

Impax Asset Management

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Impax Environmental believes green investment has never been more relevant

Environmental issues have never been more prevalent, but does a focus on the green issues stack up as an investment.

Impax Environmental Markets PLC (LON:IEM) has specialised in the space for 16 years and the outlook has never been brighter or more relevant says Jon Forster, the trust's co-portfolio manager.

WATCH: Impax Environmental Markets 'all about growth & investing in pure play businesses'

People tend to think of environmental investing as just renewable energy adds Forster, but it's much broader than that.

The trust splits the broad environmental market into four categories: new energy; sustainable food and agriculture; water and waste/resource recovery.

Forster says the long-term investment hypothesis across all of the areas is very strong and durable.

Faster growth than broader economy

Indeed, environmental markets could potentially grow faster than the broader economy due to the need to address some of the challenges facing the world.

A rising population wanting higher living standards is bringing incremental demand for basic resources and services, which is putting pressure on the supply side.

Better infrastructure is a key issue in developed countries as well as those emerging.

London, for instance, loses up to half of its water out of the pipes before it makes it to the household, says Forster.

China, too, has major problems meeting the water requirements of a rapidly urbanising population.

This month's heatwave coming just months after the Beast from the East struck has also underlined how the climate is becoming more changeable, even in temperate areas.

Earnings driver

This climate volatility will require a whole new level of infrastructure believes Forster.

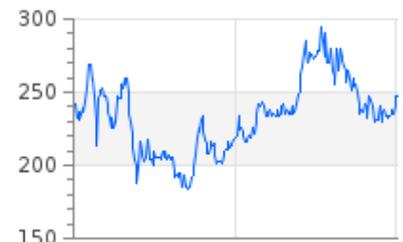
Plastics meanwhile are barely off the front pages at the moment and recycling is another area seeing strong growth.

And behind it is what Forster calls the 'policy ratchet' of tightening regulation.

Price: £2.47

Market Cap: £322.13 m

1 Year Share Price Graph



September 2018 March 2019 September 2019

Share Information

Code: IPX

Listing: AIM

52 week High Low
295 178.5

Sector: Financial Services

Website: www.impaxam.com

Company Synopsis:

Founded in 1998, Impax offers a range of listed equity, fixed income, smart beta and real asset strategies. All strategies utilise the firm's specialist expertise in understanding investment opportunities arising from the transition to a more sustainable economy. We are engaged investors, in regular dialogue with companies in our portfolios and reporting on our stewardship activities to our clients.

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Recycling directives, efficiency standards, building regulations and water controls and so on will only get more stringent and offer big opportunities for companies providing the solutions.

In other areas too, major leaps forward with innovation such as electric vehicles, the internet of things, plastics recycling and renewable energy area are all proving to be major market disruptors.

Environmental markets evolving

At these times the environmental space can see very rapid growth says Forster.

"These are major earnings drivers. The basic story is that we are only at the evolution of these markets."

As an indicator of the growing importance of the environmental sector to investors, Impax estimates the numbers of analysts covering the sector grew to 1,100 last year from 250 in 1999.

That growing interest has been reflected in the share price of Impax, which has risen almost 90% since the start of 2016 to 267p or close to a five-year high.

The company is now worth around £480m, a 5% discount to the net asset value of £507m stated in the May factsheet.

On an earnings basis, Forster says that over the past five years the trust has performed well against ACWI, the global equities comparator.

Long-term thesis

In each of the past three years (April to March), the share price has also outperformed, but Forster admits there are times when the portfolio may not be as strong.

There are no financial, conventional oil, healthcare or telecoms companies in the portfolio, for instance, and when those sectors are in favour IEM can struggle to keep up.

Forster, who has been with the trust since its launch, nonetheless remains 'very confident' that over the long term Impax's stance will prove its worth financially as well as environmentally.

"The basic investment thesis is more valid today than it was five years ago and will be even more valid tomorrow."

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