



Sustainable Investment: Opportunities for Pension Investors

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Sustainable Investment

- Investment approach driven by long-term economic, environmental and social risks and opportunities facing the global economy.*
- Potential new sources of alpha and risk reduction
- Consistent with pension investment horizons
- Allocation and Integration options

* Krosinsky and Robins, Sustainable Investing – The Art of Long Term Performance

*Sustainable Investing the Art of Long term Performance – Krosinsky & Robins





Growing Institutional Interest

UNPRI – \$18 trillion (2009 Progress Report)

- More than 700 Asset Owners, Asset Managers, Service Providers in 2010
- Assert intention to integrate Environmental, Social and Governance Factors into investment process
- Implementation Challenges

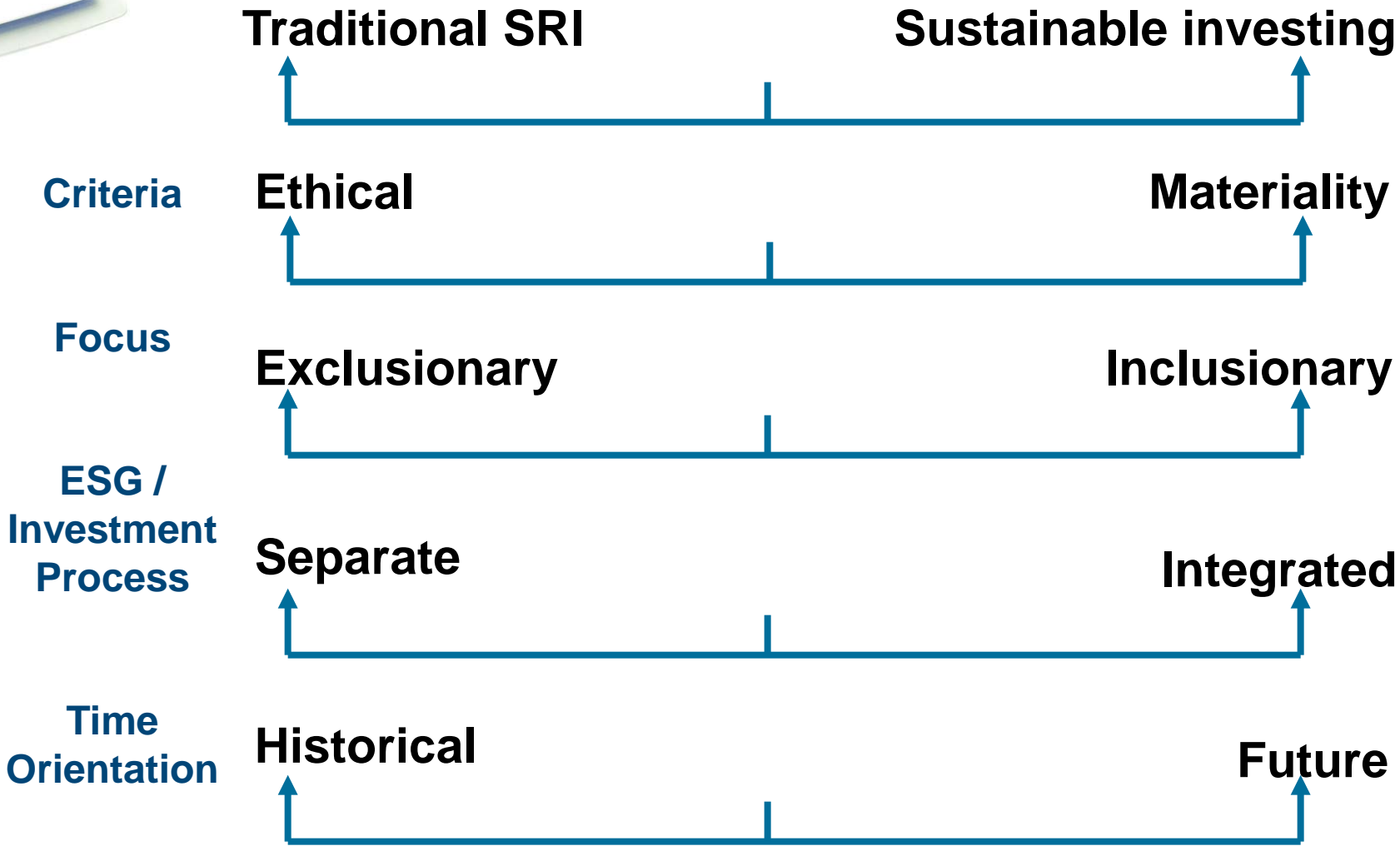
Booz & Co/Robeco – Growing to \$25 trillion by 2015

- Europe \$14.2 trillion/US \$9.5 trillion





SRI ↔ Sustainable Investment



Sustainable Investment Strategies



Thematic

- Direct Investment in sustainable solutions
- Listed Equities, Private Equity, Venture Capital
- Renewable Energy, Water, Climate Change, Forestry, Agriculture, Waste, Efficient Transport

ESG Integration

- Material risks and opportunities related to Environmental, Social and Governance factors are an integral part of investment analysis
- Strong sustainability and financial profiles



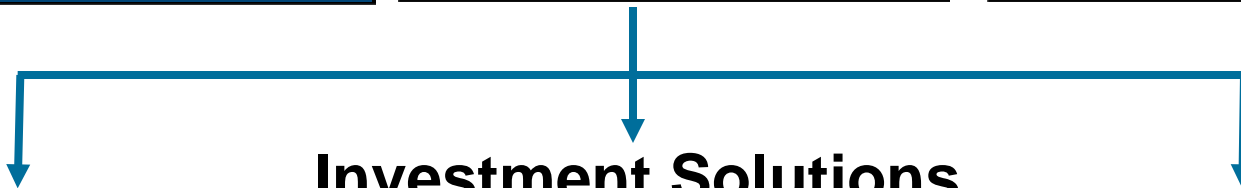
Trends Driving Sustainable Solutions



**Worlds Changing
Demographic Profile**

**Natural Resources
Supply/Demand
Imbalance**

Climate Change



Investment Solutions

Regulation

- Emissions Targets
- Renewables Targets
- Tax Incentives
- Water Standards

Infrastructure

- Water Delivery
- Energy Grid
- Energy Efficient Building
- Transportation
- Irrigation

Clean Technology

- Energy Generation
- Energy Storage
- Energy Efficiency
- Water Quality
- Crop Yields

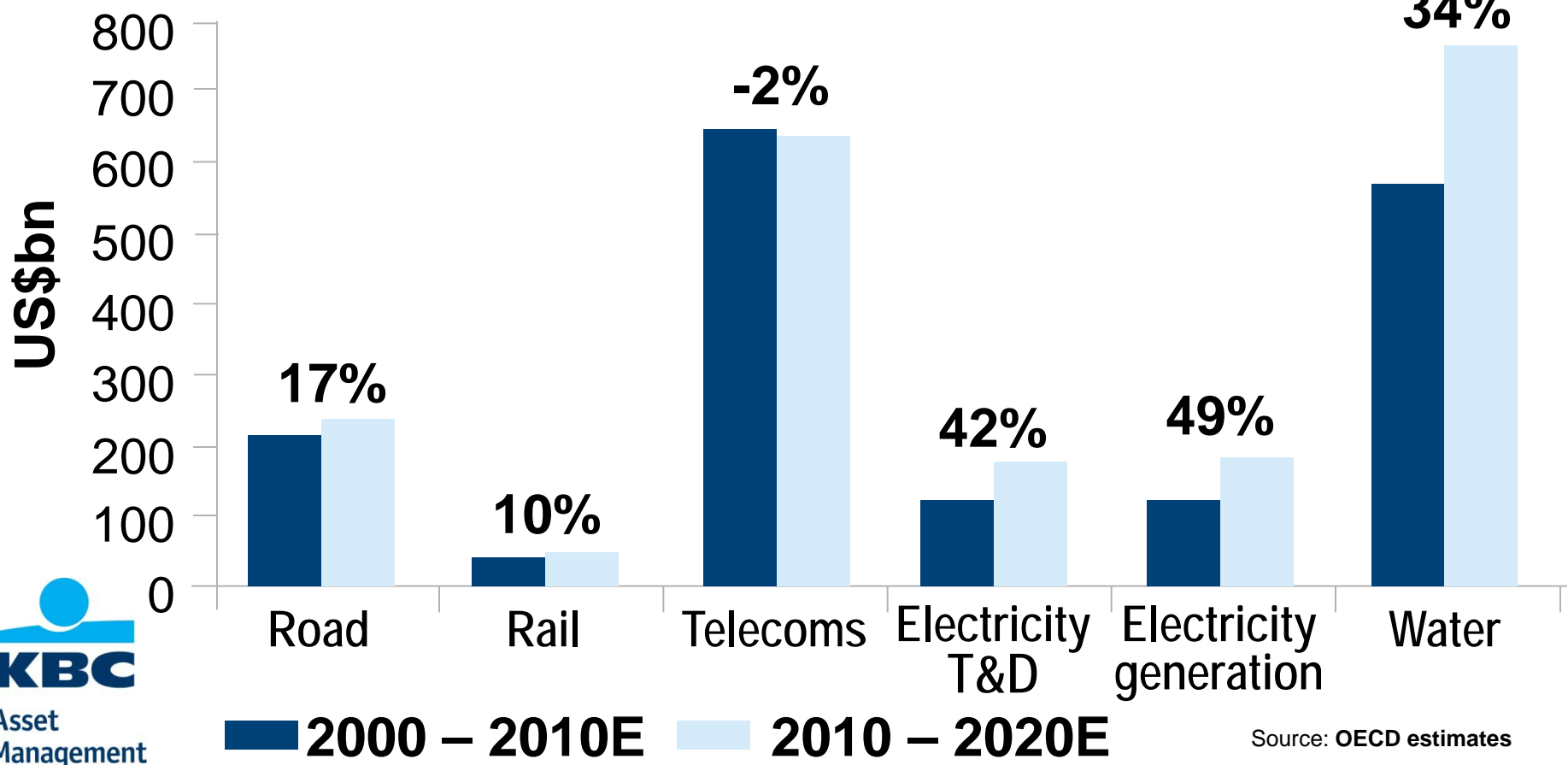




Infrastructure Spending

Annual average infrastructure spending 2000–10E & 2010–20E

X% Growth in annual average spending

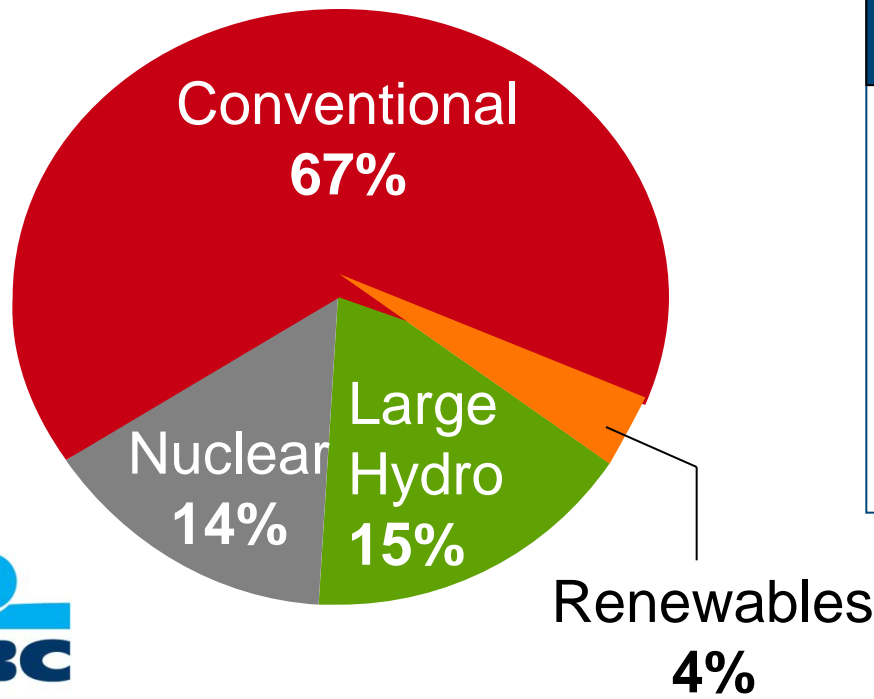


Source: OECD estimates



Renewable Energy Targets Vs Supply

Renewable electricity capacity, share of 2007 electricity production



Country	Renewable Targets
US*	25% by 2025
EU	20% by 2020
UK*	15% by 2020
China	15% by 2020

*Proposed targets



Source: IEA Key World Energy statistics 2008



ESG Integration: Opportunities and Challenges

Opportunities

- Capture sources of Intangible Value
 - Approximately 80% of market value driven by intangibles - Baruch Lev, NYU Stern School of Business
- Risk reduction
- Opportunities and Risks that are under priced in market

Challenges

- Assessing materiality over time
- Assessing materiality across industries / sectors / regions
- Quantification and measurement





ESG Integration

Environment

Eco Efficiency
Environmental Liabilities
Water Consumption

Governance

Executive Comp
Board Structure
Transparency

Social

Human Capital
Consumer Markets
Supply Chain Management



Investment Analysis

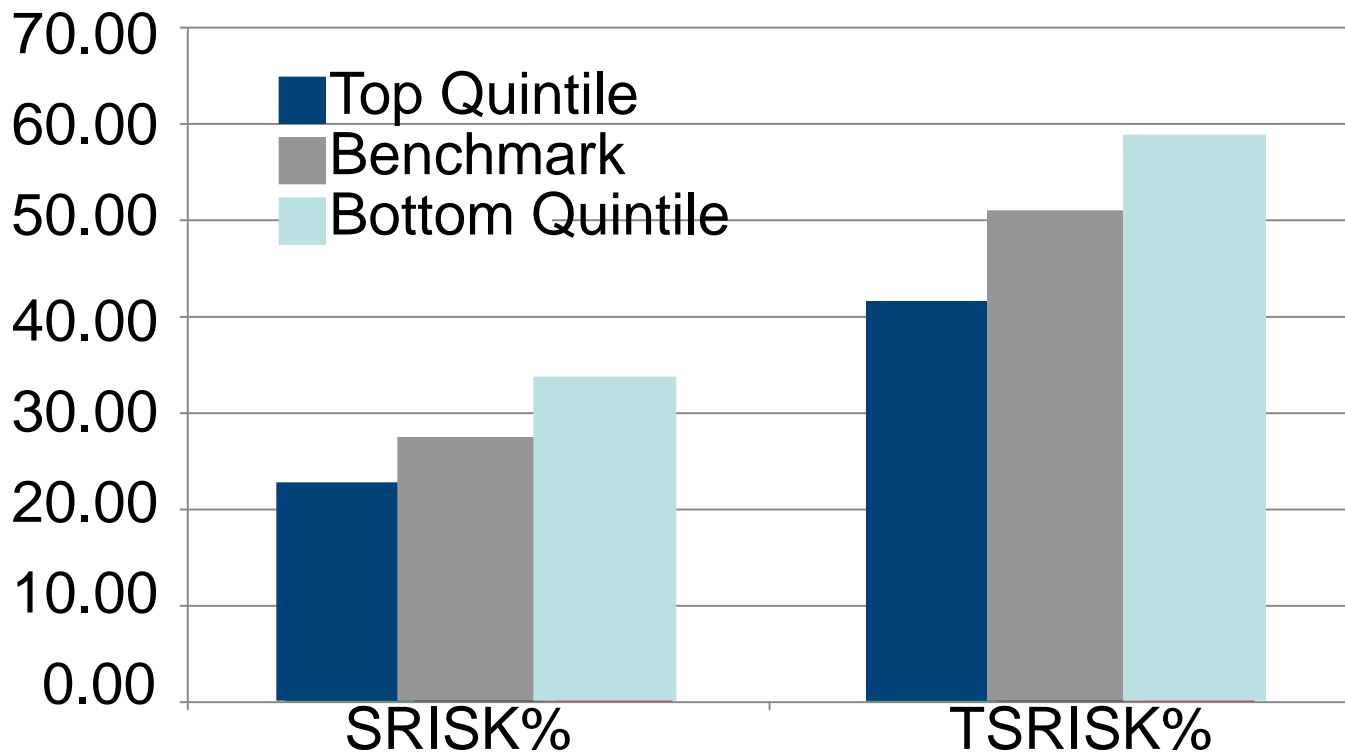
- Costs and Revenues
- Cost of Capital
- Balance Sheet Risk
- Brand and Reputation Risk
- Competitive Advantage
- Valuation





Can ESG integration lower Risk?

- Companies with lower ESG Scores carry significantly more risk.
 - Research by Advanced Investment Partners



Performance Studies – Definitional Challenges



- SRI vs Sustainable Investment
- Time period, market conditions, geographic markets, risk characteristics
- Performance impact of specific ESG factors



Distinguishing Sustainable Investment

- Cary Krosinsky – Sustainable Investing the Art of Long Term Investing – 2008
 - 135 mutual funds 2002-2007

Sustainable Investing	18.7%
Ethical	13.8%
Style Drift SRI	11.6%
MSCI World	17.0%

- Statman and Gluskov – The Wages of Social Responsibility –FAJ 2009



Performance Review



Demystifying Responsible Investment Performance

- 2007 UNEP-FI Asset Management Working Group / Mercer Consulting
- 20 Academic Studies and 10 Broker Research Reports
 - 13 positive
 - 10 neutral
 - 4 neutral / positive or neutral / negative
 - 3 negative





Conclusion

As with all investment management, what matters most:

- Rigorous Investment Process
- Unique Insights
- Innovation and Vision





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THANK YOU

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