An introduction to the Sustainability Lens

FOR INSTITUTIONAL AND PROFESSIONAL INVESTOR USE

IMPAX Asset Management

Contents

Investment philosophy

Founded in 1998 by Ian Simm, Impax Asset Management has pioneered investment in the transition to a more sustainable global economy and today is one of the largest investment managers dedicated to this area.

We believe capital markets will be shaped profoundly by global sustainability challenges, particularly climate change, environmental pollution, natural resource constraints, demographics and human capital issues such as equity, diversity and inclusion.

These trends will drive growth for well-positioned companies and create risks for those unable or unwilling to adapt.

Fundamental analysis which incorporates long-term risks, including environmental, social and governance (ESG) factors, enhances investment decisions.

We invest in companies and assets that we believe are well positioned to benefit from the transition to a more sustainable economy. We seek higher quality companies with strong business models and governance that demonstrate sound management of risk.

We offer a well-rounded suite of investment solutions spanning multiple asset classes, aiming to deliver superior risk-adjusted returns over the medium to long term.

Each of our strategies is underpinned by proprietary investment tools designed to allocate clients' capital towards the sustainable economy.

The transition

We believe that for far too long capital has been invested without an eye to its consequences. Now people, companies and governments around the world have come to understand that this is shortsighted and undermines both long term economic value and social stability.

We believe that economies must shift from a depletive economic model, in which long-term negative environmental and social impacts are ignored for short-term gain, towards a more sustainable one, in which growth is delivered with improved environmental and social outcomes. We call this the transition to a more sustainable economy.

Impax sees fundamental change being driven by a series of disruptors including technology, social factors, consumer preferences, and government regulation. Trends, including climate change and rising inequality, are also driving this shift, with impact on capital markets globally and across economic sectors. In our view, these trends will underpin growth for well positioned companies and create risks for those unable or unwilling to adapt.

Beyond environmental markets

Impax was founded in 1998 with a focus on environmental markets and we continue to manage a large volume of capital in the area. In 2014 we recognised that the same forces that were creating tailwinds in environmental markets were also shaping other areas of the broader market. In order to help us navigate a more complex economic landscape, we developed the Impax Sustainability Lens.

The Impax Sustainability Lens ('Sustainability Lens') seeks to provide a framework for thinking about the risks and opportunities associated with this transition in every corner of the investable universe and is used by our investment teams across Impax's range of equity and fixed income strategies.

The collaborative and dynamic Sustainability Lens process

The Sustainability Lens seeks to analyse opportunities in eight categories and risks in nine categories. (See Figure 1 on page 4.)

For equities, Impax scores each MSCI GICS[1] sub-industry against each of these 17 categories and then derives a composite weighting of high, neutral or low for each opportunity and risk.

The analyses and rankings are performed by an experienced group of portfolio managers and analysts across financials, consumer, information technology, healthcare, industrials, and energy & utilities. These groups use a combination of third party and internal research to aid their analysis, and they meet quarterly to review the most material opportunities and risks facing each sub-industry. The groups assess what has changed with these different sub-industries and report back to the Impax Lens Committee (ILC).[2] This assessment is dynamic. The ILC meets quarterly to review the focus and ratings of the Sustainability Lens across different economic sub-industries in light of current risks and opportunities. The group also reacts to any changes and conducts regular reviews. This means that any adjustment to the experts' perspective on an emerging sustainability theme can be swiftly reflected in the tool.

A versatile view for both equities and bonds

The Sustainability Lens is used primarily to direct our equity and fixed income analysts and portfolio mangers towards potentially attractive areas for investment.

An additional benefit of the Lens, we believe, is that it steers us away from industries whose business models may be undermined as the transition to a more sustainable economy accelerates.

In a simplified sense, the Sustainability Lens seeks to help our investment teams find areas of the market where the opportunities outweigh the risks.

1 The Global Industry Classification Standard (GICS) is a widely recognised industry standard for assigning a public company to the economic sector and industry group which best defines its business. It was jointly developed by MSCI and Standard & Poor's and is used by the MSCI indexes.
2 The ILC includes working groups composed of sustainability and sector experts.

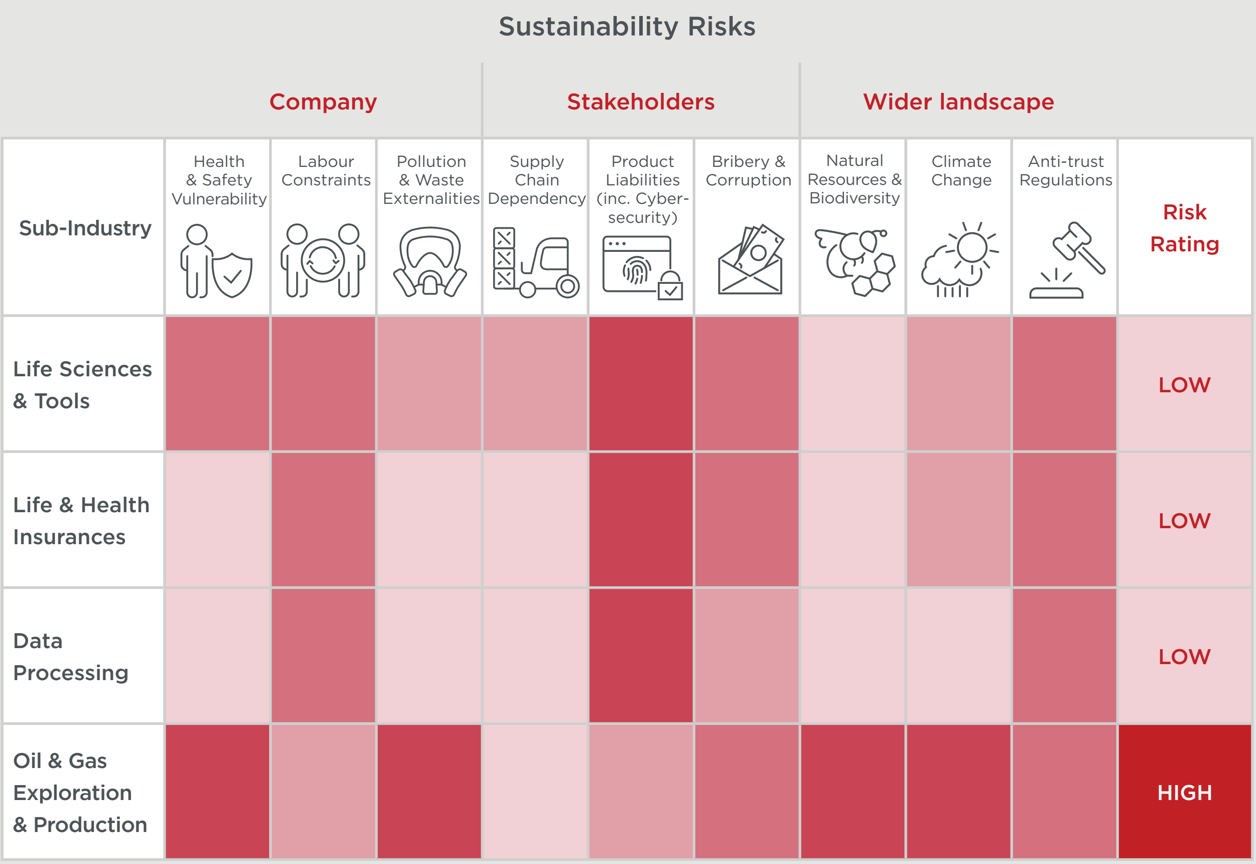
Avoiding risk

The data behind the Sustainability Lens shows that risks are prevalent across all sub-industries, but it is the magnitude of these risks, and the opportunities for risk mitigation, that vary. (See Figure 1.) Our investment teams aim to avoid areas of high risk and look for areas where the risks can be contained.

Companies that understand their key material risks and have appropriate policies and procedures in place tend to be more resilient. They are likely to be more strategic in their thinking, incur fewer regulatory challenges and fines and, overall, are better prepared in the face of change.

Extractive industries such as coal and oil often score poorly in the Sustainability Lens. They are likely to suffer materially from the transition to a lower carbon economy in the medium term and they involve operational health and safety risks.

Figure 1: Impax Sustainability Lens – GICS sub-industry examples[3]



3 Impax internal data. This is illustrative data and does not represent any actual internal research data.

Identifying opportunities

While all sub-industries are exposed to risk, not all have opportunities. As depicted in Figure 1 on the previous page, some areas of the economy provide many more opportunities than others.

The Sustainability Lens seeks to help investment teams find the areas where there are compelling opportunities and can signal where opportunities are not well understood by the market. The teams also try to focus on areas where the opportunities are likely to build over time and where the valuation of companies may re-rate as the market becomes more aware of their potential.

Two examples of high priority sub-industries are healthcare equipment companies that are well positioned to serve a growing, aging population that demands personalised healthcare services, and financial services companies that are providing products and services that increase financial inclusion and meet basic protection needs of individuals.

Sustainability Opportunities

	Economic			Social			Environment		
Sub-Industry	Access to Finance	Digital Infrastructure	Enhancing Productivity	Meeting Basic Needs	Evolving Healthcare Challenges	Wellbeing & Nutrition	Resource Efficiency	Addressing Climate Change & Pollution	**Opportunity Rating**
Life Sciences & Tools									HIGH
Life & Health Insurances									NEUTRAL
Data Processing									HIGH
Oil & Gas Exploration & Production									LOW

The Sustainability Lens complements bottom up analysis

Although it is not a stock-picking tool, the Sustainability Lens was designed to complement company-level ESG analysis.

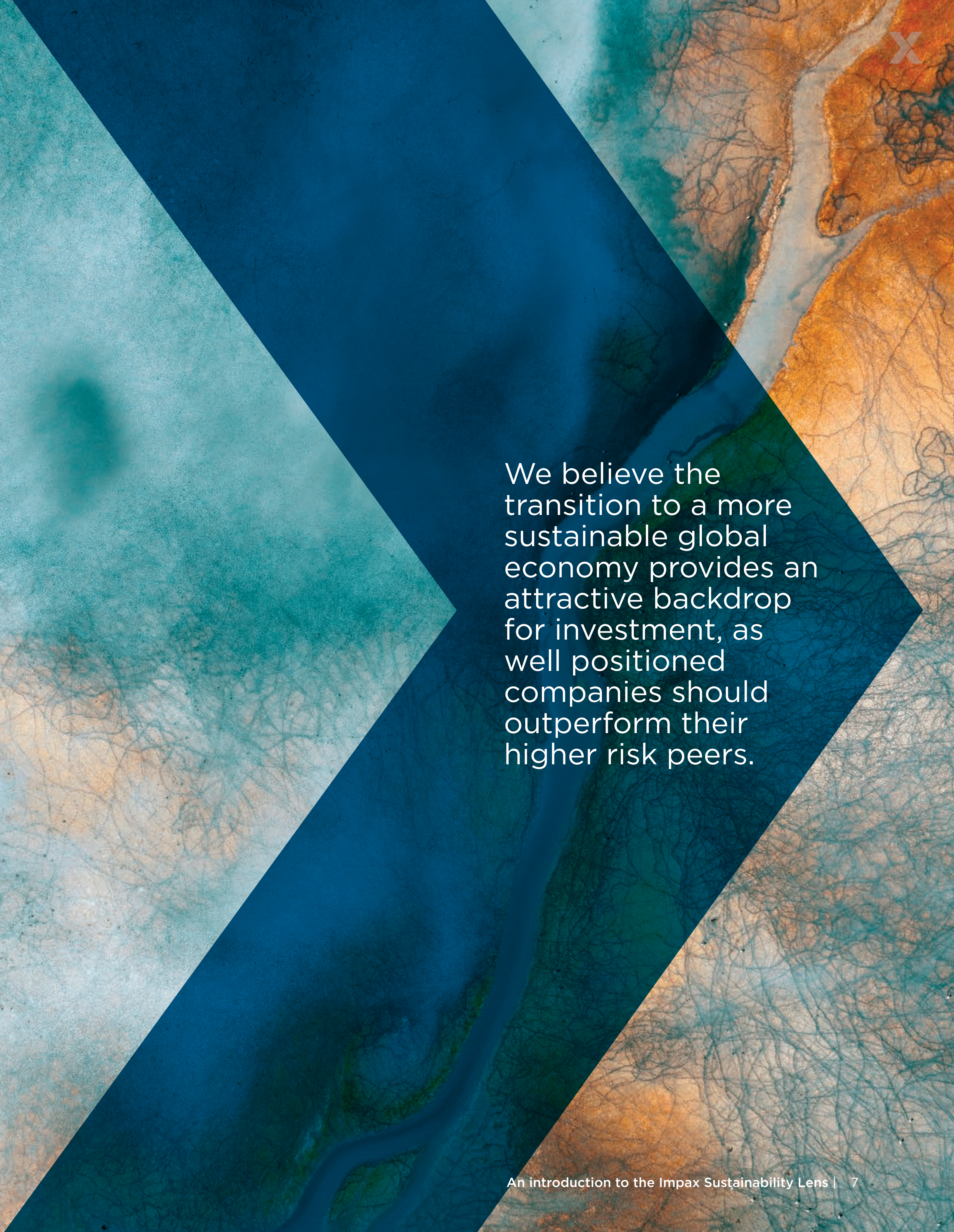
The Sustainability Lens seeks to provide perspective about the generic, medium- to long-term opportunities and risks that a company in a particular industry may have in the transition to a more sustainable economy. Through a more in-depth evaluation at the company level, we believe we can determine whether the company is taking advantage of the opportunities and properly managing risks.

The Sustainability Lens does not override the bottom-up portfolio management process, and companies are not excluded by the tool. That said, prospective investments in a sub-industry with a high risk rating according to the Sustainability Lens would require further investigation. The relevant investment team evaluates whether a particular company is exposed to the risks that the Sustainability Lens suggests. In some cases, the risks may not exist at all. The investment team only invests in companies where they believe management understands the risks and is managing them appropriately.

Supporting the search for alpha

We believe the transition to a more sustainable global economy provides an attractive backdrop for investment, as well positioned companies should outperform their higher risk peers.

The combination of the Sustainability Lens, our proven investment process and integrated ESG analysis is key to directing us towards companies with long term opportunities in industries and sectors that are less exposed to disruption and risk. It is this combination that we believe is also key to delivering excess risk-adjusted returns.

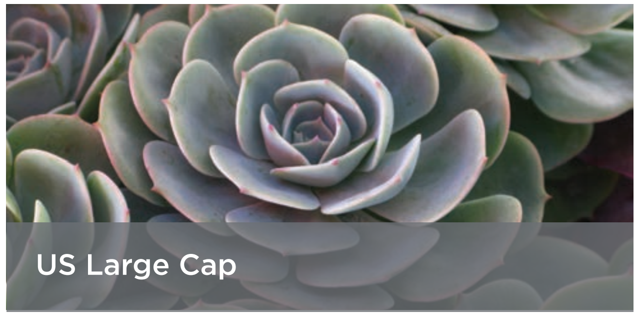


We believe the transition to a more sustainable global economy provides an attractive backdrop for investment, as well positioned companies should outperform their higher risk peers.

Strategies that incorporate the Sustainability Lens into their investment process

Active Equities


Global Opportunities


US Large Cap


US Small Cap


Asian Opportunities

Systematic Equities


US Sustainable Economy


International Sustainable Economy

Fixed Income


High Yield Bond


Core Bond

Important information

Investments involve risk, including potential loss of capital. The investment techniques and decisions of the investment adviser and portfolio manager(s), including the investment adviser's assessment of a company's ESG (Environmental, Social and Governance) profile when selecting investments for the strategy, may not produce the desired results and may adversely impact the strategy's performance, including relative to other strategies that do not consider ESG factors or come to different conclusions regarding such factors. Please refer to Form ADV Part 2A Brochure on impaxam.com or adviserinfo.sec.gov for more information about Impax and the investment risks of this strategy.

Impax Asset Management Group Plc includes Impax Asset Management Ltd, Impax Asset Management (AIFM) Ltd., Impax Asset Management Ireland Ltd, Impax Asset Management LLC, and Impax Asset Management (Hong Kong) Limited (together, "Impax"). Impax Asset Management Ltd, Impax Asset Management (AIFM) Ltd and Impax Asset Management LLC are registered as investment advisers with the U.S. Securities and Exchange Commission ("SEC"), pursuant the Investment Advisers Act of 1940 ("Advisers Act"). Registration with the SEC does not imply a certain level of skill or training. Impax Asset Management LLC ("Impax") is registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC"), pursuant the Investment Advisers Act of 1940 ("Advisers Act").

The securities mentioned in this document should not be considered a recommendation to purchase or sell any particular security and there can be no assurance that any securities discussed herein are or will remain in funds or portfolios managed by Impax. Impax makes no representation that any of the securities discussed were or will be profitable, or that future investment decisions will be profitable.

Past performance is not indicative of future results, which may vary materially. A loss of principal may occur. In considering the information presented, you should bear in mind that due to differences in investment characteristics, strategies and applicable terms, any past results presented herein may not be a meaningful illustration of your account or investment. There can be no assurance that Impax will achieve performance results in the future comparable to the performance presented herein. Any reference to investments is intended only to illustrate an investment strategy, and is not necessarily indicative of the types of investments that Impax's managed accounts or private funds will actually invest in.

Certain content (including data) contained within may include, or be based on, data obtained from statistical services, company reports or communications, or other third-party sources, that Impax believes are reliable. However, Impax has generally not verified this information where Impax believes the third-party source is reliable and, therefore, there is a risk that information from such third-party sources are inaccurate or incomplete. You should not rely on the information presented here as a basis for investment decisions.

The views, opinions, and forecasts included or expressed herein are as of the date indicated and are subject to change without notice. There can be no assurance that the strategies described will achieve their objectives and goals. The information presented herein is provided for general informational purposes only and is not intended to provide legal, tax, investment, or financial planning advice. It does not constitute an offer, invitation, solicitation, recommendation, or advice to buy or sell any securities, financial instruments, investments; to follow a particular investment strategy; to engage in any other transaction; or to engage Impax to provide investment advisory or other services.

IMPAX is a U.S. registered trademark of Impax Asset Management Group Plc.

The Impax Sustainability Lens analyses all 158 MSCI GICS sub-industries against eight categories of opportunity and nine categories of risk that we have identified, scoring each sub-industry on a scale of 1 (lowest) to 5 (highest) against these 17 Lens categories to produce composite opportunity and risk scores. Based on these composite scores, each of the sub-industries is ranked by percentile as high (top third), neutral (middle third), or low (bottom third) for both opportunity and risk. These categories, assessments and rankings are conducted by Impax staff and as such will include subjective judgements and conclusions with which others may disagree. The 17 categories are noted on page five of this document.

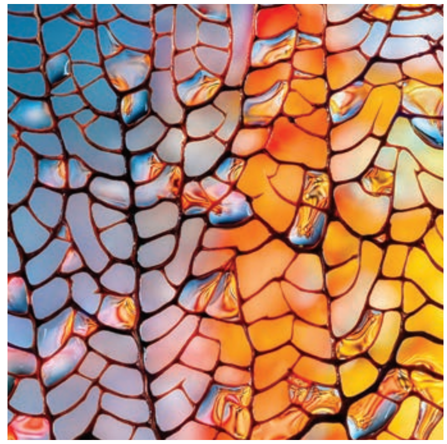
Impax uses a combination of independent research (e.g., third party investment reports, academic studies, reports from non-governmental organizations, etc.) and proprietary internal research to aid their analysis. Qualitative or subjective aspects of the Lens process may include the selection of issues and indicators we believe are pertinent to a particular sub-industry, the determination of Opportunity and Risk categories, and making judgements about the efficacy of technologies or societal benefits that derive from various products and services.

Limitations of the Lens methodology may include inadequate disclosure by or the availability of data about companies in certain sub-industries around issues that bear on Impax's analysis of opportunity and risk. It is also possible that Impax's opportunity and risk categories and analysis has not exhaustively identified all transition opportunities and risks, or has misjudged particular opportunities or risks, that may pertain in particular sub-industries. In addition, the Lens provides a topdown perspective about the typical opportunities and risks for companies by sub-industry; however, it does not evaluate to what extent a particular company is exposed to the opportunities or risks that the Lens suggests. The latter is done through bottom-up, fundamental company research that includes ESG analysis.

Copyright © 2023 Impax Asset Management.

All rights reserved.

80NHLD 3/24



An introduction to the Sustainability Lens

IMPAX ASSET MANAGEMENT

Impax Asset Management

@ImpaxAM

impaxam.com