Investec Asset Management launches Global Environment Strategy

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Addressing institutional investors' increasing focus on the risks of climate change, Investec Asset Management has launched the **Investec Global Environment Strategy**. The strategy, which invests in public companies across the value chain that benefit from the trend towards decarbonization, is designed to assist institutional investors exploring investment around long-term portfolio decarbonization. By seeking out those companies that stand to benefit from the energy transition, the strategy aims to provide investors with exposure to a $2.5trn growth opportunity as the world's power generation mix transitions and decarbonizes, together with a natural hedge against the unknown impact of climate change.

Portfolio managers Deirdre Cooper and Graeme Baker will run the strategy, with the support of Investec Asset Management's broader investment team. At the core of the strategy's investment process is a detailed analysis of the full carbon value chain together with a unique approach to identifying businesses whose products are contributing actively to the reduction of carbon emissions.

John Green, co-CEO, commented, 'With the world now increasingly focused on the question of how to address climate change, we believe that positive investment action must play a more prominent role in facilitating the transition to a lower carbon economy.'

The strategy aims to address climate risk and decarbonization in three ways; first, by providing access to the investment opportunity represented by companies participating in the sustainable transition towards decarbonization; second, redressing the balance of structural underexposure to the enablers and beneficiaries of decarbonization; and finally, providing a means by which to measure and hedge against systemic carbon risk in portfolios.

Deirdre Cooper, co-Portfolio Manager, said, 'The world has embarked on its third energy transition: a relatively rapid shift in favour of low-carbon energy. Electricity needs to take market share from all other forms of energy, as we electrify transportation and heating. As the world electrifies, solar and wind are set to become the dominant and far more economical power sources, growing from 0.2% of the world's power generation mix in 2000 to 7% in 2017, and this could grow to 80% by 2050. Electric vehicles will dominate new car sales by the same time. Investment is required in all the related value chain.

The strategy's investment universe is selected from 700 companies with a total market cap of over US$5 trillion. Selection methodology comprises of a two-stage screen, measuring environmental revenues and measuring 'carbon avoided[1]'. This includes considering a company's reported Scope 1 & 2 emissions as defined by the CDP, but also the indirect emissions from the companies' supply chains and products and services once they are sold, or 'Scope 3' carbon, as well as carbon avoided. When compared with traditional equity universes, the resulting Global Environment universe has minimal to no overlap with traditional equity allocations such as the FTSE 100 or MSCI All Country World Index and has no exposure to the 100 companies identified as the world's largest carbon emitters by Climate Action 100.

[1] This concept was first developed as part of the European Union's Emissions Trading Scheme where heavy emitters were required either to cut their emissions or to buy carbon credits in the market from projects which avoided carbon.

John Green, co-CEO, said, “Humanity faces an unprecedented challenge: to transition quickly to a carbon-free growth model, ultimately leading to a more sustainable world. Because of this, the case for investing in public companies that tackle climate risk is a mainstream investment priority.’

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Notes to Editors

About Investec Asset Management

Investec Asset Management is an independently managed subsidiary of Investec Group.

Investec Asset Management is a specialist investment manager, providing a premier range of products to institutional and individual investors. Established in 1991, the firm has been built from start-up into an international business managing more than $142.4 billion* on behalf of third party clients. The business has grown largely organically from domestic roots in Southern Africa to a position where we proudly serve a growing international client base from the Americas, the UK and Continental Europe, Asia, the Middle East, Australia and Africa. We employ over 190 investment professionals. The firm seeks to create a profitable partnership between clients, shareholders and employees, and to exceed expectations for both client service and performance.

*As at end September 2018