



# Sustainable Finance

Market Performance - Selected Markets for the Week Ended October 23, 2009				
Market	Dec 31, 2008	16-Oct-09	YTD Change	YTD % Change
S&P TSX	8,987.70	11,382.13	2,394.43	26.64%
Dow Jones	8,776.39	9,972.18	1,195.79	13.63%
S&P 500	903.25	1,079.60	176.35	19.52%
Nasdaq	1,577.03	2,154.47	577.44	36.62%
Nikkei 225	8,859.56	10,282.99	1,423.43	16.07%
FTSE 100	4,434.20	5,242.57	808.37	18.23%
Dax	4,810.20	5,740.25	930.05	19.33%
Hang Seng	14,387.48	22,589.73	8,202.25	57.01%
Shanghai	1,820.81	3,107.85	1,287.04	70.69%
DJSI World TR	945.46	1,279.03	333.57	35.28%
DJSI North America TR	92.85	117.44	24.59	26.48%
Jantzi Social Index TR	128.27	170.79	42.52	33.15%
FTSE 4Good Global 100	3,384.13	4,191.45	807.32	23.86%

Selected Rates (Institutional)	
Description	Price/Rate Oct 23, 2009
CDN/US\$	1.0508
CDN/EURO	1.5792
CDN/CHF	1.0434
CDN/YEN	0.0114
Total CPI -Canada TTM (09/09)	-0.90%
Total CPI - USA TTM (09/09)	-1.20%
Total CPI - Euro TTM (09/09)	-0.30%
GOC 1 Yr T-Bill	0.58%
GOC 5 Year	2.73%
GOC 10 Year	3.46%
GOC 30 Year	3.94%
Gold US\$/Oz	1,055.60
Oil US\$/BBL WTI Cushing Spot	80.05

## Week in Review

The flight from the US dollar continues and the effective devaluation continues to show up everywhere you look.

Gold is still at astronomical levels and Oil is slowly moving upwards.

The Brazilians this week imposed a 2% tax for investment inflows into the country to avoid its currency from a continuous upward climb and to prevent

its stock exchange from overheating.

The Chinese economy booked 8.9% growth year over year which is ahead of the stimulus induced rate that was expected.

The US economy is experiencing a lukewarm recovery and the UK has now had 6 straight quarters of economic contraction.

What is going on here? The move to the BRIC countries

and the emergence of a new power and economic balance in the world is my thought.

That Brazil is trying to prevent its currency from rising speaks volumes. That China's economy in a bad year is growing at twice the Western economy rate in a good year says something.

This week in the markets was mixed. The Asian markets were up with the Hang

Seng gaining 4.59% and the Shanghai market in China moving ahead by 7.21%.

The Europeans had a modest week gaining 1.18% in the UK on the FTSE 100 while the German market was flat on the DAX.

North American markets started the stall I have been looking for. How fixed it is remains to be seen. The Dow Jones was down 0.27%, the NASDAQ was off

0.15%, the S&P 500 was down 0.89% while the TSX in Canada fell by 1.36%.

Its not the amounts it is the trajectory that worries me. The paths of the exchanges remind me of a toy wood airplane that shoots up when thrown only to dive and then arc up, and then dive and arc up, and then dive. I am not sure what part of the flight path we are in but it certainly has

my attention.

For next week I will be looking for weakness and for anything that indicates the party is over.

Looking at the returns for the year it seems it would be the smart investment manager that would start moving from equities into cash to avoid any precipitous falls and to lock in returns for clients that have just come through one of the worst previous

years in investing for a long time.

Will that leave money on the table? It could. But if the bottom falls out because of economies that are not recovering and whose stock markets have been optimistically overbought, it is a risk I am willing to take to the bank.

Trevor Giles

## Crazy Ideas or Lazy Ideas—Maybe Both!

I have little time to watch television as I find much of it is a waste of my grey matter. I can actually feel my brain cells dying when I watch certain "reality" shows. But once in a while when I flop down on the couch after a day of work I may end up watching an hour if I am too tired to read.

Last night was such a night and I happened to end up watching 20/20 with Elizabeth Vargas and the two authors of Freakonomics and their latest effort Super Freakonomics. I have to say it was an extremely interesting show and I plan to pick up the reading to add to my "to read" mountain I have in my bedroom.

While interesting, one of the ideas presented really made me think. The authors of the books have been in touch with a firm called Intellectual Ventures that spends its days coming up with new and innovative inventions. Frankly, it is an impressive enterprise and tackles some very important problems solving them with science and engineering.

That may be well and good but one of their ideas made me stop and question whether or not it was a crazy idea, a lazy idea or both. The idea essentially is to raise a tube the size of a garden hose to a level of 100,000 feet or so into the atmosphere of the planet and pump sulfur dioxide

through it to help cool the planet and thus help solve global warming. The thought being that it is easy, cost effective, and doable in the near future.

I imagine there will be many that will say "What an excellent idea. We don't have to change what we do and we can still cool the planet by pumping sulfur dioxide (the precursor for acid rain) onto the atmosphere". Yes, sulfur dioxide is the stuff that we have for years been trying to reduce emissions of into the atmosphere by coal fired power plants principally because it causes acid rain. Does anyone see the problem here?

Yes they are actually proposing that we use the precursor to acid

rain to try and cool the planet. This was based on the aftermath of the Mount Pinatubo eruption in 1991. The average temperature of the earth was lower by 0.3 degrees centigrade and some have attributed it to the effect of sulfur dioxide.

Unfortunately this is not the whole story. There is also the ozone destroying effect of reactions on aerosol particles in the atmosphere at the height that the scientist propose and there are likely many other unforeseen consequences of such an idea.

What struck me at that moment is how human it is to look for the cheap easy fixes that typically have unintended con-

sequences. And because of their expediency and the tacit permission they given humans to keep doing what they have always been doing instead of the real work that has to be done for permanent change, they are widely accepted, approved, and implemented. They are, in essence, crazy and lazy ideas at the same time.

History has no shortage of these types of ideas, The personal automobile, cell phones, plastic garbage bags are but a few ideas that in hindsight appear a little crazy when you think of them in terms of unintended consequences and unforeseen problems that they have helped to create. Although they do have some

usefulness I will admit.

Global warming requires solutions that are not quick fixes and that are not necessarily expedient. The issue requires thought, change, and no less than a redefinition of some of the basic processes of life

on this planet as a human.

Crazy Lazy ideas will always be around. It is my honest hope that humans are better than this.

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## Selected News Articles

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### Fed Hits Banks With Sweeping Pay Limits

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In a one-two punch at the pay culture of banks and Wall Street firms blamed for the financial crisis, the U.S. government announced plans to aggressively regulate compensation at thousands of lenders and impose steep pay cuts at seven companies that received billions in federal aid.

While the moves had been anticipated for weeks, Thursday's separate announcements by the Federal Reserve and Treasury Department represent unprecedented federal intervention in pay decisions traditionally left to boards and shareholders.

President Barack Obama comments on Kenneth Feinberg's decision to limit executive pay at firms receiving government aid. He says while it's a step in the right direction, shareholders should have a say in how executives are compensated.

The crackdown is likely to influence how financial firms pay top executives, traders, loan officers and others whose actions could threaten the soundness of the institutions. Compensation experts said it would

be hard for companies to escape the new oversight, though individuals could do so by jumping to hedge funds, private-equity funds and other financial firms beyond the reach of the new curbs.

The central bank moved to incorporate reviews of compensation into its routine regulatory process, a step that will affect large and small financial firms across the U.S. as well as American subsidiaries of non-U.S. financial companies. Some state regulators said they plan to issue similar requirements for state-regulated banks not covered by the Fed plan.

"I think it will make an important difference" because many banks have been reluctant to change their pay practices unilaterally out of competitive worries, said New York's banking superintendent, Richard Neiman.

As expected, Treasury official Kenneth Feinberg said cash salaries paid to the highest-earning executives at seven companies getting exceptional federal aid will be capped at \$500,000, while the group's total pay

level, annualized, will be 50% lower than a year before.

Some bankers and outside experts said Mr. Feinberg was overstating the extent of the cuts. Many bankers will continue to enjoy seven-figure pay packages, including one who will receive \$9.9 million. Of the 136 employees whose pay Mr. Feinberg reviewed, 29 are on track to collect total 2009 pay of at least \$5 million, according to documents released by Mr. Feinberg. And his calculations of 50% cuts in total pay for the top 25 at each firm from a year before depend partly on departures of certain highly paid employees.

The rulings will be effective for just November and December; employees won't have to repay salaries already received. But the rulings will become the starting point for next year's salary figures and until the companies repay their government aid.

To make sure firms follow the new rules, Mr. Feinberg imposed reporting requirements on top executives and directors. He said he hopes the standards "will be voluntarily picked

up" throughout corporate America.

The rulings cover the highest-paid 25 employees at each of the seven heavily aided companies: Citigroup Inc., Bank of America Corp., American International Group Inc., General Motors Co., GMAC Inc., Chrysler Group LLC and Chrysler Financial.

Mr. Feinberg said he will have to approve pay for the next chief executive at Bank of America. He already pushed outgoing CEO Kenneth Lewis into giving back \$1 million he received so far this year and forgoing the rest of his \$1.5 million salary for 2009.

Some critics said that Mr. Feinberg was too soft on the banks and that his main accomplishment -- forcing firms to use more stock and less cash when paying employees -- didn't go far enough to rein in compensation. "We're worried that it's shifting from one form of compensation to another and still letting people get away with some pretty outrageous things," said Sarah Anderson, an executive-pay analyst with the left-leaning Institute for Policy Studies in Washington.

While the Fed didn't propose pay caps, it said it will review compensation policies at "28 large, complex banking organizations," which it didn't identify. It will be a "horizontal review" that in effect compares them to one another. The Fed also proposed that pay of traders and other employees be linked to the risks taken to achieve returns. So if two people generate \$1 million in revenue each, one who took more chances could be paid less.

Analysts noted that one surefire sign of risk -- bets that use a lot of borrowed money -- could stay out of style if the Fed uses risk-adjusted returns to assess how employees should get paid.

Morgan Stanley, Credit Suisse Group and some other Wall Street firms already have moved to overhaul pay, including shifting more of it to salary.

Some small-town bankers are resentful of the coming scrutiny by the Fed, blaming many of the foolish loans and reckless trades that led to the financial crisis on larger institutions. "We're all having to pay for the sins" of the big banks, said

Rusty Cloutier, CEO of MidSouth Bancorp Inc., Lafayette, La.

Since the spring, banks have been fretting over the effect of a provision in the economic-stimulus law that restricts bonuses -- historically the lion's share of top bankers' compensation -- to a fraction of salaries. The worry has been that the combination of this provision, inserted by Sen. Christopher Dodd (D., Conn.), and coming salary curbs by Mr. Feinberg would severely depress overall compensation.

**Impact: How pay rulings will affect the seven companies.**

At Citigroup, some executives were relieved Mr. Feinberg's demands were not tougher. While salaries will be paid more in stock than cash, their total values aren't expected to shrink in most cases, said people familiar with the matter.

Citigroup executives have been worried that severe curbs could spark an exodus of top traders and bankers. That hasn't happened. Citigroup has suffered many high-ranking defections, but those executives say their

departures didn't stem from dissatisfaction with pay.

Citigroup said it is "pleased this decision has been issued and we will now work to comply with the plan's requirements."

Amid public outcry over compensation paid to bank chiefs, the Federal Reserve and U.S. Treasury have unveiled new rules for executive pay. WSJ's Matthew Rose says the move is an historic government intervention in the private sector.

Bank of America officials reached out to those affected by the Feinberg ruling to reassure them pay is "still very healthy," said a person familiar with the situation. But some remain concerned the firm may face trouble recruiting in its global banking and markets group, run by Thomas Montag -- who was identified by people familiar with the matter as the person with the \$9.9 million pay package, one of the largest disclosed Thursday by Mr. Feinberg.

Wall Street Journal  
October 23, 2009  
By Aaron Lucchetti,  
David Enrich and  
Joann S. Lublin

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*"Sustainability is here to stay or we may not be." Niall Fitzgerald*

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### Nissan, Sumitomo to Recycle Electric Car Batteries

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TOKYO— Nissan Motor Co. and Sumitomo Corp. said they will establish a joint venture to recycle lithium-ion electric car batteries, which could give Nissan an early lead in the fledgling electric car market by making its vehicles more affordable.

The venture will enable the Japanese automobile manufacturer to lower the prices of its zero-emission vehicles by taking into account the resale value of

their batteries, Nissan Chief Operating Officer Toshiyuki Shiga said.

"This is a scheme that will make it easier for customers to use electric cars," said Mr. Shiga, whose company will launch its Leaf electric car in the U.S., Japan and Europe next year.

Meanwhile the partnership offers Japanese trading house Sumitomo the opportunity to broaden the scope of its automobile-related business.

The joint venture is Nissan's latest push to gain an early lead in the electric car market to catch up with rivals enjoying brisk sales of fuel-efficient cars, such as Toyota Motor Corp. and Honda Motor Co. and their gasoline-electric hybrid vehicles.

Nissan currently sells hybrid cars equipped with hybrid technology from Toyota, and plans to market a model next year powered by its own hybrid system.

Nissan President and Chief Executive Carlos Ghosn reiterated Monday that it will take time for electric cars to reach the mass market, but that he expects them to account for 10% of global vehicle sales by 2020.

By reselling the batteries, Nissan and Sumitomo may solve one of electric car manufacturers' biggest problems which is affordability.

For Sumitomo, the joint venture will add

to its portfolio of automobile-related business, which ranges from supplying raw materials for batteries to leasing cars.

"For now, we will run this business only with Nissan," said Sumitomo Executive Vice President Kazuo Ohmori.

The joint venture will begin operations around the same time the Nissan Leaf hits the market next year. The parties will now discuss details of the venture, such as

whether one will take a majority stake and sales targets.

The recycled batteries will be used to store energy received via photovoltaic solar panels on residential and industrial devices, for instance, or to store back-up power, Nissan's Mr. Shiga said.

In Japan, demand for such recycled batteries is expected to reach the equivalent of at least 50,000 electric cars a year by 2020, Nissan and Sumitomo said.

The lithium-ion batteries Nissan uses retain 70% to 80% of their residual capacity, even after their average lifetime of 10 years in an electric car, said Hideaki Watanabe, general manager of Nissan's global zero emission business unit.

Wall Street Journal  
October 20, 2009  
By Yoshio Takahashi