

Save the world and still make money

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Invest

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Singaporeans have not taken to socially-responsible investing as quickly as Japan or the West, but such funds do pay off, says Unifem fund manager
ARE social values and business sense mutually exclusive?

It is generally assumed that excluding certain companies from one's investment portfolio for moral reasons is putting a responsibility to oneself and one's assets second, but what if Socially-Responsible Investment (SRI) were just as profitable as a more hard-nosed approach to investment?

Ms Lim Suet Ling, senior portfolio manager at United Overseas Bank (UOB), and the person in charge of Singapore's first SRI fund, the United Global Unifem Singapore Fund, says investors need not lose out on monetary returns while exercising social responsibility in their choice of funds. In fact, it makes good financial sense to invest in SRI funds, she stresses.

UOB's alliance with the Singapore chapter of the United Nations Development Fund For Women (Unifem) may be the first of its kind here, but SRI has been a staple in the West since the 1970s, and in Japan and Australia more recently.

'Based on the latest information I have, in 2001, there were 230 funds in the United States involved in some sort of SRI. And the fund size is about US\$2.34 trillion, accumulated over the past 30 years,' Ms Lim said. The equivalent of US\$2.34 trillion is about S\$4.04 trillion. She said Europe has about 220 SRI funds now; in Britain alone, SRI funds totalled £120 billion (S\$380 billion) as at end-2001.

In the Asia-Pacific, Japan and Australia have emerged as the leaders in SRI. While Japan has about 11 funds, worth about US\$1 billion, Australia has about A\$14 billion (S\$16.53 billion) invested in SRI funds.

Ms Lim also debunked the perception among some that SRI involves a trade-off in monetary returns for the investor. 'I think people feel that anything that's more socially related will have greater costs involved in it, so your returns may not be that good. But I beg to differ.' UOB's Unifem fund returned nearly 33 per cent over a one-year period up to April 30, outperforming the MSCI All Countries Free Index's 23 per cent rise.

Ms Lim pointed out that the more socially conscious a company is in its policies, whether on the environmental front or in the treatment of staff, the more likely it is that it will pay off in future.

Environment- and worker-friendly policies promote higher staff productivity and a good public image, and reduce the risks of future law suits, all of which contribute to long-term profitability for a company.

The Unifem fund, set up in November 1998, has a current size of \$10 million. It is Singapore's first and so far, only, attempt at such 'investment with a conscience', and the fact that it is not an exclusively environmentally focused SRI is significant.

While most American and European SRI funds address either environmental or social issues in general, the Unifem global equity fund takes its screening process a step further in its

efforts to elevate the economic capacity of women and their families in the developing countries of this region.

In addition to screening out from their investment portfolio firms with 33 per cent or more of their earnings coming from alcohol, pornography, gambling, weapons or tobacco, the Unifem fund also screens for gender equality in the workplace, women-friendly health programmes and on-site or subsidised child-care schemes that they offer.

The UOB Asset Management team that manages the fund also donates a third of its management fees to Unifem Singapore. Investors who buy units of the fund can also choose to donate part of their dividends to Unifem Singapore.

The management fees donated, ranging from \$50,000 to \$60,000 a year, are used to educate underprivileged women and children in Asia. Past projects run with the help of the funds include scholarship programmes for women in Vietnam and medical trips to Bintan. Current projects include reproductive health-education programmes for migrant women, industrial workers and commercial sex workers in Batam.

'Yes, I think there is a lot of education to be done with investors here,' Ms Lim admitted, but ultimately, 'Singaporean investors have a role to play, to bring out the economic power of the women in this region. It's just starting in Asia. But we are starting off from a good base.'

For more information on the Unifem fund, log on to <http://www.unifemsingapore.org.sg>