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Partners for Financial Stability (PFS) Program
www.pfsprogram.org

Emerging Markets Workshop
Opening Remarks
Geoffrey Mazullo
Director, PFS Program

Doppelte Dividende
Trends im ethischen Investment

29. Oktober 2009
Wien

Emerging Markets

“The term emerging markets appeared during the 90’s and is now widely used. It is easy to find lists of emerging market countries but hard to find a definition of what they are. Look at those lists and you will see countries such as China, Botswana, Chile, South Africa, Hungary, Jordan, Singapore and Hong Kong. Given the diversity of these economies how can we come up with a sensible definition of emerging markets?”[1]

This definition suggests categorizing a country as an emerging market according to indicators such as: level of income, growth rate, stage of development, maturity and stability. “Emerging markets therefore include those which have reached a minimum level of GDP and are in the growth phase of the development cycle but whose economies are particularly vulnerable to internal or external forces.”[2]

**1. “Emerging Markets Defined,” Pearson -
<http://www.pearsoned.co.uk/Bookshop/article.asp?item=361>**

2. *ibid.*

Ethical Investment

Here too we face the issue of definition:

European SRI Study 2008

“Core SRI (ethical exclusions [more than two negative criteria] and different types of positive screening) is estimated at Euro 512 billion, whereas Broad SRI (simple exclusions, engagement and integration of ESG risks into traditional financial analysis) is estimated at Euro 2.2 trillion.”

Source: Eurosif Press Release, September 30, 2008

SRI – A separate Asset Class

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FTfm

FINANCIAL TIMES WEEKLY REVIEW OF THE FUND MANAGEMENT INDUSTRY | Monday November 10 2008

Pension funds set to flee equities

News Analysis
Institutions forced to rethink investing strategies, writes Steve Johnson

Pension funds and other institutional investors look set to turn their back on active equity managers as they reassess their strategies in the wake of the market tumult of the past 15 months.

A survey of European and North American pension funds conducted in mid-October indicates the industry intends to continue cutting its exposure to equities to free cash to invest in alternatives such as hedge funds, private equity, commodities and property – in spite of the abject failure of many of these asset classes to provide much-vaunted “uncorrelated returns”.

Separately, research by Greenwich Associates sug-

chief executive of BFinance, a consultancy, which has conducted the first major survey of pension funds’ intentions since the market sell-off accelerated in September.

The survey reveals that, despite getting their fingers burnt by their exposure to supposedly uncorrelated alternative assets in the past year, pension funds across continental Europe, Scandinavia, the UK and Canada are still keen for more.

A net 18 per cent of respondents said they expected to cut their equity exposure in the next 12 months, with cash being switched to fixed income and infrastructure.

Over the next three years, the transformation is likely to be starker still with a net 22 per cent of pension funds aiming to reduce equity holdings and, instead, pouring money into hedge funds, private equity, property, infrastructure, currencies, commodities and socially responsible investment.

Pension fund asset allocation intentions for the next three years

Per cent

	Decrease	Increase	Same	No exposure
Equity	37	15	44	4
Fixed income	26	26	44	4
Hedge funds	4	26	33	37
Private equity	0	30	22	48
Commodities	0	26	22	52
Currency	7	22	41	30
GTAA	4	15	15	67
Portable alpha	4	15	22	59
Sri	0	22	26	52
Property	11	30	44	15
Infrastructure	0	33	26	41
Multi-asset/diversified	4	22	30	44

Source: BFinance

FT montage: Natalie Croker

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Challenges in Ethical Investment in Emerging Markets

Access to Information

Disclosure

- **Reporting vs. Reality**
- **SOTDA**

Investment Process

Investment Strategy

- **Engagement**
- **Exclusion**

Investment Universe

- **Regional vs. Global**
- **Multinational Companies active in Emerging Markets**

Standards in Financial and Extra-Financial (ESG) Reporting

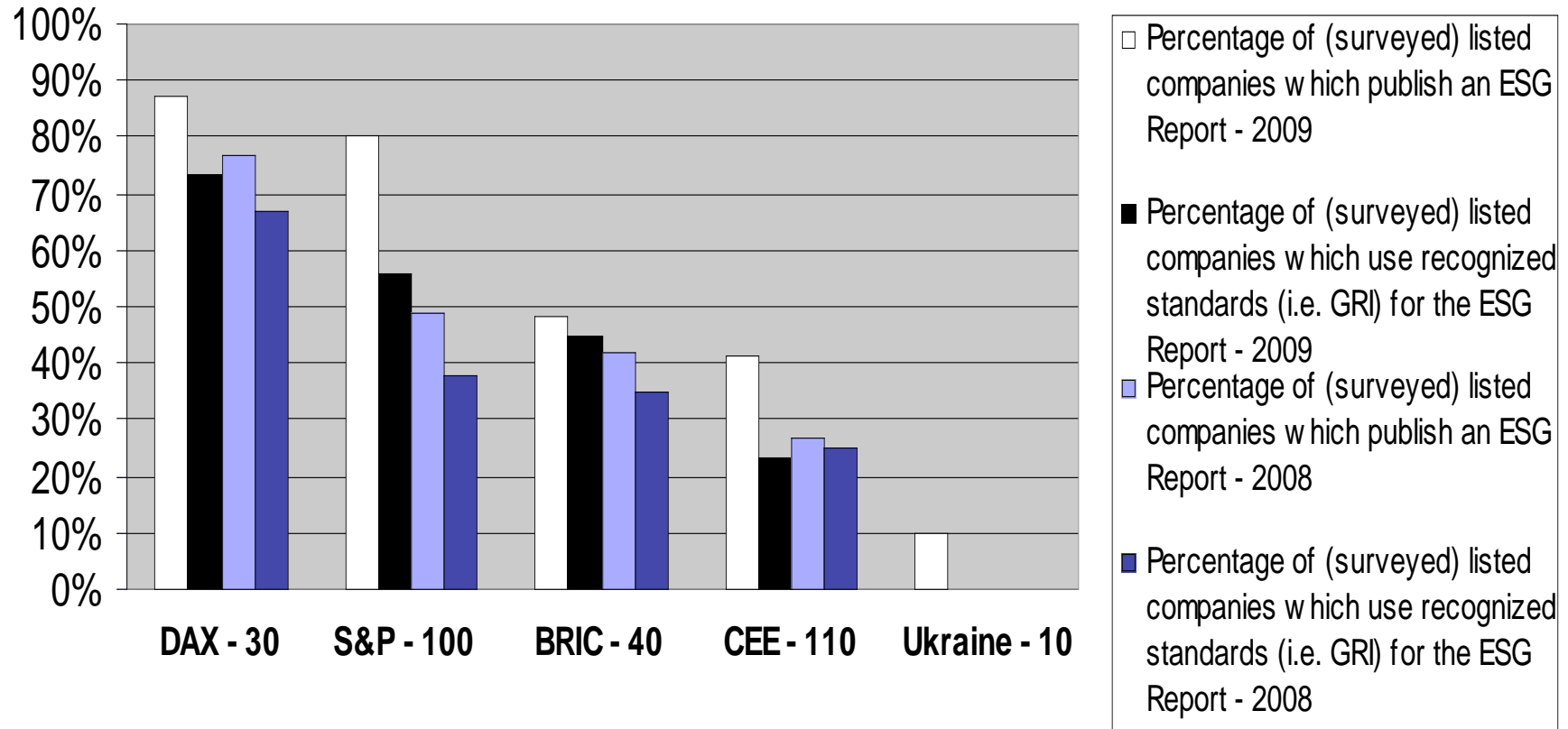
- **One size does not fit all.**
- **Nevertheless, implementation of best practice and international standards are important benchmarking tools and indicators.**

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ESG Reporting in English in 2009 - 2008

Comparison of the Largest Listed Companies Worldwide

ESG Reporting in English Worldwide 2009 - 2008



Source: <http://www.pfsprogram.org/>