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IMPAX ENVIRONMENTAL MARKETS PLC ANNUAL REPORT 2017 PUBLISHED – MANAGER IDENTIFIES THREE GROWTH AREAS TO WATCH

The Impax Environmental Markets plc (“IEM”) Annual Report for the year ended 31 December 2017 was published on Wednesday 28 March.

In the Manager’s Review, Bruce Jenkyn-Jones and Jon Forster, co-portfolio managers, detail how global Environmental Markets are entering an exciting phase. Governments and investors are recognising the economic benefits of pursuing lower carbon, less polluting and more sustainable products and services within the global economy. They also highlight three key areas within Environmental Markets with compelling investment fundamentals, offering the potential for superior growth over the long term:

Plastic pollution

“In recent months, with the BBC documentary series ‘Blue Planet II’ acting as a catalyst, the problem of plastic waste has dominated the news and political agenda. We are seeing bans and restrictions on plastic take effect, such as the introduction of a five pence levy on single-use plastic bags in 2015, and the law passed in France that will see plastic utensils banned by 2020. Additionally, the UK government has recently announced that all plastic, glass, and metal drinks containers sold in England will soon be covered by a bottle deposit scheme. Meanwhile, China has implemented strict new laws governing the waste it will accept (having formerly imported and disposed of plastic waste from other countries), and bans and levies are being mooted in certain US states, Canada, and across Europe.

“Within this area, we like companies that provide collection services or other solutions, such as reverse vending machines, which are set to benefit from the planned bottle deposit scheme. Companies that provide recycling services for plastics may also do well generally, and alternative food packaging manufacturers look interesting. These companies are developing new, sustainable ways of packaging food using bioplastics and other technologies.”

Electric vehicles

“Last year, we flagged the electrification of transport systems, especially high speed rail and metro system developments, as a rising theme in Environmental Markets. We also



mentioned how many economies are incentivising the purchase of electric vehicles (EVs). While the EV market has made progress over the past ten years, it is our view that the sector is now at a turning point. EV and hybrid sales in China increased by 53% over 2016¹, and we believe that this growth will accelerate in the years to come. A combination of new market entrants in the form of technology companies speeding up research and development cycles, governments around the world tightening air pollution regulations, and shifting sentiment towards EVs from consumers (in part due to the VW 'Dieselgate' scandal), is driving this growth.

“We believe there is value to be found across the supply chain rather than in specific auto manufacturers. For example, companies that produce transducers, which are used in the electronic systems outside EV batteries, such as controlling the flow of power through the drivetrain. As the complexity of power management and other systems in EVs increases, so does the need for semiconductors – another significant investment opportunity.”

Extreme weather

“2017 was one of the most serious hurricane seasons on record, with the US experiencing six severe hurricanes (Harvey, Irma, Jose, Lee, Maria, and Ophelia). Damages cost an estimated \$300-\$475 billion in the US alone², and scientific consensus is that climate change is “almost certainly” increasing the frequency of extreme weather events³. As the recent ‘Beast from the East’ cold snap in the UK has shown, it doesn’t take prolonged weather events to cause damage to water pipes, transport, and the broader economy.

“Immediate responses to extreme weather include the use of backup and portable power generation. Companies that clean up and repair large-scale damage, such as fallen trees and hazardous materials, also see an increase in activity. Longer-term planning typically requires huge investment in water infrastructure. For example, water treatment facilities may need upgrading to address contamination during tidal surges and flood conditions. In addition, the pipes, pumps, and sensors that constitute the systems that remove, collect and transport water are getting ‘smarter’. The integration of digital technology allows these systems to monitor and control water management processes, offering a compelling investment opportunity.”

¹ Source: <https://bit.ly/2nk8epi>

² Source: <https://cnn.it/2l6YO8x>

³ Source: <https://bit.ly/2umwexW>

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Notes To Editors - About Impax Asset Management Ltd. (manager of Impax Environmental Markets plc)

Impax Asset Management Ltd. manages or advises on approximately £11.2 bn¹ in both listed and private equity strategies primarily for institutional clients.

The Company's investments are based on the strong conviction that population dynamics, resource scarcity, inadequate infrastructure and environmental constraints will profoundly shape global markets, creating investment risks and opportunities. Impax expects that 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 the search for investments that will deliver long term outperformance.

¹All data as at 28 February 2018. Past performance is not a guide to future performance.