Since when did investors care? ESG demystified.

When it comes to responsible investment the terminology can be confusing, with the lay investor applying little distinction between Impact investment, ESG (Environmental, Social and Governance), SRI (Socially Responsible Investing) and Ethical Investing. Broadly speaking this is not a new asset class, with certain funds dating back to the seventies. Definitions aside however, what is for certain, responsible investment is seeing unprecedented growth with Morningstar Direct Data showing more than a five-fold growth in sustainable fund assets to nearly €600bn over the last decade.

However, ever more mainstream strategies are incorporating ESG factors into their mandates. According to unpri.org, the United Nations Principles for Responsible Investment (PRI), the PRI now has over 2,300 signatories representing approximately US $83tn of assets. 366 of these signatories, representing $9tn, are based in the UK. We believe that ESG criteria, which extend way beyond carbon emissions and female representation at Board level, can be healthy indicators of a Company’s financial sustainability, and there is evidence to suggest a link with investment returns, and even more so in terms of downside protection. However, the evolving legislative and reporting landscape on non-financial KPIs makes it challenging for smaller companies to compete when it comes to attracting the favour of multiple ESG ratings agencies, and only a handful of AIM companies are subject to the ratings of some of the leading providers of ESG scores.

That is not to say that the junior markets are not home to companies that can have a positive impact on the environment and society. Indeed, of the London Stock Exchange companies awarded the new Green Economy Mark last year, some 60% of the companies are on AIM. For companies to make a real difference and develop truly disruptive products and services, innovation is key, and this can be supported by tax incentives for companies and investors, such as R&D tax credits, and the Enterprise Initiative Scheme (EIS). Given the hurdles to institutional investing in smaller companies, investors are likely to require a small cap specialist to help them identify promising companies at this end of the market. Conversely, smaller companies with strong ESG credentials, are less likely to have this baked into the market price, giving those who dare an edge over the herd.
Contents

The rise of responsible investing ................................................................. 2

The relationship between ESG credentials and investment returns .................. 9

What are the implications for issuers and in particular small caps? ................. 12

Disclaimer ........................................................................................................ 20
The rise of responsible investing

According to the independent UK investment consultancy SRI Services, the first retail ethical fund, the Pax fund, was launched in the USA in 1971 by the Methodists – who did not want to financially support the Vietnam War. The first UK ethical funds were a little slower to emerge with the Stewardship range being launched in 1984 by the former Quaker UK Life Office Friends Provident. In brief, the funds’ approach was – and is:

- to support companies that have a positive impact on society
- to avoid companies that have a negative impact on society
- to encourage companies to behave more ‘ethically’ or ‘responsibly’

Data from Morningstar shows a strong trend in the rise of inflows into European ESG (Environmental, Social and Governance) funds. H1 2019 was a record half with net flows of some €37bn just shy of the total for 2018. Supported by strong flows as well as positive stock market returns, sustainable European fund assets also reached a record level of EUR 595 billion.

As shown below, as many as 168 new sustainable funds came to market in the first half of 2019. The industry is on track to match or even exceed 2018’s record of 305 new offerings.
ESG criteria are becoming increasingly important across the board within the asset management industry, even where the funds headline mandate is not a related theme. Indeed, according to its 2018 annual report Morningstar now provides Sustainability Ratings for some 45,000 investment vehicles. To receive a Portfolio Sustainability Score, at least 67% of a portfolio’s assets under management must have a company ESG Risk Rating. A score of between 0 to 100 is derived with 0 indicating that a company has no unmanaged ESG risk and 100 indicating the highest level of ESG risk. To be considered material to the risk rating, an ESG issue must have a potentially substantial impact on the economic value of a company and therefore on the risk/return profile of an investment in the company. On this basis we argue that investors would need a very compelling reason to invest in a Company with a poor ESG rating.

The importance that asset managers are ascribing to ESG metrics was highlighted earlier this month by the annual ‘Dear CEO’ letter penned by Larry Fink, the founder and CEO of Blackrock, the world’s largest asset manager. He suggested that “we are on the edge of a fundamental reshaping of finance” and that investors are recognising that climate risk is investment risk. In a warning to Blackrock’s investee companies he concluded the letter with a statement that Blackrock, “will be increasingly disposed to vote against management and board directors when
companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them.”

According to the United Nations Principles for Responsible Investment (PRI), the PRI now has over 2,300 signatories (pension funds, insurers, investment managers and service providers) to the PRI’s six principles globally with approximately US $83 trillion in assets under management. 366 of these signatories, representing $9 trillion, are based in the United Kingdom, dwarfing the various estimates of collectives specifically earmarked as ESG. ESG criteria and their increasing importance to the end investor and investment professionals can transcend industries and encourage responsible business practices on a much wider level than ESG’s closely related cousins Impact investing and SRI (Socially Responsible Investing.) Although there are no hard and fast definitions early, SRI funds sought to negatively screen investments, for example avoiding companies with significant interests in South Africa during the Apartheid era, as well shunning producers of tobacco, alcoholic beverages, weapons and gambling operators. Fossil fuel producers also fell foul of these exclusions.

However this does not mean that such companies cannot score favourably in ESG assessments. One might be surprised to hear that Diageo, one of the world’s best-known owner of alcoholic beverage brands featured in the 2018 Corporate Knights’ Global 100 Most Sustainable Companies list for the second year in a row. The Company points to its commitment to phasing out the use and promotion of plastic straws and stirrers, its combined water stewardship initiatives in India to improve communities’ access to clean water and sanitation and commitment to sourcing 100% renewable electricity. In the 2019 Global 100, French Oil Major Total was ranked 57th. Total’s stated ambition is to become the responsible energy major by contributing to supply to as many people as possible a more affordable, more available and cleaner energy. Companies such as Total cannot afford to ignore the prospect of financial penalties on fossil fuels and the growing availability and falling prices of sustainable alternatives.

According to the United Nations Framework Convention on Climate Change, carbon pricing initiatives cover some 15% of global greenhouse gas emissions. However, many oil companies are applying internal carbon prices when evaluating projects to
translate the risks and opportunities of a low-carbon economy into business decisions, a practice clearly of value for any long-term investor.

**Impact investing** takes the focus of responsible investing beyond mere conscientious corporate citizenship. Of course, an increasingly widespread commitment at Boardroom level to sustainable operations will in itself have an impact on the likes of demand pull for clean energy, improved employment conditions and workforce diversity and business ethics. According to the Global Impact Investing Network, impact investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investing places a much greater focus on the products, projects or services invested in than ESG which is weighted towards business practices. Impact investments can cover a broad range of initiatives from affordable housing schemes, through to developers of more efficient forms of renewable energy. Other examples could include technologies for reducing the impact of waste on the environment, sustainable agriculture, education, inclusive finance, broadband in rural communities, or pioneers in precision medicine in oncology with its promise to extend and save lives.

Indeed any investment that actively contributes to the 17 United Nations Sustainable Development Goals as outlined in our front-page graphic, could be worthy of consideration as an impact investment. At Hybridan we work with many innovative technology companies and we believe technology has a key part to play in progressing a good proportion of the UN goals. Impact investment seeks to generate both financial and social returns. In an efficient market one would expect impact investments to potentially generate lower risk adjusted financial returns than the market rate (be it debt or equity) with this gap known as the investor’s concession. However, there is an argument that this approach encourages a misallocation of capital and in the long term will be harmful for capital inflows into impact investments.

Beyond the traditional ‘Green’ impact plays we work with a number of companies that might be worthy of consideration by impact investors. Many of them are in the healthcare field. These include: 1) Sareum Holdings (SAR.L)* whose highly targeted precision medicines are targeting protein kinases that have excellent promise in
certain cancers and auto immune conditions. Its pipeline has made excellent progress over the last 12 months in terms of pre-clinical and clinical results;

2) DXS Systems (DXS.PL)* develops advanced digital health solutions for both doctors and patients designed to improve long-term (chronic) conditions and health outcomes, reduce treatment costs and save lives. It is NHS accredited. The shares are on a rating of just over 1x revenue and traded profitably in the recently reported interim period. Its product pipeline suggests plenty of growth to come;

3) Physiomics (PYC.L)* is seeking to improve the rate of successful drug authorisations for cancer therapies through its Virtual Tumour Bio-Simulation platform which includes top tier Pharmaceutical companies and leading Biotechs amongst its client base. It has also been awarded several research grants in the field of personalised medicine. For its first personalised oncology tool, Physiomics has focused on developing a tool for the personalisation of docetaxel dosing in late stage prostate cancer. If it were to be approved by regulatory authorities, the personalised dosing tool could potentially improve patient outcomes, reduce costs and postpone the need for subsequent expensive treatments;

4) Liminal BioSciences (NASDAQ:LMNL)* a late stage biotechnology Company that specialises in discovering, developing and commercialising novel small molecule compounds for respiratory, liver and renal diseases.

In less efficient markets, which could include junior exchanges and private markets, we believe there is a greater opportunity for non-concessionary impact investors to generate alpha and equal or better risk adjusted market returns, and expert knowledge, research and advice is paramount to achieving this edge. However, we believe that both concessionary and non-concessionary investors have an important role to play. Many impact investments will be novel, seeking to pioneer new products and markets. The risks will therefore be high but those that do succeed will eventually attract more conventional sources of capital, and in the long-term drive super-normal returns for early supporters. Although funds deployed in impact investment are relatively modest compared to broader classifications of sustainable investment, the numbers are not immaterial, with the global market as at the end of 2019 estimated at $502bn by GIIN (The Global Impact Investing Network).
We believe that both impact investing and sustainable investing as a whole will continue to grow, driven by a number of factors. Certain trends such as renewable energy and electric vehicles seem to have an almost unstoppable momentum. According to a September 2019 report by the UN Environment Programme, global investment in new renewable energy capacity was set to reach USD 2.6 trillion in 2019. In September 2019, the UK Government unveiled a £400m Charging Infrastructure Investment Fund. Attractive returns are possible in the sector with the Ventus VCT fund, which has been fully invested in a portfolio of companies operating wind and hydroelectric renewable energy assets, being the top performing UK Environmental VCT on a 5 year share price basis, up 93.5% as at 18 October 2019.

Extreme weather events such as the Venice floods and the Australian bushfires continue to focus the public’s attention on climate change. As life expectancy continues to grow, the pressures of income inequality, healthcare and governance will become increasingly meaningful. We also expect demand for ESG focussed investments to be pushed from the other end of the demographic spectrum. According to Coldwell Banker Real Estate LLC the “Great Wealth Transfer” will see an estimated $68tn passed down from baby boomers to millennials over the next 25 years in the United States alone. According to a September 2019 survey by the Morgan Stanley Institute for Sustainable Investing, 95% of millennials now express interest in sustainable investing. The survey polled 800 U.S. Individual Investors with minimum investable assets of $100,000. This generation’s rising wealth and prolific use of social media are a powerful combination in driving demand for the asset class.

Greta Thunberg, Teenage environmental activist. Source: ourfiniteworld.com
Regulation and increased levels of disclosure on ESG practices will also keep a spotlight on the subject. The UK Stewardship Code, first released in 2012 by the Financial Reporting Council, has over 2,300 institutional signatories, at its peak represented over 40% of listed equity assets under management in the UK. The code’s principal aim is to encourage institutional investors to actively engage in corporate governance in the interests of their beneficiaries. As of the 1st of January 2020, the revised code includes a new principle, principle 7, states that signatories are expected to consider material ESG issues, including climate change, as part of their investment, monitoring, engagement and voting activities.

In December 2019, the European Securities and Markets Authority (ESMA) published its findings on potential undue short-term pressures in securities markets. ESMA, based on the evidence collected, recommends improvements in issuers’ ESG disclosures which should respect a minimum level of comparability, relevance and reliability. ESMA recommends that the European Commission considers appropriate amendments to the NFRD (Non-Financial Reporting Directive) to establish principles for high quality non-financial information along with a limited set of specific disclosure requirements. The UK last year saw the introduction Streamlined Energy & Carbon Reporting (SECR). Failure to comply with the SECR Regulation is a criminal offence.
When we delve deeper into what ESG actually stands for the growing importance that investors are attaching to these criteria becomes apparent. It is often the E of ESG that first comes to mind. Environmental awareness in itself can reduce a company’s risk exposure (be it directly to associated fines) or indirectly to climate induced disasters. In March 2017, Thames Water was fined a record £20m for “systemic” management failures that polluted the Thames and surrounding areas with millions of tonnes of raw sewage.
In 2016 the chemical company Cristal Pigment was fined £3m for poor operational practices that killed one of its employees and seriously hurt another when they were overcome by a toxic vapour cloud. In our view there should be no surprise that genuinely sustainable companies should be worthy of consideration by those seeking long term investment performance.

The S of ESG largely the Company’s engagement with its employees and local communities. Just this month AIM listed Pressure Technologies said its Chesterfield Special Cylinders subsidiary will pay a fine of GBP700,000 following a fatal accident in June 2015. Companies that prioritise work safety and long-term engagement are far more likely to have a productive and talented workforce and those who engage with communities are likely to be looked upon favourably by legislators and consumers.

The G in ESG is Corporate Governance, a theme that has driven its own changes to disclosure in recent years, with the 2018 changes in AIM rule 26 further closing the disclosure gap between AIM companies and those on the Main Market, by requiring companies to follow a recognised corporate governance code. According to the Quoted Companies Alliance (QCA) some 90% of AIM companies adopted the QCA Corporate Governance Code.

Corporate Governance seeks to align executive pay with shareholder interests, promote Board diversity which can bring fresh perspectives and new skills to the table, and ensure financial transparency and robust risk management controls are in place. In short companies with strong ESG credentials are well run companies!

With regular news of high profile data breaches hitting the headlines, and strengthening legislation with the likes of the EU General Data Protection Act it is perhaps of no surprise that the World Economic Forum’s Global Risks 2018 report cites cyber-attacks as a bigger risk for doing business than terrorist attacks, fiscal crises and climate change. We also believe that increased online security can contribute to reducing inequality. There remains a very large gap between the developed world and developing nations in terms of internet penetration with Africa trailing the rest of the world by some way at sub 40% against nearly 90% in North America (Source: www.internetworldstats.com/stats.htm).
Tom Ilube, the founder and CEO of the fast-growing technology commercialisation company focused solely on cyber security and risk, Crossword Cybersecurity* (CCS.L) is also heavily involved with the African Science Academy, Africa’s first and leading science and maths secondary school for gifted girls. We asked him to what extent the increasing menace of cybercrime is a threat to developing nations ability to close this gap and his response is below.

“The ability for developing nations to close the internet gap is very dependent on robust cyber security because adoption in critical areas is based on trust, amongst other factors. For example, online medical apps are likely to be essential to improving healthcare in sub-Saharan Africa, where there are on average 2 doctors per 10,000 people compared to 30 doctors per 10,000 across Europe. This is a massive challenge, and online healthcare apps can make a huge difference. But if people don’t trust these internet-based solutions, and others in education, climate change, financial services and so on, because of potential online fraud then their take up may be severely hampered. Trusted cyber security is not nice to have, in these contexts. It can mean the difference between life and death.”

According to an article by Dan Lefkovitz of Morningstar, a 2019 study of Morningstar’s 56 unique ESG-screened indices showed that 73% of the indices outperformed their non-ESG equivalents since inception.

Our review of numerous studies suggests that the correlation between high ESG ratings and downside risk and volatility, is stronger than the relationship to stock performance, and given the risk management focus of ESG factors we are not surprised by these findings. A study in 2019 by Bank of America found that 24 controversies related to accounting scandals, data breaches, sexual harassment cases and other ESG issues, across the S&P 500 index, resulted in peak to trough market value losses of $534bn. Lower volatility should lead to both a lower cost of debt and equity for companies who prudently manage their risks.

ESG scores, like many financial data and valuation data points, are not static. A rating can be considered a reflection of a company’s ESG credentials at a moment in time. One can argue that this is somewhat backwards looking and with a higher likelihood of being already priced in by the market. Given the evolving landscape in ESG there may be many firms who are only beginning to place a higher priority on these factors.
Assets with a demonstrable trend of improving ESG practices, or with a strong commitment to doing so, may offer investors a greater source of alpha. Here access to management and research are likely to be core tools for making such a conclusion.

We have outlined some compelling reasons why we believe capital will continue to be driven into ESG focussed assets. This in itself may help to drive asset prices, although such self-fulfilling booms and herd mentality come with the risk of valuation bubbles. Therefore careful stock selection and consideration of more than just ESG factors will help investors to avoid what might be described as bandwagon risk.

**What are the implications for issuers and in particular small caps?**

For companies of any size getting to grips with ESG issues can be daunting. Reporting in itself can consume vast amounts of management time and navigating the multitude of frameworks and ratings providers could be a job within itself. Some larger companies dedicate significant resources to ESG reporting and policies with some going as far as to produce separate sustainability reports in addition to statutory financial reports. Having a dedicated team or even single employee for such purposes is a luxury few smaller companies can afford. According to the Global Initiative for Sustainability Ratings, even back in 2016 there were well over 100 organisations producing sustainability research and ratings on companies. A report by Sustainable Insight Capital Management suggested that there were about 10 providers are of primary relevance – that’s significantly more than the number of credit rating agencies most investors would need to pay attention to.

In terms of reporting frameworks, the picture is similarly muddled although the 2019 IR Society Survey: Insights into current ESG reporting practices, suggested some level of convergence. One must keep in mind however that these need to be applied alongside national legislative requirements such as Streamlined Energy Carbon Reporting (SECR) and the Modern Slavery Act.
The very same survey however, mentioned that of the members surveyed across all UK major markets including AIM, only a small proportion of small cap companies amongst the IR Society’s membership responded with any feedback, suggesting that many smaller companies are not ready or resourced to consider their approach to ESG within Investor Relations. With this in mind, it is highly likely that many small cap companies are likely to score badly, or just not be considered at all by the ratings agencies. This in itself could provide a further reason for investors to automatically veto promising smaller companies. This doesn’t necessarily mean that smaller companies are any less socially responsible than their larger peers. Indeed, of the London Stock Exchange companies awarded the new Green Economy Mark last year, we estimate that some 60% of the companies (approximately 60 excluding investment funds) are on AIM.

This suggests that the junior market still remains an excellent home for innovative companies looking to actually make an impact through their business operations. The Green Economy Mark recognises equity issuers on London Stock Exchange with green revenues of 50% or more. We believe that the UK investor landscape is
generally supportive of responsible investing, with over £33bn having been raised on the LSE’s Sustainable Bond Market by issuers from 18 countries.

In October 2019, the London Stock Exchange Group hosted its first Sustainable Finance and Investment Summit. The LSE has also developed a helpful and simple to use online assessment tool that helps companies to understand their current ESG disclosure performance and identify what additional metrics could be disclosed to help give investors a clearer picture.

Tax breaks for investors such as the EIS and VCT schemes help to encourage technological development that addresses some of the environment and society’s great unsolved problems and smaller companies are exempt from at least some of the reporting burdens ESG is placing on larger companies. Whilst a rule change in 2015 excluded asset-backed renewable energy investment from these schemes, there is an increasing onus on knowledge intensive R&D companies which could include innovators in areas such as recycling, waste management, water treatment, smart buildings/energy efficiency, energy storage, cybersecurity, and sustainable agriculture. However, the likelihood of many responsibly minded institutions avoiding AIM companies means that there are likely to be some unloved gems which tick the boxes of both ESG and impact investors.

We highlight some further UK quoted smaller companies that we believe are worthy of further attention by impact investors and whilst many of them are in receipt of a Green Economy Mark, there are others whose impact goes beyond just the environment.

**Benchmark Holdings (BMK.L)** mission is to enable food producers to improve their sustainability and profitability. Its focus is on the Aquaculture market. 2019 was a tough trading year but the Company remains profitable and invested £20.5m into R&D over the period.

**Capital for Colleagues (CFCP.PL)** specialises in advising, investing in and supporting the growth of existing or aspiring employee owned businesses. Capital for Colleagues argues that Employee Owned Businesses tend to be managed in a more open and inclusive way, which delivers noticeable social benefits internally and in the communities in which they operate. Its most recent investment totalled £405k for a 34% stake in The Security Awareness Group. TSC’s bespoke solutions boost
employees’ security awareness at work and home and inspire changes in behaviour that protect organisations from inadvertent human error.

**CAP-XX (CPX.L)** is a specialist in the design and manufacture of thin, prismatic supercapacitors and energy management systems. In November it raised £2.6m to fund the purchase of equipment currently used in the supercapacitor production lines of Murata Manufacturing. CAP-XX has reached agreement with Murata to acquire its production lines, along with introductions to Murata’s customers. The CAP-XX Board understands that Murata’s total supercapacitor sales are currently running at approximately A$14m per annum. For the year ended 30 June 2019, CAP-XX reported revenue from continuing operations of approximately A$3.2 million

**Ceres Power (CWR.L)** is gaining real traction in the fuel cell space. Its fuel flexible SteelCell® can generate power from conventional fuels like natural gas and from sustainable fuels like biogas, ethanol or hydrogen and it does at very high efficiency. In the last financial year Ceres, raised £77.1m of new equity in the year from strategic partners and financial institutions. Consensus forecasts see revenue more than doubling by FY June 2022 to £34.9m and for the Company to turn profitable over the same period.

**Civitas Social Housing (CSH.L)** is the first London listed Real Estate Investment Trust (REIT) dedicated to investing into regulated social housing in the UK. Civitas is the largest provider of accommodation to tenants with learning disabilities, autism, and mental health disorders in the UK. Properties are signed on leases of over 20 years which are wholly funded by the local housing authority and supported by government policy. Forecasts imply a dividend yield approaching 6% and the shares are trading at a discount of more than 10% to the last reported NAV. Capitalised at £590m, Civitas is one of the larger companies we look at in this report.

A smaller comparator listed on the NEX Exchange is the **Walls and Future REIT (WAFFR.L)**, which is seeking to address the social housing shortage across three categories - Supported, Extra Care and General Needs. Although still loss making, we expect growth this year following the redevelopment of a property in Didcot. The discount to NAV of 36% is significantly larger than that of Civitas, reflecting the difference in scale.
EQTEC (EQT.L) is technology solution company for waste gasification to energy projects. In H1 June 2019 revenues trebled to £1.5m. Most recently EQTEC announced the financial close of the proposed construction and operation of a 2MW biomass plant in North Fork California. Under the Contract, the Group will invoice to NFCP a total of €2.2m for the sale of equipment and the supply of engineering and design services. The Contract comprises a substantial down-payment of €880,000 on execution, together with certain further agreed milestone payments leading up to commissioning of the Project. EQTEC is acquiring a 19.99% interest in the project in exchange for the supply of certain items of the existing equipment currently held at EQTEC's Newry site, valued at US$2.5m, and no cash consideration is therefore required.

Ilika (ILK.L), a pioneer in solid-state battery technology, is best known for its development of micro-batteries, but has more recently launched its Goliath large format cell programme, securing £4.2m of grant funding from the Faraday Battery Challenge to develop large format solid-state cells for automotive applications and collaborating with several vehicle manufacturers. H1 revenues are expected to grow 50% to £1.5m.

Impax Asset Management (IPX.L), is a well-established asset manager whose strategies utilise the firm’s specialist expertise in understanding investment opportunities arising from the transition to a more sustainable economy. The shares are up circa 90% over the last year and the recent Q1 Dec 19 AUM (assets under management) update reported a 7% increase to £16.1bn despite the challenging equity markets.

The Panoply (TPX.L) is a digitally native technology-enabled services company, built to service clients’ digital transformation needs. This strap line gives few clues to the Company’s focus on making an impact to society, but a closer look at the Company reveals this is very much part of the Panoply’s DNA. Examples of successful projects include helping the National Crime Agency design, build and test an easy-to-navigate information platform for parents and carers, applying behavioural psychology to provide inclusive experiences for victims of online abuse, and helping UNICEF UK take an audience-centred approach to delivering digital experiences. It also has very clear non-financial KPIs focussed on increasing diversity in its workforce and at Board level. None of this is at the expense of financial performance with HY Sep 19
revenues jumping 33% to £13.5m and like for like adjusted EBITDA increasing 37.8% to £1.3m for the same period. An example of the Board’s alignment with Company values is the recent combined £325k donation of shares in the Company by the FD and CEO to Founder Pledge, an English registered charity which receives and administers charitable gifts, and reviews and distributes grants to qualified organisations suggested by donors.

**Plant Healthcare (PHC.L)** is a developer of environmentally friendly peptides derived from natural proteins. Its patent-protected products help growers to protect their crops from stress and diseases, and to produce higher quality fruit and vegetables, all while being compatible with mainstream agricultural practices. Such biological products promote sustainable agriculture and help reduce soil and environmental contamination. In November 2019, Plant Health Care received a £2.3m investment from the venture capital arm of Ospraie Management, LLC, the New York based investment management firm which specialises in investing in commodities, agriculture and other basic industries on a global basis.

**Sabien Technology Group (SNT.L)** has recently attracted Disruptive Capital Finance and the associated Truell Family as strategic investors, coupled with some significant Board changes. At £2m, the market cap puts the company at a little over 1x FY June 2019 revenues which more than doubled. Sabien Technology IP Ltd owns the worldwide rights to the M1G and M2G products, devices which reduce energy consumption on commercial boilers and direct fired hot water heaters. The focus of an ongoing Board review is that while the Company expects to continue to build on its existing foundations of green technology, and may look to acquire complementary technologies, the Board is also examining broadening the Company’s reach in the green sector, and in particular the health and medical rehabilitation destination sectors which might complement and support the development of disruptive green energy-focussed technologies.

**SIMEC Atlantis (SAE.L)** is a global developer of sustainable development projects, with more than 1,000MW in various stages of development. It recently announced that commitments for its 5-year bond had reached over £1.8m. The Company’s specialist capabilities include tidal power and waste to energy. Consensus forecasts suggest FY 2019 revenues of £10.9m rising to £64m by 2021.
**Symphony Environmental Technologies** (SYM.L) is a leader in biodegradable plastic technology, and its lead brand the d2w masterbatch currently converts 200,000 tons of plastic into a biodegradable material. It has recently added a compostable resin to its range positioning it as a partner that can answer the full plethora of increasing regulatory challenges facing plastic producers worldwide. Its business model is highly scalable, and Symphony has the potential to drive significant volume and margin improvement.

**Tekmar Group** (TGP.L) is a leading technology provider of subsea protection systems for the global offshore energy market. HY Sep 2020 revenue more than doubled to £17.1m, with a record order book up £23.3% to £15.9m at the period end. The Company enjoyed a £0.8m profit before tax vs a corresponding loss of £2.6m.

**Thor Mining** (THR.L) may be a surprising inclusion, but every industry has the capacity to do things in a more responsible way. Beyond its majority owned projects Thor has a 25% interest in EnviroCopper Limited with rights to increase that interest to 30%. EnviroCopper are mining specialists in InSitu Recovery (ISR) of metals including copper and gold. InSitu delivers a low-cost method of mineral extraction with minimum environmental footprint. ISR has the potential to be a game changer in the mining industry with the recent developments of innovative environmentally benign solutions to recover gold and copper.

In terms of new issues in the UK, of the handful of completed and proposed IPOs witnessed year to date, at least two of them may be of appeal to impact investors. eEnergy was admitted to AIM this month following the **reverse takeover of Alexander Mining plc by eLight Group Holdings**. £2m of gross proceeds were raised. eLight is an "Energy Efficiency as a Service" Republic of Ireland registered company which provides commercial customers with immediate energy and cost reductions with zero upfront investment by delivering Light-as-a-Service. eLight had revenues of approximately €4.5m and loss before tax of approximately €1.6 million in the period to 30 June 2019.

**Calisen is considering an IPO** on the Official List of the main market and is a leading owner and manager of essential energy infrastructure assets whose purpose is to accelerate the development of a cleaner, more efficient and sustainable energy segment. Calisen is a key participant in the government-mandated roll out of an
estimated 51.2m smart energy meters in homes across Great Britain. Consolidated
FY Dec 18 revenues were £162.1m with operating profit £25.4m. Calisen is
considering raising up to £300m in primary proceeds plus a partial vendor sale.
Disclaimer

This document, which does not constitute research, has been issued by Hybridan LLP for information purposes only and should not be construed in any circumstances as an offer to sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to any such action. This document has no regard for the specific investment objectives, financial situation or needs of any specific person or entity and is not a personal recommendation to any such person or entity. Recipients should reach an individual investment decision, based upon their respective financial objectives and financial resources and, if any doubt, should seek advice from an investment advisor.

The information contained in this document is based on materials and sources that are believed to be reliable; however, such information has not been independently verified and therefore it is not possible to confirm such information as being accurate. This document is not intended to be a complete statement or summary of any securities, markets, reports, or developments referred to herein. No representation or warranty, either express or implied, is made or accepted by Hybridan LLP, its members, officers, employees, agents, or associated undertakings in relation to the accuracy, completeness or reliability of the information contained in this document, nor should it be relied upon as such.

The content of this document includes market commentary and other information which we have prepared in relation to companies referred to in this document.

The provision of this document to you constitutes a minor non-monetary benefit which is capable of enhancing the quality of service provided by Hybridan LLP and which is of a scale and nature which could not be judged to impair the duty of Hybridan LLP to act in the best interest of its client falling within article 24(7)(b) of Regulation 600/2014/EU (MIFID II Regulation).

This document has been prepared by Miles Cox, an employee of Hybridan LLP.

Any and all opinions expressed are current as of the date appearing on this face of this document only. Any and all opinions expressed are subject to change without notice and Hybridan LLP is under no obligation to update the information contained herein. To the fullest extent permitted by law, none of Hybridan LLP, its members, officers, employees, agents, or associated undertakings shall have any liability whatsoever for any direct or indirect or consequential loss or damage (including lost profits) arising in any way from use of all or any part of the information in this document.

This document should not be relied upon as being an independent or impartial view of the subject matter and, for the avoidance of doubt, constitutes non-independent research (as such term is defined in the Financial Conduct Authority's Conduct of Business Sourcebook to reflect the requirements of the MIFID II Regulation and Directive 2014/65/EU (known as MIFID II)). The individuals who prepared this document may be interested in shares in the company concerned and/or other companies within its sector, may be involved in providing other financial services to the company or companies referenced in this document or to other companies who might be said to be competitors of the company or companies referenced in this document. As a result both Hybridan LLP and the individual members, officers and/or employees who prepared this document may have responsibilities that conflict with the interests of the persons who receive this document. Hybridan LLP and/or connected persons may, from time to time, have positions in, make a market in and/or effect transactions in any investment or related investment mentioned herein and may provide financial services to the issuers of such investments.

In the United Kingdom, this document is directed at and is for distribution only to persons who (i) fall within article 19(5) (persons who have professional experience in matters relating to investments) or article 49(2) (a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529) (as amended) or (ii) persons who are each a professional client or eligible counterparty (as those terms are defined in the Financial Conduct Authority's Conduct of Business Sourcebook) of Hybridan LLP (all such persons referred to in (i) and (ii) together being referred to as relevant persons). This document must not be acted on or relied up on by persons who are not relevant persons. For the purposes of clarity, this document is not intended for and should not be relied upon by any
person who would be classified as a **retail client** under the Financial Conduct Authority’s Conduct of Business Sourcebook.

Neither this document, nor any copy of part thereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Distribution of this report in any such other jurisdictions may constitute a violation of territorial and/or extra-territorial securities laws, whether in the United Kingdom, the United States, or any other jurisdiction in any part of the world.

Where possible this document is made available to all relevant recipients at the same time. Dissemination of research by Hybridan LLP is monitored to ensure that it is only provided to relevant persons. Research prepared by Hybridan LLP is not intended to be received and/or used by any person who is a **retail client**.

Hybridan LLP and/or its associated undertakings may from time-to-time provide investment advice or other services to, or solicit such business from, any of the companies referred to in this document. Accordingly, information may be available to Hybridan LLP that is not reflected in this material and Hybridan LLP may have acted upon or used the information prior to or immediately following its publication. In addition, Hybridan LLP, the members, officers and/or employees thereof and/or any connected persons may have an interest in the securities, warrants, futures, options, derivatives, or other financial instrument of any of the companies referred to in this document and may from time-to-time add or dispose of such interests.

This document may not be copied, redistributed, resent, forwarded, disclosed, or duplicated in any form or by any means, whether in whole or in part other than with the prior written consent of Hybridan LLP.

**MIFID II status of Hybridan LLP research**

The cost of production of our corporate research is met by retainers from our corporate broking clients. In addition, from time to time we issue further communications as market commentary (such as our daily newsletter, Small Cap Breakfast), which we consider to constitute a minor non-monetary benefit which is capable of enhancing the quality of service provided by Hybridan LLP and which is of a scale and nature which could not be judged to impair the duty of Hybridan LLP to act in the best interest of its client falling within article 24(7)(b) of the MIFID II Regulation.

Hybridan LLP is a limited liability partnership registered in England and Wales, registered number OC325178, and is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange. Any reference to a partner in relation to Hybridan LLP is to a member of Hybridan LLP or an employee with equivalent standing and qualifications. A list of the members of Hybridan LLP is available for inspection at the registered office, 2 Jardine House, The Harrovian Business Village, Bessborough Road, Harrow, Middlesex HA1 3EX.

If you would like to unsubscribe, please email enquiries@hybridan.com with “unsubscribe me”.