



# Update on Charity/Socially Responsible Investment

Mercer quarterly update on charity & ethical fund issues in Ireland



## Charities investing responsibly - research in the UK finds that the public expect charities to take an ethical or socially responsible stance to their investments

Last month, the UK-based Ethical Investment Research Services (EIRIS) Foundation published the results of a survey of 2,000 members of the general public in the UK. The survey looked to assess their views as to how charities should be investing. Some of the key highlights include:

- 91% of participants in the survey agreed that charities should invest in an ethically or socially responsible way.
- 52% would be unwilling to give to charities that are taking an investment approach that goes against the objectives of the charity and 31% would be less likely to donate.
- 41% believe it is very important to know where & how a charity invests its money.

An earlier UK study, published by the Association of Chartered Certified Accountants (ACCA) in 2006 found that just 55% of large UK charities had a written ethical investment policy. As highlighted by EIRIS, the findings of both of their survey and the ACCA study suggest that there is a gap between the practices of charities and the concerns and expectations of their donors and other stakeholders. In addition, the survey highlights the need for greater transparency in charity investments.

Mercer's investment consulting business has provided advice to charity trustees for a number of years both through our dedicated charity team and our Responsible Investment (RI) group. This ranges from strategic research and asset allocation advice to manager research and implementation.

Alasdair Gill, the head of the charity team in Mercer UK had the following comment on the results of the survey: *"Increasingly Trustees of charities are looking to invest for financial reward whilst at the same time investing responsibly. This is more than just excluding armaments and tobacco stocks, as may have been a typical policy in the past: the evidence is that more value can be added from a positive engagement approach, i.e. the investment managers ensuring that directors of investee companies are pursuing shareholder value enhancing responsible policies."*

Rebecca Dixon, UK head of Mercer's RI group, commented: *"This survey backs up what we are seeing with our UK charity clients. We are increasingly being asked to provide advice to charity trustees on how they can integrate ethical criteria into their investment choices and; how to ensure that their fund managers are integrating environmental, social and corporate governance (ESG) considerations into their investment management processes and active ownership practices. This comes not only from escalating pressure by their underlying supporters but also, increasingly, the belief that ESG factors can have an impact on financial performance."*

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## Charity & Ethical Managed Fund Update at 30 September 2008

Manager	1 Mth %	3 Mths %	YTD %	1 Yr %	3 Yrs % p.a.	5 Yrs % p.a.	10 Yrs % p.a.
<b>AIBIM</b> <i>Select Ethical Balanced Growth Fund*</i>	-6.1	-5.6	-17.4	-19.4	-2.3	3.5	1.8
<b>BIAM</b> <i>Ethically Managed Fund</i>	-6.0	-4.2	-19.4	-24.6	-6.6	0.8	2.5
<b>Friends First</b> <i>Stewardship Managed Fund</i>	-8.9	-7.5	-17.0	-18.7	n/a	n/a	n/a
<b>Hibernian Life</b> <i>SRI Managed Fund</i>	-6.5	-4.3	-17.2	-18.5	0.3	6.2	n/a
<b>Irish Life</b> <i>SRI Managed Fund</i>	-6.8	-5.5	-20.0	-22.1	-3.0	n/a	n/a
<b>KBCAM</b> <i>Ethically Managed Fund</i>	-6.8	-6.1	-18.8	-22.4	-3.7	1.7	1.4
<b>New Ireland</b> <i>Ethically Managed Fund</i>	-7.1	-6.8	-22.1	-27.2	-8.3	-0.8	n/a
<b>Merrion</b> <i>Ethically Managed Fund</i>	-6.8	-5.3	-15.8	-18.0	-2.9	3.7	n/a

\* AIBIM Charity Managed Fund closed 20/3/07 and the assets transferred into Select Ethical Balanced Growth Fund.

## Charity & Ethical Equity Fund Update at 30 September 2008

Manager	1 Mth %	3 Mths %	YTD %	1 Yr %	3 Yrs % p.a.	5 Yrs % p.a.	10 Yrs % p.a.
<b>AIBIM</b> <i>Charity Global Equity Fund</i>	-8.8	-8.2	-24.4	-26.3	-2.4	4.4	0.6
<b>Dolmen</b> <i>Green Effects Fund</i>	-12.2	-7.8	-21.0	-24.6	2.3	8.1	n/a
<b>Hibernian Life</b> <i>SRI High Yield Equity Fund</i>	-5.4	-3.0	-21.2	-22.4	0.5	7.3	n/a
<b>Friends First</b> <i>Pension Stewardship Fund</i>	-12.6	-11.2	-22.4	-24.9	-4.7	3.1	2.9
<b>Irish Life</b> <i>SRI Global Equity Fund</i>	-6.6	-2.2	-21.3	-25.1	-5.6	0.8	n/a
<b>KBCAM</b> <i>Global Ethical High Yield Fund</i>	-7.4	-3.5	-20.0	-25.5	-4.8	n/a	n/a
<b>New Ireland</b> <i>Ethical Global Equity Fund</i>	-8.9	-8.9	-27.8	-33.5	-9.3	n/a	n/a
<b>Standard Life Investments</b> <i>European Ethical Equity Fund**</i>	-13.1	-14.5	-32.6	n/a	n/a	n/a	n/a

\*\* Invests in European equity only.

## Index Returns to 30 September 2008

Sector	1 Mth %	3 Mths %	YTD %	1 Yr % p.a.	3 Yrs % p.a.	5 Yrs % p.a.	10 Yrs % p.a.
<b>Irish Equity - ISEQ</b>	-20.7	-31.2	-47.2	-53.3	-17.4	-2.1	0.4
<b>FTSE Eurobloc</b>	-11.1	-11.4	-29.2	-29.4	-0.2	9.0	
<b>FTSE UK</b>	-10.6	-11.3	-26.8	-30.1	-4.7	5.0	2.0
<b>FTSE Europe ex. UK &amp; Euro</b>	-10.2	-8.8	-21.0	-26.4	0.0	9.0	
<b>FTSE North America</b>	-4.8	1.9	-15.5	-20.0	-3.9	2.5	2.0
<b>FTSE Japan</b>	-6.7	-7.3	-18.4	-24.9	-8.9	0.5	2.7
<b>FTSE Pacific ex. Japan</b>	-12.3	-16.0	-32.1	-35.2	-0.4	9.2	9.6
<b>FTSE World</b>	-7.7	-5.4	-21.2	-24.6	-3.1	4.6	3.2
<b>FTSE World ex. Eurobloc</b>	-7.1	-4.2	-19.5	-23.7	-3.6	3.9	
<b>ML EMU Gov 5+ Bonds</b>	0.1	4.5	2.7	3.8	0.4	3.7	4.7
<b>ML EMU Gov 10+ Bonds</b>	-0.5	4.5	1.6	2.6	-0.9	4.1	5.0
<b>Barclays Euro Inflation Linked</b>	-1.1	0.5	3.1	4.9	0.9	4.4	
<b>3 Month Interbank Deposit</b>	0.4	1.3	3.7	4.9	3.9	3.2	

Source: Datastream, 1 October 2008

Performance returns are provided to Mercer by each Investment Manager.

Care has been taken in preparing this document however the information herein is intended as a general guide only. No responsibility is accepted for errors or omissions howsoever arising. Specific advice should be sought from your Mercer consultant when queries arise and professional legal advice should also be sought where necessary.