

Impax Environmental Markets plc

Monthly performance commentary: 30 April 2024

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Portfolio managers



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Portfolio Manager



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Market review

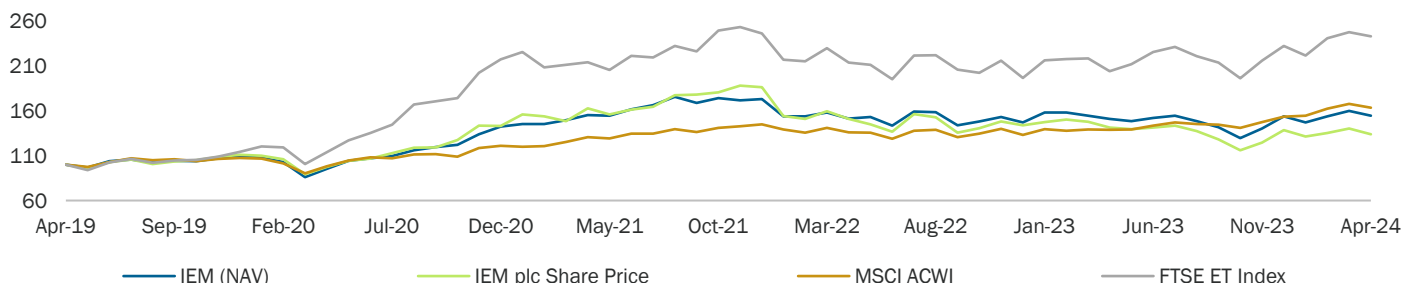
Global equities as measured by the MSCI All Country World Index (ACWI) pulled back in April. Persistent inflation and a resilient US consumer led markets to reevaluate the timing and magnitude of future interest rate cuts. Resurgent tensions in the Middle East also pushed up oil prices, prompting further inflation concerns and spurring some investors to take some profits in sectors that have performed well year to date.

At a sector level, Utilities posted the strongest gains as increasingly defensive investors rotated into an area where earnings visibility remains high but recent stock performance has been weak. This is particularly true in the US, where government investment is high on the agenda. Rising oil prices also drove up Energy stocks with all other sectors falling back. Once again, small and mid-caps lagged their larger counterparts¹.

In Environmental Markets news, US electrical grid investment received two boosts. First, the Biden Administration finalised a rule to speed up permitting of power lines². At the same time, the US Department of Energy issued a roadmap to improve the speed at which generators can connect to the grid³. The month also saw renewed talk around tariffs, as both the EU and US appear to be considering raising import costs for Chinese solar equipment, and other industrial materials⁴. Lastly, the US Environmental Protection Agency published a rule requiring water utilities to reduce so-called “forever chemicals” or PFAS* in drinking water to near zero levels⁵.

Past performance does not predict future returns

5 year cumulative performance: Rebased to 100 at start



Portfolio commentary

The Impax Environmental Markets PLC (IEM) portfolio's Net Asset Value (NAV) delivered a total return of -3.3% over the month. By comparison, global equity markets as measured by the MSCI ACWI returned -2.4%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned -1.9%.

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 2024. Performance a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. ¹Bloomberg, as of March 31, 2024. ²Energy Dept. Aims to Speed Up Permits for Power Lines - The New York Times (nytimes.com). ³Coordinated Interagency Transmission Authorizations and Permits Program | Department of Energy. ⁴Exclusive: US plans to restore tariffs on dominant solar technology | Reuters and EU launches 2 probes into China solar manufacturers (ft.com). ⁵Polyfluoroalkyl substances. ⁶Biden-Harris Administration Takes Action to Cut PFAS from U.S. Government Custodial Contracts | US EPA.



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Past performance does not predict future returns.

Cont.

Performance in April was predominantly driven by earnings updates. Stocks which made the strongest gains tended to be those which posted an upgrade to forward guidance, in some cases even if results on the day were weaker. By contrast, companies which painted a less clear picture of the coming months saw their share prices punished.

Quarterly results boosted the shares of top contributors **Badger Meter** (a US flow measurement specialist), **CATL** (a Chinese battery producer) and **Shimano** (a Japanese maker of cycling components). Badger Meter has delivered consistent revenue growth thanks to sustained end market demand. By contrast, CATL and Shimano were both purchased in the last year, with valuations that overly discounted short-term sales pressure a key factor. Indeed, CATL reported rising profits despite weaker sales, evidencing tighter cost control and pricing power for its new products.

Similarly, the market's recognition of an inflection point drove positive performance in **Corbion** and **DSM-firmenich**. After last year's extended destocking impacted both revenues and profits, the natural ingredients companies reported improving end demand and optimism for the year ahead. At Corbion, strength in algae-based ingredients for aquaculture has helped the company issue a special dividend, while at DSM, a recovery in Animal Nutrition sales is starting to match the strong performance of its Taste, Texture & Health business.

However, the biggest positive contribution to performance was not earnings related. The paper and packaging company **Mondi** (which IEM holds) announced it would no longer be bidding for rival **DS Smith**, following a higher offer from US peer **International Paper** (neither are held). Shares rose sharply on the day, recognising management's capital discipline and the team's original investment thesis – which was not predicated on M&A – remains intact.

Weakness across the portfolio was similarly concentrated around results. The largest detractors included **Stericycle**, a waste management company, **Spirax Sarco**, an industrial steam specialist, and **Pentair**, a provider of water infrastructure. While Stericycle's Q1 sales growth came in below analyst consensus, this reflects the ongoing consolidation of its waste collection sites. Despite this, both Stericycle and Pentair reiterated full year guidance. Share price weakness therefore likely reflects opportunistic selling after a strong start to the year.

Spirax by contrast did not report, but investors reacted adversely to weak numbers from **Sartorius** – a maker of bioprocessing equipment (not held). While bioprocessing has historically been one of Spirax's most profitable end-markets, management has been clear that the industry-wide slowdown is temporary and that organic revenue growth in its core business should return over the course of 2024.

Past performance does not predict future returns

Annualised returns (%)	3M	1Y	3Y	5Y	10Y	SI ⁶
IEM (NAV)	5.2	2.3	-0.1	9.1	10.9	7.5
IEM plc Share Price	1.9	-5.4	-6.3	6.0	10.9	6.9
MSCI ACWI	5.8	17.9	7.8	10.3	11.5	8.1
FTSE ET Index	9.6	19.0	4.3	19.4	14.5	7.8

Rolling 12m returns (%)	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	APR-14 TO APR- 15
IEM (NAV)	2.3	-0.1	-2.6	62.7	-4.7	10.5	6.1	36.5	7.0	6.5
IEM plc Share Price	-5.4	-6.4	-7.1	66.7	-2.5	13.9	19.2	33.6	7.8	7.6
MSCI ACWI	17.9	1.9	4.3	32.8	-1.8	11.0	7.2	30.4	-1.0	18.1
FTSE ET Index	19.0	-4.4	-0.2	87.6	13.9	7.4	4.7	30.7	-3.8	12.9

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 30 April 2024. Performance a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. ⁶First full month since inception: March 2002.



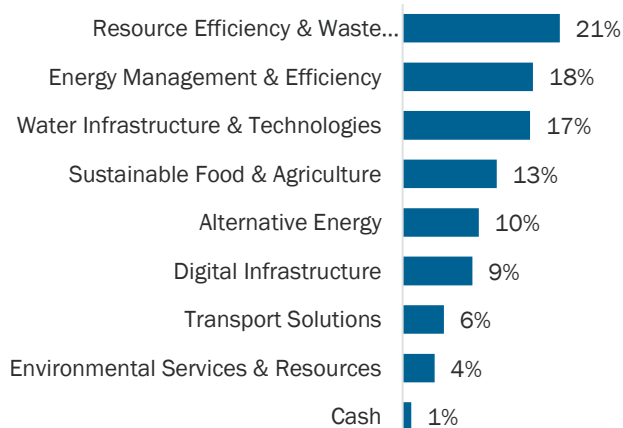
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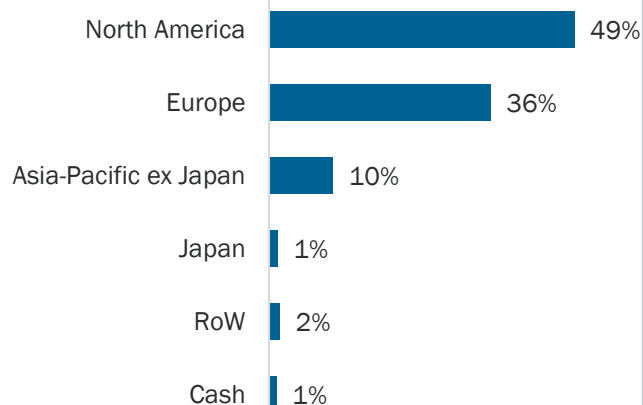
Significant transactions

The team made no significant transactions over the period.

Environmental markets exposure



Geographical exposure⁷



Top 10 holdings ⁸	Sub-sector	Country ⁹	%
AALBERTS NV	Water Distribution & Infrastructure	Netherlands	3.04
PENTAIR PLC	Water Distribution & Infrastructure	United States	2.94
PTC INC	Efficient IT	United States	2.65
DSM-FIRMENICH AG	Sustainable Agriculture	Netherlands	2.62
STERICYCLE INC	Hazardous Waste Management	United States	2.48
CLEAN HARBORS INC	Hazardous Waste Management	United States	2.41
LITTELFUSE INC	Industrial Energy Efficiency	United States	2.07
KINGSPAN GROUP PLC	Buildings Energy Efficiency	Ireland	2.02
PRYSMIAN SPA	Smart & Efficient Grids	Italy	1.97
SPIRAX-SARCO ENGINEERING PLC	Industrial Energy Efficiency	United Kingdom	1.97
TOTAL			24.17

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 2024. Charts may not add to 100% due to rounding. ⁷Geographic allocation by country of listing. ⁸Holdings are subject to change without notice. ⁹MSCI classification if available.

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Outlook

Investors' expectations around US interest rates have certainly changed since the beginning of the year. However, recent economic data and comments from the Federal Reserve continue to support eventual cuts, barring an inflationary shock in the form of sharply higher energy prices. This has typically benefited IEM's small and mid-cap style.

Within the portfolio, company earnings growth expectations also remain supportive. Conversations with management indicate that temporary headwinds in sectors like natural ingredients are now abating, while independent power producers are boosting margins either through pricing or project rationalisation. This greater earnings visibility is boosting conviction and being reflected in position sizing.

Finally, the portfolio's valuation premium relative to global equity markets remains below its ten-year average¹⁰. Small and mid-cap stocks continue to trade at a discount to large cap peers, and many Environmental Markets investments are at valuations well below their peaks, despite stronger growth drivers. In addition, IEM plc trades at a discount to NAV. Given these potential catalysts, the team remains constructive on the near-term outlook.



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).

Investors should read the Prospectus before investing which is available at: www.impaxam.com Please refer to Impax's ESG Policy 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 Prospectus and latest Annual Report 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 (AIFM) Limited ("Impax"; FRN: 613534) 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 prospectus, 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 AIFMD"), and in respect of which Impax acts as the Alternative Investment Fund Manager (the "AIFM").

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Important information

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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