

## Press Release

### **Impax reports strong performance across product range in 2013 and continuing broad-based optimism for 2014**

**London, 22 January 2014,** Impax Asset Management (“Impax”), the AIM quoted investment manager focused on environmental markets and resource efficiency sectors, reports strong investment performance in 2013 for all its listed equity strategies, relative to global markets, relevant benchmarks and peers.

Performance for the calendar year for Impax’s flagship investment trust, Impax Environmental Markets (“IEM”) plc and the company’s other listed equity strategies was:

- **IEM plc** **33.2%**
- **Water Strategy** **23.9%**
- **Leaders Strategy** **30.6%**
- **Food & Agriculture** **17.3%**
- **Asia Pacific** **22.2%**
- **MSCI ACWI** **20.5%**

(IEM plc and Impax strategies are GBP gross returns, apart from Aqua – Euros gross return. MSCI ACWI, GBP total net returns (net dividend reinvested).

Ian Simm, Chief Executive commented:

“The drivers of our markets continue to strengthen, with significant news in science, policy and technology fuelling investor interest. In 2013 all our strategies performed very well compared to global equities and their respective environmental benchmarks. IEM plc, had a particularly pleasing year, and our water strategy, which marked its five year anniversary on 1 December 2013, maintained its position as the top performing fund in the water sector\*.”

#### **Policy and Regulation – the ratchet continues to tighten**

Recent years have seen the ratchet of building regulations, energy efficiency standards and pollution limits continue to tighten. As the global economy recovers, companies exposed to these themes are seeing their earnings start to rise strongly as house construction picks up, cars roll off the production lines, and long-delayed infrastructure projects move forward. The above-trend growth we

anticipate in sub-sectors such water treatment, pollution control and energy efficiency is not dependent on government subsidies. It is based on improving technologies and new, rapidly expanding sources of demand. There are opportunities for companies to make attractive returns in these rapidly developing markets by deploying proven business models.

### **Water- major capital allocations in Asia and US**

We expect emerging markets to continue to contribute to our top performing water strategy in 2014. The continuing improvement in the economic outlook, particularly in Asia's developing economies, is making capital available for substantial, and overdue, investments in environmental protection. The water sector is also set to benefit from increasing demand in the US, where a more buoyant economy has led to higher-than-expected investments in water infrastructure as well as rapid growth in water treatment companies and in monitoring and equipment manufacturers.

### **Renewables – a maturing sector**

Even in renewable energy – the one sub-sector most assumed to rely upon government-directed subsidies and an elusive, international climate change agreement – the picture is finally starting to brighten. The policy uncertainty of recent years that has blighted renewables investment is becoming clearer and substantial consolidation has improved equipment makers' pricing power. However, it is *unsubsidised* demand for renewables that is driving the sector's long term development, as the technologies involved get better and cheaper. We remain underweight, but we do expect to increase our exposure in 2014.

### **China – further environmental commitment at Third Plenum**

In China, proposed reforms announced at the Third Plenum in November offered further specific support for resource efficiency and environmental markets. The government is focused on tackling the country's increasingly severe pollution problems, creating opportunities across the board, for example in catalytic convertors, urban transport, natural gas infrastructure and water treatment.

### **Food and Agriculture**

The fall in food prices bodes well for the margins at processing companies, and – medium-term – the secular trend is compelling. By the end of 2014 there will be approximately 75 million more mouths to feed than at the start, and demand in China continues to grow apace.

### **The importance of investing in proven technologies and business models**

Impax aims to identify high-quality businesses with long-term secular growth strategies and mid-teen returns on capital: these are the companies with the potential to deliver strong consistent performance for our investors. We remain more cautious than many of our peers over ‘blue-sky’ opportunities, such as fuel cells, energy storage, second-generation biofuels and electric vehicles. There are undoubtedly companies in our investment universe that will enjoy enormous success bringing these technologies to market, or will be acquired at attractive valuations along the way. However, we prefer established business models, where we have good visibility over the future earnings that will drive performance. That’s why we didn’t catch a lift with Tesla on its rollercoaster ride!

### **Market Developments**

The gradual technological and regulatory advances that were speculative plays are now turning into stable, viable businesses, and the IPO markets are reawakening for environmentally themed firms. Meanwhile established companies are looking to resource efficiency and environmental protection – either acquiring existing firms, or investing internally to tap into these growth markets.

### **Ian Simm summed up the outlook for 2014**

“It’s been a long time since the outlook for environmental markets and resource efficiency stocks has been quite as good as it is right now. The next 12 months look promising across all our investment strategies, buoyed by a broad-based cyclical recovery from the deepest downturn in living memory.”

*\* Institutional share class. Morningstar Water Sector*

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## **Notes to Editors**

### **About Impax Asset Management**

Founded in 1998, Impax Asset Management Ltd (“Impax”) is dedicated to investing in environmental markets created by resource scarcity and the demand for cleaner, more efficient products and services. Impax, which employs 28 investment professionals and a similar number of support staff, has offices in London, Hong Kong and New York. The firm manages ca. £2.4 billion\* for investors globally across listed and private equity strategies.

Impax’s listed equity funds seek out mispriced 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 and related assets in the renewable energy sector.

*\* as at 31 December 2013*

For more information, please visit [www.impaxam.com](http://www.impaxam.com).

*Impax Asset Management Limited is authorised and regulated by the Financial Conduct Authority.*