Ethical Funds Dispelling Performance Myth

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New research by Investment Life & Pensions Moneyfacts has revealed that investors who opted for an ethical fund a year ago during last year's National Ethical Investment Week (now rebranded Good Money Week) are likely to have been rewarded by their decision.

The research, which compared the performance of ethical funds within the four IMA sectors that contain the most ethical funds (£ Corporate Bond, Global, Mixed Investment 40-85% Shares and UK All Companies), provides further evidence to help shatter the popular belief that ethical and sustainable investments will always underperform traditional investment funds.

Source: Investment Life and Pensions Moneyfacts/Lipper. % Growth as at 13 October 2014, total return, UK net, no initial charges

The analysis showed that the average ethical fund within the four main IMA sectors housing such funds returned 3.4% over the last year compared with growth of 3.2% from the average non-ethical fund within these IMA sectors (see**Table 1**). The superior performance of ethical funds also extends to a three-year period where the average ethical fund has delivered growth of 36.3% compared with 32.6% from non-ethical funds, while over five years the returns were 46% and 43.7% respectively. However, over 10 years ethical funds are currently trailing their conventional counterparts by around 4%.

Some individual ethical funds have particularly excelled. For instance, within the UK All Companies sector, Royal London UK Ethical Equity is ranked 4th out of 262 funds over one year and Kames Ethical Equity is ranked 10th out of 168 funds over 10 years. Meanwhile, Rathbone Ethical Bond is the sixth best performer over one year in the £ Corporate Bond sector and is fourth over three and five years.

Richard Eagling, Editor of Investment Life & Pensions Moneyfacts said: "The latest ethical fund performance figures once again demonstrate that investors can stick to their principles and still enjoy healthy investment profits. In many cases ethical fund returns have outperformed their conventional rivals and are winning the profits versus principles debate. Hopefully, such results will show that adopting ethical and sustainable practices actually makes sound business sense."

Notes to Editors:

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