

90% of wealth managers say responsible investment portfolios have performed the same or better than other investments, survey finds

Embargoed until Monday 12 October 2009. Today sees the launch of a new report investigating high net worth (HNW) individuals' perceptions of responsible investment (RI) and its implementation across the wealth management industry. The report *Responsible Investment and Wealth Management: Opportunities for the future* is written by RI specialists EIRIS and published in association with wealth management newswire WealthBriefing and the leading private bank Kleinwort Benson.

Based on a survey of the global readership of WealthBriefing and featuring comment and analysis from a panel of prominent RI experts, the report explodes the performance myth that responsible investments under-perform. It identifies a growing awareness of environmental, social and governance issues amongst HNW individuals and finds that the financial crisis has had a positive effect on the view that wealth managers take towards RI. Over half of wealth managers included in the survey reported that the current financial situation has led to them taking governance issues and a potentially tighter regulatory framework into account within their clients' portfolios.

Key findings:

- 90% of wealth managers responding to the survey said that their RI portfolios have performed the same or better than their other portfolios.
- HNW individuals are now more aware than ever of social, environmental and governance issues and how they might relate to their investments than ever before.
- The financial crisis has made 30% of respondents more likely and 60% just as likely to offer RI to their clients.
- 55% of wealth managers are more likely this year to look at governance and impending regulatory issues in their clients' portfolios.
- Wealth managers identified a lack of clarity and information on performance as a key barrier to implementing bespoke RI solutions for their clients.
- Most HNW individual interest in RI is from the entrepreneurial community.

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- HNW individuals are increasingly moving between wealth managers, making client retention challenging.
- 70% of wealth managers' clients see a clear link between their philanthropic activity and investing in line with their philanthropic goals.

This is the third year that EIRIS has mapped out the RI landscape within the wealth management industry. This year's report identifies an increased demand for RI, as demonstrated by the 588 signatories who have now signed up to the UN Principles for Responsible Investment initiative, representing funds under management in the region of \$18 trillion. The report finds that concerns around climate change and child labour have now become an integral part of the social landscape and examines the extent to which these and other issues are being addressed in constructing investment portfolios.

With many HNW individuals looking to mitigate risk and focus on long-term goals rather than short-term gains, the research identifies a growing number of investors seeking to understand responsible sustainable investment and the value of screened portfolios. The study affirms the extent to which wealth managers should recognise this interest and be putting in place the necessary investment and screening options to cater for any of a client's ethical or investment needs. The panel of RI experts were united in their agreement that as a result of the credit crisis there would be a greater focus on the importance of board structure, accountability, governance and remuneration.

It is hugely significant that RI has made such headway in recent years to include positive and negative screening elements, risk mitigation and the best of sector approaches. The research shows that future generations expect to gain a better understanding of what their money is achieving and using RI ensures that clients' investment activities support rather than undermine their philanthropic aims. Solid foundations have already been laid for the implementation of RI strategies in the UK and there is firm evidence from this report to support RI as having a central role to play in the risk/return analysis of portfolios for HNW individuals.

“Our study illustrates how the financial crisis has caused real polarisation among wealth managers. Client retention is increasingly a challenge and wealth managers can improve retention rates and gain a competitive advantage by responding to the increasing numbers of HNW individuals who are expressing an interest in responsible investment” explained Victoria Woodbridge, Senior Client Relationship Manager at EIRIS.

Guy McGlashan, Head of Private Wealth Management Services at Kleinwort Benson states: “It is our job as wealth management professionals to be more proactive in the education of both private clients and charities in terms of RI capabilities. The financial landscape has changed

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immensely since the demise of Lehman and we have a responsibility as wealth managers to understand not only a client's investment outlook but also their philanthropic drivers. We believe wealth management tools will evolve as RI takes on a significantly greater role in mitigating risk and delivering investment goals."

A copy of the full report for 2009, entitled 'Responsible Investing and Wealth Management: Opportunities or the future' and retailing at £195 is available from WealthBriefing, please contact Philip Harris, on +44 (0) 207 610 8104.

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EIRIS a leading global provider of independent research into the social, environmental governance and ethical performance of companies. EIRIS, a UK-based organisation with offices in the US and France together with its international research partners, has a wealth of experience in the field of responsible investment research. EIRIS provides comprehensive research on around 3,000 companies in Europe, North America and the Asia Pacific region. EIRIS clients include pension and retail fund managers, banks, private client brokers, charities and religious institutions across the globe. EIRIS has developed a comprehensive suite of products to help investors mitigate risks and maximise investment opportunities, including a toolkit to help asset owners and asset managers implement their commitments to the UN Principles for Responsible Investment. For more information visit www.eiris.org or email clients@eiris.org

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