



JPS Global Investments—The Quarter in Review

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Market Summary

After a dismal first quarter, investors entered April with hopes of leaving the credit crisis, the housing slum, and other worrisome economic realities behind them. It was not meant to be. The Dow Jones Industrial Average had its worst second quarter since 2002 and its third straight quarterly decline, ending down 7.4% and a stone throw away from bear market territory. The S&P 500 Index was down 3.2% and the NASDAQ was up 0.6%.

In this environment the JPS Global Green Economy portfolio did reasonably well, posting a gain for the quarter of 5.8%. Of course, this portfolio has to navigate the same troubled waters of the global equity markets and will therefore also be exposed to volatility. However, the current market environment is in our view not a market where we can expect strong returns in the short-term, but rather a market that we can take advantage of by establishing positions in stocks that are really attractively priced. This, in turn, will plant the seeds for future long-term returns. After all, bear markets provide greater opportunity for wealth creation than do bull markets.

Not out of the Woods

The hopes of a quick and relatively mild market

downturn were shattered during the quarter. All the problems that were there in the first quarter are still with us. Banks still suffer from a lack of credibility in terms of the value of their assets, consumers are increasingly negative, and inflation worries are starting to seep into the economy. After seven interest rate cuts, the Fed paused and held rates unchanged at their last meeting.

The dramatic rise in oil prices, along with increases in the prices of food and other commodities is starting to take a toll and now the Fed will have to weigh whether to increase rates, losing its leverage to boost the economy with rate cuts. Perhaps we can find solace in the words of the late Sir John Templeton, a legendary pioneer of international investing, who said that the best time to buy is at “the point of maximum pessimism.”

Sustainable Investing Update

The Green States of America

When discussing global progress in the battle against climate change, talk often centers on nation states. China and India are a challenge, as their economies expand, European countries and Japan are at the vanguard, Australia is moving up, and the United States lags. This, however, is an oversimplification of the facts. In the U.S. progress exists on the state level, rather than the federal level, with certain states rivaling European

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progress.

Although the EPA is dragging its feet on concluding that global warming poses a threat to public welfare and thus needs to be regulated under the Clean Air Act, states are growing increasingly bold. Recently, California along with twelve other states sued the EPA for not allowing it to enforce stricter vehicle mileage standards. State courts are also getting involved. In Georgia a state court recently ruled against a proposed 1200-megawatt coal-fired power plant, citing global warming concerns. This is a powerful precedent and will hold up about 30 other proposed coal plants.

Another area where states are moving ahead of the federal government is in the area of renewable portfolio standards. Twenty three states have Renewable Portfolio Standards (RPS) in place, requiring a certain percentage of energy to come from renewable sources by a pre-determined date.

For those of you tired of hearing Californians always claiming 1st place on environmental progress, Maine is the leader and is currently compliant with an existing RPS of 30% by 2000 and New York has an RPS target of 24% by 2013. Other top states include Nevada with 20% by 2015, New Jersey with 22.5% by 2021 and Connecticut with 23% by 2020. California falls in the middle of the pack with 20% by 2020 (Source: DSIRE – Database of State Incentives for Renewables & Energy). Ultimately the federal government will catch up, but for now about half the states of the Union are responding to the call and moving full force ahead, creating the Green States of America.

The Wind is Picking Up

Currently, the electricity produced by wind energy

amounts to 48 billion kWh on an annual basis, or about 1% of U.S. supply. It is estimated that our total wind energy capacity is approximately 10.8 trillion kWh per year, which is more than double the amount of electricity generated in the United States today. In terms of installed capacity, Germany leads with approximately 22 Gigawatts (GW), followed by the U.S. with 17 GW, and Spain with 15 GW. Though Germany has the lead, the potential in the U.S. is tremendous, considering that Germany's 22 GW pales in comparison to just one state like North Dakota. The latter state shares the top 5 states in terms of wind potential, along with South Dakota, Texas, Kansas, and Montana.

What is holding wind energy production back in this country? Perhaps a better question is "is wind energy production being held back?" According to the Global Wind 2007 Report, the U.S. led installations last year, with a total of 5.2 GW, or 26.4% of total new installations globally, expanding U.S. capacity by 45%. Though this is very strong growth, there are some constraints on our wind energy expansion currently.

The biggest problem perhaps, is the Production Tax Credit (PTC) that keeps requiring legislation every one or two years to be extended. This political uncertainty leads to a "boom-and-bust cycle." Due to lapses in the renewal of the PTC, wind energy installations dropped dramatically in 2000, 2002, and 2004. The current PTC expires in December of this year and the jury is still out on what will happen to installations in 2009 if it is not renewed expeditiously.

Other constraining forces of wind energy are local environmental groups and citizens; often a classic case of "not in my backyard" politics. The U.K. may provide some insight into what kind of effect these groups may have going forward. According to the British Wind Energy Association, 61 MW of

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capacity was refused in 2000 versus 79 MW approved, translating to an approved-to-refused ratio of 1.3 to 1. In each subsequent year, the ratio improved and during the first quarter of 2003, 567 MW was approved vs. 34 MW rejected, resulting in an approved-to-refused ratio of over 16 to 1. Legislation, a change in public perception, and the increased urgency with regards to the desire to tackle climate change, improved the success rate of project approvals. I do not see why that wouldn't be the case in the U.S. as well.

As far as birds go, the avian mortality rate is about 1-2 birds per turbine per year. It would seem that the lives saved by cleaner air would outweigh the birds lost, but that's a discussion outside of the scope of this newsletter.

NegaWatts

Often discussion on addressing the energy crisis focuses on the supply side. "We need more domestic drilling," "more nuclear," or better "more renewable energy" and "more clean technology." But what about the demand side, why don't we just conserve more? The Economist recently published an article called "The elusive negawatt." I am not sure if they coined the word "negawatt," but it stuck.

The article points out that "the only by-product of energy efficiency is wealth, in the form of lower fuel bills and less spending on power stations, pipelines, and so forth. In fact, The McKinsey Global Institute believes that energy efficiency will get the world to 50% of the goal of keeping greenhouse gas particles in the atmosphere below 550 parts per million and it won't come at a cost, but rather an average return of between 10% and 17%.

The true measure of energy efficiency is your

electric bill and not the array of solar powers on your roof. After all, a new large screen plasma TV may quickly negate some of the solar progress you are making on the top of your house. Living in a condo in downtown San Diego, I have no solar power, no tankless water heater, and no smart thermostats, but I do proudly state that my monthly electricity bill averages \$40. I won't get to the elusive negawatt without some solar, but I am 3/4s of the way there!

Green-novations

The venture capital world is a good barometer for what can be expected in terms of new clean tech and alternative energy products, as well as investor appetite for such innovations. Google's philanthropic arm recently participated in a \$130 million venture capital round for eSolar, based in Pasadena, CA. The company designs and develops utility scale concentrated solar power projects.

Another encouraging sign was the initial public offering of Energy Recovery, which makes energy-saving devices for desalination plants. It increased 16% during its IPO, breaking a 2-month period in which eight IPOs failed to produce gains on their first day of trading. Other upcoming IPOs to watch are Nobel Environmental Power (wind) and GT Solar International.

Some innovation of note from a publicly traded company, concerns National Semiconductor. They have developed a technology called SolarMagic, which can recoup as much as 40% of power that would otherwise be lost due to partial shading of a solar array. In the long run, the company expects 25% of its sales to come from this product line. These types of companies can sometimes prove particularly attractive investments, as they don't have the pressure of negative earnings that many small cap, pure plays face.

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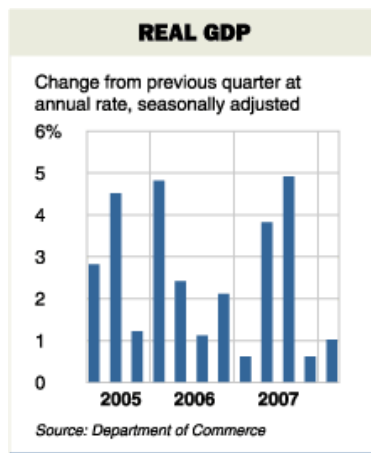
Financial Markets Data

Performance as of 6/30/08

	Qtr	Yr-to-date	1-yr	3-yr avg.
JPS Global Green Economy SA.	5.82%	-3.26%	N.A.	N.A.
S&P 500 Index	-2.73%	-11.91%	-13.12%	4.41%
Dow Jones Ind. Avg.	-6.85%	-13.38%	-13.27%	5.83%
NASDAQ	0.61%	-13.55%	-11.92%	3.69%
Russell 2000 Index	0.58%	-9.37%	-16.19%	3.79%
Domini 400 Social Index	-3.84%	-12.88%	-14.26%	2.85%

All returns are Total Return, with the exception of NASDAQ returns, which are Price Return.

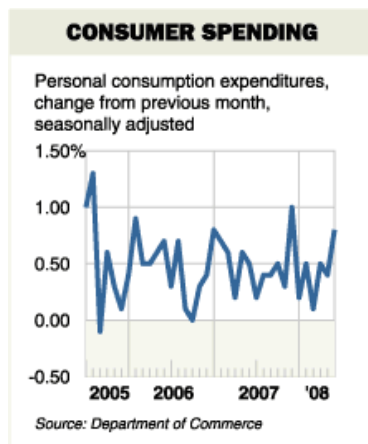
Economic Indicators



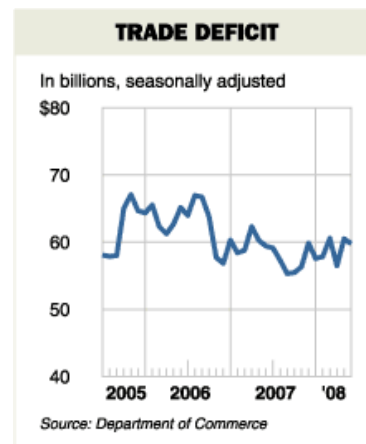
Q1: +1.0%



June: 5.5%



May: +0.8%



May: \$59.8 billion

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