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Fund houses in cluster bomb 'hall of shame'

Madison Marriage



[BlackRock](#), [Vanguard](#), [Capital Group](#), [T Rowe Price](#) and [Temasek](#) have topped a list of the worst-offending fund companies in terms of their investments in cluster bomb manufacturers.

According to Pax, a Dutch non-profit group, 151 global financial institutions, including 37 fund companies, have invested \$27bn in manufacturers of cluster munitions since June 2011.

This is despite a convention banning the use, stockpiling and transfer of cluster munitions, which are blamed for heavy civilian casualties during and after conflicts, came into force in August 2010 and which has since been signed by 114 countries. The US, China and Russia have not yet signed the treaty.

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Pax has compiled a "hall of shame" to highlight the five fund companies and 10 banks that have the highest level of investments in cluster munitions manufacturers.

Pax said it contacted these five fund houses "to alert them of the report and encourage them to formulate comprehensive policies banning these types of investments". The group says it has not received a response from these asset managers.

"Although the [convention] does not explicitly prohibit investment in cluster munitions, the prohibition on assistance should be interpreted by states to include investment in cluster munitions producers," a Pax report published last week stated.

A spokesperson for Vanguard, which oversees \$3tn of assets, said: "Vanguard is required to manage our funds in the best interests of shareholders and obliged to maximise returns. It would be exceedingly difficult, if not impossible, to fulfil these obligations while managing portfolios that reflect the social concerns of all of our shareholders.

"For US investors who wish to choose investments based on social and personal beliefs, we offer the Vanguard FTSE Social Index Fund, which excludes companies involved with firearms, tobacco, alcohol, adult entertainment, gambling, nuclear power, or those that violate fair labour practices and equal opportunity standards."

Capital Group, Temasek, BlackRock and T Rowe Price declined to comment.

Nine countries have adopted rules prohibiting various forms of investment in cluster munitions, including Belgium, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Samoa and Switzerland, according to Pax. Italy and Switzerland are in the process of strengthening existing investment prohibitions.

Last year the Dutch government restricted domestic financial institutions from selling funds that have more than 5 per cent exposure to cluster munitions manufacturers.

Rabobank and ABN Amro, the Dutch banks, consequently stopped selling funds managed by US fund house Franklin Templeton in May. Rabobank cited Franklin's failure to provide a "formal policy with respect to investments in cluster munitions".

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