



# ViewPick 01/2015

## Responsible Resources & Roots Engagement

Zurich - Helsinki - Toronto

### TAKEAWAYS

Our activity produced in 2014 a good operating performance in all its strategic pillars. Resources & Roots is radically developing its relationship model in Switzerland, Finland and Canada and extending its offer to a large number of international partners. Our model, which combines the expertise of investor relationship, financial consulting and business ethics by the proximity of a proactive networking, is insuring a personalised service and an offer which is perfectly tailored to the need and expectations of clients in a complex economic environment.

#### Expert Opinion



2014 provided confirmation of the robustness of Resources & Roots, which was both resilient and a generator of growth, in a continuous challenging social, political and economic environment.

The year 2014 ends with a bunch of doubts in front of a sustainable recovery of the economy world wide. Against the backdrop of a difficult pick-up in activity in developed countries and a slowdown in emerging countries, the oil price has fallen by more than 40 percent in six months, whereas it remained stubbornly around USD 100 per barrel for more than three years. The price decline, combined with accommodative

- GDP growth to pick up but remaining subdued in both advanced economies and emerging markets
- Mostly negative news since Fall 2014. Greatest risks to baseline growth outlook still on downside
- Divergent monetary policies in an uneven global recovery

monetary policies, could stimulate the activity of developed countries but is quite problematic for some producer countries.

A dramatical fall of the oil price, new geopolitical challenges, further extremely low bond prices and the uprising of China's economy will define the speed of global markets recovery.

## 2014 A disappointing economy

The global economy has disappointed by the slow growth with the lucky exception of USA. Instead of catching momentum as initially expected, the GDP-growth stalled in large part of economies and even recorded a more or less significant decline in some of them (such as Japan and Germany, but also Russia, Brazil and Romania). The trend is hoping for a slow recovery in global growth. The major central banks remain „devoted“ to maintain highly accommodative monetary policies, foremost since inflation perseveres at a low level by deflation risks. The central banks might take different paths in 2015, with the European Central Bank easing further while the Federal Reserve and the Bank of England are set to increase very gradually their key interest rates. The overall rising geopolitical tension predicts uncertainty.

### Financial Year 2014

- Bond prices extremely low (record low).
- Deflation risk real
- World economy only (very) slowly growing, US the exception
- Stock markets improved relatively well
- Raw material prices declined dramatically, e.g. oil prices
- US-Dollar the strong currency in 2014
- Rising geopolitical tensions: annexation of Crimea, Russian interference in Ukraine
- Extremely fall of Russian Rouble
- Central Banks worldwide still very accommodative



## Expectations for 2015

- Stock markets very volatile, but rather positive
- Bond markets: yield will remain at low level
- World economy will benefit from low oil prices, but still slow growth improvement
- Possible currency-war
- Geopolitical stabilisation shadowed by clouds of uncertainty

## The Toronto stock market

The Toronto Stock Market (TSX) is expected to advance modestly. It does present much less reliance on the energy sector after oil and gas companies sold off in a year-end rout amid tumbling prices. Investors will look for consumer, financials and industrials. They will benefit from an improving US economy, lower oil prices and Canadian currency that has been buffeted by falling commodity prices. Weaker Canadian dollar benefits industrials, lumber, and housing. Lower oil prices end up being a massive fiscal boost and will benefit consumers and transportation companies, railways, airlines, maritime navigation.

The TSX had been up almost 15 percent to date at mid-summer 2014, but was on course to end 2014 barely in positive shapes. At mid-December, the index was up a slight 150 points or 1.15 percent for the year.

## The Finnish economy and stock market

The deficit in public finances seems to remain quite considerable and public debt to continue to accumulate. The Bank of Finland downgraded its outlook for GDP. The forecast for national output will contract 0.1 percent in 2015 and growth by 1.0 percent in 2016. Unemployment rate will be 8.5 percent in 2015, improving to 8.2 percent in 2016. Other Finnish exports have decreased by roughly 20 percent since the onset of the global financial crisis.



There are several reasons for export growth decay. Although global growth, driven by traditional industrialised countries such as the USA and the UK, has strengthened almost as expected, the increase in the world trade has been less impressive as usual. Exports to the Euro Zone and outside the European Union have risen during 2014, even though exports to Russia have nosedived in the last months due to economic sanctions. Exports to Sweden, the UK and the non-Euro European Union countries have diminished. Weak intern demand has been signalled by modest imports. Finland's competitiveness is called to make room and bring tools for improvement in order to find its shares in weakly growing global markets.

Finnish banks and investment firms have increased. Although the popularity of passive investment strategies is growing gradually in Finland, Finns continue to prefer to invest in actively managed funds. Only around 4.3 percent of the money is invested in domestic funds is in passively managed index funds.

The Finnish stock market has an interesting potential for investors who do not shy above average high volatility of stock market movements.

The OMX Helsinki 25 Index is a major stock market index and tracks the performance of 25 most traded companies on the Helsinki Exchange's Main List.

## The Swiss stock market

The Swiss Stock Market Index (SMI) takes profit from low oil price development by no direct involvement (less than 1 percent). It presents a relatively large weighting of consumer-oriented companies. The Swiss National Bank supports the Swiss Frank's rate at the reasonable level (not getting under 1.20 for one Euro) the strongly oriented economy will boost the Stock Market. Stocks had solid gains in the financial year 2014. A major effect of the central bank policies seems to have been increased valuations of financial assets. The expectations for 2015 are of moderate size in total returns. The equity valuations are fairly valued but still attractive.

For all investor markets sustainability in the investment decision is becoming crucial. Sustainable investing is the key to more to play in 2015 alongside fundamentals: diversification, rebalancing, and focus on risk.

## Still any place for sustainable economy by avoiding bribery?



Romania 2014, The National Anti-corruption Bureau makes corrupting pillars tremble.

We are talking values and correctness in business, and on the other street side things happen, and happen wrong. The challenge posed by doing business in the global marketplace are never easy. In the last weeks after the new presidential election in November in Romania brought discussions about the huge amount of corruption and mismanagement in this EU economy. Avoiding both naiveté and cynicism in the discussion about doing good while still doing well feeds the hope of future sustainable global economy. A new generation in Romania too describes a sharper vision about democracy and economic development. Still, the heritage of bribery weighs heavy on the new civil society paradigm.

Bribery and other forms of corruption are still a challenge to national and international business. Bribery is a burden because it distorts markets, saps economies, and hurts regional and local communities. Not to forget the huge impact on environmental issues. Many countries are stepping up efforts at enforcing anti-bribery laws. Both because of the possibility of prosecution, and because of the slippery slope between bribery and other forms of economic criminality, bribery brings significant business risks.

An other support will be brought in combating bribery with the promulgation and adoption of international business standards. A draft of a new „Anti-Bribery Management Systems“ standard (ISO 37001) is on its 3-year working process. When completed, the standard will describe a set of best practices for companies that want or need to establish management systems that will help them detect, avoid, and deal appropriately with bribery whenever it is encountered. To the extent that their business partners are compliant with the standard, businesses will have some assurance that those

partners have processes in place to ensure the integrity of their own operations, thereby reducing risk and troubles.

The standard will constitute the core of an eventual ISO certification regime, alongside a certification regime for Quality Management (ISO 9000), Environmental Management (ISO 14000), Social Responsibility (ISO 26000) and many others.

The question is why do people engage in bribery as business strategy, even by knowing that this could end in a roulette of lost. Usually it does not work and the „investment“ gets lost. They can present a cheque or envelope full of cash on an official or private desk, ignoring that someone else has already pushed up an even more consistent bribery package. Bribery is illegal everywhere, also in places where tradition translates it into courtesy. The anti-corruption laws are usually severe.

It seems to be a paradox that business people choosing bribery strategy define themselves as powerful and successful, whereas their act of paying bribery has the elements of an admitted failure. The choice of cheating lays on tacitly recognition of failure in the own business competitiveness. Instead of investing in forging the own business sustainability, efficiency and quality on a long-term way, one may panicky prefer to bridge the competitiveness advantage by „buying it“. Competing fairly is tough work and needs honest leadership, sustainable principles, and standards.

People who do business worldwide can tell many stories about cases where one „must“ confront bribery situations and deal with it by the sake of one's life or business surviving. The many experiences have demonstrated that the presumption of doing business honestly, competing fairly is the best ticket to success even in corrupt markets. Loosing some business opportunities is not equal to closing off one's means of existence by avoiding bribery.

Establishing an ISO standard gives global business a target to aim at, and it offers companies of all sizes access to a set of best practices, such that if they really want to commit to be diligent about avoiding unsustainable practices, they get the tools and itinerary to put ambition into ethically suitable practices.

The free global markets have opened since a certain time the real ethical competition on the ways and rules of doing business. It is not just the story of doing wrong or right, but of

doing just and fair. Ethics is about responsibly finding the way to do the best to find suitable limits on profit-seeking behaviours when those behaviours push other people's legitimate interests and rights at risk.

## Taking ethical decisions in business is rather easy; Talking about is harder

Sharing insights and experiences is important. Often it is morally required. Sharing the seeds of values in business by means without ostentation has a profound impact on companies' sustainable growth. Sometimes it might present an optional character. By hefty demand it is a strong virtue of leadership. Talking about skills that business stakeholders work with is often a sensitive issue. They do not recognise them at first sight as moral values in leading and managing. Sharing and talking about it represent the need to foster and help them to reset their commitment to holistic ethical leadership. Their values' set finds finally their own spell.

Very often managers and decision makers take the right decision, they know the right thing to do, but they face problems when doing it. Working within or with a team of individuals, where different scales of moral values prevail, is a major challenge. The difficulties appear as soon as communications skills and emotional balance of spelling ethics are struggling towards the right way to present the right and the good mood for a sustainable, workable decision.

Spelling out values in business is by far not a challenge just for companies. Every organisational life being as institution, association, charitable organisations, non-governmental organisations must clear the hurdle of spelling in a way or another the matrix of interpersonal and organisational dynamical values and make them work for the profit of all stakeholders (participants).

But simply talking about ethics, moral values, standards and „established“ standards may start by an emotional and rational quake. Global markets mean global transfers of values in a

continuous dialogue and challenging encounters. The new proximity of various shapes of values is an enrichment and a provocation as well. Sharing by doing of „good“, and „just“ is often the best step towards rapprochement. Doing your best is the door to enhance best skills and abilities to implement best ethical practices in your activities. Show ethical leadership and the team will follow you with proactive collaborations.

Everyone can start with listing of a number of abstract values and principles that commanded once up a time their actions and interactions in private and business life. Doing ethical business in the 21st century is not the sum of our principles and standards but represents the result of their challenging matrix. We share, compare and weigh not solely for direct pecuniary profit, but for social welfare and environment too.

## CANADA

### The world of business runs on trust Canadians and their CEOs - a faith affaire

The Gandalf Group has conducted a national survey, which has shown that Canadians mistrust politicians at about twice the rate at which they mistrust CEOs.

The survey asked Canadian voters their opinion on a range of issues related to the ethics of political leadership. The goal in doing the survey was to go beyond the facile truism that voters don't trust politicians and to find out more about ethical issues that Canadians believe to be of major interest.

The questioning focussed on faith degree on federal, provincial, and municipal leaders. Furthermore, the survey observed the spectrum of various ethical infractions that Canadians consider to be common. How much Canadian mistrust politicians as compared to members of other professions, such as CEOs, judges, and journalists ?

The final result turned out with an interesting finding: 50 percent of the voters said that they „do not trust“ politicians, whereas only 25 percent said the same of CEOs. Better scores went to journalists, and especially judges.



The relatively positive ethical frame does not mean that CEOs won the competition rally. They are still ranking back by only 22 percent trust among Canadians, compared to the 36 percent who trust public service employees and the 65 percent who trust judges.

Canada is looking forward to a new reshaping of its sustainable democratic profile. The crisis of trust may be a good chance for reflection and resetting economy and political decisions.

Source: The Ted Rogers Leadership Centre

## FINLAND

The Russian state-owned shipbuilder United Shipbuilding Corporation USC has bought out half of the share of the Helsinki dockyard belonging to STX Finland.

The deal announced on December 30 means that the capital city shipyard is now fully Russian-owned. Prior to the sale, both companies - USC and STX Finland - each owned half of the shipyard and operated it jointly. Esko Mustamäki the chief executive is convinced that the USC is committed to developing Arctech (Helsinki shipyard) over the long term.

The Russian shipbuilder announced its interest in acquiring the Hietalahti dockyard last October. However it was later placed on a list of Russian companies facing western sanctions over the crisis in Ukraine. No information was available about how much money changed the top drawer. The Russian politics and business daily Kommersant has estimated that the sale price was about 20 million euros.

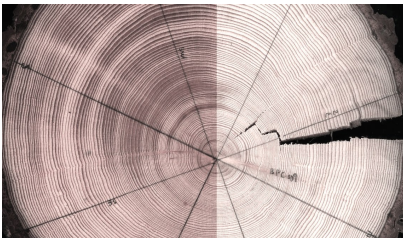
The Arctech Helsinki Shipyard specialises in arctic marine technology, and has special expertise in constructing icebreakers, six of which are currently in production. All will be transferred over to Russia, except for one icebreaker being built for Finnish Transport Agency.

The shipyard company currently employs roughly 500 shipbuilders. USC Russia operates a group of shipbuilding, repair and maintenance companies in western, northern and far eastern Russia.

## Bioethical Watch on Demand

### Biobank data reserves - New business opportunities in Finland

Biobanks offer good opportunities for generation new business activities in Finland, provided they get going with cooperatively commercialising the utilisation of their data reserves.



„Diligent background research is one of Finns’s strengths, but the same can’t be said for swiftness of action“ said Tekes Director Pekka Kahri. „In making use of biobank business opportunities, both diligence and swift action are needed. The same window for being able to compete internationally will close a couple of years“.

### New business opportunities and better medicine

Worldwide there are thousands of biobanks in the world. Several population-based biobanks have been established in Estonia, United Kingdom, and Germany, into which tens of millions of euros have been invested. In Norway and Denmark there are large biobanks which also have established operation principles for utilising, subject to permission, dozen of national registers.

Dinald’s Biobank Act came in 2013 in rule. Licences based on this Act have so far been granted to four biobanks: Auria Biobank, The National Institute for Health and Welfare (THL) Biobank, the Finnish Hematologia Register and Biobank and the HUB Biobank. Five other biobanks are already far on in the application process and are expected to receive their biobank licences with the beginning of 2015.

Biobanks have a central role in the development of personalised care. The most significant benefit to emerge from biobank operations is indeed the development of more cost-efficient medical care practices. The global pharmaceutical industry is especially interested in personalised care as it relates to their own product development. "If we can attract new

medical research to Finland, it could significantly impact on the growth of biobank business activities", believes Tekes Executive Director **Minna Hendolin**.

The premises are good thanks to the top-level clinical medical research carried out in Finland, but there is still work to be done on Finnish competence in marketing.

Reports estimated that the international pharmaceutical industry uses 1 to 10 percent of its research budget on biobank-based commercial projects. In Finland this could mean an investment amount of 3 to 20 billion euro per year between 2017 and 2020. It is indeed a high investment challenge that needs a quick and purposeful development of biobanks and construction of a shared basic infrastructure.

The biobank business' development requires sharp ethical assessment, enhancing ethical committee operations and renewing the legislation regarding data registers. There is also a need to establish a national quality register so that the treatments given and the resulting effectiveness would be systematically and consistently recorded.

*Biobanks store biological samples and other data regarding research subjects, all of which are collected with the subject's permission. The biobank concept is different to that of a normal research sample collection in the sense that biobanks do not collect samples only for one particular research project, but rather for different kinds of future research needs.*

*Samples and the data associated with them are an important resource for medical research. For example, samples can be used for researching the causal mechanisms of different diseases or for the development of different diagnostic procedures and their validation (ensuring their effectiveness). The sample and data material can also be used as an aid in developing what is known as 'personalised medicine', which aims to prevent, diagnose and treat diseases using methods which are adapted to be suitable for each individual patient.*

*Source: [www.biopankki.fi](http://www.biopankki.fi)*

## 2015 is the Year of Soils

### Africa's Agriculture - The sustainable Resource of Revenue

It is not only oil that is offering the continent a more sustainable and equitable development. The actually robust economic growth of Africa is still accompanied by continuing poverty.

Visiting the continent one can ask oneself how this situation could persist over decades. Natural resources for Agrarbusiness are still looking for their positive impact on development, despite impressively reported growth figures incomes do not match down to improve livelihoods of the large majority of the population.



2015  
International  
Year of Soils

The place of the agriculture in the economy must be reevaluated. It is a big issue by 60 percent rural population to ensure that agriculture becomes a business and not just a development activity. The attention in public and regional policies needs to be focussed toward ecosystems including soil ecosystems, coastal ecosystems, etc.

Economies in Africa need policies that facilitate the ability access to finance and technology, and better management of ecosystems. The role of the woman in the agricultural sector should not be underestimated. The empowerment is a vital modernisation vector of a successful agricultural transformation.

Most african economies have a favourable demographic structure. Africa's youth, women and men aged 15-25, represents 200 million active potential in need of work and by a youth unemployment rates above 20 percent their contribution to boost the economy and its welfare. Estimations for 2040 shows a demographic development in Africa with a youth population of 400 million.

### Agriculture is an issue of concern

Developing the whole agricultural value chain - production to processing, marketing and consumption - is the best step in creating employment frames, prosperity and self-esteem.

This can go hand in hand with the diversification of agricultural resources for economic growth, in order to strengthen the agriculture sector that works with natural resources and not against it. In the same time Africa must reconsider the strong rely of its economies on oil and further mining resources. By this the soil could provide the most feasible pathway to enhance spread prosperity, and foremost sustainable food security and employment.

Between curse and blessing, the oil and other mineral deposits keep Africa enchained in the inertial same economic paradigm.

According to the World Bank 60 percent of Africa's workforce is directly dependent on agriculture for survival. By means of a widely spread sustainable agriculture the paradigm of „the oil economy“ should be replaced by the attentive „soil economy“. The food import bill of Africa is estimated at over USD 35 billion in 2011 (without fishing products) and imports of food exceeded exports by 30 percent. The middle class populations in the urban but also rural regions are searching for a diversified offer of nutritious, which means processed food must be locally produced and therefore this opens opportunities for income generation from agricultural sector and its related processing sectors.

### Steps from Agriculture to Agribusiness

The African agriculture and agribusiness is estimated to be worth USD 1 trillion by 2030. By massive Foreign Direct investment (FDI) in African agriculture the growth expectations are estimated at more than USD 45 billion in 2020 (2010: USD 10 billion). This proves the high potential of agriculture to generate significant income for Africa's population.

One must admit that oil and mineral resources are of finite nature. One day they will run out. The wealth treasure of the continent consist in its unique ecosystems, rich soil, its rivers and forests, as sustainable resourcing, regenerable roots for income and prosperity.

The oil revenues must be reinvested into sustainable agriculture and renewable energy sources. With this new paradigm economic and social welfare may be sustainably ensured.

Still, the agriculture sector presents challenging aspects. The vulnerability of soil, water, seeds and grains, cattle, poultry, fishery etc, must be encountered with respect on long run of sustainability economic and social policies.

Avoiding the intensified conventional agriculture, that expands production only, will ensure the resilience of the chain food system with a positive impact on small stakeholders of the sector and will additionally prevent hurting the environment.

A new era of farming must privilege more corporate social responsibility principles and standards in agricultural production and its related sectors. Farming must become sustainable. Conventional farming methods such as overuse of fertilisers, deforestation to increase crops and yield damage in the long-term the ecosystem and food security. Ecosystem-based protective approaches offer an alternative. For instance, maize rotated with soybean increases yields by 5-20 percent more than continuous maize monoculture. Rotating peas with wheat increases soil nitrogen levels by 6-14 kg per ha, and by this, an increase of 8 percent in wheat yields. The methods of sustainable farming are easily to implement in most rural African communities, since they involve traditional practice.

Work, bread, water and salt are for all people in Africa. These were the words of Nelson Mandela. With an ecologically driven agricultural business Africa can leapfrog into a prosperous economy. Some regional-level practical action has been underway for a while, as manifested by the Maputo and Malabo declarations. At national level, governments should incentivise the private sector involvement in ecologically driven agriculture in order to bring capital and enhance strongly the competitiveness. Major key policy areas to focus on are land tenure, asset ownership, tax incentives and special economic areas. However, one leading priority should be the intense investment in educational programs for a sustainable agriculture.

# JAPAN

## Women Entrepreneurs

The number of women entrepreneurs in Japan is still less than half of men. Many are pioneers in their own business in creating business models that address social issues, such as the underutilisation of women's skills and talents and waning rural economies.

### Kyoko Higashiyama

Higashiyama's Estrolabo is a small town factory (machikoba), that specialises in precision metalwork drilling in Higashi-Osaka, Osaka Prefecture, a city of high intensity in factories. Kyoko Higashiyama has as a rule in her company to create employment opportunities for women by full-time employment and be able to work while raising children. Of its four employees, three are mothers with young children still in primary school, including two who are single mothers.

This employees work with extreme precision and full care, manoeuvring machinery while reading sophisticated blueprints to drill extremely fine holes into metal. They work from 8:30 to 17:30. The company's policy avoids to ask staff to work extra hours or on holidays, so that work-life-balance of its staff should be perfectly respected.

This corporate social engagement has its price. Keeping the business running under such considerations is tough. The only male employee must shoulder the burden of any overtime needed to complete unfinished work by deadlines. The financial situation is on limit. Despite good profit from the third year after opening business, the company slipped into red due to loans taken out in the aftermath of the Lehman Brothers bankruptcy and is expected to take another year or two before it can turn to the normal course.

The optimistic entrepreneur Higashiyama plans to expand her staff to over 30 members by hiring people from different generations, so that they can have enough flexibility to



establish different work-life balance styles according to the needs and commitments at their stage of life. The other ingenious proactive measure is that she started a business importing sundries, which will provide a means for staff members to work from home in case circumstances will require them to do so.

Higashiyama would like to let in time one of the women artisans to take over as company president while she will become company chairman.

## Rina Sakai

*„A full-cycle ecobusiness that makes use of every bit of rice to the fullest.“*

She used to work in the finance industry until she quit 10 years ago and enrolled in the Tokyo University of Agriculture to study brewing. But from brewing she arrived to be a successful woman entrepreneur in producing bio-ethanol from rice, making use of idled farmland and stimulating the local economy in Oshu, Iwate Prefecture.

The start was not sensational. She worked on behalf of Oshu municipals officials and local farmers for a project to make ethanol fuel from rice. They did arrive to extract ethanol, but the production costs were far too high for a profitable business. Inspiration or given talent, Sakai saw the opportunity for bio-ethanol in cosmetics. The huge market for bio-cosmetics or organic cosmetics needs bio-ethanol despite its price.

Branded as 100 percent natural ethanol from traceable origin, it is sold to cosmetics makers at about Yen 25000 per litre. Demand from different outlets is growing, even though the market price of common ethanol is only several hinder yen per litter.

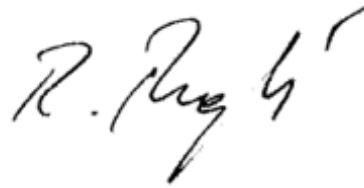
Additive-free soap made from rice lees after extraction is also enjoying brisk sales at department stores and other shops in Tokyo. The surplus of lees is also delivered to local poultry farmers in Oshu as feed, given its high nutritional value.

The farmers of Oshu welcomed the company, Fermentation Co., even Sakai works from her home office in Tokyo. The communication with the local staff is intense. Thanks to Sakai the rice farmers are able to continue their tradition with the





new use of rice. They praise her presence also for uniting them together and enlivening the whole community. Underlining this involvement of the local community into the business emphasises the importance of such business models. Sakai's endeavour has won various business contests both in Japan and abroad, and is beginning to seriously inspire other entrepreneurs.

A handwritten signature in black ink, appearing to read 'R. Pugh' with a stylized flourish at the end.

Zurich, January, 2015

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## Notes