

# Impax Environmental Markets plc

## Monthly performance commentary: 30 June 2025

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### Portfolio managers



Jon Forster  
Portfolio Manager



Fotis Chatzimichalakis  
Portfolio Manager



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Portfolio Manager

### Market review

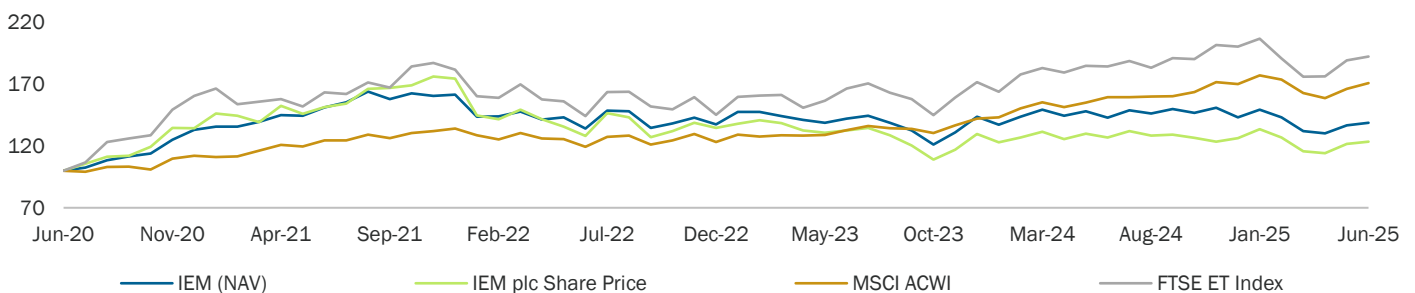
Global equity markets, as measured by the MSCI All Country World Index (ACWI), finished higher in June. Investors grew more optimistic about the prospect of a US-China trade deal and fiscal stimulus in the form of the “Big Beautiful Bill” (BBB). Despite discussion of a rising fiscal deficit, both US 10-year bond yields and volatility as measured by the VIX<sup>1</sup> fell over the month.

At a sector level, the month saw a noticeable shift back towards growth-oriented stocks. Communication Services and IT made some of the largest gains, while more defensive sectors like Consumer Staples and Real Estate lagged. Energy stocks also rallied as oil prices reacted sharply to military conflict between Iran and Israel. The US, Emerging Markets and small-caps all reversed some of their previous weakness.

In Environmental Markets, the World Bank announced that it was lifting its decades-long ban on financing nuclear energy. The policy shift reflects the increasing need for low-emissions technology to meet surging electricity demand.<sup>2</sup> June also saw the launch of the Climate Investment Fund, a \$12.5 billion initiative to tackle pollution from heavy industries like cement and steel.<sup>3</sup>

### 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 1.5% in May. By comparison, the MSCI ACWI returned 2.8%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned 1.6%.

While June's headlines focused on the BBB's negative impact for renewables, two stocks in IEM's portfolio rallied in response. **Ormat**, a leader in geothermal energy, benefits from continued tax credit support, easier permitting, and upfront depreciation of capex. Similarly, **Generac**, a maker of standby generators, is expected to cut costs in its Clean Energy business, boosting margins overall. The company is also benefiting from increased demand during US storm season. These dynamics reflect the less than straightforward read-through from policy to our portfolio, as well as the breadth of IEM's opportunity set.

**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 June 2025. Performance is shown on a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. <sup>1</sup>CBOE Volatility Index. <sup>2</sup><https://on.ft.com/43WhWBv>. <sup>3</sup><https://on.ft.com/4nXvYMK>.



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Past performance does not predict future returns.

Cont.

Technology stocks were amongst the portfolio's strongest performers. IEM now owns several companies across the semiconductor value chain, from the provider of chip design software **Synopsys**, to yield process specialist **KLA**, and the designer of Application Specific Integrated Circuits (ASICs) **Marvell Technology**. US trade talks with China have prioritised tech supply chains, while continued investment from the likes of **Microsoft** and **Amazon** is underpinning shares in the AI "picks and shovels". Marvell in particular pointed to a number of design wins, supporting our long-term growth thesis.

Against this, not owning mega-cap tech stocks once again became a headwind to relative returns. In addition, shares in **Descartes** – a route-mapping and logistics software provider – and **Keyence** – a supplier of machine vision systems – pulled back. Descartes ultimately benefits from more complex supply chains, but quarterly results showed slower growth due to lower US-China trade. Keyence weakened in response to a stronger Yen and reports of weak end markets from peers.

The portfolio's Industrials holdings proved the biggest source of relative weakness. In the case of **AAON** and **Porvair**, this was stock specific. The former, a producer of highly efficient HVAC<sup>4</sup> systems presented 2027 earnings targets which disappointed investors. However, these look conservative and the challenges of upgrading its ERP<sup>5</sup> system and refrigerant compounds are temporary. Porvair, a filtration specialist, recently appointed a new CEO and saw profit taking after strong gains in previous months anticipated an acceleration in growth.

Broader Industrials weakness reflected the market's rotation away from more defensive holdings. Accordingly, shares in **Waste Connections** – a US waste management company, and **Air Liquide** – a French producer of industrial gases, pulled back, while **Caterpillar** – the maker of construction equipment – which is not owned in the portfolio, made strong gains. At the margin, the continued strength of European defence stocks – which fall outside of IEM's investable universe – also weighed on relative returns.

Lastly, the market rotation away from defensive business models impacted IEM's natural ingredients companies. Shares in **DSM Firmenich** and **Croda** weakened over the month, having both made strong gains since April. Some investors are also starting to express concern around tariffs and their impact on demand in end markets such as fragrances and crops.

## Past performance does not predict future returns

Annualised returns (%)	3M	1Y	3Y	5Y	10Y	SI <sup>6</sup>
IEM (NAV)	5.3	-2.8	1.2	6.8	10.0	7.0
IEM plc Share Price	6.7	-2.6	-1.2	4.3	9.9	6.5
MSCI ACWI	5.0	7.2	12.7	11.3	11.5	8.3
FTSE ET Index	9.2	4.3	10.0	14.0	14.2	7.8

## Rolling 12m returns (%)

	JUN-24 TO JUN-25	JUN-23 TO JUN-24	JUN-22 TO JUN-23	JUN-21 TO JUN-22	JUN-20 TO JUN-21	JUN-19 TO JUN-20	JUN-18 TO JUN-19	JUN-17 TO JUN-18	JUN-16 TO JUN-17	JUN-15 TO JUN-16
IEM (NAV)	-2.8	0.6	6.0	-11.2	51.0	2.9	12.0	5.9	25.7	22.1
IEM plc Share Price	-2.6	-4.3	3.4	-15.4	51.4	3.8	16.9	14.4	28.7	17.1
MSCI ACWI	7.2	20.1	11.3	-4.2	24.6	5.2	9.7	8.9	22.2	13.3
FTSE ET Index	4.3	10.8	15.4	-11.7	63.4	32.0	5.6	3.6	28.6	5.4

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## Significant transactions

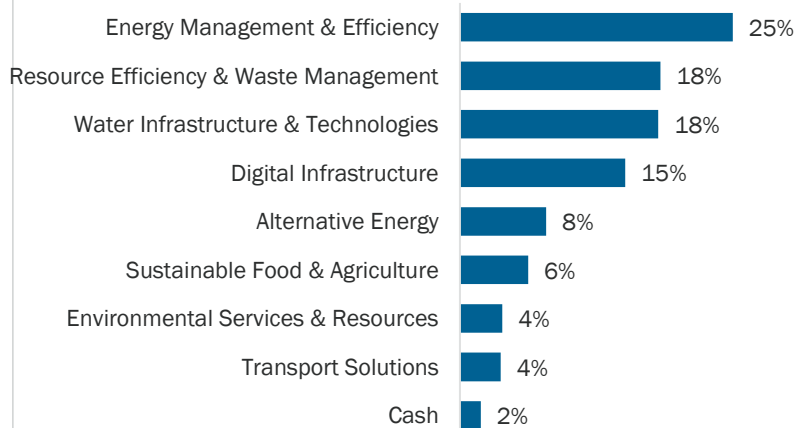
Amid more stable market conditions, we continued our work of consolidating the portfolio. Over the month, we exited three holdings in which our positions were at 1.25% or below.

**Darling Ingredients** is a US-based recycler of animal fats and processor of biofuels. Shares had steadily weakened in line with softer biofuel prices and legislative uncertainty. The company is also failing to capture a premium for sustainable aviation fuel. Expectations of a better-than-expected legislative outcome for biofuel, and accompanying share price rally, provided an opportunity to exit.

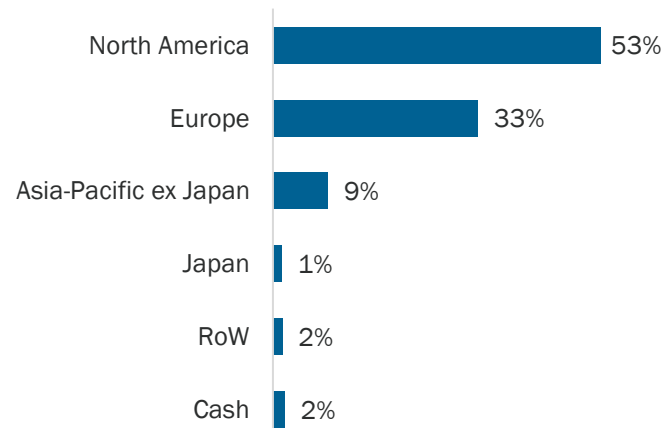
**Corbion** is an ingredients company with a focus on preservatives used in consumer goods. Through a joint venture, it is also a leading manufacturer of biodegradable plastic. Demand for the latter has not met expectations, while slim margins have failed to justify ambitious capital expenditure decisions. A share price recovery prompted us to consolidate into higher conviction ingredients companies.

**Amiad Water Systems (Water Treatment, Israel)** is a maker of water filtration and pumping equipment. Being one of the smallest companies in the portfolio by market cap, the holding is sub-scale and, with limited liquidity, cannot be built up further.

## Environmental markets exposure



## Geographical exposure<sup>7</sup>



Top 10 holdings <sup>8</sup>	Sub-sector	Country <sup>9</sup>	%
WASTE CONNECTIONS INC	General Waste Management	United States	3.43
AIR LIQUIDE SA	Industrial Energy Efficiency	France	3.41
TRIMBLE INC	Efficient IT	United States	2.95
SYNOPSYS INC	Efficient IT	United States	2.92
DSM-FIRMENICH AG	Sustainable Agriculture	Netherlands	2.82
VEOLIA ENVIRONNEMENT	Water Utilities	France	2.81
XYLEM INC	Water Distribution & Infrastructure	United States	2.79
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	2.66
KINGSPAN GROUP PLC	Buildings Energy Efficiency	Ireland	2.39
PTC INC	Efficient IT	United States	2.32
<b>TOTAL</b>			<b>28.50</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 30 June 2025. Charts may not add to 100% due to rounding. <sup>7</sup>Geographic allocation by country of listing. <sup>8</sup>Holdings are subject to change without notice. <sup>9</sup>MSCI classification if available.



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## Outlook

Despite a backdrop of geopolitical conflict, trade uncertainty and mixed economic indicators, global equities remain buoyant. Driving this is the continued resilience of the US economy. In June, US unemployment data fell to 4.1%, with downward revisions to prior months. Likewise, at 2.4%, US inflation remains slightly above the Federal Reserve's target, but well below expectations immediately after Liberation Day.

Yet investors still have plenty of reason to be cautious. Tariffs have largely been delayed or negotiated away, but are set to resume. Donald Trump's One Big Beautiful Bill Act is expected to raise the US fiscal deficit by around US\$3 trillion, boosting inflationary pressures. Israel's military conflict with Iran has so far provoked no meaningful market response, but any closure of key oil trading routes would have an immediate impact on inflation and the global economy.

A fragile balance therefore holds. Against this, the investment team has built up positions in companies with – on one hand – more defensive business models and – on the other – highly visible, structural growth. By contrast, exits have focused on stocks with less visible upside and limited control of their own destinies. Even after recent positive performance, IEM's 10% discount to NAV belies a highly active portfolio which trades below its historic valuation premium and offers meaningfully superior earnings growth to global equities.



# 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.

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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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