MYWORD

Green Attitude

YOUR CLIENTS ARE FOCUSED ON THE ENVIRONMENT. ARE YOU? BY BLAKE MOORE

INVESTORS HAVE ALWAYS SOUGHT GREENER PORTFOLIOS. Green, that is, as in the color of money. Now new research shows that clients want to put their green into companies that are developing products and services for a greener world—and they want financial advisors to guide them.

The degree to which investors see opportunity is striking. In a poll of 1,003 investors conducted in December 2007 by GfK Roper for Allianz Global Investors, 71% selected environmental technology as the most desirable investment sector when asked to rate such sectors as pharmaceuticals, biotechnology, energy, high technology, gold and real estate.

What's more, 54% of respondents said that environmental investing will be an "important focus" for them in the future—and nearly half said they would invest in this type of company in the next year. When asked to select specific opportunities, 62% of investors chose solar energy, followed by wind power (57%), hybrid vehicles (53%), water purification (50%) and ethanol (37%).

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Survey data showed that environmental investing is more than a passing fancy. Environmental technology has all the hallmarks of an emergent sector in a long-term secular upcycle: popular attention, robust demand, high innovation, abundant capital, an enduring need and rising valuations.

INVESTORS WANT YOUR HELP

Although investors may be enthusiastic about the sector, over 70% of respondents said they need an advisor's help. Who are these eco-hungry investors? According to our research, eco-investors tend to be in their 50s and early 60s, have investment portfolios of at least $250,000 and own alternative investments, commodities and real estate.

And yet, more than 80% of those already working with an advisor say their advisor has yet to recommend an environmental opportunity. Some advisors shy away from environmental investing, believing it's a politically charged issue. Survey data indicates otherwise. Just over 40% of those planning an environmental investment in the next 12 months describe themselves as politically conservative, vs. 36% who say they are liberal. Clearly this is not a political decision—it's an investment decision.

Environmental technology is in the business mainstream too. General Electric, for instance, invested $700 million in clean technology research in 2004 and plans to spend $1.5 billion a year by 2010. Other large multinationals such as Archer Daniels Midland, Applied Materials, BP and Toyota have billion-dollar divisions dedicated to solar and wind power, ethanol and hybrid electric vehicles. The market capitalization for all renewable energy companies, estimated at $30 billion in 2005, should reach $625 billion by 2010 and $1.9 trillion by 2020, according to Clean Edge, an environmental research and consulting firm.

PICKING THE WINNERS

If environmental technology follows the same path as high tech, biotech and other once-emergent industries, inevitably some firms will fail. Others will succeed with truly innovative, marketable products and services. Investors and advisors who want to pursue the opportunity face four key challenges: (1) understanding environmental issues as marketplace opportunities; (2) reliably assessing new technologies; (3) understanding the impact of environmental issues on company financials; and (4) determining management's ability to capitalize on environmental opportunities. Also, environmental problems are global—and so are many of the companies trying to address them. We believe investors are best served by purchasing shares of a portfolio of companies, with experts making the investment decisions.

The great news is that environmental investing is the rare win-win-win: You provide a valuable service; investors get an opportunity to enhance their returns and it all happens in a way that makes the world a greener place. When it comes to investing, that's as "green" as it gets. FP

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