Impax Environmental Markets plc

Monthly performance commentary: 31 March 2025

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Market review

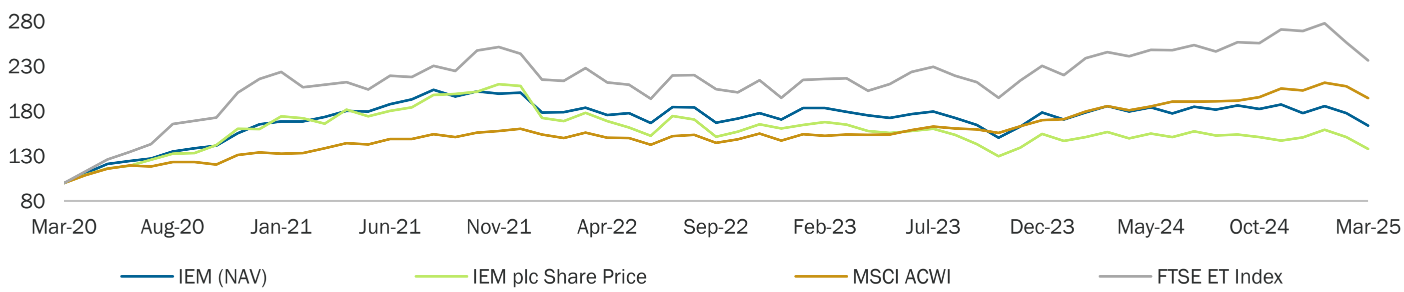
Global equities as measured by the MSCI All Country World Index (ACWI) fell in March. The US administration announced – and delayed – several tariffs, including on its closest trading partners Canada and Mexico. Uncertainty stayed the hand of the US Federal Reserve (Fed), which despite projecting higher core inflation and slower growth by year end, kept interest rates at 4.5% for a second consecutive month.

Equity market performance continued to broaden out. Regionally, the US lagged both China and Europe, while emerging markets equities posted the only positive returns. At a sector level, the biggest declines were in IT, Communication Services and Consumer Discretionary stocks. By contrast, the more defensive Utilities sector recorded slightly positive returns. Energy stocks also rallied as oil prices strengthened from their lowest point in almost four years.

In Environmental Markets, the International Energy Agency announced that half the increase in global emissions from energy last year was due to 2024 being the hottest year on record.[1] Increased demand for cooling drove a surge in energy demand, underscoring the need for efficient solutions. In a similar vein, the demand for uninterruptible power to supply data centres has seen big tech companies including Amazon, Google and Meta (not held) pledge to support the tripling of global nuclear capacity by 2050.[2]

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 -7.9% over the month. By comparison, the MSCI ACWI returned -6.3%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned -7.8%.

From a top-down perspective, the portfolio continued to benefit from not owning mega-cap Tech companies. The more recent weakness in Consumer Discretionary and Financials stocks means not holding these stocks also boosted relative returns. By contrast, value stocks outperformed growth stocks over the month. IEM holds fewer value stocks than the broader market. Therefore, it was a source of relative under performance.[3]

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. Data source: Bloomberg as at 31 March 2025. Performance is shown on a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. [1]https://on.ft.com/43siZdX. [2]Corporates Pledge to Triple Nuclear Energy by 2050. [3]As reflected by the MSCI ACWI Value and MSCI ACWI Growth indices.

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Cont.

At a company level, the strongest performers were stocks with defensive business models or idiosyncratic drivers. In the former camp, these included Utilities such as **Sabesp**, **Veolia** and **American Water Works**, as well as the refuse management company **Waste Connections**. Veolia in particular also delivered another solid quarter of revenue and profit growth, providing guidance that full year profits will enable management to bring net debt to ebitda[4] levels below 3x later this year.[5]

Azek also boosted returns. Having announced strong Q1 results, the maker of sustainable decking and outdoor products announced a takeover offer from James Hardie Industries, a producer of fibre cement.[6] At a 37% premium to Azek's undisturbed share price, this marks the fourth piece of M&A in the portfolio in less than twelve months, reflecting the attractive valuations on offer across Environmental Markets.

Weakness in the portfolio was driven by a combination of factors. While the portfolio is highly differentiated from tech heavy indices, the share prices of several holdings weakened in the ongoing rotation. These include the recently purchased **Marvell Technology**, as well as industrial software companies **Trimble**, **Descartes** and **PTC**. Share prices for these companies are now starting to approach low multiples for their projected earnings growth. The second area of weakness came from stocks with exposure to ongoing tariff volatility. Within IEM's portfolio, **Littelfuse** has been particularly hit. The maker of circuit protection systems derives c.30% of its revenues from vehicles, and fell sharply on US President Trump's announcement that imported cars would receive a 25% tariff.[7] While Littelfuse is already benefitting from a recovery across its other key end markets such as consumer electronics and industry, the development does push out earnings growth.

Lastly, the portfolio's holding in bioprocessing company **Repligen** also detracted from performance. Despite strong results and guidance, shares have been weak in line with broader US Life Sciences tools stocks due to concerns around government funding cuts. Repligen has minimal exposure to these areas so should be well insulated. A further sell-off in high beta names has put further pressure on the shares.

Past performance does not predict future returns

Annualised returns (%)	3M	1Y	3Y	5Y	10Y	SI[8]
IEM (NAV)	-7.8	-11.7	-3.7	10.4	9.2	6.8
IEM plc Share Price	-8.5	-12.1	-8.2	6.6	9.1	6.3
MSCI ACWI	-4.3	4.9	7.6	14.3	10.4	8.1
FTSE ET Index	-12.2	-3.8	1.2	18.8	12.8	7.4

Rolling 12m returns (%)	MAR-24 TO MAR-25	MAR-23 TO MAR-24	MAR-22 TO MAR-23	MAR-21 TO MAR-22	MAR-20 TO MAR-21	MAR-19 TO MAR-20	MAR-18 TO MAR-19	MAR-17 TO MAR-18	MAR-16 TO MAR-17	MAR-15 TO MAR-16
IEM (NAV)	-11.7	3.5	-2.4	5.9	73.7	-9.7	7.6	5.0	33.8	7.3
IEM plc Share Price	-12.1	-5.0	-7.4	7.3	66.2	-5.7	15.0	11.9	33.0	7.3
MSCI ACWI	4.9	20.6	-1.4	12.4	38.9	-6.7	10.5	2.4	32.2	-1.2
FTSE ET Index	-3.8	13.4	-5.0	8.8	109.7	3.4	6.0	3.7	28.4	-3.3

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Significant transactions

With mounting economic uncertainty, we have further consolidated the portfolio. On the one hand, this has involved taking profit in stocks which have performed well, while exiting smaller positions with lower conviction. On the other, we have added to holdings we believe have clear, long-term upside potential, while also increasing the portfolio's exposure to companies with more economically defensive business models.

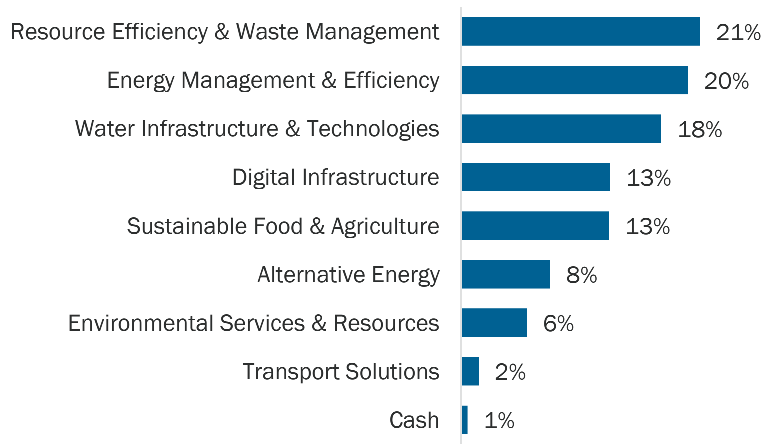
Air Liquide is a supplier of industrial and health care gases. The company's products significantly reduce industrial emissions and assist in the build out of clean energy. Air Liquide's defensive business model has enabled it to compound earnings consistently over the past decade and a pullback in the share price provided a buying opportunity.

Veolia is a global leader in water, waste, and energy management. The company has a track record in supplying sustainable solutions that reduce industrial emissions and promote renewable energy. We have added Veolia for its defensive exposure. The company enjoys stable demand for its essential services and has consistently compounded earnings over time, even during periods of economic fluctuation.

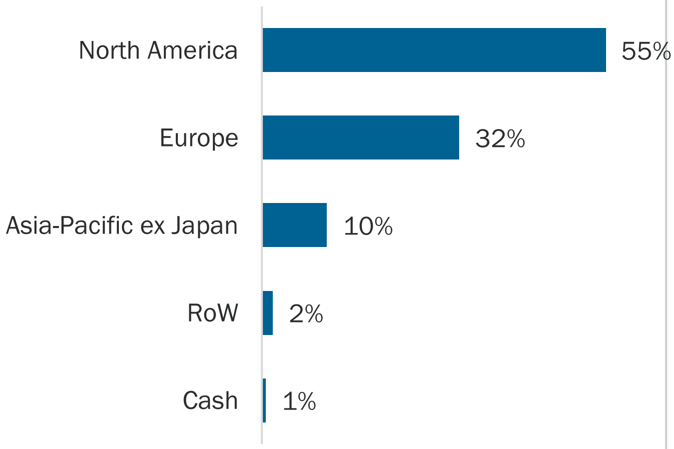
We exited six stocks, reducing several names which had performed well but in which there was lower long-term conviction. These included **Shenzhen Inovance**, a Chinese industrial automation specialist, **Bucher Industries**, a producer of agricultural machinery, and **American Water Works**, a US utility. **Lennox International**, an HVAC specialist, has also performed well and remains an attractive business. However, with the shares approaching our estimate of fair value, we took the opportunity to reduce our cyclical exposure.

We also exited **Altair** – a simulation software company – which now trades close to Siemens' takeover price. Finally, we also sold **Signify.** The efficient lighting company has struggled with lengthy inventory destocking and management has failed to provide sufficient clarity about how they will boost both the top and bottom line.

Environmental markets exposure



Geographical exposure[9]



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 31 March 2025. Charts may not add to 100% due to rounding. [9]Geographic allocation by country of listing.

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Top 10 holdings[10]	Sub-sector	Country[11]	%
PTC INC	Efficient IT	United States	3.09
WASTE CONNECTIONS INC	General Waste Management	United States	3.00
DSM-FIRMENICH AG	Sustainable Agriculture	Netherlands	2.97
CLEAN HARBORS INC	Hazardous Waste Management	United States	2.94
TRIMBLE INC	Efficient IT	United States	2.92
BRAMBLES LTD	Resource Circularity & Efficiency	Australia	2.90
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	2.74
DABUR INDIA LTD	Recycled, Recyclable Products & Biomaterials	India	2.39
RAYONIER INC	Sustainable Forestry	United States	2.29
SPIRAX GROUP PLC	Industrial Energy Efficiency	United Kingdom	2.28
TOTAL			**27.52**

Outlook

The current climate of uncertainty is making for fast-moving and volatile equity markets. At such time, it can be tempting to respond quickly, or act for the sake of being seen to do something. However, retaining a long-term focus remains one of the team's key advantages.

Throughout the previous quarter, the managers have been doubling down on high conviction names. At the margin, they have also increased exposure to higher quality and more defensive business models, such as industrial gases or REITs, while reducing those with more gearing. Companies offering these high-value-add solutions not only have robust fundamentals but also the ability to adapt respond to tariffs and other economic disruptions with agility.

Despite current events, long-term drivers such as climate change adaptation, electrification, and digitalisation remain enduring investment themes. These are set to transform various industries, creating new opportunities for growth and innovation. Volatility can thus create opportunities for active managers to initiate positions in companies where mispricing has gone too far. In this environment, IEM remains highly differentiated from concentrated global equity indices and trades at a c.10% discount to NAV.

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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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