



**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:

In June, market participants became increasingly doubtful about further global economic development. A 'double dip' scenario was regarded as possible. Negative news from China, a weakening consumer confidence in the US and ongoing concern about the debt situation of Southern Europe at first led to a sideways tendency in the markets which ended in an abrupt sell-off within the last trading days of June. So far there was no negative news-flow from the corporate side and earnings expectations. Both Fed and ECB committed themselves to keep interest rates low. The price for crude oil stabilized in the market environment illustrated above, while the Euro slightly strengthened to around 1.23 versus the US currency.

Sustainable themes predominantly showed negative performances last month. The only sector with positive returns was alternative transport. Defensive sectors like water remained stable in June. Renewable energy especially wind and solar as well as fuel cells and energy efficiency delivered negative performances.

Conventional international indices as well as their sustainable counterparts mostly performed negative in June with conventional indices lagging their sustainable peers. European sustainable equity indices lagged behind their 'conventional' counterparts for the second month. The Austrian equity market lagged the international markets, with the sustainable VÖNIX Index performing slightly better than the broader ATX Prime and the ATX Index.

Index comparison (June 2010)			
↓ FTSE 4 Good Global Index	-3,4%	↓ FTSE 4 Good Europe 50	-1,8%
↓ Dow Jones Sustainability World TR	-1,6%	↓ Dow Jones STOXX 50	-1,6%
↑ Ethical Index Global Top 30	0,3%	↓ Dow Jones STOXX 600	-0,7%
↓ Ethical Index Global Tradeable Return	-3,1%	↓ MSCI Europe	-0,8%
↓ MSCI World Total Return	-4,3%	↓ VÖNIX	-5,1%
		↓ ATX Prime	-5,7%
		↓ ATX	-5,9%

### Fixed Income:

The economic data published in June continued to suggest sustainable and stable economic growth in the developed markets, albeit on moderate levels. The data from the industrial sector (purchase manager indices, ISM manufacturing/services, industrial production) were yet again positive, whereas the US labour and property market disappointed. The data from the consumer front were mixed (IFO, ZEW, retail sales, etc). The debt crisis of various countries of the Eurozone - especially Greece, which has meanwhile been downgraded to non-investment grade by both S&P and Moody's, but also Portugal and Spain - remained in the limelight on the bond markets. Risk aversion remained high in this environment especially with regard to government and mortgage bonds from peripheral European countries and financials. Spreads were thus mixed in June. The iTraxx CDS spreads closed the month lower. The spreads on lower rated bonds, volatile high-beta sectors, and subordinated bank debentures were among the underperformers. The interest rate curve for government bonds flattened in June. The key lending rates of the big central banks should remain unchanged for months. The inflation rate remains stable on low levels.

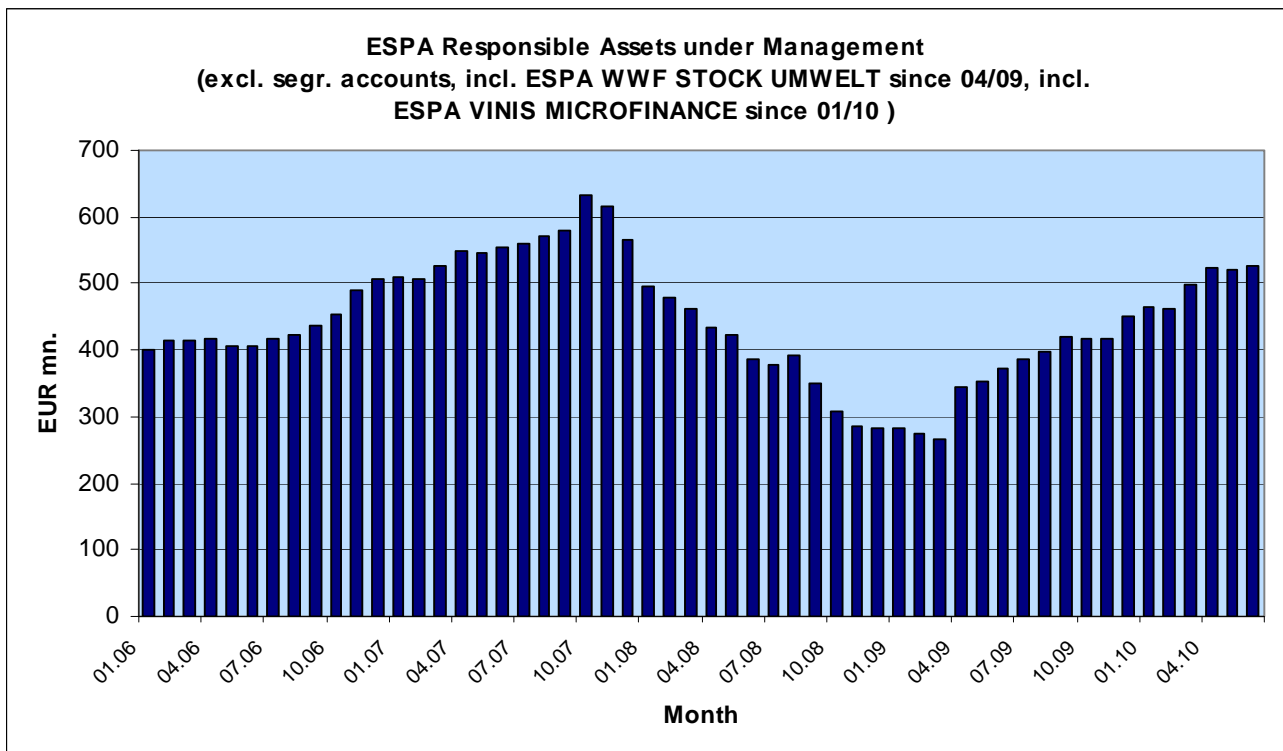
The issuing activity picked up a bit in June. Both financials and industrials were among the issuers, along with a number of agencies.

The Bund futures contract was fluctuating within a range of 127.00 to 130.00 amid high volatility. The 10Y yield of German government bonds temporarily hit a new historical low at 2.55% and closed the month at about 2.58%. The interest rate curve experienced a "bull flattening" (10Y - 2Y government bonds: 198bps).

### Performance data for the ESPA Responsible Investment funds

<b>Performance data per 06/30/10 Sustainability Funds</b>	2010 YTD	2010 YTD vs. Benchmark	MTD 06/10	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	4.1%	-2.4%	0.2%	191.0
ESPA VINIS STOCK EUROPE	-7.9%	-0.8%	-1.5%	18.7
ESPA VINIS STOCK AUSTRIA	-7.8%	0.5%	-3.2%	27.1
ESPA VINIS STOCK EUROPE EMERGING	-1.5%	-9.2%	-4.5%	6.8
ESPA VINIS BOND	3.2%	0.3%	0.2%	121.0
ESPA VINIS CASH	0.8%	0.5%	-0.2%	46.4
<b>Performance data per 06/30/10 Environmental Funds</b>	2010 YTD		MTD 06/10	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	-6.1%		-0.3%	46.0
ESPA WWF STOCK UMWELT	4.2%		2.6%	46.9
<b>Performance data per 06/15/10 Microfinance Funds **)</b>	2010 YTD		MTD 06/10	fund volume in mn. EUR
ESPA VINIS MICROFINANCE *)	0.5%		0.0%	23.4
Total Assets under Management				527.3

### ESPA Responsible Investment funds: Assets under Management



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

### Media appearance of ESPA Responsibility Team

- Top Gewinn article „Sweet performance with good conscience“ („Guter Ertrag mit gutem Gewissen“) from 06/2010
- FER-Sustainability report from 06/18/2010 “In the long run sound perspective for sustainable funds” („Langfristig gute Perspektiven bei Nachhaltigkeitsfonds“)  
<http://www.fondsprofessionell.at/upload/attach/419632.pdf>
- FER article from 06/23/2010 „Foundations, pension funds, municipalities go for sustainability“ („Stiftungen, Pensionskassen, Städte und Gemeinden setzen verstärkt auf Nachhaltigkeit“)  
<http://www.fondsprofessionell.at/redsys/newsText.php?sid=44376&nlc=AT>
- FONDS-exklusiv Coverstory „Taking advantages of worldwide sustainable chances“ („Weltweite Chancen nachhaltig nutzen“) from edition 2/2010
- CorporAid article „Sustainable investing - Search for orientation“ („Nachhaltig Investieren – Orientierungssuche“) from July 2010

### Proceedings & development

- ERSTE SPARINVEST KAG was awarded Austrian „Umweltzeichen“ for the following funds:  
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 July 2010:
  - VKB Investment Meeting 07/07/2010 in Linz
  - ESPA VINIS Investment Board Meeting 07/07/2010 in Vienna
  - Investment presentation 07/21/2010 in Frankfurt

## Changes in the investment universe (July 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:

Citigroup, IBM, Nortel Networks - abolition of exclusionary criteria

### Excluded - Reasons:

Schmack Biogas - discontinuation of company reserach

## ESPA VINIS Investment Board highlights

(last Meeting 07/07/2010)

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:

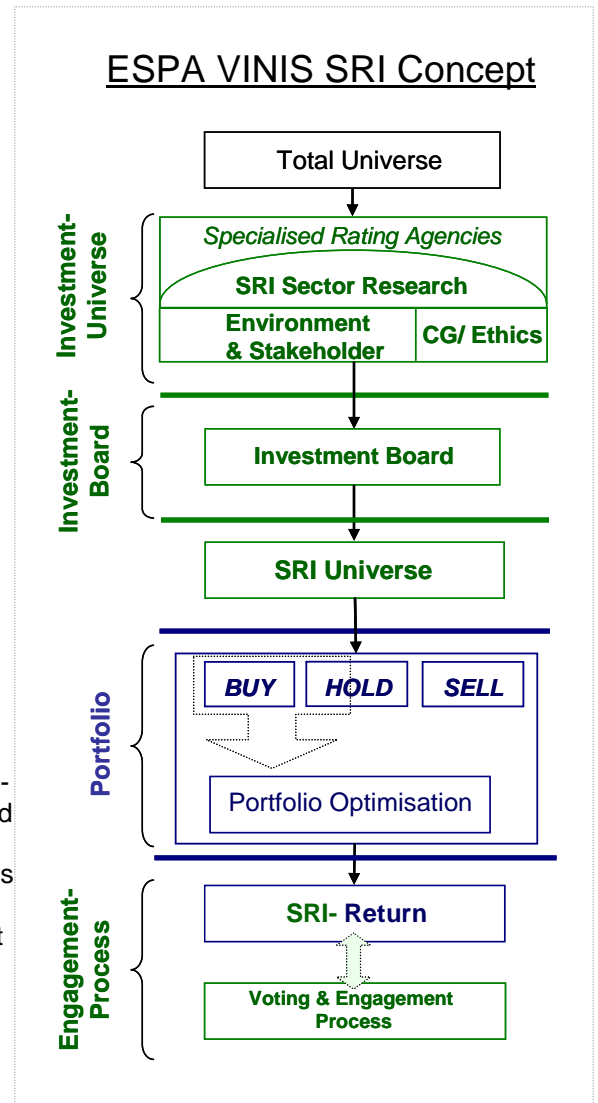
- Can trades in financial markets, either long or short, be evaluated from an ethical point of view? What is the meaning of the term 'speculation' in this context - also with the background of taxation of bad speculation and bad speculators?
- Tesla Motors, a producer of electric vehicles, showed a tremendous performance after its IPO. What's the ratings agencies view on the market for electric vehicles? Is it not just an exchange of oil against other fossil fuels, e.g. coal, as most of the energy is generated by coal fired power plants or nuclear power plants?
- Exclusionary criteria in focus: tobacco vs. alcohol - what is the impact and risk of those two addictive drugs on the health system?

## 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

### Westpac Banking Corporation

(Commercial Banks)  
 ISIN:  
 Last price (07/20/10)  
 Market capitalisation (in mn.)  
 P/E (Price-earning ratio) estimate  
 Dividend yield  
 Financial rating (Moody's / S&P)

### WBC AU

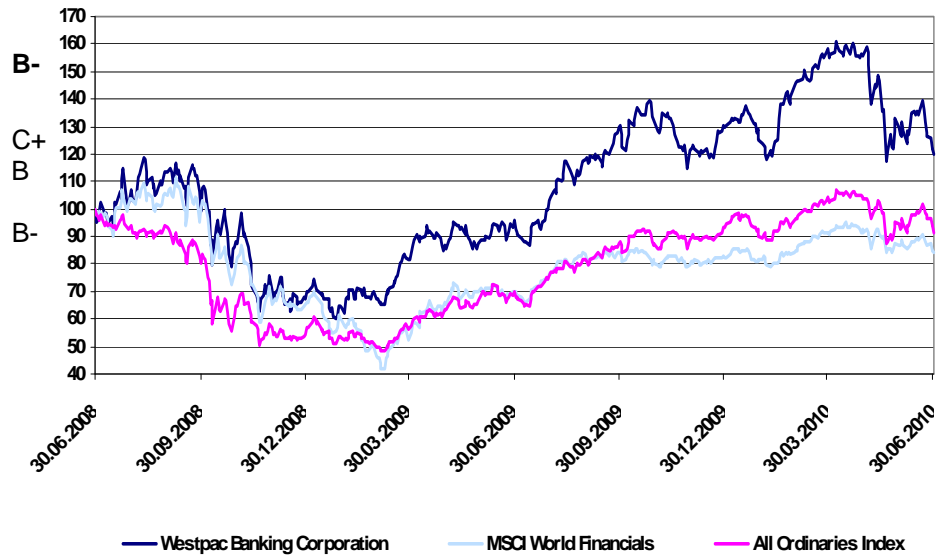
AU000000WBC1  
 AUD 22.42  
 AUD 67014.36  
 11.39  
 7.96%  
 AA / Aa1

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

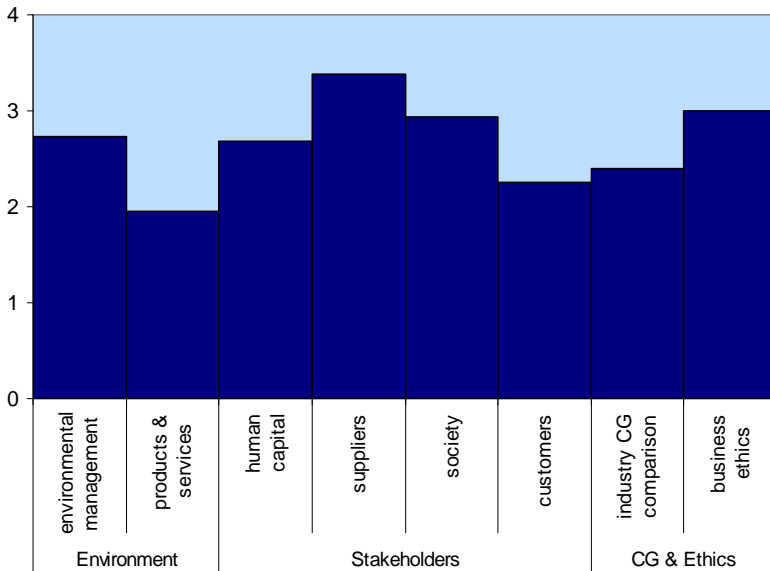
Environment rating (Range A-D):  
 Stakeholder rating (Range A-D):  
 Corporate Governance /  
 Ethics Rating (Range A-D):

Invested in funds as follows:  
 ESPA VINIS STOCK GLOBAL

Performance since 06/2008



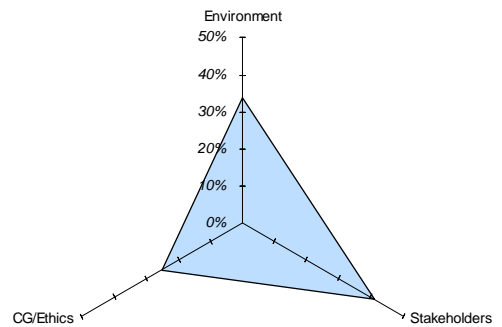
ESPA VINIS SKYLINE (Company level)



(4: best rating; 0: worst rating)

ESPA VINIS STAR (Sector level)

Environment: 33.75%  
 Stakeholders: 41.25%  
 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**

### **ERSTE-SPARINVEST KAG**

1010 Wien, Habsburgergasse 1a

### **VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H.**

1020 Wien, Obere Donaustraße 49 - 53

## **Contact**

### **INSTITUTIONAL DISTRIBUTION - INTERNATIONAL**

Tel: +43 (0) 50 100 19960

E-mail: [institutional@erste-am.com](mailto:institutional@erste-am.com)

## **Disclaimer:**

The Monthly Bulletin was prepared for your personal use and for information only. Any form of reception, publication, duplication or dissemination of the content by anyone other than the designated addressee is prohibited.

The Monthly Bulletin was not prepared with the intention to give legal or tax advice. We cannot be held liable for the completeness, reliability, and accuracy of the material or any other information that is passed on or made accessible to the addressee either in writing, orally, or in any other form. We assume the data that is contained in this bulletin on the basis of publicly available information to be accurate, but they have not been verified independently. The contents of this Monthly Bulletin are not legally binding, except where the presentation or parts thereof are confirmed in writing to this effect. The statements made to the addressee are subject to the provisions of the underlying offer or agreement, if any.

Past performance is not necessarily indicative for future income.

We cannot guarantee that a portfolio will achieve the gains or losses exemplified or that a projection will predict the actual performance of a portfolio with the same degree of accuracy as earlier projections. In contrast to the actual development of the portfolio, simulations are not based on actual transactions – hence their significance is limited. Since no actual trading takes place, the influence of some market factors cannot be modelled adequately, such as for example liquidity shortages.