

<http://blog.en.erste-am.com/2016/04/20/mega-trend-environmental-technology/>

## Mega trend environmental technology

Paul Severin



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The global population will reach 10 billion people by 2100, with masses streaming into the cities. The environmental problems are becoming more challenging as we speak due to the exploitation of raw materials and the climate change, which has manifested itself via ever more frequent freak weather events. The call for the cautious handling of resources has become more insistent.



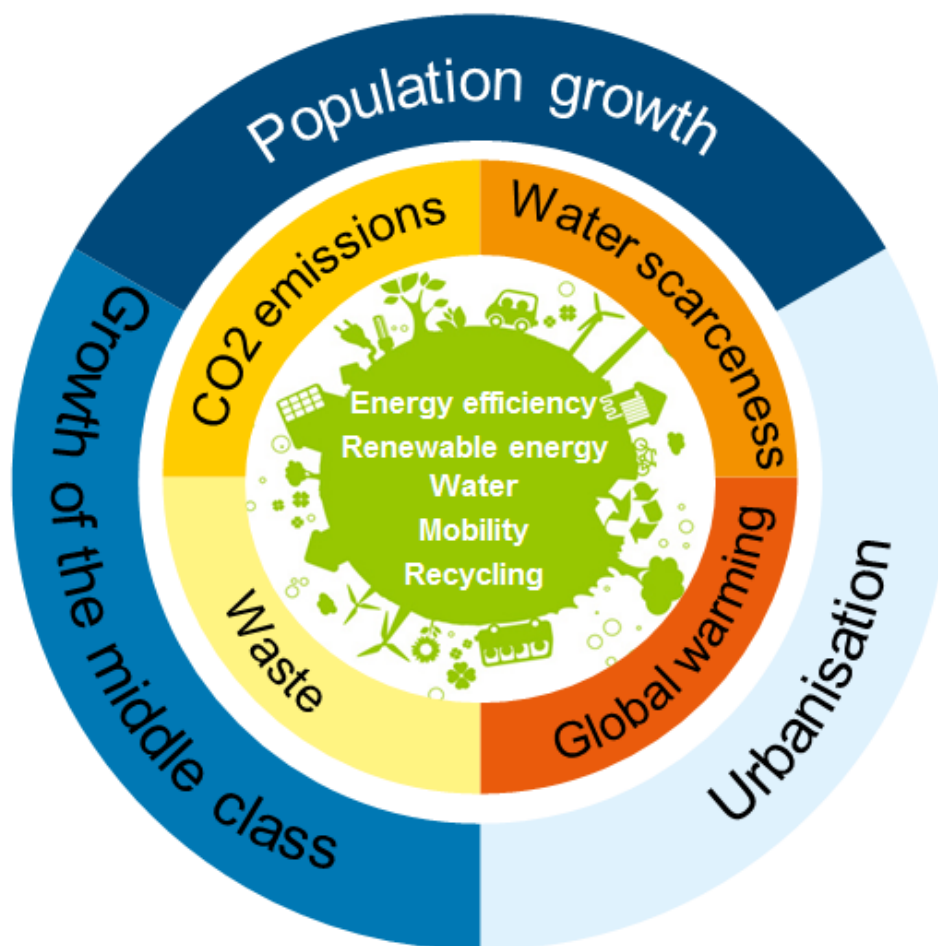
*Clemens Klein, senior fund manager*

### **Climate Agreement of Paris heralding new era?**

The Climate Agreement of Paris, ratified last November, can be seen as worldwide act of solidarity for sustainable economic behaviour. Regardless of political initiatives aimed at fighting environmental pollution, water scarceness, greenhouse gases, and global warming, innovative companies drive improvement.

### **We have asked Clemens Klein, fund manager of the environmental fund ERSTE WWF STOCK ENVIRONMENT: “What environmental technologies does the fund bet on?”**

ERSTE WWF STOCK ENVIRONMENT covers a range of environmental themes. The most important ones are energy efficiency, renewable energy, water, mobility, waste management, and recycling – i.e. all areas that should record above-average growth rates in the long term. We have seen spectacular progress in the R&D of electric cars, solar energy, and batteries. These technologies will change our lives fundamentally.



*Graph: mega trends in environmental technologies; source: ERSTE-SPARINVEST*

### **Can you name examples?**

Among the well-known companies are surely Tesla, which has caused a global stir with its electric cars, and First Solar, an internationally operating company in photovoltaics, based in the USA. Some investors will know Vestas Wind Systems from Denmark. The company is the biggest European producer of wind turbines. We have also invested in the Mayr-Melnhof group, the world's biggest manufacturer of recycled coated carton board based in Austria.

### **What should an investor pay attention to?**

Growth shares tend to be rather volatile and come with high unsystematic risk. For example, Tesla shares lost about 40% of their value from 1 January 2016 to mid-February, but by 31 March they had rebounded to only 4% below the value of the beginning of the year.

Not all innovations will assert themselves on the market. Therefore it makes sense to diversify broadly across a number of shares; in our case, we are currently talking about 89 different companies. This makes it possible to avoid the risk of betting largely on wrong companies, while one benefits overall from the long-term growth trend of the overall sector. Going on experience we can also say that setbacks have always been a good window of opportunity to buy. For some investors, fund savings plans may also be interesting; it allows them to invest regularly.

### **What sort of performance do you expect from the fund?**

In the short run the performance of the fund depends strongly on the international stock exchanges. This year started out in a rather volatile fashion. For example, the fund lost about 17% from 1 January 2016 to mid-February, almost tantamount to the global stock exchanges, which corrected by 15%. While having rebounded from those lows, the equity markets have not quite made up for the ground they had lost. Environmental shares are classified as growth shares due to their high sales potential.

Their prices tend to outperform the share prices of traditional companies in upswing phases, but they take more pronounced hits in downward phases. As far as the performance specifically is concerned, I expect a surplus return of about 2 to 4% vis-à-vis global equities. By comparison, experts envisage an average annual rate of return of about 6% in the long run.

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### Cooperation with WWF

ERSTE-SPARINVEST waives parts of the management fees for this fund. This money has been used to support the water and climate protection programme of WWF Austria for ten years.

### Risk notes according to 2011 Austrian Investment Fund Act

ERSTE WWF STOCK ENVIRONMENT may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

## Wichtige rechtliche Hinweise

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### Paul Severin

Paul Severin has worked at Erste Asset Management since April 2008. Until 2012 he was responsible for the company's product management; he has directed communications and PR activities since April 2012. From 1992 to 2008, he was director of equity fund management and deputy director for institutional funds at Pioneer Investments Austria in Vienna.

His career in the securities business began in 1992 at Constantia Privatbank as a portfolio manager and analyst. He worked as primary analyst at Creditanstalt Investmentbank in Vienna from 1994 to 1999.

He studied international business at Innsbruck University and Marquette University in Milwaukee, WI, USA. Before his university studies, he worked at Dornbirner Sparkasse in letters of credit and export financing.

Paul Severin is a member of the board at ÖVFA (Austrian Association for Financial Analysis and Asset Management) and a CEFA charter holder.