



# Sustainable Finance

## Market Performance—Selected Markets for the Week Ended September 04, 2009

Market	Dec 31, 2008	September 04, 2009	YTD Change	YTD Change %
S&P/TSX	8,987.70	11,017.47	2,029.77	22.58 %
Dow Jones	8,776.39	9,441.27	664.88	7.58 %
S&P 500	903.25	1,016.40	113.15	12.53 %
NASDAQ	1,577.03	2,018.78	441.75	28.01 %
NIKKEI	8,859.56	10,187.11	1,327.55	14.98 %
FTSE 100	4,434.20	4,851.70	417.50	9.42 %
DAX	4,810.20	5,581.41	771.21	16.03 %
Hang Seng	14,387.48	20,318.62	5,931.14	41.22 %
Shanghai	1,820.81	2,861.61	1,040.80	57.16 %
DJSI World TR	945.46	1,152.07	206.61	21.85 %
DJSI North America TR	92.85	107.12	14.27	15.37 %
Jantzi Social Index TR	128.27	161.68	33.41	26.05 %
FTSE 4Good Global 100	3,384.13	3,915.25	531.12	15.69 %

## Selected Rates (Institutional)

Description	Price or Rate Sep 04, 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)	(July 2009) - 0.70 %
Gov't Canada 1 Year T-Bill	0.55 %
Gov't Canada 5 Year	2.50 %
Gov't Canada 10 Year	3.39 %
Gov't Canada 30 Year	3.95 %
Gold (US\$/oz)	954.10
Oil (US\$/ BBL WTI Cushing)	73.29

## Week in Review

This was a pretty quite week in the markets. Nothing earth shattering, no suspense, and nothing that could plunge the world into chaos.

Canadian markets had small gains with the TSX up 0.44%. The Canadian recession was declared officially over at the end of the second quarter of 2009 and Canadian jobs posted a gain of 27,000 in August.

American markets were all down about 1.00% as news that the American economy shed another 216,000 jobs came out although it was the smallest decline in a year. The unemployment rate now stands at 9.7%. Ouch!

Japanese markets fell about 3.00%. Apparently a new ruling party did not inspire much confidence in the markets but really why would it when the new government

will likely support the same policies that have kept the Japanese economy moribund for so many years. Hard to gain confidence in a country that just cannot seem to find its lost economic vitality despite many attempts to do so.

The Chinese market in Shanghai pretty much went sideways for the week while the Hong Kong market was up about 1.50%. Not much

going on this week in this part of the world.

The Europeans had a mixed time of it this week. The UK had a poor showing and markets in that country were down an average of 1.50%. On the continent the performance was slightly better with the German market posting a gain of 1.33% for the week.

On the sustainability and social investment side of things it was

a dismal week with markets dropping in these sectors in a range of 1.50% to almost 4.00%.

Frankly this is healthy as some of the clean energy issues were a bit overdone.

So anyone who studies the length of market runs, trends and rates of return would and should now be looking at the Canadian TSX market and wondering when it

will stall and perhaps experience a sell off. Same goes for the NASDAQ, Hang Seng, Shanghai, and Sustainable/Social indexes.

All have experienced some fairly significant returns over the past 8 months. The TSX alone has returned almost 50% off its March bottom.

So, if I had a crystal ball, which I do not, it would likely tell me that the probabilities

for a stall or sell off are now greater than they are for increased advances.

As we come out of recession and indeed even before markets do you can typically expect strong market performance. However, these markets have come up very fast and the risk of a sell off is now increasing each day.

Tread lightly.

Trevor

## Sustainable Investing— Part Four

As part of this series I thought it would be valuable to cover the particular indexes that are important to the practice of sustainable investing.

There are four main index providers that form the majority of indexes available to investors for performance measurement and general market awareness with respect to investments made on a sustainable or socially responsible basis.

One of the first, and certainly one of the most important is the KLD set of indexes. If ever there were three people who could be considered the centre of the universe in this field of investing it would be the KLD team. Peter Kinder,

Steven Lydenberg, and Ami Domini.

These indexes cover many areas but focus on socially responsible investment and sustainable investment programs.

KLD has partnered with FTSE in the UK and Jantzi in Canada to produce 18 indexes. The most important and perhaps one of the most widely covered is the KLD 400 Social index.

The KLD 400 Social index uses environmental, social, and governance (ESG) factors to screen investments for its index and is one of the most common indexes used to measure performance in this investment sector. It is also one of the longest running

indexes in this field having been started in 1990.

Next, and a relatively new entrant into the sustainability index market, is the Dow Jones Sustainability indexes.

While having only been in this market for 10 years, they have certainly become a very important index producer and are gaining a very high quality client base and many followers, yours truly included.

DJSI also employs environmental, social, and governance (ESG) factors to screen investments for its various indexes which cover most major world markets.

The firm works with SAM Group out of

Switzerland who provide all the research and screening services for DJSI.

SAM Group has been in existence since 1995 and manages institutional funds based on their sustainability mandates. They are considered one of the leaders in this field.

For our purposes the major indexes that DJSI produces are the North American, the European Stoxx, and the Canadian constituents within the various indexes.

DJSI is quickly becoming one of the top index producers in this market area and are being used as a performance measurement index more frequently.

Third in our consid-

eration of index providers in this market area is FTSE out of London, UK. FTSE is most recognized for the FTSE 100 index but they have many other index products as well.

For our consideration their FTSE 4Good series is very important. The two main products are the FTSE 4Good Environmental Leaders Europe 40 Index and the Global 100 index.

The last of the index producers that are important to our area of investment and particularly to Canadian sustainability and socially responsible investors is the Jantzi Social Index.

Jantzi Research was formed in 1992 and has been at the forefront of Canadian

socially responsible investment research. In 2000 the Jantzi Social index was formed and is comprised of 30 leaders from the Canadian TSX market.

For Canadians it is an important benchmark for comparing the performance of best-

of-sector ESG screened investments.

Indexes are an important tool for investors and investment managers alike. Their formation for our sector indicates greater market acceptance of sustainable and socially responsible investing.

September 04, 2009 Volume 1 Issue 5

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## Selected News Articles

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### India Will be Key Player at Copenhagen Conference, says Miliband

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Ed Miliband, Britain's climate change secretary, hailed India as a potential "deal maker" in the forthcoming talks in Copenhagen for an international treaty to tackle global warming, stating that the country would not face targets to cut its emissions in the near future because it "took climate change seriously".

The UK's "softly-softly" approach has won plaudits in India, and contrasts with that of US secretary of state, Hilary Clinton, whose visit in July resulted in a spat with environment minister Indian environment minister Jairam Ramesh. India has categorically ruled out greenhouse gas cuts, arguing that rich

nations caused the problem and must not deny Indians the opportunity to grow out of poverty.

In an interview with the Guardian, Miliband and development secretary Douglas Alexander said India would not have to reduce emissions by 2020 – the year when the European Union has offered to cut by a third its greenhouse gas output – given that Delhi was "not doing things on a 'business as usual basis'".

"India has very stretching targets on solar energy, on renewable energy ... it has big ambitions on energy efficiency ... I think India wants to be a deal maker not a deal breaker in Copenhagen," said Miliband.

India already generates 8% of its power from renewables – more than the UK. It says it aims to have 20,000MW of solar energy in place by 2020 and make fuel efficiency standards mandatory for cars from 2011 as part of a package to reduce the nation's carbon footprint.

After Clinton's visit, Delhi accused the United States of applying pressure on India to curb its greenhouse gas emissions. The United States wants big developing countries such as India and China, whose emissions are quickly rising as their economies grow, to agree to rein them in before Washington commits to any global deal.

Today the Indian government released

a series of studies showing the country's greenhouse gas emissions would continue to rise – citing a range between 2.8 and 5.0 tonnes of carbon dioxide per person in 2031. The government estimates India's current per-capita emissions at 1.2 tonnes – significantly below the current global average of 4 tonnes.

"Even two decades from now, India's per-capita greenhouse gas emissions will be below the global average of 25 years earlier," said the Indian minister.

Although Miliband welcomed the report, the British minister said the negotiations in the run up to Copenhagen centred on when "emissions in different countries peak past 2020".

Miliband highlighted July's L'Aquila agreement – where the world's richest nations reached a symbolic deal with India, China and other major polluters on the need to limit global warming to within 2 degrees centigrade to prevent catastrophic climate change.

Despite this pledge Miliband stopped short of calling of emission reduction targets for big, emerging economies such as India after 2020. "That is one of the questions we have got to resolve... we want to work with India".

Another key area of difference revolves around carbon capture and storage technologies that Britain has promoted to reduce greenhouse gas

emissions. Indian officials have complained about the cost of such plants, which aim to capture carbon dioxide created by industry and pump them deep underground.

However Miliband pointed to India's rising reliance on coal as a reason why the Asian nation might embrace the technology. "India seems to be most interested in solar technology. Let me be honest with you there is no solution to the problem of climate change that does not solve the problem of coal."

Campaigners said British ministers' softly-softly approach showed the west had "come a long way". "I think they are beginning to understand the ground realities in

India. You have to talk to each other not at each other," said Sunita Narain of Delhi's Centre for Science and the Environment.

However Narain said that there was still some way to go. She said industrial nations must curb their own pollution and provide funding and technology to help developing nations before the latter are asked to set limits that could crimp their economic expansion.

Douglas Alexander, Britain's development secretary, pointed out that Gordon Brown had proposed \$100bn (£62bn) a year for a global green fund that could "unlock new sources of financing".

*The Guardian*  
September 02, 2009

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Those who manage their way into a crisis are not necessarily the right people to manage their way out of a crisis.

Albert Einstein

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### Its Time for a New Economic Paradigm

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I've heard economists boast that their discipline is based on a fundamental human impulse: selfishness. They claim that we act first out of self-interest. I can agree, depending on how we define self. To some, "self" extends beyond the individual person to include immediate family. Others might include community, an ecosystem, or all other species.

I list ecosystem and other species deliberately because we have become a narcissistic, self-indulgent species. We believe we are at the centre of the world, and everything around us is an "opportunity" or "resource" to exploit. Our needs or demands trump all

other possibilities. This is an anthropocentric view of life.

Thus, when faced with a choice of logging or conserving a forest, we focus on the potential economic benefits of logging or not logging. When the economy experiences a downturn, we demand that nature pay for it. We relax pollution standards, increase logging or fishing above sustainable levels, or (as the federal government has decreed) lift the requirement of environmental assessments for new projects.

A fundamentally different perspective on our place in the world is called "biocentrism". In this view, life's diversity encompasses all and

we humans are a part of it, ultimately deriving everything we need from it. Viewed this way, our well-being, indeed our survival, depends on the health and well-being of the natural world. I believe this view better reflects reality.

The most pernicious aspect of our anthropocentrism has been to elevate economics to the highest priority. We act as if the economy is some kind of natural force that we must all placate or serve in every way possible. But wait! Some things, like gravity, the speed of light, entropy, and the first and second laws of thermodynamics, are forces of nature. There's nothing we can do about them except live within the boundaries

they delimit.

But the economy, the market, currency – we created these entities, and if they don't work, we should look beyond trying to get them back up and running the way they were. We should fix them or toss them out and replace them.

When economists and politicians met in Bretton Woods, Maine, in 1944, they faced a world where war had devastated countrysides, cities, and economies. So they tried to devise solutions. They pegged currency to the American greenback and looked to the (terrible) twins, the International Monetary Fund and the World Bank, to get economies going again.

The postwar era saw amazing recovery in Europe and Japan, as well as a roaring U.S. economy based on supplying a cornucopia of consumer goods. But the economic system we've created is fundamentally flawed because it is disconnected from the biosphere in which we live. We cannot afford to ignore these flaws any longer.

Flaw 1: Beyond its obvious value as the source of raw materials like fish, lumber, and food, nature performs all kinds of "services" that allow us to survive and flourish. Nature creates topsoil, the thin skin that supports all agriculture. Nature removes carbon dioxide from the atmosphere and returns oxygen. Nature takes

nitrogen from the air and fixes it to enrich soil. Nature filters water as it percolates through soil. Nature transforms sunlight into molecules that we need for energy in our bodies. Nature degrades the carcasses of dead plants and animals and disperses the atoms and molecules back into the biosphere. Nature pollinates flowering plants.

I could go on, but I think you catch my drift. We cannot duplicate what nature does around the clock, but we dismiss those services as "externalities" in our economy.

Flaw 2: To compound the problem, economists believe that because there are no limits to human creativity, there need be

no limits to the economy. But the economy depends on having healthy people, and health depends on nature's services, which are ignored in economic calculations. Our home is the biosphere, the thin layer of air, water, and land where all life exists. And that's it; it can't grow. We are witnessing the collision of the economic imperative to grow indefinitely with the finite services that nature performs. It's time to get our perspective and priorities right. Biocentrism is a good place to start.

It's time for a Bretton Woods II.

*David Suzuki and Faisal Moola*  
[www.davidsuzuki.org](http://www.davidsuzuki.org)  
Aug 21, 2009

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