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ASSET MANAGEMENT LTD

Drivers and markets

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Environment Agency National Conference

9th November 2009

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Powerful Drivers Behind the Environmental Sector

Economic growth is unsustainable…..

Consumers
- Population pressure
- Higher living standards
- "Green" preferences

Resource scarcity
- Fossil fuel prices
- Commodity prices
- Water shortage
- Limited landfill

Weak infrastructure
- Power grids
- Water sewerage
- Waste processing

Pollution
- Local air pollution
- Global climate change
- Contaminated land
- Water quality

…but "society" is responding…

Legislation
- Target market sizes
- Mandatory capex
- Emission limits
- Financial support

Technology
- New solutions
- Corporate R&D
- Government support
- Economies of scale

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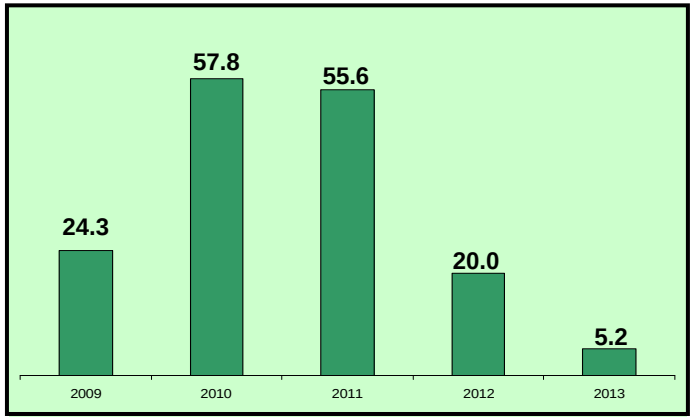
Investment Opportunities: Current sector issues

Stimulus Packages

'Green stimulus' packages: timing of spending ($bn)



Source: New Energy Finance

US
- Over $1bn in cash grants awarded for renewable projects so far
- $300m stimulus funds for consumer purchases of energy efficient home appliances
- $53bn "green stimulus" over the next 5 years

China
- $30bn into "green projects"
- Grid infrastructure improvements
- Water / waste projects

S. Korea
- $53bn "green stimulus" over the next 5 years

Other Developments in 2009

Global
- G20 commitment to phase out fossil fuel subsidies amounting to $300bn every day

US
- ***EPA greenhouse gas ruling***
- ***Draft climate change Bill*** - 20% by 2020 combined renewable energy/energy efficiency standard & cap-and-trade programme.
- ***Water infrastructure*** - extra $4bn (above stimulus) in Obama budget
- ***ARRA act*** - $2.4bn in funding for 48 advanced battery and electric drive projects. $300m for alternative fuel vehicle and infrastructure projects.

Europe
- ***Emissions Trading Scheme*** - Directive incorporating aviation from 2012.
- ***'Green economy' initiatives*** - €105 bn (30% of regional policy budget for 2007-13)
- ***Smart meters*** - 80% of homes by 2020

Rest of World
- ***Chinese and Japanese solar subsidies***.
- ***Chinese energy-efficient light bulbs*** - 100m in 2009.
- ***Australia*** - 20% renewable energy target by 2020
- ***India -*** 20GW solar power by 2020

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Environmental Business Growth

Economic sector	Environmental Markets	Conventional Sub-Sectors
Energy	• Wind power generation eqpt. • Other renewable eqpt.	Oil, Gas and Consumable Fuels
Materials	• Water treatment eqpt. • Value added waste processing • Pollution control solutions	Chemicals, Basic Resources and Construction Materials
Industrials	• Water infrastructure companies • Environmental consultancies • General environmental • Power network efficiency • General waste management • Hazardous waste management • Waste technology eqpt.	Capital Goods and Support Services
Consumer Discretionary	• Transport energy efficiency • Buildings energy efficiency	Automobiles & Components, Consumer Durables and Consumer Services
Consumer staples	• Biofuels	Food Retail, Household Products and Agriculture
Financials	• Carbon & other env. assets trading	Banks, Insurance and Real Estate
Information Technology	• Industrials energy efficiency • Solar energy generation eqpt.	Software, Hardware and Semiconductor Equipment
Utilities	• Water utilities • Environmental testing & gas sensing • Renewable energy developers and IPPs	Electric, Gas, Water and Sewerage

Rapid substitution

Environmental Sector Key Data

- Market size: $500 billion +
- Growth rates (CAGR): 10-20%
- ROIE: 10%-20%

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Impax's Investment Strategies

LISTED EQUITY
Global universe
1,300 listed companies
Market cap of c.US$3 trillion

PRIVATE EQUITY
Power projects
Growth companies

Strategies

ASIA-PACIFIC
Companies based in the Asia-Pacific
Impax Asian Environmental Markets plc

ENVIRONMENTAL LEADERS
Global universe
Impax Environmental Leaders

PURE PLAY
Companies with 50-100% environmental markets exposure
Impax Environmental Markets

HEDGE
Global universe + utilities
Impax Absolute Return Fund

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Listed Equity: Benchmarks

Search FTSE ENVIRONMENTAL Results 1-19 of 19

Sort By Relevance Index Name Country

1) ESG Shares FTSE Environmental Technologies ET50 IOPV Index
2) FTSE Environmental Opportunities 100 Index
3) FTSE Environmental Opportunities AIM Index
4) FTSE Environmental Opportunities All-Share Index
5) FTSE Environmental Opportunities Asia Pacific ex-Japan Index
6) FTSE Environmental Opportunities Asia Pacific Index
7) FTSE Environmental Opportunities Energy Efficiency Index
8) FTSE Environmental Opportunities Energy Efficiency 50 Index
9) FTSE Environmental Opportunities Europe Index
10) FTSE Environmental Opportunities Japan Index
11) FTSE Environmental Opportunities Renewable and Alternative Energy 50 Index
12) FTSE Environmental Opportunities Renewable and Alternative Energy Index
13) FTSE Environmental Opportunities UK Index
14) FTSE Environmental Opportunities US Index
15) FTSE Environmental Opportunities Waste and Pollution Control Index
16) FTSE Environmental Opportunities Waste and Pollution Control 30 Index
17) FTSE Environmental Opportunities Water Technology 30 Index
18) FTSE Environmental Opportunities Water Technology Index
19) FTSE4Good Environmental Leaders Europe 40 Index

FTSE ET50 Index:
Launched by Impax in 1999. 50 largest ‘pure play’ quoted companies.

FTSE Environmental Markets Index Series:
18 sector indices launched by Impax / FTSE.

FTSE Environmental Opportunities All Share Index:
471 companies with over 20% revenues from environmental markets.

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Listed Equity: Performance

FTSE Environmental Opportunities All Share Index versus MSCI World Index

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Stock Example

Abengoa (Spain)

+ Market leader in multiple environmental busines with extensive underlying asset base
+ Leading metals recycler in Spain
+ Leading global solar thermal developer
+ Leading global biofuels producer
+ Owner / operator of desalination and South American power transmission equipment
– High debt levels
– Leveraged to commodity prices
– Engineering business leveraged to Spanish infrastructure & construction market

- Market Cap: €1.6bn
- Rating: 12x 2009e; 10x 2010e
  3x Price/Book, 9.6x 2009e EV/EBITDA

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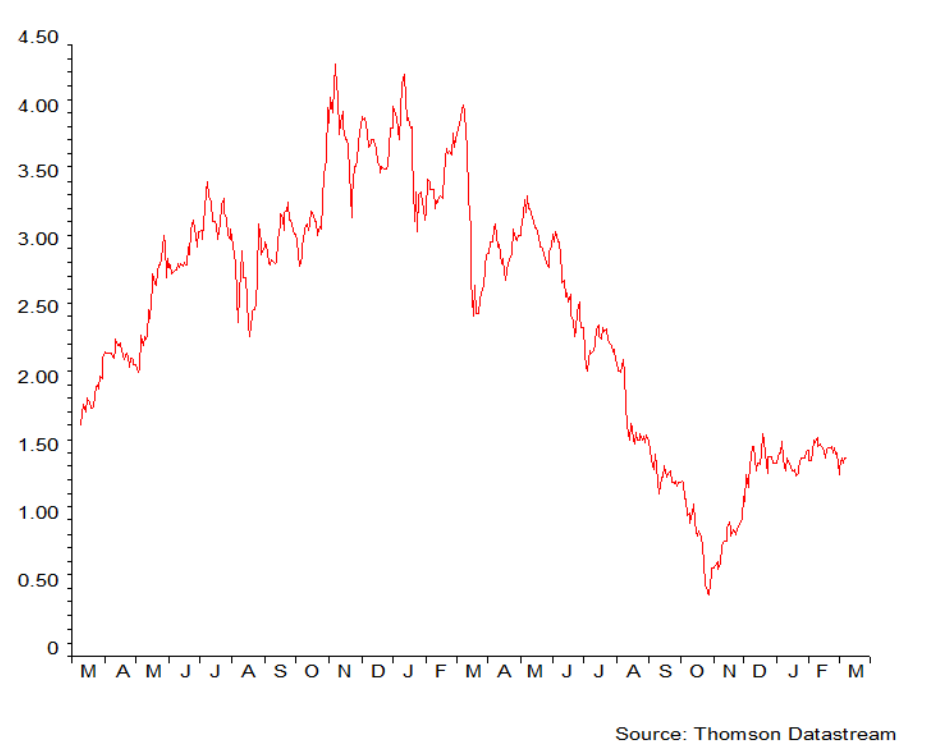
Stock Example

China Everbright (China, HK)

+ Exposure to Chinese spending on water and waste infrastructure
+ Good visibility of revenues, earnings and cashflow due to long term contracts
+ Good credit availability from Chinese banks
+ Valuation at replacement cost for existing assets at time of investment
+ Management team with strong track record
− Corporate structure
− Regulatory risk



- Market Cap: c.€1.2bn
- Rating: 10x 2009 earnings
  1.8x Price/Book, 8x 2009E EV/EBITDA

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Pure Play: Investment Performance in Sterling

	5Y	3Y	1Y	YTD	3 year volatility
Impax Environmental Markets plc (Undiluted)	80%	22%	10%	25%	21%
MSCI World	38%	4%	9%	14%	21%
MSCI World Small Cap	48%	7%	17%	28%	22%
FTSE All-Share	38%	-3%	11%	23%	26%

Tracking error (vs. MSCI World): 9.52%

Beta (vs. MSCI World): 1.14

Proven outperformance over the cycle

Source: UBS PAS as at 30 September

All indices are Total Return (Source: Bloomberg)

Volatilities calculated using daily series as at 30 September 2009 (Source: Thomson DataStream)

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Outlook

- **Environmental sector drivers set to strengthen:**
  - growing urgency to address global warming
  - milestones for alternative energy policy to be passed during 2009
  - many other policy initiatives expected (e.g. water, waste)
- **Sustained sector capex expected**
- **Mounting evidence than institutional investors are allocating to this area**
- **Short-term, economic uncertainty overshadowing catalysts for stock price momentum**
- **Large, fragmented market ideal for private equity**
- **Impax's growth model is well placed**