

Responsible Investment Benchmark Report 2019 Australia



ABOUT THE REPORT

The Responsible Investment Association Australasia's (RIAA) Responsible Investment Benchmark Report is the most comprehensive review of the responsible investment sector in Australia.

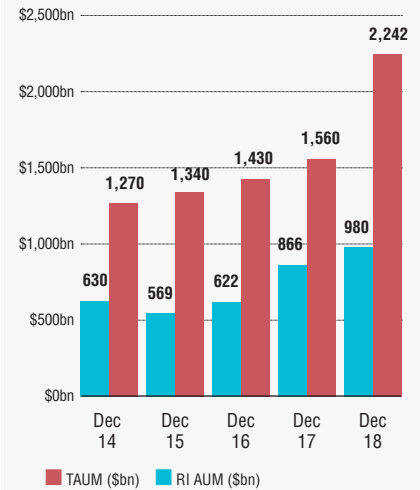
This is the 18th annual *Responsible Investment Benchmark Report Australia*. The report details industry data on the size, growth, depth and performance of the Australian responsible investment (RI) market over the 12 months to 31 December 2018 and compares these results with the broader Australian financial market.

Responsible investment is now the foundation of good investment practice

The Responsible Investment Benchmark Report 2019 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 – represents a significant part of the Australian finance sector and is becoming the expected minimum standard of good investment practice in Australia.

The responsible investment market is continuing its upward trajectory and with associated assets under management growing **13% in 2018 to \$980 billion**. This represents 44% of total professionally managed AUM (TAUM), which now sits at \$2.24 trillion according to the Australian Bureau of Statistics (ABS).

Responsible investment AUM as a proportion of TAUM



RESPONSIBLE INVESTMENTS OUTPERFORM

Response investment funds continue to outperform mainstream funds over most time frames and asset classes, with Australian figures contributing to the overwhelming body of evidence showing that responsible and ethical investing leads to better investment outcomes, alongside benefiting people and the planet.

- Responsible investment Australian RI share funds outperformed mainstream Australian share fund benchmarks for all periods except the three-year term.
- Responsible investment International RI share funds outperformed the Morningstar average mainstream international share fund over every time horizon.
- Responsible investment multi-sector funds outperformed the mainstream multi-sector growth fund average over every time horizon.

Performance of responsible investment and mainstream funds

Australian share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 17 and 34 funds sampled depending on time period)	-1.24%	5.70%	6.43%	12.39%
Morningstar: Australia Fund Equity Large Blend	-5.49%	4.87%	4.42%	7.95%
S&P/ASX 300 Total Return	-3.06%	6.65%	5.60%	8.91%

International share funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (between 7 and 38 funds sampled depending on time period)	-0.03%	11.18%	9.48%	9.50%
Morningstar: Equity World Large Blend	-0.68%	6.37%	8.42%	8.97%
MSCI World Ex Australia NR AUD	1.52%	7.49%	9.81%	9.57%

Multi-sector growth funds	1 Year	3 Years	5 Years	10 Years
Average responsible investment fund (7 funds)	-1.13%	4.75%	5.65%	7.66%
Australia Fund Multisector Growth	-2.26%	4.39%	4.92%	7.02%

■ Outperformed by the average RI fund ■ Underperformed by the average RI fund



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

ABOUT THE RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA

RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand, and is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

With over 240 members managing more than \$9 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Our membership includes super funds, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.

INVESTORS ARE USING A VARIETY OF RESPONSIBLE INVESTMENT STRATEGIES

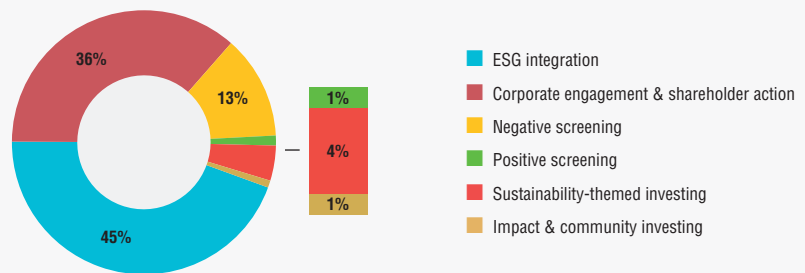
The dominant responsible investment strategy for investors is ESG integration, typically paired with corporate engagement and shareholder action as a secondary strategy.

Of the 120 investment managers assessed for their approach to ESG integration, 34 are applying a leading approach. The number of leading ESG integration practitioners has risen from 24 last year, however the low percentage of inclusion (28%) suggests that many

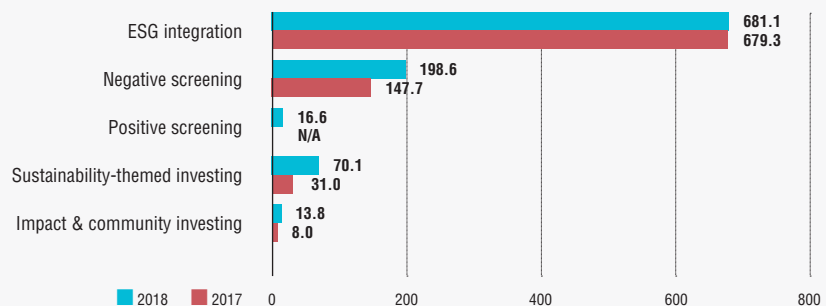
Australian investment managers are yet to provide evidence of a detailed and systematic approach to their commitment to RI.

Progression along the responsible investment spectrum is a feature of this year's data, with strong growth in screening (both positive and negative) and sustainability-themed investments as well as in impact investing and community investing.

Composition of Australian RI market by primary & secondary strategy



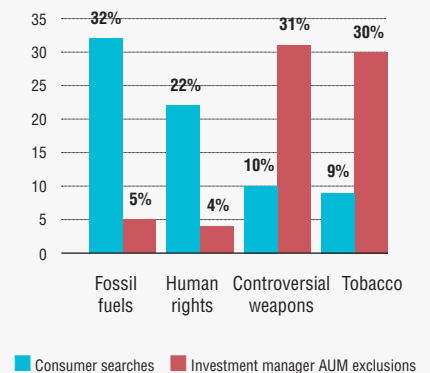
AUM employed in primary strategies (\$bn)



NEGATIVE SCREENING GAINS TRACTION

Negative screening is gaining traction as a strategy. Interestingly, the exclusions applied by investment managers are not always aligned with what's important to consumers. Controversial weapons and tobacco are the most prevalent exclusionary screens among Australian institutional investors, while consumers using RIAA's Responsible Returns online tool are searching mainly for funds that screen out fossil fuels and human rights violations.

Negative screening: consumer vs investment manager exclusions



SUPPORTING ORGANISATIONS

RESEARCH PARTNER