

18 October 2015

Outperforming efficiency index steps up hunt for fund

By Peter Cripps

A resource efficiency index that has significantly outperformed mainstream benchmarks since its inception nearly two years ago, has stepped up its search for an asset manager to base a fund on it.

The Energy, Food and Water (EFW) Efficiency Index has outperformed the MSCI All Countries World Index (ACWI) by 4.5% since it was launched at the beginning of 2014.

The index, which was developed by EFW Capital Advisors, consists of some 150 holdings from OECD countries selected using a methodology designed to find companies best placed to thrive in a resource-constrained world.

Since its launch to the end of October, the index has provided a total net return of 9.94%, compared with 5.36% for the MSCI ACWI. The MSCI Select OECD Index returned 6.83% over the same period.

Benjamin Ergas, CEO and partner at Switzerland-based EFW Capital Advisors, stressed that the index is an efficiency index, rather than a thematic index, the majority of which have underperformed their benchmarks, he added.

"We believe natural resource efficiency is the next frontier of competitive advantage for companies," he told *Environmental Finance*. "More competitive companies will be rewarded by the market."

Its methodology sees it use data from carbon research firm Trucost or Bloomberg to identify companies that most efficiently use resources, or provide solutions to resource scarcity problems. It looks at financial metrics as well as environmental ones.

Its top components are Aqua America, PepsiCo and General Mills, according to a factsheet provided by its index provider Solactive. But the top 10 also includes Woodside Petroleum and Occidental Petroleum, demonstrating that companies from carbon-intensive sectors are represented in the index.

Despite its "impressive" performance since inception, Ergas said there are currently no funds based on the index.

EFW, which was formerly called VIS, had planned to launch its own fund tracking the index, but is now looking for an external asset manager to run such a vehicle.

"The next opportunity is doing a structured product for investors," Ergas added. "We have a Ucits approved in Luxembourg and ready for an asset manager to use."

He said an asset manager could choose to actively or passively base a fund on the theme or could add environmental, social and governance criteria into the selection process.