



Sustainable Finance

Market Performance—Selected Markets for the 6 months ended June 30, 2009

Market	Dec 31, 2008	June 30, 2009	YTD Change	YTD Change %
S&P/TSX	8,987.70	10,374.91	1,387.21	15.43 %
Dow Jones	8,776.39	8,447.00	- 329.39	- 3.75 %
S&P 500	903.25	919.32	16.07	1.78 %
NASDAQ	1,577.03	1,835.04	258.01	16.36 %
NIKKEI	8,859.56	9,958.44	1,098.88	12.40 %
FTSE 100	4,434.20	4,249.20	- 185.00	- 4.17 %
DAX	4,810.20	4,808.64	- 1.56	- 0.03 %
Hang Seng	14,387.48	18,378.73	3,991.25	27.74 %
Shanghai	1,820.81	2,959.36	1,138.55	62.53 %
DJSI World TR	945.46	1,019.86	74.40	7.87 %
DJSI North America TR	92.85	97.69	4.84	5.21 %
Jantzi Social Index TR	128.27	154.96	26.69	20.81 %
FTSE 4Good Global 100	3,384.13	3,537.70	153.57	4.54 %

Selected Rates (Institutional)

Description	Price or Rate June 30, 2009
CDN/US Dollar \$	1.1625
CDN/Euro €	1.6297
CDN/Swiss Franc	1.0697
CDN/Japanese Yen ¥	0.0121
CPI –Canada (TTM Total CPI)	(May 2009) 0.01 %
CPI—USA (TTM Total CPI)	(May 2009) - 1.30 %
CPI—Euro Zone (TTM Total CPI)	(May 2009) - 1.20 %
Gov't Canada 1 Year T-Bill	0.51 %
Gov't Canada 5 Year	2.46 %
Gov't Canada 10 Year	3.36 %
Gov't Canada 30 Year	3.86 %
Gold (US\$/oz)	940.00
Oil (US\$/ BBL WTI Cushing)	69.82

First Half in Review

The first half of 2009 was more drama than anyone could have possibly imagined.

Not only did we have to deal with markets testing and breaking and recovering from their November 2008 lows, but we also had to deal with the drama of and fallout of the Madoff Ponzi scheme.

In March the TSE hit a low of 7,479.96

and from there it proceeded to move up strongly, as did other world markets, and ended the period with a 15.43% gain.

Lets put that in perspective though. It is still 31% off its June 18, 2008 high of 15,073.13 and will not likely see that for some time.

European and Us markets other than the NASDAQ were lackluster while the Asian markets did

quite well thank you very much.

Even the Nikkei 225 was up 12.40% for the period but who really cares about the Nikkei 225 anymore? Remember the December 29 1989 high of 38,957.44 ? Like the Roman Empire it has been in steady decline since then and is now a full 74% off its high.

Of course it is debatable whether this run up in stock markets

was a result of improving economic fundamentals or the fall out from the massive cash injections into the financial system in the last quarter of 2008 and first quarter of 2009. Time will tell but China has certainly been on fire. Hope no one gets burned.

The big news certainly was the Madoff scandal or more appropriately labeled "How to cheat, steal, and con investors out

of 50 billion".

It is telling of the ability of people to look the other way when they are paid very handsomely to do so. Some clerks were being paid upwards of \$ 400,000 US\$ when their peers in other similar firms were receiving 1/10th that.

Fund of Hedge Funds operations grew rich off of the fees they were paid to send money Madoff's way

all with less than the due diligence most people spend on a car purchase.

Not that there were no warning signs or people who were desperately trying to warn the SEC. one gentleman spent 10 years banging at the SEC and NOTHING. Shameful.

For some it was a referral, some a sales pitch and others inherited Madoff. Either way the destruc-

tion that was brought about by the collapse of his Ponzi scheme will reverberate through the financial community for years to come.

Hopefully something good will come of it all. Rest assured, there will be more schemes like Madoff's but unlikely that the sheer size will ever be duplicated.

Touch wood!

Sustainable Investing— Part One

Many times I am asked what exactly sustainable investing is and how does it work.

I thought it might be a good idea to explain the whole concept in a series of articles that when complete should provide readers with a good background on the whole sustainable investment movement and the methodologies used.

In this first part I will cover the concept of sustainable investing so that all future articles will have some context behind them.

The word sustainable is open to much interpretation. One man's perception of sustainability can be another man's definition of profligate

waste.

So let's start with a common definition if there is one. The definition of sustainability or sustainable development most used is that found in the 1983 Brundtland Commission report "Our Common Future".

It states "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Pretty hard to argue with and it is clear why the definition is used so often.

As it applies to the investment world, the concept of sustainability usually deals in terms of the envi-

ronmental, social, and governance issues surrounding overall corporate performance.

These non-financial measures are used to determine the long term sustainability of a corporate entity from the view of all involved stakeholders.

Importantly, while there is the ideal of the definition presented earlier, the reality is that perfection in these areas is a lofty goal rarely obtained and instead best of industry is a more appropriate measure.

There are many names that sustainable investing is called. The more common are Socially Responsible Investing, Environmental

Social Governance investing, Triple Bottom Line, and Corporate Social Responsibility.

There is also a wide range of non-financial screening criteria applied to investments that are selected under the various methodologies.

For instance, Islamic Shariah investing, which is a form of socially responsible investment, filters for companies that are not involved in "haram" or unacceptable activities like gambling and alcohol.

Other methodologies filter for human rights violations, corporate share structures, director independence, safety records, child labour, military pro-

duction, and a long list of other possible positive and negative filter criteria. The range is only limited by information availability and imagination

No matter which collection of criteria are selected, the process involved represents a far greater qualitative review of a company than that of traditional investment analysis.

And when you look at the process on a pragmatic level, forgetting all the environmentalists, social activists, and corporate conspiracists, what you end up with is a much better framework to assess the risk profile of the company in question.

It is simply common sense that a company

that manages its environmental, social, and governance processes in addition to marketing, finance, and production will simply be better managed and should be more sustainable in the long run.

So now that we have covered some of the

basics, in the next part of this series I will take a look at the development and history of sustainable investing so that readers will know "whence we came"

Pack out what you brought in.

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Selected News Articles

Solar Expected to Maintain its Status as the World's Fastest Growing Technology

Photovoltaics (PV) is a solar power technology that converts light from the sun directly into electricity. Photovoltaic production worldwide has been doubling every two years, increasing by an average of 48% each year since 2002, making it the world's fastest-growing energy technology. 90% of this generating capacity consists of grid-tied electrical systems, in which PV panels generate electricity and interconnect with a utility's power line.

According to a recent report by GlobalData, a business information company providing global business information reports and services, the US is the fourth largest solar PV market in the world. The market has grown from 168 megawatts (MW) in 2001 to around 1,111 MW by the end of 2008. Grid-connected solar PV grew to 61% of all solar PV installa-

tions, accounting for 677 MW in 2008.

One reason for the rapid growth in solar power can be found in a recent report by the Lawrence Berkeley National Laboratory, entitled *Tracking the Sun: The Installed Cost of Photovoltaics in the US from 1998-2007*. According to the report, average installed costs prior to receipt of any direct financial incentives or tax credits declined from \$10.50/Watt in 1998 to \$7.60/Watt in 2007. This equates to an average annual reduction of \$0.30/Watt, or 3.5% per year in real dollars.

The GlobalData report, entitled *"The US Solar PV Market Analysis and Forecasts to 2013"*, finds additional reasons for the growth of solar power. The report credits growth in the solar market to supportive policy frameworks by federal and state governments for solar PV technology, as well as high-end investments by major

solar companies.

GlobalData credits the increase in share of on-grid capacity to incentives provided by the federal and state governments like the Renewable Portfolio Standards (RPS), Feed-In Tariff laws, and the California Solar Initiative.

As defined by the Clean Energy States Alliance (CESA), RPS is the most popular state policy tool to support renewable energy. It requires that a certain percentage of utility generation portfolio or sales be derived from renewable resources. According to CESA, legislation for a national RPS is being considered.

Feed-In Tariff (FIT) laws require energy companies to buy renewable energy from producers, and set the price which these companies pay per unit of electricity, thus ensuring that renewable energy remains a sound long-term investment. According to the Policy

Action on Climate Toolkit, a project of the World Future Council, FIT laws are the best available mechanisms for accelerating the uptake of renewable energy in grid-connected areas.

Overseen by the California Public Utilities Commission, the California Solar Initiative provides rebates for solar construction to facilities in investor-owned utility territories. The Initiative offers financial incentives for solar installations based on the expected performance of a given solar installation.

GlobalData credits much of the growth in US solar installations to California, where 70% of the PV installations in the country can be found. In 2008, California accounted for 468 MW of the grid-connected solar PV in the US.

The GlobalData report predicts that the ongoing financial

crisis will not have a significant negative impact on the growth of the solar PV industry in the US. The extension of the Investment Tax Credit (ITC) program included in the recent economic stimulus legislation will boost future development of solar PV and drive further investment into the sector by encouraging states to invest in efforts such as solar loan programs and renewable portfolio standards.

The stimulus also removes all caps on renewable energy tax credits, which equal 30% of the cost of qualified solar energy systems, and eliminates a reduction in credits for installations that utilize subsidized financing.

"The growth of solar in the US is policy-driven," said Pavan Vyakaranam, a GlobalData analyst, "And the ITC and other initiatives should encourage growth in the manufacturing side of the solar sector."

"Until now, the solar market in the US has been primarily an installation market, not a manufacturing one," added Shruti Desai, an analyst for GlobalData.

The symbolic importance of solar in the energy future of the US was underscored by the venue chosen by President Obama when he signed the economic stimulus bill in Denver on February 17. Before signing, he toured the Denver Museum of Nature and Science, which has solar panels on its roof. At the signing itself, the President was introduced by Blake Jones, president of Namaste Solar, the leading solar electric provider in Colorado.

As policies encouraging the implementation of solar power become more entrenched, it is expected that the construction of large solar parks and power plants will increase. At present, the largest such establishment is

the solar park at the Nellis Air Force Base in Nevada, with an installed capacity of 14.2 MW. In comparison, when completed in 2013 the Topaz Solar Farm in San Luis Obispo County, CA will have an installed capacity of 550 MW.

Referring to a solar park under construction in Oregon, Besai of GlobalData said, "Investment in Oregon is being driven by a number of policy initiatives that should help make it one of the country's largest producers of solar energy."

GlobalData anticipates that annual solar PV installations in the US will increase from 280 MW in 2008 to 1,515 MW by 2013. The cumulative solar PV installed capacity is expected to reach 5,293 MW by 2013.

Robert Kropp, Social-funds.com March 03, 2009

Sustainable Corporations Outperform During Economic Crisis

A recent analysis by A.T. Kearney, a management consulting firm, indicates that companies with a strong commitment to sustainability outperformed averages by 15% in 16 out of 18 industries over the six month period from May through November 2008.

The study, entitled *Green Winners: The Performance of Sustainability-focused Companies in the*

Financial Crisis, analyzed 99 of the largest companies recognized as sustainable by the Dow Jones Sustainability Index or the GS Sustain focus list. The study defined sustainable practice as that which is "geared toward protecting the environment and promoting social well-being while achieving shareholder value."

The performance differential between sustainable corpora-

tions and their competitors amounts to an average of \$650 million in market capitalization per company, the study found.

The study found that sustainable corporations demonstrate characteristics that position them to more effectively weather crises such as the current economic downturn. Companies that focus on long-term planning develop sustainability

practices that create value for shareowners. One such company included in the report managed to increase production volume by 76% over a ten-year period while reducing greenhouse gas emissions by 16%, energy use by 3% and water use by 28%.

The study also found that companies with strong corporate governance oversight outperformed competitors with no such

policies in place. Examples of governance cited in the article include the key role played by boards of directors that are free of conflicts of interest and have as chairperson an individual who does not hold an executive role in the corporation.

Transparency regarding the sustainability efforts of supply chains, the sharing of carbon emissions data and membership in the United Nations

Global Compact were other ways in which sustainable corporations successfully distinguished themselves from their competitors.

Sound risk management practices and such green innovations as reducing waste and emissions, using alternate energy sources and producing natural products were also cited by the report as accomplishments that help account for the outper-

formance of sustainable corporations.

"The most sustainability-focused may well emerge from the current crisis stronger than ever," the report concluded, "Recognized by investors who appreciate the true long-term value of sustainability."

Robert Kropp, Social-funds.com February 12, 2009

TD Asset Management Adopts Sustainable Investing Policy

TD Asset Management is pleased to announce it has adopted a Sustainable Investing Policy across its operations in Canada and the United States.

"Sometime ago we designed the TD

Asset Management Global Sustainability Strategy, a global equity approach that invests in companies that contribute to the world's future sustainability," said Barbara Palk, President, TD Asset Management. "Where envi-

ronmental, social and corporate governance factors are key drivers of financial value for that Global Sustainability Strategy, they should be part of our analysis for all our investment mandates. Our Sustainable Investing Policy

lays out our approach, and builds on our long history of promoting good governance in the companies in which we invest."

"The decision by TD Asset Management to apply its Sustainable

Investing Policy across its operations demonstrates TD's ongoing commitment to operate in a sustainable manner," added Karen Clarke-Whistler, Chief Environment Officer, TD Bank Financial Group. "TD recently

was named one of The 100 Global Most Sustainable Corporations in the World, an award that recognizes companies on the basis of environmental, social and governance performance. We believe that in the rapidly chang-

ing global economy, companies that manage the risks and recognize the opportunities relating to environmental and social factors will ultimately be the winners. We want to be one of them."

TDAM April 29, 2009