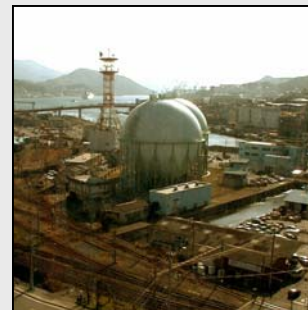
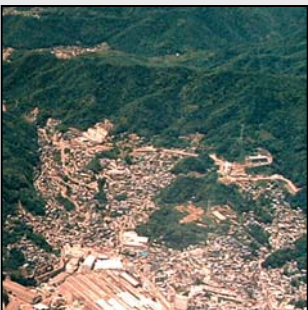


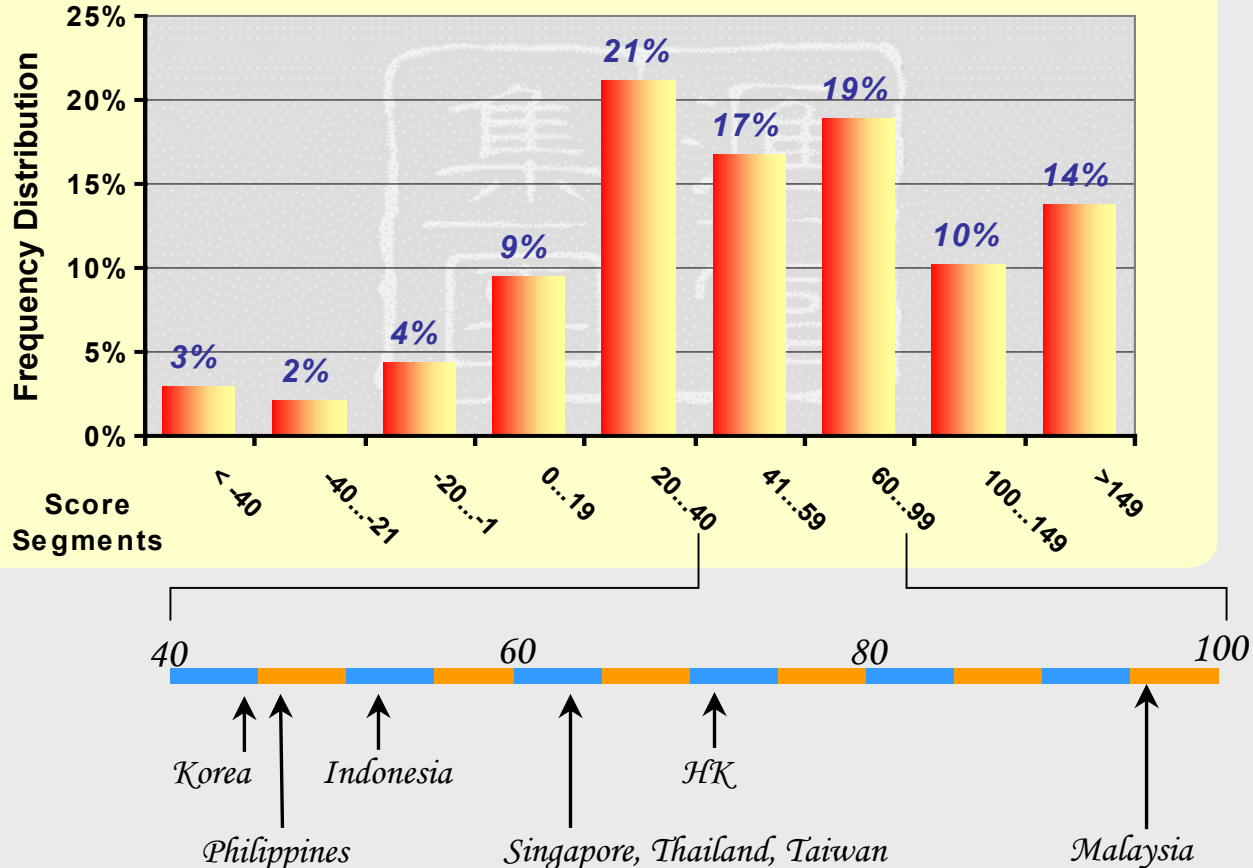
SRI Risk Factors

by Kingsway Fund Management Limited

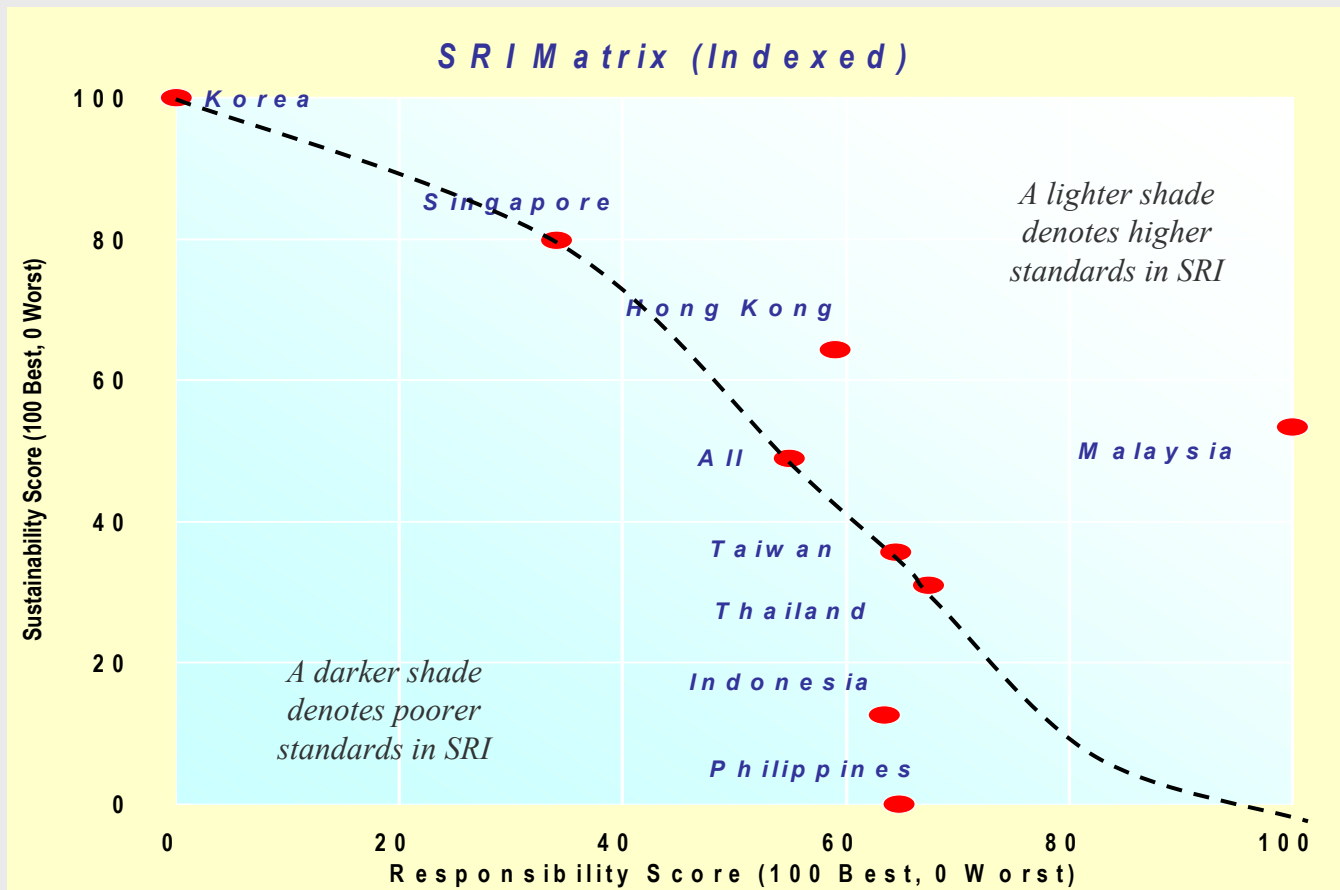


- ▀ Kingsway is a SRI fund manager based in Hong Kong
- ▀ Ongoing project to 'map' the Far East excluding Japan region in terms of SRI factors began in 2002.

Evaluation Score (Surviving Companies)

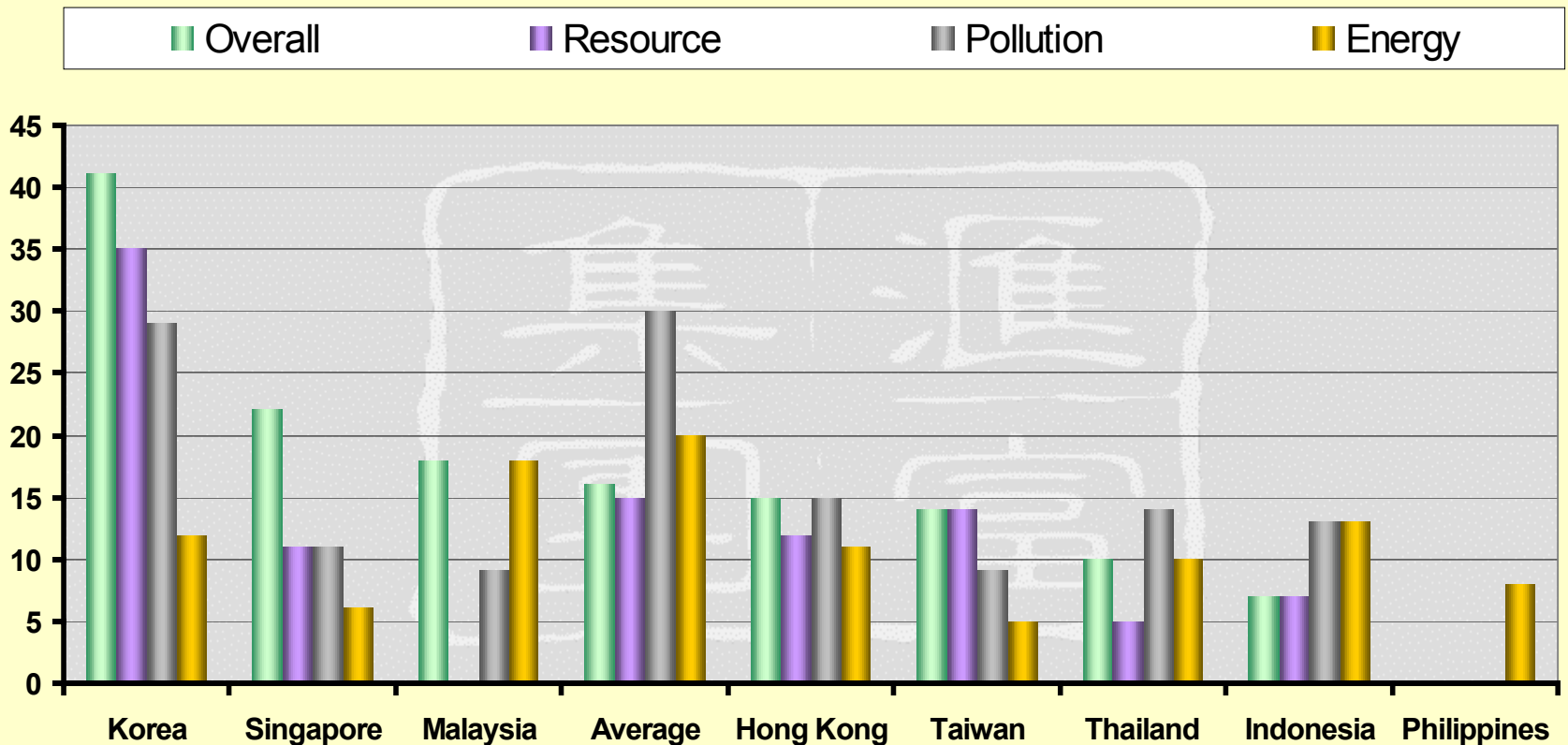


▶ We study companies separately based on Sustainability and Responsibility factors

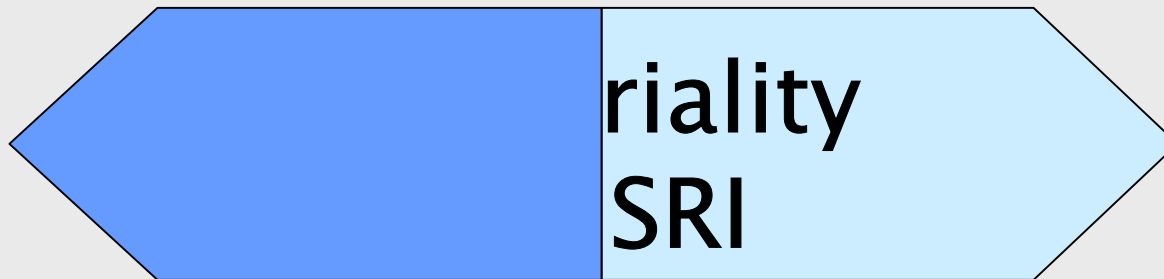


- Over time Kingsway intends to build up a comprehensive database of Asian companies
- This will cover multiple SRI attributes.

Percentage of Advanced Companies in Sustainability



- ▀ In the SRI business because we believe SRI factors do make a difference.
- ▀ While SRI's aim is to accelerate corporate acceptance of sustainability and social responsibility issues....
- ▀ It is a viable business model (in Asia anyway) only if a case can be made to investors that it is a proper investment methodology.



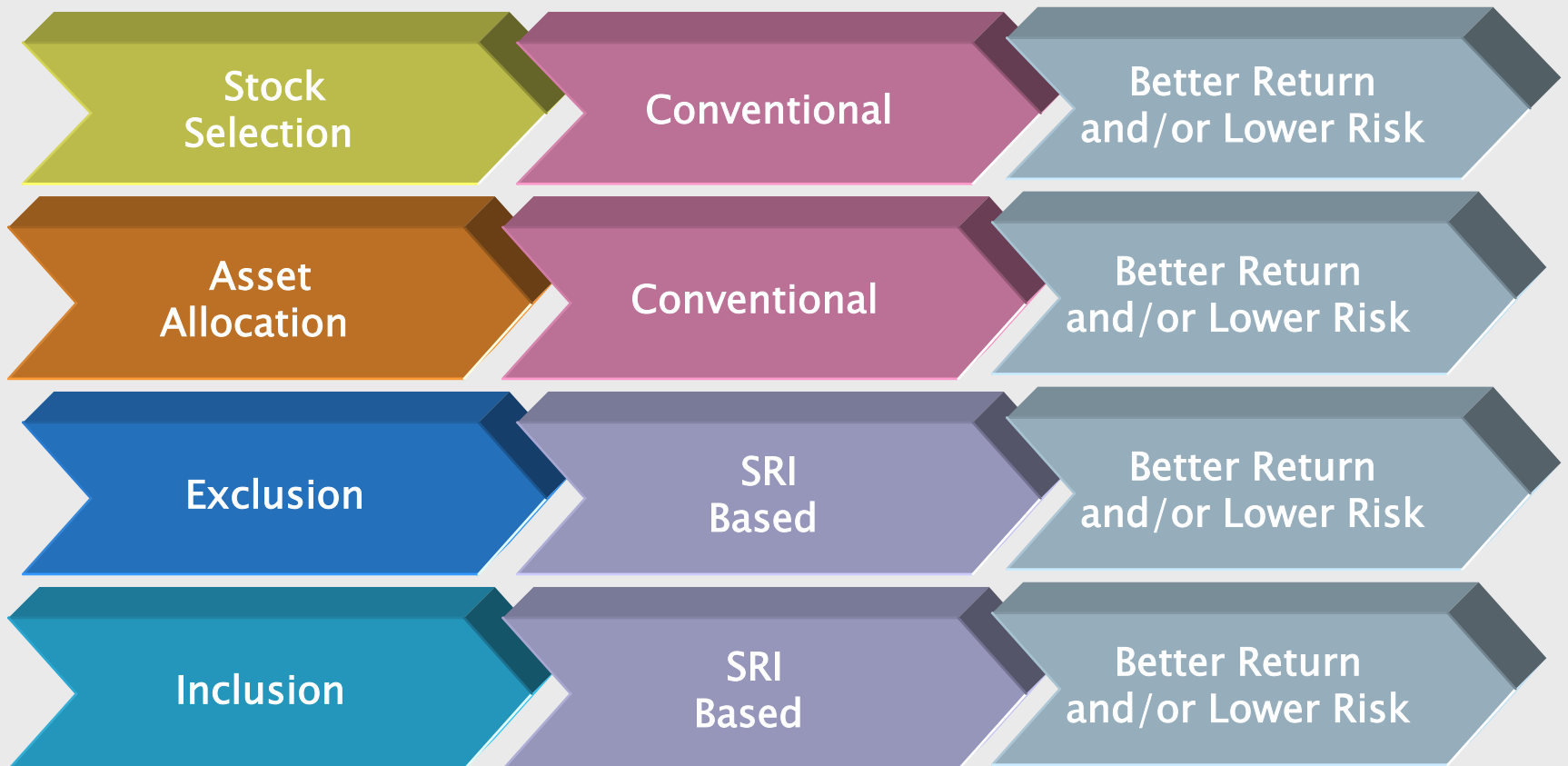
Impact on
Investor's
Profitability



Impact on
Accelerating
Evolution



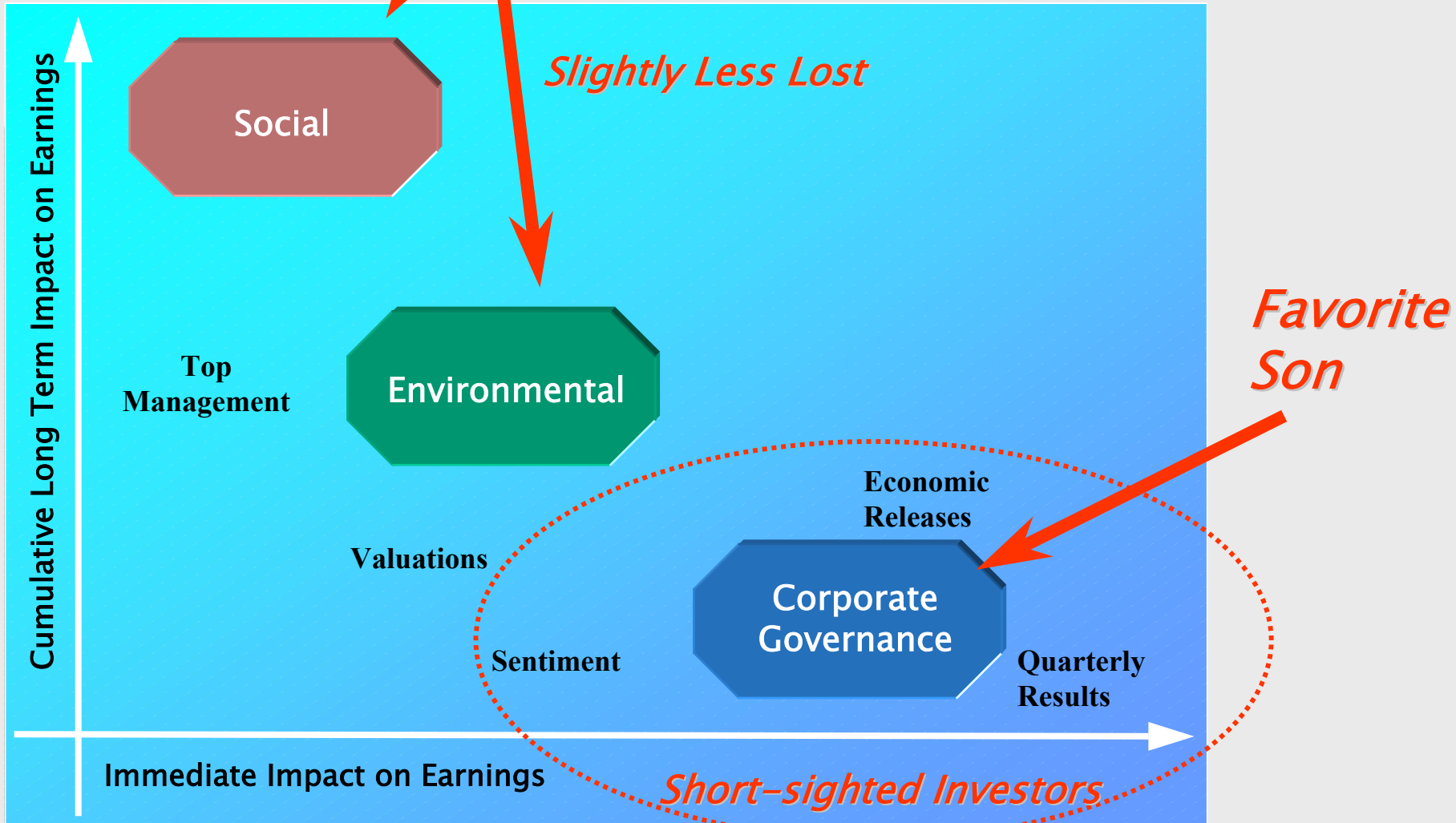
- ▀ Different performance enhancing strategies work by constraining the universe into a portfolio.
- ▀ SRI strategies work in the same way and investors need to appreciate this.



Governance

- Good **Corporate Governance** allow companies to command higher valuation levels and everyone has already been shocked into accepting its importance
 - Good Disclosure practices reduce chances of sudden investor disenchantment.
 - Good Corporate Governance practices increase the attractiveness of a company because of the focus on adding value for minority shareholders.
 - Both lower the risk of fraud.

The Lost Cousins



Ecological

▀ Sustainability Programs afford many advantages:

Negative
regulatory
changes

- Insulation from regulatory changes. New guidelines or stricter enforcement of existing regulations introduced will impact laggard companies.

Consumer
boycotts

- Companies that ignore increasingly environmentally conscious customers may face boycotts for practices such as unnecessary animal testing

Lost cost
savings

- Improvements in eco-efficiency or resource usage can lead to significant cost savings.

Miss
growing
markets

- Products aligned with SRI principles are most likely to face greater future demand, higher margins and market share – e.g. organic farming / ES light bulbs.

Social

▀ **Social Responsibility** is often given low priority but is just as important:

Litigation

- Affords protection against litigation events. Tobacco companies are already facing billions of dollars in compensation and out-of-court settlements. Western companies face thousands of civil suits for racial and sexual discrimination each year. (MSDW)

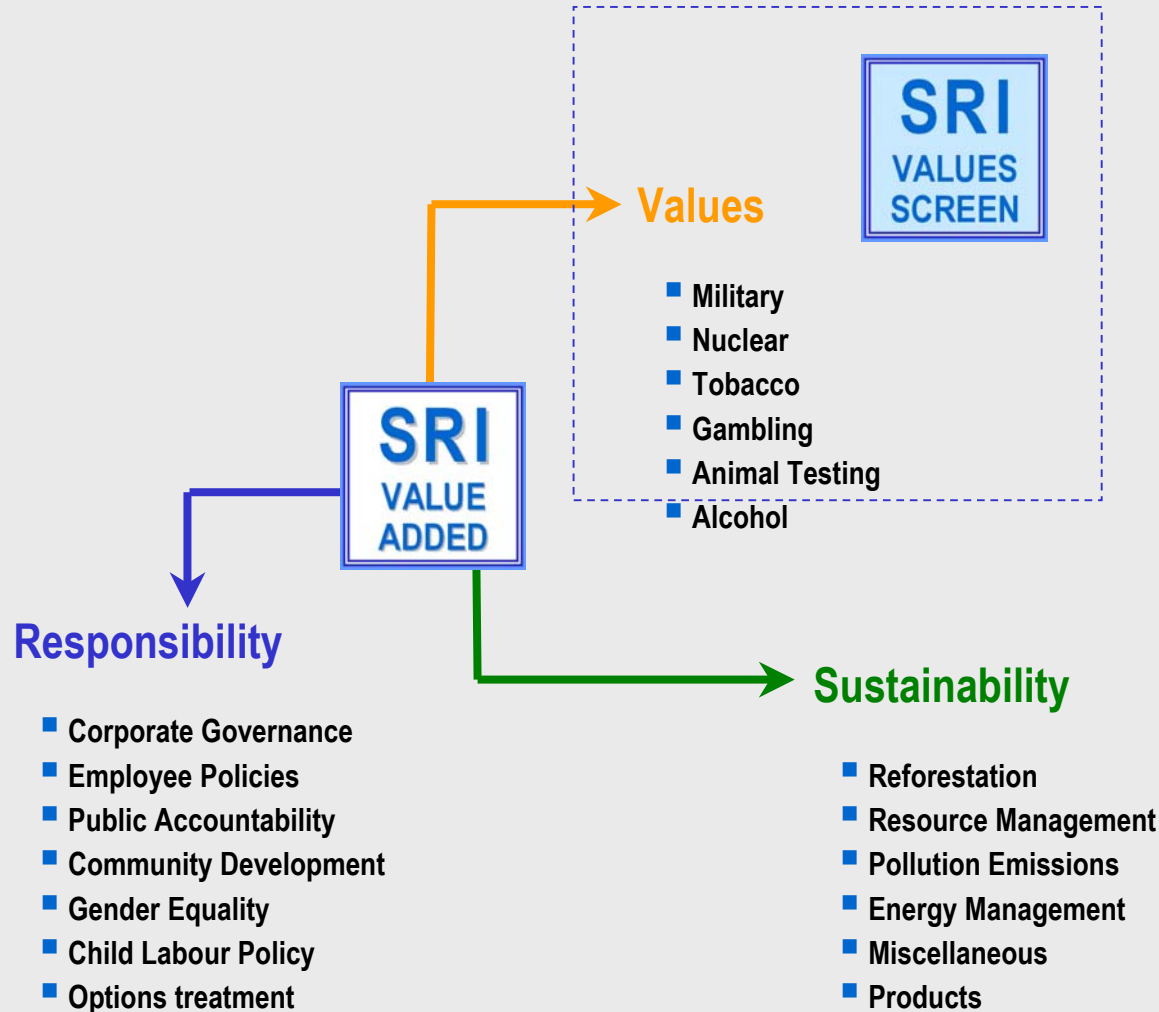
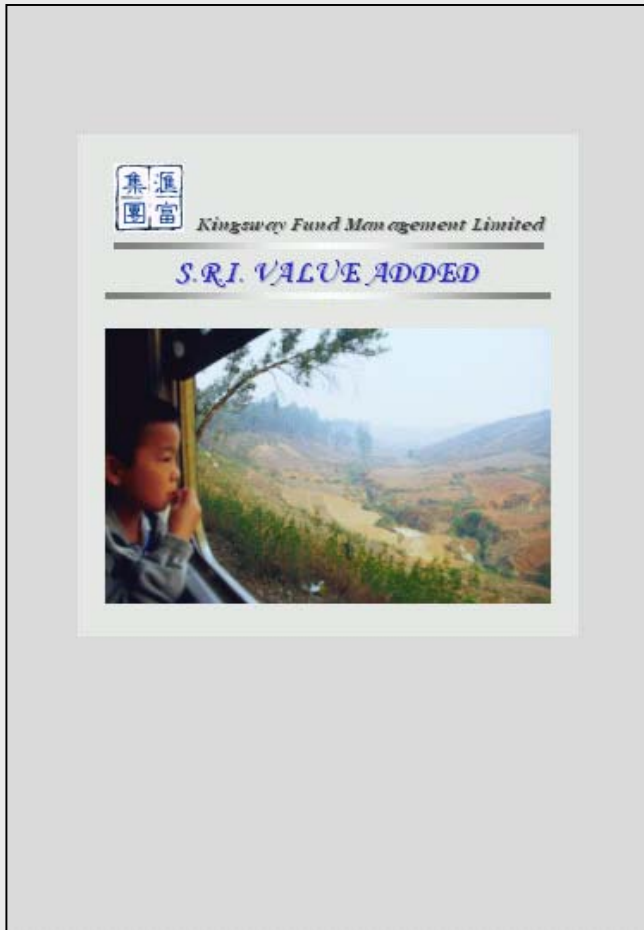
Lost efficiency

- Companies with forward looking employee policies and workplace conditions will achieve greater employee loyalty and productivity.

Strikes

- Recent 10 Day strike at Hyundai cost production of 19,000 vehicles = won 260 billion revenue

That is why Corporate Governance is only 1 of 19 factors considered by Kingsway in its SRI Value Added methodology:



- ▶ On the minus side, one factor to take note of is the increased 'risk' in terms of tracking error verses traditional indices.
- ▶ Many SRI friendly companies, like those in water reclamation, recycling and environmental consulting are very small.
- ▶ This gives a small-cap bias which can lead to multi-month periods of out/under-performance.
- ▶ Sometimes trading volume can be a problem for bigger funds.

un-Sudden Impact

- ▶ The Global economy and market place are evolving at an accelerated pace.
- ▶ Some SRI factors are wrongly perceived to be irrelevant because of their indirect or long term effects.
- ▶ Their relevance is material as long as we believe that the world is moving in the 'right' direction.
- ▶ The majority of SRI factors are markers showing how fast companies adapt, how progressive they are overall.



No Equal Opportunity Litigation in Asia?

Women in positions of Corporate Importance

Category	Percent of our Surveyed Companies	Description
A	5%	at least 30% representation at board AND division head levels
B	22%	at least 30% representation at board OR division head levels
C	40%	C = Some but cannot satisfy B
D	34%	D = NO women board members or division heads

Looking Deeper under the Surface

Women in positions of Corporate Importance

Category	CEO pay too much or not disclosed	Recently Investigated
A	0.0%	0.0%
B	6.1%	3.0%
C	21.3%	6.6%
D	46.2%	11.5%

the END

Thank you for your Attention

For more insight on SRI
in the Asian Corporate
world, ask for this

