

INSIGHTS

For the Mainstream Investor

WEEK ENDING APRIL 7, 2017 EDITION 188



CALSTRS: DIVESTMENT INEFFECTIVE

California pension finds that divestment not the best approach to address long term ESG risks

The California State Teachers' Retirement System (CalSTRS) released a draft of its new ESG policy this week. In it, the USD 202bn pension fund states that it believes **divestment is not an effective strategy** for addressing "long-term and persistent ESG risks". The fund currently divests from tobacco, firearms, and US thermal coal, as well as has geopolitical restrictions. The fund estimates that the cost of those divestments was USD 4.8bn compared to a 'standard' index return.

"Divestment eliminates our rights as a shareholder to engage with management and raise awareness of long-term risks and encourage change," it says.

"Moreover, divestment has been ineffective in bringing about social change."

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ESG RISKS AND PRIVATE EQUITY

One-third of managers said ESG analysis lead them to pay a higher price

A new survey by [Capital Dynamics](#) found that more than half of private equity managers reported that "analysis of environmental, social, and governance (ESG) risks had 'often or occasionally' led them to bid a lower price for an acquisition". The report noted that ESG analysis allowed investors to "identify risks, deficient standards, and value creation opportunities".

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THIS WEEK IN NUMBERS

20,000

subjects participated in a Japanese pharmaceutical company's dengue vaccine trial. Initial results are expected in 2018.

84

global companies have been warned by Legal & General Investment Management that it will vote against board chairmen at businesses that fail to prepare for a move to a greener economy

55

is the percent of all energy capacity added worldwide last year that came from clean energy

31

percent increase in the amount of carbon dioxide that plants are converting to organic matter due to the increased carbon dioxide that humans are putting into the atmosphere

17

states filed a legal challenge against efforts by President Donald Trump's administration to roll back climate change regulations

17

percent growth in AUM in U.S. mutual funds and exchange-traded funds using an ESG only approach since 2015, according to Morningstar

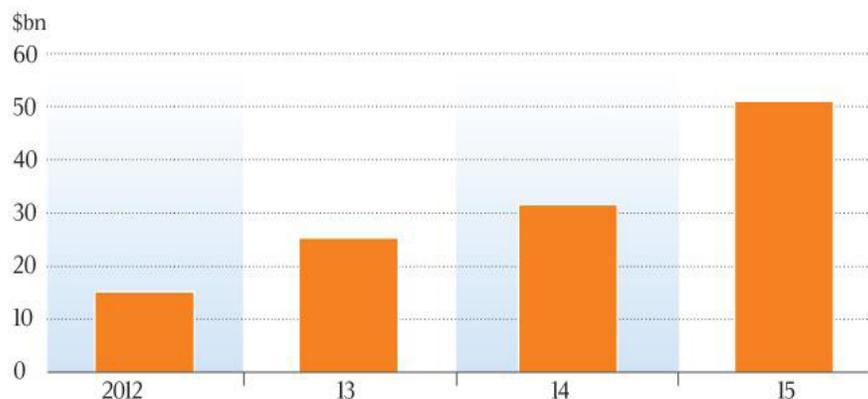
1

billion USD of its endowment is what the Ford Foundation has committed to mission-related investing over the next 10 years

INFOGRAPHIC OF THE WEEK

Growth of ethical investments in Australia

Ethical investments in Australia



Source: RIAA (2016)

Source: [RIAA via The Australian](#)

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SWFs AND CITIES COMMIT TO ESG

Swedish fund and Portland, OR make commitments

Swedish national pensions fund AP1 has invested USD 250m in a new fund launched which low-volatility stocks that are also considered "efficient in their use of [environmental resources](#)".

Meanwhile the city of Portland, OR has adopted a new policy which directs the treasurer to "apply the [minimum standards](#) set by a third-party socially-responsible evaluation firm when determining whether or not to purchase a stock." The decision to enact this policy came after the city council was pressured by numerous advocacy organizations to not invest in certain corporations.

DID YOU SEE...?

ETH Zurich, MIT Sloan, and the University of Hamburg have published a new academic study, using RepRisk data, showing that negative news linking a company to environmental, social, or governance (ESG) issues [increases credit risk](#).

PESTICIDES IN WATER

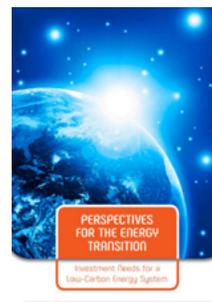
One found in half of stream water samples

Neonicotinoids, one of the most popular pesticides used by American farmers, have been found in more than half of the water samples from streams throughout the United States. Starting in 2015, the U.S. Geological Survey collected water samples from streams throughout the United States to test for the neonicotinoids, known as a 'bee killer'.

More alarmingly, this week a team of chemists and engineers at the USGS and University of Iowa reported that they found neonicotinoids in treated drinking water. "Having these types of compounds present in water does have the potential to be concerning," he said, "but we don't really know, at this point, what these levels might be," said Gregory LeFevre, the study author and U of Iowa environmental engineer.

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WHAT WE'RE READING



Perspectives for the Energy Transition: Investment Needs for a Low-Carbon Economy

IEA



Environmental, Social and Governance Report

New York State Common Retirement Fund

QUOTE OF THE WEEK

“The climate is moving much faster than people think, and the responses are going to move much faster as well... [Donald Trump's] absolute worst will galvanise the response.”

—[Jeremy Grantham](#), co-founder and chief investment strategist of the Boston asset manager GMO, arguing that measures to help polluters announced last week by the administration of Donald Trump may ultimately prove helpful.

BELIEVE IT OR NOT

A new invention from the University of British Columbia uses bacteria to actually turn non-potable water into safe-to-drink water. [READ MORE](#)

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