ESPA Responsible Investments Bulletin

June 2009

Content

ERSTE SPARINVEST

Market report from a responsible investor's view

Equities:

The month of May was generally dominated by consolidation in the wake of the strong weeks since mid of March. Supported by positive market sentiment the stock exchanges managed to post further increases. The equity markets anticipate now quite obviously an economic recovery in the second half of the year and the return of the US economy to its growth path priced in. Any fears of a collapse of the global financial system have clearly taken to the sidelines. The oil price increased slightly, and the euro appreciated substantially above USD 1.40. In May cyclicals put in a better performance and banks, industrials, and the technology sector were among the winners. Among sustainable sectors the majority provided a positive performance contribution, with the areas of solar and wind power coming out on top just like the previous month. However, the majority of railroad shares was disappointing.
In the past month international sustainable equity indices showed a performance close to their 'conventional' peers. There have been huge differences depending on the concentration of the indices. In Europe sustainable indices outperformed their peers slightly while Austrian sustainable VÖNIX performed very strong below concentrated ATX Index and above broader ATX Prime.

Index comparison (May 09)			
FTSE 4 Good Global Index	9.3%	FTSE 4 Good Europe 50	4.9%
Dow Jones Sustainability World TR	3.7%	Dow Jones STOXX 50	4.8%
Ethical Index Global Top 30	6.8%	Dow Jones STOXX 600	4,0%
Ethical Index Global Tradeable Return	1.5%	MSCI Europe	4,0%
MSCI World Total Return	5.2%	VÖNIX	11.8%
		ATX Prime	11.4%
		ATX	13,0%

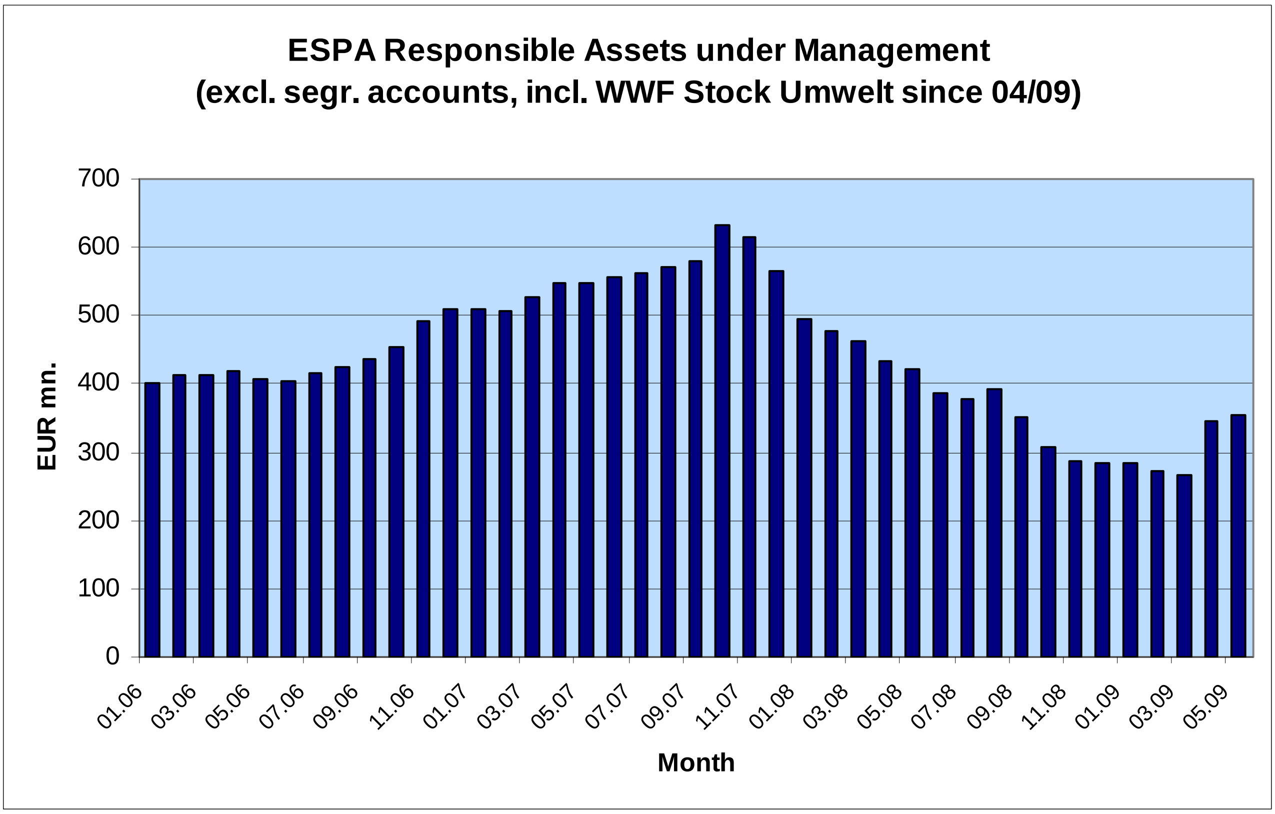
Fixed Income:

Global capital markets continued to recover in May supported by a more optimistic outlook on the economy. According to some expectations, the global economy may move out of recession as early as in the second half of 2009. Numerous economic indicators both in the USA and Europe continued to improve moderately. Among those were the ISM indices of the manufacturing and service industry, IFO and ZEW, as well as a number of Purchase Manager indices. Even the recently very weak property data and labour markets have recovered from their lows for now. Governments and central banks are still very active and resort to the entire bandwidth of measures to support the economy and in particular the financial sector. The Bank of England and the Fed have been relying on a policy of quantitative easing by purchasing bonds on the open market. The goal of this policy is to keep the yield low in order to stimulate investment and consumption. The ECB, having cut key lending rate to 1.00% at the beginning of May, announced similar steps. In spite of a strong increase in commodity prices over the most recent weeks the rate of inflation has been holding steady at zero percent due to base effects from last year.
The spreads on corporate bonds of industrial companies and financial service providers largely narrowed again in May. On the one hand newly issued corporate bonds that had been flooding the markets over the previous couple of months were clear outperformers, on the other hand numerous older issues – in particular subordinate bonds – bounced back from the recent extremely low levels. New issues, whose issue valuations have deteriorated quite a bit from their attractive levels a few weeks ago, are still in heavy demand and tend to be oversubscribed many times over.
The Bund futures contract was under pressure for the larger part of May and fell from a level of around 123.00 to about 119.00. The 10Y yield of German government bonds increased markedly to 3.65%. The interest rate curve steepened considerably to 217bps.

Performance data for the ESPA Responsible Investment funds

Performance data per 31/05/09 Sustainability Funds	2009 YTD	*2009 YTD vs. Benchmark*	MTD 05/09	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	9.3%	*-0.4%*	4.3%	109.6
ESPA VINIS STOCK EUROPE	7.9%	*0.6%*	4.6%	38.4
ESPA VINIS STOCK AUSTRIA	12.1%	*-1.2%*	12.1%	20,1
ESPA VINIS STOCK EUROPE EMERGING	19.6%	*-17.2%*	15.1%	4,5
ESPA VINIS BOND	1.3%	*-0.8%*	0.1%	65.1
ESPA VINIS CASH	2.4%	*1.5%*	3.1%	29,8
Performance data per 31/05/09 Environmental Funds	2009 YTD		MTD 05/09	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	8.8%		4.7%	33.7
ESPA WWF STOCK UMWELT	3.4%		3.3%	52.5
Total Assets under Management				353.7

ESPA Responsible Investment funds: Assets under Management



Latest developments within the ESPA Responsibility Team

Media appearance of ESPA Responsibility Team

- FER-Sustainability report from 04/05/2009
  http://www.fondsprofessionell.at/upload/attach/638472.pdf
- Top Gewinn Ranking « Sustainable confentional funds « («Nachhaltig konventionelle Fonds »)

  EDA Nachhaltige Konventionelle Fonds
- CorporAid Magazin article « End of the downturn ? » (« Ende der Talsohle ? ») from June 2009
- Wirtschaftsblatt article « Sustainable funds targeting at future-oriented topics » (« Nachhaltige Fonds setzen auf Zukunftsthemen ») from 12/06/2009

Proceedings & development

- Planned implementation of a Microfinance fund
- Preparations for membership in UNPRI (UN Principles for Responsible Investment)
- Participation of ESPA Responsibility Team at the following conferences in June/July 2009:
  - European Fund Forum Germany 02 & 03/06 in Wiesbaden
  - Award „Wiener Börsenpreis“ 02/06 in Kursalon Hübner/Vienna
  - Securities Meeting by Salzburger Sparkasse in Braunau and Salzburg: beginning of June
  - Conference „Zeit für eine Nachhaltige Finanzverfassung“ 17/06 in Berlin hosted by „Forum Nachhaltige Geldanlagen“
  - Erste Bank Stiftung (endowment) Conference 02/07 in Vienna

Changes in the investment universe (June 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.

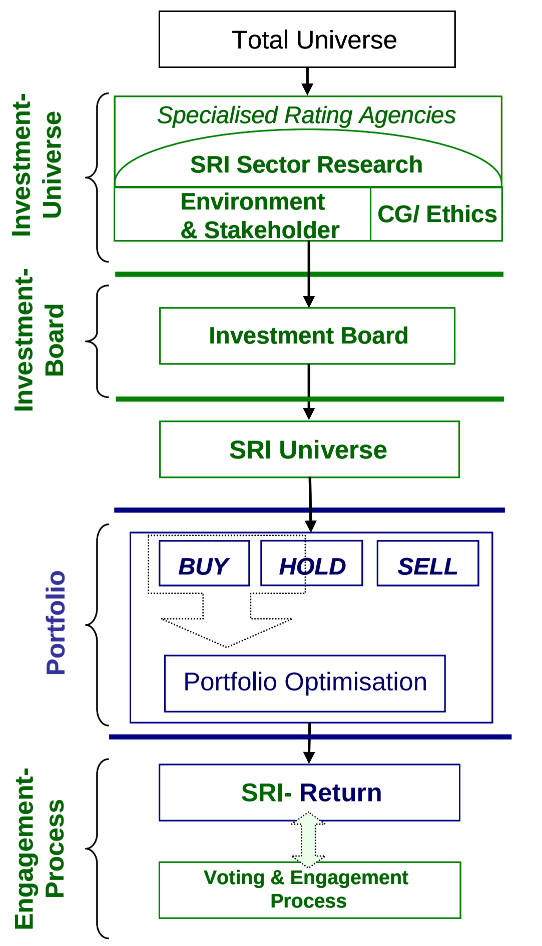
Included – Reasons:

Premier Power Renewable Energy, BGI EcoTech, Genesis Energy Investment, PV Enterprise Sweden – initial coverage
Procter & Gamble – abolition of exclusionary criteria
Deutsche Postbank – improvement regarding stakeholder & environmental-related performance

Excluded - Reasons:

Accor, MAN – violation of exclusionary criteria
Caterpillar, Deere & Co – deterioration regarding corporate governance-related performance

ESPA VINIS SRI Concept



ESPA VINIS Investment Board highlights

(last Meeting 06/12/09)

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:

- Evaluation of the issues, expectations and scenarios for possible positive or negative surprises at the Copenhagen Conference in December 2009
- Discussion of research agencies' handling of social aspects (working rights, working conditions) regarding strong pressure on employees due to high cost cutting requirements in multinationals
- Evaluation of research agencies' view on bioplastics (risks in production)
- Discussion of developments in European regulations on subsidies for renewable energy (feed-in tariffs) and expectations about development of demand from the private side due to grants from regional or national authorities
- Discussion on recent changes in the valuation methodology for countries or other sovereign issuers

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 Austrian Post

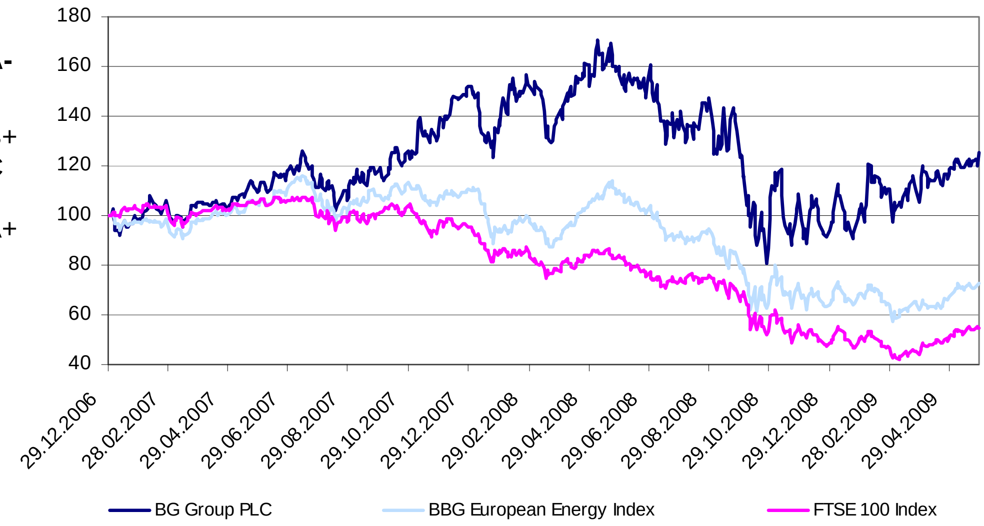
Stock on the watch

BG Group PLC	BG/ LN
(Oil & Gas)	
ISIN:	GB0008762899
Last price (06/16/09)	GBp 1064
Market capitalisation (in mn.)	GBP 35755.77
P/E (Price-earning ratio) current	11.63
Dividend yield	1.06%
Financial rating (Moody's / S&P)	N.A.

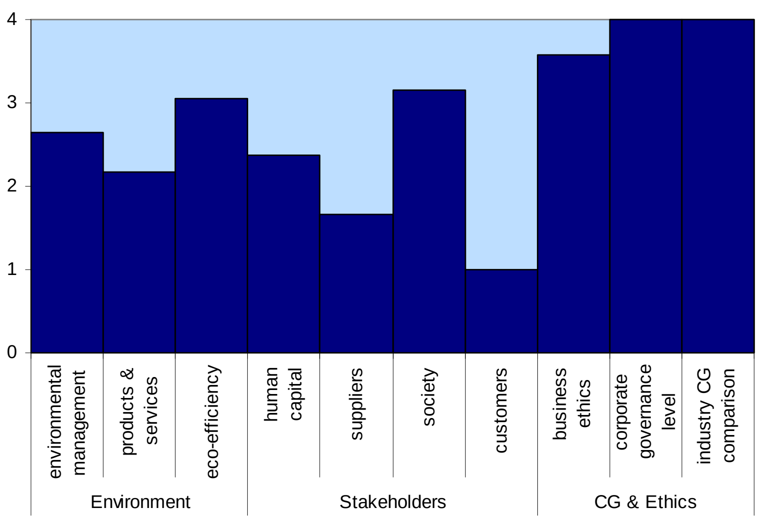
SRI-Rating (total): (Range A-D)	**A-**
Environment rating (Range A-D):	B+
Stakeholder rating (Range A-D):	C
Corporate Governance / Ethics Rating (Range A-D):	A+

Invested in funds as follows:
ESPA VINIS STOCK GLOBAL
ESPA VINIS STOCK EUROPE

Performance since 12/2006



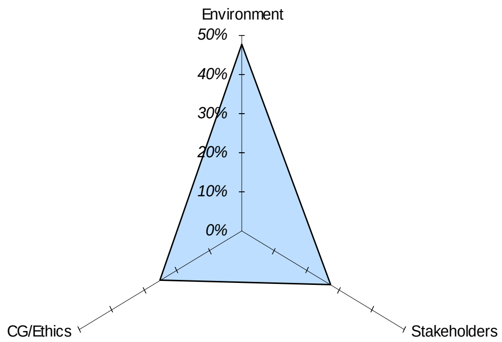
ESPA VINIS SKYLINE (Company level)



(4: best rating; 0: worst rating)

ESPA VINIS STAR (Sector level)

Environment:	48.0%
Stakeholders:	27.0%
CG / Ethics:	25.0%



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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