



Interview with Chiew Y Chong, Director of Living Planet Fund Management Company SA

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The Living Planet Fund Management Company was set up by WWF International, one of the largest environmental organisations in the world. It has been created in 2003 to manage the Living Planet Fund, a socially responsible investment (SRI) fund. The Living Planet Fund is a Luxembourg, UCIT's III Fund managing EUR\$27.2 million and showing a performance in euro of 25.6% since inception for its Class B (data as at end June 2008).

1. Following a global equity strategy, the Living Planet Fund takes a socially responsible approach as well. Can you elaborate on how these two (ie the analytical and ethical aspects) are combined into the management process?

By combining the two, we have the best of both worlds – the financial/analytical aspect **plus** the ethical aspect on top. The criteria used for analysis and selection consist of three major steps.

Step 1: Companies considered for inclusion in the fund are measured on a traditional financial basis in terms of their economic potential.

Step 2: Then, the selection is refined based on four indicators which are:

1. Environmental policy
2. Production processes
3. Social consideration
4. Certification and codes

Taking into account these indicators, the best performers by sector over time (best in class) are considered for inclusion in the fund.

Step 3: Exclusion criteria are applied. Companies involved in the following business activities are excluded from the fund¹:

- production of armaments and other military products
- production and processing of tobacco
- production of alcohol
- gambling
- production of nuclear power
- genetic engineering in the external environment

2. The last decade has seen SRI funds evolve from a first generation of exclusionary screens, a second generation of positive screens, towards a third generation of all-encompassing criteria (ESG, CSR, etc). Where does your fund fit into this evolution?

We believe that all SRI funds generations had their strengths. The Living Planet Fund **combines** the different approaches to build its portfolio. Our approach specifically includes four major categories of screening as follows:

1. Financial performance screening
2. Screening based on four sets of indicators which are:
 - environmental policy
 - production processes
 - social indicators
 - certifications and codes

¹ Where the revenues from these activities exceed 10% of consolidated revenues



3. Application of the best in class approach.
4. Exclusions such as: production of military products, tobacco, alcohol and nuclear power, gambling and genetic engineering within the external environment.

3. With regards to the Living Planet Fund's portfolio, what is the average holding period of your investments and how liquid is the portfolio? How often do you turnover the portfolio?

The portfolio turnover was 235.01% for the 12 months to mid-year 30 June 2008. The percentage is higher than in other years because Sarasin took responsibility (on 30 June 2007) for the assets previously managed by UBS (50% of the portfolio). The portfolio has, as at 30 June 2008, 4.7% of assets in cash.

4. How many positions do you run on average and how are these positions distributed between the various sectors/regions/themes? How often are these weights reviewed?

As at 30 June 2008, the number of positions was of 65.

The breakdown by country was as follows (top 10):

Germany	15.8%
US	15.5%
Switzerland	12.1%
Canada	8.0%
UK	7.0%
Denmark	6.4%
Austria	5.2%
France	4.4%
Japan	3.8%
Sweden	3.2%

The breakdown by company was as follows (top 10):

Solarworld	3.4%
Vestas Wind Systems	3.1%
Q-Cells	2.9%
Novo Nordisk-B	2.6%
ABB	2.5%
Gamesa Tecno	2.5%
Gilead Sciences	2.5%
East Japan Railway	2.4%
IBM	2.4%
Lindt & Sprüngli	2.3%

The first compartment of our fund, the Living Planet Fund – Equity is a multi-theme compartment which comprises of the following themes:

- Clean energy & efficiency
- Healthcare
- Sustainable consumption
- Water
- Sustainable mobility
- Smart housing and services



We also have 'leaders' and 'innovators' company as follows:

- 60% of the portfolio consists of companies defined as leaders. These are the large caps with market capitalisation of at least US\$1 billion.
- 40% are innovators, essentially smaller companies offering environmentally-oriented products but whose market capitalisation must be at least US\$100 million.

5. Across the board, SRI funds have had significant allocations to financial stocks (sometimes above 25%), and recent market turmoil has dented returns. Much of it started with unethical lending techniques in the subprime market. Will this have a lasting impact on how companies earn their ethical labels?

Our exposure to financial stocks was 4% as at 31 December 2007 and was 5% as at 30 June 2008. As one can observe, for our fund, this is way below the 25% extremes of some SRI funds. As to unethical companies pushing subprime loans, they would normally lose their ethical label (if they had it in the first place).

6. On a related note, what are some of the risk management practices that the fund has set in place? How have they performed in the afore-mentioned situation and has this helped to fine-tune them as well?

Our risk management techniques include review procedures conducted by the fund management company's 'day-to-day risk managers' and by Sarasin's risk control systems. In addition the comprehensive investment restrictions of the fund help ensure that risks are managed. The procedures have performed well.

7. How has the fund performed vis-à-vis its investment objectives, over the months since its inception in July 2003? How would you rank the fund's overall risk-return profile?

As at 30 June 2008, the fund showed a performance in euro of 25.6% since inception for its institutional class.

In the table below, the Living Planet Fund in 2Q2008 is compared to its benchmark, the MSCI-World, in terms of performance and in relation to sector allocations (country and currency allocations are tracked as well). The fund ended the quarter with -0.62% compared to -1.10% for the MSCI-World Index.

We would rank the fund's overall risk-return profile as good. We make decent returns whilst investing only in an ethical manner.

		Sector	Sector	Sector Relative
Over- & Underweights versus MSCI		Performance	Out- & Underperform.	Performance Contribution
ENERGY	-6.52%	19.16%	20.26%	-1.32%
MATERIALS	-2.28%	10.92%	12.02%	-0.27%
INDUSTRIALS	19.42%	-4.73%	-3.63%	-0.70%
CONSUMER DISCRETIONARY	-3.71%	-7.64%	-6.54%	0.24%
CONSUMER STAPLES	-1.26%	-6.44%	-5.34%	0.07%
HEALTHCARE	9.01%	0.15%	1.26%	0.11%
FINANCIALS	-13.02%	-12.14%	-11.04%	1.44%



INFORMATION TECHNOLOGY	0.01%	3.21%	4.31%	0.00%
TELECOMMUNICATION SERVICES	-4.53%	-0.89%	0.22%	-0.01%
UTILITIES	2.87%	4.00%	5.11%	0.15%
MSCI World		-1.10%		-0.30%

8. Ethical investing seeks to promote a variety of environmental, social and governance initiatives. On the other hand, how can you identify companies that are earning this label properly and avoid the ones putting in place elaborate propaganda (ie a good "PR exercise")?

One company which justifiably earned the above mentioned 'ethical label' is Bank Sarasin. They were the first Swiss bank to propose SRI products in 1993. The team in charge of the portfolio structure is composed of 22 analysts specialised on specific themes with an average of ten years' experience in the SRI field. The Sarasin Sustainability Research uses many tools to get information on companies and controls its accuracy.

The information sources are, amongst others: generally available company information, review of specialised electronic media including use of the internet, review of research reports, company visits and management contacts, information from specialised research institutes, NGOs and questionnaires.

This in-depth research insures investment decisions are to be made on a strong and trustful basis. On top of this stringent process, Sarasin links its expertise to WWF's Corporate Relations department (14-member team) which is in contact with different industry sector and which shares its knowledge with Sarasin.

9. The EurekaHedge SRI database monitors well over 700 ethical and/or sustainable funds across the globe. How is your fund different from the rest and what edge does it present to investors?

We are different for the following reasons:

- Our WWF lineage/connection ensures our seriousness on conservation/ethical issues.
- We use the best quality global professional advisors.
- We are one of the best performing SRI fund.
- We have a multi-approach investment process.

10. Over the last few years, funds with a thematic approach (environmental, climate change, renewable energy, etc) have emerged in both the conventional and alternative worlds. How is your fund's proposition different from these?

The thematic breakdown of our first compartment, the Living Planet Fund – Equity has already been mentioned in question four.

The second compartment of the fund, the Living Planet Fund – Energy, will be on a single theme basis and this theme will be energy. Following energy, other themes (like water, climate, etc) are planned to be introduced in the future. We expect to launch the Living Planet Fund – Energy this autumn.

We are different from some funds (different in the context of themes) because we intend to offer the investor a palette of choices, ranging from multi-themes to an array of different specific themes.

11. On the other hand, considering the wide array of equity funds in the marketplace, how do you distinguish yourself against your conventional peers? How much importance is placed on the ethical aspect of the fund?



We differentiate ourselves by the fact that we offer quality returns that are as good as (and sometimes better than) 'traditional' funds, with the environmental/ethical factor embedded at no cost to the investor!

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