

Impax Asian Environmental Markets

Asia Pacific Inc. Japan

Introduction

sriServices SRI Style - Environmentally Focused

(Offshore)

Launched in 2010, the Irish domiciled fund invests in companies and assets in Asia and Japan that are well positioned to benefit from the transition to a more sustainable economy. This is achieved by them using a proprietary definition of environmental markets that establishes the investable universe. This definition enables the identification of six clear distinct themes covering New Energy, Clean & Efficient Transport, Sustainable Food, Water, Circular Economy and Smart Environment. For a company to be included in the universe, at least 20% of its underlying revenue (environmental purity) must be generated by sales of environmental products or services in the themes.



[Click here to read the Impax approach to ESG investing.](#)

Manager - Oscar Yang & Manish Bishnoi

Manager Since - 01/01/2018 & 03/10/2023

Oscar is a co-Portfolio Manager of the Impax Asian Environmental strategy and has been part of the Impax Asset Management team since 2011, after first joining as an analyst. He specialises in accessing environmental and sustainable themes in equities. Prior to Impax, Oscar held several portfolio management roles with previous firms including Resource Investment Capital and Origo Partners. Oscar has a bachelor's degree in Business Management from Imperial College London and a master's degree in Industry Relations from the London School of Economics and Political Science.

Manish has more than a decade of experience in Asian equities. Prior to Impax, Manish was a Portfolio Manager on the Asian Progress Fund at Macquarie Asset Management. He also served as a Senior Investment Analyst focusing on Asian Thematic Investments during his time in Macquarie. A Chartered Financial Analyst, Manish also holds a certificate in Sustainable Finance from the University of Cambridge. He has a bachelor's degree in software engineering from the University of Melbourne.

Fund Objective

Please click on the 'Fund Data' button above.

Investment Process

The investment process follows four distinct steps:

- **Idea Generation** – A proprietary universe of environmental stocks has been developed since 1999 with ideas sourced both internally as well as through established networks. Inclusion in the universe is contingent upon the resource efficiency and environmental markets business making up more than 20% of group revenue, profitability or invested capital, a hurdle rate that is analysed by the analyst responsible for the stock.
- **Fundamental Analysis** – Companies identified as being of potential interest are allocated to a lead and secondary analyst for initial research into the stock's financial performance and a review of consensus earnings. If it is decided that full research should be completed, the lead analyst completes the firm's proprietary 10-Step analysis, which includes an in-depth ESG analysis followed by a peer review, and subsequent introduction to the Impax A-list of investable stocks.
- **Portfolio Construction** – The managers are free to buy positions on Impax's approved 'A-list' of stocks, subject to risk and ESG constraints. Stock selection, position sizing, and overall portfolio construction, including weighting allocations within the fund, is the responsibility of the co-portfolio managers.
- **Portfolio management & stewardship** – Soft limits are applied to position sizes with 5% applied to the fund but 4% is the typical upper holding level. Fundamentals drive the weighting to a stock with high conviction names typically at 3.5%-4% and lower conviction names between 1.5%-2%. Stewardship is undertaken via engagement with companies on specific ESG issues/concerns as well as proxy voting.

Responsible Process

Impax applies a positive screen to invest in companies and assets that are well positioned to benefit from the transition to a more sustainable economy. This is achieved by them using a proprietary definition of environmental markets that establishes the investable universe. This definition enables six clear distinct themes to be identified covering New Energy, Clean & Efficient Transport, Sustainable Food, Water, Circular Economy and Smart Environment. For a company to be included in the universe, at least 20% of its underlying revenue must be generated by sales of environmental products or services in the themes.

Although the fund does not use a negative screen, the nature of the themes means that contentious industries and sectors are avoided – there is a Responsible Investment Sub-Policy for the fund that describes the position with regards to certain activities (e.g., tobacco, weapons, coal extraction, oil & gas extraction, electricity generation, biodiversity, water).

Natural gas exposure is permitted in the fund as it is seen as transition fuel in Asia and Impax see it significantly better for pollution control, energy density, and carbon intensity reduction. The fund invests in natural gas distribution utilities (as opposed to extraction or exploration) businesses.

Impax publish an annual impact report where revenue from the companies held in the fund is aligned to the UN Sustainable Development Goals.

Our Opinion

Impax are a long-established player in the environmental and sustainability space and are highly regarded by professionals and investors in the responsible world. Impax have been active in the environmental markets space since 1998 and have a global presence with offices in London, Dublin, Hong Kong, Tokyo, New York and Portsmouth (New Hampshire).

The Impax Asian Environmental Markets fund uses a custom benchmark comprising 80% MSCI AC Asia Pacific ex Japan and 20% MSCI AC Japan. The hybrid allocation allows exposure to Japan where companies are forming part of the industrialisation and energy efficiency initiatives for broader Asia. The fund targets companies with at least 20% business exposure to environmental markets. Natural gas exposure can be found in the fund due to it being Asian focused and the role natural gas will play in energy transition for this region. The fund is currently at around 60% in terms of environmental purity rather than the 20% threshold.

From a market cap perspective, the fund is biased to mid-cap names with an element of small cap. The fund does not own large financials or large tech names so will be underweight mega-caps and overweight mid and small cap. In terms of sectors, it is typical for the fund to be overweight industrials, IT and utilities and underweight materials with financials the largest underweight compared to the benchmark. The communication services sector is also underweight. The fund does not directly invest in frontier markets currently and so any exposure to these markets is indirect.



Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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