Impax Environmental Markets plc

Monthly performance commentary: 31 July 2025

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Market review

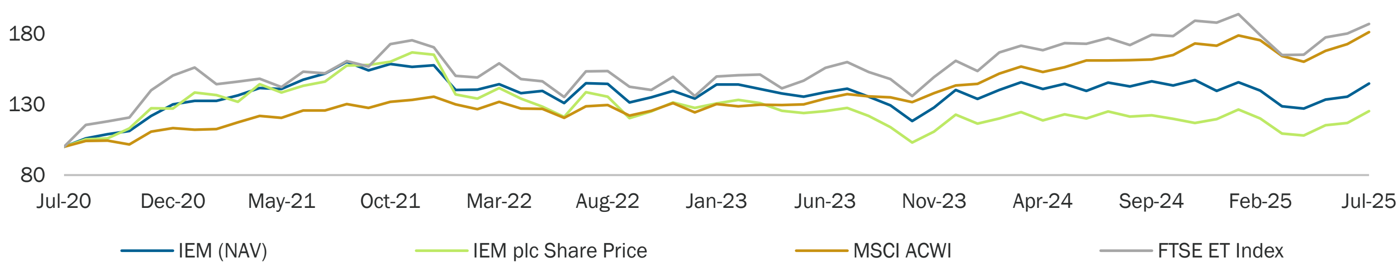
Global equity markets, as measured by the MSCI All Country World Index (ACWI), rose again in July. US trade deals announced between Japan and Europe, as well as the passing of the One Big Beautiful Bill Act (OBBBA) spurred markets upward. July also saw the start of Q2 earnings season, with little evidence yet of negative impacts from tariffs and trade disruption.

At a sector and style level, market performance was broad-based. While IT stocks led the way, Energy and Utilities also performed strongly. Strong results from **Alphabet**, Google's parent company, as well as plans to spend 85bn USD on AI, boosted related shares.[1] More defensive Consumer Staples and Health Care stocks underperformed.

In Environmental Markets, the OBBBA has relieved some of the earlier pressure on Alternative Energy stocks. Investors are now more focused on cost competitiveness, as well as relative beneficiaries such as geothermal companies like **Ormat Technologies**. Broader energy grid investment remains in play under the Energy Dominance Loan Program. Closer to home, the Bank of England highlighted the growing threat climate change represents to economic stability.[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 6.8% in July. By comparison, the MSCI ACWI returned 5.0%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned 3.8%.

Performance over the month was predominantly driven by results. Across the market, reactions to earnings so far have been polarised, with companies that beat and raise guidance rallying hard, while those which disappoint fall sharply. In the portfolio, this has played out with significant positive contributions from IT and Industrials holdings, but weakness in Materials.

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 July 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/4lngclj.
[2]https://on.ft.com/45JkNzT.

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Past performance does not predict future returns.

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IEM's strongest returns came from software companies. **Synopsys**, **PTC** and **Trimble** supply the digital infrastructure sector which helps clients design, build and maintain products in their respective semiconductor, industrial and construction end-markets. An improved outlook on global trade boosted all three stocks, with results from PTC and Trimble also demonstrating their revenue resilience despite a more cyclical customer base. Synopsys also benefited from the US lifting a ban on selling Electronic Design Automation software to China, and the completion of its takeover of **Ansys** (not held), a simulation software company.

In Industrials, positive results lifted the shares of both **Xylem**, a water infrastructure company, and **Generac**, which supplies backup power solutions. The former raised full year revenue guidance whilst also pointing to margin improvement through its business simplification initiative. The latter delivered a solid beat on earnings and an upgrade to consensus. However, the main source of excitement was news that the company has entered the large generator market for data centres. Management has sized the opportunity at $1.5bn, around a third of Generac's current total revenues and has already built a $150m backlog.

Negative performance has stemmed almost entirely from companies whose results reflect mounting concern over consumer demand. Two of our natural ingredients holdings – **Croda** and **DSM Firmenich** – made the biggest negative contributions. Where DSM reported reassuring numbers but brought its full year EBITDA[3] guidance down to match consensus, Croda's H1 margins have stabilised but missed expectations. However, a more than doubling of proposed cost savings is expected to bolster cash flows longer-term.

Increased competition was also a theme in the results of **LEM Holding**. The maker of transducers delivered weak results, with management pointing to price wars in some key end markets. Consequently, we are reviewing the stock. By contrast, fluid control specialist **Aalberts** pointed to weaker overall demand as the underlying driver behind its soft Q2 results. Its semiconductor equipment in particular is seeing a lack of new orders, partly due to a period of weaker momentum at ASML, a key customer.

Past performance does not predict future returns

Annualised returns (%)	3M	1Y	3Y	5Y	10Y	SI[4]
IEM (NAV)	13.7	-0.5	-0.1	7.7	11.0	7.2
IEM plc Share Price	15.9	0.3	-3.3	4.6	11.1	6.8
MSCI ACWI	13.0	12.5	12.1	12.6	11.9	8.5
FTSE ET Index	13.3	5.7	6.8	13.3	15.0	7.9

Rolling 12m returns (%)	JUL-24 TO JUL-25	JUL-23 TO JUL-24	JUL-22 TO JUL-23	JUL-21 TO JUL-22	JUL-20 TO JUL-21	JUL-19 TO JUL-20	JUL-18 TO JUL-19	JUL-17 TO JUL-18	JUL-16 TO JUL-17	JUL-15 TO JUL-16
IEM (NAV)	-0.5	3.1	-2.7	-4.4	51.6	3.7	9.2	8.8	21.6	30.4
IEM plc Share Price	0.3	-2.0	-8.0	-5.1	46.1	6.6	16.0	15.0	24.3	29.9
MSCI ACWI	12.5	17.2	6.8	2.3	25.7	0.0	10.3	11.5	17.9	17.0
FTSE ET Index	5.7	10.6	4.3	0.9	51.9	35.8	6.9	6.2	21.0	15.7

Figures refer to the past and that past performance is not a reliable indicator of future results. Benchmark references are selected based on their investment orientations which were deemed comparable to the investment vehicles. 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 July 2025. Performance is shown on a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. [3]Earnings before interest, taxes, depreciation, and amortization. [4]First full month since inception: March 2002.

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Significant transactions

Against a backdrop of macroeconomic uncertainty and fast-moving markets, we continue to look for companies with high long-term growth potential, while reviewing holdings with a more precarious outlook.

With this in mind, we added four stocks:

- **Carrier** is a global leader in HVAC[5] solutions benefitting from secular tailwinds around climate resilience and improving energy efficiency in buildings. Its shares traded at a relative discount to peers during a period of portfolio rationalisation, but this is now complete.

- **E-Ink** has a dominant position in e-paper technology for both e-readers and electronic shelf labels. Concerns over tariff impact on consumer spending have led to a correction in the stock, providing an entry opportunity.

- **Delta Electronics** is a Taiwanese supplier of power efficiency and automation products . At the time of purchase, the stock offered exposure to fast-growing end markets such as datacentres at a lower valuation compared to peers.

- Lastly, following the takeover of previous IEM holding **Azek**, we initiated a position in **Trex**. The company is a direct peer in the wood-plastic composite decking market, benefiting from structural growth as consumers shift from traditional wood to low-maintenance, durable products made from recycled materials.

Against this, we exited:

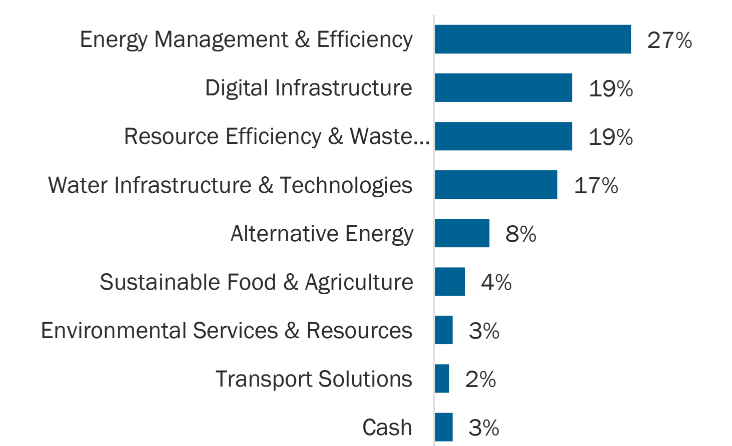
- **Donaldson** is a producer of filtration systems whose shares traded at our estimate of fair value.

- **Porvair** – another filtration business– was sold following an engagement meeting with the new CEO. Our confidence in the company's ability to accelerate growth has diminished as a result.

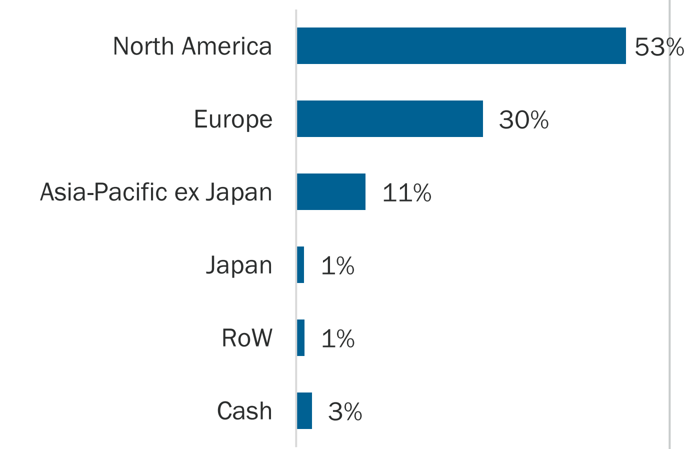
- The timber company **Rayonier** was historically held for its defensive attributes. However, with higher conviction defensive options elsewhere and a persistent discount between listed and private timberlands, we decided to exit.

- **Graphic Packaging** was sold from the portfolio due to a deteriorating volume outlook in beverages and consumer packaged goods, as well as sustained pricing pressure in its core packaging grades. These are coupled with rising capital expenditure costs and weak free cash flow delivery.

Environmental markets exposure



Geographical exposure[6]



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 July 2025. Charts may not add to 100% due to rounding. [5]Heating, Ventilation & Air Conditioning. [6]Geographic allocation by country of listing.

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Top 10 holdings[7]	Sub-sector	Country[8]	%
SYNOPSYS INC	Efficient IT	United States	3.53
WASTE CONNECTIONS INC	General Waste Management	United States	3.35
AIR LIQUIDE SA	Industrial Energy Efficiency	France	3.21
XYLEM INC	Water Distribution & Infrastructure	United States	3.05
TRIMBLE INC	Efficient IT	United States	2.97
PTC INC	Efficient IT	United States	2.83
VEOLIA ENVIRONNEMENT	Water Utilities	France	2.63
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	2.57
DSM-FIRMENICH AG	Sustainable Agriculture	Netherlands	2.52
KINGSPAN GROUP PLC	Buildings Energy Efficiency	Ireland	2.30
TOTAL			**28.96**

Outlook

Global equities once again trade at close to all-time highs. With Q2 earnings season in the rear-view mirror, earnings growth has largely exceeded expectations. The most recent US CPI[9] data came in at 2.7%,[10] appearing to defy fears around tariff costs. As a result, the Federal Reserve is now expected to make three cuts to interest rates before year end.[11]

Underneath headline rosiness, the picture is more clouded. Recent US employment data has been sufficiently concerning for the President to oust the Bureau of Labor Statistics Commissioner.[12] Core inflation, which excludes energy and services, continues to rise. There are also signs that – having built up their inventories earlier in the year to get ahead of tariffs – companies are now running these down. Even oil prices, which have thus far been stable, could rise in response to US sanctions on Russian oil.

In response, the investment team has built positions in companies offering, on one hand, resilient business models and, on the other, highly visible structural growth. By contrast, sales have targeted stocks with less certain upside and limited influence over their own outcomes. Despite recent performance, a highly active portfolio, and forward earnings growth expectations materially ahead of global equities, IEM continues to trade at a c.10% discount to NAV.

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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. 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/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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