JPS GLOBAL INVESTMENTS

JPS Global Investments—The Quarter in Review

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Market Summary

When the markets collapsed in the last quarter of 2008, it played out on a global scale and correlation was high among countries, sectors, and asset classes, resulting in the "nowhere to hide" scenario. The first quarter of this year has been interesting, and as of late somewhat hopeful, with different pictures emerging in different markets. Though all countries went down together, they may not all regain strength equally and simultaneously.

Case in point, as measured by the Dow Jones Global Indices, the U.S., U.K., and Germany were down -11.2%, -10.8%, and -19.4% in dollar terms for the first quarter of the year, versus a gain of 11.6%, 10.8%, and 3.6%, for Russia, Brazil, and China respectively. This divergence has two hopeful implications, in my view. First, it means that indiscriminate selling of global assets has abated, implying that some sense of calm has returned to markets. Second, it means that global diversification is important and that some regions may offer better long-term perspectives than others.

Domestic markets have been hopeful for investors as of late. The S&P 500 Index returned 8.76% in March and the trend continued into April. We have to be careful, however, not to get our hopes up too much. What if this is just a dead cat's bounce (apologies to my feline friends)? With regards to green stocks, the interesting undervaluation of quality highly liquid stocks, as measured by the Market Vectors Global Alternative Energy ETF vs. the more speculative green stocks, as measured by the Wilderhill Clean Energy Index, continues. All the more reason to buy the underperforming higher quality stocks, as at some point quality will again have a premium.

Sustainable Investing Update

Climate Change Legislation

Legislation related to climate change is not really a matter of if, but more of "when" and "how." In assessing the risk of an investment, it makes sense to look at whether a company is fighting the inevitable or is engaged in the discussion and ahead of the curve. It is the latter company that carries less risk, all things equal. An interesting example is the insurance industry. Recently, the National Association of Insurance Commissioners voted to require insurance companies to report their climate risk exposure on an annual basis. The commission's reason for acting was twofold. First, insurance companies insure weather related risk, and more extreme wheather translates to greater risk. Second, insurers invest part of the premiums they collect in dividend paying companies such as

utilities. If utilities come under a cap and trade system, some might have greater risk to profits than others. Clearly, the forward thinking insurance companies are in a better spot than those that have been on the denial side of the equation, and have less climate change risk.

On April 17th, the EPA formally concluded that green house gas emissions "endanger the health and welfare of current and future generations" and can therefore be regulated under the Clean Air Act. Believing in climate change is not a prerequisite to being subject to pending legislation that will follow from this government decision. Certainly, investing in a utility such as Pacific Gas & Electric or Florida Power & Light, two leaders in alternative energy generation, would seem to entail less risk than investing in a utility such as American Electric Power, the biggest CO_2 polluter and coal user in the United States.

The EPA finding is only the tip of the iceberg. The American Clean Energy and Security Act of 2009 (ACESA), which currently resides in the House, will have a profound impact on many aspects of economic activity going forward. The stated goal is to reduce green house gas emissions through cap & trade 83% below 2005 levels by 2050. It further addresses renewable energy mandates starting at 6% by 2012 and increasing to 25% by 2025, carbon capture & sequestration, clean fuels & vehicles, smart grid & electricity transmission, federal purchases of renewable electricity, energy efficiency standards, and emission reporting requirements. It would also establish State Energy and Environment Developing (SEED) Funds, which the Department of Energy can allocate to green programs at the state level.

On the regional levels, a cap & trade program exists in the Northeast, known as the Regional Greenhouse Gas Initiative and in the West, known as the Western Climate Initiative. The former has already had 3 auctions; the latter is still in development mode. Then of course, there are the State level legislative initiatives. California has not been shy on that front. Notably, State Bill 375, is the proposed implementation of land use and transportation elements of Assembly Bill 32, with the goal to reduce vehicle miles traveled and is considered the most sweeping land use legislation since the California Environmental Quality Act.

It is becoming increasingly clear that in our resource-constrained and climate-threatened world there is value in pursuing a bottom line that includes the environment. Is any of this legislation and mind change paying off yet? Recently, The Energy Information Administration (EIA) came out with some hopeful statistics: demand for petroleum-based transportation fuels fell 7.1% last year. More importantly, The EIA estimates that fuel consumption for light-duty vehicles may have peaked in 2007 at around 14 million barrels/day and is estimated at around 11 million by 2030. Even Exxon Mobil concurs. Let's see if we can do better!

Energy Efficiency vs. Renewable Energy

Although a caulk gun does not have the same allure as thin film solar, it may pack a bigger punch in reducing home energy consumption. According to a new McKinsey & Co study, an energy efficiency drive would save more than it costs, whereas renewable-energy alternatives may cost more than they save. U.S. homes on average waste as much as 30% of the energy they draw and represent 20% of energy consumed. It is estimated that a third of that energy loss could be avoided by simply plugging holes and improving insulation. It is paramount that we look at what is built already, perhaps even more so than what will be built in the future. Afterall, housing turnover is quite low.

New homes built on average each year, represent less than 1% of the 115 million existing homes. The Obama administration may have read the report, as considerable funding is allocated to low-income homes' energy efficiency improvements.

The McKinsey report states that building efficiency improvements have the potential to save as much as 3.5 billion tons of CO2 equivalent annually through 2030 versus 1.3 billion tons for solar photovoltaics. The former would save $40 per ton vs. the latter costing $24 per ton. The potential for industry efficiency is 5.2 billion tons saved per year at a savings of $10 per ton, and transportation efficiency would save 3.2 billion tons at savings of $9/per ton.

On the cost side, geothermal is the cheapest with a potential to save 256 million tons per year at a cost of $5/ton, followed by nuclear (which I don't support) with a potential of 2.0 billion tons avoided per year at $14/ton. Finally, wind power would avoid 884 million tons per year at a cost of $28/ton. As an investor, I am interested in both renewables and efficiency. However, efficiency is the sweet spot, as it saves money and reduces pollution simultaneously.

Going Green While You Are in the Red

As I just discussed, efficiency means buying less energy and is thus inherently more economical than merely switching energy sources. It is a point I have made before that "negawatts" cost nothing. However, there may still be an upfront cost that is involved with increasing efficiency. Though government and business spending will comprise a substantial portion of the money flowing towards efficiency improvement in the coming years, there is a role for consumer spending to play, especially since home improvement will be instrumental in energy efficiency implementation. As an investor (and a consumer) I would be looking at companies that can make energy efficiency affordable in these tough financial times. In other words, what improvements have low upfront cost and quick payback?

Compact fluorescent bulbs: according to the Wall Street Journal, the payback on a $3 CFL bulb in New York would be 3 months and in Nebraska, where electricity is cheaper, it would take 7.5 months. Investment potential: lighting companies such as Philips Electronics NV. Leasing solar panels: One of the obstacles to residential solar market expansion has been the upfront cost. To clear this hurdle, several companies such as SolarCity (not publicly traded yet) have introduced the "rent" model. The idea is that your "rent" payment plus your new, lower utility bill total to less than your old utility bill, resulting in cost savings from day 1. Once bank credit and private capital becomes more available, tax credit appetite increases, and the stimulus items related to solar energy are incorporated into project plans, this new model will accelerate solar implementation. I imagine its implications will benefit the solar industry as a whole.

Finally, there are the efficiency home improvements that one could call the "low hanging fruit." Examples include sealing air leaks, low-flow fixtures such as toilets and showerheads, smarter water heating through preservation of waste water heat, attic insulations, and efficient windows. The benefit to the consumer is evident, and depending on the size of the project, payback could be achieved in a relatively short timeframe. For an investor, home improvement companies that represent attractive investment opportunities might be challenging to find. With a typical stock such as Home Depot or Lowe's, energy efficiency products might be just a small piece of the pie.

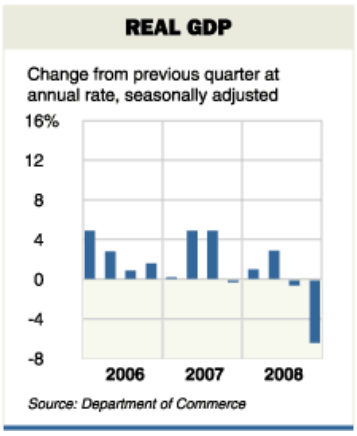
Financial Markets Data

Performance as of 3/31/09

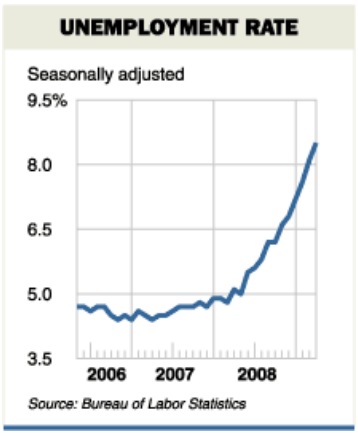
	1-mth	quarter	1-yr	3-yr avg.
JPS Global Green Economy SA.	9.94%	-3.72%	-34.17%	N/A
S&P 500 Index	8.76%	-11.02%	-38.09%	-13.06%
Dow Jones Ind. Avg.	7.94%	-12.48%	-35.94%	-9.52%
NASDAQ	10.94%	-3.07%	-32.93%	-13.23%
KLD Global Climate 100 Ind.	7.31%	-13.90%	-41.52%	-12.08%
WilderHill Clean Energy Ind. (PBW)	16.39%	-11.83%	-61.23%	-29.01%

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

Economic Indicators

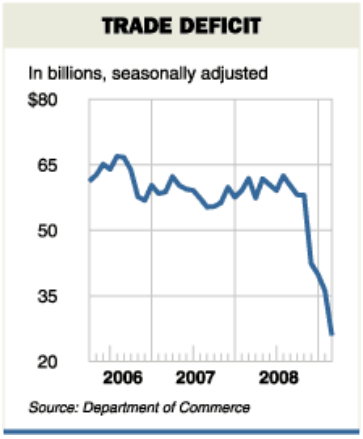


Q4: -6.3%



March: 8.5%

March: 26.0



February: $25.97 billion

