



ESSENTIAL KNOWLEDGE FOR TRANSITION

Towards Aware and No-Harm Investing

On-line course offered in May 2021

Purpose

To help individual investors gain an understanding of investment options and tools available to move towards aware and no-harm investing.

Instructor



Marco Vangelisti, CFA is a 100% Aware and No-Harm investor with a longstanding commitment to impact and regenerative investing. He is a founding member of Slow Money and has been on the leadership team of the Slow Money Northern California Network from its inception to 2020. Prior to his shift in focus towards no-harm, impact and regenerative investing, he spent 20 years in the finance industry, where he managed investment equity portfolios on behalf of large foundations and endowments and developed statistical risk models for equity and fixed income markets around the world.

Marco was a Fulbright scholar in Mathematics and Economics at the University of California in Berkeley, earned an MBA at the Milan-based "Enrico Mattei" school in his native Italy, and a Master of Fine Arts at the intersection of public art and ecology in the U.S. He is a Chartered Financial Analyst (CFA) and taught portfolio management, asset allocation, and performance and risk analysis at the San Francisco CFA Institute for 12 years. He is dedicated to democratizing financial literacy and no-harm investing. For additional information, please visit his website, ek4t.com.

Description

Since the financial crisis of 2008, there has been a growing sentiment of skepticism and mistrust aimed at Wall Street and at our globalized and opaque financial system. As a result, a growing number of individuals are looking for ways to truly align their portfolios with their values, and are dissatisfied with investing all of their assets in the stocks and bonds of large multinational corporations.

This disconnect between personal values and traditional investment choices is becoming even more glaring due to an increased awareness of the role our investments play in shaping the world we live in. Media attention and a number of movements (i.e., Slow Money, Occupy, 350.org, and re-localization movement) are all adding fuel to the fire of discontent with business as usual on Wall Street.

However, an honest evaluation of a majority of the stocks and bonds that comprise a typical socially- or environmentally-responsible portfolio would also fail to make a direct link to the issues and causes we care about most.

This course is designed for individual investors who are ready to engage in **out-of-the-box thinking** regarding options to a) know their investments are doing no harm; and/or b) actively engage in making the world a better place via their investments.

Learning Objectives

Participants who complete the course requirements will:

- Understand the problems with our current financial system and the role our investments play in creating some of the largest societal challenges we collectively face
- Understand the application of ecological economics techniques to the quantification of the natural capital subsidy to our economic growth and financial returns
- Realize the importance of being aware of the non-financial impact of all our investments
- Understand the money system, the money creation process, the banking sector's incentives and activities, the role and actions of the central bank, their collective effect on asset class valuations and implications for investing
- Develop a healthy skepticism of traditional capital market expectations and understand the importance of tactical asset allocation especially around time characterized by secular shifts
- Determine the liquidity profile of their portfolio and assess their liquidity profile

- Determine their ability to bear risk and the prudent portion of their portfolio to allocate to regenerative investing
- Integrate non-financial considerations and personal values into their portfolio management process
- Understand the concept of meta-allocation and explore the introduction of a regenerative component in their portfolio
- Understand the meaning/awareness classification of investments: unaware, aware, no-harm, impact and regenerative
- Learn about a number of impact and regenerative investments

Course Structure

Each session of this five-session course, will include:

- A live ZOOM lecture
- Required or suggested reading
- Option for online interaction with the instructor and students

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Session Overview

(*Note: you are invited to obtain your own copy of *Sapiens*; the other materials will be provided to you via downloadable links.)

Session #1 **May 3, 2021 – 2:00pm PT (5:00pm ET)**

Awakening to the Problems of Conventional Finance

Suggested Reading:

*Harari, Yuval Noah. *Sapiens: A Brief History of Human Kind*. Harper Collins Publishers 201; Chapter 16: The Capitalist Creed (pp. 305-333)

Key points:

- Understanding the difference between capital and wealth
- Understanding the role finance played in shaping the geopolitics of the last five centuries worldwide

- Understanding the role the invention in the 16th century of the joint-stock corporation played in the imperial and colonial expansion of European nation states
- Understanding the role join-stock corporations played in fueling the transatlantic slave trade
- Understanding the application of ecological economics techniques to the quantification of the natural capital subsidy to our economic growth and financial returns
- Understanding the role our investments play in the erosion of the natural capital and therefore its inability to be sustained even within the typical time-horizon of the participants to this course
- Realizing the importance of being aware of the non-financial impact of all our investments

Session #2 May 10, 2021 – 2:00pm PT (5:00pm ET)

Understanding Ecological Limits, Money Creation and the Federal Reserve

Required reading:

McLeay, Radia, Thomas. "Money Creation in the Modern Economy."

Key points:

- Understanding the hierarchical and hybrid nature of our money system
- Understanding the process of money creation and destruction in a modern economy
- Understanding the mechanism by which lending by commercial banks create new broad money in the economy
- Overcoming the most common misconceptions about money
- Understanding the role the central bank plays in managing the money supply
- Understanding the types of risks limiting the lending activities of commercial banks
- Understanding who determines the amount of base money in a modern economy
- Understanding the effects of Quantitative Easing (QE) by central banks and why it had no effect on inflation
- Understanding the effects of QE on capital market valuations and on the real estate market
- Understanding the impact the exceptionally low interest policy set by central banks on the leverage in the overall financial system and the increase in systemic risk
- Understanding the effects on the stock market of the unprecedented share buy-back by public companies in the US in the last five years

- Understanding the carbon math and the issue of stranded carbon assets and its implication for the proper valuation of oil companies

Session #3 **May 17, 2021 – 2:00pm PT (5:00pm ET)**

Challenging Capital Markets Expectations – A Holistic Approach to Portfolio Management

Required reading:

*The Economist. "The Long and Short of It – Getting It Right in Two Years and Ten."

*Rich, Nathaniel. "The Lawyer Who Became DuPont's Worst Nightmare."

Key points:

- Understanding the relationship between valuations and market returns
- Expanding the understanding and definition of risk and return to include non-financial considerations
- Determining the one's own liquidity profile and liquidity needs
- Understanding the difference between risk tolerance and ability to bear risk
- Assessing one's own ability to bear risk
- Integrating non-financial considerations and personal values into one's own portfolio management process
- Understanding that the compensation for asset classes systematic risk changes over time and can turn negative
- Developing a healthy skepticism of traditional capital market expectations and understanding the importance of tactical asset allocation especially around time characterized by secular shifts

Session #4 **May 24, 2021 – 2:00pm PT (5:00pm ET)**

Implementing Aware and No-Harm Investing

Required reading:

*Vangelisti, Marco. "What returns can we expect from local investing?"

Key points:

- Understanding the common characteristics of the investments belonging to the same asset class
- Understanding the implications of the difference in the rate of growth of the global economy vs. that of financial capital

- Computing risk-adjusted returns of an investment given the probability of its possible return outcomes
- Appreciating the motivations behind local investing
- Understanding the added dimensions necessary to move towards holistic portfolio management
- Defining no-harm investing and impact investing
- Identifying no-harm investments and providing a few examples of them in various asset classes and risk categories
- Identifying impact investments and providing a few examples of them in various asset classes and risk categories
- Building a Personal Investment Compass

Session #5 May 31, 2020 – 2:00pm PT (5:00pm ET)

Regenerative Investing and the True Path to Financial Freedom

Required reading:

*Tasch, Woody. *Inquiries Into the Nature of Slow Money – Investing as if Food, Farms and Fertility Mattered.*

Key points:

- Understanding the importance of soil health for the survival of *Homo Sapiens*
- Understanding the link between conventional finance and soil erosion
- Identifying regenerative investments and providing a few examples of them in various asset classes and risk categories
- Determine the prudent allocation to regenerative investing based on one's own ability to bear risk
- Understanding the difference between impact investing and regenerative investing
- Understanding the psychological costs of participating in the positional game
- Understanding the concept of meta-allocation and introducing a regenerative investing component into one's own portfolio
- Learning about a number of impact and regenerative investments

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You will have access to the recording of all five sessions and to all material presented during the course for a year.