

September 2, 2021

## Dear Clients and Colleagues:

Since the industrial revolution and the onset of mass production, western economies have operated under the take, make, and dispose model. Also called the linear economy model, it promotes the usage of natural resources to create products without consideration for what happens to the product after its end of life cycle. The result speaks for itself: developed economies, which account for approximately 16% of the world's population, produced 34% of its waste in 2018.<sup>1</sup> Furthermore, while steps are taken domestically to address waste, their waste is often outsourced to developing economies that endure most of the consequences. The societal impacts are well documented: the United Nations determined that acute respiratory infections are six times more likely in areas where waste is not collected on a regular basis, and fishermen in Asia often net more garbage than fish in the Indian Ocean.

The waste management issue might be dwarfed by the apocalyptic bells of climate change, but it is also more straightforward to solve, as it does not require technological development as much as a change in collective thinking. As the consequences of poor waste management were being discovered, the approach of "take, make, and dispose" started shifting toward a new paradigm of "reduce, reuse, recycle," better known as the circular economy model. The circular economy model proposed a new way for businesses to approach their resource usage by thinking about their waste as a potential resource instead of a cost and finding ways to retain and recover as much value as possible from it. Additional resources and potential cost saving should make it a no-brainer for company managements, right?

This paradigm change among policy-makers and business managers has already been impactful. In 2018, China decided to stop accepting plastic waste imports on its territory, and France introduced the "Hamon Law" in 2014, making the concept of planned obsolescence punishable by law. In fashion, the use of the word "sustainability" increased by 75% in online searches between 2018 and 2019.<sup>2</sup> Norway now recycles more than 97% of its plastic bottles thanks to the implementation of a deposit return scheme. An Organisation for Economic Co-operation and Development (OECD) report made

---

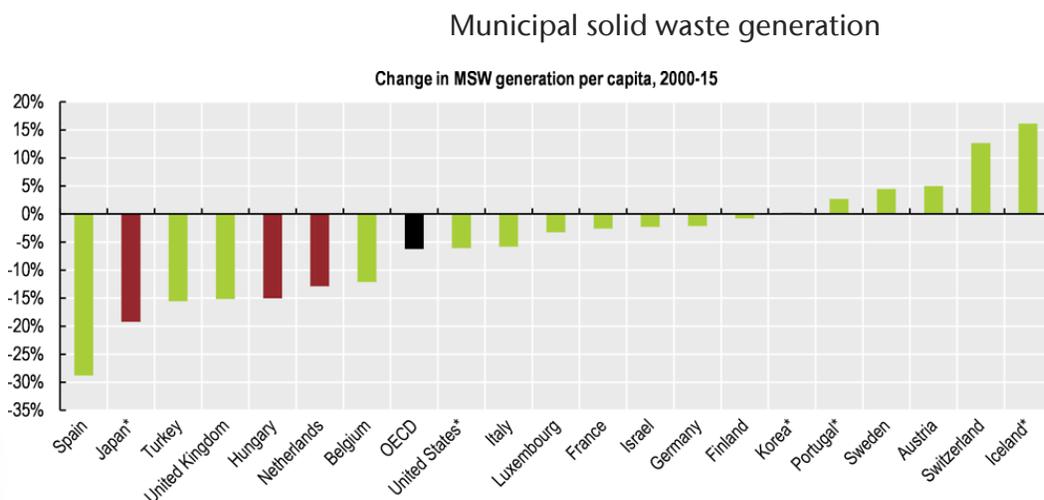
<sup>1</sup><https://www.economist.com/special-report/2018/09/27/emerging-economies-are-rapidly-adding-to-the-global-pile-of-garbage>

<sup>2</sup> <https://www.positiveluxury.com/blog/2020/01/10/sustainability-in-fashion-lyst-data/>

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. This report is not approved, reviewed or produced by MSCI.

available in 2017 concluded that between 2000 and 2015, 14 out of 20 countries analyzed, saw their waste per capita decrease:<sup>3</sup>



Global Alpha is a strong advocate of the circular economy model and it has been one of our global investment themes for many years. We prefer holding companies with sustainable processes and manufacturing, and we benefit from direct exposure to the reduce, reuse, recycle framework through some of the names we own.

**Biffa**

A UK-based integrated waste management company that operates in three segments: waste removal, waste recycling and disposal, and electricity production. The company has historically derived its growth primarily from premium waste services for industrial and commercial clients, but ambitious regulatory changes and recycling targets for the next decade are expected to provide significant tailwinds to waste recycling and energy-from-waste.

<sup>3</sup> <https://www.oecd-ilibrary.org/sites/2bf17284-en/index.html?itemId=/content/component/2bf17284-en#figure-d1e2291>

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. MSCI makes no express or implied warranties or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. This report is not approved, reviewed or produced by MSCI.

### **Aurubis**

Aurubis is the largest copper producer in Europe and among the three largest refined copper producers and recyclers worldwide. Based in Germany but operating in more than 20 countries, Aurubis produces more than one million tonnes of copper cathodes every year from a variety of copper products it recycles. The increase in demand for electric vehicles will provide a continued tailwind for them as they represent both an increased demand for Aurubis's product and a recycling opportunity.

### **Primo Water**

North America's leading provider of multi-gallon purified bottled water, Primo Water sells water dispensers, as well as provides refill water services. As the quality of tap water continues to decrease in the United States (US), thanks to its aging water infrastructure, consumers are being driven toward increased bottled water usage. It is estimated that 1 million plastic bottles are purchased every minute in North America, 91% of which are not recycled. Primo Water addresses that problem through its refill water service. The company's five-gallon bottles can save up to 1,100 single-serve plastic bottles through its 40-use lifetime.<sup>4</sup> The company also boasts a much higher collection rate than the national average for its plastic bottles.

### **Daiseki Eco Solutions**

Founded in 1996, Daiseki Eco Solutions (Daiseki) inspects, cleans, and analyzes soil contamination and hazardous waste. It also collects and transports industrial waste, such as fluorescent lights and batteries for recycling and disposal. Among the top Japanese players in the industry, Daiseki differentiates itself through its expertise in the recycling segment. When a factory site is converted to commercial or residential use, the soil must be assessed for contamination and potential remediation requirements. Daiseki offers a one-stop solution to general contractors, which provides them with more than half their business. It is the number one player in the soil treatment industry, with a 10% market share in Japan that is steadily increasing.

### **Clean Energy Fuel**

Clean Energy is the largest provider of natural gas fuel for transportation in North America. With production plants in Michigan, Texas, and California, the company delivered 400 million gallons of

---

<sup>4</sup>Data sources: Primo Water Corporation, The Guardian 2017, bottles Up, Live Life Healthy, \*National Geographic.

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. This report is not approved, reviewed or produced by MSCI.

natural gas fuel in 2019, 60% from organic waste. The company continued to position itself as a key player in the renewable natural gas business, signing multiple partnerships with some of the largest energy producers in the world, such as Chevron and BP. As renewable natural gas is carbon negative, it can be used as an offset to carbon emissions from natural gas. The California Air Resource Board (CARB) has given these projects a carbon intensity score of -250, versus +97 for diesel and +46 for electric batteries.

Have a great day.

The Global Alpha team

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. This report is not approved, reviewed or produced by MSCI.