



23 January, 2013

Investing in Food and Agriculture

The investment case is compelling and a balanced portfolio across both sectors is the key to success for risk adjusted returns.

At a seminar in London today, Impax Asset Management (“Impax”), looked at the compelling drivers and key issues in investing across the food and agriculture sectors.

Michael Landymore, Investment Manager of the recently launched Impax Food & Agriculture Fund commented:

“After a prolonged period of under-investment, this industry is now attracting significant new capital globally in order to meet the complex challenges presented by rapid population growth, increasing urbanisation and shift towards an ever greater consumption of water and grain intensive foods. The established supply chains are changing, new ones emerging and we are also identifying opportunities in ancillary goods and services.”

“This is a complex and increasingly volatile sector requiring specialist insight and a rigorous investment process to support stock selection. Investors should look to invest across both the food and agriculture chains for the best risk-adjusted returns.”

Compelling long term drivers

A rising global population (60 million more people to feed every year), coupled with rapid urbanisation and rising affluence in developing markets are driving greater consumption towards higher protein, more grain intensive foods. According to the UN, per capita food consumption is projected to increase by 13% which will require a 70% increase in production by 2050.

Investing in Agribusiness Equities vs Soft Commodities

The Food and Agriculture sectors comprise a large diverse group of companies. Soft commodities are volatile but equities less so. Impax seeks to identify specific companies where management has a proven track record of managing commodity market volatility and creating shareholder value.



Why Food AND Agriculture?

Impax research shows that a dynamic allocation between consumer-led food stocks and commodity-led agriculture stocks should improve longer term risk adjusted returns. Food companies are characterised by sustainable growth and are cash generative and underpinned by secular change, whereas agriculture companies are generally higher beta with some positive correlation to soft commodities (but without the “random walk” volatility of the underlying commodities).

The value chain – “from plough to palate”

Impax has identified investment opportunities across the entire global food and agriculture value chain, from the move to higher value foods, the greater inputs that these require, reducing waste, increasing agricultural efficiency and improved distribution, packaging and infrastructure.

Accessing current sector themes

Impax has identified a number of interesting emerging themes across the sector which it tends to exploit via diversified companies. These include cheap gas in the US driving fertiliser capacity which has the potential to close the US’s annual 9 million tonne nitrogen fertiliser deficit, the exponential growth in Chinese dairy consumption and the re-emergence of major commodity trading companies as global trade flows increase.

The Impax Food and Agriculture fund – our perspective and approach

Impax launched its Food & Agriculture Fund on 1 December 2012. The managers employ a rigorous selection process to develop a high conviction, balanced portfolio of around 30 global stocks across the value chain. The managers adopt a value-driven approach targeting market volatility or less, and above market yield.

The fund is a UCITS IV sub-fund of Impax Funds (Ireland) plc, and is managed by Michael Landymore and Simon Higgs who joined Impax in May 2012. The managers have an in-depth knowledge of the food and agriculture sectors and over 50 years’ combined investment experience.

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About Impax Asset Management

Founded in 1998, Impax Asset Management (“Impax”) was one of the world’s first managers dedicated to identifying the investment opportunities created by resource scarcity and demand for cleaner, more efficient products and services through listed and private equity strategies.

Impax now manages £1.9 bn* for institutional and high net worth investors globally, and is committed to providing strong long-term risk-adjusted returns. The company’s team of 28 investment professionals has been assembled over 14 years.

Impax’s listed equity funds seek out mis-priced companies that are set to benefit from the long-term trends of changing demographics, rising consumption, limited natural resources and urbanisation. Investment is focused on the alternative energy, water, waste, food, agriculture and related markets. Impax’s private equity infrastructure funds invest in power generation assets in the renewable energy sector.

*as of 31 December, 2012