

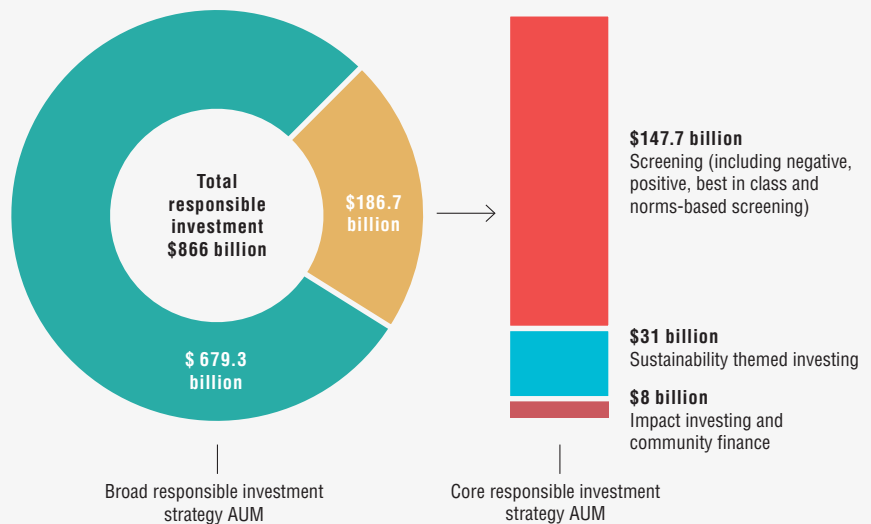
Responsible Investment Benchmark Report 2018 Australia

Responsible Investment Reaches over Half of Australia's Investments

The Responsible Investment Benchmark Report 2018 reinforces that a responsible approach to investing – one that systematically considers environmental, social and corporate governance (ESG) and/or ethical factors across the entire portfolio – now represents a significant part of the Australian finance sector and is increasingly seen to represent the expected minimum standard of good investment practice in Australia.

The responsible investment industry is continuing its upward trajectory and now makes up the majority of the overall investment market in Australia. Our research reveals it consists of \$866 billion of assets, or 55.5% of all assets professionally managed in this country in 2017.

Responsible investment by approach



Of this total AUM, asset managers using ESG integration account for a vast majority of those assets, called a Broad responsible investment approach in this report. In 2017, \$679.3 billion in AUM was invested by 22 asset managers who demonstrated a leading approach to ESG integration, a growth of 22% from 2016.

In 2017, Core responsible investment funds increased by 188% to \$186.7 billion AUM. A diverse array of responsible investment strategies are applied to these Core responsible investment funds across screened funds, sustainability themed funds as well as impact investments and community finance.

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 2018 details industry data on the size, growth and performance of the Australian responsible investment market over the 12 months to 31 December 2017 and compares these results with the broader Australian financial market.

Responsible investment AUM – totals by year

Responsible investment approach	2016 Responsible investment AUM (\$bn)	2017 Responsible investment AUM (\$bn)	Change
Screening (including negative, positive, best in class and norms-based screening)	33.6	147.7	340%
Sustainability themed investing	27.2	31	14%
Impact investing and community finance	4.1	8	94%
Core responsible investment total	64.9	186.7	188%
Broad responsible investment total ESG integration	557.1	679.3	22%
TOTAL RESPONSIBLE INVESTMENT	622	866	39%



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

ABOUT THE RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA

The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible, ethical and impact investors across Australia and New Zealand.

RIAA has an active network of over 220 members who manage more than \$9 trillion in assets globally. These members include super funds, fund managers, consultants, researchers, brokers, impact investors, property managers, banks, community trusts, faith-based groups, financial advisers and individuals.

Our goal is to see more capital being invested more responsibly – shifting more capital into sustainable assets and enterprises, as well as shaping responsible financial markets to underpin strong investment returns and deliver a healthier economy, society and environment.

PERFORMANCE

This report highlights the continuing strong performance of Core RI strategies. The comparison of responsible investment funds against mainstream equivalent funds and their benchmark index indicates outperformance across the majority of time periods:

- As in the previous year, Core responsible investment **Australian share funds** outperformed the average large cap Australian share funds over three, five and ten year time horizons.
- Core responsible investment **international share funds** outperformed large cap international share funds over one and three year time horizons and matched the ten year performance.
- As in the previous year, Core responsible investment **multi-sector growth funds** (balanced funds) outperformed their equivalent mainstream multi-sector growth funds over three, five and ten year time horizons.

Performance of Core responsible investments against mainstream funds

Australian share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 8-14 funds sampled depending on time period)	11.3%	9.8%	11.7%	5.4%
Large-cap Australian share fund average	12.2%	8.0%	9.7%	3.5%
S&P/ASX300 accumulation index	11.9%	8.8%	10.2%	4.0%

International share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 8-27 funds sampled depending on time period)	15.2%	10.6%	16.1%	5.4%
Large-cap international share fund average	14.7%	10.3%	16.9%	5.4%
MSCI World ex-Australia Index	13.4%	11.0%	18.4%	6.3%

Multi-sector growth funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 9-13 funds sampled depending on time period)	9.6%	7.0%	9.5%	4.5%
Multi-sector growth fund average	9.6%	6.5%	8.9%	4.1%

■ Over performance ■ Equal performance ■ Under performance

KEY DRIVERS AND DETRACTORS OF RI GROWTH

For the second year, asset managers were asked to identify the key drivers of RI growth and key factors that have deterred RI growth.

44% of respondents attributed growth to the understanding that the consideration of ESG factors will have a positive impact on portfolio performance. The next most cited drivers of growth are all aligned with growing demand, from institutions and retail.

The largest factor deterring additional growth identified is associated with concerns around the lack of understanding and advice (48% of respondents). The second factor is a lack of awareness by retail customers.

Top drivers and detractors of RI growth

Top drivers of RI growth	% of respondents
ESG factors impact on performance	44%
Demand from institutional investors	42%
Demand from retail investors	30%
Alignment to mission	30%

Top detractors of RI growth	% of respondents
Lack of understanding and advice	48%
Lack of awareness by members of the public	39%
Performance concerns	33%

SUPPORTING ORGANISATIONS

RESEARCH PARTNER