



**GREEN ISAs:
THE NEIW FUND SUPERMARKET RATINGS**

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1. Summary and Star Ratings

Green ISAs: Five-Star Ratings of online Fund Supermarkets and Discount Brokers

National Ethical Investment Week (NEIW) has recently completed a mystery shopping exercise of fifteen leading fund supermarkets and discount brokers. The results show that Fair Investments and Smile come out on top with five stars, followed by Hargreaves Lansdown and Interactive Investor with four. Other companies surveyed, including Barclays Stockbrokers and Fidelity FundsNetwork, all received a three star rating.

Star Ratings (Out of Five)	Name
*****	Fair Investments Smile
****	Hargreaves Lansdown Interactive Investor
***	Barclays Stockbrokers Bestinvest Cavendish Online Chartwell Chelsea Financial Services Fidelity FundsNetwork Selftrade Share Centre TD Waterhouse Willis Owen

The Five-Star Ratings system has been produced to help investors identify which fund supermarkets and discount brokers best facilitate green and ethical investment in an ISA. The Ratings compare how easy it is to invest your ISA in green and ethical funds through the leading on-line fund supermarkets and discount brokers. It assesses availability, access and insight into green and ethical funds.

The research found that a good range of green and ethical funds – at a comparable cost to other funds – are available through most fund supermarkets and discount brokers. These funds can meet the financial needs of different investors as well as offer varied ways to make money and make a difference.

Green and ethical investing has changed a lot since its early days. Today, the options include climate change funds, environmental markets funds and broader sustainability themed funds as well as the more traditional negatively screened choices, which often exclude industries such as tobacco, nuclear power and defence.

The four- and five-star rated fund supermarkets and discount brokers stand out as they make it easier for investors to identify green and ethical funds and provide resources that help investors understand the options available to them. For example they provide up to date guides that explain the range of options and/or offer a filter tool that helps investors identify relevant funds.

2. The Green and Ethical State of Play

A YouGov survey conducted for National Ethical Investment Week found that three quarters (75%) of the silver generation say they are very or fairly green. Perhaps counter intuitively, the survey found they are actually much greener than today's young adults. Only two thirds (62%) of 18-24 year olds said the same thing.

A similar pattern emerges when it comes to spending money. Nearly half (44%) of 55+ year olds say they occasionally or regularly take into account green and ethical issues in their purchasing, ahead of 18 – 24 year olds where only 39% do so.

And there is plenty of choice. Green and ethical investing has changed a lot since its early days. Today, the options include climate change funds, environmental markets funds and broader sustainability themed funds as well as the more traditional negatively screened choices, which often exclude industries such as tobacco, nuclear power and defence.

Funds are available across a range of asset classes. They feature in more than ten of the Investment Management Association (IMA) investment sectors.

Investor interest is clear from the IMA's statistics on green and ethical funds. Whilst the IMA tracks only 54 funds compared with over 90 funds listed by yourethicalmoney.org (not all of which are available as ISAs), it reported £5.6 billion in assets under management at the end of 2009, which was the second highest year end total ever. And fourth quarter sales of £62.2m were the most since the heady final quarter of 2007.

3. Producing the Five-Star Ratings

Methodology

The Five-Star Ratings system is designed to give investors a straightforward way to compare how easy it is to invest in green and ethical funds ISAs through leading on-line fund supermarkets and discount brokers.

Fund supermarkets and discount brokers are rated for availability, access and insight into green and ethical funds:

- Availability assesses the number of green and ethical funds available and how well the range of funds on offer can help make money and make a difference by meeting investors financial needs and green and ethical objectives.

- Access rates the comparable cost of green and ethical funds and how easy it is to identify these funds.
- Insight assesses whether the fund supermarket or discount broker provides resources (e.g. guides) for investors on green and ethical investing and the quality of these resources.

Full details of the ratings system are provided in Appendix One.

2010 Ratings

To produce the 2010 ratings, fifteen fund supermarkets and discount brokers were assessed. The assessment was conducted in early February through internet research.

The criteria for selecting the sample of fifteen fund supermarkets and discount brokers was that they had to hold an estimated minimum of £500m funds under management and/or have at least 50,000 account holders (11 firms based on information sourced from the company website and estimates from Trustnet financial services data site. Of these, one broker was not assessed owing to a lack of information on their website). Two other firms (Selftrade and Cavendish Online) were included owing to being referenced in media coverage as leading brokers despite figures for their size not being available. A further two firms (Fair Investment and Smile) were included as recognised examples of good practice to provide a benchmark for other firms.

The mystery shopping exercise was carried out by UKSIF, the sustainable investment and finance association, which runs NEIW. After its success in 2009, NEIW will run for the third time in November 2010.

4. Conclusions

Green and ethical investing is a growing part of the market. Fund supermarkets and discount brokers have responded to this by ensuring access to a range of green and ethical funds. Some are taking the further step of providing resources that help investors better understand and identify funds that suit their needs.

These leading-edge fund supermarkets and discount brokers are well positioned to benefit from the current increase in ISA allowances for silver savers and the growing demand for green and ethical investing.

Interest in green and ethical investments is on the rise and we urge all fund supermarkets and online brokers to help investors make an informed choice. With plans from the Government to launch National Savings “green bonds”, and the Conservative Party to introduce Green ISAs, the financial services industry should grasp the nettle and allow investors access to this growing market.

Disclaimer: This publication should not be taken as financial advice or seen as an endorsement of any particular company or individual. Whilst every effort has been made to ensure the information contained in this document is precise, UKSIF cannot guarantee accuracy.

Appendix One: The Five-Star Ratings System

The Five-Star Ratings is based on the score out of ten each of the surveyed fund supermarkets and discount brokers was given based on the following:

Availability (Maximum Score of Four)

- **Number of Funds Available (worth 2 points)**
The list of green and ethical used was taken from www.yourethicalmoney.org. For fund supermarkets offering a large choice of funds, a score was given based on the absolute number of green and ethical fund offered (e.g. 2 points were given if over 40 funds were listed). For brokers offering a more limited/target choice of funds, points were given on a relative basis (e.g. green and ethical funds as a percentage of the total number of funds).
- **Funds Available Meet Financial Needs (worth 1 point)**
If the green and ethical funds available meet investors differing financial requirements (e.g. IMA sectors, different asset classes) an additional point was awarded.
- **Funds Available Meet Investors green and ethical objectives (worth 1 point)**
If the green and ethical funds available meet the range of investors' green and ethical objectives (e.g. climate change, sustainability themed and screened funds).

Access (Maximum Score of Three)

- **Comparable Cost (worth 2 points)**
Points were awarded if the green and ethical funds available are of comparable cost to similar funds (e.g. if the ethical global growth fund offered by a fund manager is the same cost as another global growth fund from that manager).
- **Easy to Identify (worth 1 point)**
If there is a filter or other mechanism that allows for green and ethical funds to be highlighted, an additional point was awarded.

Insight (Maximum Score of Three)

- **Green and Ethical Guide (worth 1 point)**
If the fund supermarket or discount broker provided a Guide or other resources explaining green and ethical investment then a point was awarded.
- **Green and Ethical Guide up-to-date (worth 2 points)**
If the Guide or other resources are up-to-date, providing information on the modern range of green and ethical investment options that are available, two further points were awarded.

How the Five Star-Ratings System works:

Number of Stars	Corresponding Scores (out of ten)
Five	10
Four	8-9
Three	6-7
Two	4-5
One	1-3