

INSIGHTS

For the Mainstream Investor

WEEK ENDING FEBRUARY 16, 2018 EDITION 232



CAN WE LIVE SUSTAINABLY

Maybe not

Can 7 billion inhabitants achieve a higher quality of life while maintaining the Earth's ecosystems? Essentially can we live in a [sustainable](#) way? A [paper](#) in [Nature Sustainability](#) quantifies the resources needed to meet basic human needs. It analyzed this in 150 countries. The conclusion was that 'we find no country meets basic needs for its citizens at a globally sustainable level of resource use'. However, not all is bleak. The authors believe that needs such as nutrition, sanitation, electricity provision and the elimination of extreme poverty can be met sustainably. What cannot be met is more qualitative goals such as high life satisfaction. This would require 2 to 6 times the resource use compared to that of a sustainable level.

DID YOU SEE?

The European Commission has funded the Energy Efficient Mortgages Action Plan ([EeMAP](#)) with the aim of promoting energy efficient mortgages. The idea being tested is whether there is a link between energy efficiency and risk mitigation on banks' balance sheets – will such mortgages have a lower default risk as the occupants have lower energy bills, therefore higher disposable income, prove correct? The [consultation](#) period runs to March 12th.

THE MEGA-RICH HAVE PLANS

Improving the world

Has the model for [philanthropy](#) changed whereby you make money and give it away at the same time, rather than waiting for retirement? In the case of Elon Musk, it could be argued that he runs two companies – [Tesla](#) and [SpaceX](#) – to achieve such goals. Certainly, a number of the large foundations have impressive mission statements. [The Bill & Melinda Gates Foundation](#) 'works to help all people lead healthy, productive lives' while the [Chan Zuckerberg Initiative](#) aims at 'advancing human potential and promoting equal opportunity'. There is [criticism](#) of these donors though, arguing that it could undermine democracy if governments shrink their footprint. Will the super-rich start determining which scientific agendas are pursued, for example? What appears true is Bill Gates' statement that 'with great wealth come great responsibility'. But is Will Self also right by saying that, 'wealth is a form of power in our society? With great power comes great responsibility. If you have too much wealth, ipso facto, you have too much power...'

THIS WEEK IN NUMBERS

3,000

US\$ is the cost of Horizon Pharma's two-in-a-bottle painkiller when they can be purchased separately for \$36

1,380

seismic events have been recorded in the Netherlands since 1991, many believed caused by gas extracted from the Groningen field

2017

was the year that China surpassed the US as the world's largest importer of crude oil

21.7

% was the return on Norges Bank's environmental equity investments in 2017

12

possible health benefits for tea drinkers

7

% of remuneration plans were voted against by Norges Bank, up from 3% in 2016

3

billion journeys are expected in China over the Chinese New Year period

2.1

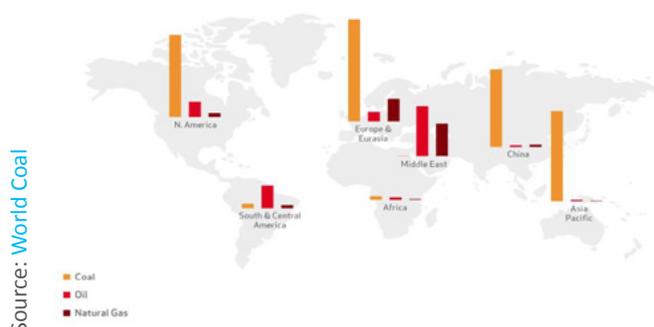
% of all of Blackrock funds are sustainable ones

1

billion children may have suffered from some form violence in 2017 says the WHO

INFOGRAPHIC OF THE WEEK

Location of the world's main fossil fuel reserves (Mtoe)



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PANDEMICS AND DISEASES

UN warnings

Pandemics – derived from the Greek for all ('pan') and people ('demos') – are again in the headlines. The **worst ever pandemic** was probably the Black Death in the mid-14th century which possibly killed 75 million people. Just below pandemics in ranking are epidemics ('epi' derived from the Greek meaning upon), which affect a number of countries but are not global in scale. The World Health Organization has released in 2018 **Blueprint** for priority diseases. This is to assist in prioritizing research and development efforts by identifying those diseases that pose the greatest public health.

On the **list** are well-publicized outbreaks such as Ebola, Zika, MERS and SARS. WHO stresses that the list is not in a ranking of priority. The UN has expressed **concern** that a new strain of avian flu could mutate into a pandemic which 'could lead to millions of deaths globally', said the chief of the UN's disaster risk agency.

KEEP AN EYE ON...

There are rumors circulating in Germany that the Government will consider offering **free travel** on buses, trains and trams. It aims to encourage people out of the cars and onto public transport, helping to cut pollution levels. This policy could be tested in five cities by the end of this year.

WE'RE WATCHING

Allianz Global Investors has increased the transparency of its voting policies. In addition to publishing its **Global Corporate Governance Guidelines** and its **Stewardship Statement**, it has now provided a **Global Proxy Voting Overview** which allows users to view votes on individual companies. Analysis of shareholder meetings by sector, meeting type, market, proposal category and alignment in management are all available online.

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CITIES AND RAINFALL

All is not what it seems

There remain concerns that Cape Town will run out of water, despite the recent rains. **Day Zero**, when the taps are turned off, has been pushed back to early June. To date, three of South Africa's provinces – the Northern, Western and Eastern Capes – have been declared provincial disasters. However, which other cities are threatened? Interestingly, there is often an error in the public's perception over which cities are at risk. If we **examine** average precipitation per year we can note that while New York has 46 inches of rain per year, while London has 24. San Francisco averages 21 inches. Sydney averages 48 inches. So which cities should be worried about water supply in the future? Unsurprisingly, **the list** includes some of the world's largest including Mexico City, Beijing and Cairo. Perhaps unexpectedly, cities such as Jakarta, London, Miami and Tokyo are also at risk.

LAYING DOWN THE CHALLENGE

BlackRock's CEO wrote in his annual CEO **letter** that companies should be thinking about how they are managing environmental, social, and governance matters. Now BlackRock is being **monitored** to determine whether it meets these aims. Will it continue to invest in weapon manufacturing? Will active funds be run sustainably? Will it disclose its own climate risks? Many will be watching.

SETTING AN EXAMPLE

After screening the very popular 'Blue Planet II' television series, which highlighted the dangers of plastics in the oceans, the makers of the documentary series, the BBC, are to ban the single-use plastic by 2020. By the end of this year, the **BBC** will scrap plastic cups and cutlery and then plastic containers in canteens by 2019. Two million plastic cups are used by visitors and staff of the BBC annually.

READING LIST



Delivering growth through diversity
McKinsey & Company

WATCH LIST

- BBC: The dangers of plastics in our oceans**
- University of Oxford: Maths v Disease**
- UN Commissioner for Refugees: Refugees and Migration**

PHRASE OF THE WEEK

"The La Jolla playbook"

ExxonMobil used this name for the individuals and organizations it has targeted – which included the attorney generals of Massachusetts and New York – which the company claims have conspired against it in a coordinated legal and public relations battle.

BELIEVE IT OR NOT

The Great Lakes of North America have high levels of anti-depressants in the water. In turn this affects the fish which are less risk averse and happier, but more likely to be eaten. **READ MORE**