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## **Green investing still pays**

Pick companies that are forward-thinking

We have poisons in our rivers and smog in our cities, and the environmental health of distant countries has become a trade-off for cheaper products. As you consider a return to the markets, reflect on the fact that governments everywhere are providing funds to stimulate green technologies. Green investing may not only be a way to help your portfolio grow, but can also improve the world your children and grandchildren inherit.

First, let's dispel the misconception that you must compromise your returns. Making green investment decisions does not mean abandoning investment rules. Like any portfolio planning you set your financial goals within the context of your timeline and risk tolerance, and make purchase decisions based on sound business principles.

Balance sheet analysis is facilitated by the fact that green goals are not at odds with good business practices. In fact, many blue chip companies have concluded that environmental challenges create more economic opportunities than jeopardy, and they are implementing green strategies to improve bottom lines while mitigating future risk.

As government initiatives unfold, increased market share will come from new business opportunities in developing environmental technologies, products and services. As well, the consumer market for products and services needed to maintain healthier lifestyles continues to grow.

North America is moving toward the "cap and trade" system, which allows companies who exceed emission

targets to sell pollution credits to others. It will be a very lucrative market mechanism in the future for companies who implement the right strategies today. Research economists predict that the U.S carbon trading market will be worth one trillion dollars by 2020.

Implementing green policies causes companies to re-examine their design, production and delivery systems. This usually generates internal cost reductions by optimizing resources and lowering operating costs such as energy. A more efficient company is a more profitable company.

Forward-thinking companies are planning for the day when today's products may not be competitive or acceptable. Some major energy suppliers are investing significant research funds in energy sources such as wind power, bio-fuels, solar and hydrogen.

Young people worry about the world they will inherit and are very aware of the issues of corporate citizenship. When they work for a company that has values aligned with their own they bring passion and energy to their jobs, which translates into productivity.

Global warming is firmly set in the public consciousness, so a corporation's PR and advertising campaigns are enhanced when it is part of the solution. Consumers look to trusted brands for leadership and reward good corporate citizens.

Unfortunately, while many companies build business plans based on ethical behavior there are many others who build plans on unethical behavior, or

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Greenwashing. They see a trend that is now approaching 3 trillion dollars worldwide and seek to take advantage of it, but would be hard-pressed to provide meaningful performance data. In 2007 the environmental marketing firm TerraChoice conducted a survey of 1,018 products and was startled to learn that 1,017 did not fully live up to advertising claims of being green.

So, how do you avoid giving your money to someone whose values are not in line with yours? You have to think about your specific concerns and where you want to invest. Then you must assess what kind of investor you are: if you're a hands-off investor, you'll want a managed product but if you're an active investor, you'll be happier purchasing stocks outright. In either case you will want complete disclosure and transparency.

If you're 'hands-off', look for fund companies that have a clear mandate and are active in achieving it. They should conduct their due diligence in-house; they should be pro-active in working with companies to

improve sustainability practices; and they should file shareholder proposals on environmental issues.

If you prefer to purchase stocks outright, you have many choices, including blue-chip companies with clear and publicly stated green goals. There are also small cap companies at the forefront of developing technologies that need investment capital. They can be quite volatile but they can also be quite profitable.

Green investing can have a positive impact on your portfolio's performance but, like any other investment decision, you must go through the thinking process. Take your time, consider your options and choose wisely. As always, discuss your goals with a qualified professional to be sure they are a good fit for your portfolio.

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