
- ◆ reaches over 500.000 borrowers (60 % female / 40 % male)
- ◆ the average loan size is 1.100 USD
- ◆ typical loans have a maturity between 6 months and 3 years
- ◆ the Credit Portfolio is currently invested in 40 % Latin America, 30 % Eastern Europe, 10 % Asia and will expand to India and the Philippines

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Outlook

- ◆ We are looking for more theme funds for further diversification, e. g.

conservation / biodiversity funds

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