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## Market report from a responsible investor's view

### Equities:

Equity markets showed a significant correction in the month of May. European stocks underperformed due to the weakness of the Euro. The main reason for the downward trend was the debt crisis spreading from Europe to the rest of the world. Positive macroeconomic data from the US failed to brighten up market sentiment. The commitment of central banks to keep interest rates low was not able to lead to a stabilisation either. The price for crude oil fell significantly in the market environment illustrated above, while the Euro plummeted to around 1.23 versus the US currency.

Sustainable themes showed negative performances last month. While sectors like water were flat, renewable energy especially wind and solar showed negative performances. Alternative transport, energy efficiency and air/filters performed slightly better but also delivered negative performances.

Conventional indices as well as their sustainable counterparts performed negative in May. The international sustainable equity indices mostly outperformed their 'conventional' peers. European sustainable equity indices lagged behind their 'conventional' counterparts. The Austrian equity market lagged the international markets, with the sustainable VÖNIX Index performing in line with the broader ATX Prime but lagging behind the ATX Index.

<b>Index comparison (May 2010)</b>			
↓ FTSE 4 Good Global Index	-10,8%	↓ FTSE 4 Good Europe 50	-6,5%
↓ Dow Jones Sustainability World TR	-3,6%	↓ Dow Jones STOXX 50	-5,7%
↓ Ethical Index Global Top 30	-3,4%	↓ Dow Jones STOXX 600	-5,8%
↓ Ethical Index Global Tradeable Return	-1,7%	↓ MSCI Europe	-5,7%
↓ MSCI World Total Return	-7,9%	↓ VÖNIX	-9,4%
		↓ ATX Prime	-9,4%
		↓ ATX	-8,6%

### Fixed Income:

The economic data published in May continued to suggest sustainable and stable economic growth in the developed markets. The industrial sector (Purchasing Manager indices, ISM Manufacturing/Services, industrial production, etc.), the labour and the property market were sending positive signals last month. The data from the consumer sector (IFO, ZEW, retail sales, etc.) were largely neutral. The debt crisis of various countries of the Eurozone - especially Greece, but increasingly also Portugal and Spain - remained in the limelight on the bond markets. This led to a drastic increase in risk aversion, which triggered a massive widening of spreads. Whereas Greek government bonds strongly benefited from guarantees given by the EU and the ECB, government bonds of other peripheral countries, corporate bonds, and especially bonds from financials came under pressure. Along with the widening of spreads liquidity in some segments was drastically down as well in recent weeks. The key lending rates of the large central banks should remain stable on low levels.

Issuing activity was yet again below average in May. Sovereigns accounted for the lion's share, followed by a few mortgage bonds and credits.

The spread on bonds of industrials and financials widened in May for the second consecutive month. The iTraxx CDS spreads closed the month lower as well. The spreads on lower rating categories, volatile high-beta sectors, and subordinated bank debentures were among the underperformers. All bonds from the GIIPS countries were under pressure, as were BBVA covered bonds. The yields of government bonds were down across the entire capital market yield curve and thus remained on low levels.

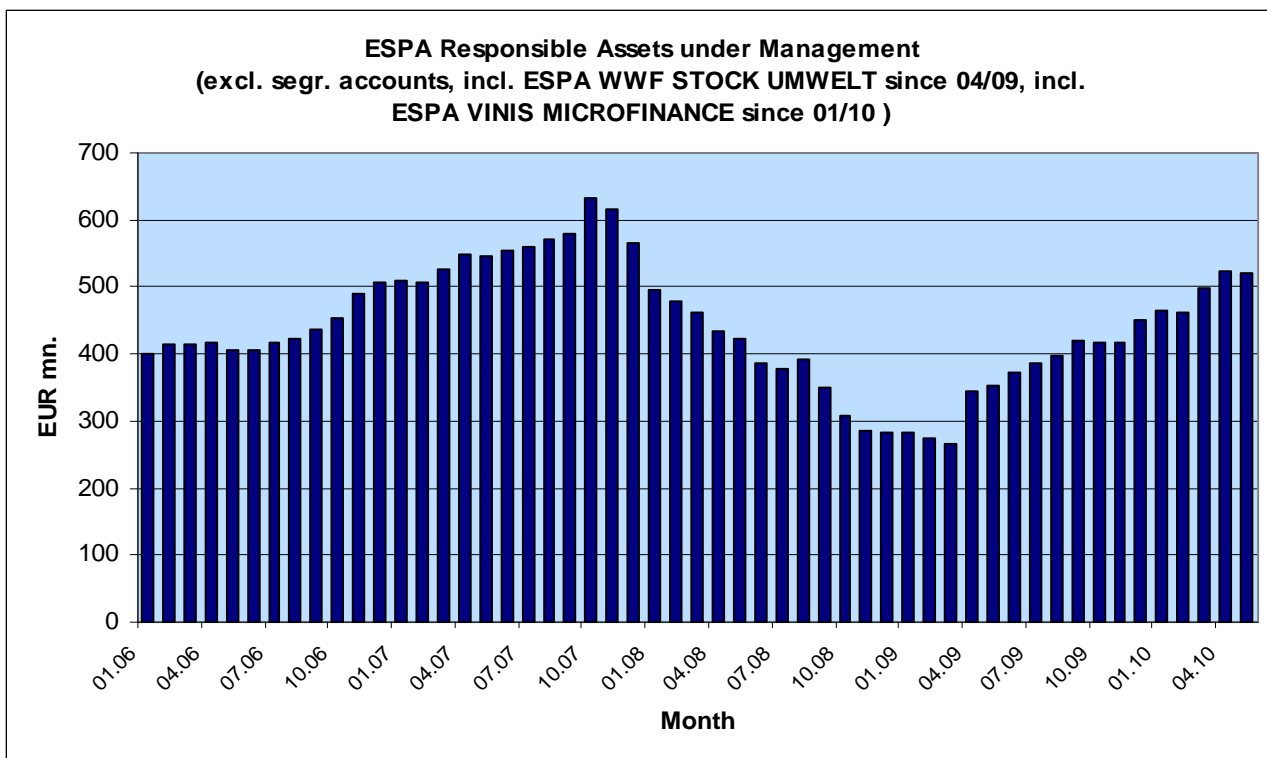
The Bund futures contract was highly volatile last month moving upwards within a bandwidth of 124.50 to 129.50. The 10Y yield of German government bonds closed the month at about 2.70%. The interest rate curve flattened towards the end of the month, experiencing a so-called "bull-flattening" (10 Y - 2 Y governments: 215bps).

### Performance data for the ESPA Responsible Investment funds

<b>Performance data per 05/31/10 Sustainability Funds</b>	2010 YTD	2010 YTD vs. Benchmark	MTD 05/10	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	3.8%	-4.4%	-4.2%	185.6
ESPA VINIS STOCK EUROPE	-6.6%	-0.6%	-8.1%	19.0
ESPA VINIS STOCK AUSTRIA	-4.7%	-0.1%	-8.2%	28.1
ESPA VINIS STOCK EUROPE EMERGING	3.2%	-6.5%	-7.5%	8.0
ESPA VINIS BOND	3.0%	-0.1%	0.1%	119.4
ESPA VINIS CASH	1.0%	0.7%	-0.6%	47.7
<b>Performance data per 05/31/10 Environmental Funds</b>	2010 YTD		MTD 05/10	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	-5.9%		-7.9%	46.1
ESPA WWF STOCK UMWELT	1.5%		-5.8%	44.8
<b>Performance data per 05/17/10 Microfinance Funds **)</b>	2010 YTD		MTD 05/10	fund volume in mn. EUR
ESPA VINIS MICROFINANCE *)	0.5%		0.9%	22.8
Total Assets under Management				521.5

\*) inception 01/04/2010, \*\*) latest available NAV

### ESPA Responsible Investment funds: Assets under Management



## Latest developments within the ESPA Responsibility Team

### Media appearance of ESPA Responsibility Team

- Finanztest article for the topic Investment and retirement provision „Modern times“ („Moderne Zeiten“)
- Der Standard article „To separate the wheat from the chaff“ („Beim Investieren die Spreu vom Weizen trennen“) from 05/27/2010
- Börsen-Kurier article „ESPA VINIS Microfinance“ from 05/20/2010
- Top Gewinn article „Sweet performance with good conscience“ („Guter Ertrag mit gutem Gewissen“) from 06/2010

### Proceedings & development

- Erste Sparinvest award winning of Austrian „Umweltzeichen“ for funds as follows: ESPA VINIS Stock Global, ESPA VINIS Stock Europe, ESPA VINIS Stock Austria, ESPA VINIS Stock Europe Emerging, ESPA WWF Stock Climate Change, ESPA WWF Stock Umwelt, ESPA VINIS Bond, ESPA VINIS Cash
- Participation of ESPA Responsibility Team at the following conferences in June/July 2010:
  - EFSE Annual Meeting 06/08-10/2010 in Ohrid / Macedonia
  - Good Steward Enhanced Fund Investment Board Meeting end of June in Seoul
  - Banker's information day on behalf of Erste Group Bank and Erste Sparinvest 06/24-25/2010 in Mondsee
  - VKB Investment Meeting 07/07/2010 in Linz
  - ESPA VINIS Investment Board Meeting 07/07/2010 in Vienna

## Changes in the investment universe (June 2010)

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:

Ageas, Bombardier, BKS Bank, NKSJ Holdings, Vallourec, Sim Metal Management, Power One - companies included in research universe

Carlsberg - improvement regarding stakeholder & environment-related performance

OMV Petrom - improvement regarding environment-related performance

### Excluded - Reasons:

Google, Sanofi-Aventis - violation of exclusionary criteria

BP - Ad hoc exclusion (after investment board conference)

Hess Corporation - deterioration regarding environment-related performance

## ESPA VINIS Investment Board highlights

(last Meeting 06/09/2010)

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:

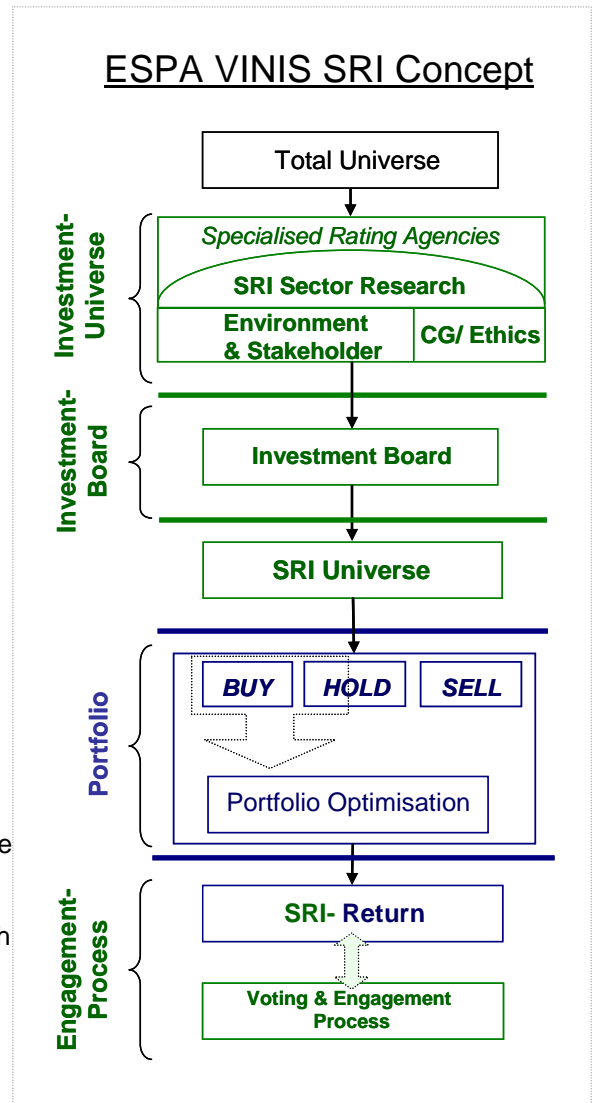
- Would a tax on financial transactions in Europe change ratings in your equity and/or bond universe?
- What are, the current teething problems given, the prospects for the European trading scheme for carbon emission rights (EU ETS)?
- How does the crisis between the Slovak Republic and Hungary with regards to the Hungarian ethnic minority in the neighbouring country affect the rating of government bonds of both countries?
- Does the current BP crisis lead to methodological changes in the evaluation of companies in the sector 'oil & gas'?

## 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 Agrana and Österreichische Post



## Stock on the watch

### Amcor Ltd.

(Containers-Paper/Plastic)

ISIN:

Last price (06/18/10)

Market capitalisation (in mn.)

P/E (Price-earning ratio) estimate

Dividend yield

Financial rating (Moody's / S&P)

### AMC AU

AU000000AMC4

AUD 6.52

AUD 7963.22

18.11

4.52%

Baa2 / BBB

### SRI-Rating (total):

(Range A-D)

Environment rating (Range A-D): B-

Stakeholder rating (Range A-D): B-

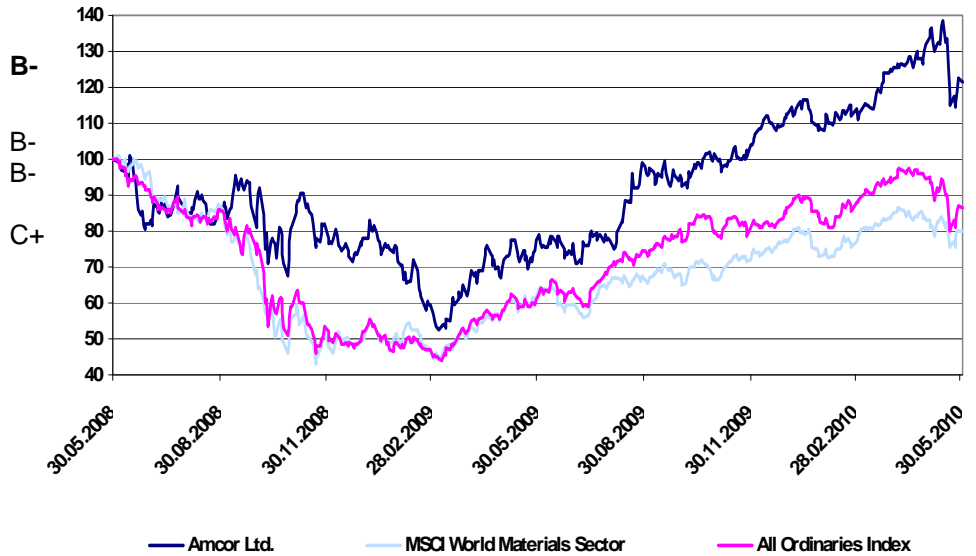
Corporate Governance /

Ethics Rating (Range A-D): C+

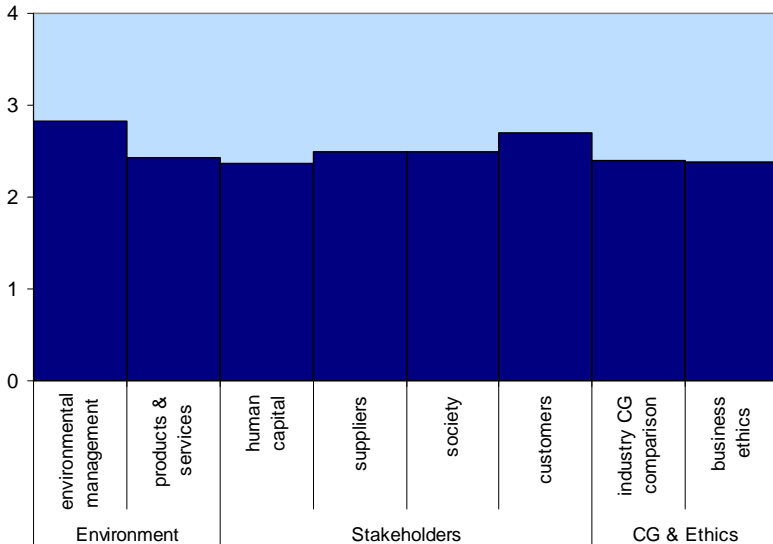
Invested in funds as follows:

ESPA VINIS STOCK GLOBAL

Performance since 05/2008



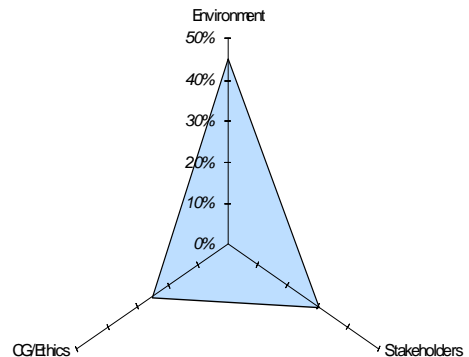
ESPA VINIS SKYLINE (Company level)



(4: best rating; 0: worst rating)

ESPA VINIS STAR (Sector level)

Environment: 45.00%  
 Stakeholders: 30.00%  
 CG / Ethics: 25.00%



## 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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