



# Water: An investment that can make a difference

Impact funds
like Parvest Aqua
invest in companies
that actively promote
positive social or
environmental
development.

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 & Company¹. The report estimates a global need for water infrastructure investment of USD 7,500bn between 2016 and 2030.

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.

## Good investment diversity

Parvest Aqua is administered by BNP Paribas Asset Management in Luxembourg, but the fund's investments are handled by portfolio managers from the British firm Impax Asset Management, which has been specialising in investments with an environmental profile since 1998. In 2014 Impax Asset Management received the highest official honour for UK companies – the Queen's Award for Enterprise – in the category sustainable development.

Parvest Aqua's overriding philosophy is to invest in companies that supply solutions for a more sustainable world. The fund has investments in both the developed markets, such as Europe and North America, and emerging markets in Asia, etc., including China. This ensures geographical diversification and makes the portfolio less vulnerable

# Why water is attractive for investors

- Global demand for water exceeds supply.
- 2 Climate change is presenting challenges, including both droughts and flooding.
- 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.

<sup>&</sup>lt;sup>1</sup>) 'Bridging Global Infrastructure Gaps', McKinsey Global Institute, June 2016.



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



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.

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  $\mathrm{CO}_2$  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.

# 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.



1 kg vegetables

322 litres of water



1 kg butter

5,553 litres of water



1 kg fruit

962 litres of water



1 kg pork

5,988 litres of water



1 litre milk

1,020 litres of water



1 kg beef

15,411 litres of water

# 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.



Source: BNP Paribas, accumulated monthly return in euro for the period 28.02.2013-28.02.2018. Return is calculated after costs. The investor's tax liabilities have not been considered. You can see an updated return graph at www.danskebank.dk/impactfunds\_uk.

#### **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.

Signatory of:



return, there are also a number of risks investors should be aware of if they are considering investing in the fund.

Investing in equities always carries a risk of loss, and as an investor you have to expect significant fluctuations in the value of the amount you invest. Among other factors, your investment will depend on how the individual companies in the portfolio perform and whether the equity market in general rises or falls. If the fund's portfolio managers successfully select equities that generate an attractive return, you can obtain a higher return than the equity market generally,



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.



# How the fund supports the UN's sustainability goals

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 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 11: Sustainable cities and communities

Make cities inclusive, safe, resilient and sustainable



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

#### Disclaimer:

This publication has been prepared by Danske Bank A/S, Holmens Kanal 2-12, 1092 København K, VAT.no. 61 12 62 28 ("Danske Bank").

Danske Bank is under supervision by the Danish Financial Supervisory Authority (Finanstilsynet).

This publication has been prepared for informational purposes only and it is not to be relied upon as investment, legal, tax, or financial advice. You must consult with your advisor as to the legal, tax, financial or other matters relevant to the suitability and appropriateness of a potential investment

The publication has been prepared for selected, potential, and current retail customers in Denmark, Sweden, Norway, Finland and Luxembourg.

Danske Bank may have financial interests in the distribution of this publication.

Prices, costs, and expenses quoted in this publication are indicative and may be subject to change and fluctuations due to ordinary market risks.

This publication is not an offer or solicitation of any offer to purchase or sell any financial instrument, this includes instruments distributed by third parties. Whilst reasonable care has been taken to ensure that the contents of this publication is fair, true, and not misleading, no guarantee is made as to its accuracy or completeness and no liability is accepted for any loss arising from reliance on it. Danske Bank accepts no responsibility for the accuracy and/or completeness of any third party information obtained from sources Danske Bank believes to be reliable but which have not been independently verified.

This publication nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions (the 'United States') or distributed directly or indirectly in the United States or to any U.S. person (as defined in Regulation S under the U.S Securities Act of 1933, as amended), including any national or resident of the United States, or any corporation, partnership or other entity organised under the laws of the United States.

Any information or opinions contained in this publication are not intended for distribution to or use by any person in any jurisdiction or country where such distribution or use would be unlawful.

Performances presented in this publication are historical. Past performances are not indicative of future performances and investors may incur losses on their investments.

Copyright  $^{\circ}$  Danske Bank A/S. All rights reserved. This publication is protected by copyright and may not be reproduced in whole or in part without permission.

For further information, please visit: danskeinvest.lu

Danske Bank International S.A. 13, rue Edward Steichen L-2540 Luxembourg RCS: B14101