

# Impax Environmental Markets plc

## Monthly performance commentary: 31 May 2025

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### Portfolio managers



**Jon Forster**  
Portfolio Manager



**Fotis Chatzimichalakis**  
Portfolio Manager



**Bruce Jenkyn-Jones**  
Portfolio Manager

### Market review

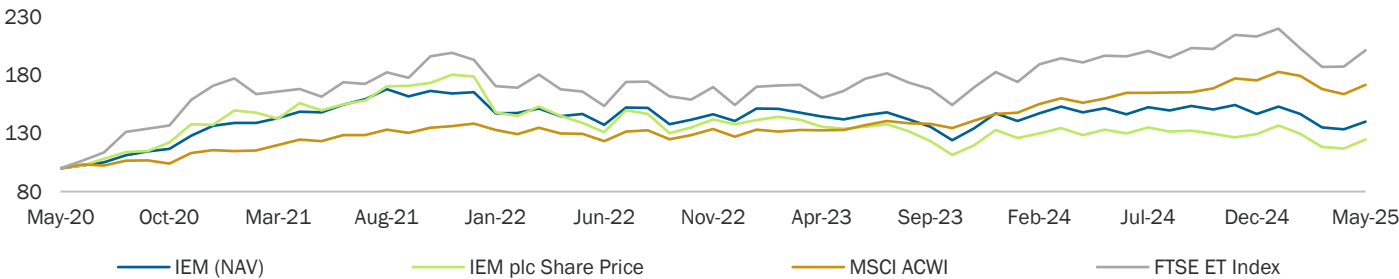
Global share prices, as measured by the MSCI ACWI, rose sharply in May. The US and China suspended bilateral tariffs to begin negotiations. Two courts also ruled that President Trump lacked the authority to impose tariffs without congressional approval.<sup>1</sup> US and Eurozone inflation both eased,<sup>2</sup> while China announced another round of stimulus. However, US unemployment rose slightly to 4.2% and the Federal Reserve left rates unchanged.<sup>3</sup>

Market dynamics reversed sharply from April. US equities made some of the strongest gains, although European stocks were still positive for the month. Growth materially beat Value, and Small Caps also outperformed. At a sector level, IT and Communication Services led, boosted by the 'Magnificent Seven'.<sup>4</sup> More defensive Real Estate and Consumer Staples lagged, although only Health Care – which remains in the firing line over pricing – delivered negative returns.

In Environmental Markets, the US House of Representatives passed the One Big Beautiful Bill Act.<sup>5</sup> The Act has yet to be approved by the Senate, but includes the accelerated phasing out of tax credits for some renewables and EVs.<sup>6</sup> In the UK, offshore wind developer **Orsted** (not held) cancelled its Hornsea 4 development, citing macroeconomic challenges.<sup>7</sup> However, the company retains development rights and could revisit the project if these abate.

### 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 5.0% in May. By comparison, the MSCI ACWI returned 4.7%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned 7.4%.

Strong performance was primarily driven by Industrials holdings with good results. These companies are reporting resilient demand and using their pricing power to either maintain or raise guidance. IEM's lack of Energy stocks, and minimal exposure to Health Care, also supported relative returns. A resurgent Magnificent Seven acted as a modest headwind, alongside the continued strength of stocks with exposure to European defence spending.

**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 31 May 2025. Performance a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. <sup>1</sup>Trump tariffs get to stay in place for now. What happens next? - BBC News. <sup>2</sup>Consumer Price Index - April 2025: <https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-19052025-ap>. <sup>3</sup>March 2025 Jobs Report: Economy Adds 228K Jobs | Chase. <sup>4</sup>Microsoft, Amazon, Meta, Apple, Nvidia, Alphabet, Tesla. <sup>5</sup>The key items of House Republican's 'big beautiful bill' - BBC News. <sup>6</sup>Electric vehicles. <sup>7</sup>Orsted to discontinue the Hornsea 4 offshore wind project in its current form.



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Cont.

Within Industrials, some of the strongest performance came from **Brambles** – an Australian logistics company, **Prysmian** – a maker of electrical cables and fibre optics, and **nVent Electric**, a producer of electrical equipment. All three companies reported solid numbers, with nVent in particular highlighting the robust demand from its data centre and power utilities clients. More cautious outlooks from Prysmian and Brambles, combined with our focus on valuation, prompted us to take some profit.

The portfolio's IT holdings also boosted returns. Here too, earnings was a common theme, with beats from **Trimble** and **PTC** underscoring how providers of design and project management software can have revenues which are more resilient than their cyclical construction and industrial end markets, respectively. The maker of thermally efficient power semiconductors, **Monolithic Power Systems** reported results which were in line with expectations but evidenced a continued recovery in its non-data-centre end markets. All three companies reported conservative, but not disappointing guidance for the year ahead, derisking expectations.

There were few negative contributors to returns over the month. Indeed, **Repligen** was the largest detractor despite strong Q1 results and a reiteration of its full year organic growth guidance. Investors focused on continued reductions to biotech funding, which may be exacerbated by the US government's proposed application of 'most favoured nation' pricing. However, this accounts for less than 10% of Repligen's revenues. Elsewhere, the bioprocessing company is enjoying strong momentum thanks to its focus on operational efficiency, minimal impact from tariffs and record levels of biopharma sales (ex-COVID).

Other than the market's rotation away from defensives, the biggest theme was challenging forward guidance from companies exposed to more cyclical end markets. **Graphic Packaging** cited increasing uncertainty around consumer demand, lowering EPS<sup>8</sup> guidance by 20%. **Advanced Drainage** similarly focused on macroeconomic uncertainty and high interest rates impacting construction. **Spirax Group** highlighted weak industrial production and set the stage for downward revisions later in the year. However, in recent months we have proactively managed down IEM's exposure to these areas of cluster risk and believe temporary challenges are largely accounted for in valuations.

## Past performance does not predict future returns

Annualised returns (%)	3M	1Y	3Y	5Y	10Y	SI <sup>9</sup>
IEM (NAV)	-4.5	-7.7	-1.5	7.0	9.3	6.9
IEM plc Share Price	-3.9	-6.4	-3.6	4.5	9.5	6.5
MSCI ACWI	-4.3	7.3	9.8	11.4	10.6	8.2
FTSE ET Index	-0.9	2.4	6.6	15.0	13.4	7.7

Rolling 12m returns (%)										
	MAY-24 TO MAY- 25	MAY-23 TO MAY- 24	MAY-22 TO MAY- 23	MAY-21 TO MAY- 22	MAY-20 TO MAY- 21	MAY-19 TO MAY- 20	MAY-18 TO MAY- 19	MAY-17 TO MAY- 18	MAY-16 TO MAY- 17	MAY-15 TO MAY- 16
IEM (NAV)	-7.7	6.8	-3.0	-0.9	48.0	8.0	2.3	8.2	36.3	6.2
IEM plc Share Price	-6.4	-0.6	-3.6	-7.1	49.7	8.8	7.7	16.7	38.9	4.2
MSCI ACWI	7.3	20.3	2.6	5.1	23.4	7.5	4.2	8.5	32.5	-0.8
FTSE ET Index	2.4	18.1	0.3	2.7	61.6	35.5	-3.7	5.4	34.2	-5.4

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<sup>9</sup>First full month since inception: March 2002.



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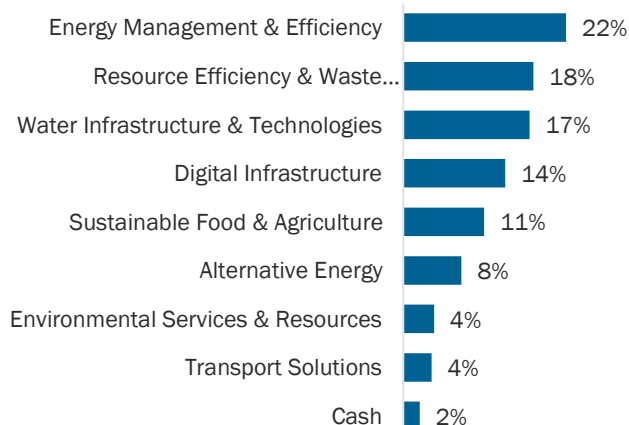
## Significant transactions

Having made several changes in April, there was less activity in May. Against the current macroeconomic backdrop, our focus is on reducing exposure to economically sensitive business models, while adding to high conviction growth opportunities at attractive valuations.

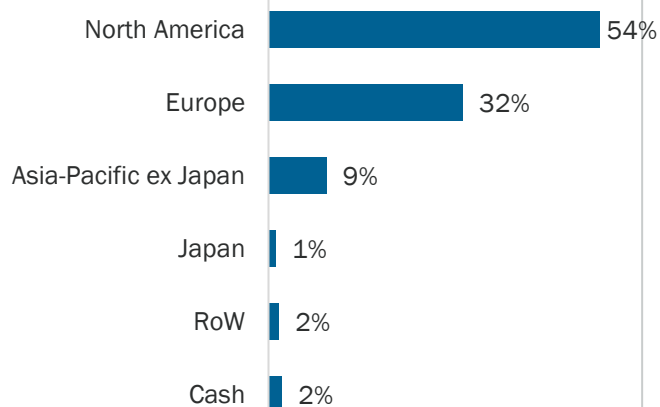
In keeping with this, we exited **Norma**, a German manufacturer of fluid connectors, after a recovery in the shares. Tariff-sensitive automotive revenues account for over half of group sales,<sup>10</sup> while a proposed disposal of its water business may take time to engineer at an optimal price.

By contrast, we initiated a position in **Keyence**. Shares in the Japanese producer of machine vision systems are back to levels last seen in early 2021, despite the potential for AI and robotics to expand its addressable market meaningfully. The company has 50% plus operating margins, no debt and exceptional pricing power, giving it flexibility to manoeuvre in more uncertain times.

## Environmental markets exposure



## Geographical exposure<sup>11</sup>



Top 10 holdings <sup>12</sup>	Sub-sector	Country <sup>13</sup>	%
WASTE CONNECTIONS INC	General Waste Management	United States	3.20
DSM-FIRMENICH AG	Sustainable Agriculture	Netherlands	3.09
TRIMBLE INC	Efficient IT	United States	2.89
CLEAN HARBORS INC	Hazardous Waste Management	United States	2.75
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	2.62
PTC INC	Efficient IT	United States	2.36
VEOLIA ENVIRONNEMENT	Water Utilities	France	2.34
XYLEM INC	Water Distribution & Infrastructure	United States	2.33
MONDI PLC	Food Safety & Packaging	United Kingdom	2.18
AIR LIQUIDE SA	Industrial Energy Efficiency	France	2.16
<b>TOTAL</b>			<b>25.92</b>

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 May 2025. Charts may not add to 100% due to rounding.<sup>10</sup>Norma FY 24 company accounts.

<sup>11</sup>Geographic allocation by country of listing. <sup>12</sup>Holdings are subject to change without notice. <sup>13</sup>MSCI classification if available.

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## Outlook

Markets remain cautiously optimistic. As of June 10, the MSCI ACWI is up 9%<sup>14</sup> quarter-to-date, more than reversing its 2025 losses. In the most recent chapter of the tariff saga, Presidents Trump and Xi announced an agreement including “full magnets and any necessary rare earths”.<sup>15</sup> The muted market reaction reflects just how much investors have already priced in a favourable outcome.

Economic data appears similarly resilient. US unemployment held steady at 4.2% in May,<sup>16</sup> while consumer confidence has rebounded from its April lows.<sup>17</sup> Recent US inflation data also came in below expectations at 2.4%, raising the odds of an interest rate cut by the Federal Reserve in July.<sup>18</sup> Such a move would further boost both the US consumer and equities.

Yet recent gains have been focused in familiar, mega-cap technology stocks. These companies are increasingly viewed as ‘defensive growth’ holdings, rather than a proxy for the US economy. The strong performance of European equities and a budget which threatens to put the US debt to GDP ratio at 125%, may yet tempt those with large allocations to US equities on historically elevated valuations. To that end, IEM’s portfolio has an active share above 99%, trading well below its historic valuation premium in high conviction stocks with robust earnings growth. 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. <sup>14</sup>Bloomberg as of 31 May 2025. <sup>15</sup>Donald J. Trump (@realDonaldTrump) | Truth Social.

<sup>16</sup><https://tradingeconomics.com/united-states/non-farm-payrolls>. <sup>17</sup><https://www.conference-board.org/topics/consumer-confidence>. <sup>18</sup>US CPI Report May 2025: Live News on Inflation, Consumer Price Index - Bloomberg

# Important information – Impax Environmental Markets plc risks

## Investment objective

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](http://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 and 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 AIFMD"). 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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