The Hermes Impact Opportunities Fund is a high-conviction global equity strategy with a bold objective. It aims to generate long-term outperformance by investing in companies succeeding in their core purpose: to generate value by creating positive and sustainable change that addresses the underserved needs of society and the environment. In this way, it focuses on tomorrow’s leading companies, today.

**EXPOSURE BY IMPACT THEME**

- **CIRCULAR ECONOMY**: Enhancing resource efficiency and waste reduction - 3.8%
- **WATER**: Improving access to quality water supply and preservation of the resource - 8.4%
- **ENERGY TRANSITION**: Transforming the energy system to power a low-carbon economy - 11.8%
- **IMPACT ENABLERS**: Providing crucial solutions and services to impactful companies directly involved in the various themes - 22%
- **HEALTH & WELLBEING**: Improving life expectancy and quality - 31.7%
- **EDUCATION**: Providing opportunities for all – irrespective of wealth, geographical location or ability - 3.9%
- **FUTURE MOBILITY**: Improving vehicle efficiency to increase low-carbon transportation - 11.4%
- **FINANCIAL INCLUSION**: Providing financial services to underserved populations - 3.9%

Source: Hermes as at 31 March 2018.

This document does not constitute a solicitation or offer to any person to buy or sell any related securities or financial instruments. The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Past performance is not a reliable indicator of future results and targets are not guaranteed.
PORTFOLIO PICK:
SIEMENS GAMESA RENEWABLE ENERGY

Energy Transition

SDG target 7.2:
By 2030, increase substantially the share of renewable energy in the global energy mix

Theory of change

The growth of wind power is enabling a shift from electricity generated by fossil fuels, a major cause of climate change. Siemens Gamesa, an innovative provider of wind-power turbines and services, is a leader in lowering the levelised cost of energy for wind farms and making them attractive relative to other power sources and in absolute terms.

To gauge the impacts created by the company, we are monitoring the following metrics:

- Thematic

- Company level
  - New installed power
  - Greenhouse gas reductions due to products sold and new installed capacity

Siemens Gamesa is focused on driving down the levelised cost of energy (LCoE) for wind power. The LCoE is the net present value of the cost of a unit of electricity throughout the lifetime of the generating asset. In other words, it is a proxy for the average price that a power-producing utility, such as a wind farm, must receive in order to break even over its lifetime. Given that lowering the LCoE for wind power is its core objective, Siemens Gamesa is contributing to the delivery of the seventh and 13th UN Sustainable Development Goals (SDGs) and a natural fit with one of our eight impact themes: energy transition.

Evolution of wind turbine heights and output

Source: Bloomberg New Energy Finance

1 This metric gauges the amount of reductions in greenhouse gas emissions over the lifetime of products sold during the reporting period. 2 “Siemens Gamesa posts strong new orders as key markets recover,” by Christoph Steitz. Published by Reuters on 30 January 2018. 3 Source: Siemens Gamesa presentation at the company’s Capital Markets Day in February 2018.
PORTFOLIO PICK: ABCAM

Impact enablers: Providing crucial solutions and services to impactful companies

Health and wellbeing: Improving life expectancy and quality

Theory of change
Abcam provides high-quality antibodies that enable biomedical researchers to replicate — and therefore validate and expand upon — previous experiments. By improving reproducibility within biomedical research, Abcam is accelerating the pace of scientific discoveries.

To assess the company's impacts, we are monitoring the following metrics:

Thematic
- IRIS, 2016. Percent Revenue Generated from Social/Environmental Products and Services (PI8168), v4.0

Company level
- Recombinant antibody revenue growth

Enabling scientific progress
Abcam is helping to solve the reproducibility challenge in biomedical research. It provides high-quality antibodies — proteins generated by the immune system that bind to an antigen — which are indispensable in biomedical research and diagnostics. Without high-quality antibodies, experiments cannot be repeated and historical findings become invalid.

Antibodies are used to research a range of different diseases, from cancer to Alzheimer’s. By improving the reproducibility of biomedical experiments, Abcam greatly supports scientific discovery and is therefore, in our view, an impact enabler helping to improve health and wellbeing within society.

Abcam validates antibodies and lists them for purchase on an online catalogue, a business model that it pioneered in 1998. This provides details about the antibodies’ functions and applications, plus images, relevant scientific papers, customer reviews and advice to help ensure that antibodies perform as expected.

Abcam has the world's largest commercially available collection of recombinant antibodies, which are highly validated and do not require animals for production, unlike normal monoclonal antibodies. It aims to grow revenues from recombinants by 20-25% in the next year. Its RabMAb rabbit antibodies, produced in-house using proprietary technology have a current recombinant rate of 96%. These antibodies are of a very high quality, due to their specificity (acute antigen recognition), affinity (ability to bind to an antigen), and consistency.

Abcam extensively validates antibodies before adding them to its catalogue, and repeats these tests on an ongoing basis. It does this through internal and external tests, incentivising customer reviews, and rationalising its online catalogue by removing poorly validated antibodies.

Abcam is helping to solve the reproducibility challenge in biomedical research

A survey conducted in 2016 found that 70% of scientists cannot reproduce the work of their peers, and more than 50% can’t reproduce their own experiments. Irreproducibility has multiple causes, but the variability and insufficient validation among batches of antibodies — even when sold by the same company — attracts much of the blame. Some scientists claim that up to half of the antibodies available commercially are not fit for reproducible research. Abcam combats this by setting standards for antibody validation. Its strengths are as follows:

- **01**
  Abcam validates antibodies and lists them for purchase on an online catalogue, a business model that it pioneered in 1998. This provides details about the antibodies’ functions and applications, plus images, relevant scientific papers, customer reviews and advice to help ensure that antibodies perform as expected.

- **02**
  Abcam has the world’s largest commercially available collection of recombinant antibodies, which are highly validated and do not require animals for production, unlike normal monoclonal antibodies. It aims to grow revenues from recombinants by 20-25% in the next year. Its RabMAb rabbit antibodies, produced in-house using proprietary technology have a current recombinant rate of 96%. These antibodies are of a very high quality, due to their specificity (acute antigen recognition), affinity (ability to bind to an antigen), and consistency.

- **03**
  Abcam extensively validates antibodies before adding them to its catalogue, and repeats these tests on an ongoing basis. It does this through internal and external tests, incentivising customer reviews, and rationalising its online catalogue by removing poorly validated antibodies.

1. This metric gauges the percentage of revenue that Abcam earns from projects and services designed to deliver a specific social or environmental benefit during the reporting period.
**THEMATIC FOCUS: FUTURE MOBILITY**

Powering a low-carbon economy through energy efficiency, innovation and resilient infrastructure

### CLEANER

Global CO₂ emissions have almost risen 2x since 1990, with transportation causing 25% of emissions.

Electric vehicles (EVs) provide a viable alternative to petrol vehicles. The cost of lithium-ion batteries, which power EVs, has dropped 65% since 2010, and the cost of batteries is expected to fall below $100kwh in the next decade.

Lower battery costs should help drive EV usage to about 700gwh by 2030, enabling EVs to help prevent further climate change and air pollution.

### INTELLIGENT

The number of sensors found in vehicles has increased significantly, covering three aspects:

- **Efficiency:** Powertrain and engine management, including oil and petrol-tank pressure, throttle and torque
- **Safety:** Dynamic braking, side airbags and roll-over sensors
- **Comfort:** Including particle filtration, GPS mapping and parking assistance

### CONNECTED

Technology is accelerating the development of connected vehicles, enabling them to:

- Understand their global position and communicate with the surrounding environment
- Provide information about road, traffic and weather conditions
- Drive without drivers

In a world with autonomous vehicles, technological innovation will be key in avoiding accidents and preventing passenger and pedestrian injuries as semiconductors and sensors replace eyes and ears.

### SHARED

By 2040, shared mobility is expected to account for about 80% of miles driven in the US. The primary long-term drivers for vehicle sharing are:

- Urbanisation and the need for environmentally friendly transport
- Flexibility for consumers and lower costs than car ownership
- In China, 95% of the estimated 30,000 shared vehicles now being used are either electric or plug-in hybrid cars

Vehicle-sharing will reshape cities: with fewer private vehicles, land currently used for parking will be available for other uses, such as housing.

### OUR EXPOSURE

**Umicore**, one of our holdings, provides cathode material – a critical component for EV batteries – and manufactures emissions-control technologies which help reduce the environmental impact of internal-combustion engines.

**Valeo**, a portfolio company, manufactures sensors that improve vehicle safety and comfort, such as:

- Ultrasonic sensors, radars and cameras to detect obstacles
- Rain, light and humidity sensors
- Multi-camera systems to replace rear and side mirrors
- Blind-spot sensors

**Hella**, a company we invest in, develops innovative smart lighting systems for vehicles, helping them to process and communicate information, thereby improving safety and reducing energy consumption. It also develops innovative camera and radar products, helping to increase the safety of autonomous vehicles.

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HERMES INVESTMENT MANAGEMENT

We are an asset manager with a difference. We believe that, while our primary purpose is to help savers and beneficiaries by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial – and consider the impact our decisions have on society, the environment and the wider world.

Our goal is to help people invest better, retire better and create a better society for all.

Our investment solutions include:

**Private markets**
- Infrastructure, private debt, private equity, commercial and residential real estate

**High active share equities**
- Asia, global emerging markets, Europe, US, global, and small and mid cap

**Credit**
- Absolute return, global high yield, multi strategy, global investment grade, real estate debt and direct lending

**Multi asset**
- Multi asset inflation

**Stewardship**
- Active engagement, advocacy, intelligent voting and sustainable development

**Offices**
- London | New York | Singapore

For more information, visit [www.hermes-investment.com](http://www.hermes-investment.com) or connect with us on social media:

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