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## Press Release

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**For immediate release**

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### **Ethical investment achieves quarter of a century milestone**

This week sees a significant milestone reached for the asset management industry, as ethical investment notches-up a twenty-five year track record of development and growth since the launch of the Stewardship Growth Fund, the first such fund in Europe, on 1 June 1984.

This pioneering fund, which is managed by F&C, one of Europe's largest and oldest asset managers, kicked off the growth of a segment of the investment industry that, in the UK alone, is estimated to account for £6.8 billion in pooled funds as at the end of 2008, and approximately 300 products across Europe. F&C today manages some £2.4 billion in a range of socially responsible products and mandates, with a suite of products that includes the original Stewardship Growth Fund, Stewardship Income, Stewardship International and the F&C Ethical Bond Fund as well as life and pension versions of the Stewardship range, available through Friends Provident PLC, the FTSE 100 life insurance company.

Although individual investors and religious movements, such as the Quakers and Methodists, had long chosen to avoid "sin" stocks in their investment portfolios, and 1971 saw the launch in the US of the Pax World Fund to avoid investments associated with the Vietnam War, the Stewardship Growth Fund broke new

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ground as the first pooled ethical vehicle in Europe. The Fund enabled retail investors not only to access a diversified portfolio that ruled out companies based on concerns such as tobacco and gambling, but also introduced screening on environmental and human rights issues for the first time.

The investment approach behind Stewardship involves the screening of companies against strict positive and negative ethical criteria that, over the years, have been refined and updated in response to new concerns. At the heart of the process is an independent Committee of Reference, responsible for developing the ethical policies for the funds and determining the universe of individual companies in which the funds may invest.

The emergence of Stewardship Growth in 1984 coincided with wide-scale public opposition to the Apartheid system in South Africa and the growth of human rights movements, issues that were also introduced as part of the fund's ethical screening. Another advance was the introduction of screens related to company policies on equal opportunities and anti-discrimination in the workplace. Stewardship has continued to lead the way, by focusing on issues such as pollution, deforestation and climate change.

Karina Litvack, Head of Governance & Sustainable Investment (GSI) at F&C, said: "It is easy to forget how far-sighted the architects of Stewardship were back in 1984. Many observers were sceptical at the time and no-one could have predicted that this fund was going to end up being such a big influence on investors' behaviour in the years to follow. Over the last two decades, Stewardship and ethical investment in general have evolved into the idea that, as investors, we have leverage and the ability to drive behavioural change in companies. The new vision of ethical investment goes beyond the ethical screening of companies and into shareholder engagement and being part of positive change."

Stewardship's 25<sup>th</sup> anniversary comes at a time when environmental, social and governance issues have taken-centre stage.

Litvack added: "Stewardship, and the ethical investment movement in general, have always been focused on the non-traditional drivers of social, economic and environmental performance that were historically disregarded by conventional fund managers. Ethical investors always argued that these non-traditional performance drivers were important and that companies needed to be mindful of them. That rings especially true today given some of the governance failures exposed by the recent financial crisis and more and more mainstream investors are waking up to the need to become more active shareholders."

Speaking at a briefing in London, Catherine Stanley, who has taken over the helm of the Stewardship Growth and Stewardship Income funds this week, said: "The ethical screens mean that these funds have a natural bias towards smaller and mid cap companies, and that will remain the case. Within this context, my focus will be on those quality companies that are more liquid to deal in. These are flagship funds and given

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the strong growth prospects for ethical investment, as investors become more discerning, scalability of the portfolios is an important consideration. Equally, every holding should have the potential to make a meaningful contribution to performance and therefore I expect to reduce the number of holdings slightly over time to around 70 names.”

Stanley concluded: “The emphasis of the investment approach on the Stewardship Growth Fund will remain on a high quality long term growth companies, with a judicious balance between risk and reward”.

More recently, the innovative ethical screening process pioneered by the original Stewardship Growth Fund has been extended to a new asset class and applied to corporate bonds, with the launch of the F&C Ethical Bond fund in October 2007. The process combines F&C’s heavyweight fixed interest capabilities with the expertise of its 15-strong Governance & Sustainable Investment team, and applies similar rigorous ethical screening criteria to a fixed income fund.

Rebecca Seabrook, manager of the F&C Ethical Bond Fund, commented: “The extension of the principles of ethically screened investment beyond equities enables investors to build more balanced portfolios and have access to opportunities in a different part of the risk / reward spectrum. The approach on the F&C Ethical Bond Fund is consistent with that of the equity-focused Stewardship funds, the only difference being that bondholders do not have voting rights.”

**- Ends -**

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## Notes to Editors

### F&C Investments

- F&C Asset Management (F&C) is a London Stock Exchange listed asset management group which traces its origins back to 1868 with the launch of Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C now manages £92.7 billion (€101.1 billion) of assets\* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, private equity funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C REIT Asset Management is the group's global property asset management business. It was formed in 2008 from the merger of F&C's property division and REIT Asset Management. F&C REIT operates from offices in London, Dublin, Istanbul, Munich, Mumbai and Stockholm.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has a global office network spanning twelve countries: China (Hong Kong), France (Paris), Germany (Frankfurt & Munich), India (Mumbai), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), Turkey (Istanbul), UK (London, Edinburgh, Dorking) and the United States (Boston).
- In March 2009 F&C signed a Memorandum of Agreement with Hua Xia Bank, one of China's twelve nationwide joint stock commercial banks, to establish a joint venture fund management company in China in which F&C will have a 19.5% interest.

\* As at 31 March 2009.