



Press Release

London, Nice, Singapore, September 13, 2010

## **EDHEC-Risk Institute Finds No New Evidence that SRI Funds Create Financial Value**

In 2008, EDHEC-Risk Institute analysed the performance of a sample of SRI funds distributed in France, covering a six year-period from January 2002 to December 2007. This study concluded that none of the funds in the sample produced both positive and statistically significant alpha.

In a new position paper entitled “The Performance of Socially Responsible Investment and Sustainable Development in France: an Update after the Financial Crisis,” EDHEC-Risk Institute again finds that a majority of the funds studied over long or short periods produce negative but non-significant alpha.

To highlight the period of the financial crisis, the new study examines SRI funds over both a fairly long period, with eight years of data, ending in December 2009, and a shorter period of three years, including data from January 2007 to December 2009.

Including the period of the financial crisis increases the extreme risks borne by SRI funds considerably; it is clear that, on average, these funds provide no protection from market downturns.

Regarding SRI investments more globally, the three main comments are the following:

1. The study confirms EDHEC-Risk Institute’s previous results on SRI as presented in the 2008 position paper. At this stage it has not been shown that the SRI approach on its own creates value in the financial sense of the term.
2. This does not mean that extra-financial criteria should not be taken into account, but they cannot be the only foundation for sound portfolio management.
3. EDHEC recommends that SRI be integrated in a more global process whereby the results of fifty years of quantitative research in finance are not abandoned in favour of a solely qualitative approach. As such, an approach that combines stock picking with SRI criteria and a well-diversified portfolio construction methodology can be an alternative to pure SRI, which is often practised with relative risk constraints linked to poorly diversified and inefficient cap-weighted indices.

The EDHEC-Risk Institute Publication, “The Performance of Socially Responsible Investment and Sustainable Development in France: an Update after the Financial Crisis” can be downloaded by pressing [Ctrl] and clicking on the following link:

[http://docs.edhec-risk.com/mrk/000000/Press/EDHEC-Risk\\_Position\\_Paper\\_SRI.pdf](http://docs.edhec-risk.com/mrk/000000/Press/EDHEC-Risk_Position_Paper_SRI.pdf)

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## About EDHEC-Risk Institute

EDHEC-Risk Institute is part of EDHEC Business School, one of Europe's leading business schools and a member of the select group of academic institutions worldwide to have earned the triple crown of international accreditations (AACSB, EQUIS, Association of MBAs). Established in 2001, EDHEC-Risk Institute has become the premier European centre for financial research and its applications to the industry. In partnership with large financial institutions, its team of 47 permanent professors, engineers and support staff implements six research programmes and ten research chairs focusing on asset allocation and risk management in the traditional and alternative investment universes. The results of the research programmes and chairs are disseminated through the three EDHEC Risk Institute locations in London, Nice and Singapore.

EDHEC-Risk Institute validates the academic quality of its output through publications in leading scholarly journals, implements a multifaceted communications policy to inform investors and asset managers on state-of-the-art concepts and techniques, and forms business partnerships to launch innovative products. Its executive education arm helps professionals to upgrade their skills with advanced risk and investment management seminars and degree courses, including the EDHEC Risk Institute PhD in Finance and the EDHEC Risk Institute Executive MSc in Risk and Investment Management.

[www.edhec-risk.com](http://www.edhec-risk.com)

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