



Sustainable Finance

Market Performance—Selected Markets for the Week Ended August 28, 2009

Market	Dec 31, 2008	August 28, 2009	YTD Change	YTD Change %
S&P/TSX	8,987.70	10,831.18	1,843.48	20.51 %
Dow Jones	8,776.39	9,505.96	729.57	8.31 %
S&P 500	903.25	1,026.13	122.88	13.60 %
NASDAQ	1,577.03	2,020.90	443.87	28.15 %
NIKKEI	8,859.56	10,238.20	1,378.64	15.56 %
FTSE 100	4,434.20	4,850.89	416.69	9.40 %
DAX	4,810.20	5,462.74	652.54	13.57 %
Hang Seng	14,387.48	20,499.02	6,111.54	42.48 %
Shanghai	1,820.81	2,960.77	1,139.96	62.61 %
DJSI World TR	945.46	1,169.43	223.97	23.69 %
DJSI North America TR	92.85	109.11	16.26	17.51 %
Jantzi Social Index TR	128.27	161.67	33.40	26.04 %
FTSE 4Good Global 100	3,384.13	3,934.41	550.28	16.26 %

Selected Rates (Institutional)

Description	Price or Rate Aug 28, 2009
CDN/US Dollar \$	1.0799
CDN/Euro €	1.5488
CDN/Swiss Franc	1.0176
CDN/Japanese Yen ¥	0.0114
CPI—Canada (TTM Total CPI)	(July 2009) - 0.09 %
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	2.50 %
Gov't Canada 10 Year	3.39 %
Gov't Canada 30 Year	3.95 %
Gold (USF/oz)	954.00
Oil (USF/ BBL WTI Cushing)	73.29

Week in Review

It was a mixed week in global markets with the Europeans and the Americans having a better time of it than the Asian and Canadian markets.

Asian market speculators started selling on concerns that China was going to back off on credit creation and we all know that will end in tears of they do.

On average Asian markets were off 3.00% to 4.00% for the week while their

bonds rose on buying of safety.

The Canadian stock markets were exciting to say the least. A large drop at the beginning of the week followed buy steady increases each day indicates some good underlying market strength.

You know there is confidence when you get these solid steady recoveries over a few days. Overall Canadian markets ended the week almost at the same level as the

previous week.

The US markets were strong on some positive news indicating the US may be coming out of recession and that the health care issue may be losing ground.

Americans and universal health care is an interesting study in risk mismanagement at the personal level. There are so many that have been swayed by ridiculous ads disparaging the UK and Canadian health care systems

and it looks as though Americans do not want to pay more taxes for universal health care.

So for the “saving” of a few dollars a month in taxes for a universal health care plan, Americans are willing to pay the “Hospital Induced Bankruptcy Lottery” that their system is renowned for.

Overestimation of small risks (increased taxes) and underestimation of small risks are hallmarks of the

human thinking process and leads to many poor decisions. Good luck President Obama.

This week the Europeans had a great time in the markets. France has seen manufacturing increase and Germany is seeing growth in services while the news in the US about the housing crisis easing significantly was also well received. On average European markets were up about 3.00%.

I am not sure how many of you follow oil but in late December 2008 it hit a low of around \$35.00 USF/BBL. At its closing price this week of \$ 73.29 USF/BBL it represents a price increase of 109% in 8 months. That much of a rebound in such a small time period in the context of the recession we went through is nothing short of stunning.

Read whatever you can about “Peak Oil” and you will under-

stand why. At this level, it is cheaper than coffee but may not be for long.

While we are still finding oil we are finding it in hard to get places. Places like the deep ocean where it costs plenty to develop.

Time for a hybrid, or a bike, or a bus, or a walk.

Trevor Giles

Sustainable Investing— Part Three

In the first part of this series we took a look at the definition of sustainable investing and in part two we examined some of the foundations of sustainable investing.

In this installment I want to start examining the individual components of sustainable investing in more detail.

At our firm we use an ESGC Investing™ methodology to implement sustainable research.

The “E” is for environmental, the “S” for social, the “G” for governance and the “C” for carbon.. We will examine each one in a separate article and start with the “E” in this one.

When we examine environmental criteria as part of the investment research process, there are numerous areas which can/must be investigated.

Corporate entities can operate in one or many jurisdictions and can be subject to many differing environmental laws, regulations, and rules.

It goes without saying that the corporation should be observing these laws to the letter and, ideally, exceeding them.

But that is basic observance. There is and should be more. Corporations should not be “shopping” for the least stringent jurisdictions in order to save costs and in effect export pollution and the follow-

on effects.

Indeed, the better run entities should look to apply the strictest compliance regime to all of their operations and strive to better even those.

So, as part of the non-financial research analysis process, the environmental record of a firm is incredibly important to the concept of a sustainable investment.

Again, and I cannot stress this enough, there currently is no perfection in this regard but there are many best in class firms and that is what must be dealt with as an investor.

Some of the most important environmental criteria that are examined are listed below.

C-level commitment to making the lowest impact on the environment is key.

Companies that have the top executives and Board of Directors committed to environmental awareness and minimizing the impact of operations will influence all employees in this regard.

Adherence to laws, regulations and rules is another key variable.

Companies that operate within or exceed the environmental laws will reduce their risk profile, outflows for fines, penalties, and legal proceedings. All of which take time and a lot of money.

Think Union Carbide and Bhopal, India.

25,000 dead and over 500 million in legal settlements and costs.

Transparency in environmental reporting is also very important.

When you read through financial reports you get a sense of a company’s commitment to the environment. There are many qualitative signals that illuminate the reality from the stated information.

For instance, in the annual report you may find glowing passages about the firm’s commitment to the environment and how it works to meet those commitments.

However, a look through the notes to the financial statements may reveal fines and penalties.

News releases may expose shoddy procedure and problems with plants and there are numerous other sources that may tell a different story.

The “E” in the analysis of sustainable investments is incredibly important as one would imagine

because it is the environment and the resources contained within that allow commerce in the first place.

Pack out what you brought in.

Trevor Giles

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Selected News Articles

Oil Independence: Will Waxman-Markey Make a Difference?

It seems that energy and climate legislation is increasingly being presented as a plan to curb U.S. dependence on foreign oil. And that—if true—would presumably bring a whole raft of benefits, including a cleaner environment, weakened petro-states, a healthier trade balance, and a tidier foreign policy. If only.

The latest call comes from the left-leaning think tank, Center for American Pro-

gress, in a report released today, "Securing America's Future." The thrust of the argument is: Clean-energy legislation in the U.S. will lessen the country's dependence on oil, which these days essentially means foreign oil.

Echoing other recent calls by military leaders, CAP says that reducing that dependence would allow the country to sidestep an unattractive future, especially in the national-security sphere:

America's need for steady supplies of oil means it must adjust its behavior and strategies in order to maintain relations with less-than-savory regimes including Venezuela, Nigeria, and Russia. These countries, as well as smaller nations such as Angola, will therefore hold an increasingly disproportional amount of bilateral and regional power, while the United States has diminished leverage and constrained policy options in strategic re-

gions such as the Middle East and Central Asia.

That's not even including the potential economic benefits—the U.S. spent \$1.5 trillion on oil imports over the past decade, and last year's bill amounted to 2.3% of gross domestic product, a record level, CAP says.

All that is true—but the problem is that the legislation under consideration in Congress wouldn't really do much to dent America's oil appe-

tite. As CAP notes, the Waxman-Markey bill would reduce U.S. oil consumption in 2020 by a mere 876,000 barrels a day, or about 4.5% of total U.S. oil consumption.

And that means that a U.S. oil diet won't necessarily reshape the world or weaken petrostates. CAP argues that lower U.S. dependence would weaken oil producers such as Iran by freeing up China to buy more oil from "stable nations." Maybe so—but China has been busy inking oil and

gas deals with Iran, Sudan, Myanmar, and Russia, and not just because U.S. demand has been crowding it out of "friendly" suppliers.

The fact is that China's demand for oil more than tripled over the last 15 years, and few analysts expect the country's double-digit economic growth to eschew a similar demand for oil in coming years. Even if the U.S. cuts back a little on oil consumption, in other words, China (and other developing

countries) will more than make up the slack—which will keep today's petrostates in business all the same.

There are plenty of potential benefits in the energy and climate legislation currently in Congress, but disarming the world's petroleum producers doesn't appear to be one of them.

WSJ Blogs
August 26, 2009
By Keith Johnson

We are upsetting the atmosphere upon which all life depends. In the late 80s when I began to take climate change seriously, we referred to global warming as a "slow motion catastrophe" one we expected to kick in perhaps generations later. Instead, the signs of change have accelerated alarmingly.

David Suzuki

Prisons Bureau Says Madoff Does Not Have Cancer

Wall Street super-swindler Bernard Madoff has not been diagnosed with cancer, the Federal Bureau of Prisons said on Monday, knocking down a tabloid report that Madoff was dying of the disease.

Separately on Monday, U.S. prosecutors said in a court filing that they would seek forfeiture by former Madoff deputy Frank DiPascali of a 61-foot motor yacht, known as the "Dorothy Jo," and three luxury cars. Prosecutors say these items were bought with funds taken from Madoff's victims.

The New York Post reported that Madoff, 71, who since June has been serving a 150-year sentence at a North Carolina federal prison, told inmates he does not have long to live. The paper cited unnamed prison sources.

Federal Bureau of Prisons spokes-

woman Traci Billingsley initially told Reuters the story was "full of inaccuracies."

Billingsley later, in a written statement, said "Bernie Madoff is not terminally ill, and has not been diagnosed with cancer," although the bureau did not address every detail in the story.

The Post story quoted one inmate at the Butner Medium Federal Correctional Institution as saying Madoff was taking "about 20 pills a day" and "not doing very well."

The newspaper said that earlier this year there had been speculation that Madoff was suffering from pancreatic cancer.

Madoff lawyer Ira Sorkin declined to comment on his client's "physical or emotional condition."

Madoff pleaded guilty in March to orchestrating a worldwide \$65 billion Ponzi scheme that claimed thousands of

victims over the course of 20 years. He was sentenced to 150 years, which has fueled speculation that any talk of terminal illness would be a ploy for leniency.

DiPascali on August 11 pleaded guilty in Manhattan federal court to 10 felony counts related to helping Madoff manage his fraudulent money-management firm.

VICTIMS' ATTORNEYS

Legal experts said a grave illness could have guided Madoff's decision to plead guilty to the massive criminal fraud and not implicate other people.

"Some of the victims all along believed that he had a terminal illness and that was the only reason" he offered his guilty plea, said lawyer Barry Lax of Lax & Neville, which represents Madoff victims.

Joseph Cotchett, another victims' lawyer who last month vis-

ited Madoff in prison, said he never saw any indication that Madoff was sick.

"I asked him about his health, and he said he was fine, with the exception of his ankles, which were swelling because of new pair of shoes," Cotchett said. "Anybody faced with life imprisonment will have a little sorrow, but he was spry, bouncing into the room. He made no mention of any physical problems."

Cotchett, whose victims are trying to recover money lost in Madoff's fraud, said it is a strange coincidence this Madoff cancer claim came just days after the Lockerbie aircraft bomber was released by Scottish authorities on humanitarian grounds after he was diagnosed with cancer.

"If this were an excuse to get out of prison, his victims would have to be upset with it," Cotchett said.

"I read the story and found it hard to believe," said Helen Davis Chaitman, another Madoff victims' attorney. "I just hope it's not a set-up. Undoubtedly, Mr. Madoff has information that some people would hope would never be revealed."

SWEAT LODGES AND SANDWICHES

The Post story also reported that Madoff has begun engaging with some unexpected social groups in prison, including Native Americans. He was also making new friends among the "homosexual posse," the Post said, adding the relationships were purely platonic, according to the sources.

The Post story also reported that Madoff has begun engaging with some unexpected social circles in prison, including Native Americans.

A shirtless Madoff has joined weekly "Native American religious purification

ceremonies" that involve prayers in "sweat lodges," rooms with heated rocks that induce sweat, and smoking from a ceremonial pipe, the paper said.

Billingsley confirmed that Butner provides a sweat lodge as a religious structure for Native American prisoners.

The Post also reported that various "gangs" at the prison were trying to recruit Madoff. Some inmates have taken Madoff under their wing, preparing "sandwich wraps" for him at their cells.

Larry Levine, a former prison inmate and founder of Wall Street Prison Consultants, which prepares people for incarceration, said he would not be surprised if Madoff were finding friends among the Native American inmates.

Levine also said Butner is known as a "cheese factory," a nickname alluding to the many federal in-

formants, or "rats," incarcerated there.

"I have talked to some people that said that (Butner) is supposed to be a nice place," he said.

As to toasting sandwiches, the Bureau of Prisons spokeswoman said inmates are not permitted to prepare food in their cells, though soup, beans and other items may be procured in the prison commissary and brought back to cells.

"They are not going to have a microwave oven in their cells," former inmate Levine said.

(Reporting by Joseph A. Giannone and Steve Eder, additional reporting by Elinor Comlay, editing by Gerald E. McCormick and Tim Dobbyn)

By Joseph A. Giannone
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(Reuters)
