

INSIGHTS

For the Mainstream Investor

WEEK ENDING DECEMBER 22, 2017 EDITION 225



NOTE FROM THE EDITOR

Where you see this snowflake symbol, we've focused on more upbeat, holiday-related stories.



PERCEPTION VS. REALITY

The good old days?

As we have time to reflect over the holiday season, it's worth considering how we perceive issues and then compare them to the reality. A recent [study](#) by [Ipsos](#) covered 38 countries. When asked about the murder rate in their country and whether it was higher, the same or lower than in 2000, most countries opted for higher. The reality is that on average it has declined 29%, being only higher in three countries – Mexico, Peru and Canada. The same is true for terrorist attacks which are lower in the last 15 years, when compared to the 15 years prior to that. Respondents were very negative on teenage pregnancy with the average guessing 20% of teenage girls give birth each year. The average is 1%. Most respondents think Russia consumes the most alcohol per person. Actually the top three in descending order are Belgium, Japan and Brazil. So did respondents get anything correct? Yes. The USA is the largest consumer of sugar per person, at 126 grams per capita per day.

TAKE A LOOK

Global warming and climate change myths – all [197](#) of them – with scientific responses.

ESG AND PERFORMANCE

CalPERS vs. ACCF

A public [argument](#) has been taking place between the [ACCF](#) and [CalPERS](#). A paper by ACCF claims that CalPERS's ESG principles 'are truly jeopardizing the retirement fund'. The author comments that 'a number of factors have contributed to CalPERS's relatively recent and precipitous decline' including 'poor-performing ESG investments', its directors, 'unrealistic actuarial assumptions' and unaligned 'political views'. A deeper dive on the ESG criticism appears centered on the observation that of the nine worst performing funds, four were 'focused on renewable/clean energy'. CalPERS [responded](#) robustly calling 'the report dead wrong'. It [argues](#) that the ACCF is a 'pro-business organization that believes investors should have little say in how a company ...is operated'. It also notes the 4 funds total \$600m out of the 240 in its \$26.4 billion private equity portfolio, which earned 13.9% in the last fiscal year and 11.5% in the preceding 5-year period.

DID YOU SEE?

The [Oxford English Dictionary](#) has chosen its word of the year as 'youthquake', which saw a fivefold increase in its usage in 2017, over the previous year. It means a significant cultural, political, or social change arising from the actions or influence of young people'. More good news for sustainable investments perhaps?

WE'RE WATCHING

Penzance, a town in Cornwall, England, has been named the first [plastic free community](#) in the UK. The NGO, Sufers Against Sewage (SAS) claim that 90 locations in the Portugal, the Republic of Ireland and the UK, are working towards a plastic free coastline.

THIS WEEK IN NUMBERS

350,000

Rand (US\$27,600) or less in combined household income will permit tertiary education for students in South Africa for free

50,000

lights usually adorn the Norwegian spruce in the New York's Rockefeller Center, all multi-colored LED lights

500

lights used on the Norwegian spruce in London's Trafalgar Square are all low-wattage halogen bulbs using 3.5kW of power

161

million tonnes of coal were shipped from Newcastle (Australia) last year; now it's looking to diversify.

135

km (84 miles) off the coast of Western Australia, an offshore rig will be powered by battery, for the first time

46

percent of the Hang Seng Composite Index constituent companies are fully compliant with the HKEX corporate governance code, up from 41% in the previous year

10

plus battery all EV models will be marketed by Toyota in the early 2020s

2nd

largest wildfire in California's history – Thomas Fire – could yet grow larger

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GREEN ASSETS

Banks call for standards

Ten European banks from different countries – ABN Amro, BBVA, Berlin Hyp, HSBC, ING, Lloyds, SEB, Suedtiroler Volksbank, Triodos and Unicredit – have formed a [working group](#) to help identify green assets and better understand their investment risks. [ABN Amro](#) hopes that the ‘green tagging’ will lead to the scaling up ‘financing of energy efficient housing and real estate’. It goes on to state that ‘green tagging of bank assets allows for the easier access to green bond markets, better tracking of green loan performance and provides greater transparency of climate risks and portfolio resilience’. Importantly, the network believes that green tagging is applicable for all areas of banking and investment, but real estate and energy efficiency is a good place to start. A number of banks have already launched green tagging with SEB stating that it has a ‘green virtual balance sheet’.

UK FIDUCIARY RULES

Free to go fossil free

The UK government looks set to change the [rules](#) governing workplace pension schemes. To date, fiduciary duties have necessitated that funds seek the best returns, irrespective of environmental concerns such as climate change. The proposal will allow pension schemes to ‘mirror members’ ethical concerns’ and ‘address environmental problems’. The new regulations are expected to come into force next year, after a [consultation](#) period. Local authority pension schemes hold about £16 billion (US\$ 21bn) of oil and gas companies and may feel the greatest pressure to adopt the new rules. Back in July 2014 the [Law Commission](#) ruled that pension funds were able to take into account ESG factors if deemed to be financially material.

READING LIST

How do multinationals report their economic, social and environmental impacts?
[The World Bank](#)

Rapid changes in the climate for carbon-heavy investment
[Financial Times](#)

If renewables aren't growing fast enough to replace nuclear, what are Europe's options?
[GTM](#)

Women in Asset Management survey
[Financial Times](#)

HOLIDAY SHOPPING LIST?

The [top 10](#) electric cars with the greatest range.

GOOD NEWS

Already tested in seven Chinese provinces, the government plans to establish a national damage compensation [system](#) in the next three years. A document from the State Council and Communist Party of China Central Committee proposes penalties aimed at companies for land, water and air pollution, making them accountable for clean-up costs and restoring the ecological balance.

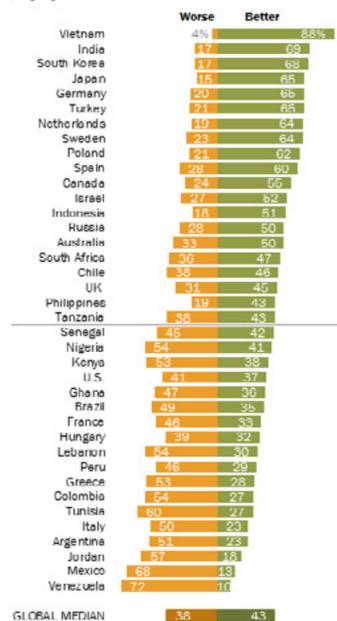
BAD NEWS

If you asked The Economist Intelligence Unit the most miserable country in 2018, what would be the answer. North Korea? Venezuela? Yemen? Central African Republic or DRC? None of these. It would be South Sudan, the world's newest country. Alas, little to rejoice about in [this list](#).

INFOGRAPHIC OF THE WEEK

Globally, assessments vary on whether life is better or worse than 50 years ago

Life in our country today is ___ than it was 50 years ago for people like me



Note: 'About the same' responses not shown.
Source: Spring 2017 Global Attitudes Survey, Q3. U.S. survey conducted June 27-July 9, 2017.

Source: [Pew Research Center](#)



LISTENING LIST

[Does Eating Chocolate Make your Brain Younger? – BBC](#)



WATCH LIST

[Can Yule solve my problems? A short history of puzzles – University of Oxford](#)

QUOTE OF THE WEEK

Climate change is intangible, daunting and for certain people, even deniable. But pollution is indisputable. And it affects everyone.

– Dr. Bertrand Piccard

BELIEVE IT OR NOT

The world's first solar train is just about ready to roll in Byron Bay, Australia. The not-for-profit Byron Bay Railroad company was owned by a former coal baron. [READ MORE](#)

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