



Responsible Investment Benchmark Report 2017 Australia

ABOUT THE REPORT

The Responsible Investment Benchmark Report is the most comprehensive review of the responsible investment sector in Australia.

Published annually by the Responsible Investment Association Australasia (RIAA), the Benchmark Report 2017 details industry data on the size, growth and performance of the Australian responsible investment market over the 12 months to 31 December 2016 and compares these results with the broader Australian financial market.

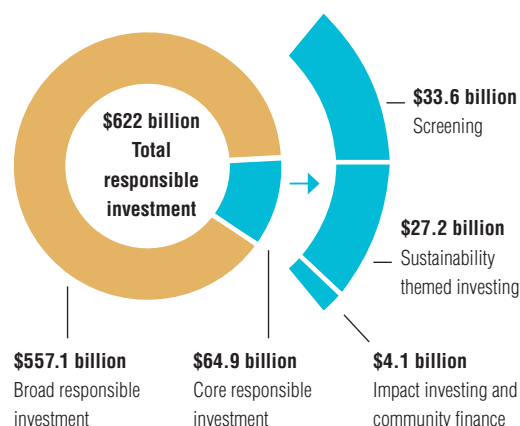
RESPONSIBLE INVESTMENT ON THE RISE

This year's report reinforces that a responsible approach to investing – one that systematically considers environmental, social and governance (ESG) and/or ethical factors across the entire portfolio – is the expected minimum standard of good investment practice in Australia.

As consumer demand grows, assets under management that adopt a responsible investment approach continue to grow, alongside increasing numbers of products that are delivering strong financial results.

Responsible investments have more than quadrupled over the past three years to \$622 billion in assets under management (AUM) in 2016, with nearly half (44%) of Australia's assets under management now being invested through some form of responsible investment strategy.

Responsible investment AUM – totals by year



Total responsible investment in Australia by approach

Responsible investment approach	2016 Responsible investment AUM (\$bn)	2015 Responsible investment AUM (\$bn)	Change
Screening (including negative, positive, best in class and norms-based screening)	33.6	24.7	36%
Sustainability themed investing	27.2	23.1	18%
Impact investing and community finance	4.1	3.7	10%
Core responsible investment total	64.9	51.5	26%
Broad responsible investment total ESG integration	557.1	517.5	8%
TOTAL RESPONSIBLE INVESTMENT	622.0	569.0	9%

CORE VERSUS BROAD RESPONSIBLE INVESTING

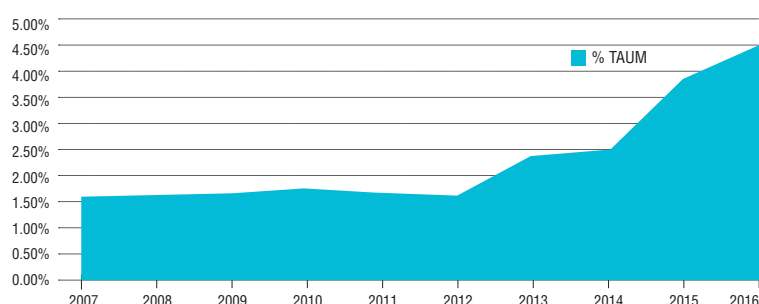
RIAA distinguishes between Core and Broad responsible investment, to better analyse the responsible investment industry and the degree to which responsible investment strategies are integrated into products and services.

Broad responsible investment approaches - whereby ESG integration is the principal responsible investment strategy - continue to dominate the total responsible investment AUM, with 16 asset managers who manage \$557.1 billion in AUM found to be demonstrating leading practices in ESG integration.

Core responsible investment funds grew significantly during 2016, increasing by 26% to \$64.9 billion. They now represent 4.5% of the TAUM held in Australia, increasing from 3.8% of TAUM in 2015.

Core responsible investment approaches apply at least one of the following primary strategies: negative, positive or norms-based screening; sustainability themed investing; impact investing, community finance; or corporate engagement.

Core responsible investments as a percentage of TAUM since 2006



STRONG PERFORMANCE

The Responsible Investment Benchmark Report 2017 includes an assessment of the performance of core responsible investment funds compared with their benchmark index and the average of equivalent mainstream funds.

The results show that responsible investment funds are largely outperforming their average mainstream counterparts year on year, as the market for responsible investment grows.

Core responsible investment funds continue to outperform the average mainstream funds they were assessed against over most time periods.

- Australian shares: Core responsible investment Australian share funds outperformed large-cap Australian share funds and the benchmark for all periods except the one year term.
- International shares: Core responsible investment international share funds outperformed the average mainstream international share fund in the three and 10 year time horizons, but slightly underperformed over the one and five year terms.
- Balanced funds: Core responsible multi-sector growth funds (balanced funds) outperformed their equivalent mainstream multi-sector growth fund average for all periods except one year.

Performance of Core responsible investments against mainstream funds

Australian share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 20-39 funds sampled depending on time period)	7.0%	7.0%	13.0%	6.3%
Large-cap Australian share fund average	8.8%	5.4%	10.8%	3.8%
S&P/ASX300 accumulation index	11.8%	6.6%	11.6%	4.4%

International share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 6-23 funds sampled depending on time period)	4.3%	10.3%	14.2%	4.3%
Large-cap international share fund average	5.6%	9.6%	16.8%	3.8%
MSCI World ex Australia Index	7.9%	11.5%	18.6%	4.7%

Multi-sector growth funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 6-9 funds sampled depending on time period)	3.3%	8.0%	12.3%	4.8%
Multi-sector growth fund average	6.3%	5.9%	9.7%	3.7%

THANKS TO THE SPONSORS OF THIS YEAR'S REPORT



This report was prepared by RIAA based on survey data gathered and collated by KPMG



DOWNLOAD FULL REPORT
www.responsibleinvestment.org/resources/benchmark-report

ABOUT RIAA

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible, ethical and impact investors across Australia and New Zealand. RIAA is a growing active network of over 180 members managing more than \$1 trillion in assets, including super funds, fund managers, consultants, researchers, brokers, impact investors, property managers, community banks, community trusts and financial advisers.

RIAA's goal is to see more capital being invested more responsibly. RIAA works to shift more capital into sustainable assets and enterprises and shape responsible financial markets to underpin strong investment returns and a healthier economy, society and environment.

