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## Market report from a responsible investor's view

### Equities:

After the strong recovery from the second half of March to the end of May, the month of June was dominated by consolidation. The markets were mostly unchanged, scepticism of the market participants increased again. Nevertheless, even at current index levels the equity markets are still pricing in an economic recovery in the second half and the return of the US economy to the growth path in 2010. The uncertainty of the markets focuses more strongly on the economic crisis and its implications than on the fear of a collapse of the global financial system. While the oil price was holding steady, the euro stabilised in the USD 1.40 area.

Sector development was mixed in June. Most large players in the solar segment were down on the month, whereas energy efficiency companies tended to outperform the market. Company performance within other sectors was mixed. In the past month international sustainable equity indices showed a performance very close to their 'conventional' peers. In Europe sustainable indices lagged slightly behind their peers while Austrian sustainable VÖNIX also performed below concentrated ATX Index and broader ATX Prime.

Index comparison (June 09)			
↓ FTSE 4 Good Global Index	-0.1%	↓ FTSE 4 Good Europe 50	-1.8%
↓ Dow Jones Sustainability World TR	-0.2%	↓ Dow Jones STOXX 50	-1.3%
↓ Ethical Index Global Top 30	-0.1%	↓ Dow Jones STOXX 600	-1.1%
↑ Ethical Index Global Tradeable Return	0.3%	↓ MSCI Europe	-1.3%
↓ MSCI World Total Return	-0.2%	↓ VÖNIX	-1.5%
		↓ ATX Prime	-0.3%
		↓ ATX	-0.3%

### Fixed Income:

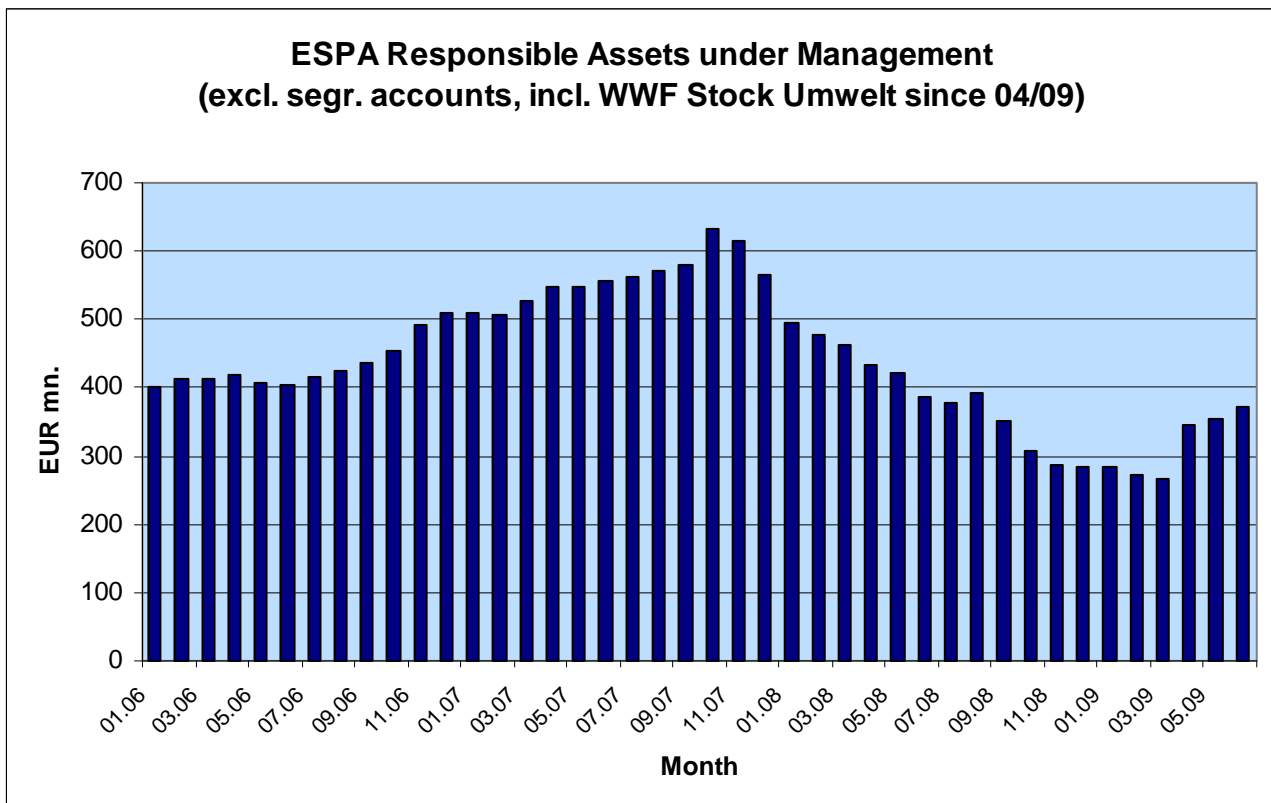
The continued slight improvement of economic data helped the global capital markets stabilise in June. Although many indicators are still pointing to a shrinking economy, experts expect a more pronounced global economic recovery in the second half of 2009. Many economic data improved in June both in the USA and in Europe. Among those were the ISM indices of the manufacturing and service industry, IFO, and various Purchase Manager indices as well as leading indicators. Data published by the labour market indicate that the number of job losses has somewhat stabilised. 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 key lending rates, at historic lows across the board, should remain at their low levels. In spite of the continued increase in commodity prices the rate of inflation is currently hovering around zero percent due to base effects from the previous year. Bonds of industrial companies and financial service providers continued to outperform the market by and large in June on the basis of reduced spreads. Mainly issues of the more recent months continued to narrow amid good liquidity.

The month of June saw a number of new issues, albeit fewer than in previous months; a stronger focus on mortgage bonds and state-guaranteed bonds was noticeable. New issues, whose issue valuations had deteriorated quite a bit from their attractive levels a few weeks before, were still in heavy demand and tended to be oversubscribed many times over. The spreads of state-guaranteed bank bonds came down further. The yields of government bonds decreased in June across the entire interest rate curve by 20 to 30bps. The Bund futures contract was moving in a relatively narrow sideways range in the first half of the month, but supported by the slightly disappointing economic data and the liquidity provided by the ECB the contract increased to about 121.00 in the second half of the month. The 10Y yield of German government bonds closed at 3.40%.

### Performance data for the ESPA Responsible Investment funds

<b>Performance data per 30/06/09 Sustainability Funds</b>	2009 YTD	2009 YTD vs. Benchmark	MTD 06/09	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	11.3%	0.5%	1.8%	111.6
ESPA VINIS STOCK EUROPE	8.5%	0.6%	0.5%	41.1
ESPA VINIS STOCK AUSTRIA	14.6%	-1,0%	2.2%	20,4
ESPA VINIS STOCK EUROPE EMERGING	17.9%	-13.4%	-1.4%	4,5
ESPA VINIS BOND	2.9%	-0.7%	1.6%	72.1
ESPA VINIS CASH	4.5%	3.4%	2,0%	31.9
<b>Performance data per 30/06/09 Environmental Funds</b>	2009 YTD		MTD 06/09	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	12.2%		3.1%	37.1
ESPA WWF STOCK UMWELT	6.2%		2.7%	54.4
Total Assets under Management				373.1

### ESPA Responsible Investment funds: Assets under Management



## Latest developments within the ESPA Responsibility Team

### Media appearance of ESPA Responsibility Team

- Handelsblatt article « Sustainable Investments as a growing market » (« Nachhaltige Investments als Wachstumsmarkt ») from 23/06/2009
- FER study « Asset Manager with the best EDA (ethical-dynamic exposure) » (« Fondsgesellschaften mit dem besten EDA») from 09/07/2009  
[http://www.software-systems.at/php/fea.cms\\_newsletter\\_public\\_show.html?year=2009&id=27](http://www.software-systems.at/php/fea.cms_newsletter_public_show.html?year=2009&id=27)
- FER study « EDA-Top 20 funds » from 09/06/2009  
[http://www.software-systems.at/php/fea.cms\\_newsletter\\_public\\_show.html?year=2009&id=23](http://www.software-systems.at/php/fea.cms_newsletter_public_show.html?year=2009&id=23)
- Börse-Express article „Aspiring to double SRI-assets under management in Austria“ („Verdoppelung nachhaltiger Investments in Österreich angestrebt“) in edition 28/09
- Fonds Exklusiv article « On new ways with limited risk » (« Risikobegrenzt auf neuen Wegen») from June 2009
- Presentation Dr. Franz Gschiegl « Because it's our responsibility » (« Weil es in unserer Verantwortung liegt ») from WWF-Pandamagazin 03/09

### 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 July/August 2009:
  - Erste Bank Stiftung (endowment) Conference 02/07 in Vienna
  - Award ceremony of Austrian ÖGUT-Sustainability Awards for Redundant payment units (“Vorsorgekassen”) 10/07 in Vienna

## Changes in the investment universe (July 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:

Brambles – initial coverage  
 Xerox, Yahoo – abolition of exclusionary criteria  
 Aetna, TransAlta – improvement regarding stakeholder & environmental - related performance

### Excluded - Reasons:

Gas Natural, Michelin – violation of exclusionary criteria  
 StatoilHydro – deterioration regarding corporate governance - related performance

## 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:

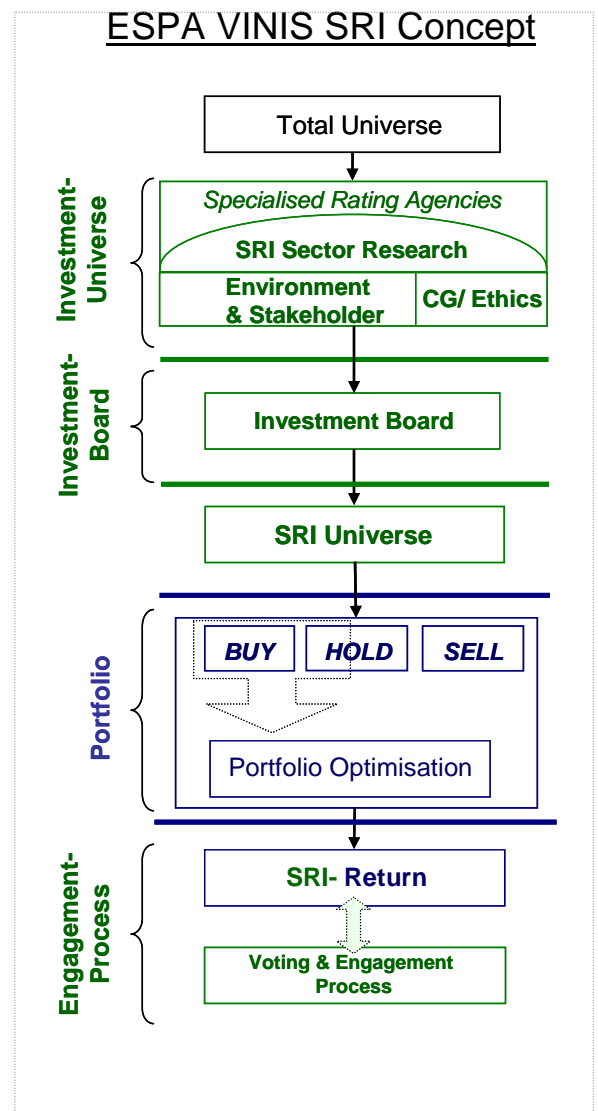
- Evaluation of the issues, expectations and scenarios for possible positive or negative surprises at the Copenhagen Conference in December 2009
- Discussion of research agencies' handling of social aspects (working rights, working conditions) regarding strong pressure on employees due to high cost cutting 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 Zumtobel



## Stock on the watch

### Capita Group PLC

(Human Resources)

ISIN:

Last price (07/20/09)

Market capitalisation (in mn.)

P/E (Price-earning ratio) current

Dividend yield

Financial rating (Moody's / S&P)

CPI LN

GB00B23K0M20

GBp 708

GBP 4445.73

26.20

2.02%

- / -

### SRI-Rating (total):

(Range A-D)

Environment rating (Range A-D):

Stakeholder rating (Range A-D):

Corporate Governance /

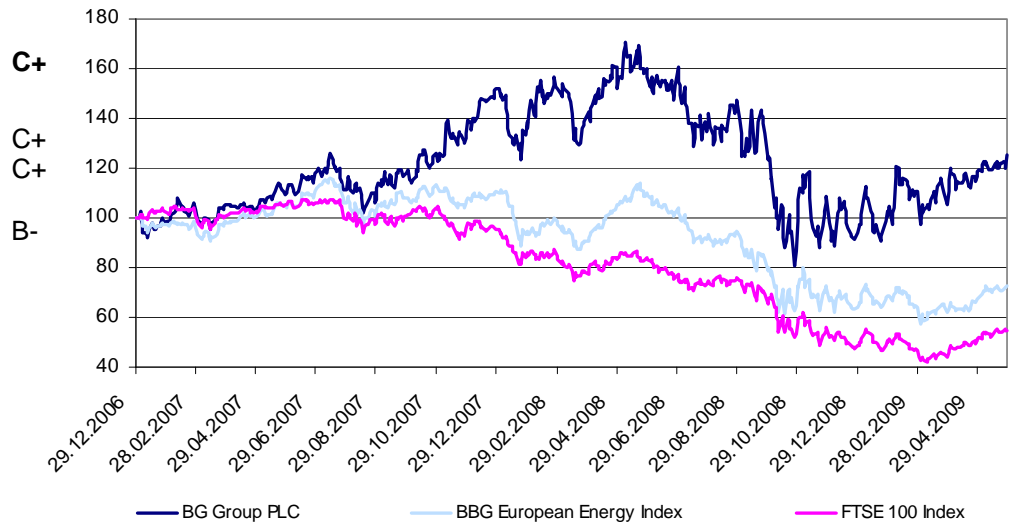
Ethics Rating (Range A-D):

Invested in funds as follows:

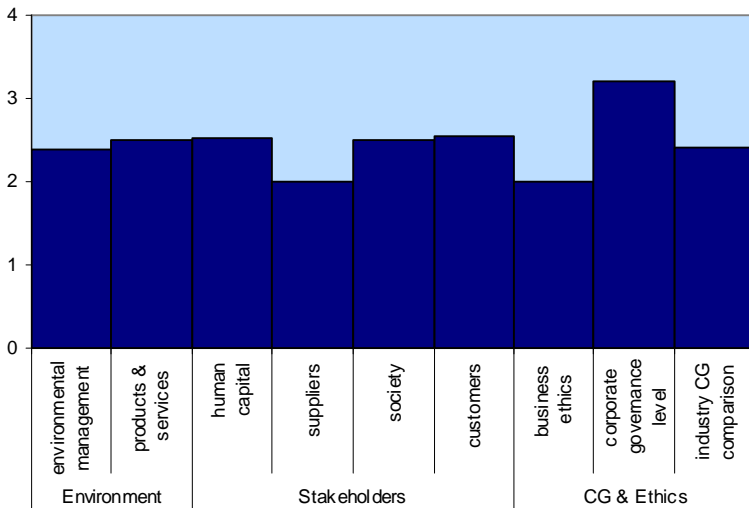
ESPA VINIS STOCK EUROPE

ESPA VINIS STOCK GLOBAL

Performance since 12/2006



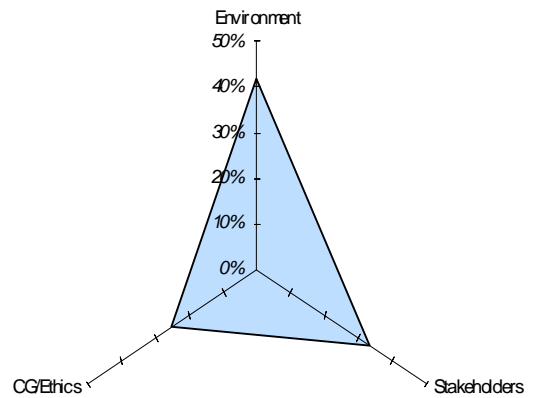
ESPA VINIS SKYLINE (Company level)



(4: best rating; 0: worst rating)

ESPA VINIS STAR (Sector level)

Environment: 42.0%  
 Stakeholders: 33.0%  
 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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