Outlook for Resource Efficiency markets
in the run-up to the UN Climate deal in Paris 2015

London, 21 January 2015, Impax Asset Management, the AIM quoted investment manager focused on environmental markets and related resource efficiency sectors, highlights interesting developments in its target markets and discusses some of the compelling new investment opportunities for the year ahead.

Ian Simm, Chief Executive, commented:
"Last year we witnessed increased news flow on environmental policy from many countries and progressively stricter regulations promoting environmental protection and measures to counter climate change. This year will be important with growing investor and media attention on environmental and resource efficiency markets as we run up to the UN Climate deal in Paris in December 2015."

Climate Change

- Towards a global agreement

There is now incontrovertible scientific evidence that the burning of fossil fuel is warming our planet, leading to serious climate change. This is widely accepted to be one of the greatest risks facing the global economy over the next 30 years.

The objective of the UN conference in Paris this December is to achieve a legally binding agreement that includes limits on the emission of greenhouse gases from all the nations of the world. The UN Climate Change talks in Lima in December 2014 eventually reached agreement in principle from all 194 nations. Although there remains much work to be done with many key policy issues still unresolved, the Lima Call for Climate Action demonstrates the political will and commitment to prevent climate change destroying future global economic growth.

- And an investment response

The increased incidence of extreme weather and policy interventions to combat climate change are likely to impact many sectors (including property, insurance, healthcare and agriculture); however, investment portfolios with significant allocations to fossil fuels carry the highest risks. Mark Carney, the Governor of the Bank of England, recently reiterated his warning that the owners of some fossil fuel assets may not be able to burn all of their reserves if the world is to avoid catastrophic climate change, and called for investors to consider the implications of this analysis.

Meanwhile, in new guidance from major investor climate groups, investors are also being advised to challenge oil and gas companies about whether a price for carbon is factored into their long-term decision making. Many investors are starting to consider offsetting or mitigating this risk.

There is a large, diverse alternative energy investment universe that investors can consider if they are minded to assign a higher risk premium to holding fossil fuel assets. This investment approach is further supported by the mounting evidence that companies in the alternative energy sector are expanding rapidly and offer the prospect of strong returns without the downside risks of owning fossil fuel assets.

This approach to energy investing is growing in popularity. Over the past year, many endowments, public sector investors and religious institutions have committed to reduce or sell out of their fossil fuel holdings. Stanford University, the Rockefeller Brothers Fund and the World Council of Churches are among the highest profile investors to take these steps.

The Impax Specialists strategy* offers investors a broad investment opportunity in global environmental and related resource efficiency markets. It currently has an exposure of approximately 16% to alternative energy and 31% to the energy efficiency sector. There is mounting evidence that the alternative energy sector offers long term investors the prospect of stronger returns without the downside risks of owning fossil fuel assets.

Responding to drought – investing in technological solutions

Demand for clean water around the world will inevitably outstrip supply unless substantial long-term commitments are made to improving water infrastructure and maximising the effective use of water.

The heatwaves and severe drought in Australia and the United States last year have concentrated investor attention on technological solutions to the world's water stress. 2014 was the hottest year on record in California, and the State experienced its worst level of drought for more than 40 years. The resulting job losses and crop damage will potentially cost the agricultural industry some $1.7billion. There are several interesting technologies being adopted to alleviate some of the pronounced supply and demand imbalances in the region. These include using brackish water for irrigation and the use of treated wastewater from recharged aquifers. Lower energy costs are now improving the economics of the reverse osmosis of seawater desalination which is starting to look attractive.

Food – increasing interest in sustainability

We see strong interest from investors in gaining exposure to the sub-set of companies that focus on addressing environmental issues created by the rising global demand for food. Furthermore, food consumption patterns are evolving rapidly and we expect this will have a significant impact on the global food production and retailing industries. For example, in developing countries the markets for healthy sustainable and organic foods are growing fast and consumers' purchasing decisions increasingly incorporate sustainability criteria. Meanwhile, obesity rates continue to rise rapidly in many countries. Governments in Mexico, Finland, Denmark and Australia have already implemented higher rates of tax on some high fat and sugary foods and beverages in attempts to discourage unhealthy diets and offset the economic costs of obesity.

Over the long term we expect out-performance from companies that are acting to reduce carbon dioxide emissions, soil erosion, the use of fertilisers and other agricultural inputs, minimise waste (one third of the food produced globally is wasted) and manage water more effectively.

Sustainable Property - an attractive investment opportunity

We believe there are significant opportunities in the sustainable property market where supply is low and demand is growing rapidly, driven by tightening regulation and occupier preferences. An allocation to this asset class can offer investors low correlation to equities and bonds, protection against inflation and the potential of a predictable income stream.

Green alpha is the premium that can be generated by successful investment in sustainable property over and above "normal" market returns. Sustainable buildings are increasingly commanding a rental premium, have shorter vacant periods, slower depreciation, reduced obsolescence, and typically command higher capital values.

In 2014 Impax acquired a sustainable property expertise to enhance our real asset offering to clients.

Ian Simm concluded:
"The universe of resource efficiency and environmental companies continues to expand as business models that improve the efficiency of resource use deliver strong returns on investment. Last year also saw a return of IPO and M&A activity, further boosting global resource efficiency stocks. With investor interest in both listed equity markets and in real assets continuing to develop rapidly, 2015 looks set to a busy and potentially rewarding year for investors in our target markets."

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Notes to Editors - About Impax Asset Management

Founded in 1998, Impax Asset Management is dedicated to investing in environmental markets and related resource efficiency sectors created by resource scarcity and the demand for cleaner, more efficient products and services. Impax, which employs 30 investment professionals and a similar number of support staff, has offices in London, Hong Kong, New York and Portland (Oregon). The firm manages ca. £2.9 billion* for investors globally across listed and private markets strategies.

Impax's listed equity funds seek out mis-priced companies that are set to benefit from the long-term trends of changing demographics, urbanisation, rising consumption, and the resultant increases in resource scarcity. Investment is focused on a small number of deeply researched global equity strategies across markets related to alternative energy, energy efficiency, water, waste, and food and agriculture.

The private equity infrastructure funds follow an operationally focused, value-add strategy, investing in renewable power generation and related assets throughout Europe.

The Impax Climate Property Fund focuses on developing sustainable and energy efficient commercial property, primarily in the UK.

**As of 31 December 2014*