

JPS Global Is Putting All Its Stock in Sustainable Investment Strategy

Increasing Number of Lone Investors Jumping on Bandwagon

By LIZ WIEDEMANN

Sustainable investing, a strategy that combines financial return with social good, has entered a new era.

While the strategy traditionally has lent itself to institutional investors, this approach has become more interesting for individuals, according to Jan Schalkwijk, principal of San Diego-based JPS Global Investments LLC.

Schalkwijk founded the investment advisory and asset management firm in 2006 after a 10-year stint in the investment industry and a yearlong trip around the world.

“The natural beauty of my trip reminded me that relying on human and physical resources is very important and not to be taken for granted. I took that high-level idea and shifted it into something much more practical,” said Schalkwijk, who previously served as vice president of investment platforms for San Mateo-based Franklin Templeton Investments.

Visiting 30 countries and every continent except Antarctica, the entrepreneur appreciated the unspoiled terrain of New Zealand and Vietnam, two of his many highlights.

Schalkwijk’s practical move was to start a firm that focuses on sustainable investing. His decision for the sustainable component was personal, financial and entrepreneurial, he says.

Defining sustainability can be difficult, as the term is relative, he says.

According to the Green Money Journal, a Santa Fe, N.M., newsletter providing information for environmentally and socially responsible investors, sustainable investing proactively focuses on companies that promote good long-term practices.

By contrast, socially responsible investing has been defined in the negative, instructing which investments to avoid. As SRI continues to evolve, however, the terms SRI and sustainable have become virtually interchangeable.

Avoiding Sin Stocks, And More

Rather than simply avoiding companies commonly known as “sin stocks,” such as tobacco companies or firearm manufacturers, Schalkwijk says sustainability focuses on companies that have a good business model, are environmentally aware and have strong corporate governance.

Just because a company isn’t selling cigarettes, it’s not necessarily sustainable; it’s a conscious effort.



Jan Schalkwijk

Corporate governance describes how a board of directors represents shareholders, and how it handles issues of disclosure and executive compensation. Strong corporate governance also means fair practices from a forthcoming board.

Columbus, Ga.-based Aflac Inc. is the first major U.S. corporation to grant shareholders a nonbinding vote on executive compensation, says Schalkwijk.

“Sustainable investing is an investment strategy; I’m uncomfortable saying that you’ll have a bigger return than someone who doesn’t invest sustainably, but it’s very difficult for companies to continue creating profits in a moral vacuum,” said Schalkwijk.

Voting For Companies

Rona Fried, editor of the New York-based sustainable investment analysis newsletter Progressive Investor, says that these decisions have everything to do with purchasing power.

“When we buy a sport utility vehicle, car manufacturers will make more; when we buy clothing from a company that’s produced it in a developing country, we’re ‘voting’ for a company who has low labor standards. The economy is affected based on where we put our money, whether or not we realize it,” Fried said.

A sustainable company is more than environmentally friendly.

Other sustainable factors are executive compensation, diversity of the board, human rights policies, and global operations conduct, says Fried.

Board diversity, according to Fried, refers to a mix of varied gender, race and ethnicity. Fair pay for executives is also a standard for sustainability.

“Executive pay is very telling of a company’s business model and priority levels. Are they receiving unreasonably high pay packages, golden parachutes?” Fried said. “There’s been a huge change in the stock market in the last two or three years, mainly with the presence of renewable energy companies. People are very excited to invest in these companies, as they are perhaps the solution to the future,” Fried said.

According to a report from the Washington, D.C.-based Social Investment Forum, a nonprofit that promotes SRI, the practice of sustainability is growing.

Trillions Of Dollars On The Line

The report said \$2.29 trillion was invested under SRI principles in 2005 nationally, or 9.4 percent of the \$24.4 trillion in assets under professional management in the United States. The report implied a 238 percent increase in SRI since 1995.

While sustainable investing may sound like a no-brainer in theory, the strategy’s benefits depend on the goal.

“Long-term investors are the ones interested in sustainability. My clients are interested in a company’s revenue into the future, not any get-rich-quick tactics. Those interested in short-term investing are better off using traditional tactics if they want high returns quickly,” said Schalkwijk.

Schalkwijk says that his “sweet spot” for portfolios is for clients who have somewhere between \$200,000 and \$400,000 to invest. He says this investment level is most vulnerable to neglect by larger wealth management firms, some of which deal with clients claiming \$1 million or more in liquid assets. Because JPS is new, Schalkwijk says he’s still benefiting from taking on clients with smaller nest eggs.

“It’s not harder to take on larger portfolios, but it’s more profitable. So the smaller ones are often victims of neglect,” Schalkwijk said.

As environmental legislation continues to crack down on Earth-unfriendly business practices, sustainable investing has its practical advantages in planning for the future.

Schalkwijk says that it's his job to create diversified portfolios in the market for investors, and every little step big companies are making helps him do his job. "JPMorgan Chase & Co. is adding environmental considerations to its investment practices. Even if companies are not green, many are becoming clean, which is the effort to reduce their footprint," Schalkwijk said.

According to a 2005 survey conducted by the National Investment Company Service Association, 52 percent of SRI shareholders are female, compared with the 40 percent in traditional investing, based on 4,355 shareholders' surveys from 21 fund companies.