

TODAY'S STRATEGY: A GREENER RETURN ON YOUR INVESTMENT
2007-04-19 01:49 (New York)

The conservation of the environment is no longer the preserve of the eco-warrior and a clutch of tree-hugging liberals. Corporate leaders, shareholders and fund managers are actively encouraging the pursuit of a greener approach to business.

As the effects of climate change become more apparent, and the supply of fossil fuels diminishes, big business is reconsidering its options and evaluating the more ecological investment. It is estimated that within 20 years, fossil fuel production will have peaked. Based on this timeframe, business and investors are under pressure to look for alternatives, as new resources are needed in the advent of a major transition from traditional energy.

French independent fund management group Financiere de Champlain - established seven years ago and now managing EUR 475m - was the first French fund to specialise in such investments. Partner Nicolas Rochon warns that, before investing in ethical situations, one must be well versed in the country's environmental regulations.

Financiere de Champlain's environment portfolio identifies three major green issues - water, waste and renewables - across which investments are fairly evenly distributed.

The renewable energy solution is considered a vital weapon in combating climate change. Rochon says renewable plays tend to be very dynamic. Investments are, for the time being, small- and mid-cap driven, offering double-digit growth. However, investors must be vigilant as, in spite of high cash generation, many of the renewable energy producers are still not profitable.

Water offers strong growth prospects. Demand for drinking water is expanding rapidly given the brisk pace of urbanisation in highly populous Asian countries. Water investments are typically larger-cap companies, with high early-stage capital expenditure and above-average dividend yields. Waste disposal has become a major problem for the developed world, with landfill sites now overflowing. The average French person creates 350kg of waste per annum; the typical US individual produces 550kg of household waste per annum. In India, only 100kg of waste is produced per person - urbanisation will be accompanied by a serious increase in waste production in that region. Waste management companies tend to be mid- or large-cap.

Rochon says by diversifying the investment themes and working with a range of market capitalisations, the fund is able to spread risk in order to manage volatility effectively. When asked which technology stood to offer the best long-term investment, Rochon said he was confident that solar power would become the standout alternative amongst the various new technologies currently on offer. Nano and thin film technology will continue to enhance the appeal of solar panels that can already be used on a personal, as well as industrial, level - unlike windmills that require space and are used mainly

on large-scale projects.

While wind energy and biofuels are good solutions in the mid-term (and here mid-term represents 15-20 years), over the long-term Rochon does not consider them the alternative solution.

As already mentioned, alternative energy solutions are heavily regulated and investors must be aware of the directives that fuel the dynamics of this market. A good example is Germany, which set out strong regulations for the solar business over four years ago and has now taken poll position on the solar track, supplying 55% of megawatts installed globally.

As an investment opportunity, many non-traditional energy providers have already generated strong returns. Financiere de Champlain's 'Performance Environnement' fund, delivered an absolute return of 52.8% in 2005 and 32.83% in 2006. So, what are its strong convictions for 2007?

Based on the 'Performance Environnement' fund (Europe only) and its younger better-travelled sibling 'Performance Environnement International', German renewable plays Conergy, the aptly named Solar Millennium and Plambeck have all secured a place in the portfolio. Enertad in Italy and Sunpower in the US are also considered sound investments. In the area of waste, Rochon advises picking up stock in France's Pizzorno, Hera of Italy and Republic Services and Covanta of the US. Finally, companies such as France's Veolia, Manila Water of the Philippines and Cemig of Brazil make up Financiere de Champlain's water treatment favourites. /Claudia Perotti, S&P MarketScope, ems@sandp.com

Provider ID: 00510909

-0- Apr/19/2007 5:49 GMT