



As I was watching President Obama's economic stimulus signing speech, I was reminded of what an instant measurement society we have become. As the speech was delivered, CNN displayed the real-time "market reaction" on the bottom of the screen. Are we no longer capable of analyzing the bigger picture? It is certainly a difficult time for long-term investors when success is being measured in increments of fractional seconds.

As far as my opinion on the stimulus package, I would put myself in the group of people that thinks it is probably too large, contains too many unknown spending items, and has some components that won't do much in terms of direct economic stimulus. However, considering the context of the crisis we are in, perhaps it is a better alternative than doing nothing, as perception is so important to confidence.

Having reservedly bashed the stimulus bill, I do have to admit I am excited about the spending that is included for alternative energy generation and clean technology. Here in lies my (our?) contradiction: spending (future) taxpayers' money is bad unless you spend money on something that we think is important! I will go into a little more detail on the "good" parts of the stimulus bill below. In terms of size, I have seen numbers from the high 30s to the mid 40s (\$billion), so we may have to wait for an accurate count until someone finishes reading all 1,100 pages. Then there is the tax incentive portion, which has a possible value of \$20 billion over its authorized lifespan.

My overall view on the green investment space is that even though the sector has become cheaper and cheaper, its long-term growth potential has not been compromised. Admittedly painting with a broad brush, I would characterize the investment environment as follows: you can buy the same growth opportunities in the green space today as one year ago, but at a 50%- 70% discount. I reiterate our opinion that larger, cash flow positive firms will be a better bet as they have staying power and resources to capitalize on the government programs, yet do not seem to trade at a premium. This point is illustrated in the graph on the next page, which charts the Market Vectors Clean Energy ETF against the Power Shares WilderHill Clean Energy ETF. The former has the most liquid, market-leading stocks whereas the latter also contains many smaller, cash flow negative companies. As you can see, one does not have to pay more for the higher quality companies, as markets have thrown out the baby with the bathwater.



Smart Grid & Energy Efficiency

Around 2/3s of our energy is lost from generation to delivery. If you add in the energy that could be saved by not delivering energy when it is not needed or delivering less to generate the same amount of utility, it is easy to see that electricity infrastructure and smart delivery pose one of the greatest, if not *the* greatest opportunity of the energy challenge.

The stimulus bill allocates approximately \$5 billion in home weatherization grants to low and medium income families and another \$5.5 billion for construction, repair and energy alterations to federal buildings and facilities. Further, it includes \$4.4 billion to modernize the electric grid, \$2 billion in transmission loan guarantees, \$1 billion in renovations and energy efficiency improvements to veterans medical facilities, \$300 million for the Energy Star program, offering tax credits to consumers purchasing new, efficient appliances, and the list goes on. Here, I am only talking about items related to the grid and energy efficiency. If you want to browse through the line items of the bill:

In our portfolios, I am working on increasing exposure to smart grid technologies. I am still making my picks, but if you want to look at a few names in the space: Itron, EnerNoc, and Comverge.

State of the Green Economy Conference Call

Our next web conference call will take place on Wednesday, March 4th at 11:30 am PST. To sign up: <http://eventbrite.com/event/290912126>. As always, I look forward to your participation in the call.

New Fund for Accredited Investors:

JPS Global Investment recently launched a fund for accredited investors, that focuses on alternative energy, cleantech/efficiency, and leaders in environmental stewardship. Please contact us if you would like to learn more.

Kindest Regards,

Jan Schalkwijk, CFA

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