

07 September 2016

## **First fund tracking innovative resource efficiency index launches**

By Peter Cripps

An innovative index that comprises companies that are efficient in relation to the consumption of energy, food and water (EFW) has licensed its first fund.

The EFW Efficiency Index will be tracked by a UCITS fund managed by IFM and Novum Asset Management and launched in Liechtenstein. First countries for distribution will encompass Switzerland and Germany, others will follow.

The index, which was developed by EFW Swiss at the start of 2014, launched a hunt for a fund in November 2015.

The fund will open for subscriptions from 28 September and its first 'value day' will be on 3 October. It will have both retail and institutional shares.

Benjamin Ergas of EFW Capital Advisors, which is affiliated to EFW Swiss, told Environmental Finance that he is convinced the fund will attract between \$30 million and \$50 million in the near future.

And he also forecasts that other funds replicating the index through licensing will launch in other countries such as the UK.

The index has been designed to provide investors with exposure to stocks set to benefit from two megatrends – natural resources scarcity and climate change.

It starts with a universe of 4,000 liquid stocks with more than \$1 billion each in market capitalisation, listed on OECD exchanges.

These companies are broken down into five categories: producers of energy, food or water, suppliers of EFW solutions, or EFW consumers.

It uses data from Trucost, Bloomberg and Sustainalytics.

A methodology, referred to as the EFW Efficiency scorecard, is then used to whittle these down to 150 'best in class' companies.

The index, which is calculated by the German firm Solactive, has outperformed its benchmarks in recent years. Between 1 January 2014 and the end of June 2016, it has

returned 15.9%. This compares with 6.4% for the MSCI World, 6.7% for the MSCI World ESG, 4.5% for the MSCI ACWI, and minus 2.9% for the Dow Jones Sustainability Index.

Ergas said the EFW efficiency identified by the index is “a proxy for forward-looking, disciplined management teams”.

He added that the algorithms used to pick the stocks allow it to “truly recognise the best prepared, most operationally efficient, successful companies”. For example, this allows it to overweight best in class companies operating in areas where resources are scarce.

Top 10 holdings, as of 30 June:

1. General Mills, food producer, 1.6%
2. Aqua America, water producer, 1.5%
3. Pepsico, food producer, 1.5%
4. American Water Works, water producer, 1.5%
5. Consolidated Water, water producer, 1.4%
6. Questar Corporation, energy producer, 1.3%
7. Harley Davidson, EFW consumer, 1.3%
8. Woodside Petroleum, energy producer, 1.2%
9. Generac Holdings, EFW supplier, 1.2%
10. Brambles, EFW consumer, 1.2%