

Sustainable investments to benefit from stimulus packages, according to Sarasin Sustainable Investment Guide 2009

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The latest Sustainable Investment Guide published by the Sarasin Group concluded that 2009 should prove to be a challenging year, but this will in fact provide a favourable outlook for sustainable investments.

It concluded also that the various fiscal stimulus packages launched by governments, as well as current developments in economic policy, will play an active role. They will also present fresh opportunities for sustainable investments.

The huge additional funding provided by government support programs designed to kick-start the economy will act as a strong driver for the performance of sustainable investments in particular over the course of the year.

Sustainable investors are well positioned to benefit from this trend, as they traditionally have a strong bias towards investments in infrastructure (e.g. energy, water, IT), which appears to be one of the main beneficiaries of the planned fiscal initiatives.

Andreas Knoerzer, Head of Sustainable Investment at Bank Sarasin.



Developments in the political arena - not least the election of Barack Obama as new US President - will also have a positive impact on the performance of sustainable investments. The agenda of the new US administration includes a number of important sustainability topics, such as climate change, renewable energy and energy efficiency, as well as health and education.

Aside from the US, governments around the world are toying with the idea of using fiscal stimulus programmes to modernise and upgrade their infrastructure and bring it into line with new environmental standards.

Ethical standards are increasingly important:

As the financial crisis has deepened, good corporate governance has become even more important to investors. Corporate scandals in times of high uncertainty can inevitably cause severe knock-on damage to company reputations. In this context, the topic of supply chain management is increasingly relevant.

With a growing portion of the production process being outsourced to low-cost countries, critical issues such as labour rights, working conditions and environmental pollution need to be treated very seriously and monitored adequately at all times.

Sustainability is becoming even more relevant to investors:

Andreas Knoerzer, Head of Sustainable Investment at Bank Sarasin, comments:

'One of the biggest advantages we see in conducting sustainability research on companies and countries and applying sustainability ratings to them is the fact that this highlights the critical nature and viability of their long-term business practices and subjects them to important public scrutiny.'

'In times of economic hardship, when the relations between companies and their stakeholders are being tested, we expect the sustainability component of our investment style to become even more relevant to investors,' he added.

Oil price forecast to average \$100 per barrel in the period 2008 to 2015:

The sharp fall in the oil price has negative consequences for sustainable investments in the energy sector for the time being. The investment case for many projects, which is based on the cost differential between the provision of renewable energy and fossil fuels, is being undermined by the low oil price at present.

This development also explains why the investment themes of energy efficiency and renewable energy did not perform as well as expected during the past year. However, the International Energy Agency (IEA) forecasts that the oil price will average \$100 per barrel (159 litres) between 2008 and 2015, and \$122 thereafter.

At the same time the IEA expects energy demand to rise by 50% until 2030, giving companies and consumers a major incentive to start searching for alternative energy sources again in the near future.

Investment theme 'Water': strong demand and government investment:

Water is still a very promising investment theme. Here too, private sector investments in the water infrastructure will be encouraged by state economic stimulus packages. Governments are increasingly aware of the important role of an efficient water supply.

In the emerging markets especially, there is an enormous demand for building new water infrastructure. The unstoppable growth of the world population, rising demand for agricultural products as well as insufficient fresh water supply remain the core drivers for this investment theme.

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