



**Content**

Market report from a responsible investor's view	2
Performance data for ESPA Responsible Investment funds	3
ESPA Responsible Investment funds: Assets under Management	3
News from the ESPA Responsibility Team	4
Changes in the investment universe	5
ESPA VINIS Investment Board highlights	5
Engagement activities	5
Stock on the watch	6
Glossary	7

## Market report from a responsible investor's view

### Equities:

The year started out on a bull run that lasted a few days before consolidation was setting in. Towards the end of the month, prices recorded another slight upswing. The oil price stabilised on low levels, while the euro lost substantially against the US dollar and fell below 1.30. The performance of the various sectors was mixed. In renewable energies the solar sector and transport caused a negative performance contribution, wind power overall was largely stable, with turbine producers closing slightly down on the month, and wind park developers outperforming the market. Other renewables, such as small hydropower plants in Canada, geothermal companies, and energy efficiency companies were among last month's outperformers as well. The development of the German solar companies was disappointing.

International sustainable equity indices performed varied versus their conventional peers depending on their regional allocation. In January Austrian sustainable VÖNIX was lagging behind ATX and the ATX Prime index in opposition to the long-term trend.

Index comparison (January 09)			
↓ FTSE 4 Good Global Index	-10.8%	↓ FTSE 4 Good Europe 50	-4.2%
↓ Dow Jones Sustainability World TR	-2.1%	↓ Dow Jones STOXX 50	-4.8%
↓ Ethical Index Global Top 30	-8.2%	↓ Dow Jones STOXX 600	-3.6%
↓ Ethical Index Global Tradeable Return	-1.7%	↓ MSCI Europe	-3.6%
↓ MSCI World Total Return	-7.2%	↓ VÖNIX	-2.1%
		↑ ATX Prime	1.3%
		↓ ATX	-0.8%

### Fixed Income:

At the beginning of the new year, the recessionary scenario was prolonged with a larger number of emerging markets getting affected by the drastic economic decline in recent weeks. Central banks and governments in various economic regions continued to engage in the full spectrum of measures to support the banking system and the entire economy. Rate cuts, guarantees granted to banks, and economic stimulus programmes are supposed to prevent a further decline. The published economic data are on low levels across the board. That said, some indicators (ISM services, leading indicators, IFO, ZEW and others) have stabilised. Labour and property markets remain very weak. In view of the global decrease in demand for consumer and capital goods and thus of commodity prices, inflation does not (yet) pose a threat.

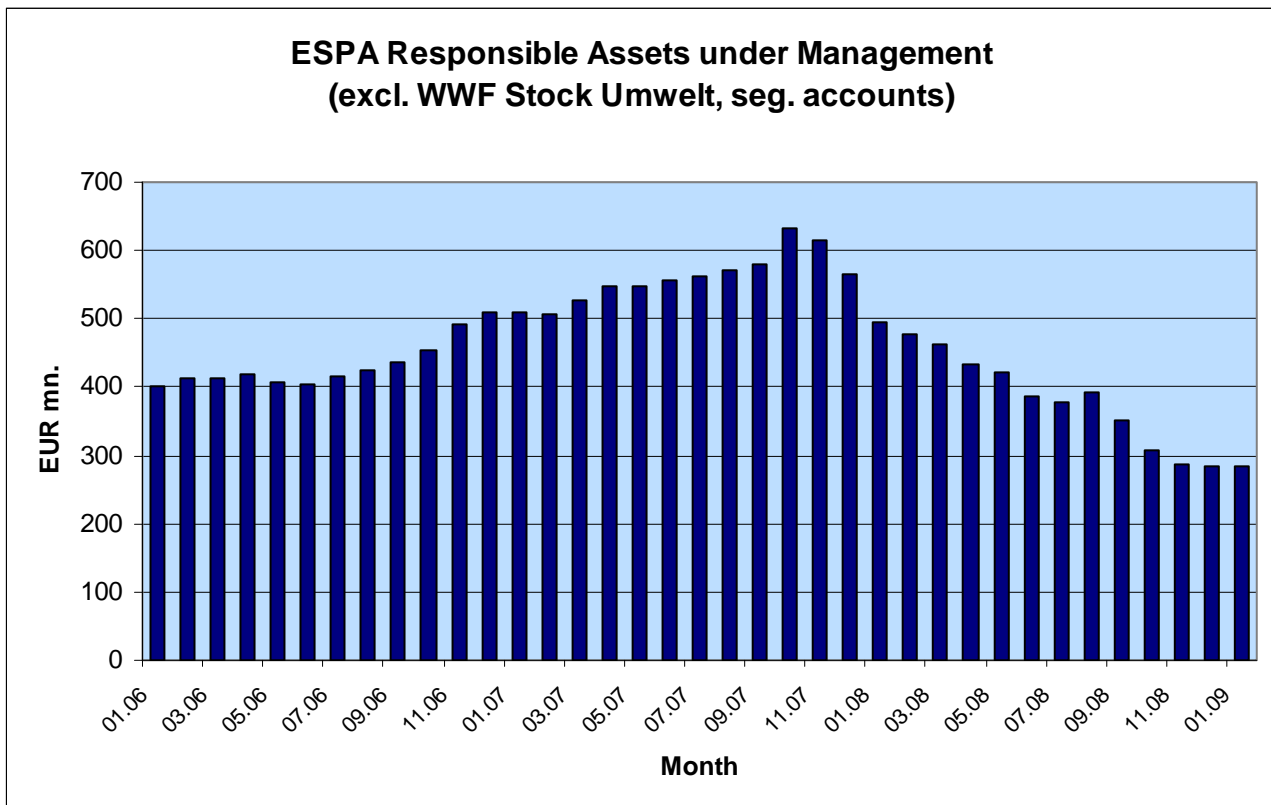
The spreads of corporate bonds and banks narrowed slightly in January, albeit on high levels, whereas the spreads of Eurozone government bonds continued to widen. New issuing was brisk due to keen demand on attractive price levels. Government bonds, corporates, and mainly state-guaranteed bank bonds with maturities of two to five years issued high volumes. Numerous oversubscribed new issues outperformed the overall market. In the current market environment, yields on the long end of the euro interest rate curve increased substantially in January, and the curve steepened drastically.

The Bund futures contract was going through a very volatile phase in January. It increased from around 124.00 to a record level of 126.00 around mid-January. In the second half of the month it corrected sharply to 122.50 – 123.00, which was caused among other things by a large supply of new issues. The 10Y yield of government bonds was at 3.30% at the end of the month. Sustainable issuers have been largely in line with the broad market.

### Performance data for the ESPA Responsible Investment funds

<b>Performance data per 31/01/09 Sustainability Funds</b>	2009 YTD	2009 YTD vs. Benchmark	MTD 01/09	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	3.5%	-0.3%	3.5%	110.5
ESPA VINIS STOCK EUROPE	-4.7%	-2.8%	-4.7%	40.2
ESPA VINIS STOCK AUSTRIA	-3.9%	-0.2%	-3.9%	28,3
ESPA VINIS STOCK EUROPE EMERGING	-6.9%	1.6%	-6.9%	3,4
ESPA VINIS BOND	-0.5%	-0.5%	-0.5%	56,0
ESPA VINIS CASH	-0.6%	-0.9%	-0.6%	29,7
<b>Performance data per 31/01/09 Environmental Funds</b>	2009 YTD		MTD 01/09	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	4.4%		4.4%	15,7
ESPA WWF STOCK UMWELT	4.0%		4.0%	52,4
Total Assets under Management (excl. WWF St.Umw.)				283.8

### ESPA Responsible Investment funds: Assets under Management



## **Latest developments within the ESPA Responsibility Team**

### Media appearance of ESPA Responsibility Team

- "e-fundresearch.com"-article „Austrian equity funds in 2008“ (“Österreichische Aktienfonds im Jahr 2008“) with ESPA VINIS Stock AUSTRIA among Top Three funds in Austrian equities  
<http://at.e-fundresearch.com/article.php?aID=11802&search=>
- Sustainability report by Finance & Ethics Research from 21/01/2009 („Sustainable development in all categories above average“)  
<http://www.fondsprofessionell.at/upload/attach/805973.pdf>
- ECOreporter.de portrait of “ESPA VINIS BOND” from 29/01/2009  
[http://www.ecoreporter.de/index.php?id=105&tx\\_ttnews%5Btt\\_news%5D=27975](http://www.ecoreporter.de/index.php?id=105&tx_ttnews%5Btt_news%5D=27975) and  
<http://www.ecoreporter.de/index.php?id=265>
- “Lebensart“-article “Sustainable Funds“ (“Nachhaltige Fonds“) in Dec 08/Jan 09 edition

### Proceedings & development

- Ongoing research regarding “Microfinance“
- Preparations for membership to UN Principles for Responsible Investment
- Preparation of presentation on how the ESPA WWF STOCK CLIMATE CHANGE fund should benefit from Obama’s planned Infrastructure investments and Sustainable New Deal
- Participation in launch of a fund investing in “physical gold“
- Participation of ESPA Responsibility Team at the following conferences in Feb 2009:
  - Erste Sparinvest KAG Institutional Investment Conference 11/02 in Vienna
  - Forum Nachhaltige Geldanlagen Meeting 18/02 in Munich
  - F & C Governance & Sustainable Investment Conference 26/02 in London

## Changes in the investment universe (February 09)

The implementation of the SRI concept and the inclusion of SRI-research (oekom, Innovest, RiskMetrics/ former ISS und RFU) adaptations of the investment universe are made on a monthly basis. These adaptations are translated into our responsible investment funds. This means that a security that got excluded from the universe also has to be sold from all SRI-portfolios and on the other hand a security that is included in the SRI-universe can be invested into SRI-portfolios in the future.

### Included – Reasons:

Alfa Laval, Magyar Telekom, ESAG Energy Solar – initial coverage

StatoilHydro, EnCana, Hain Celestial Group – improvement regarding environmental & stakeholder-related performance

### Excluded – Justification:

Citigroup – violation of exclusionary criteria

## ESPA VINIS Investment Board highlights

(last Meeting 14/01/09)

The ESPA VINIS Investment Board is hosted by the Responsible Investments Team of ESPA and joins financial specialists of ESPA as well as SRI-specialists of the SRI-rating agencies involved in our process. Topics of discussion are e.g. single issuers, sectors or criteria.

### Discussion concerning the portfolio/ single issuers:

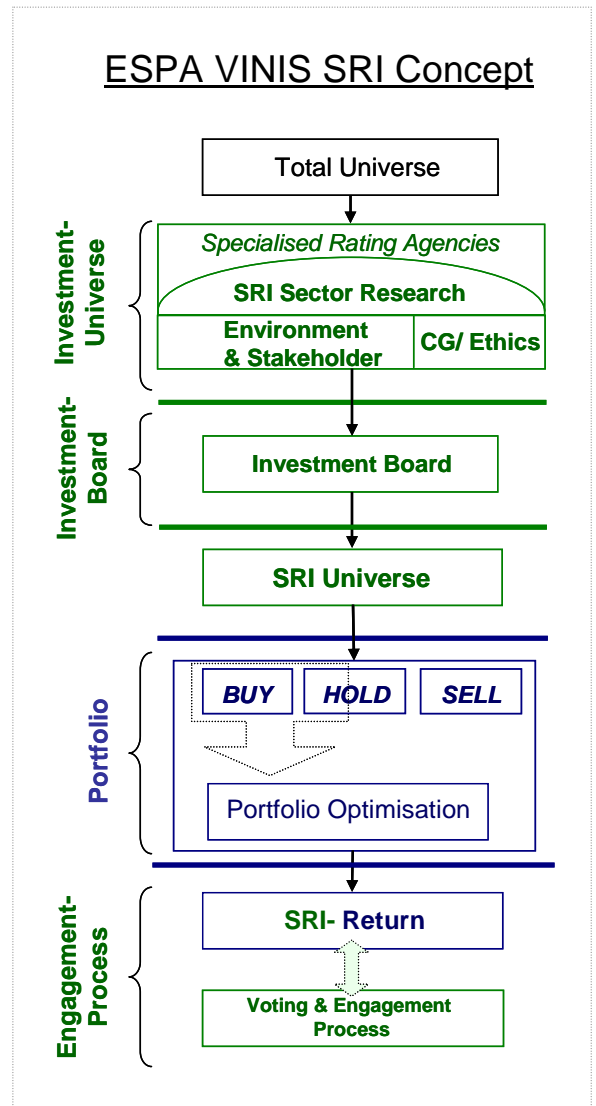
- Discussion of new developments regarding exclusionary criteria
- Discussion of cooperation between SRI rating agencies and NGOs
- Discussion of new trends in SRI and sustainability research in regions like Latin America, Asia, and Africa
- Discussion on 'Ökoauto' strategy of Solarworld and the strategic focus renewable energy companies should have

## Engagement activities

ESPA Responsibility started a cooperation with the UK based investment- and research company F&C on engagement and voting on a global basis. F&C provides ESPA with their engagement activities and releases concerning holdings within the Responsible Investment funds of ESPA outside of Austria.

International: Cooperation with F&C, voting platform recently built up

Austria: Engagement with Erste Bank



## Stock on the watch

### AstraZeneca

(Pharma)

ISIN:

Last price (13/02/09)

Market capitalisation (in mn.)

P/E (Price-earning ratio) current

Dividend yield

Financial rating (Moody's / S&P)

AZN LN

GB0009895292

GBP 25.63

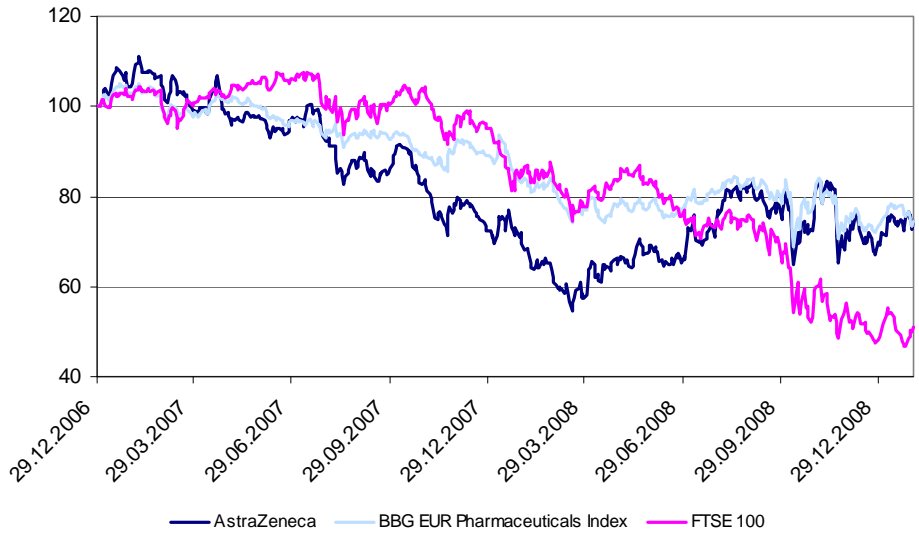
GBP 37,479

8.81

5.08%

(AA- / A1)

Performance since 12/2006



**SRI-Rating (total):**  
(Range A-D)

**B**

Environment rating (Range A-D):

**B**

Stakeholder rating (Range A-D):

**B**

Corporate Governance /

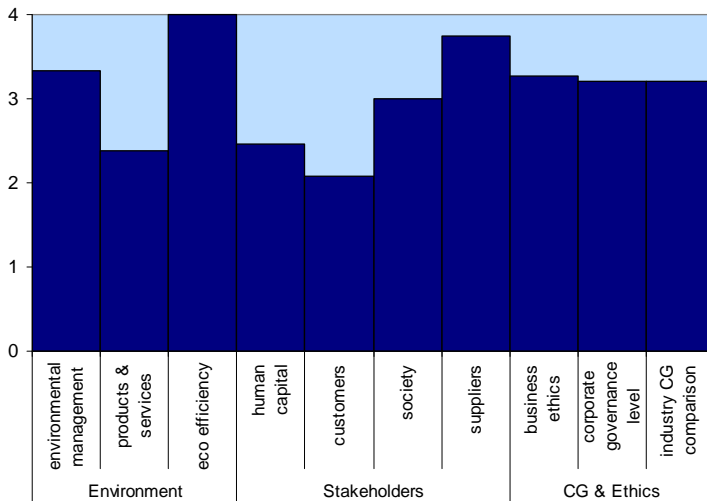
Ethics Rating (Range A-D):

**B**

Invested in funds as follows:

ESPA VINIS STOCK EUROPE

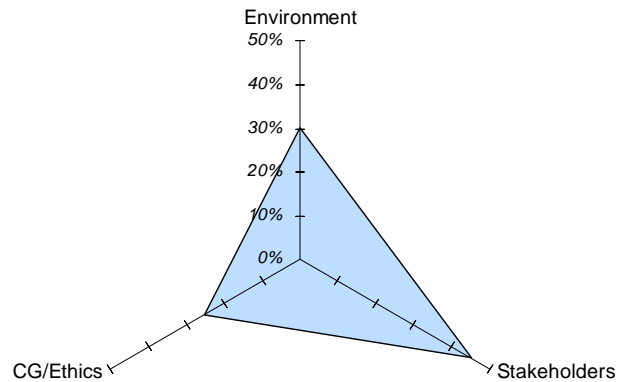
ESPA VINIS SKYLINE (Company level)



(4: best rating; 0: worst rating)

ESPA VINIS STAR (Sector level)

Environment: 30%  
Stakeholders: 45%  
CG / Ethics: 25%



## Glossary

**SRI** – Socially Responsible Investment

**YTD** – year to date

**SRI-Rating agency / SRI Rating** – An SRI-rating agency or SRI-research agency analyses and rates the activities of companies according to social, ecological and ethical criteria (e.g. A = best grade to D = worst grade). By using SRI ratings investors can judge a company's exposure to environment and stakeholders. The ESPA Responsibility team has co-operations with several SRI-rating agencies (oekom research, RiskMetrics (former ISS), Innovest Strategic Value Advisors, RFU), which cover different key aspects. In contrast to SRI rating agencies, finance rating agencies (e. g. Moody's, Fitch, S&P, etc.) are focussing on companies' financial data only.

**Investment universe** – Each investor has a pool of companies (funds universe, investable universe) in which he is allowed to invest. Companies need to perform above average with regards to sustainability performance to become part of the ESPA responsible investment universe. In order to promptly react to changes on a company level, the ESPA Responsibility investment universe is updated on a monthly basis. Finally, the fund manager picks those companies with the best prospects according to fundamental financial data.

**Coverage** – The sum of all companies analysed by a rating agency is referred to as coverage. If a company is analysed for the first time this is called initial coverage.

**Exclusionary criteria** – No investments are made in particular sectors or companies, which violate certain (exclusionary) criteria (e. g. violation of labour regulation, nuclear energy, etc.). These criteria include ethical, social and governance risk factors.

**ESPA VINIS Investment Board** – In this board specialists in terms of sustainability meet financial experts. Together with the ESPA Responsibility team they discuss topical issues and current developments, IPOs, or the latest trends in different industry sectors.

**Engagement** – Engagement means that the investor tries to convince/persuade the management of a company to take actions in the fields of social responsibility, environment or transparency. On a national basis engagement is done by the ESPA Responsibility Team itself, on a global basis there exists a co-operation with F&C, who is specialised provider in this area.

**Voting** – Voting means the active exercise of the voting rights at shareholders' meetings. Possible targets are the increase in transparency in case of nominations for the board of directors, or more transparency in management compensation. In the area of voting, the ESPA Responsibility team also cooperates with F&C.

**ESPA VINIS SKYLINE** – ESPA VINIS SKYLINE illustrates the evaluation of single criteria for each company (e.g. environmental management, products & services, human capital, etc.). This evaluation is based on a rating score ranging from 0 (worst score) to 4 (best score). The single ratings are added up according to their weightings, which finally leads to a combined SRI rating.

**ESPA VINIS STAR** – Each sector has different areas of focus with regards to sustainability. The ESPA VINIS STAR shows the weightings of the three dimensions (environment vs. stakeholder vs. CG/ethics). The weighting of CG/ethics is held constantly at 25%. The weightings of the other two dimensions vary depending on the sector. For example, stakeholder issues are weighted higher in the service sector, whereas the importance of environmental issues is more dominant in the industrial sector.

## **Imprint**

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