

Market Outlook:

More than idle conversation

It is always emotionally rewarding to synchronize one's personal values with their investment portfolio's structure. Generating competitive returns need not be divorced from "doing good" at the same time.

As many of my readers know, morals-based (altruistic) and socially responsible investing has frequently been an accompanying objective to my quantitative orientation regarding the financial markets. During a nearly four-decades long practice, I have created proprietary stochastic integers and statistical analysis to craft various target-specific strategies such as *Health and Life Sciences*, *Alternative Energy*, *Fixed Income* and current offerings in *Global Water Concepts* and *Global Agriculture Solutions*. The filter of socially conscious investing aligns clients to portions of their portfolio with specific areas of interest and concern.

But far from relinquishing the opportunity for capital gains, these segregated silos have performed at an extraordinary pace during the past generation. Target oriented portfolios help the investor to define his goals while also contributing to the welfare of the planet. The niches are too numerous to calibrate and widening in scope each decade.

Evolutionary shifts in demand for skill sets and natural resources are durable, and impactful upon research and development (R&D), capital expenditures, and profitability for a wide array of industries and geographies.

These trends are also affecting global investment cycles that emanate from a changing demographics of demand and need. The most significant of these shifts is *population displacement due to politics, weather, or economics*.

Beyond their application to the financial markets, population trends also influence overall consumer confidence in private sector business, as well as government. As pressures mount to find new sources of natural resources, so too does the fear of poor health, malnutrition, housing shortages, and physical security. Despite Wall Street's opportunism about product creation from these distresses, the outside world watches with dismay as human convoys become statistics for heartbreak and misfortune.

The financial markets look at supply and demand/excess and shortage in the context of a profit-sum game, while the rest of the world sees human dislocation as a trauma beyond comprehension.

Do whatever you must

A significant portion of my stochastic data is lined up at present for a secular/generational opportunity to seek out solutions to these issues through socially responsible investing. Additionally, we believe the prospect to create portfolio alpha in these sectors is rounding into its maximum phase. Commodities like food, oil, metals, arable farmland, water, wood, etc. are inextricably linked to the human condition, as well as defining how their use helps to shape our perceptions about the role of good corporate and governmental stewardship of our ideals. Rising interest rates, along with price inflation in soy, corn, wheat, coffee, poultry, dairy, and fruits could propel a new era of demand-driven economic growth for the next decade and beyond.

Compounding the potential shortages in raw materials and foodstuffs is a drop-off in available inventories in places that need them most. Harvests around the globe are actually at record levels, but consumption rates vary widely by geography. We need better storage, delivery, and production efficiencies to ensure that product is getting to those whose lives depend upon it. These are the kind of questions patrons should be asking when looking for "shiny new opportunity hype".

Today, with the attention span of a nanosecond, investors possibly might finally be getting the message that secular, long-term shifts *are* occurring and, potentially, be the place for a few of their investment assets.

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