

<https://blog.en.erste-am.com/saving-the-world-with-an-impact-fund/>

Saving the world with an impact fund?

Walter Hatak



Can sustainable investment change the world? What is impact investing, and what does Erste AM offer in this respect? Do only sustainable investors make an impact, or do all investments have an impact on the future?

Impact funds - the cherry on the cake of sustainable investing?

For a long time, it would be up to the investment companies to judge whether a fund was an impact fund or not. This came with the upside of being able to create innovative, new products and the downside of green-washing by copycats. Since the coming-into-effect of the disclosure regulation, this exercise has now been largely standardised on the basis of a classification system. The goal of so-called "article 9 funds", in simple terms, is to generate a positive impact for society. It sounds great, but what is the fine print?

The impact has to be measurable and visible

We subject our impact funds to an annual impact screening by external sources. In it, the impact the assets invested in the fund have had over the year is assessed. In order for us to be able to report a positive impact, the selection of the right assets is crucial. This may be the shares of companies that offer solutions against climate change, or green bonds, or climate awareness bonds that fulfil our sustainability criteria. Impact does not necessarily mean environmental topics; social issues like job creation in developing countries through micro loans also play an important role for Erste AM.

What was my impact?

Maybe you are now asking yourself what your personal impact on the basis of your investment in our funds is? Whereas your financial impact translates into your depositary account statement, the social or environmental impact requires more work. In order to free you from this work, we want to create an impact calculator on our website that is accessible to everyone. There, you can follow an exemplary case of investing in companies via our latest impact fund, [Erste Green Invest](#), and finding out how you participate indirectly in the impact of these companies.

And the other funds have no impact?

From our point of view, every investment decision has an impact that can be either positive or negative and that should be measured regardless of the product line the respective investment belongs to. For this reason, we were the first investment company in Austria to sign the Montréal Carbon Pledge in 2015, and we publish an annual CO₂ footprint of all mutual funds on our website. It fills us with pride that we have consistently been below the overall market average in terms of CO₂ emissions since the beginning of measurements, not the least due to our minimum standards implemented across the company. In addition, we have also published our water risks since 2017 in our sustainable equity funds and have expanded the calculations to include fixed income funds for the first time this year.

Impact through engagement and voting

The provision of capital to achieve a positive impact is not the only way an asset manager can influence a company. The impact that can be facilitated by corporate dialogue ("engagement") and the exercising of voting rights is of equal importance. Here, we have managed to team up with like-minded investors and to convince the Management of an Austrian company to include CO₂ reduction targets into its remuneration scheme. We will shortly publish details in our voting and engagement report for 2020.

A bathtub full of CO₂

Bill Gates has recently compared the problem of greenhouse gases with a bathtub. Even if we manage to reduce emissions drastically, the water tap will still be on and water will continue to fill the bathtub until it spills over one day. Climate neutrality therefore has to be the declared goal, which means to think about one's own

footprint on a day-to-day basis. It also means we have to use impact funds to invest in those companies and projects that contribute decisively to turning off the water tap once and for all.

Legal note:

Prognoses are no reliable indicator for future performance.

⚠ Risk notes according to 2011 Austrian Investment Fund Act

ERSTE GREEN INVEST may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

Legal disclaimer

This document is an advertisement. All data is sourced from Erste Asset Management GmbH, unless indicated otherwise. Our languages of communication are German and English.

The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH, pursuant to the provisions of the AIFMG in connection with the InvFG 2011.

The fund prospectus, Information for Investors pursuant to § 21 AIFMG, and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com within the section mandatory publications or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com. A summary of investor rights is available in German and English on the website www.erste-am.com/investor-rights as well as at the domicile of the management company.

The management company can decide to revoke the arrangements it has made for the distribution of unit certificates abroad, taking into account the regulatory requirements.

This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation, and risk appetite. Past performance is not a reliable indicator of the future performance of a fund. Please note that investments in securities entail risks in addition to the opportunities presented here. The value of shares and their earnings can rise and fall. Changes in exchange rates can also have a positive or negative effect on the value of an investment. For this reason, you may receive less than your originally invested amount when you redeem your shares. Persons who are interested in purchasing shares in investment funds are advised to read the current fund prospectus(es) and the Information for Investors pursuant to § 21 AIFMG, especially the risk notices they contain, before making an investment decision. If the fund currency is a currency other than the investor's home currency, changes in the corresponding exchange rate may have a positive or negative impact on the value of his investment and the amount of the costs incurred in the fund - converted into his home currency.

Please consult the corresponding information in the fund prospectus and the Information for Investors pursuant to § 21 AIFMG for restrictions on the sale of fund shares to American citizens. Misprints and errors excepted.



Walter Hatak

Head of Responsible Investments, Erste Asset Management