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ICValue Inc.® Inc.
For Investment in Community Ecosystem Value

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Company Energy and Greenhouse Performance Correlates Well With ICValue's Total Environmental Scores

Investors are being deluged with analyst assessments of company greenhouse gas emissions and related control measures. Not addressed as often are the company's initiatives to improve energy use efficiency, which reduces carbon emissions and costs. Rarely reported are company improvements in water use, land conservation, chemical risk reduction, and the protection of biological diversity throughout the supply chain, creating ecosystem service value, and reducing costs. ICValue Inc. rates performance on all of these measures in its pursuit of dual returns, financial as well as environmental. In this paper, however, ICValue considers the relationship of both energy efficiency (EE) and greenhouse gas emissions (GHG) management to the company's total environmental and financial performance.

Energy and Greenhouse Gas Performance Measures

ICValue uses two of its 15 criteria, Numbers 11 and 12, supported by nine specific metrics, to quantify energy use and air management services practiced by companies it reviews. These criteria and metrics are:

11. Energy conservation support:

A. Energy Conservation Planning,
B. Energy Intensity of Production,
C. Scope of Renewable Energy Adoption for Production, and
D. Energy Conservation Consideration in Product Life Cycle Management.

12. Air quality and climate management services:

A. Reduction of Contributions to Long Distance Aerosol Plumes,
B. Maintenance of Green Cover to Reduce Heat Island Effects,
C. Greenhouse Gas Emissions Reduction Planning,
D. Greenhouse Gas Emissions Reduction Achievements, and
E. Greenhouse Gas Reduction Achievements during Product Use.

Scores for each of the lettered metrics, aggregated into the two criteria, and their relationship to company "Total Scores" are shown in **Figure 1** for all 207 companies scored to date. About

Figure 1a - Energy Use and Efficiency (4 metrics)

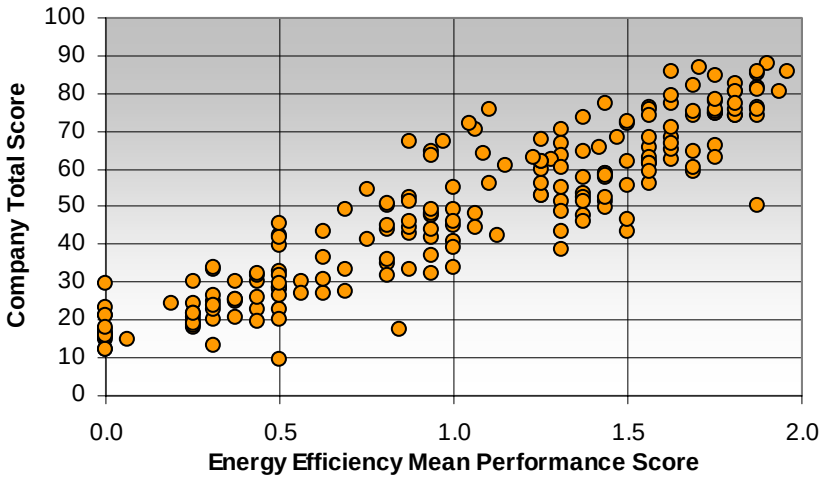


Figure 1b - Greenhouse Gas Emissions Management (5 metrics)

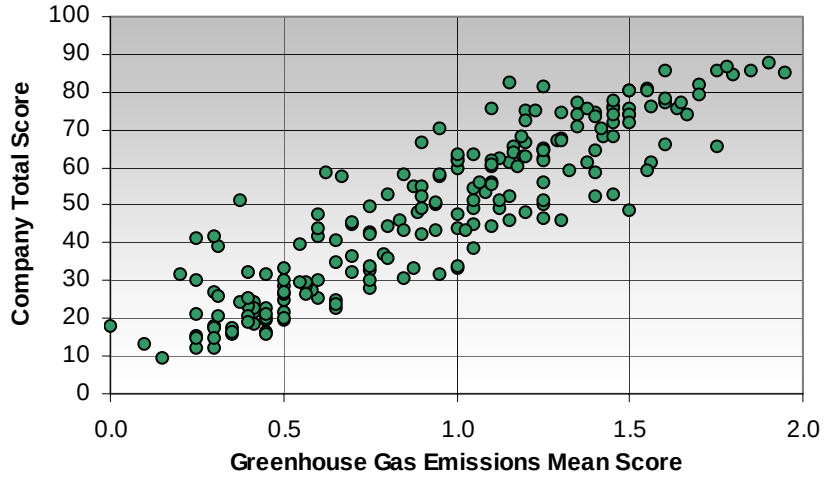


Figure 1. Distribution of (a) energy use mean score, and (b) greenhouse gas emissions mean score, as components of company environmental "Total Score" for 207 companies evaluated by ICValue Inc., in 2006 – '07.

one-fourth of these companies are headquartered overseas, but have significant operations in the United States. Together the 207 companies are distributed across all 10 sectors of the S&P.

The results show the expected general correlation between aggressive management of EE and GHG and overall company environmental performance, the Total Score. **Figure 1** also shows important individual differences in performance (the scatter), wherein some companies do very well in energy and greenhouse gas management, in comparison to an intermediate environmental total score. Others do less well for EE and GHG, but proportionately better for total scores. A relatively large number of companies in the upper right side of the energy use distribution **(Figure 1a)** are significantly better in energy than in their total score, probably due to the cost savings that come with this class of environmental performance. The results pose sharply the question of whether investors should pursue primarily the companies with good performance in carbon emissions management, while neglecting those with efficient energy use, water use, land use, and chemical management, or with effective conservation of species richness.

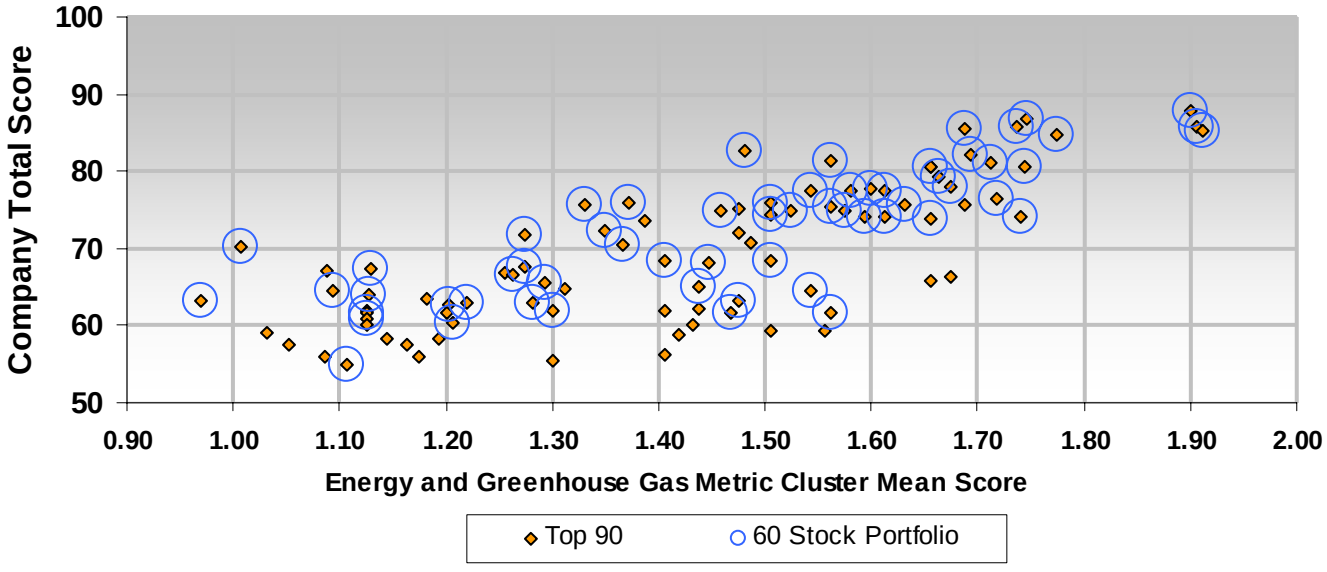
A Portfolio Screened First for Environmental Total Scores and Secondarily for Financial Performance.

ICValue has selected a 60 stock, U.S. national portfolio based, first, on each company's environmental "total score" (the sum of 50 metrics covering all types of threats to the sustainability of ecosystem values), a secondary screening for financial performance and prospects, and a specified sector distribution. Nearly all 50 metrics represent opportunities for near-term or long-term product (or service) cost-savings, and therefore profitability. These metrics also represent areas of marketing advantage and thus an arena for competing. This is true, of course, for the energy and greenhouse gas management being practiced by some companies, the results of which are shown in **Figure 1b**.

The choice of 60 companies for an environmentally performing portfolio could be based on energy use or on GHG alone, or solely on total scores. However, investors need diversification, so the portfolio also needs to meet weighting goals across all 10 business sectors. At the same time, ICValue seeks a representative set of major companies that are headquartered overseas, but whose operations have an environmental presence in the U.S. Selections of stocks for a portfolio may sometimes include domestic or foreign representatives from sectors with few top-performing companies. ICValue's goal of having overseas companies represent 40% of its portfolio (our commitment to a global environmental profile) also means we use selection criteria that inadvertently can exclude some high performance companies, measured either as total scores or as combined energy and carbon performance.

Figure 2 shows the distribution of 90 companies meeting two mid-range performance thresholds, a total score of 54 or above (out of a potential 0 to 100), and an energy and GHG environmental performance mean metric score (EPMS) of 0.97 or

Figure 2. Distribution of combined energy and greenhouse gas metric scores in relation to company's "Total Score" above 54 and EPMS at or above 0.97.



above (out of a range from 0 to 2.00). The 60 companies chosen for ICValue's National 60 stock portfolio are shown as overlaid circles, most of which are in the upper range of both "total score," and the combined energy and GHG metric cluster. Lower, but "best in class" performance companies are included in order to have the desired sector distribution (weighting) and global headquarters locations. To appreciate the positive limits of the 60 stock portfolio distribution shown in **Figure 2,** compare it to the distribution shown for 207 companies in **Figures 1a** and **1b.**

Interestingly, the top 10 companies on environmental total scores are made up of three auto manufacturers, two pharmaceuticals, and one each from forest and paper, banking, oil energy, telecommunications, and consumer staples. Seven of these companies also are represented among the top 10 energy and carbon performers. Conversely, only six of the top energy use and GHG performers (three autos, and one each of oil, forests and paper, and consumer staples) are among the top 10 in total score. However, two-thirds of the top 20 energy use and GHG performers are among the top 20 in total score. The extent of correspondence between combined EE and GHG scores, and company "total scores," is substantially reassuring.

Financial Performance

Finally, one must consider the financial performance of ICValue's 60 stock portfolio in comparison with a benchmark, such as the S&P Global 100, which combines U.S. and overseas stocks. The data in **Table 1** show these results, using back-test model calculations*. ICValue's portfolio is for 60 stocks rather than the 100 in the S&P 100, and only 40% are headquartered overseas (compared with 50% for the S&P Global 100), but, otherwise, the weighting across S&P sectors is nearly identical. The portfolio's average return for the past five years, however, was 12.51% annually (including the 2002 downturn), while the S&P Global 100 was 4.49%, and the S&P 500 was 6.19%. Over the past year (2006), the annualized results were 19.44%, 16.93%, and 15.79%, respectively. The results are just a little better than those reported previously for ICValue's 50-stock Great Lakes Regional Portfolio (see Occasional Paper Number 2, 2006 on our website). Considering the potential for savings in operating costs imbedded in ICValue's top scoring companies, the favorable financial return compared with standard benchmarks, should not be surprising.

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*Back-test modeling by World Asset Management, Birmingham, Michigan.

Table 1. Statistics on Performance of ICValue's 60 Stock Enviro-enhanced Portfolio and S&P Global 100 and S&P 500

	Last 1 years (12 Periods)	Last 5 years (60 Periods)	Last 9 years (108 Periods)
Financial Performance (Annual Return to December 2006)			
ICV 60 Portfolio	19.44	12.51	12.86
S&P Global 100	20.42	6.96	ND*
S&P 500	15.79	6.19	5.96
Standard Deviation (%)			
ICV 60 Portfolio	1.74	3.88	4.35
S&P Global 100	2.05	3.77	ND
S&P 500	1.56	3.55	4.37
Jensen's Alpha (%) (ICV 60 Portfolio vs. S&P Global 100)	0.29	0.63	ND
Jensen's Alpha (%) (ICV 60 Portfolio vs. S&P Global 500)	0.29	0.48	0.55

Note: Simulated portfolio return does not represent actual performance and it should not be interpreted as an indication of such performance. The simulated return is for illustration purposes only.
* No Data