



*Sustainable Global Specialist Funds  
Challenges and Opportunities*

***RIAA - International Responsible Investment Conference***

***“Researching RI companies and funds”***

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KBC Asset Management Limited**

**Melbourne, Australia Sept 25 2008**



# Environmental Issues on the Agenda

Investors are taking the lead to help save the planet

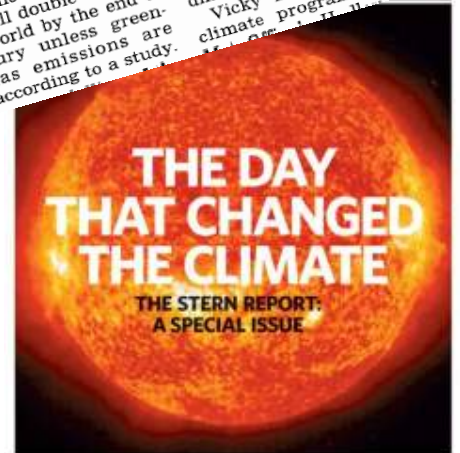
Investors looking to 'blue gold' 'Half world to face drought by year 2100'

# The Big Energy Chill

This winter's heating bills may mark a turn to the new era of higher oil prices. But there's an upside: the business case for alternatives is warming up quickly.

BY BRAD STONE

Energy Editor  
... 30 or so years after 1950 to about 25 per cent today. Because the definition of "drought" varies from place to place, its effects will also differ.  
Vicky Pope, head of the climate programme at the



Global water crisis  
millions of lives

THE OF DROUGHT

By Michael McCarthy  
Drought threatening the lives of millions of people across the world... they because the global warming... according to new predictions from... the United Nations... Environmental... in effect... with a... about...

and jobs  
attens

SOON will we be forced to pay a high price for water?



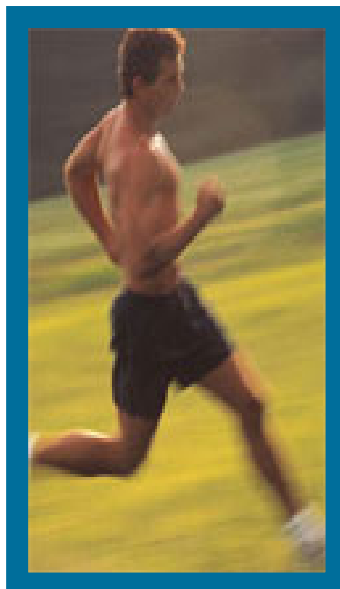
# *What are Sustainable Global Specialist Funds?*



**Water**



**Renewable Energy**



**Healthy Living**



**Agribusiness**



**Climate Change**



## *Sustainable Global Specialist Funds*

- **Challenges and opportunities**
- **Specialized portfolio construction and stock selection**
- **Diversification opportunities**
- **Fund selection – research and criteria**



# *Sustainable Global Specialist Funds*

## Challenges

Emerging sectors

Benchmarks

Experience

Information

## Opportunities

Exposure to global themes & stocks

Exposure to emerging themes & stocks

Increase diversification

Support sustainable initiatives



## *Defining the Theme and the Universe*

- **Not captured in traditional benchmarks**
- **Global driver of returns across countries regions and sectors**
- **Component themes**
- **Companies - pure plays and market leaders**
- **Specialist focus**



## *Sources of Long-Term Return*

- **Strategic framework - selection of sectors best positioned to outperform over the long run**
- **Selection of best stocks within each sector**
- **Specialist focus**



## *Source of Research and Ideas*

- **Proprietary research**
- **Science & technology specialists**
- **External research**
- **Niche brokers**



## *Case study – Alternative Energy*

<b>Utilities</b>	<b>15%</b>
<b>Wind Energy</b>	<b>30%</b>
<b>Solar</b>	<b>30%</b>
<b>Fuel Cells</b>	<b>10%</b>
<b>Bio Fuels</b>	<b>10%</b>
<b>Other (Emerging Technologies)</b>	<b>5%</b>

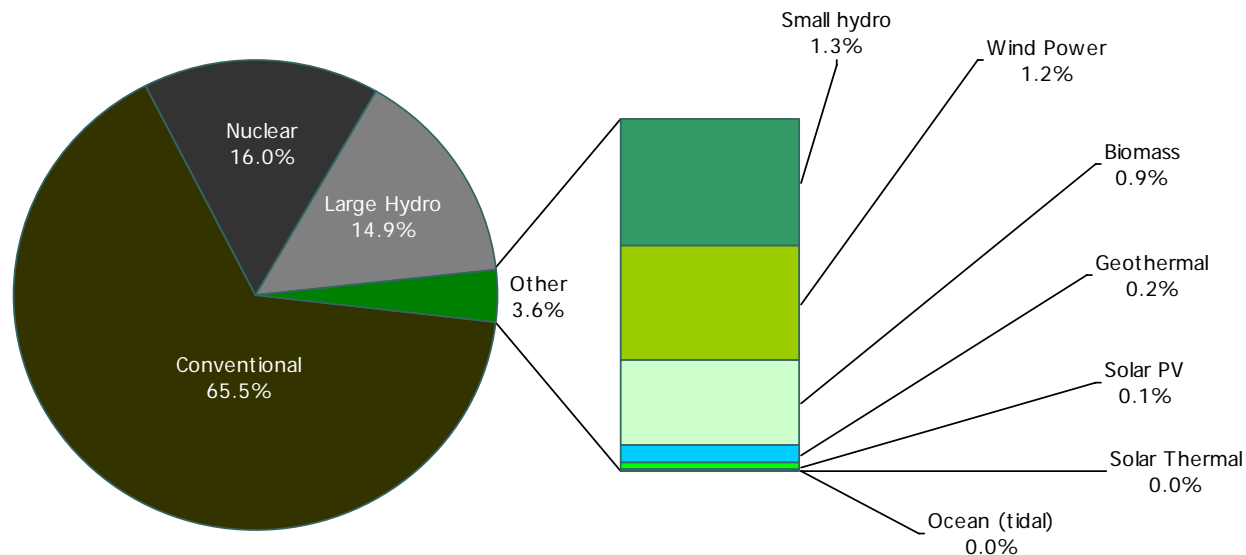


# Investment Driver: Current Market Share

- **Renewable Energy**
  - Wind
  - Solar
  - Fuel Cells
  - Biofuels
  - Waste to Energy

**International Energy Agency:  
30% of all energy related  
Investments in next 30 years will  
be in renewables**

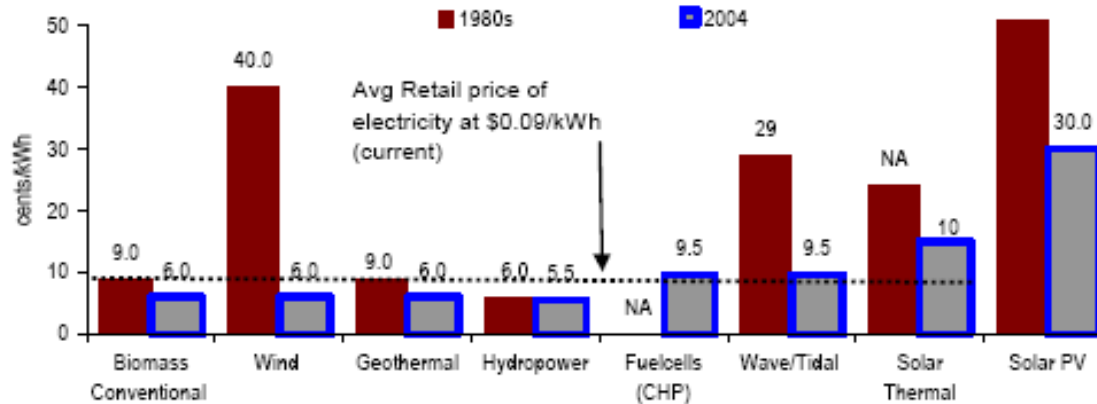
## Renewable electricity capacity, share of 2005 electricity production





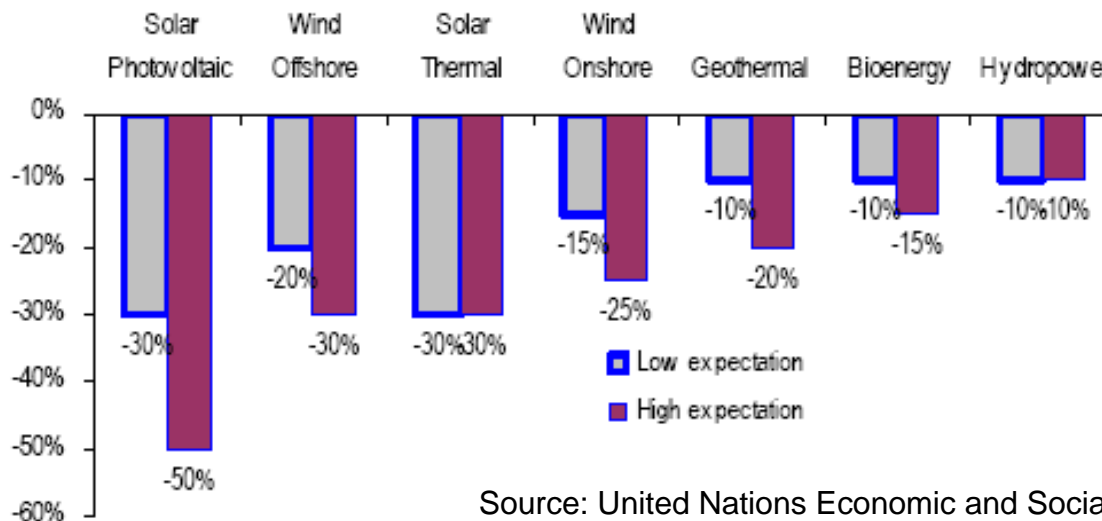
# Investment Driver: Falling Renewable Energy Costs

**Renewable energy actual cost of production — cents/kWh**



Source: EIA, American Wind Energy Association

**Expected cumulative reduction in costs of renewable technologies by 2020**



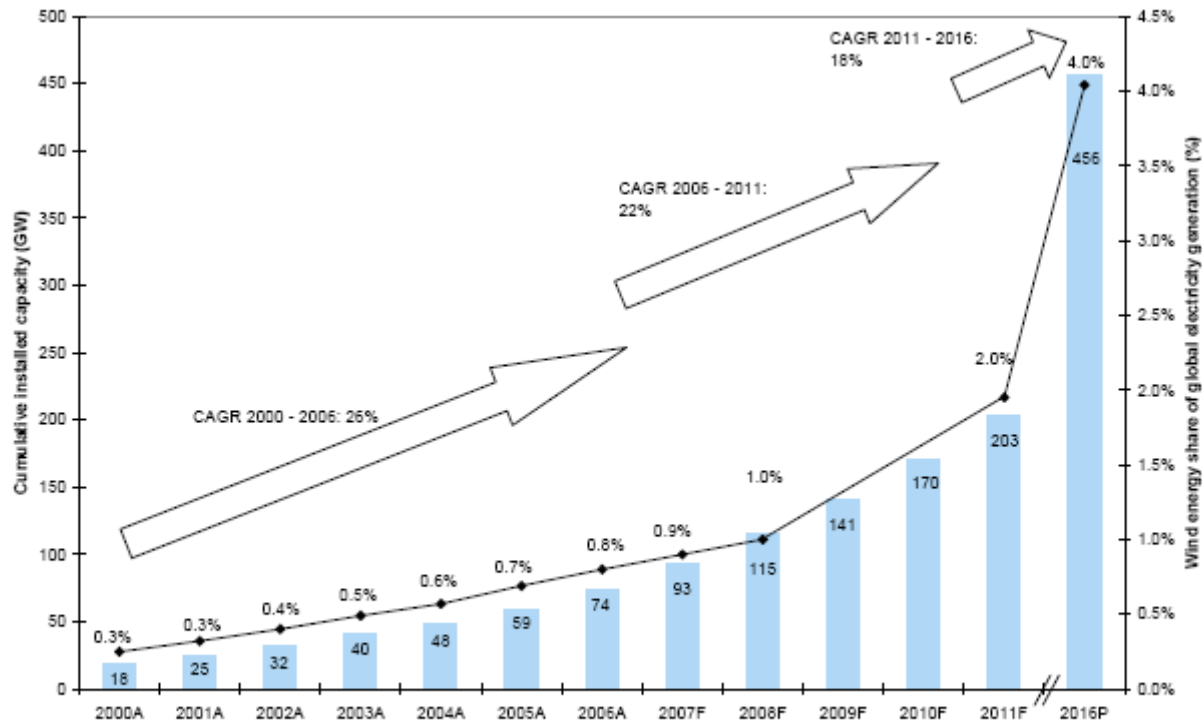
Source: United Nations Economic and Social Council



# Wind Industry – US\$30billion Market

Expected growth rate – 20%+ growth a year

## Global Wind Energy Growth forecast



Source: BTM ConsultApS.

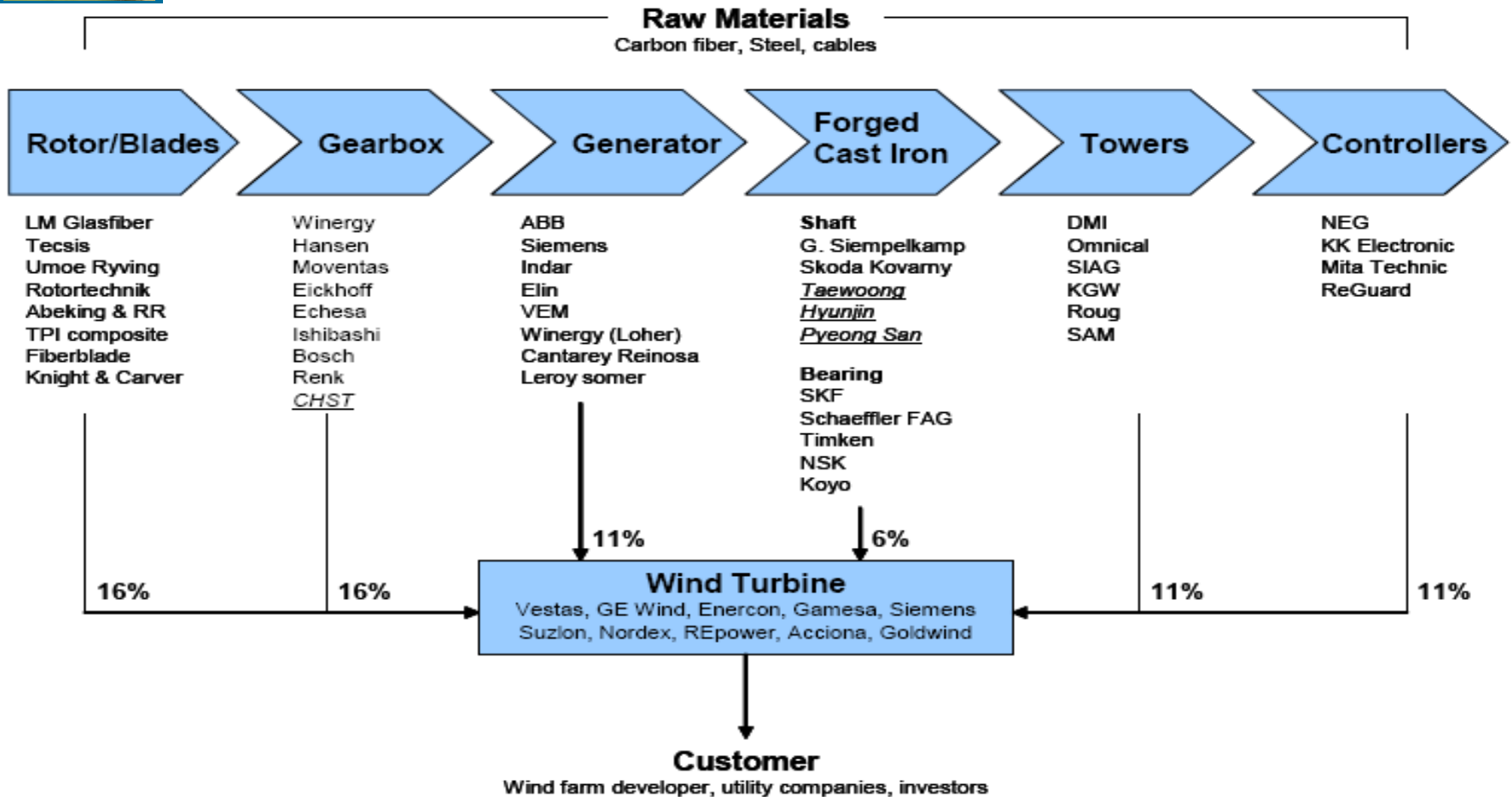


# *Stock Selection Framework*

- **Sector Analysis**
  - Life cycle of sector
  - Structure of value chain
  - Bottlenecks in value chain
  
- **Company Analysis**
  - Life cycle of company
  - Structure & quality of management
  - Product & services range
  - Positioning in value chain
  
- **Financials**
  - Balance Sheet
  - Access to capital
  
- **Valuation**
  - FCF Models
  - Valuation Multiples
  
- **Price Targets**

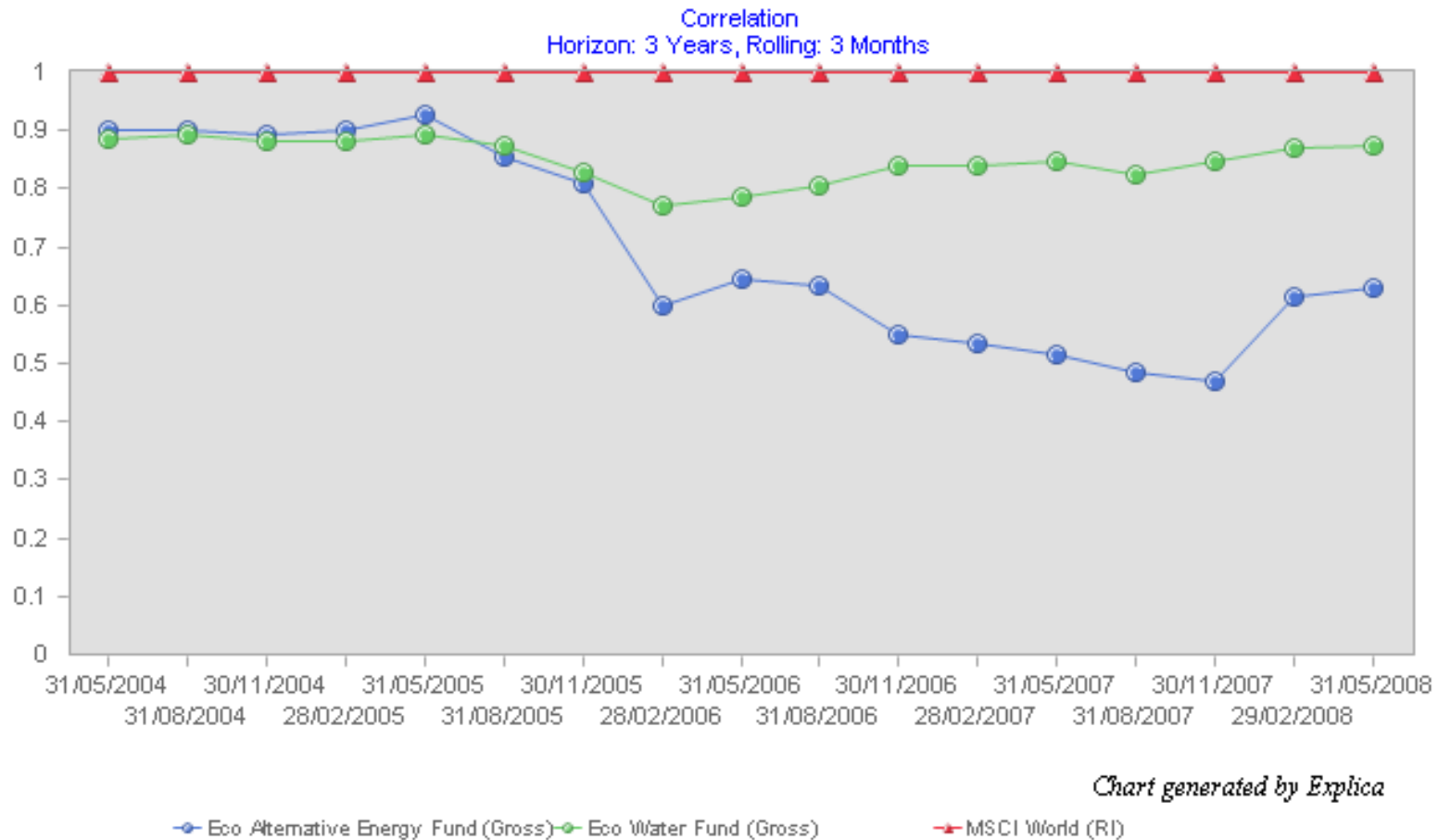


# Wind Sector Value Chain





# Correlation with Global Equities





# Correlation with Australian Equities

Correlation: 3 year, Rolling 1 month

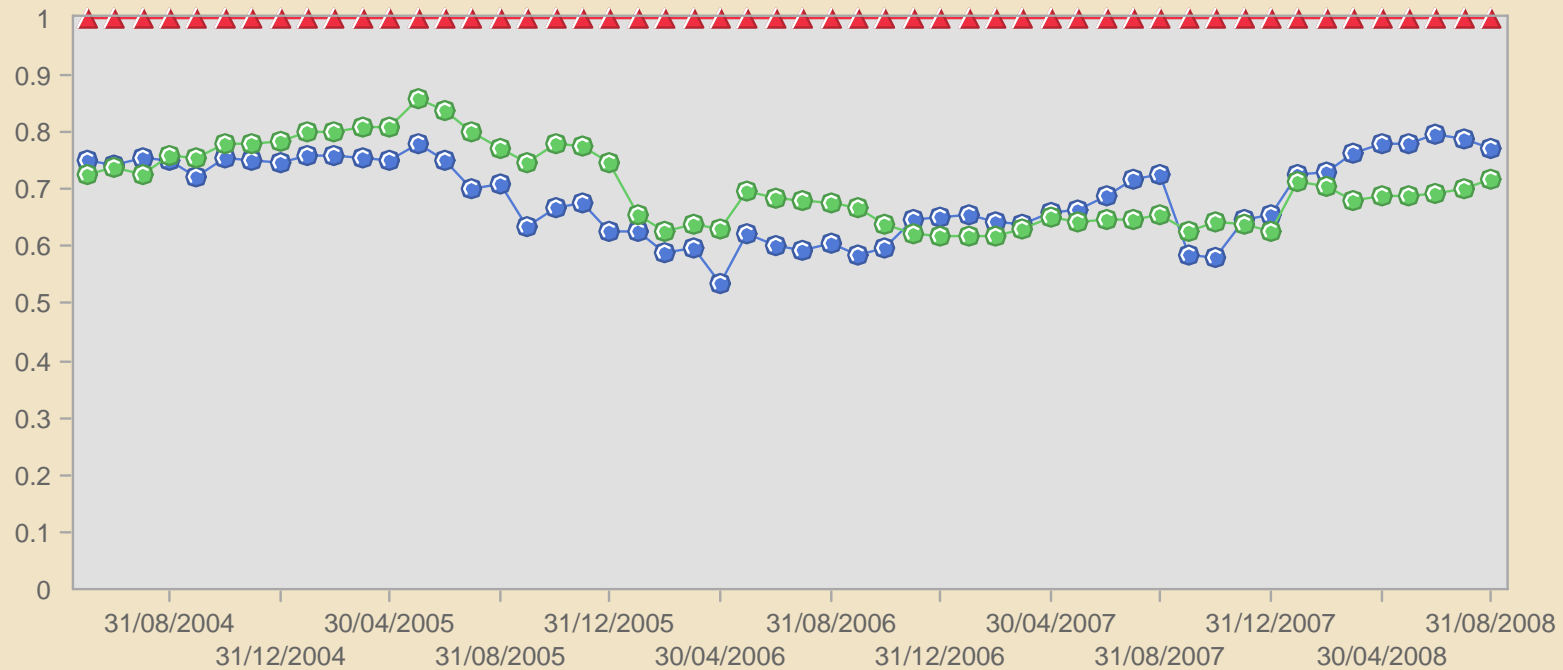


Chart generated by Explica

- Eco Water Fund (Gross)
- Eco Alternative Energy Fund (Gross)
- ▲ Australian Equities (ASX)

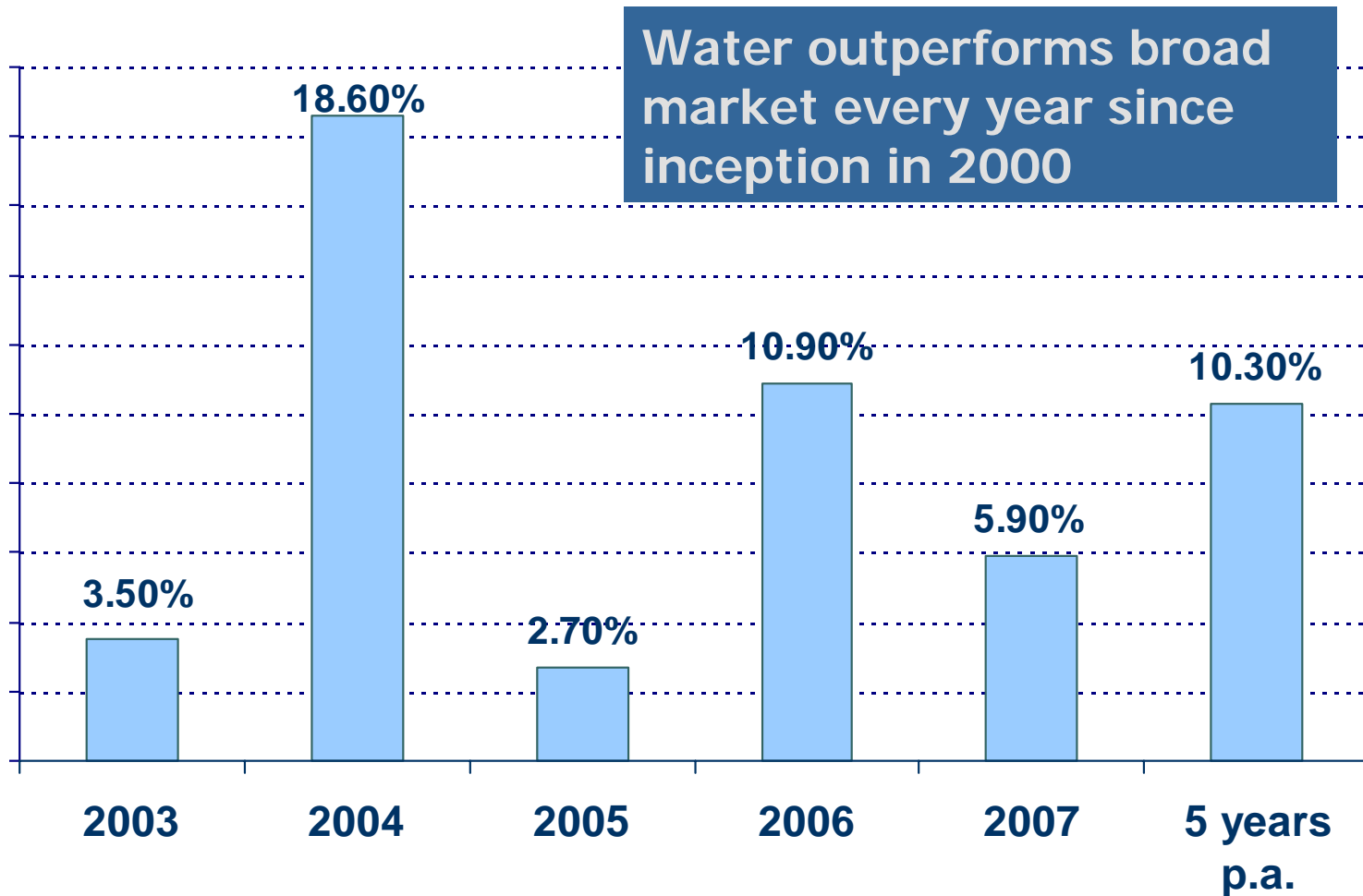


## *Fund Selection*

- Track record
- Investment process
- Team experience
- Access to science and technological thought
- Asset allocation fit

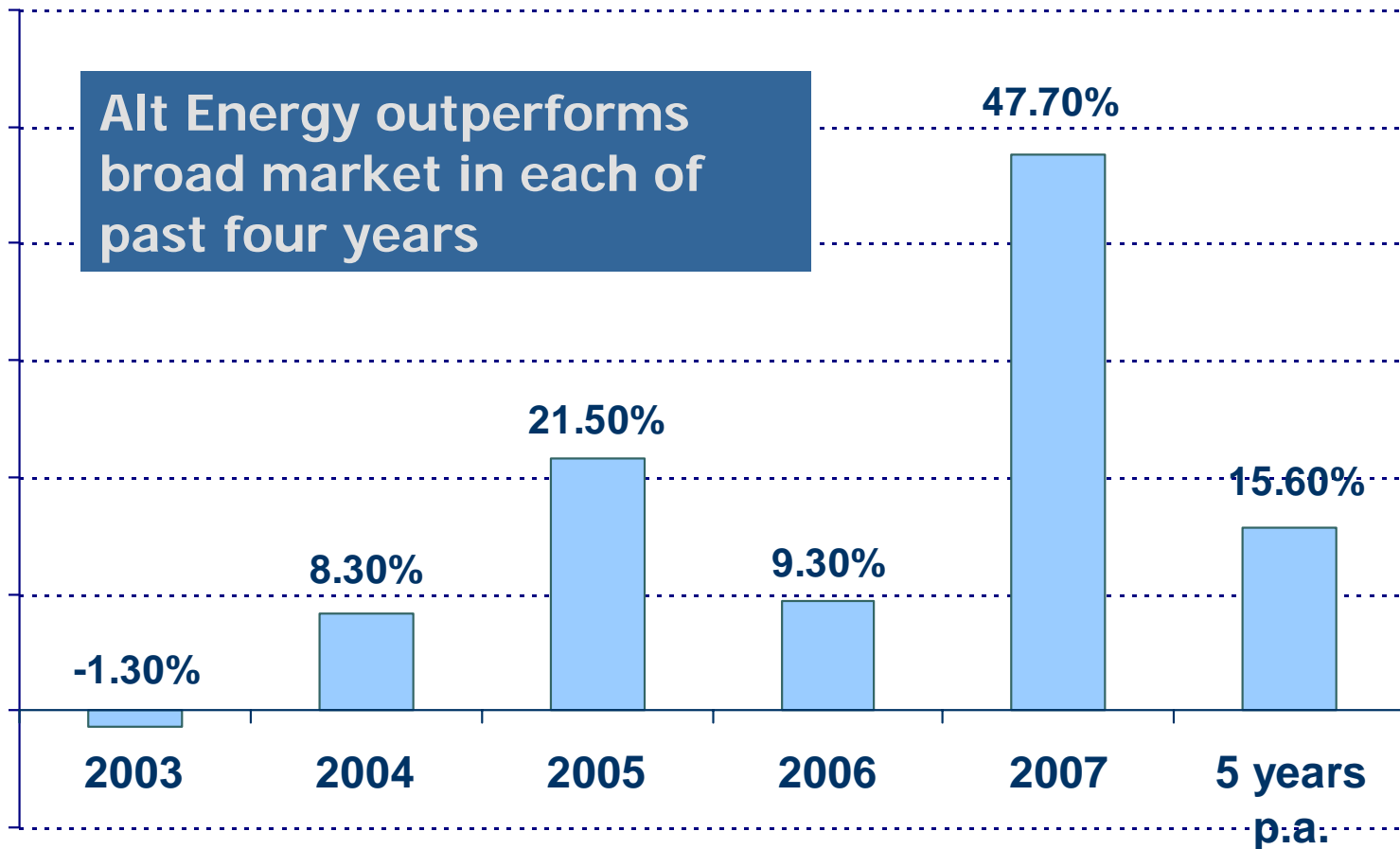


## *Water – Relative Performance to MSCI*





# Alternative Energy–Relative Performance



KBCAM Alt Energy Fund Gross return in A\$ to 29.08.08 vs. MSCI World Index



# Alternative Energy Portfolio Structure

Market Weights	%	Top 10 Holdings	%
UK	7.2%	GAMESA	4.9%
Japan	2.4%	FIRST SOLAR	4.6%
United States	24.8%	IBERDROLA RENOVBLES	4.5%
China	5.9%	RENEWABLE ENERGY	4.4%
EMU	41.6%	FORTUM	4.3%
Europe Ex EMU	12.7%	VESTAS WIND	4.0%
Asia-Pacific Ex Japan	3.4%	EDP RENOVAVEIS	3.9%
Latin America	2.0%	JOHNSON MATTHEY	3.7%
		MEMC ELECTRONIC	3.5%
		ACCIONA	3.3%

Sector Distribution	Actual Weight	Neutral Weight
Utilities	12.9%	15.0%
Wind Energy	36.2%	30.0%
Solar	33.0%	30.0%
Fuel Cells	6.2%	10.0%
Biomass	8.5%	10.0%
Other	3.3%	5.0%



# *Alternative Energy Portfolio Statistics*

	<b>Portfolio 31 July 2008</b>	<b>MSCI World Index 31 Jul 2008</b>
<b>P/E</b>	22.8	11.6
<b>Yield</b>	1.2	3.1
<b>Price/Book</b>	3.2	1.9
<b>EV/EBIT</b>	20.3	10.6
<b>Forecast Earnings Growth</b>	50.2	13.1
<b>Tracking Error</b>	9.4	-
<b>Beta</b>	1.13	1.0
<b>Number of Stocks</b>	66	1738



- **Climate change and natural resource shortages will impact on our investments**
- **Be proactive in the face of the challenge and capitalise on the opportunities it presents**





## *Disclaimers*

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