

Brazil has a new President

What do we know about Dilma Rouseff?

Ethical Investing

The story of its surge in popularity

Welcome to you winter QQ...

Welcome to the winter issue of QQ, and we hope you will enjoy a more interactive experience from now on, with the introduction of our new electronic format. A raft of new research, including a recent Ipsos MORI poll on behalf of EIRIS showed just how popular ethical investing is becoming, as consumers take a much more pro-active interest in how and where their money is invested. The MORI poll demonstrated just how important it is becoming to change attitudes towards investing and lending practices - we explore this growing movement in this issue. It just remains for me to wish all our readers, on behalf of QUADRIS Environmental Investments, a very peaceful and prosperous new year.

Tracy Cunningham,

Marketing Director,
QUADRIS Environmental Investments Ltd

In the spotlight...

Investing ethically has grown hugely over the past decade and shows every sign of continuing to increase in popularity as investors realise the benefits of alternatives.

On 1st January 2011 Brazil's first female President took office, inheriting the legacy of the country's most popular President ever - a hard act to follow?

Exploring Brazil's biodiversity - Our popular wildlife series finds out more about the widespread, yet unique, 'Stinkbird'.



Investing ethically has grown exponentially over the past decade, particularly as recent environmental catastrophes have brought the realisation that long term financial security is dependent on environmental, social and governance considerations.

In June 2010, EIRIS reported a landmark investment figure in green and ethical funds of £9.5 billion (as at 31st December 2009). However, this is not the whole story. This figure relates to retail funds i.e., those funds available to the general public (currently around three quarters of a million investors) and does not include other funds which invest ethically.

The report also highlighted the fast growth of the number of investment opportunities available in this arena. Whilst only a dozen or so such funds existed a decade ago, there are now around 100 opportunities for investment in green and ethical-based funds. Furthermore, the research highlighted the growing interest that the general public are taking in knowing where their money is being invested, and as a result, are becoming more pro-active in selecting products and services where the ethical credentials of the company can be assessed and verified. In fact, 44% of those questioned confirmed this to be an important factor in their decision making process and three quarters of those stated that they would be likely to take this into account when selecting future purchases of products and services.

Mark Robertson, EIRIS spokesperson said '2010 is a critical year for rebuilding public trust in UK financial institutions. It's clear that increasing numbers of consumers are turning to those financial institutions which offer financial products that make money whilst making a positive difference to the world'.

More recently, Ipsos MORI conducted further research in this area on behalf of EIRIS (8th November 2010) and the results confirmed a growing trend for investing ethically, along with a demand from consumers to be more informed about where the money they invest is going.

The figures show that the amount of money invested in an ethical way in the UK has grown by 289% over the past decade. The largest finding of the Ipsos MORI online survey showed that 73% of respondents felt that banks should have ethical lending policies in place. This would allow greater choice and control over where the British public's money was being invested and allow the prevention of investment in controversial areas such as arms manufacture, or companies with poor records in environmental or human rights issues.

Similar research conducted by Co-operative Financial Services (CFS) showed that the total amount of money invested ethically (£19.2 billion, including ethical savings and banking) represents an increase of 34% from £14.3 billion over the past twelve months alone. It clearly demonstrates that whilst ethical investments have steadily increased over the past ten years, the past twelve months in particular have shown a large surge, as investors take more interest in where their money is being invested. Tim Franklin, Chief Operating Officer at CFS commented: 'While ethical finance has grown steadily over the decade there has clearly been a recent acceleration. The growth that we're witnessing is evidence that, in the wake of the financial crisis, more consumers are considering the ethical as well as financial impacts of their money.'



Image courtesy of: Kiriu Kurashoz, www.dreamstime.com

Responsible investment reporting on the increase

Continuous pressure, from organisations such as EIRIS, has succeeded in encouraging companies to report more fully and publicly on their social, environmental and governance performance. It seems obvious that this level of transparency continues to be demanded more and more, whilst the value of ethical investments rises.

In addition to meeting the demands of consumers, it was shown that reporting in this way also has advantages for the company and for staff working within these organisations; environmental, social and governance issues (ESG) are more likely to be taken seriously in the workplace. As a result, this raises the profile of ESG issues and attracts increased funding and support from senior management. Finally, common obligations in reporting methods such as the proposed UK Financial Reporting Council's Stewardship Code, create a level base by which asset managers and asset owners can be compared, with regard to their skills and capabilities within responsible investment.

Factoring EGS issues into the investment process can further the dual aims of improving financial return and better align investors' objectives with the broader objectives of companies' wider stakeholders (EIRIS Investor Survey, 2007)

Brazil - leading the way in emerging markets

According to research carried out by EIRIS, China has worried potential investors, with a dubious track record in environmental issues, and alongside Vietnam and Egypt, was shown to perform worst within the emerging markets in relation to environmental, social and governance indicators. Given that China's economy is poised to overtake the USA's as the world's largest over the next 20 years, Eiris felt that China's low environmental indicators were a concern. Conversely, alongside Mexico and South Korea, Brazil came out best in this area, supporting the view that Brazil has much to offer in the long term, when considering an ethical approach to investing.

QUADRIS leading the way in ethical investment



The QUADRIS Environmental Fund was launched in April 2001. At this time, it was considered to be a true 'alternative' and there was no other fund of its type in existence within the UK.

As the UK's leading forestry fund, this investment has proved its mettle and not only achieved its environmental, social and ethical goals, but it now has an impressive performance track record, over nearly a decade, clearly demonstrating that ethical investment does not mean a compromise in potential returns should need to be made. For many investors, particularly in light of the current, tough and uncertain economic climate, this has been a major consideration when looking at alternative investment vehicles. This is despite the fact that a member's survey conducted by consumer group Which, in February and March 2010, showed that 42% of investors would be willing to accept a reduced rate of return if they were confident that their money was being invested in an ethical way.

A decade ago, the QUADRIS Environmental Fund was revolutionary and 'one of a kind' - indeed the largest hurdle when launching the Fund was convincing potential investors that this was the future and that QUADRIS was not 'jumping on an ethical bandwagon', but creating the vehicle upon which others would one day attempt to ride! Recent research from numerous sources has now confirmed this to be the case and we are proud of our track record in this arena.



ZOOM IN



ZOOM OUT



SCREEN



EMAIL



WEB



PRINT



On 1st January 2011, Brazil's first female President took office and the world now waits to find out what Dilma Rousseff of the Workers Party (PT) will do to follow in the footsteps of her predecessor.

In January 2011, Dilma Rousseff took the reins of the federal government, the political base of her government being a 10-part alliance constructed by former President, Luiz Inácio Lula da Silva. Ms Rousseff's election success may be largely attributed to the broad popularity of Lula - he was particularly successful in implementing his policies of economic redistribution and social inclusion, which appealed largely to the majority of the population in households earning just under the equivalent of \$800 (£500) per month. In contrast, the majority of support for the opposition candidate, José Serra of the Social Democratic Party (PSDB) was drawn from the majority of the more affluent population - those in households earning more than \$3,200 (£2000) per month.

Ms Rousseff, 62, was previously an administrator with no experience of elected office. In 2003 she joined Lula's government as energy minister and in 2005 was made Lula's Chief of Staff, a post she held until March 2010 when she launched her campaign for the presidency as the candidate for the PT. During her election campaign, Ms Rousseff gained significant popularity, enough to win the election, most likely as a result of Lula's previous popularity and successes as President.

During his presidency, Lula successfully implemented a policy of raising the minimum wage. He also expanded conditional cash transfers to the poor under the family allowance programme, Bolsa Familia and stimulated the creation of formal-sector jobs in an economy currently growing at about 7% per year. These policies have succeeded in raising millions out of poverty.

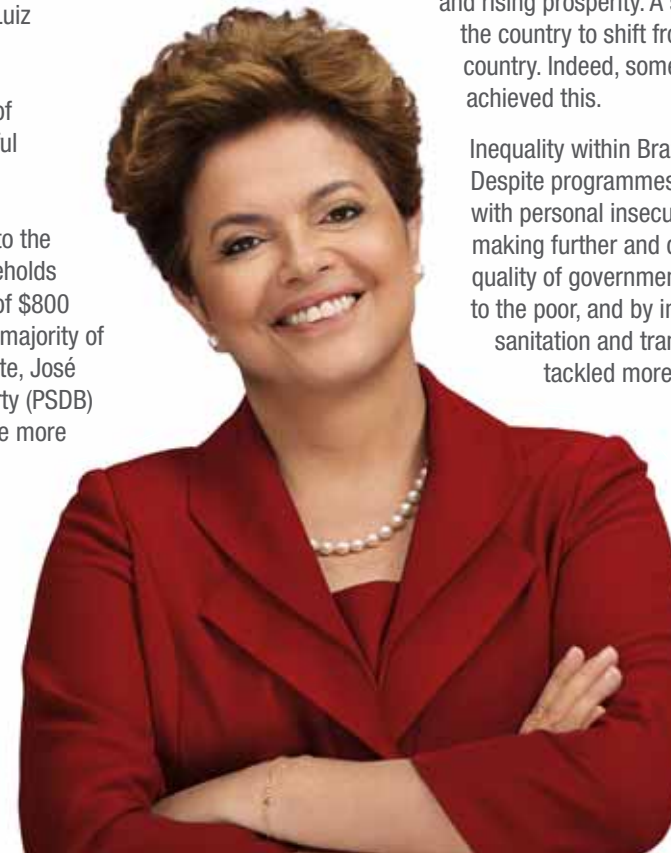


Image courtesy of: en.wikipedia.org

Of course, at this stage, it is far too early to know exactly how Ms Rousseff will run her government, and what her priorities will be. Environmentalists highlight the need to include 'green' in the new government's economic, technological and social development plans and suggest that Brazil's stewardship of its natural resources will be key.

In terms of economics, opinion suggests that the continuation of a stable macro-economic policy is important, in order to continue to grow the middle-classes and allow inflation to stay low. Brazil has emerged in a way unthinkable for the past 30 years, with strong GDP growth, low and stable inflation and rising prosperity. A stable macro-economy will help the country to shift from a developing to a developed country. Indeed, some would say that Brazil has already achieved this.

Inequality within Brazil still remains a major problem. Despite programmes such as Bolsa Familia, problems with personal insecurity and crime still exist. By making further and dramatic improvements to the quality of government services, particularly in relation to the poor, and by increasing the quality of healthcare, sanitation and transportation, these problems can be tackled more successfully.

Brazil is clearly recognised as an international voice, particularly in the area of political stability and from an economic point of view. This should see Dilma Rousseff off to a great start as she takes on her new role as President. However, the rich / poor divide remains a large issue, as do green issues - the world's eyes are on Brazil and the preservation and protection of its natural resources.

Brazil is also largely dependent on its agribusinesses

for export and it is unclear what it can do to reduce its dependency on commodity exports, and increase its production of higher value-added manufactured goods and services.

Ms Rousseff clearly has her work cut out and there is much to be done to continue the efforts to put Brazil on the world stage as an economic and political power. However, most would acknowledge that the foundations are already in place, and Rousseff has the power to successfully continue where Lula left off...

Conclusion

Clearly, despite the continuing turmoil of the economic markets, investors are becoming evermore demanding when it comes to transparency in investing. Not only are consumers now more knowledgeable than ever in how their money is invested, a large number are willing to accept a lower return on their investments, in order to fulfil their social, ethical and environmental objectives.

It is also apparent that clearer reporting, in a consistent and measurable way by companies must be achieved, and is being demanded, in order that consumers can assess how and where they invest their money, in a meaningful and informed way. The proposed UK Financial Reporting Council's Stewardship Code, should go some way to addressing this and enabling asset managers and asset owners to be compared, with regard to their skills and capabilities within responsible investment.

The **QUADRIS** Environmental Fund has succeeded on many levels in providing for the needs of those investors who have an interest in ethical investing. This may range from those who choose to screen negatively and select to avoid investments and products which invest in detrimental or harmful activities, to those with strong positive criteria such as those which the **QUADRIS** Environmental Fund demand.

Despite the willingness to accept a lower return on their investment by a large number of consumers, in exchange for ethical investment, the Fund has demonstrated that this is not always necessary. With a strong performance track record, spanning almost a decade, it shows that it is possible to meet ethical investment criteria whilst achieving impressive returns.

Finally, the **QUADRIS** Environmental Fund has the further advantage of selecting to invest in a country which is recognised as being a leader in emerging markets with respect to responsible and ethical investing. Again, the Fund supports the findings of the Eiris research, choosing to invest in a forestry management company which clearly demonstrates strict, measurable and verifiable ethical, social and environmental practices.

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Brazil has one of the richest and most diverse collections of flora and fauna in the world and every quarter QQ throws the spotlight on one of the vast numbers of fascinating animal species that can be found within or close to Floresteca SA's teak forests.

The Hoatzin (*Opisthocomus hoazin*), also known as the Hoactzin, Stinkbird, or Canje "Pheasant", is an unusual species of tropical bird. It is such a bizarre and unique bird that it almost has to be seen to be believed.

An unflattering nickname

The Hoatzin is widespread in the lowlands of northern and central South America, and is fairly common throughout much of this region. They nest in trees and shrubs along the margins of lakes and slow-moving rivers and clamber around awkwardly among tree branches. The name Stinkbird is related to the strong smell produced by this bird, perhaps due to its consumption of leaves. Their diet primarily consists of young leaves, buds and fruit. Hoatzin's have an unusual digestive system, food is digested in the crop with the aid of bacteria and microbes.

Hoatzins are social creatures and often sit in groups of up to 40 birds in the open. This is a noisy species, with a variety of hoarse calls, including groans, croaks, hissing and grunts. These calls are often associated with body movements such as wing spreading. Calls are used to maintain contact between individuals in groups, warn off threats and intruders and by chicks begging for food.

The Hoatzin, whose average adult length is 22 inches, has a stocky pear shaped body, reddish-brown feathers streaked white around the shoulders, and a pale brown underside. Long tail feathers and an elongated neck flank the plump body. The Hoatzin's blood red eyes peer forth from a ring of bright-blue skin set on a tiny head that seems more diminutive thanks to an unruly crest of long feathers.

They are seasonal breeders, breeding during the rainy season, the exact timing of which varies across its range. Hoatzins are gregarious and nest in small colonies, laying 2-3 eggs in a stick nest in a tree overhanging water in seasonally flooded forests. Chicks are fed on regurgitated fermented food.

If the nest comes under attack, the adults retreat to the bushes and leave the chicks to fend for themselves. The chicks have two claws on each wing. When disturbed, the chicks drop into the water to escape predation. They then use their clawed wings (lost in the adult) to climb back to the safety of the nest.

Not currently under threat

Though conspicuous, even attractive, at close range due to its bizarre shape and striking colors, unwary and a poor flier, it is not considered endangered. In fact, its survival seems to be more assured than that of many other endemics of its range. In Brazil, tribal people sometimes collect the eggs for food, and the adults are occasionally hunted, but in general this is rare, as it has - or at least is reputed to have - a bad taste. While its preferred habitats, mangrove and riverine forest, are disappearing fast in some regions, it is less threatened than terra firme forest, which is the primary target for deforestation in the Amazon. The Hoatzin therefore remains fairly common over a large part of its range.



Image courtesy of: Christopher Plummer, www.pixdaus.com

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On 29th November 2010 the Mexican Climate Change Summit commenced, amid low expectation following the lacklustre results of the previous summit in Copenhagen.

The summit, in Cancun, Mexico drew to a close on 10th December 2010. Over a decade ago, most countries joined an international treaty - the United Nations Framework Convention on Climate Change (UNFCCC) - to begin to consider what can be done to reduce global warming and to cope with whatever temperature increases are thought to be inevitable.

In 1997, 37 industrialised countries and the European community approved an addition to the original treaty: the Kyoto Protocol, which came into effect in 2005 and which has more powerful (and legally binding) measures. This latest summit sought to secure a second period of commitment to the Kyoto Protocol. Despite this following what was considered to be a disappointing and non-committal summit in Copenhagen, it is felt that the right ingredients are now in place for the right deals to be brokered and it is hoped that an acceptance by developing countries to be monitored, and for the rich nations to commit to legally binding emissions reductions will offer fresh hope.



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