

Singaporeans Start 'Ethical' Mutual Fund --- In a First for Region, Group to Invest Only in Women-Friendly Firms

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Focus on Funds

Fund Watch

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SINGAPORE -- A group of influential Singaporean women has teamed up with UOB Asset Management Ltd. to offer the region's first "socially responsible" mutual fund, aiming to invest only in companies that support women in the workplace.

Green funds, gay-friendly funds and broad-based socially responsible, or ethical, funds have been around in the U.S. for years. But this fund, sold in Singapore, is the first socially screened fund run and offered in Asia.

Managers of the United Global UNIFEM Singapore Fund -- the brainchild of UNIFEM Singapore, the local branch of the United Nations Development Fund for Women -- hope to attract US\$30 million by the end of the launch promotion in December. They say it is too early yet to gauge whether sales are on target, because the fund was launched just one week ago.

Selling an ethical fund in a market where mutual funds themselves are relatively new may be a challenge; about 4% of Singaporeans invest in mutual funds, compared with 35% of people in the U.S. But the market is starting to pick up momentum: The amount of funds under management here rose about 30% to S\$4 billion (US\$2.4 billion) over the past year, and there are about 40% more funds on the market than two years ago.

"Singapore is ready for this," contends Madeleine Lee, an executive director of UNIFEM Singapore and the former managing director of Commerzbank Asset Management. She says Singapore's economy and society have matured to a stage where citizens are no longer concerned only with the bottom line. She points to a rising volunteerism and interest in charities in Singapore as a sign of a growing social consciousness.

Singaporean investors like Christine Goh, who holds several mutual funds, fit that profile: She donates regularly to charities and sponsors a child through World Vision; a few years ago, she switched her credit card to a charity-linked card offered by OCBC Bank.

"I think a lot about my investments," says Ms. Goh, 33 years old. "But these days, I've also been thinking a lot about what's important in life. This idea (for a fund) appeals to me."

And UNIFEM's membership may prove a powerful marketing tool: The Singapore branch's board contains the likes of Jennifer Lee, the chief executive of KK Hospital; Kanwaljit Soin, a surgeon and former member of Parliament; Kay Kuok, a senior manager at the Kuok Group, which has property and media holdings in Hong Kong and Singapore; and Tommy Koh, Singapore's ambassador at large. "They'll definitely be able to help raise the fund's profile," says Tan Chin Kong, associate director at UOB Asset Management.

Still, not all investors are so philosophical about where they put their money. Chin Hoo Yen, a 26-year-old lawyer, says all things being equal she might consider such a fund. "But I'm mostly interested in returns and fees," she says. "If it can't beat other funds, I wouldn't bother."

Studies of similar funds in the U.S. have found that investing ethically doesn't necessarily mean losing out. "There's no statistical difference in the performance of socially responsible

funds and nonscreened funds," says Don Sigell, a professor of economics at Arizona State University who studies the performance of ethical investment products.

A recent survey by Morningstar Inc. showed that 20% of socially screened funds earned a top five-star rating, which indicates the best balance of risk and return, compared with 10% of all U.S. mutual funds.

The growing body of research on these funds' returns is attracting an increasing number of investors. Since 1997, total assets under management in screened portfolios has jumped 183% to US\$1.49 trillion, according to the Social Investment Forum, a U.S.-based nonprofit body.

As the size of these funds grows, so does their power to cause changes at companies. Earlier this year, Walden Asset Management, a Boston-based ethical-fund manager, corralled shareholders and managed to pass a shareholders' resolution demanding that Home Depot stop selling products and timber made from old-growth forests. Home Depot has since agreed to phase out such products by 2001. "It's a slow process, and it doesn't happen overnight, but I think ethical funds are starting to effect a lot of change at the corporate level," says Heidi Soumerai, director of Walden Asset Management.

The UOB UNIFEM fund will invest world-wide, seeking out companies that make good investment sense and that also meet some of the fund's pro-women criteria. This includes an above-average number of female managers and executives, generous maternity or paternity leave, flextime work arrangements, and child-care facilities.

The UNIFEM fund won't set a minimum requirement on things like the number of women in management; nor does a company have to meet all the criteria laid out in the prospectus. The fund manager, and a committee of four UNIFEM members, simply have to be satisfied that the company is taking extra steps to help eliminate the barriers to women in the workplace. UOB Asset Management will also donate one-third of the 1.5% annual management fee to UNIFEM for health and education projects that target women and children in rural parts of Southeast Asia.

While UOB and UNIFEM declined to name any possible investments within the region, they maintain there are plenty to choose from. "In the U.S., it's been found that the technology sector offers a level playing field," says Lim Suet Ling, the fund's manager. "Brains, not sex, matter most in this sector, and plenty of new tech companies have an equal number of men and women. I think you'll see that in Asia."