Investment Insight

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As easy as ESG. *Environmental, Social and Governance (ESG) criteria is a set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits and internal controls, and shareholder rights. Investors who want to purchase securities that have been screened for ESG criteria can do so through socially responsible mutual funds and exchange-traded funds. In* ***The Inside Track*** *we take a closer look.*

Over-crowding: *As stock markets become increasingly influenced by systematic/computer based funds, it is more important now than ever to understand the underlying fundamentals of these strategies. The old-school approach of investing based on fundamentals puts some manners on the decisions we make and tries to help investors avoid investing at too high a price. Following the herd can really pay off when the market has momentum. The more investors buying shares as the market rises, the further share prices will tend to climb. On the other hand, as a trade becomes more "crowded", the more painful the fall as investors rush to sell. In* ***Pic of the Week*** *we shed some light on those stocks that are heavily owned and are benefitting from the recent market momentum.*

Quoted...

"The stock market is a device for transferring money from the impatient to the patient." – Warren Buffett

The Inside Track

A recent report from asset manager, Robeco, sees the theme of sustainability as a long-term driver for change in markets, countries and companies, thus impacting long-term investment performance. The concept has come a long way, and the following excerpts from Robeco's analysis provides a quick history lesson.

The concept of investing sustainability began in the 1970s, though its true origins date back even further as objections to slavery in the 18th century: in 1758, the Religious Society of Friends (the Quakers) barred its members from participating in the slave trade. In the later 20th century, religious objections to certain forms of investment that were considered unethical took a different vein. Christian groups controlling shareholdings refused to invest in the shares of companies making products which became known as 'sin stocks', led by alcohol, tobacco and gambling – introducing the concept of exclusions.

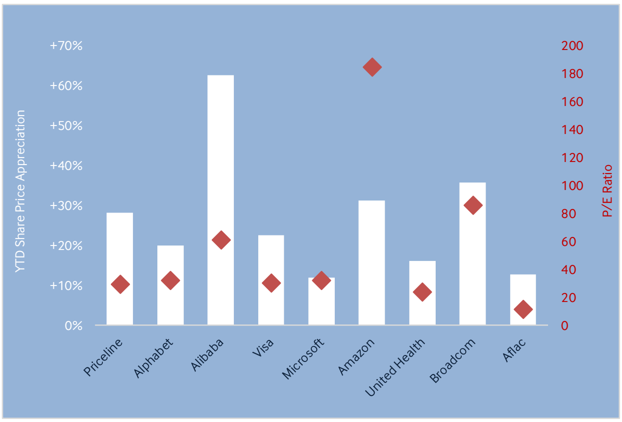
Sustainable investing also emerged as an environmental crusade in the1970s to try to preserve the earth's resources. Pressure groups such as Greenpeace and Friends of the Earth began to pressure governments and companies to cut pollution, recycle waste and look for alternative sources of renewable energy away from fossil fuels.

In the 1990s, the concept of sustainable development turned into 'sustainable investing'. At first, investors struggled to define it: former definitions have included 'ethical investing', 'green investing', and the wider 'socially responsible investing' (SRI). In moving from a niche concept to a mainstream strategy, a broader and more inclusive brush was used. A new acronym was coined to better describe the mission of investors: to consider Environmental, Social and Governance (ESG) factors in how government or companies operate before deciding whether to buy their stocks or bonds.

The European Sustainable Investment Forum (Eurosif), a pan-European organization dedicated to promoting sustainability in financial markets now defines integrated sustainability investing as: "... the explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision."

Pic of the Week

The following list compiled by UBS illustrates the year-to-date share price performance and the P/E ratio of the 9 stocks most "crowded" with US active fund managers. However, as both metrics illustrate to some extent, these are not cheap stocks. More to go or watch out below?



Market View

	Last 7 days	Last 12 mths	YTD	5Y Ann.
Global equities	+0.1%	+19.2%	+8.6%	+10.4%
US equities	-0.6%	+16.9%	+8.1%	+12.2%
European equities	-0.6%	+18.0%	+6.4%	+8.5%
EM equities	+0.3%	+23.2%	+17.4%	+1.5%
Irish equities	-3.8%	+22.1%	+4.7%	+16.7%
Commodities	+2.5%	-5.6%	-7.1%	-9.7%
Hedge funds	-0.1%	+7.5%	+2.6%	+1.9%

Economic indicators	*Bond yields*	*Inflation*	*GDP YoY*
Ireland	+0.8%	+0.2%	+7.2%
Germany	+0.4%	+1.6%	+1.7%
USA	+2.3%	+1.9%	+2.1%
China	+3.5%	+1.5%	+6.9%

Currencies	*Current*	*YTD Δ*
EUR:USD	1.14	+8.7%
EUR:GBP	0.88	+3.1%
EUR:CNY	7.75	+5.7%
GBP:USD	1.30	+5.3%
Bitcoin	2,563.71	+169.3%

Commodities	*Current*	*YTD Δ*
Gold	1,244.95	+8.0%
Copper	5,866.50	+6.2%
Oil	47.32	-19.6%
Wheat	496.00	+10.8%

Week ahead: Key events

03/07 Japan & China Manufacturing PMI
03/07 Eurozone & US Manufacturing Data
04/07 UK Construction Data
05/07 Japan & China Composite PMI Data
05/07 Eurozone Retail Sales
05/07 US Durable Goods Orders
06/07 US Jobless Claims & PMI Data
07/07 UK House Prices & Manufacturing Data
07/07 US Non-Farm Payrolls

Central Bank rates	*Current*
Eurozone	0.00%
USA	1.25%
UK	0.25%

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