An investment in the world’s most important resource

WATER: Invest in companies that have both an attractive growth potential and a positive impact on the global shortage of clean water via the Parvest Aqua equity fund.
Water:
An investment that can make a difference

Water shortages are a global challenge with huge human costs. The SICAV Parvest – Aqua Classic-Capitalisation equity fund invests in companies that help secure and improve water supplies around the world. This is an attractive economic growth area that can at the same time help millions of people enjoy a better life.

Water covers more than 70% of the earth’s surface, yet clean water is a scarce and precious resource. An efficient supply of clean water is, however, crucial to both human well-being and to economic growth in developed as well as developing countries. The Parvest Aqua equity fund invests in companies with water-related activities, including companies that provide water supply infrastructure, manage and treat waste water, or develop new water-saving technologies.

Parvest Aqua is a so-called impact fund, which is a fund that focuses on delivering an attractive return for its investors by investing in companies which have a positive impact on environmental challenges.

Aligns with global trends
Looked at from an investment perspective, water has big economic growth potential in the coming decades. Growing populations and rising standards of living in many developing countries will increase the demand for water, while maintenance of water supply infrastructure in the developed countries is severely lagging, according to, for example, a 2016 report from consultants McKinsey & Company.

Parvest Aqua’s investments in the theme of water are spread across equities in 40-60 companies, with some having water-related activities as their sole business area, while water constitutes just part of the business of other companies. Including companies with other business areas than water is necessary to have a sufficiently large global universe of attractive equities, though all companies should derive at least 20% of their revenues or earnings from water-related activities – or have at least 20% of their capital invested in the area.

Why water is attractive for investors

1. Global demand for water exceeds supply.
2. Climate change is presenting challenges, including both droughts and flooding.
3. There is a huge need for investments in water supply infrastructure.
4. Increased regulation is increasing the focus on preventing water pollution.
5. The economic potential in developing new systems and technologies to secure efficient water supplies is considerable.


Impact funds like Parvest Aqua invest in companies that actively promote positive social or environmental development.
to negative developments in individual countries or regions.

The fund has also diversified its investments across different types of companies within the water area, making the portfolio less exposed to fluctuations in the economy. Water utilities, for example, usually have fairly stable and predictable earnings and hence often do well in times of economic crisis compared to the equity market in general, while companies in the water infrastructure area tend to thrive during economic upswings, when major investments in infrastructure are more likely to be made.

**Aiming to pick solid equities**

Parvest Aqua is an actively managed fund – in other words, portfolio managers from Impax Asset Management aim to put together a portfolio of investments that generates a higher return than the general market trend for water-related equities. Portfolio managers stock-pick the companies they expect will give the most attractive risk-adjusted returns based on a detailed analysis of each company’s financial reports, business model and growth potential. The selection process involves the portfolio managers combining their financial know-how with a professional understanding of environmental and sustainability matters.

The portfolio managers also assess all companies in the portfolio in terms of ESG, a key concept in the field of sustainable investments that stands for environmental, social and governance. ESG highlights the position of individual companies on issues related to the environment, such as CO₂ emissions and the disposal of dangerous waste; the social area, such as terms of employment and working conditions for their employees; and company management with respect to, for example, having transparent accounting practices and safeguarding their shareholders’ rights. Parvest Aqua only invests in companies with a satisfactory ESG profile.

Once a year, Parvest Aqua calculates the extent to which the portfolio investments align with the UN’s sustainable development goals [see page 7]. Hence, as an investor in the fund you can see how your investments help support these global sustainability goals. Parvest Aqua’s strategy fits particularly well with the FN’s goal of ensuring that in the future everyone has access to water and sanitation.

**Growing populations and rising standards of living in many developing countries will increase the demand for water, while maintenance of water supply infrastructure in the developed countries is severely lagging.**

**Be aware of the risks**

While an investment in Parvest Aqua presents an attractive opportunity for...
Higher standards of living require water

Agriculture accounts for around 70% of global water consumption, and rising standards of living in many developing countries are resulting in increased consumption of foods that require a lot of water to produce – not least meat.

Here are some examples of how much water various foods require in the course of their production.

<table>
<thead>
<tr>
<th>Item</th>
<th>Water Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 kg vegetables</td>
<td>322 litres of water</td>
</tr>
<tr>
<td>1 kg fruit</td>
<td>962 litres of water</td>
</tr>
<tr>
<td>1 litre milk</td>
<td>1,020 litres of water</td>
</tr>
<tr>
<td>1 kg butter</td>
<td>5,553 litres of water</td>
</tr>
<tr>
<td>1 kg pork</td>
<td>5,988 litres of water</td>
</tr>
<tr>
<td>1 kg beef</td>
<td>15,411 litres of water</td>
</tr>
</tbody>
</table>
**Fund return over past 5 years**

The Parvest Aqua fund has over the past five years generated an average annual return of 11.4% after costs in euro. However, historical return is no guarantee of future return, which can also be negative. The past five years have generally seen an extended period of equity market growth.

How much has EUR 100 grown over 5 years?

<table>
<thead>
<tr>
<th>Year</th>
<th>Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>80</td>
</tr>
<tr>
<td>2014</td>
<td>100</td>
</tr>
<tr>
<td>2015</td>
<td>120</td>
</tr>
<tr>
<td>2016</td>
<td>140</td>
</tr>
<tr>
<td>2017</td>
<td>160</td>
</tr>
</tbody>
</table>

**FACTS ABOUT THE FUND**

**Name:** SICAV Parvest – Aqua Classic-Capitalisation.

**Investment focus:** Global equity fund that invests in stock market-listed companies within the theme of water.

**Manager:** The fund is administered by BNP Paribas Asset Management in Luxembourg, but the investments are managed by the UK’s Impax Asset Management. Danske Bank offers and advises on investments in the fund in Denmark, Sweden, Norway, Finland and Luxembourg.

**Ongoing charge:** 2.21%. Of this, Danske Bank receives 0.88%. The scale of the costs reflects how investing in water is a niche area that requires specialist knowledge and insight. Moreover, the investment universe includes a number of smaller companies, which often require additional research work for the team, as smaller companies are not monitored and researched by equity analysts to the same extent as larger companies.

**Tax:** The fund is accumulating and is taxed in accordance with the rules for accumulating funds.

**Risk indicator [1-7]:** 5.

**Currency:** Euro.

**ISIN:** LU1165135440.

**Read more:** You can find the Factsheet and Key Investor Information at www.danskebank.dk/impactfunds_uk, where you can also read more about the fund and the risks associated with investing in the fund.

**An efficient supply of clean water is crucial, and the Parvest Aqua equity fund invests in companies that contribute to this agenda**

Though you also risk obtaining a lower return than the overall equity market.

Investments in the fund are denominated in euro [EUR]. However, the fund also makes investments in other currencies, such as the US dollar (USD), British pound (GBP) and Japanese yen (JPY), and here exchange rate fluctuations can have a significant impact on the fund’s return - both positive and negative. There may, in addition, be particular risks associated with the fund’s investments in emerging markets, which are often characterised as experiencing more political, economic and regulatory uncertainty than more developed markets.

An investment in Parvest Aqua could, for example, make up a share of the global equities in an investment portfolio, though the fund should only constitute a limited share of your overall holdings. We recommend you speak with an advisor if you are considering making an investment to ascertain whether a particular investment fits with your investment profile.
Once a year, Parvest Aqua assesses how the companies the fund invests in support the UN’s 17 Sustainable Development Goals (SDGs). More specifically, Parvest Aqua determines how large a share of company revenues is related to these goals. At its most recent assessment in 2017, companies supported four of the goals:

**GOAL 6: Clean water and sanitation**
Ensure access to water and sanitation for all

- Share of companies’ revenues related to the goal: **51-75%**

**GOAL 11: Sustainable cities and communities**
Make cities inclusive, safe, resilient and sustainable

- Share of companies’ revenues related to the goal: **1-25%**

**GOAL 9: Industry, innovation and infrastructure**
Build resilient infrastructure, promote sustainable industrialization and foster innovation

- Share of companies’ revenues related to the goal: **1-25%**

**GOAL 12: Responsible consumption and production**
Ensure sustainable consumption and production patterns

- Share of companies’ revenues related to the goal: **1-25%**

Source: Impax Asset Management