



Sustainable Finance

Market Performance—Selected Markets for the Week Ended August 14, 2009

Market	Dec 31, 2008	August 14, 2009	YTD Change	YTD Change %
S&P/TSX	8,987.70	10,848.01	1,860.31	20.70 %
Dow Jones	8,776.39	9,321.40	545.01	6.21 %
S&P 500	903.25	1,004.09	100.84	11.16 %
NASDAQ	1,577.03	1,985.52	408.49	25.90 %
NIKKEI	8,859.56	10,597.33	1,737.77	19.61 %
FTSE 100	4,434.20	4,713.97	279.77	6.31 %
DAX	4,810.20	5,309.11	498.91	10.37 %
Hang Seng	14,387.48	20,893.33	6,505.85	45.22 %
Shanghai	1,820.81	3,046.97	1,226.16	67.34 %
DJSI World TR	945.46	1,146.01	205.55	21.21 %
DJSI North America TR	92.85	106.59	13.74	14.80 %
Jantzi Social Index TR	128.27	161.91	33.64	26.23 %
FTSE 4Good Global 100	3,384.13	3,854.43	470.30	13.90 %

Selected Rates (Institutional)

Description	Price or Rate Aug 14, 2009
CDN/US Dollar \$	1.0998
CDN/Euro €	1.5596
CDN/Swiss Franc	1.0235
CDN/Japanese Yen ¥	0.0116
CPI –Canada (TTM Total CPI)	(June 2009) - 0.03 %
CPI—USA (TTM Total CPI)	(July 2009) - 2.10 %
CPI—Euro Zone (TTM Total CPI)	(June 2009) - 0.10 %
Gov't Canada 1 Year T-Bill	0.57 %
Gov't Canada 5 Year	2.58 %
Gov't Canada 10 Year	3.47 %
Gov't Canada 30 Year	3.95 %
Gold (US\$/oz)	947.00
Oil (US\$/ BBL WTI Cushing)	67.51

Week in Review And Welcome To Our Publication

Welcome to Sustainable Finance, a publication of Blue Marble Capital Management Limited.

This mini financial commentary will be produced each week and will provide coverage of the major events that shaped the financial markets in Canada and Globally over the past week.

It will also be used to provide our read-

ers with articles on investing in general and articles that delve into a wide variety of investment products, topics, trading methods, and investor psychology.

As we all know the investment markets can be fascinating and frustrating at the same time. Some search for excitement and some search for long term security.

No matter what your interest in the mar-

kets, it is our goal to provide articles on a wide range of topics to keep you informed and, we hope, entertained. Of course, we will also deal with Environmental, Social, and Governance investing as that is what we do.

Last week the markets had a bit of a pull back as news came out indicating all was still not so rosy on a global basis.

However, on a positive note it was reported that the recession is over in Germany, France, Japan, and apparently Canada as well.

Whether this is cause for celebration is debatable. Unemployment is still high and economic activity recovering slowly.

As can be seen from the table above world stock markets are showing signs of recovery. They should

given all the money that was thrown back into the financial system at great future cost to taxpayers.

Our concern, and it has always been and continues to be is what happens after the next major boom-bust cycle that is likely to occur within the next five years?

At issue is the continued attempts at stimulating economies through the use of low interest rates and

the printing of money.

Historically, in fiat (paper with no assets backing it) currency based economies the deluge of money as a result of stimulative attempts precipitates inflation and or asset bubbles.

Money is like water and has to flow somewhere. The economic stimulus programs the world has been following over the last 40 years amount

to building dams, filling them to overflowing until they burst and then fixing them only to order more rain so that the process is repeated.

The current situation is no different and for all investors should be cause for great concern. Why? With interest rates at some central banks at ZERO the ability to stimulate with low rates is exhausted.

What then do we do?

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.

Trevor Giles

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Trevor Giles is Managing Director of Blue Marble Capital Management Limited, a discretionary portfolio manager located in Nelson, British Columbia that specializes in socially responsible investment using their ESGC Investing™ method.

He is a Certified Management Accountant (CMA), a Chartered Financial Analyst (CFA) and a Fellow of the Canadian Securities Institute (FCSI). He has over 20 years investment experience in public investments, venture capital, carbon finance, and socially responsible investing.

Trevor be contacted at 250.354.4422 or at trevor.giles@bluemarblecml.com. The firm's website is www.bluemarblecml.com.

Selected News Articles

Socially Responsible Investment Matches Conventional Market Strategies

Socially responsible investment is booming, with the total dollars under management by U.S. funds specializing in this strategy more than quadrupling, from \$639 billion to \$2.7 trillion, between 1995 and 2007. But how has this ethically enhanced approach to investing fared in terms of market returns?

Of late, not so hot. Although the stock prices of publicly held companies identified as socially responsible are up in 2009, over the last three years they show an average annualized return of -5.7 percent, according to index data from KLD Research & Analytics. The following table

charts the performance of different baskets of U.S. equities that meet a range of social, environmental, faith-based and other standards.

These poor returns are no surprise, given the state of the markets since 2008, and obviously aren't confined to socially responsible companies. More notably, businesses that get high marks for their corporate governance, environmental, diversity and other policies have over the years marginally exceeded, the returns of other companies. KLD's Domini Social Index 400 has slightly shaded the S&P 500 for the last decade or so (click on chart to expand). The performance of socially

responsible investments also varies considerably according to their philosophy, whether it's to favor companies with strong labor relations or those that, say, support Catholic doctrine.

For now, SRI remains a niche, but rapidly growing, market. As of 2008, worldwide investments in the sector amounted to roughly \$5 trillion, only seven percent of total assets under management. In the U.S., the largest SRI market with \$2.7 trillion under management, roughly 11 percent of investment targets such companies, compared with 17 percent in Europe. The strategy is most popular in the U.K., where 20 percent of total funds under

management are involved in SRI. Since 2003, the SRI market has grown 22 percent annually, a far higher clip than for conventional investments.

Some SRI funds are doing exceptionally well. Appleseed, a no-load U.S. mutual fund with \$27 million in assets, has a trailing one-year return of 9.4%, far outpacing the S&P 500. The fund, whose equity holdings include pharmaceuticals such as Pfizer, health care giants such as Johnson & Johnson and tech plays such as Teradata, refuses to invest in tobacco, alcohol, pornography, gambling or weapons companies.

Appleseed's longer-term performance is equally strong, powered recently by a

rebound in the markets. Since launching in late 2006, the fund has a return of roughly 10 percent, compared with the S&P 500's return over that period of -24 percent.

The standard knock on SRI is that investors might have to shun the best-performing stocks and can't seek refuge in certain equities, like defense industry stocks, that may offer shelter in periods of high market volatility. They may do "good," in other words, without doing "well."

Recent academic research confirms this disadvantage. Indeed, some studies show that stocks of companies in 'sin' industries, such as booze and tobacco, typically

net higher returns than those of companies in other sectors. Interestingly, however, the lower returns funds generate by avoiding certain stocks appear to be offset by the higher overall market performance of socially responsible companies.

Take this recent joint study by researchers at Santa Clara University and Barclays Global Investors, who reviewed 15 years of stock returns of socially responsible companies. Stocks of companies rated as very socially responsible yielded higher returns than stocks of companies that fare poorly on such measures, the authors concluded. They also said that investors who want their port-

folios to reflect their values should use a best-in-class approach to stock-picking. That means putting money into socially responsible companies, while refusing to shun the stocks of any individual business, such as tobacco companies.

The upshot? Over the long haul, socially responsible and conventional approaches to investment do about equally well. The lower returns resulting from screening out certain stocks are balanced by the higher returns produced by using some social responsibility criteria. Let your conscience dictate.

Article by Alain Sherter, August 12, 2009 on bdnet.com

KLD Index and Benchmark Performance (%)

	Month	2 nd Quarter	YTD	One Year	Three Year*	Five Year*	Ten Year*	Since Inception*
KLD400	8.38	16.61	14.31	-14.85	-4.49	-0.20	-1.32	8.92
FTSE All World US	7.59	15.92	11.57	-19.54	-5.74	0.41	N/A	N/A
CV400	8.58	17.64	15.19	-15.35	-5.01	-0.52	-1.47	0.83
FTSE All World US	7.59	15.92	11.57	-19.54	-5.74	0.41	N/A	N/A
USSA	8.13	18.53	15.27	-18.20	-5.50	0.26	N/A	-1.37
FTSE US All Cap	7.79	16.68	12.31	-19.92	-5.67	0.66	N/A	-0.77
USSL	7.61	18.13	14.67	-17.99	-5.30	-0.19	N/A	-2.55
FTSE USA Large Cap	7.28	15.22	10.45	-19.19	-5.58	-0.10	N/A	-2.39
USSM	9.92	17.90	18.32	-19.43	-6.00	1.80	N/A	3.16
FTSE USA Mid Cap	9.11	19.53	17.33	-21.60	-6.65	2.04	N/A	2.37
USSS	10.19	23.40	15.69	-18.56	-6.85	0.73	N/A	2.01
FTSE USA Small Cap	9.09	21.76	17.21	-22.31	-5.27	2.31	N/A	3.80
USSLM	7.98	18.08	15.25	-18.19	-5.37	0.18	N/A	-1.73
FTSE All World US	7.59	15.92	11.57	-19.54	-5.74	0.41	N/A	-1.38
USSSM	10.01	19.85	17.33	-18.98	-6.29	1.40	N/A	2.72
FTSE USA Mid Cap	9.11	19.53	17.33	-21.60	-6.65	2.04	N/A	2.37
SSI	7.75	16.42	13.99	-18.08	-4.99	0.18	N/A	-0.12
FTSE 500	7.57	15.97	11.55	-19.70	-5.77	0.21	N/A	-0.09

DiPascali: Madoff business 'all fake'

Frank DiPascali, a senior lieutenant to Bernard Madoff, pleaded guilty on Tuesday to 10 criminal charges and provided extensive new details about the \$65bn Ponzi scheme orchestrated by his long-time boss, saying: "It was all fake. It was all fictitious."

Mr DiPascali, who has agreed to co-operate with prosecutors, told the court how he, Mr Madoff and unnamed others manufactured millions of pages of fake documents, regularly lied to investors and regulators, and moved money to London and back to throw watchdogs off the scent of the decades-long

scheme.

Speaking in a low, steady voice, Mr DiPascali choked up only once during the long explanation of his crimes, near the end as he offered his apologies to "every victim of this catastrophe" and promised "to dedicate myself to explaining what happened".

Judge Richard Sullivan accepted Mr DiPascali's guilty plea. The 10 counts – which range from conspiracy and securities fraud to perjury, tax evasion and falsifying records – carry a total of 125 years in prison. Under the sentencing

guidelines, Mr DiPascali faces a life sentence but prosecutors can request a substantial reduction if they are satisfied with his efforts to help them.

However, Judge Sullivan surprised both prosecutors and the defence by rejecting their bail agreement and ordering Mr DiPascali to be jailed immediately. "I don't see why I should put my trust in Mr DiPascali," he said, adding that the defendant might well flee.

Caught by surprise, Mr DiPascali blinked back tears as the marshals snapped on the handcuffs. Marc Mukasey, his law-

yer, told the court he would try to fashion a bail package with the prosecution that would persuade the judge to release Mr DiPascali until his sentencing.

The judge did not set a sentencing date, telling the prosecutors to report back on Mr DiPascali's co-operation on May 15 next year.

The Securities and Exchange Commission also filed civil charges against Mr DiPascali that spelled out how the Ponzi scheme worked and some of the ruses Mr Madoff and his minions used to avoid detection.

The SEC complaint provided new details on two JPMorgan Chase accounts used by the

operation, including one that regulators alleged was "nothing more than a slush fund" and a second that had more than \$5.5bn in it just before the 2008 market collapse forced Mr Madoff to return more than \$6bn to investors. JPMorgan declined to comment.

The level of detail in both the criminal information and the SEC complaint suggests that Mr DiPascali's co-operation could prove to be a turning point in the investigation.

Article from the Financial Times, August 12, 2009 Edition