

Investment Funds -- Honey Pot: A Singapore investment fund with ethics is helping poor families beat the poverty trap

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Innovation

By Trish Saywell in Singapore and Bintan, Indonesia

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FOR MANY FAMILIES in Small River Village on the Indonesian island of Bintan, just an hour's ferry ride from affluent Singapore, getting a primary-school education is often a luxury. Siti Fatimah Binti Mohamed Saleh and her fisherman husband Ali Binmat will be lucky if they can afford to send all of their three children to school. A fourth child was given up for adoption because the family couldn't afford another mouth to feed.

Last year their finances took a slight turn for the better: The family's eldest daughter, nine-year-old Mailisawati, was chosen as one of the beneficiaries of an education fund run by Bintan Resort Management Corp., the master developer of the island's resorts and infrastructure; a group of Singaporean companies; and Unifem Singapore, the local chapter of the United Nations Development Fund for Women.

This is no ordinary charity. Much of the money that will send Mailisawati and more than a thousand other children like her to school comes from UOB Asset Management, a member of Singapore's United Overseas Bank Group. In November 1999, UOB Asset Management, together with Unifem Singapore, launched the first "ethical fund" of its kind in the region. Unlike many ethical or socially responsible funds, this global-equities vehicle contributes one-third of its annual management fee of 1.5% toward Unifem projects. And the S\$14.3 million (\$8.3 million) fund -- called the United Global Unifem Singapore Fund--invests only in companies whose corporate practices are women -- and family-friendly.

That criterion includes everything from whether a company offers child-care services and special training for women to its paternity-leave policies, the percentage of women in top management and whether a company offers unpaid leave for women who want to take time off to care for their families.

"If there's a company that we purchase and later it is put on Unifem's negative list we'll divest," says Lim Suet Ling, a senior portfolio manager at UOB Asset Management who oversees the fund.

Despite a common perception among investors that an ethical fund won't perform as well as an ordinary investment, Lim says the investment style doesn't handicap performance. Although the fund lost around 20% last year, it placed 14th on December 26 out of 20 global-equities funds from Singapore that are tracked by Standard & Poor's Fund Services. And while it's currently underperforming the MSCI World Index by about 5%, for part of last year it was leading the index by 1%.

Currently the fund is trading at 85 Singapore cents (49 U.S. cents) a unit. Lim hopes to see it trade at 93-94 cents in the coming year and move up into the first quartile of funds from Singapore that are tracked by S&P.

The make-up of the fund's investors reflects its origins, too. Three-quarters of subscribers in most funds in Singapore are male white-collar workers who live in private housing and on average invest about S\$20,000. By contrast, three-quarters of the investors in the United Global Unifem Singapore Fund are female blue-collar workers who live in public housing and invest about S\$10,000 to S\$12,000.

For Unifem it's a win-win situation. The group receives steady revenue that enables it to

plan ahead and budget resources for its various projects. In addition to the education project on Bintan that puts children through three years of schooling, it also funds medical and dental missions and finances skills training for poor women in Thailand, Nepal and Vietnam.

"It's almost an annuity income that you know you can commit to projects each year," says Madeleine Lee, a member of Unifem's executive committee. "We're not just another well-meaning nonprofit group struggling to raise funds. I wanted to crack that vicious cycle. We can budget now. We know the projects we want to do and we know how much money we can raise. It's very efficient."

For Mailisawati, the money means an education and perhaps the chance some day to escape the poverty of her village. "If she didn't get the money, we wouldn't send her to school," says her mother. "God willing, her younger brother and sister will go to school too."