

INSIGHTS

For the Mainstream Investor

WEEK ENDING APRIL 20, 2018 EDITION 241



Sustainable Insight
CAPITAL MANAGEMENT

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RISING DEBT LEVELS

Warning bell sounded

The International Monetary Fund (IMF) has issued a **warning** about global debt levels, cautioning that it reached US\$164 trillion in 2016, equivalent to 225 percent of global GDP. This is a higher debt level than at the height of the **financial crisis**. Advanced economies account for most of this debt but emerging economies have been responsible for most of the increase in the last decade – China alone contributed 43% to the increase in global debt since 2007. Of this debt total, 63% is private sector debt and 37% public sector. The IMF warns that ‘countries with elevated government debt are vulnerable to changing financial conditions’ and that ‘high debt and deficits in a country increases the depth and duration of a recession’. However, not all is gloom. The IMF forecasts that debt-to-GDP ratios should come down in the next three to five years in most countries. This decline is anticipated in all advanced economies except for the US.

LISTED COMPANIES

Which way now?

Has the number of listed companies peaked. **Data** from the World Bank shows that in 2016 there were 43,192 public companies globally, down from 45,178 in 2011. However, if compared to 1975, the number of listed companies is nearly three times higher. So why have listings not continued with their upward trajectory? Some **commentators** claim that ever tightening regulation has deterred some going public. Mergers and acquisitions have reduced numbers. On US stock exchanges there were 3,618 firms at the end of 2017 while at the end of 1997 there were 7,607. When numbers are verified globally for 2017, another increase in listed companies is possible as global exchanges attracted the highest number of listings since the financial crisis, with almost **1,700** floated last year with proceeds totaling \$196 billion, the highest total since 2014. Also, we should remember that the number of listings does not reveal the size of individual companies. In the US, when measured as a % of GDP, it is close to a peak.

THIS WEEK IN NUMBERS

8,000

plus Starbucks cafes are to close while staff undergo bias training

237

trillion US\$ was the global debt total for 2017 with US\$21 trillion added last year

99

percent decrease in the wild polo virus has been recorded since 1988, with 22 cases reported in 2017

90

campaigns on ESG issues are underway say Lazard Shareholder Advisory

30

million acres (121,000 sq. km.) of cropland is needed to produce food that US consumers throw away annually, equivalent to 7% of annual cropland acreage

18

out of 23 UK industry and service sectors prefer convergence or alignment for the majority of regulation with the EU

8

of the top 10 most ozone polluted US cities are in California, according the American Lung Association. Wilmington CA is among the cleanest cities

3

top countries in terms of executions in 2017 were China, Iran and Saudi Arabia

INFOGRAPHIC OF THE WEEK

What would you do?

Which if any of the following would you personally do to reduce the problems caused by unnecessary use of plastic and packaging that cannot be recycled?



Ipsos MORI

Base: 1,681 British online adults 16-75, 23 – 27 February 2018
Source: Ipsos MORI/King's College London



Source: Ipsos MORI/King's College London (February 2018)

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CATASTROPHES IN 2017

Swiss Re totals up

Last year [recorded](#) the highest insured losses from natural and man-made disasters globally at US\$ 144 billion, according to the [Swiss Re Institute](#). A total of US\$ 92 billion of insured losses were caused by three major North Atlantic hurricanes – Harvey, Irma and Maria. The storms caused an economic loss of US\$ 217 billion. Swiss Re comment that in addition to the severity of the storm, hurricane frequency is crucial to modelling scenarios as are secondary risk factors like heavy rains. Insured losses are estimated to have covered two-fifths of economic losses, suggesting a ‘global catastrophe protection gap of around US\$ 193 billion’. While natural catastrophes globally resulted in claims well above the 10-year average (US\$ 50 billion) insured losses from man-made disasters were down at around US\$ 6 billion.

WORTH A LOOK

An [analysis](#) of US index funds and ETFs showed that investors who are looking at strategies which are firearms free, are severely restricted. Although larger asset owners can construct their own accounts and demand certain restrictions, few retail investors have such an option. They may be forced to become activists. See also [Insights 238](#)

GOOD NEWS

Scientists believe that they have developed a [plastic eating enzyme](#) that breaks down polyethylene terephthalate (PET), which is widely used in drink bottles. The bacterium was found in a Japanese waste dump, which was then tweaked to see how the enzyme evolved. They found they had inadvertently made it better. If scientists can speed up the process, the large scale recycling of plastic bottles into their original components is possible.

SHIPPING GETS CLEANER

The International Maritime Organization’s (IMO) agreed an ‘initial [strategy](#) on the reduction of greenhouse gas emissions from ships’. The so-called ‘levels of ambition’ envisages GHG emissions peaking as soon as possible and ‘to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008’. The agreement makes mention of ‘a pathway of CO2 emissions reduction consistent with the Paris Agreement’. The Paris Agreement excluded agreements on shipping and airlines, partly because they were seen as particularly tricky to deal with mainly because it was unclear to who the emissions should be assigned. However, the airlines reached an agreement a year earlier. However, the shipping industry’s agreement affects exporters. Furthermore, the IMO is most heavily influenced by those countries with the greatest shipped tonnage. The US and Saudi Arabia refused to sign the deal.

DID YOU SEE?

The [EU Court](#) of Justice has ruled that Poland broke EU protection regulations by increasing the number of logging licenses for the Puszcza Bialowieska Forest. This site is an UNESCO World Heritage Site because it is viewed as one of the best preserved natural forests in Europe. The ruling comes into force with immediate effect.

THE RESULTS ARE IN

The [Reputation Institute](#) (RI) has released [results](#) of the US RepTrak rankings, which lists the US’s most reputable companies. New to the top 10 are Campbell’s, Nike, Bose, Kellogg’s, JM Smucker and Canon. RI commented that, ‘The underlying reputation disruption we are seeing in the US is driven by a crisis of trust’.

WATCH LIST



Natural catastrophes and man-made disasters - [Swiss Re Institute](#)



Children comment on climate change – [Rain Forest Alliance](#)

READING LIST

Green investing generates returns, not just a warm glow – [Financial times](#)

ESG engagement for fixed income investors - [PRI](#)

Global executions and death sentences 2017 – [Amnesty International](#)

Public concern over plastic pollution in the UK – [Ipsos MORI](#)

LISTENING LIST



The IKEAbot - [The Economist](#)

BELIEVE IT OR NOT

The greatest threat to fossil fuel power plants is renewable energy. Perhaps not; it’s probably water.

[READ MORE](#)

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