

GETTING GREEN FINGERS

Once dismissed as a fad, socially responsible investing is paying off for the ethically conscious, writes **Ciaran Brennan**

THERE was a time when going green meant living like Tom and Barbara in the 1970s TV comedy 'The Good Life' - converting your garden into a farm, getting in the pigs and chickens and growing your own crops.

The green agenda has advanced considerably since then and you know it has become mainstream when the financial community sits up and takes notice.

For those who want to save the planet, but still make a bit of money, there are a growing number of investment opportunities. Once dismissed as a fad, green or socially responsible investing looks like it is here to stay.

"Up to a few years ago it was a very honourable thing to be investing in, but now it is becoming mainstream and people are more socially aware," explains Brian Flanagan, investment sales manager with Friends First, which offers the Stewardship Fund, which was the first ethical fund to become available on the Irish market.

The fund addresses social responsibility by selecting investments which make a positive contribution to society, while avoiding investment in business activities judged to be harmful.

And not only is socially responsible investing becoming more mainstream, it is also paying off for investors, according to Richard Power of Dolmen Stockbrokers, which manages

the Green Effects Fund.

"Historically, commentators would have said if people were looking to invest in green-type investments or ethically friendly investments, quite often they would suffer in terms of performance, but what we have seen over the past 18 months is that the alternative energy investments have outperformed the market considerably and particularly when you look at how the fund has done over the past two to three years."

Like a lot of ordinary funds, socially responsible and green funds have suffered since the beginning of the year because of the turmoil in the stock markets. However, over a three and five-year period, they have more

than held their own against traditional funds.

"I would say over the past three years, it has substantially outperformed the broader equity market," says Mr Power.

Two key questions face those who want to invest in green or socially responsible funds or companies, according to Brendan Burgess, founder of www.askaboutmoney.com.

Are you happy just to avoid investing in companies which damage the environment or which manufacture tobacco? Or would you like to invest in companies which actually do some good?

Ethically

Most funds exclude companies which are in specified industries but the Green Effects Fund is ethically more proactive, according to Mr Burgess.

It invests only in companies which are on the NAI - the Natural Stock Index.

This is an index of about 30 stocks which have very strong ethical principles. The companies on the index have to produce products which are used to boost the environment or human welfare, such as solar power.

Alternatively, they can be companies whose products are produced in a very ethical way, such as The Body Shop or Severn Water.

As well as returns, investors should also be aware of the costs involved in green investing. The annual management charges on the funds in Ireland

vary from 0.5pc to 2.875pc.

While there are a number of other specialised funds on the market, Mr Burgess argues that the bulk of the shares traded on the ISEQ, would qualify as socially responsible. They would fit the criteria used to compile the FTSE4Good index, and so there is no real need to invest in a specialist fund.

But green investors do not have to content themselves solely with companies on the stock exchange.

Forestry funds are another option. Trees not only absorb carbon dioxide from the atmosphere and release oxygen back, but also provide myriad habitats for wildlife, while typical returns, net of inflation, are in the range of 5pc-7pc depending on species, land quality and other circumstances.

The price of timber has increased by some 20pc-25pc in the past 18 months and as demand rises for this renewable product, guaranteeing greater returns to producers and investors, while its tax-free status is also an attraction.

But the big disadvantage is forestry is a very long-term investment and the returns can be uncertain.

There is another issue at play for the green or socially responsible investor, says Mr Burgess. The only commercial forestry in Ireland is non-native evergreen trees which some environmentalists have accused of doing a lot of environmental damage, such as acidification of rivers and lakes.



CLIMBING TREES: A man checks a timber stack after wood was cut down by the Scottish Forestry Commission in the Scottish Borders.

Options open to ethically-minded fund investors

DOLMEN BUTLER BRISCOE GREEN EFFECTS FUND

The Green Effects Fund invests only in companies which are on the Natural Stock Index. This is an index of about 30 shares which have very strong ethical principles.

EBS INDEXED ETHICAL GLOBAL EQUITY FUND

The EBS Indexed Ethical fund is 50pc invested in the FTSE4Good Europe 50 Equities Index and 50pc in the FTSE4Good Global 100 Equities Index.

These indexes are comprised of shares which work towards issues such as environmental sustainability and upholding and supporting universal human rights.

BANK OF IRELAND NEW IRELAND SMART FUNDS/ETHICAL EQUITY FUND
Bank of Ireland Asset Management Limited, which manages these funds, has

a dedicated ethical committee which includes independent ethics advisers to provide guidance in the formulation of policy which determines the selection of investments for the ethical funds.

HIBERNIAN SOCIALLY RESPONSIBLE INVESTMENT FUNDS
Hibernian offers five ethical funds: a Managed Fund, a European Equity Fund, a Global Equity Fund, a High Yield Equity Fund and a Bond Fund.

The companies are selected by Hibernian's sister com-

pany Morley Fund Management, which has a team which specialises in ethical research.

FRIENDS FIRST STEWARDSHIP FUND
This Fund enables investors to invest in certain companies which display positive criteria - including supplying the basic necessities of life, conserving energy or natural resources and providing high-quality products of long-term benefit to the community - while avoiding investing in companies which cause environmental damage.

