

SPEAR'S

WMS. RUSSIAN EDITION
PRIVATE BANKING AND WEALTH MANAGEMENT MAGAZINE

*Reprint
from SPEAR'S Russia No. 2(7)*

*Spring 2010, Moscow, Russia,
Tel/Fax: +7 (495) 627 7841*



RESPONSIBLE INVESTMENTS

THE LUXURY OF CHOICE



FUTUROLOGY FOR BILLIONAIRES

RESPONSIBLE INVESTING IS A YOUNG AND VERY COMPLEX SCIENCE. THE REAL EXPERTS CAN BE COUNTED ON THE FINGERS OF ONE HAND, AND THERE IS ONLY ONE MAN WHO CAN BE CALLED A GURU. THIS MAN IS FRITZ KAISER, HEAD OF THE LIECHTENSTEIN-BASED COMPANY KAISER RITTER PARTNER AND FOUNDER OF THE ULTRA-HIGH NETS' CLUB KNOWN AS THE PRIVATE WEALTH COUNCIL. IN AN EXCLUSIVE INTERVIEW WITH SPEAR'S RUSSIA, HE TELLS US WHY TODAY'S BILLIONAIRES NEED TO BE INTERESTED IN RESPONSIBLE INVESTING.



UNDERSTANDING RESPONSIBILITY

I used to own a Diners Club credit card business and I co-owned the Red Bull Sauber Formula 1 racing team. When I sold both, I took some time off to think about the best way to use the money I'd made. Retirement seemed a boring option (I was 42 at the time), so I decided to explore the wealth management industry in more detail. By then, I had a boutique asset management company for very affluent people and a lot of useful contacts in high places around the world. I wanted to get a better understanding of my responsibility to them, and more generally I wanted to answer the following questions: what responsibilities do wealthy people have, and how can they best preserve their wealth in the long run?

For two years I travelled the world, from Singapore to San Francisco, meeting wealth management industry players, family offices and opinion leaders. A community began to form and it became clear that the key figures should be brought together in an informal club. Our first meeting took place during the Davos World Economic Forum in 2004. I invited a very high-caliber group of about 20 people to come for a discussion at a small, modestly furnished mountain house. A handful of billionaires from Asia, Europe, the USA and Mexico came along, together with people from the Rockefeller Foundation, the bestselling writer Paulo Coelho, Martin Wolff from the FT and others. We talked for two days, and everybody left the house feeling the time had been well spent. We had found a formula to describe "responsibility", concluding that everybody is responsible for themselves (e.g. ensuring that they don't freeze in the mountains near Davos), for their family, their society (whether it's their town or the population of the whole planet) and the environment. That was how the Private Wealth Council was born.

GORE'S LIST

When you're a young entrepreneur, you try to earn your first money as soon as possible from your cherished business idea. And that's fine. But when you rise to the next level, you ask yourself whether you can do the same in a bigger way and for the longer run. And you also wonder how to retain what has been earned. When you get more money, you want to diversify your risks and keep something for your family – not only until tomorrow or the day after, but for one or two decades. Ultimately you'd like to preserve the wealth for the next generation. You start to think systematically and want to understand the future better. What are the major trends? What is going to happen in the world? What will the big changes be? The more you know about these things, the better your investment decisions will be.

In 2004, I came to know former US Vice President, Al Gore. Back then, he was focusing on global warming, and we had a fascinating discussion about this and other important issues facing the world. At the time I was also looking for a list of the ten factors that will drive global change for the next decade, but I hadn't been able to find one anywhere. I remembered that Mr. Gore had headed a "futures" unit at the White House, so I was very happy when he agreed to develop the list I wanted for the Private Wealth Council.



We finally ended up with the Nine Drivers of Global Change, which around sixty of us discussed for two days at a Private Wealth Council meeting in 2005 in Switzerland. Our conclusions were that we had to accept that the world is now changing at an unprecedented pace; that there are certain drivers of change which could have a significant impact on the world; and finally that all these drivers are interlinked, making predictions even more difficult.

We also recognized that the world can change for the better or worse for all of us, and that we should do everything we can to safeguard a good world for our children – and not just with regard to the environment. We agreed that we should strive to “navigate our complex world on the right side of change” for the good of everybody. Our final conclusion at that meeting was that “investing on the right side of change” is the best way to secure good long-term, sustainable investment returns.

Taken separately, each of the factors on the Gore list could be seen as common knowledge. The real insight comes from the combination and interrelation of all these factors. Nobody has ever spelt out all of these complex issues in such detail. We have found that our conclusions and our list of nine factors hold quite an appeal for very wealthy people.

GOOD PHILOSOPHY

If you make an investment decision based upon mistaken concepts, you will not only lose your money but you may also cause harm to society and the planet. This view is increasingly shared by a growing number of wealthy, responsibly minded private investors all over the world.

To be honest, in 2005, when we first talked to the investment industry about our Responsible Investing concept, the idea was praised as a “good philosophy”, but it was of little practical interest to them as they competed to meet short-term financial market benchmarks. But after the crisis began, it wasn't just wealthy individuals who were suddenly interested in our ideas; a lot of people from the investment industry also had to accept that all these issues are related and can be used positively. Big surprises in the market are often not so surprising once you accept that you have to expect the unexpected.

We often use scenario techniques at our meetings. We might imagine, for example, that we're reading about a specific big event in the Financial Times in 2015. We discuss whether this invented event is desir-

able or not. We then plan backwards to understand how we can ensure the event does indeed come to pass if it is desirable; or if it is undesirable, how it can be avoided.

We are sure that you can do good while making money. However, you need to monitor the big trends carefully, and you have to understand what the right side of global change is from an investor's point of view. If you invest in something for the long term following the principles of responsibility, the results should be at least as good as if you invested solely to make a quick buck. If you learn to understand trends, to discern them at an early stage and make conscious decisions, you will quite naturally become a socially and economically responsible investor while also seeing increased returns and asset growth.

FILTER FOR INVESTMENTS

Before making a decision about an investment opportunity, most people look at historic business data and business plans, and they do their due diligence and value assessments. We simply believe that they should filter for additional factors as they work towards their investment decision. Private investors, for example, may wish to have their personal values reflected in their investment strategy. They might wish to avoid any investments associated with child labor, drugs, arms or pornography, for example. Factors like these are easy to eliminate by applying a negative screening process.

Another concept of crucial importance to us is known as ESG (environmental, social, governance). Responsible investors want to include social and environmental criteria in their long-term investment filters, as well as good corporate governance, so they are more likely to end up on the right side of global change. We started to apply ESG ratings to selected stocks and funds in 2009 by using data from small, specialized research firms. In the meantime, Bloomberg has started to offer such data, which is wonderful because it shows the industry has recognized that investors want this information. Today, if we have sufficient data, we can produce ESG ratings and conduct ESG analysis on particular securities, investment portfolios and funds. By applying this data along with our “nine drivers”, we increase the probability of success. Frankly, though, 80% of investment industry players are not interested in anything but profit. Investors are traditionally expected to say something like: “We'll give you a million and you make sure it yields X% above the market average over X months or years.”

The greater part of the investment industry is there simply to make money in the short term. However, private investors can take the matter into their own hands and think hard about whether their investments match their personal values and accord with local or international environmental and social trends. Ultimately, of course, they want their investments to make money, but they also want to feel good about the fact that they're not harming others. Making money and doing good at the same time sounds like a good formula for preserving funds in the long run.



From the SPEAR'S Files

Kaiser Ritter Partner is a group of companies established in 2006 when Fritz Kaiser Group merged with Ritter & Partner Holding (which can trace its history back to 1931). The group includes a private bank, a fund management firm and Liechtenstein's oldest trust company. Kaiser Ritter Partner has more than six thousand clients and represents assets worth more than \$25 billion on their behalf. The group employs 240 people.

PRAGMATIC WORLD

In the early days of the Private Wealth Council, I asked Mr. Gore why he was prepared to join us and to work for so many hours on developing the key drivers of change for no fee and or even expenses. He said that together we had a unique opportunity to form a group of role model private investors who could showcase the effectiveness of our concepts and convince the investment industry to accept the ideas behind them. We also believed this would encourage substantial amounts of money to flow in the right direction – helping to save the planet while still earning good returns for investors. It is no coincidence that Mr. Gore's personal investments have since done very well. He was recently named the first global warming billionaire

Over the past few years we have seen some great examples of families worth many billions applying our joint findings to their investment portfolios, and we have seen our philosophy help change corporate culture and behavior. One family, worth 30 billion dollars, has created a remarkable “good energy fund” and now draws up a CO₂ balance sheet for its business.

In essence, the Private Wealth Council is a small group of people who like meeting their peers to discuss the big picture and exchange opinions on where the world is heading. They meet in the very best interest of their personal long-term investments. Many participants are perceived by the investment community as celebrities or role models, and this helps to promote our views about what's important. Some remarkable people have joined us over the years, and since we always meet in private we have often been called a secret club. But we have absolutely nothing to hide and we publish our findings at irregular intervals in our own publication, “Private Wealth Review”.

Obviously, as an investor I do not want to earn less than the others. But I do want to be able to think about where to invest and about how my choice accords with international trends. If I invest a million today, I would rather be sure that the value doubles in ten years than speculate on a faster result. Of course, Kaiser Ritter Partner also makes short-term investments, monitors currency risks, etc., and there is nothing unusual about that. But if you rise to the next level, we suggest that your vision may change.

Kaiser Ritter Partner is a professional wealth management group that serves very high net worth clients from around the world. No wonder the stimulating ideas and activities generated by the Private Wealth Council have influenced our work. Since 2006, when I accepted responsibility for managing the merged group of companies, we and our clients have benefited greatly from monitoring the drivers of change. There is much interest in the topic of Responsible Investing these days, and our investment competence center is ideally placed to apply the relevant ideas to individual client portfolios.

Ultimately, we will only be able to measure our financial success years from now. But what's already clear is that by diversifying risks, our ROI is at the same level as it would be if we stuck to conventional

investment methodology. Moreover, if investors want us to act in accordance with their values, we can do so for every single transaction.

FAMILY VALUES

The philosophy practiced by the Kaiser Ritter Partner group of companies is fairly simple: we want to help wealthy people all over the world protect and increase their wealth for a very long time to come. To do this we need a holistic understanding of their families' needs. Only after thoroughly discussing the family's goals, values and aspirations do we feel qualified to take a responsibility for them.

Safeguarding wealth today is a complex matter, and wealthy families face a variety of serious challenges. Some have been hit badly by the economic crisis, while others are bearing the burden of leveraged assets and are looking for funding. In some countries the tax man is starting to treat taxpayers in an aggressive and unfriendly way. And there are jurisdictions where regulators are squeezing the room for maneuver so much that investors are considering their positions.

Liechtenstein, Switzerland and other offshore financial centers are currently going through a transition period. The Principality of Liechtenstein, our group's home country, chose its successful course many years ago, and today it is well on the way to being a fully compliant financial center and a respected member of the global financial community. Liechtenstein will maintain its strong banking secrecy laws to protect the legitimate privacy of its clients' financial data. But it will not allow tax evasion.

Our group is proud of how it has helped steer the country in this direction and of its place at the forefront of these developments. If you look at the list of our directors, you will see the names of Otmar Hasler, the former Liechtenstein Prime Minister, Peter Wagner, the former Chairman of Vontobel Banking Group, and Philip Marcovici, former partner of Baker & McKenzie. These are very experienced and ambitious professionals, and they are all undisputed leaders in their fields. With us, you will find personalities from very different backgrounds – lawyers, businessmen, bankers, entrepreneurs and even prime ministers and philosophers – sitting around the same table.

Our aim is to offer our clients a broad spectrum of views to help with business decisions for the future. When they talk to us, wealthy families often start to take a much longer-term view of the development of their wealth and even start to formulate family values and missions. Helping with such a task is always very stimulating and builds great trust between the parties involved.

We try to be useful people to talk to. As well as being professional trustees and wealth and asset managers, we have a good understanding of big-picture developments. People seem to appreciate our concept, and as a result our turnover, income and assets under management have all increased, even in the past difficult year.



“We have found that our conclusions and our list of nine factors hold quite an appeal for very wealthy people”



FIRST GENERATION

There is a lot of so-called “old money” in Europe and in America. In many cases, trustees watch over assets created by the entrepreneurs of former generations, while the beneficiaries enjoy a decent life and are willing to donate to charities, for example. We understand that the situation in Russia and Asia is different. Here, first-generation wealth is often just emerging, so the people who create the business are still very much to the fore.

Businessmen often have little in common with beneficiaries of inherited money. First-generation wealth-creators are busy building their companies, creating jobs and making their own wealth. To deal with these people, you have to understand the way they think and act. They are looking for like-minded people who understand their language. We have an affinity with these people who are making a difference in the world today – we have great talks with them and have collaborated successfully.

Russia looks like an interesting market to us – full of remarkable entrepreneurs who are helping to forge a positive future in the country while simultaneously becoming more international. We have already established good and satisfying links with interesting figures in Russia, and we want to build up more.



When Russian clients come to us, we start by trying to understand their underlying intentions. First of all, we have to ask why they want to talk to someone from outside Russia. Very often, people need a safe financial hub to do business abroad. And all of them are interested in increasing and structuring their wealth. Our first talks are aimed at finding out the client's situation and goals in general. We probably go further than other companies by asking clients about their values and the things that are important to their families. People often wonder what this information is for; but when we talk about responsible investment, such topics are vital. Any trustworthy relationship has to start with, and be built on, an open exchange of opinions. With our help, clients then define their investment strategies and choose the right manager. If they did not want to reveal their values but were happy to have a manager who did not necessarily share their view of life and investment, we do not believe they would find the returns on capital as satisfactory.

It goes without saying that we are currently looking for like-minded partners in Russia – private banks, family offices or wealth management companies – with whom we can evaluate collaboration opportunities for Responsible Investing and responsible wealth management. ■

THE 9 FORCES DRIVING GLOBAL CHANGE

DURING THE CLINTON PRESIDENCY, FORMER VICE PRESIDENT AL GORE WAS RESPONSIBLE FOR THINKING ABOUT THE MAJOR ISSUES OF THE FUTURE. THIS IS WHY FRITZ KAISER, FOUNDER OF THE PRIVATE WEALTH COUNCIL, ASKED HIM TO PUT TOGETHER A LIST OF THE FACTORS THAT WOULD DRIVE GLOBAL CHANGE OVER THE NEXT TEN YEARS. SEVERAL BILLIONAIRES HAVE REFERRED TO THIS LIST OF MEGA-TRENDS AND HAVE WARNED ALL INVESTORS: IF YOU DON'T CONSIDER ALL THE POINTS ON THIS LIST, YOU WILL INEVITABLY SUFFER LOSSES IN THE LONG TERM.

1. GLOBAL ENVIRONMENTAL CRISIS

1. Global warming

- a. Climate disequilibrium; disruption of favorable, stable balance in areas selected for habitation and agriculture during the previous 10,000 years
- b. Stronger, wetter, more destructive storms
- c. Reorganization of precipitation patterns:
 - » *increased overall global precipitation as evaporation from oceans increases, but sharp decreases in some regions*
 - » *higher percentage precipitation in large storm events (2 inches or more in 24 hrs)*
 - » *higher percentage of rain compared to snow*
 - » *earlier spring melting and runoff*
 - » *faster evaporation of soil moisture*
 - » *more floods and more droughts simultaneously*
- d. Water shortages:
 - » *contamination of fresh water supplies*
 - » *strip mining of deep aquifers*
- e. Melting of glaciers and ice sheets:
 - » *multimeter sea-level rises with displacement of tens of millions*
 - » *growing risk of 7+ meter rise this century*
 - » *risk of freshening of the North Atlantic slowing the Gulf Stream and causing sudden cooling in Northern and Western Europe*
- f. Radical changes to boundaries of ecological niches for animals and plants:
 - » *redistribution of species range and habitat*
 - » *invasive species*
 - » *growth and spread of insect populations*
 - » *disease vectors increased (ticks, mosquitoes, etc.)*
- g. Microbial redistribution to higher latitudes and higher altitudes (due to warmer temperatures, warmer nights, milder winters and fewer days with frost)
- h. Runaway greenhouse risk growing

2. Destruction of ocean productivity

- a. Strip-mining of ocean fisheries
- b. Acidification of oceans
- c. Radical change in salinity distribution; freshening of the Arctic and North Atlantic, higher salinity in tropical oceans
- d. Loss of coral reefs and dependent species
- e. Impact of shipping on biodiversity (alien species, translocation, antifouling paint, waste dumping, etc.)

3. Loss of tropical forests and wetlands along with the concentrations of biodiversity located within them

4. Desertification of drylands

- a. Rate of desertification increasing
- b. Displacement of populations (i.e., refugees from desertified Chad moved into Darfur)
- c. Increased dust storms, esp. off the Gobi and Sahara

5. Extinction crisis equal in magnitude to the three previous global extinction events 400 million, 270 million and 65 million years ago

- a. Loss of biodiversity worldwide; loss of diversity at a genetic level; consequent loss of ecosystem resiliency

6. Loss of topsoil productivity and consequent impact on agricultural output

7. Degradation and loss of vavilovian centers of germ plasm and genetic diversity of food crops

8. Air pollution in cities

9. Persistent, long-lived toxic waste build-up



2. GLOBAL ENERGY TRANSITION

1. Peak oil – more expensive to replace reserves

- a. Unstable prices
- b. OPEC pricing power returns
- c. Intensified geopolitical competition for access to reserves; geopolitical instability
- d. More costly to extract oil from existing reserves, talent squeeze
- e. Energy security in the context of carbon constraints

2. Race to develop cost-effective renewable energy sources and “cleaner” versions of all alternatives to oil and coal; increased preference for natural gas

3. Efficiency and conservation

4. Carbon capture & sequestration

5. Carbon trading soars as Kyoto goes into effect

6. Global energy policy response

7. Carbon taxes

8. Pressure for redesign and re-architecture of all systems affecting large-scale energy usage

9. Nuclear renaissance pushed by governments and resisted by utilities

10. Pressure for “clean coal” – especially in the U.S. and China

11. Resource nationalism on the rise

3. POPULATION/DEMOGRAPHICS

1. Quadrupling of world population in the last 100 years, from 1.6 to 6.4 billion; stabilizing at 9+ billion within the next 50 years, but momentum still disruptive

2. Growing disparity of wealth between developed and developing countries (and within both developing and developed nations) despite large overall increase in wealth and productivity

- a. Global poverty commands growing attention
- b. “Bottom-of-the-pyramid” markets emerge

3. Urbanization and proliferation of mega-cities (15 million+) principally in less-developed nations

- a. Doubling of urban space worldwide in the next 30 years

4. Migration

- a. Explosive growth from developing countries is pushed and pulled into the declining population vacuum of the developed countries
- b. Xenophobia and threat to democratic pluralism

5. Refugee crises

- a. Stateless populations
- b. Environmental refugees
- c. Cultural and ideological friction

6. Longer lifespans and smaller families

- a. Graying and population decline (ex-immigration) in developed nations
- b. Higher health and pension expenses
- c. Gender equalization, earlier puberty and marriage disequilibrium

7. Social and cultural transformation

8. Youth bulge drives political instability in key areas when employment opportunities lag

9. Saudi demographics and implications for oil prices and political instability in the region

4. PANDEMICS

1. HIV/AIDS, TB and malaria

2. Antibiotic-resistant strains of once-controlled diseases re-emerge

- a. Mutated “superbugs”

3. Emergence of “new” diseases

- a. SARS, Avian flu, etc.

4. Plant and animal pandemics

- a. Bee mites, “Sudden Oak Death”, etc.
- b. Monoculture of crops increases vulnerability

5. SCIENTIFIC AND TECHNOLOGICAL

1. Hyper-revolution

2. Genetic modification of humans, animals and plants

- a. Genetically based medicine
- b. Cloning
- c. Trait selection and augmentation
- d. Life extension
- e. Blurring of boundaries between species and between life and machines

3. Rapid spread of supercomputing

- a. Systems re-engineering empowered by supercomputing
- b. Information replaces matter as principal source of most economic value

4. Artificial intelligence

5. Robotics

6. Nanotechnology

7. Molecular re-engineering and new materials science

8. Neuroscience and behavioral manipulation

9. Emergence of new, far more precise understandings of “human nature”

10. Proliferation of weapons of mass destruction

11. Multiple, successive disruptive new technologies as yet unknown

6. COMMUNICATIONS HYPER-REVOLUTION

- a. Ubiquitous broadband Internet:
 - » *explosion of access to knowledge*
 - » *emergence of self-organized on-line communities, organizations and centers of economic and political power*
- b. Ubiquitous computing:
 - » *explosion of access to processing power*
 - » *low-cost 3rd world terminals*
 - » *open source software enabling rapid development of high-powered, highly efficient information-gathering and processing technology at low cost*

- c. New/alternative infrastructures for citizens’ communications at a low cost. Increased exploitation of spectrum for ubiquitous terrestrial and satellite wireless
- d. Opening up of PC and mobile communications device infrastructure outside dominance of gatekeeping mega-corporates
- e. “X-Internet” connecting billions of embedded sensors and devices:
 - » *rapid growth of surveillance, location-tracking and personal transparency/ loss of privacy*

2. Television replaces printed text as dominant mass medium

- a. Satellite TV opens closed cultures; cable and satellite proliferate channels
- b. Reading of newspapers and magazines declines sharply, but not books:
 - » *electronic text surges in popularity and blogs become a major new force in culture and politics*
 - » *a text renaissance? Advertising shifts from paper publications to Internet search*
- c. Social and political disequilibrium accompanies transition from print to television:
 - » *disintermediation of elites*
 - » *cultural disequilibrium and loss of traditional patterns*

Values disequilibrium and perceived loss of meaning

- » *constriction and degradation of the “public forum”*

Decline of participatory dialogue

- » *low entry barriers for print replaced by high entry barriers for mass distribution of video*
- » *until the Internet is robust enough for real-time, mass distribution of full-motion video*
- » *consolidation of ownership and control*

Weakening of enlightenment-based governance

- » *rule of reason loses ground to raw power*
- » *enhanced vulnerability to ultra-nationalism, tribalism and totalizing ideologies*

Rise of propaganda and information strategies

- » *citizen resistance; collaborative filtering and reputation-based peer rating of information sources*

7. GLOBALIZATION

1. IT-empowered redistribution of work and investment

- a. Hemorrhaging of highly paid skilled jobs in wealthier nations
- b. Surplus of all manufactured goods at lower prices
- c. Rapid but highly uneven growth in emerging markets
- d. Threat to free-trade consensus

2. Rise of China and India

- a. Redistribution of Asian power relationships
- b. Enhanced competition for global resources
- c. Crackdown on corruption



3. Simultaneous emergence of supranational entities (EU, NAFTA, WTO, UN-chartered organizations, etc.)...

4. ...and subnational entities (Flanders and Wallonia, Catalonia, Quebec, Nunavut, Kurdistan, Aceh, etc.)

- a. European throes of integration, expansion and governance:
 - » *monetary union without fiscal coordination creates transition crisis*
 - » *national identities strengthened by xenophobic reaction to immigration flood, esp. Muslims (with Turkey's application pending)*
 - » *lower wages in expansion countries seen as economic threat*
- b. Re-emergence of separate identities within post-colonial nations created after World War I and World War II
- c. Strengthening of national autonomy in former Soviet Republics
- d. Re-organization of Latin American nations as IT-empowered indigenous majorities find their voice and political influence, and as poor lose patience with inequality of income and lifestyle
- e. African crises (civil wars, hyper-corruption, rapid industrialization and social chaos, HIV/AIDS, famine, drought, etc.) command global attention and focus
- f. Emergence of unstable "post-national entities"

5. Rise of fundamentalism as a disruptive force and as organizing principle

- a. Islamic fundamentalism:
 - » *threat to secular regimes*
 - » *threat of "clash" with the West*
 - » *threat of support for terrorism*
 - » *Sunni vs. Shia conflict*
- b. Christian fundamentalism
- c. Hindu fundamentalism
- d. "Market fundamentalism"

6. Spread of democracy

7. Dearth of effective global governance

8. WAR

1. Threat of nuclear exchange still exists

2. Intractable civil wars persist

- a. Congo/Kinshasa, Sudan, Colombia, Sri Lanka, etc.

3. Proliferation of WMD

4. Terrorism

- a. "Dirty nukes"
- b. Stolen or black market nukes
- c. Bio-weapons
- d. Surface to air missiles
- e. Cheap, laser-guided smart weapons
- f. Cyber-terrorism



5. Overreaction to terrorism

6. Empires of the mind/spirit

9. SHORT-TERM THINKING AND LACK OF VISION

1. Systemic failure to focus on future consequences of present decisions and policies

- a. "Operating the planet like a business in liquidation"
- b. The "tragedy of the global commons"

2. Unsustainable borrowing, consumption and waste generation

- a. Twin deficits
- b. Asian creditors of US (particularly China) play larger role
- c. Risk of sudden exchange-rate consequences

3. Short-term investment horizons create unsustainable pattern

- a. 100% annual portfolio turnover in an average mutual fund
- b. More mutual funds than stocks
- c. Entire market is "short" instead of "long"
- d. Failure to invest in the future

4. Incomplete measurement of value; inaccurate perception of risks and opportunities

5. Misalignment of incentives for investors and managers

6. Reform is brewing

7. Stakeholder capitalism, accountability and transparency on the rise

- a. Commons-based peer production may emerge as a driver of economic change
- b. "Bottom-of-the-pyramid" investing emerges alongside sustainable and responsible investing
- c. Growing understanding of systemic risk of sustainability
- d. Internalizing of externalities by business and investment. ■

