

## EUROSIF, 2008. *High Net Worth Individuals & Sustainable Investment.*

UKSIF summary, 2009.

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### I. Key points

- Strategies used by HNWI:
  - Negative screening: excluding sectors such as weapons, tobacco from a fund.
  - Positive screening: investing in companies with a commitment to responsible business practices or that produce positive products.
  - Thematic investing: based on sustainability issues (most used)
  - Community investing: underprivileged economic and geographic areas.
- HNWI population was estimated to be 3.1 million and \$10.6 trillion is wealth. Projections for 2012 are \$13.5 trillion.
- Stages of evolution of the sector:
  - 1988-2001 - early pioneers became sustainable investment specialists
  - 2001-2002 - sustainable service offerings increasingly became institutionalized
  - since 2005: significant interest in thematic investment
- Survey findings (with HNWI and wealth managers):
  1. **Perception:** The majority sees sustainable investment as a financial discipline.
  2. **Type of investors:** The younger and women are more inclined to invest sustainably.
  3. **Sustainability issues:** The most important sustainable issues for all respondents are climate change, eco-efficiency and health/nutrition.
  4. **Sustainable investing:** The majority of respondents offer sustainable services, but that represents a minority of the services (less than 5%) in most of them.
  5. **Opinion:** Most of the respondents believe that responsible investment will grow. HNWI say it is increase with the generational transfer of their family wealth.

6. **Product sourcing:** Family offices source responsible investment opportunities through informal networking (other family offices, clients), not consultants.
7. **Market growth:** The market is growth primarily by market demand than by supplier's push.
8. **Strategy:** The most used strategy is thematic investing and the most common themes are clean energy and water.
9. **Asset allocation of HNWIs:**
  - 46% - equities
  - 13% - bonds
  - 13% - bonds
  - 9% - alternative/hedge funds
  - 5% - real estate/property
  - 4% - monetary deposit
  - 4% - commodities
  - 6% - microfinance
10. **Drivers:** HNWIs are driven by responsibility and sustainable return, while wealth managers are driven by financial opportunity and responsibility.
11. **Barriers:**
  - Performance concern: sustainable investment performance is linked to the quality of the fund manager
  - Risk concern: return expectations are high, but could become scarce
  - Mistrust: HNWIs might question the sincerity of the wealth managers' approach

## II. Key quotes

- "A key challenge for sustainable investors is in investing for the long term while facing short-term pressures" (Eurosif 2008, p. 7)
- "30% of those surveyed consider sustainable investing as part of their core portfolio" (Eurosif 2008, p. 11)
- "...the younger generation of wealth owners are more inclined to invest sustainably." (Eurosif 2008, p. 12)
- "...it appeared that women showed a keener interest in sustainable investment" (Eurosif 2008, p. 12)
- "...private banks tend to pursue passive rather than pro-active strategies around sustainable investing. A large majority of respondents do not yet offer these products systematically to their HNWI clients..." "...wealth managers able to demonstrate the close connection between sustainability and financial returns will separate themselves from other providers at a quickening pace in the coming years" (Eurosif 2008, p. 15).
- "...sustainable investments represent approximately 8% of European HNWIs' portfolios as of December 31, 2007." "Based on Eurosif growth trends in the

market, we predict that by 2012 the share of sustainable investments in HNWI's portfolios will have increased to 12%." (Eurosif 2008, p. 14)

- "...demand from active and convinced HNHI clients has often been the initial starter for wealth managers to develop a sustainable services offering" (Eurosif 2008, p. 15).
- "The success of theme funds with private investors is also partly due to their relative straightforwardness" (Eurosif 2008, p. 17).
- "...the most prominent investors allocating capital into VC4S funds were family offices and HNHI's" (Eurosif 2008, p. 19).
- "Generally speaking, HNWI's are more open to new and alternative investments" (Eurosif 2008, p. 19).
- "...wealth managers able to demonstrate the close connection between sustainability and financial returns will separate themselves from other providers at a quickening pace in the coming years" (Eurosif 2008, p. 22).
- "Family offices are interested in sustainable investments because sustainable investing makes financial sense while slowing investors to be responsible" (Eurosif 2008, p. 22)
- "A recent report features influential academic studies and a diverse set of studies from renowned brokerage firms, analysing responsible investment performance at both the company/stock and fund's portfolio level. Of the 20 academic studies reviewed in the report, there was evidence of a positive relationship between ESG factors and portfolio performance in half of these, with 7 reporting a neutral effect and 3 a negative association" (Eurosif 2008, p. 23).
- "...return expectations are high but investment opportunities could become scarce." (Eurosif 2008, p. 23)
- "HNWI clients might question the sincerity of the wealth managers' approach." (Eurosif 2008, p. 23)
- "Track record and experience with sustainable investment are needed to gain customers' trust." (Eurosif 2008, p. 23)

### III. Best practices

- BNP Paribas Private Banking: included the following responsible investment themes: water treatment and waste management, access to credit for everyone, climate change and social entrepreneurship.
- Bank Sarasin & Co Ltd: SARasin OekoSar Equity-Global is a diversified equity fund that invests in clean energy, health, water, sustainable consumption and sustainable mobility.
- Triodos Private Banking: Triodos Innovation Fund BV is a venture capital fund dedicated to invest in enterprises that are characterized by an environmentally friendly, socially and, or innovative business approach.

