Impax Environmental Markets plc

Monthly performance commentary: 30 April 2025

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Market review

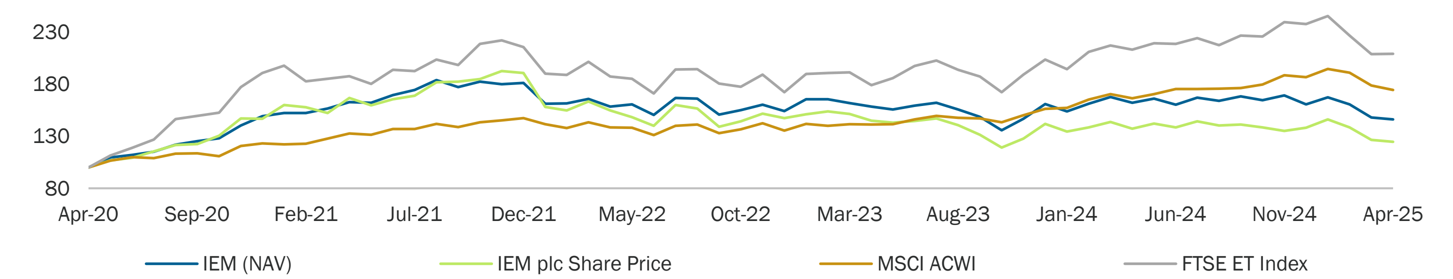
Global equities as measured by the MSCI All Country World Index (ACWI) fell in April. Donald Trump's 'Liberation Day' tariffs prompted a global sell off across equities and fixed income. While a 90-day pause on their implementation reversed much of the decline, volatility remained elevated, with the Vix index[1] initially reaching its highest level since the start of COVID-19. Rising trade tensions also contributed to the European Central Bank's decision to cut interest rates.

Against this backdrop, defensive sectors continued to outperform. Consumer Staples and Utilities were the only sectors to deliver positive returns for the month. By contrast, Energy stocks delivered double digit declines. Health Care also fell due to speculation the US administration would legislate for significantly lower pharmaceutical prices. At a regional level, US stocks fell sharply while Japan and Europe were relative bright spots.

In Environmental Markets, the announcement of a German coalition government under Friedrich Merz secured the package of climate-focused stimulus and reform announced in March.[2] Closer to home, new modelling from the Environment Agency shows that 4.6 million English properties are now at risk from rain that falls faster than the ground can absorb it – a jump of 43% from a year ago.[3]

Past performance does not predict future returns

5 year cumulative performance: Rebased to 100 at start



Portfolio performance

The Impax Environmental Markets plc (IEM) portfolio's Net Asset Value (NAV) delivered a total return of -1.2% in April. By comparison, the MSCI ACWI returned -2.5%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned 0.1%.

The portfolio's differentiated positioning continues to drive outperformance against the MSCI ACWI. Not owning the 'Magnificent Seven'[4] was once again beneficial, although this month trumped by IEM's lack of Energy stocks, which fell as oil prices softened. The relative outperformance of Europe and Industrials, to which the portfolio is significantly overweight, also boosted returns.

Past performance does not predict future returns. Figures refer to the past and that past performance is not a reliable indicator of future results. There is no guarantee that any forecasts made will come to pass. Benchmark references are selected based on their investment orientations which were deemed comparable to the investment vehicles. The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only. The specific securities identified and described are for informational purposes only and do not represent recommendations. Holdings subject to change. Date source: Bloomberg as at 30 April 2025. Performance a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. [1]The Vix is the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options. [2]Germany is back, says Merz, after sealing government deal - BBC News. [3]https://on.ft.com/3R2ByxY. [4]Microsoft, Amazon, Nvidia, Apple, Meta, Alphabet & Tesla.

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Past performance does not predict future returns.

Cont.

Given the macro backdrop, companies with more defensive business models made some of the strongest positive contributions to performance. These included the natural ingredients company **DSM Firmenich**, the South Korean producer of water appliances **Coway**, as well as **Air Liquide**, the recently added producer of industrial gases. DSM also reported Q1 results, with strong volume growth across all segments and management confirming that the exit of its Animal Nutrition business was on track for 2025.

In a similar vein, IEM's Utilities holdings boosted returns. These included the Brazilian water utility **Sabesp**, as well as independent power producers **Boralex** and **EDP Renovaveis**. In addition to their defensiveness, Boralex and Northland trade on historically low valuations, providing a margin of safety for investors. Sabesp also continues to benefit from its margin expansion efforts post-privatisation, giving it a relatively idiosyncratic driver of performance.

Weakness in the portfolio was primarily driven by companies whose shares fell in anticipation of a worse economic outlook. For the most part, we believe these concerns are overdone. The likes of **Trimble** and **PTC** – two software companies specialising in construction and industrial design, respectively – fell sharply despite their recurring revenue models insulating them from the more cyclical aspects of their customers' revenues.

Similarly, several stocks sold off in direct response to Liberation Day. These included **CATL** – a Chinese battery manufacturer – and **Advantech** – a Taiwanese producer of industrial computers. Our base case for CATL has always been that its US revenues would go to zero, such that the introduction of tariffs does not materially impact the investment case. Advantech also pulled back, despite good Q1 results and a value proposition which will likely see them benefit from increased capital expenditure as supply chains are restructured.

Portfolio exposure to companies expected to be more materially impacted by tariffs, such as **Littelfuse** which derives c.30% of its revenues from the automotive market, is modest and has been managed down.

Past performance does not predict future returns

Annualised returns (%)	3M	1Y	3Y	5Y	10Y	SI[5]
IEM (NAV)	-12.7	-9.8	-2.7	7.9	9.1	6.7
IEM plc Share Price	-14.6	-9.0	-6.9	4.5	9.1	6.2
MSCI ACWI	-10.4	4.8	8.0	11.8	10.2	8.0
FTSE ET Index	-14.8	-1.8	3.8	15.9	12.9	7.4

Rolling 12m returns (%)	APR-24 TO APR-25	APR-23 TO APR-24	APR-22 TO APR-23	APR-21 TO APR-22	APR-20 TO APR-21	APR-19 TO APR-20	APR-18 TO APR-19	APR-17 TO APR-18	APR-16 TO APR-17	APR-15 TO APR-16
IEM (NAV)	-9.8	2.3	-0.1	-2.6	62.7	-4.7	10.5	6.1	36.5	7.0
IEM plc Share Price	-9.0	-5.4	-6.4	-7.1	66.7	-2.5	13.9	19.2	33.6	7.8
MSCI ACWI	4.8	17.9	1.9	4.3	32.8	-1.8	11.0	7.2	30.4	-1.0
FTSE ET Index	-1.8	19.0	-4.4	-0.2	87.6	13.9	7.4	4.7	30.7	-3.8

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Significant transactions

April was characterised by elevated levels of volatility and uncertainty. In such an environment, it is important to keep an eye on the long-term. Our activity was therefore focused on identifying stocks we believed had been oversold in response to tariffs and adding to them; or reviewing holdings more likely to struggle in the event of enduring trade disruptions.

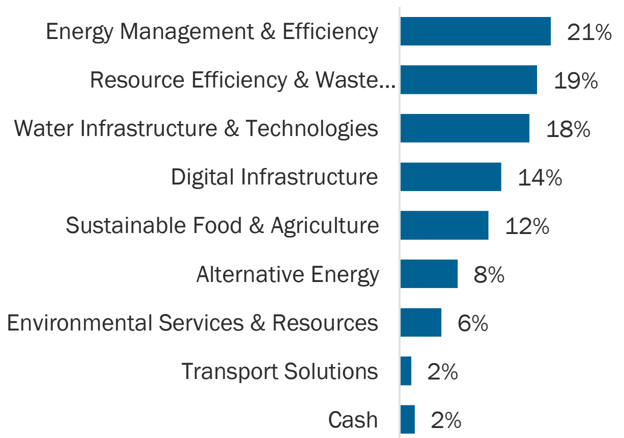
Notable examples of this include adding to our position in the Chinese battery maker **CATL**, whose US business we have always assumed could go to zero. We also reduced our position in **Pentair**. The latter is a US-based supplier of water infrastructure that has performed well in recent years but imports various components from China.

We made two outright exits. These were **AZEK**, a US producer of composite decking, and **Cognex**, a US-based supplier of machine vision systems. Shares in AZEK traded close to the takeover price agreed in March which, at a 37% premium[6] to their undisturbed level, also provided an opportunity to reduce IEM's construction exposure. Revenue growth at Cognex has struggled in the face of challenging end markets, while continued uncertainty could put pressure on the price to earnings multiple.

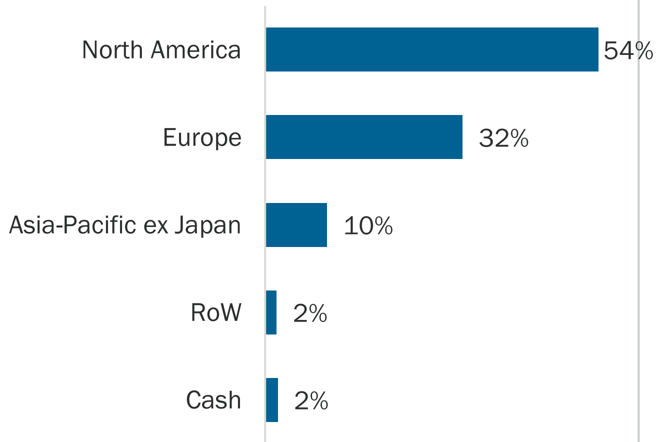
Material weakness in the share prices of **Synopsys** and **Hubbell** enabled us to initiate positions in both US-listed companies. The former produces electronic design automation (EDA) software used in the production of semiconductors. Its solutions are deeply embedded within customer systems, and play a key role in designing next generation, more power efficient semiconductors.

Hubbell is a manufacturer of electrical products with exposure to utilities, manufacturing and – increasingly – data centres. The company is well-placed to benefit from rising load growth and, with predominantly domestic sales, responded sharply to tariff news.

Environmental markets exposure



Geographical exposure[7]



The specific securities identified and described do not represent all securities purchased, sold, or recommended for the portfolio, and no assumptions should be made that the securities identified and discussed were or will be profitable.

Data source: Impax/FactSet/Bloomberg. Data as at 30 April 2025. Charts may not add to 100% due to rounding. [6]James Hardie offers $8.8 billion for US building products maker AZEK | Reuters. [7]Geographic allocation by country of listing.

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Top 10 holdings[8]	Sub-sector	Country[9]	%
DSM-FIRMENICH AG	Sustainable Agriculture	Netherlands	3.16
CLEAN HARBORS INC	Hazardous Waste Management	United States	3.05
WASTE CONNECTIONS INC	General Waste Management	United States	2.91
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	2.70
TRIMBLE INC	Efficient IT	United States	2.65
BRAMBLES LTD	Resource Circularity & Efficiency	Australia	2.60
XYLEM INC	Water Distribution & Infrastructure	United States	2.35
PTC INC	Efficient IT	United States	2.29
DABUR INDIA LTD	Recycled, Recyclable Products & Biomaterials	India	2.23
KINGSPAN GROUP PLC	Buildings Energy Efficiency	Ireland	2.15
TOTAL			**26.09**

Outlook

At the time of writing, investor positioning seems increasingly optimistic. The original slate of reciprocal tariffs have been delayed for 90 days, and the UK's recently announced trade deal is being interpreted as the shape of things to come for other significant economies. Even the US and China have materially revised down their reciprocal tariffs. Equities have rallied dramatically in response.

Yet the economic outlook remains uncertain. Consumer and industrial confidence is at a low ebb, while increasing numbers of companies are cancelling or revising down their forward guidance. News that US GDP contracted by an annualized 0.3% in Q1 has heightened stagflation concerns, despite a lower-than-expected April inflation print at 2.3%.

Against this backdrop, our approach to portfolio construction has been to recycle capital from companies that are more fully valued or challenged by near-term uncertainty, towards more defensive holdings and attractive growth companies that have been oversold. Now at 55 stocks, the IEM portfolio continues to be below its historic valuation range, yet with higher quality metrics and position sizes to match. Despite this, and recent outperformance, the Trust continues to trade at a c.10% discount to NAV.

Figures refer to the past and that past performance is not a reliable indicator of future results. There is no guarantee that any forecasts made will come to pass. [8]Holdings are subject to change without notice. [9]MSCI classification if available.

Important information – Impax Environmental Markets plc risks

Investment objective and policy

The Company's objective is to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste. Investments are made predominantly in quoted companies which provide, utilise, implement or advise upon technology-based systems, products or services in environmental markets, particularly those of alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management (which includes sustainable food, agriculture and forestry). Shareholders should read the Investment Policy in the Annual Report before investing which is available at: www.impaxenvironmentalmarkets.co.uk. Please refer to IEM's Stewardship Approach for more details.

Marketing communication

This marketing communication does not include sufficient detail to enable the recipient to make an informed decision. Please refer to the latest Annual Report and KID which set out the investment objective, policy, maximum leverage and principal risk factors faced by the Company.

The value of an investment in the Company, and any income derived from it, may fluctuate and can go down as well as up depending on a number of factors.

The main factors likely to affect future returns from an investment in the Company include:

Changes in general economic and market conditions such as currency exchange rates, interest rates, rates of inflation, industry conditions, tax laws, political events, policy development, technological change and any other factors that may cause price movements, volatility or illiquidity in the market generally.

Fluctuations in the value of the Company's underlying investments, particularly those investments in companies with small capitalisations and/or unlisted securities, which are likely to be subject to higher valuation uncertainties and liquidity risks than companies with larger capitalisations and other securities listed or traded on a regulated market.

Events or conditions impacting the Company's investments in companies operating in environmental markets, such as governments altering the regulatory and financial support for environmental improvement, costs of technology not falling or increasing, reduced or deferred capital spending by customers or products or services not being adopted. Increased risks arising from borrowing by the Company. If investment markets fall in value, any borrowing will enhance the level of loss.

Shares of the Company may trade at a discount or a premium to Net Asset Value for variety of reasons including market sentiment and market conditions. On a sale you could realise less than the Net Asset Value and less than you initially invested.

Other risks arising from events which are outside of the Company's control, such as the Covid-19 pandemic and the conflict in Ukraine.

Important information

This document has been issued by Impax Asset Management Limited (“Impax”; FRN: 197008) which is authorised and regulated by the Financial Conduct Authority. Before making any investment decision, please consult full details of the objectives, investment policies and risks in the most recent annual report, key investor information documents (KIID) and/or key information document (KID).

Impax Environmental Markets Plc (the “Fund”) is incorporated in England and Wales under the Companies Act 1985 with registered number 4348393 and registered as an investment company. The Fund is classified as an Alternative Investment Fund under Directive 2011/61/EU as onshored into the domestic body of UK legislation (“UK AIMFD”). Impax Asset Management (AIFM) Limited (authorised and regulated by the Financial Conduct Authority FRN: 613534) acts as the Alternative Investment Fund Manager (the “AIFM”) and has delegated portfolio management to Impax Asset Management Limited.

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Benchmark – Impax uses the MSCI ACWI and the FTSE ET indices as indicative benchmarks for its strategies. The MSCI ACWI captures all sources of equity returns in 23 developed and 26 emerging markets, and it assumes any net cash distributions, including dividends, are reinvested. The FTSE ET represents the performance globally of companies with a core business (at least 50%) in the development and operation of environmental technologies, and it assumes any gross cash distributions, including dividends, are reinvested. Both indices have investment orientations which are comparable to the sub-funds’ strategies.

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