

## An overview of Environmental Markets and Resource Efficiency

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For professional investors only

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“Environmental Markets” refers broadly to the FTSE Index Series that comprises a group of global companies with significant business activities relating to products and solutions focused on the environment.

The index was developed in 2008 in collaboration with Impax Asset Management, acknowledged thought-leaders in environmentally focused investments.

“Resource Efficiency” is Impax’s nomenclature for proprietary actively managed portfolios of investments that fit within the FTSE Environmental Markets sector classifications.

## PHILOSOPHY

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Impax’s investment philosophy is based on our strong conviction that population dynamics, resource scarcity, inadequate infrastructure and environmental constraints will profoundly shape global markets, creating both investment risks and opportunities.

These trends, reflecting the transition towards a more sustainable global economy, will drive earnings growth for well-positioned companies. Impax’s proprietary investment framework identifies and calibrates the rising risks and expanding opportunities from this transition and guides our search for investments that will deliver long-term outperformance.

Portfolio investments are focused on a small number of deeply researched global equity strategies across energy efficiency, renewable energy, water, waste/resource recovery, food, agriculture and sustainable forestry and related markets.

## GOAL

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Our goal is to achieve sustainable, above market returns over the longer term by investing globally in high-quality companies active in the rapidly growing Environmental Markets.

## PROCESS

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The long-term, global macro-economic trends identified above (growing populations, rising living standards, increasing urbanization, rising consumption, and depletion of limited natural resources) are triggering demand for efficient products and services that enable sustainable economic growth without increasing the detrimental environmental consequences. **These are the products and services that form the core of a Resource Efficiency strategy.**

For our Listed Equity portfolios, Impax identifies publicly traded, high growth companies whose fundamental business proposition is to profit from this optimized use and delivery of resources. Once identified, Impax undertakes robust, bottom-up equity analysis, including in-depth ESG risk analysis. If a company meets our investment criteria, it undergoes further valuation analysis as at any given time, strong companies can be temporarily

over-valued. Finally, companies proposed for investment are screened for “conviction” which requires the investment team to reach consensus on the desirability of including the stock in Impax’s investment portfolios.

## RESOURCE EFFICIENCY STRATEGIES

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Impax’s Resource Efficiency strategies are founded on the concept of Sustainability.

We believe that investors are best served when innovative companies, operating in sustainable high-growth markets, offer products and solutions focused on the environment and engage in sustainable business practices.

Sustainability, for Impax, is not a recent diligence screen designed to meet the investment world’s newest fad. Rather, it is a fundamental requirement that must be present in every layer of a target company’s DNA.

For the investor, this means that Impax has determined that:

- i. the market sector in which the company operates is sustainable given the global trends listed above
- ii. the company’s product or service is sustainable, ie reusable, efficiently produced and/or utilized, and necessary to the world economy
- iii. the company has strong, sustainable margins derived from the optimized use of available resources
- iv. the company engages in intelligent, sustainable business practices that value long-term performance over short-term goals.

## IMPAX’S LISTED EQUITY STRATEGIES FIT WITHIN AN INVESTOR’S PORTFOLIO

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Impax’s Resource Efficiency strategies are designed for investors seeking an easy solution for integrating a Sustainability strategy into their portfolio. Investors can obtain targeted exposure to Sustainability and Environmental Markets by investing in one or more of the individual sub-sectors listed below, or they can obtain broad based exposure to these markets by investing across all of the sub-sectors.