

INSIGHTS

For the Mainstream Investor

WEEK ENDING OCTOBER 6, 2017 EDITION 214



CORPORATE LONGEVITY

Heading for 14 years

A study by [Innosight](#), a management consulting company, offers an interesting insight into the lifespan of US companies. In 1958, the tenure of an S&P 500 Index company was 61 years. By 1965 it was 33 years declining to 20 years by 1990. Now it stands at 18 years. The report forecasts that it will shrink to 14 years by 2026.

If this churn rate continues, about half of the S&P 500 will be replaced in the next decade. Furthermore, CEOs should expect 75% of the S&P 500 to be replaced by 2027. In order to survive, management teams are recommend to run efficient operations, create new businesses and shed those that do not produce growth and return. See infographic below.



MARK YOUR CALENDAR

October 13 is the UN International Day for Disaster Reduction

VALUING COMPANIES

Sell-side views

Do sell-side analysts influence financial markets and what do they look for? A study by [Aviva Investors](#), the global asset manager, found that 94% of the 342 analysts interviewed believed they had a moderate to significant influence on investor behavior and 78% feel they have a moderate to significant influence on [company behavior](#). The analysts are concerned (42%) that there is a short-term focus.

In terms of what the analysts believe is most important when reaching an investment conclusion on a company they place strategy as number one (90%), followed by management quality (90%), valuation (88%), upcoming catalysts (81%) and capital allocation (79%). Although governance standards were rated as significant by 60% of the analysts, environmental impact was at the bottom of the list (16%).

THIS WEEK IN NUMBERS

365

companies and investors have sent letters to US state governors expressing support for the EPAs Clean Power Plan

225

billion US\$ is the total inflation-adjusted disaster response and recovery expenditure in the US between 2005 and 2014

128

countries signed the Minamata Convention on Mercury, the first international environment and health treaty in a decade

90

day public comment period for SASB standards is now open, until the end of December

34

Asian banks were studied by the WWF for sustainable lending practices; only 12 do

30

articles are written in the Universal Declaration of Human Rights, proclaimed in December 1948

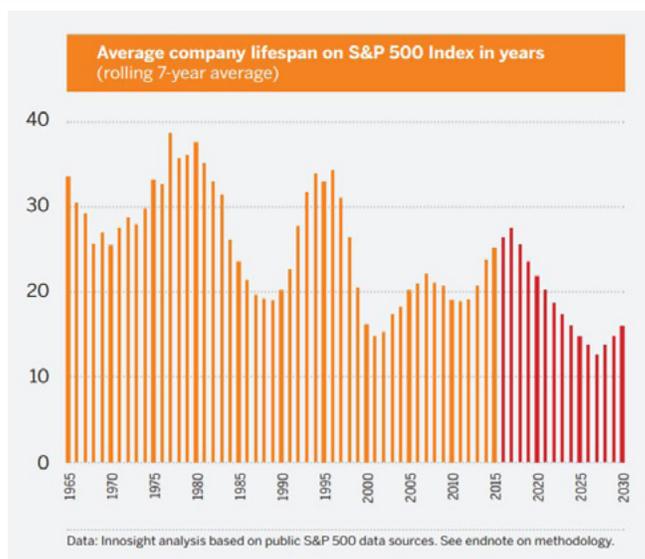
30

billion US\$ is the cumulative cost to Volkswagen of the diesel scandal

20

billion Euros (US\$ 23.5bn) is to be invested by the French government in an energy transition plan which includes energy efficiency, renewables and clean vehicle plans

INFOGRAPHIC OF THE WEEK



Source: [Innosight](#)

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Sustainable Insight
CAPITAL MANAGEMENT

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STRANDED ASSET THREAT

The impact of delay

The premature devaluation or write-down of an asset results in a stranded asset. Such events are likely as economies transition to a low-carbon future. An [analysis](#) by IRENA examines the scenarios. The first (REmap 2050) examines accelerated renewables and energy efficiency programs, which result in a 66% chance of adhering to the Paris Agreement target. The second assumes business as usual until 2030, but then accelerated action to meet the Paris target (the delayed policy action case).

If this second path is followed, a 'significant asset stranding' will result, compared to the REmap scenario, doubling stranded assets across upstream energy, power generation, industry and buildings to US\$ 20 trillion – equivalent to 4% of global wealth in 2015.

TWEET OF THE WEEK

RT [@SallyOsberg](#): Congrats to [@JeffSkoll](#) on winning the trifecta: 2016 Oscar for Best Picture, Order of Canada, and today the [@CarnegieMedal](#) for Philanthropy.

WE'RE WATCHING

India's electrifying ambition: Every willing household is to be [electrified](#) in India by the end of December 2018, stated Prime Minister Modi. The INR 163 billion (US\$2.5bn) program covers urban and rural areas.

GOOD NEWS

Is it possible that the Great Barrier Reef is starting to recover from severe [bleaching](#)? Australian scientists who examined 14 reefs between Cairns and Townsville found evidence of the coral starting to reproduce.

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SUSTAINABLE STOCK EXCHANGES

Levels of disclosure

An [analysis](#) of 55 stock exchanges around the world ranked them on their sustainability disclosure requirements. A report by [Corporate Knights](#), sponsored by [Aviva](#), showed that the Helsinki Stock Exchange was top of the list on the disclosure of sustainability metrics with over half of its large listings disclosing data on GHGs, energy, water and waste.

The developed European exchanges dominate the top 10 rankings, with the Australian, Johannesburg and Thailand Stock Exchanges also in the top 10 positions. The most carbon-intensive stock exchange was in Warsaw. The report recommends that regulators set mandatory requirements for climate disclosure on a 'comply-or-explain' basis.

DID YOU SEE?

[Proxy Insight](#) has revealed that large investment managers are pressing US energy companies to tackle [climate change](#) risks. By examining shareholder voting, it shows that investors have become more active in demanding improved disclosure on climate risks. However, there remain significant [variations](#) in investment managers' voting records.

BAD NEWS

The manufacturing of [lithium-ion](#) batteries raises uncomfortable environmental and child labor issues. This appears particularly true for the indigenous people within the 'lithium triangle' (Argentina, Bolivia and Chile) as well as the mining of cobalt, notably in the Democratic Republic of Congo.

READING LIST



Global Cities: 2018 The future of real estate and trends shaping 40 leading cities



What role for the private sector in urban investment?

Project Syndicate

Tackling AMR with the IMF

LISTENING LIST



50 Things that made the modern economy

Antibiotics

BELIEVE IT OR NOT

Scientists have found sizeable lumps of polystyrene lying on remote ice floes in the Arctic Ocean. But how did they get there? [READ MORE](#)