

# Going Green Goes Mainstream

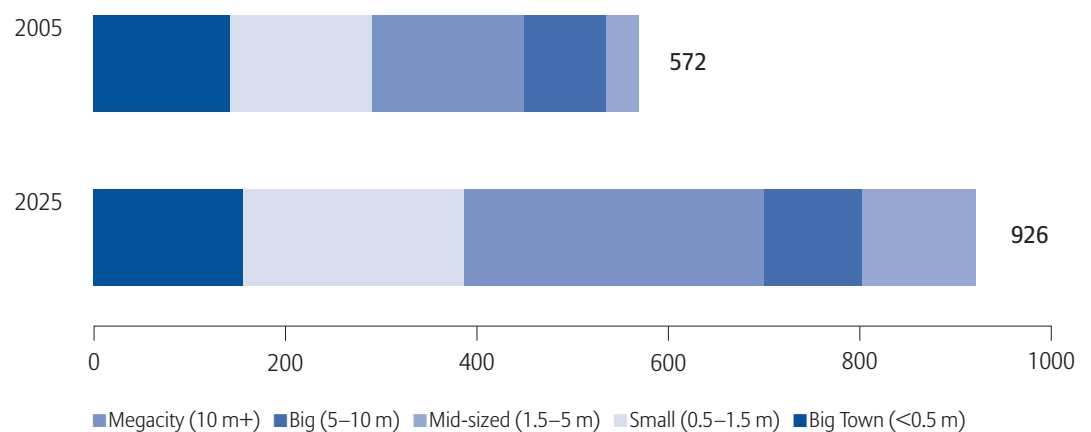
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**Executive Summary:** The fundamentals are undeniable: Growth in the emerging economies is spurring **unprecedented demand** for energy, natural resources and clean water, while rising pollution has hastened the pace of climate change. The environment has moved from a niche concern to a central catalyst for business and policy decisions. As a result, environmental, or clean, technology represents a compelling financial opportunity for long-term growth, with compelling reasons to look at the sector now.

## Emerging economies will drive green investment

- We are in the midst of one of the biggest shifts in spending power in history, as emerging economies grow larger and increasingly wealthy. These countries represented 56% of the world's middle class in 2000, a figure that is expected to reach 93% by 2030. As a result, we will see unprecedented consumption of food, energy, cars, electrical appliances and other goods that will significantly impact the environment.
- Fuel demand is predicted to double by 2030, virtually all from emerging countries. With oil production close to peaking, however, alternative energy will be an economic necessity.
- Car sales in the BRIC countries (Brazil, Russia, India and China) recently overtook those in the U.S. for the first time. The \$2,500 Nano, released in early 2009, puts car ownership within reach of tens of millions of Indians, with a potential market of more than one billion.
- Investments of trillions of dollars will be needed to ease infrastructure strains, not only for energy, but for clean water, transportation and waste management as well.

China's urban population is expected to nearly double by 2025, making resource demand a key economic issue



Source: McKinsey Global Institute (RCM).

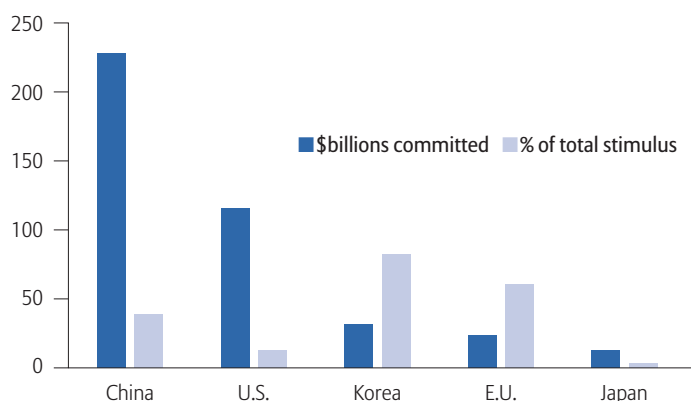
# Intelligence: Investment Strategy

## Going Green Goes Mainstream

### Green investment will contribute to the economic recovery

- Governments worldwide are incorporating environmental investment into their stimulus packages, using a combination of tax incentives and cash infusions.
- The Obama administration has directed more than \$112 billion of the stimulus to environment projects—including smart grids, energy efficiency, alternative energy and clean air—with the goal of creating 2.5 million jobs.
- China is devoting more than a third of its fiscal stimulus to addressing problems such as pollution, waste management and scarcity of fuel and clean water.

Governments are greening their fiscal stimuli

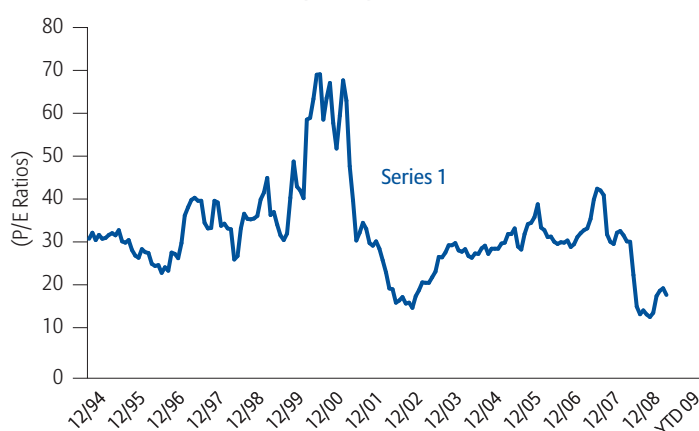


Source: *Financial Times*, 3/2/09.

### There are good reasons to consider the sector now

- The recent stock declines have made price-to-earnings (P/E) ratios for environmental stocks more attractive than they have been in six years.
- Clean technology has continued to attract sophisticated dollars, even in tough times: a record \$155 billion was invested in the sector in 2008, by venture capitalists and other sources.
- Tighter regulations and pledged government spending could help environmental businesses weather the economic crisis better than many other sectors.

Current valuations are compelling



Source: Wilshire, data as of 7/30/09 (RCM).

Sources for "Green Investment": [www.recovery.gov](http://www.recovery.gov); *Financial Times*, 3/2/09; International Energy Agency.  
Sources for "Good Reasons": New Energy Finance; RCM.

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P/E is a ratio of security price to earnings per share. Typically, an undervalued security is characterized by a low P/E ratio, while an overvalued security is characterized by a high P/E ratio.

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