

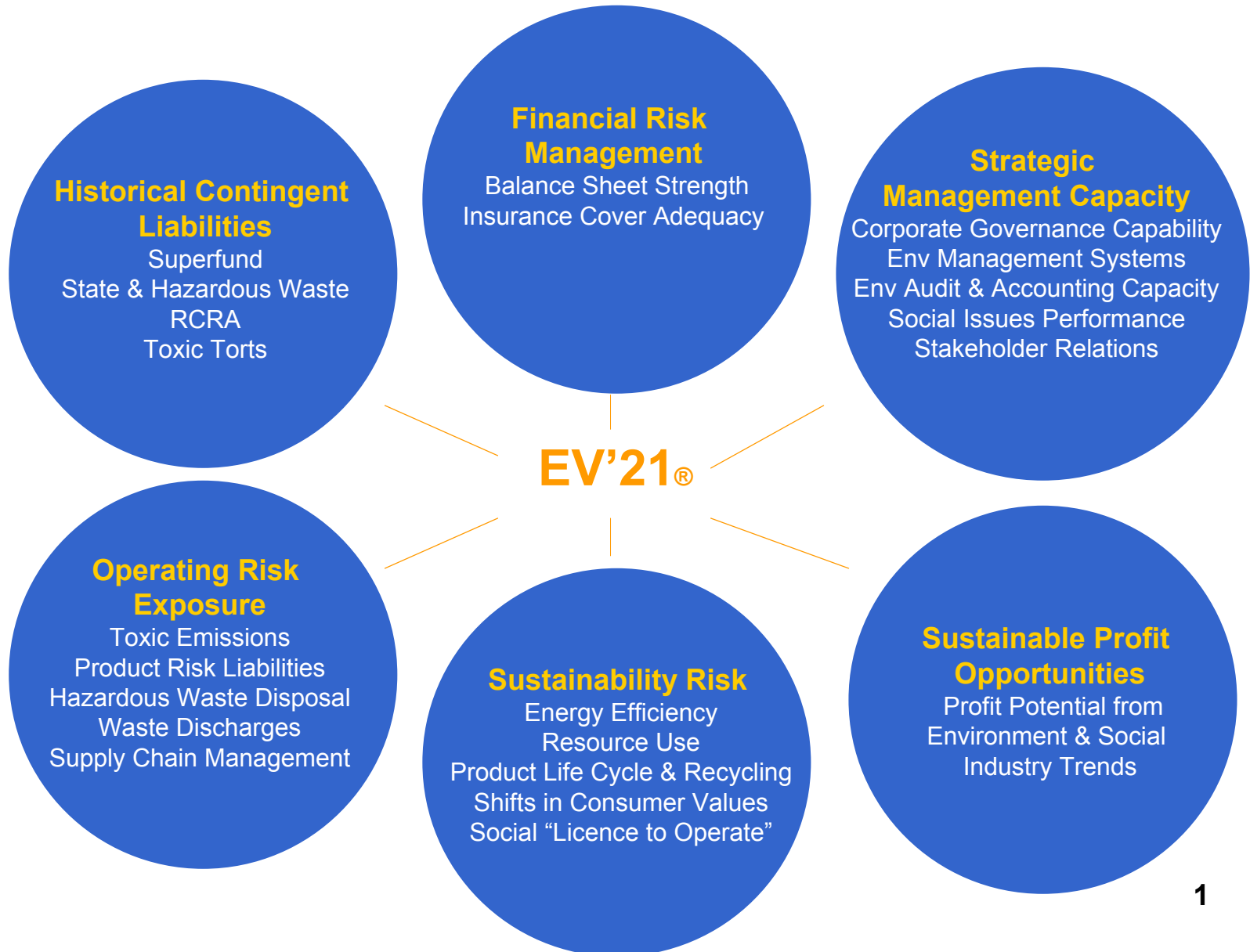
Innovest


STRATEGIC VALUE ADVISORS

New York • Toronto • London • Paris

ASRIA Conference Singapore 15-16 July 2004

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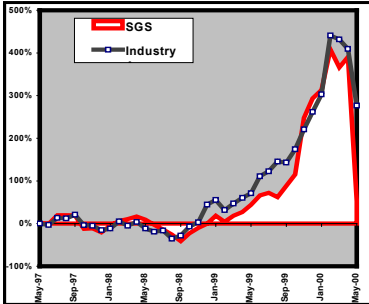


STMic ro e l e c t r o n i c s
EcoValue '21 Rating: (AAA-CCC)
Sector: Semiconductor

June-00
AAA
OUT-PERFORM

As a strong proxy for management quality, environmental performance (eco-efficiency) consistently correlates well with stock price performance. Innovest EcoValue 21 environmental ratings (ranging from AAA to CCC) identify environmental risks, management quality and profit opportunity differentials typically not identified by traditional equity analysis. As a result, EcoValue 21 ratings uncover hidden value potential for investors.

Financial Performance (change in stock price):



Rating Implication:

ST Microelectronics received a rating of AAA, ranking 1 out of 14 Semiconductor companies in this sector. As a result, we project that the company will out-perform the sector going forward. ST Microelectronics has below average risk, above average environmental management capacity, and above average engagement in environmentally-favorable businesses.

Overview:

STMicroelectronics (formerly SGS-THOMSON Microelectronics) is a global independent semiconductor company that designs, develops, manufactures and markets a broad range of semiconductor integrated circuits and discrete devices. It is Europe's number 2 chip manufacturer and posted consistent profits in recent years. Other products include analog and mixed signal integrated circuits, video decoder chips and special integrated circuits. Net revenues in 1998 were US \$ 4247 M, up 5.6% from 1997, and were divided by application into: automotive, 12%; computer, 26%; consumer electronics, 21%; industrial, 16%; and telecommunications 25%. Geographically, net revenues were divided into: Europe, 41.6%; N. America (mainly U.S.), 22.1%; Asia/Pacific, 29.4%; Japan, 4.3%; remainder, 2.6%. ST has 17 manufacturing sites located worldwide, including Italy, France, USA, Singapore, Morocco, Malta, Malaysia, and China.

Environmental Strategy & Management:

Strategy: STM has a Total Quality Management (TQM) initiative. Established aggressive goals for corporate-wide achievement. Many issues are addressed: ecological culture, risks, measurement, business opportunities (e.g., energy saving products and selling of wastes as feedstock to other industries), LCA/closed loop approach, and that STM can benefit from environmentally-oriented investors. Governance: Corporate VP. Corporate Environmental Steering Committee, chaired by the CEO. EMS: All 17 operating facilities are ISO 14001 and EMAS validated. Corporate audits conducted every 18 months. Reporting: Detailed web-based CER. In 1995, STM publicly announced targets to be reached by decade's end. Participation: Member of the WBCSD, Sustainable Business Forum, and World Semiconductor Council ESH Task Force. STM leads European Electronic Components Manufacturers Association (EECA) task force to establish US EPA-style PFC reduction program.

Risk Factors:

Liabilities: Average. Open disclosure of soil contamination inherited from previous businesses. States remediation activities taken - some ongoing (e.g., monitoring). Toxic Emissions/Hazardous Wastes: Unknown, company specifics are not provided. Resource/Energy Efficiency: Above average. Energy cost savings in 1998 was \$12 M. States no energy conservation investment has taken more than 3 years to recover. Water consumption savings was \$5 M. Energy and water use down 22% and 31% since 1995. Market/Legal Risks: Slightly below average. General environmental risks from chip production. STM limits its noise emissions. Gases: Supports the World Semiconductor Council in its voluntary goal of 10% PFC reduction from 1995. STM will reduce its net CO2 emissions to zero by the 2010. Acknowledges Kyoto agreement. ODSs eliminated in 1993.

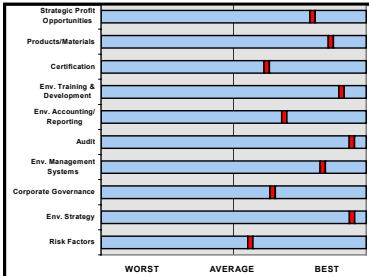
Eco-Efficiency Initiatives:

Waste minimization/recycling: Above average. Publishing technical documents on CD-ROMs reduced paper publications by 240 to 60 tons in two years. Paper use has decreased by > 35% during 1994-98. Since late 1997, > 90% of paper used is recycled paper; the next step is to use paper from environmentally certified forests. Promotes its waste materials for use in other industries. The company is moving toward 80% (by weight) recyclable, reused or biodegradable packing materials. No chlorine-whitened materials used. Present total reused and recycled packing waste is 87%. Aggressive chemical use recycling. Materials mgmt.: Above average. Activities include: LCA for products and processes; LCI (life cycle inventory) for facilities as required by one of their customers; and supplying product chemical composition to customers for DIE initiatives. 87% of its major suppliers are ISO 14001 certified and all encouraged to adopt STM EMS. Ecolabel: Not apparent.

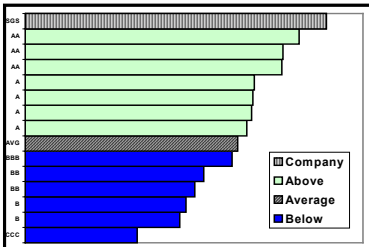
Strategic Profit Opportunities:

Strategy: Very proactive. Recognize variety of environmentally-oriented products are based on their semiconductor products. Environmental investments was 1.88% of total investments in 1998, 2.98% of 1997 investments. Opportunity: Moderate. Engagement will depend on outside industries recognizing environmental contribution of STM's products. However, STM's European client base should be more receptive to such opportunities. Green Business: Pursued directly and indirectly. STM sells recovered brass and glass powder from process waste. The auto sector uses the company applications inside engine management systems to reduce pollution by influencing emissions. Fuzzy logic chips reduce the energy used by appliances by almost 30%. Smartchips used in lighting decrease energy consumption and extend the life of fluorescent tubes.

Relative Environmental Performance:



EcoVALUE'21 Rating:



This chart shows the EcoVALUE'21 Rating relative to other companies in the sector. The rating represents Innovest's assessment of the company's overall eco-efficiency. This report is for information purposes and should not be considered a solicitation to buy any security. Neither Innovest Strategic Value Advisers nor any other party guarantees its accuracy or makes warranties regarding results from its usage. Redistribution is prohibited without written permission. Copyright ? 2000.

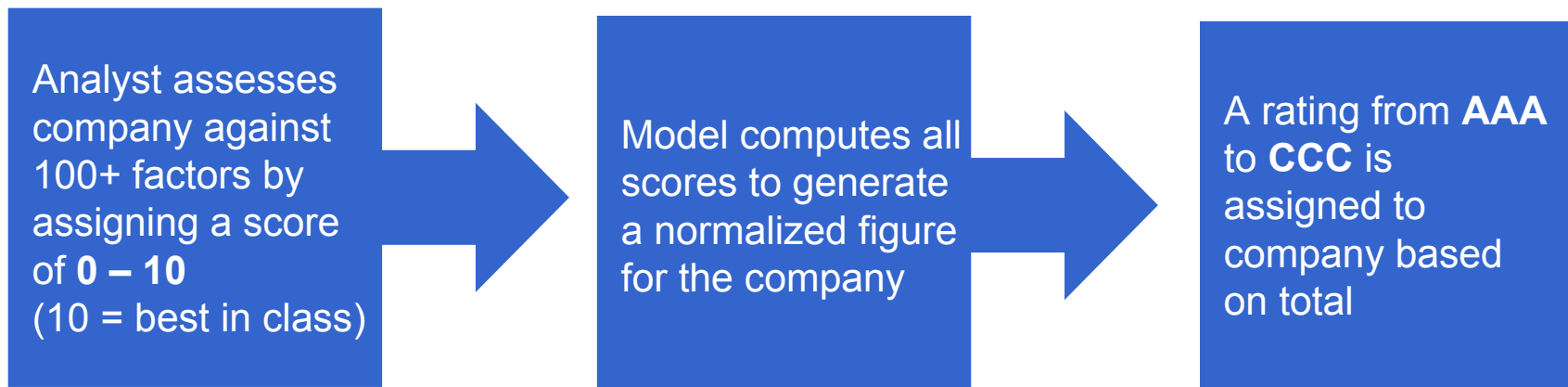
SGS	1995	1996	1997	1998	1999
Sales	\$3,521	\$4,023	\$3,862	\$4,429	\$4,814
Net Income	\$527	\$612	\$397	\$431	\$522
Working Capital	\$684	\$753	\$724	\$1,598	\$2,101
Long Term Debt	\$201	\$193	\$358	\$753	\$1,350
Common Equity	\$2,664	\$3,231	\$3,322	\$4,066	\$4,570
R.O.E	28.3%	24.4%	14.0%	12.0%	14.8%
Recent Price	High-52 Wk.-Low		EPS	P/E MRQ	
\$62.18	\$69.51	\$38.59	\$0.61	52.2	
Dividend	Div Yield	Book Val/ Share	Mkt Value (\$m)	Price/Book	
\$0.29	0.4%	\$5.26	\$44.626	12.8	

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*Research
Presented in
Condensed Format*

*Financial
Information*

*Representative
Graphs of Research
Presented*



Example: Pharmaceutical Sector

	Rating Matrix		Rank
	Score	Rating	
<i>Novo Nordisk</i>	1412	AAA	1
<i>Bristol-Myers Squibb</i>	1168	AA	2
<i>Pfizer Inc.</i>	982	A	8
<i>Abbott Laboratories</i>	748	BBB	12
<i>Watson Pharmaceuticals Inc</i>	514	BB	15
<i>Forest Laboratories</i>	100	CCC	18

Note: Figures in table above are indicative and not actual.

1 **Overview of Sector**

Analyst reviews general information on the sector which is being analyzed
Analyst determines major risks and opportunities of the sector, which will determine the focus of the analysis

2 **Collection of Data**

From Companies - Annual Reports, 10Ks, Environmental Reports, websites
From Government – EPA data, DOE data, other gov't data
From NGOs, other research organizations, and many other sources

3 **Preliminary Work on Rating Matrix**

Analyst fills in data and scores each of 60 factors in the rating matrix for each company in a sector

4 **Company Interview**

Analyst interviews each company, honing in on questions resulting from preliminary analysis

5 **Completion of Rating Matrix**

Analyst fills in data and scores each of 60 factors in the rating matrix for each company in a sector

6 **Reality Check**

Analyst defends final ratings in front of MD of Research or CEO

Rating Model

Reality Check

6

Analyst defends final ratings in front of MD of Research or CEO

Rating Matrix

Ticker	Company	Score	Rating	Rank
7203	Toyota Motor	1556	AAA	1
7267	Honda Motor	1529	AAA	2
VOW	Volkswagen Group	1454	AA	3
RNO	Renault SA	1304	A	4
UG	PSA Peugeot Citroen	1280	A	5
7201	Nissan Motor	1266	BBB	6
FIA	Fiat SPA	1266	BBB	7
F	Ford Motor Company	1258	BBB	8
DCX	Daimler Chrysler	1244	BBB	9
BMW	Bayerische Motoren Werke	1157	BB	10
GM	General Motors	1136	BB	11
7270	Fuji Heavy Industries	1132	B	12
7211	Mitsubishi Motors	1125	B	13
POR3	Porsche	1112	CCC	14

Final scores and ratings are discussed between the analyst and the MD of Research or the CEO for the final reality check.

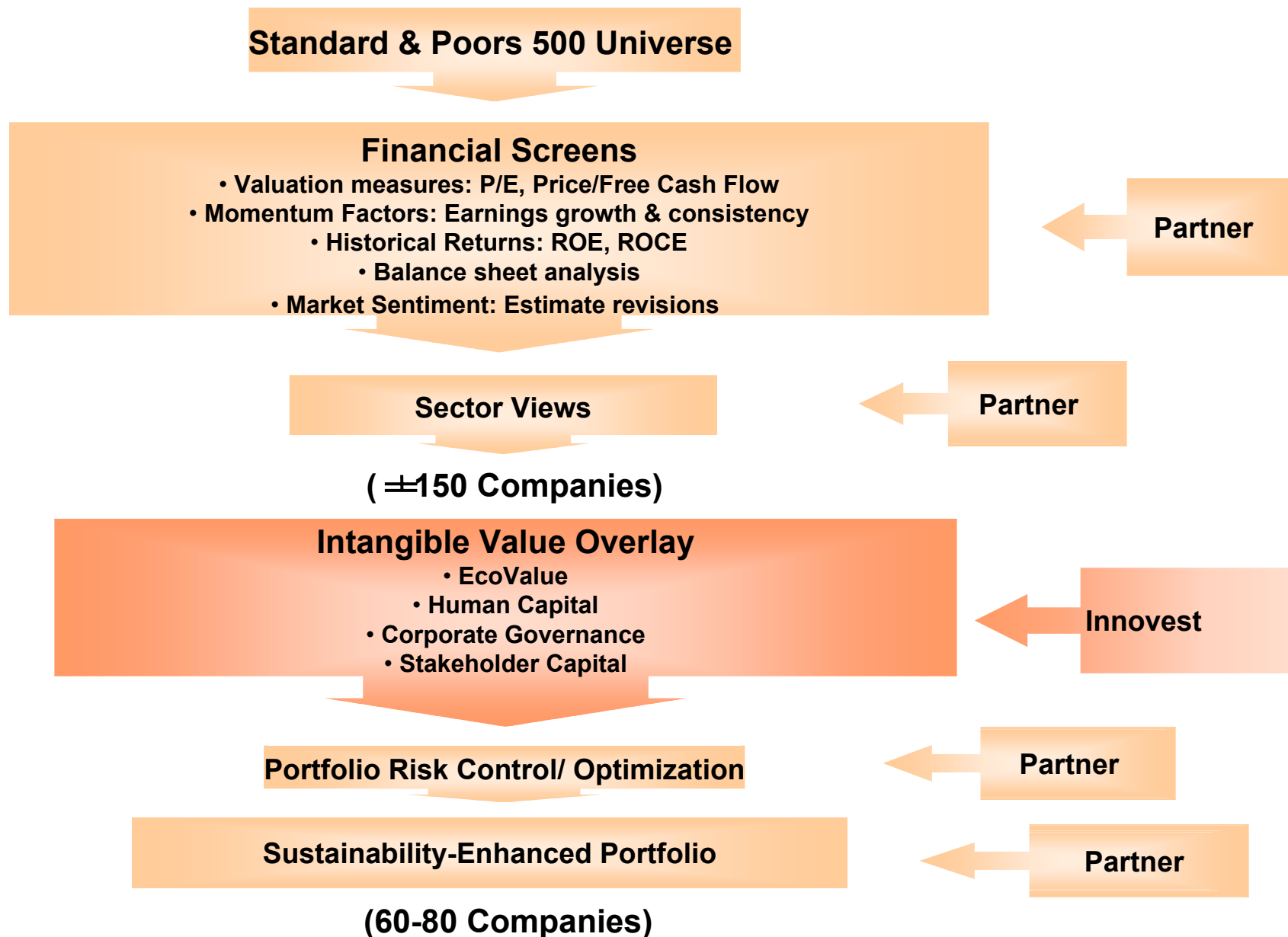
Analysts defend their analysis as would an analyst presenting to credit committee or investment committee.

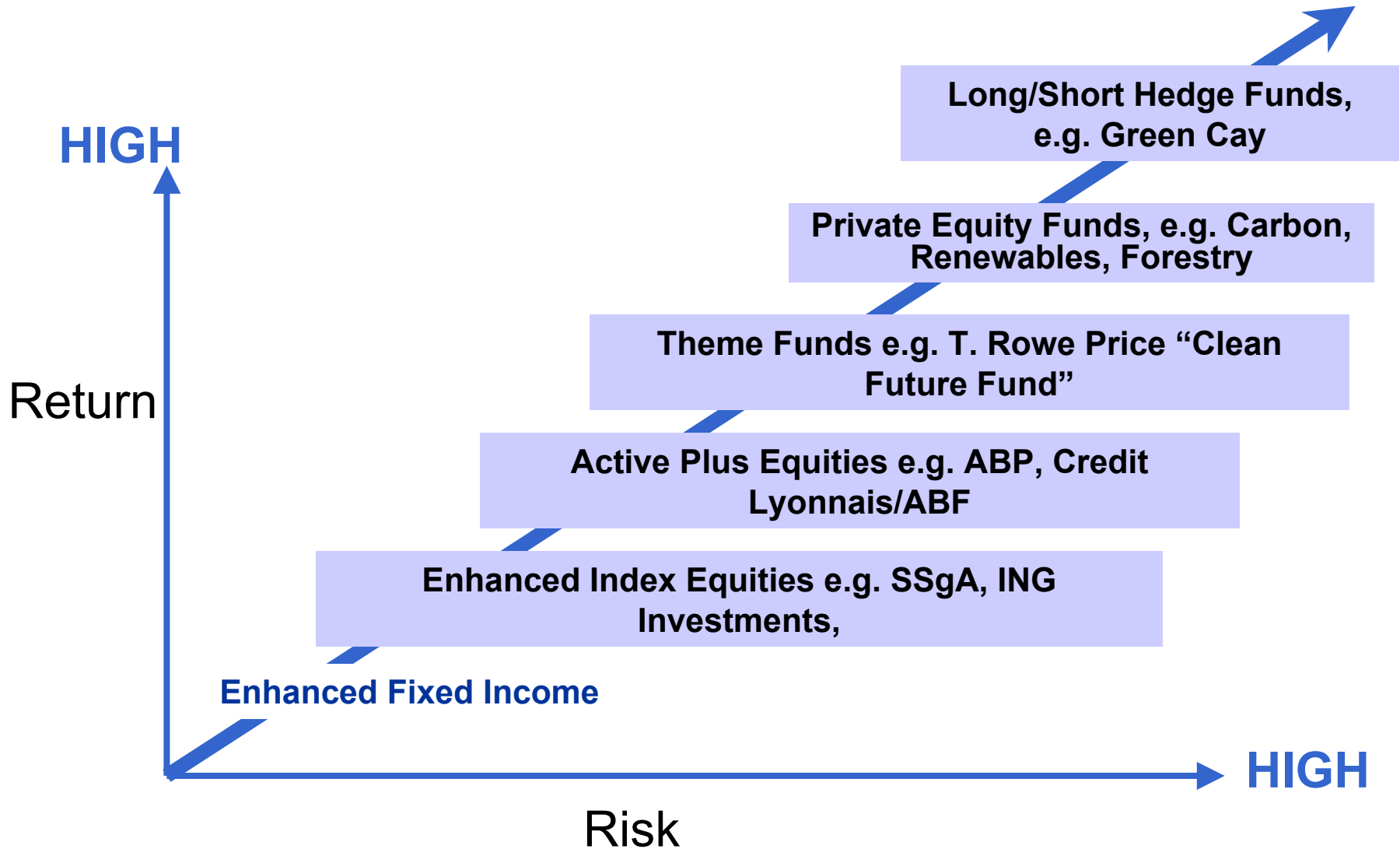
Ratings are made public via press releases and other means.

ANALYSTS TAKE THE PHONE CALLS, INCLUDING THE ONES FROM ANGRY INVESTOR RELATIONS REPRESENTATIVES AND CORPORATE ATTORNEYS!

Portfolio Construction: Integrating the Innovest Overlay

Innovest





The Eco-Efficiency Premium in the U.S. Equity Market

- Study by Erasmus University and Maastricht University, The Netherlands, October 2003
- Constructed 2 portfolios, one consisting of high-ranked companies and the other of low-ranked companies (U.S. companies only)
- Used a best-in-class approach on a sector by sector basis and remained sector-neutral overall
- Ran portfolios from May 1997 to December 2002
- Results:
 - **Best-in-class portfolio had annual return of 5.76%**
 - **Worst-in-class portfolio had annual return of 0.84%**
 - **Cumulative differential over the test period was about 30%**
- Conclusion: Eco-efficient companies as a group are already being rewarded in the marketplace

The principal objectives of this live simulation are:

- To verify empirically what if any effect the inclusion of social and environmental performance factors (SRI factors) have on the portfolios' risk-adjusted returns.**
- To ascertain which investment styles, capitalization levels, and sector tilts generate the greatest "SRI alpha".**
- To conduct the analysis in a live simulation format, so that none of the Client's assets will be at risk.**

- **Receive actual portfolio information from the custodians for 5 managers.**
- **Using Innovest ratings prevalent at the time, apply ratings to all rated companies in the portfolios.**
- **Use the optimizer to create 15 tilted portfolios using 12/31/2002 holdings (1Q2003), i.e. three tilted portfolios (Tilt = 50 bps, Tilt = 100bps, Tilt = 200 bps) for each of the 5 portfolios. The optimizer is set to maximize the Innovest rating (based on the alpha) subject to the constraints imposed.**
- **Compute and plot the performance of each tilted portfolio and its benchmark from January 2003 to December 2003.**
- **Repeat the process in Steps 1 through 8 for all 5 portfolios which exist for 2Q2003, 3Q2003, and 4Q 2003, creating 15 tilted portfolios per quarter.**

Client Portfolio Simulations - Example



Date of Portfolio Data from Custodian	Portfolio Manager	Company Name	Innovest EcoValue '21 Rating	Benchmark Weight	Constrained to current weight +/- 1.0%		Constrained to current weight +/- 1.0%		Constrained to current weight +/- 1.5%	
					Tilt = 50		Tilt = 100		Tilt = 200	
					Innovest Enhanced Weight	Over/Under Weight	Innovest Enhanced Weight	Over/Under Weight	Innovest Enhanced Weight Tilt = 200	Over/Under Weight
12/31/02	Manager 2	3 COM CORP COM	AA	1.66%	1.76%	0.10%	1.90%	0.24%	2.16%	0.49%
12/31/02	Manager 2	ABERCROBIE & FITCH CO		0.51%	0.51%	0.00%	0.51%	0.00%	0.51%	0.00%
12/31/02	Manager 2	ABITIBI-CONSOLIDATED INC	B	1.16%	0.97%	-0.19%	0.63%	-0.53%	0.00%	-1.16%
12/31/02	Manager 2	ACE LTD COM		1.69%	1.69%	0.00%	1.69%	0.00%	1.69%	0.00%
12/31/02	Manager 2	ADVANCED MICRO DEV	A	0.51%	0.52%	0.02%	0.53%	0.02%	0.45%	-0.06%
12/31/02	Manager 2	ALCON INC		0.92%	0.92%	0.00%	0.92%	0.00%	0.92%	0.00%
12/31/02	Manager 2	ALLMERICA FINL CORP		0.15%	0.15%	0.00%	0.15%	0.00%	0.15%	0.00%
12/31/02	Manager 2	ALLTEL COM		1.28%	1.28%	0.00%	1.28%	0.00%	1.28%	0.00%
12/31/02	Manager 2	AMERICAN INTL GROUP INC COM	BB	2.78%	2.54%	-0.24%	2.24%	-0.54%	1.28%	-1.50%
12/31/02	Manager 2	ARCHER DANIELS MIDLAND COM NPV	CCC	0.63%	0.27%	-0.36%	0.00%	-0.63%	0.00%	-0.63%
12/31/02	Manager 2	AT & T CORP	AA	0.71%	0.78%	0.07%	0.94%	0.23%	1.37%	0.66%
12/31/02	Manager 2	AVON PRODS INC COM	A	1.22%	1.25%	0.03%	1.31%	0.09%	1.44%	0.22%
12/31/02	Manager 2	BANCO BILBAO VIZCAYA ARGENTARI	CCC	0.57%	0.14%	-0.43%	0.00%	-0.57%	0.00%	-0.57%
12/31/02	Manager 2	BANK OF NEW YORK		0.67%	0.67%	0.00%	0.67%	0.00%	0.67%	0.00%
12/31/02	Manager 2	BARD	CCC	1.05%	0.63%	-0.42%	0.05%	-1.00%	0.00%	-1.05%
12/31/02	Manager 2	BECKMAN INDUSTRIES		0.38%	0.38%	0.00%	0.38%	0.00%	0.38%	0.00%
12/31/02	Manager 2	BERKSHIRE HATHAWAY INC		2.25%	2.25%	0.00%	2.25%	0.00%	2.25%	0.00%
12/31/02	Manager 2	BOISE CASCADE CORP COM \$US2.5	BB	0.48%	0.31%	-0.17%	0.12%	-0.36%	0.00%	-0.48%
12/31/02	Manager 2	BURLINGTON RESOURCES	BBB	2.98%	3.00%	0.02%	3.22%	0.24%	3.53%	0.55%
12/31/02	Manager 2	CANADIAN NATL RES	CCC	1.25%	0.94%	-0.31%	0.44%	-0.82%	0.00%	-1.25%
12/31/02	Manager 2	CARNIVAL CORP	A	0.90%	0.97%	0.07%	1.02%	0.11%	1.09%	0.19%

12/31/02 Portfolios

	Covered by		
	Portfolio	Innovest	%
Manager 1	53	38	71.7%
Manager 2	76	49	64.5%
Manager 3	189	116	61.4%
Manager 4	64	5	7.8%
Manager 5	45	35	77.8%

3/31/03 Portfolios

	Covered by		
	Portfolio	Innovest	%
Manager 1	60	41	68.3%
Manager 2	79	48	60.8%
Manager 3	232	151	65.1%
Manager 4	69	5	7.2%
Manager 5	44	37	84.1%

6/30/03 Portfolios

	Covered by		
	Portfolio	Innovest	%
Manager 1	65	44	67.7%
Manager 2	75	47	62.7%
Manager 3	232	154	66.4%
Manager 4	72	9	12.5%
Manager 5	44	38	86.4%

9/30/03 Portfolios

	Covered by		
	Portfolio	Innovest	%
Manager 1	64	42	65.6%
Manager 2	74	47	63.5%
Manager 3	253	183	72.3%
Manager 4	71	7	9.9%
Manager 5	42	39	92.9%

CCCERA Portfolio Simulations – Results

1Q 2002 through 4Q 2003

Innovest

**Annualized
cumulative net
return (bps)**

**Information
Ratio**

Manager 1

Tilt = 50 bps
Tilt = 100 bps
Tilt = 200 bps

3.2	0.06
19.9	0.20
72.5	0.36

Manager 4

Tilt = 50 bps
Tilt = 100 bps
Tilt = 200 bps

16.4	0.33
27.3	0.27
48.0	0.32

Manager 2

Tilt = 50 bps
Tilt = 100 bps
Tilt = 200 bps

10.1	0.20
23.3	0.23
82.6	0.41

Manager 5

Tilt = 50 bps
Tilt = 100 bps
Tilt = 200 bps

33.5	0.67
46.4	0.46
99.1	0.50

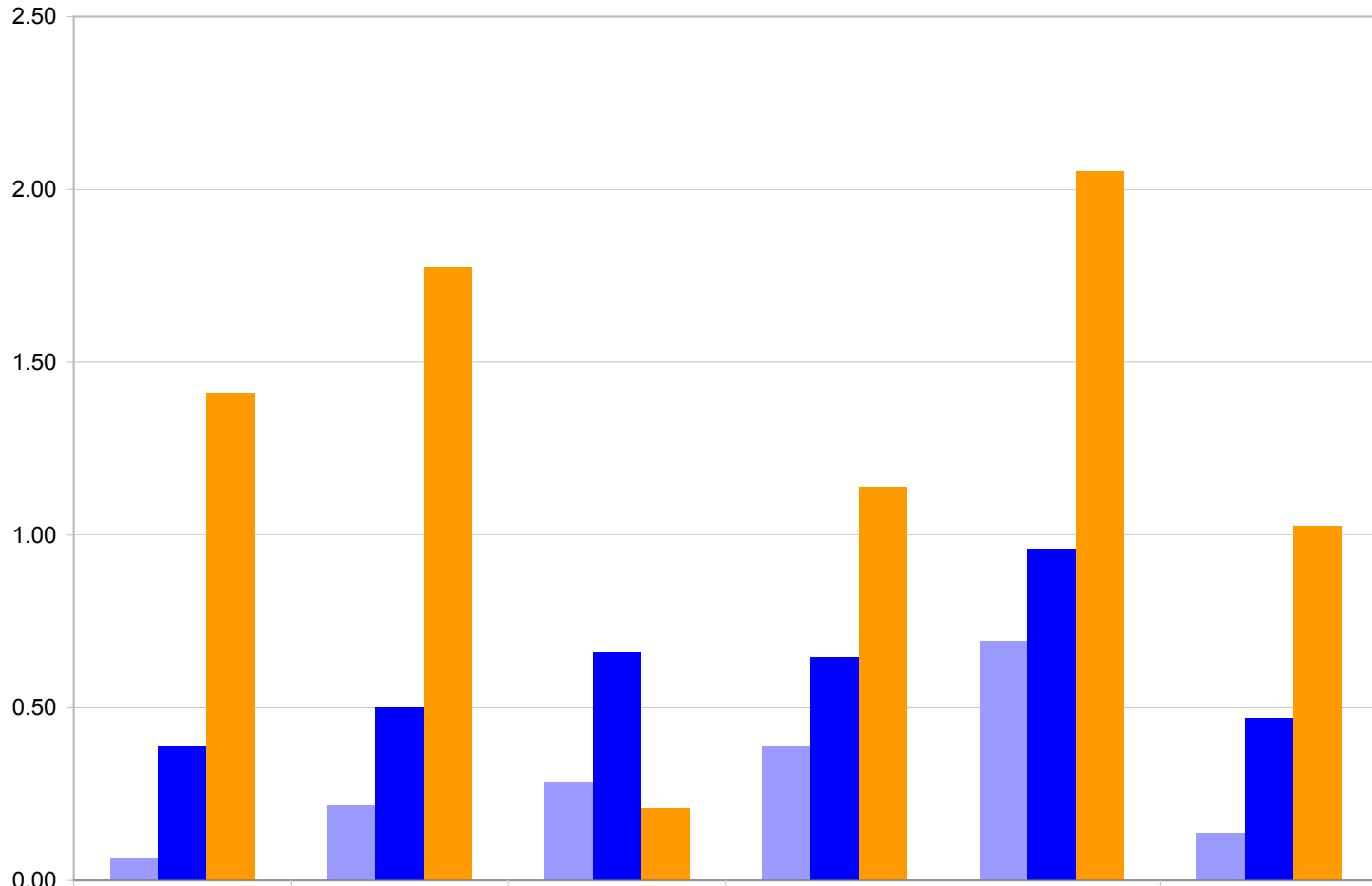
Manager 3

Tilt = 50 bps
Tilt = 100 bps
Tilt = 200 bps

13.5	0.27
31.6	0.32
10.0	0.05

Client Portfolio Simulations – Results

1Q 2002 through 4Q 2003



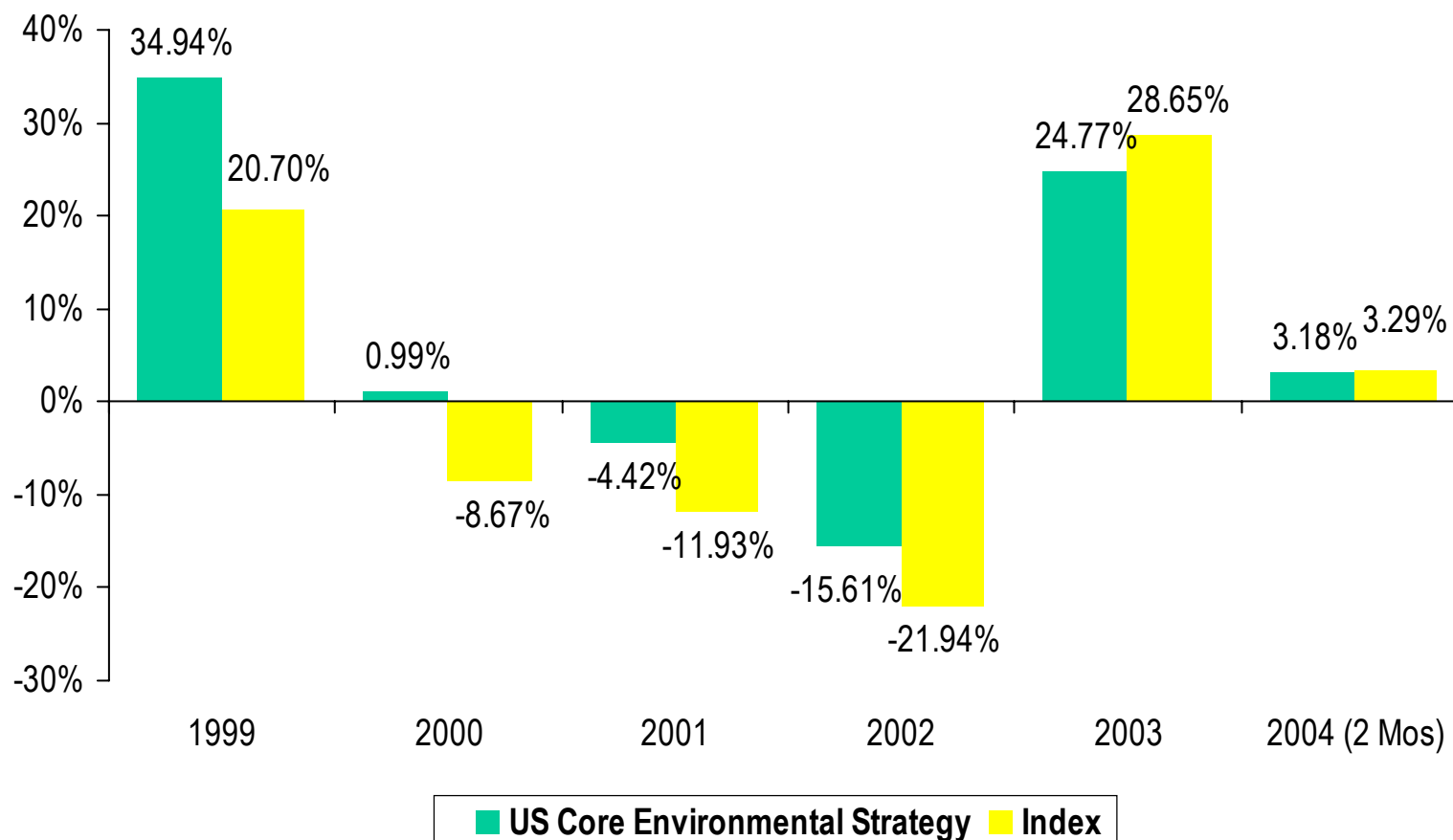
	Manager 1	Manager 2	Manager 3	Manager 4	Manager 5	Average
1Q - 8Q Tilt = 50	0.06	0.22	0.28	0.39	0.69	0.14
1Q - 8Q Tilt = 100	0.39	0.50	0.66	0.65	0.96	0.47
1Q - 8Q Tilt = 200	1.41	1.77	0.21	1.14	2.05	1.03

Simulation conducted using SSgA Active Quantitative strategy in combination with Innovest Environmental Research

- Selected stocks within each industry with the highest return potential while satisfying all the investment constraints
- No companies were excluded from the eligible universe
- Stringent risk controls
 - Neutral to market, value/growth, and large/small biases
 - Maximum active security weight +/- 2.0%
 - Maximum tracking error 5.0%
 - Active Industry weights +/- 3.0%
- Investable universe: Russell 1000
- Benchmark: S&P 500 Index
- Turnover of less than 100% per annual (one-way)
- Transaction cost assumed to be 2% per year
- Testing period: January 1998 to February 2004

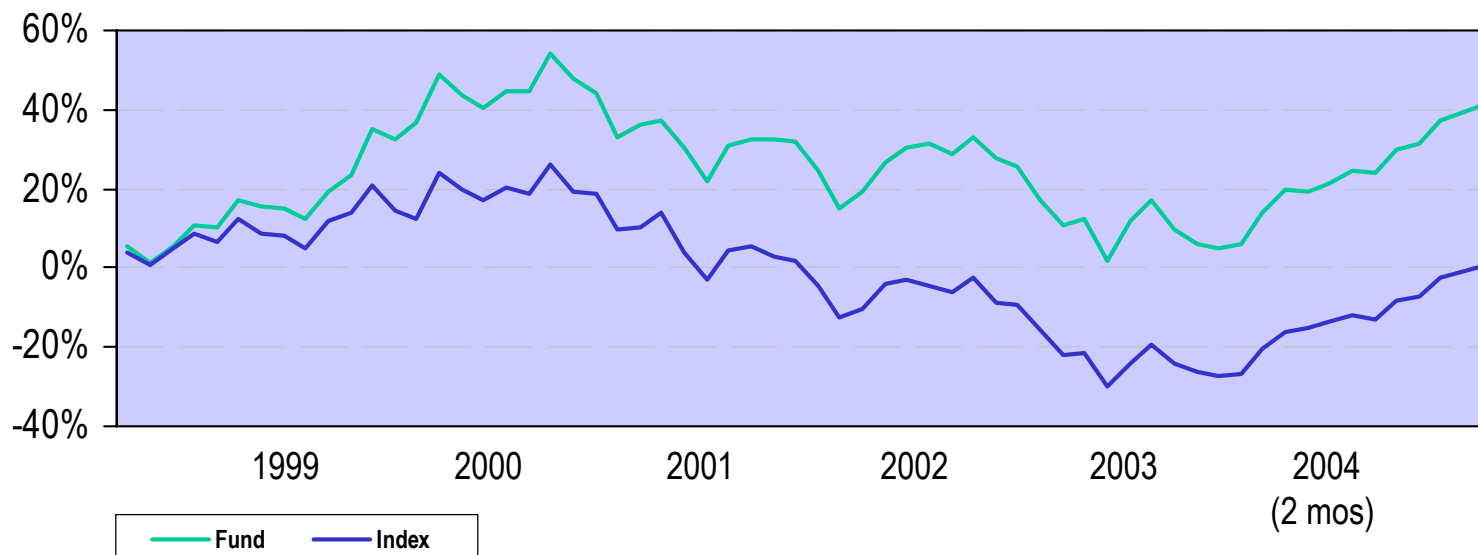
- **Environmental alpha has power as a stand-alone factor to determine future stock returns over the testing period (December 1998 to February 2004)**
- **Over the simulation period:**
 - **Average Innovest rating of S&P 500 Index was BB while average rating of US Core Environmental Strategy was AA**
 - **US Core Environmental portfolio produced an annual excess return of 6.82% (IR=1.35%), over the benchmark (S&P 500 Index), net of transaction costs**
 - **Environmental inputs added 1.88% annually and 12.4% cumulatively over the study period relative to the “baseline” portfolio without Innovest data**

Other Research of Interest - SSGA



The performance shown does not represent actual performance, but is hypothetical performance created through a back-test. The results shown do not represent the results of actual trading but were achieved by means of the retroactive application of a hypothetical model that was designed with the benefit of hindsight. These hypothetical results should not be considered indicative of the skill of the adviser. Historic performance is not necessarily indicative of future performance, which could differ substantially. The performance figures are reported on a gross basis, but net of transaction and custody charges. Additional fees, such as the advisory fee, would reduce the return. For example, if an annualized gross return of 10% was achieved over a 5-year period and a management fee of 1% per year was charged and deducted annually, then the resulting return would be reduced from 61% to 54%. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars. The S&P 500 is an unmanaged index of common stocks which assumes the reinvestment of dividends and distributions. It does not include any management fees or expenses. One cannot invest directly in an index. The trademark is property of Standard and Poor's.

Incorporating environmental with financial inputs yields impressive results



Performance Results	Comp Return	Annual Return	Cum Ex Rtn	Annual Ex Rtn	Tracking Error	Info Ratio	Monthly Hit Ratio	Annual Hit Ratio
US Core Env.	41.52%	1.72%	40.82%	6.82%	5.04%	1.35	64.52%	80.00%
S&P 500 Index	0.70	0.13						

Economic Benefits of Certification Programs

- Study by Center for Environmental Research & Conservation at Columbia
- Among other subjects, investigated financial market reactions to sustainability performance, including **fixed income markets** (for which Innovest ratings were used)
- Conclusion:
 - Companies in industries rated by Innovest as having as least environmental impact had on average a **50 basis points lower spread over Treasuries** than companies in the industries with the highest environmental impact.
 - Companies rated in the top half in their industry had on average a **34 basis points lower spread over Treasuries** than companies rated in the bottom half of that industry (of those companies and industries for which data was available and gathered).
 - A portfolio of corporate bonds of companies rated highest by Innovest in each of the industries analyzed has a **spread over Treasuries of 40 basis points lower** than a similar portfolio of corporate bonds of companies rated lowest in each of the industries analyzed.
 - **There was no correlation between the Innovest company score and the bond rating** (pearson correlation coefficient = 0.093).