

## **Asia eyes boom in ethical investments**

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HONG KONG, Oct 20 (AFP) - Feel-good investments that take into consideration ethical, social and environmental issues are poised to blossom in Asia, reproducing their success in the United States and Europe, sector representatives say.

Australia and Japan are leading the way and already have established socially responsible investment (SRI) funds, which for example screen out companies that produce cigarettes or weapons, or those that harm the environment or infringe workers' rights.

"Rapid growth of SRI in Europe and the USA is now being reflected by SRI activity in Asia," says the Hong-Kong based Association for Sustainable and Responsible Investment in Asia (ASrIA).

"Total money under management in Asia is less than 2.5 billion US dollars, but is likely to increase substantially," says the group, launched last year to promote ethical investment practice in the Asia-Pacific region.

"Every market in the world was very sceptical about SRI taking off," ASrIA executive director Louisa Mitchell says. But now SRI funds make up one out of eight dollars invested in the United States.

Typical SRI buyers are women and people involved in religious networks, green groups and the caring professions, says Mitchell. They are also often first-time investors who want a low-risk investment.

"In Asia that type of investor has invested in SRI in Japan," she says. The launch in 1999 of Japan's first SRI fund, the Nikko Eco Fund, was so successful that there are now about 11 such funds available with almost one billion dollars together.

"We see similar traits in Asia to Japan and other SRI markets in the rest of the world."

Asia also has a low market penetration and, although the bulk of SRI funds in the region are global funds registered in Asia, a future increase in local products could also see an increase in investments.

In Australia, SRI grew over the past year to at least 13.9 billion Australian dollars (7.6 billion US), an increase of 32 percent since a baseline study in 2001, according to a report released in September for Australia's Ethical Investment Association.

The Bank of Japan says SRI firms collected more than 200 billion yen in assets before sinking to 117.2 billion yen (930 million dollars) at the end of March 2002.

This is however a small proportion of the market, with Tokyo stock market capitalisation at roughly 350 trillion yen.

Hong Kong has about four SRI fund providers. ASrIA says Singapore has one registered option: the United Global Unifem Singapore Fund launched in 1999 targets companies that show a commitment to the empowerment of women.

Malaysia has the Syariah Index which excludes, for example, gaming companies or those involved in the manufacture or sale of products forbidden under Islam such as pork and liquor.

Investment manager at SBB Asset Management in Kuala Lumpur, Mahadzir Othman, says investment in Syariah counters is not yet significant but it has the potential to grow.

"Investors are becoming more educated and more of them are now withdrawing from so-called sin stocks and seeking clean investment," he says.

SRI is not a factor in India's small capital market. "In the future, with campaigns like those

related to environment picking up, this might become an important issue, but right now, no, this is not an issue," says Anjan Roy of the Federation of Indian Commerce and Industry. However some traditional business houses, particularly those run by Hindus in the western state of Gujarat, do not invest in hotel projects because they do not want to support alcohol and meat being consumed in restaurants.

Hong Kong fund house Kingsway, which launched its SRI initiative in 2000, says education is important. "I think there is more awareness of SRI in Asia, however we are still at a very early stage and the educational process is on going," says Kingsway's Euan Marshall. Financial adviser Towry Law has seen "a little" increase in clients asking about SRI, says asset management division senior manager David Chapman in Hong Kong. About 15 percent of his Hong Kong clients have expressed interest, he says.

"People generally have become more aware, more interested in the environment and being socially responsible," he says.

But there has also been interest in the "socially irresponsible" Vice Fund, launched in the United States in August for investment in gambling, tobacco, alcohol, defence and weapons, which the fund managers say maintain good returns in good and bad times.

"I have had more people ask me about that than SRI. There is more money to be made in that," Chapman says.

He echoes a frequent comment about SRIs -- that they have lower returns than other investments.

But this is not true, says Kingsway's Marshall. "Globally there is no systemic evidence of underperformance for SRI funds," he says.

For example, according to Canada's Social Investment Organisation, the US Domini Social Index (DSI) of 400 socially responsible companies has outperformed the Standard and Poors 500 on a total return basis and on a risk-adjusted basis since its inception in 1990.

SRI is rooted in the United States in the 1920s when the Methodist Church wanted investments that avoided, for example, alcohol or gambling. It flourished during the Vietnam War in the 1970s when US investors became uncomfortable with the possibility that their investments were being put into the war, for example in the manufacture of Agent Orange.

As environmental awareness increased, ecological funds were launched.

It was environmental concerns that persuaded new SRI investor Hong Kong's Friends of the Earth to put some of its staff development fund into an ecological fund.

"We have done this on a small scale, but we are looking into other (SRI) options," says assistant director Edwin Lau.

"This is one of the ways to protect the environment as well as other matters related to social issues, rather than putting money into other purposes -- military or related to the nuclear or other harmful industries," Lau says.

"I think not too long in the future more people will realise the benefits from this win-win situation."