

PIRC PARTNERS WITH ENHANCED ANALYTICS INITIATIVE

The EAI announced this month that PIRC (Pensions Investments Research Consultants), the independent research and corporate governance and corporate social responsibility consultancy, has become the latest like-minded organisation to partner with the Initiative.

Given the EAI's desire to grow the membership base and so have a greater impact on the research supply chain, the EAI greatly values the support of opinion-shapers.

Commenting on their decision to partner with the EAI, Alan MacDougall, Managing Director of PIRC, said:

“PIRC has long supported EAI's objectives to create a global culture of long-term investment. We believe EAI has a major role to play in encouraging the growth of research into those material extra-financial issues which might impact a company's ability to deliver sustainable long-term shareholder value. We are delighted to support this Initiative.”

To view the full press release please visit: www.enhanced-analytics.com

Do environmental, social and governance issues matter?

The European Centre for Corporate Engagement (ECCE) has completed the first pilot study of the use of extra-financial information by European research analysts and investment managers. With more than 850 respondents from 88 sell-side and 240 buy-side institutions, it is one of the largest ever attempts at analysing how information relating to environmental, social and governance (ESG) issues is used in valuation and investment decisions.

The key findings were:

- Companies that score high on ESG criteria seem to be rewarded with premium valuation, while companies that score low are likely to be penalised with valuation discount. However, a negative bias means that low scores have a more pronounced effect on valuation than do high scores
- Major differences exist between sectors in the relative importance of various ESG factors. Environmental issues are important mainly for companies in environmentally-sensitive sectors such as automotive, mining and utilities. Human rights issues play a major role for consumer goods makers, and community involvement matters for companies in sectors such as mining, steel and metals
- Corporate governance criteria are viewed as the most important of all ESG factors across all sectors, and are seen by many research analysts and investors as forming a separate category

To access the full report please visit: <http://www.corporate-engagement.com>

Hedge funds to consider environmental issues

Hedge funds are beginning to test the demand from investors for funds meeting environmental, ethical or religious goals. London's US\$17bn GLG Partners launched what is thought to be the first environmental offering from a large hedge fund this month, using a filter developed jointly with consultants Trucost. According to Simon Thomas, Chief Executive of Trucost, a handful of other big UK and US hedge funds are examining similar funds, some looking at long-only launches, as GLG did, and some considering traditional long-short hedge funds.

For now, the market for all socially responsible, religious or environmental hedge funds remains tiny. Jane Siebels, Investment Manager at Green Cay Asset Management, the first - and perhaps only - ethical hedge fund says the nascent industry is caught in a tough marketing spot. However, there are signs that hedge fund customers are becoming more interested in the area. The push by big institutional investors to put more money into hedge funds is helping, Ms Siebels says, because they are more familiar with traditional SRI options. The Nassau, Bahamas-based Green Cay, which specialises in emerging markets and has about US\$300m under management, has taken this a step further, taking advantage of the flexibility offered by being a hedge fund to punish companies it regards as unethical.

To view the full article please visit www.ft.com

The SRI sector and the mainstream start to converge

A recent Financial Times article considered the integration of SRI factors into investment research. According to Bill Page, Chairman of the ESG (environmental, social and governance) team at State Street Global Advisors, climate change is one of the main drivers to integrate SRI into mainstream investment research.

Climate change represents both an investment risk and a huge opportunity, with the latter underlined by the rapid rate of growth in the clean technology sector - estimated to be 30-50 per cent a year.

To view the full article please visit www.ft.com

If you are an asset owner or fund manager who would like to see investment research that better addresses extra-financial issues or are otherwise interested in EAI, we would like to hear from you. To receive more information please contact Jennifer Walmsley at j.walmsley@hermes.co.uk or +44 (0) 20 7680 2847.