

Impax Environmental Markets plc

Monthly performance commentary: 31 August 2025

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Portfolio managers



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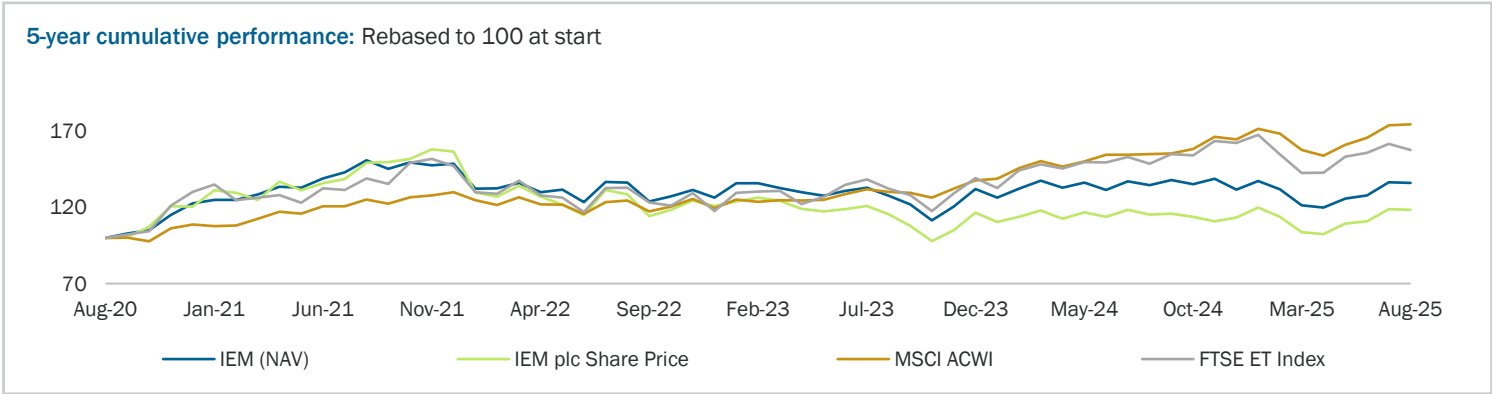
Market review

Global equities, as measured by the MSCI All Country World Index (ACWI) in GBP, made more modest gains in August. Stocks rose due to robust Q2 earnings and softer US non-farm payroll numbers, the latter boosting expectations of a cut to US interest rates. We note that despite Q2 earnings being supportive in aggregate, individual stocks remain volatile, with companies often punished for small misses, or not upgrading guidance.

Rate cut optimism produced a clear “risk-on” tilt to the market. Value and small caps meaningfully outperformed quality and large caps, while at a sector level Materials, Health Care and Consumer Discretionary stocks all outperformed. Utilities, Industrials and IT stocks were the weakest performers, with the lukewarm reception of Chat GPT 5 contributing to the latter.

In a relatively quiet month, the biggest story across Environmental Markets came from Ørsted (not held). The Danish wind farm developer announced a rights issue worth 9.4bn USD following what it termed “recent material developments in the US”. Shares fell 30% on the day.¹ Ørsted’s continuing weakness belies the relative outperformance of alternative energy stocks year to date, which have benefited from low expectations and cheap starting valuations.

Past performance does not predict future returns



Portfolio performance

The Impax Environmental Markets plc (IEM) portfolio’s Net Asset Value (NAV) delivered a total return of -0.2% in August. By comparison, the MSCI ACWI returned 0.4%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned -2.5%.

As in July, company results continued to be the main driver of returns. Many stocks posted double digit moves in response to earnings numbers, showcasing the high level of scrutiny to which the market is currently subject. This was most pronounced in IEM’s IT holdings, which detracted overall but also included some of the portfolio’s best performers.

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 August 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/3KbqjmN>.



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On the positive side, **Monolithic Power Systems** (a producer of thermally efficient power semiconductors) and **Delta Electronics** (a maker of power management solutions) both reported strong quarterly numbers, boosted by demand for data centre-related chips and cooling equipment, respectively. On the other hand, poor communications from **Marvell Technology** (a producer of ASICs² about upside to earnings, and increased concern that AI may be able to disrupt software providers like **Synopsys**, eroded returns.

Conversely, the portfolio's Industrials stocks made the largest positive contribution to return, as several companies beat expectations or showed signs of a cyclical upswing. Construction is one industrial activity to which IEM has meaningful exposure, accounting for ~22% of the portfolio. While we focus on long-term stock selection, macro considerations do inform position sizing, and we have been judiciously managing aggregate exposure up and down when things like tariffs appear to shift investor sentiment out of line with fundamentals.

It was reassuring therefore to see strong performance from **Advanced Drainage**, as quarterly results indicated that the water infrastructure company is able to maintain its significant margin expansion. While its main US construction market is facing headwinds, good operational performance means it is well positioned in the event that lower interest rates stimulate a recovery. Similarly, equipment rental company **Ashtead's** share price rose on signs of stabilisation in its local construction markets, as well as improved industry pricing discipline.

Several other stocks rose on the back of increasingly optimistic outlooks. Industrial heating specialist **Spirax Group** reported solid H1 results and reiterated its full year guidance, pointing in particular to double-digit order growth from pharmaceutical and biotechnology customers, a longstanding area of weakness. Similarly, shares in the EV battery manufacturer **CATL** rallied after one of their equipment suppliers released an outlook indicating aggressive capacity expansion plans.

Past performance does not predict future returns

Annualised returns (%)	3M	1Y	3Y	5Y	10Y	SI ³
IEM (NAV)	8.2	1.2	0.0	6.4	11.4	7.2
IEM plc Share Price	8.4	2.8	-2.7	3.5	11.9	6.8
MSCI ACWI	8.3	12.6	11.9	11.8	12.6	8.5
FTSE ET Index	2.9	6.1	5.9	9.6	15.4	7.8

Rolling 12m returns (%)										
	AUG-24 TO AUG- 25	AUG-23 TO AUG- 24	AUG-22 TO AUG- 23	AUG-21 TO AUG- 22	AUG-20 TO AUG- 21	AUG-19 TO AUG- 20	AUG-18 TO AUG- 19	AUG-17 TO AUG- 18	AUG-16 TO AUG- 17	AUG-15 TO AUG- 16
IEM (NAV)	1.2	5.4	-6.4	-9.7	51.0	13.3	4.6	8.0	20.4	39.7
IEM plc Share Price	2.8	-0.3	-10.1	-13.9	49.3	17.9	11.3	13.6	19.8	45.4
MSCI ACWI	12.6	19.0	4.6	-0.5	25.2	6.0	6.4	10.5	19.0	25.9
FTSE ET Index	6.1	12.3	-0.4	-4.4	39.1	63.1	0.7	4.9	22.5	26.0

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 August 2025. Performance is shown on a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. ²Application Specific Integrated Circuits. ³First full month since inception: March 2002.



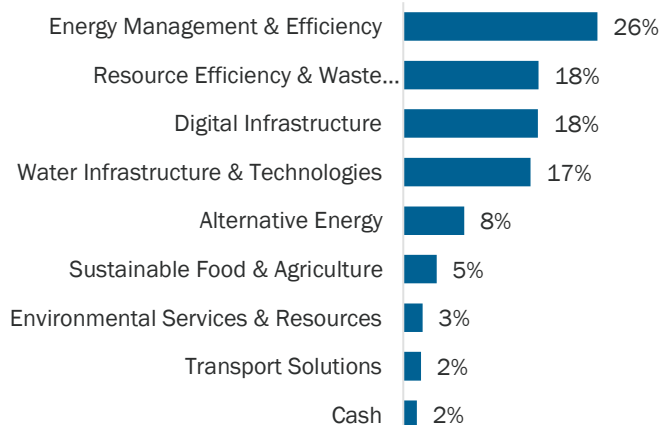
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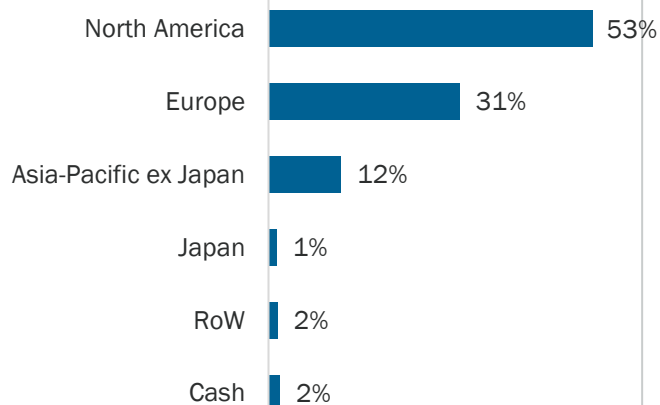
Significant transactions

In August we initiated a position in **Novonesis**. Formed through the merger of Novozymes and Christian Hansen in 2024, the company is a specialist in enzymes and biochemical technology, with a record of innovating natural alternatives to serve consumer, agricultural and energy end-markets. Novonesis has a track record of delivering robust margins, backed by global scale and diversified end-markets, and continues to deliver operational synergies post-merger.

Environmental markets exposure



Geographical exposure⁴



Top 10 holdings ⁵	Sub-sector	Country ⁶	%
SYNOPTICS INC	Efficient IT	United States	3.31
AIR LIQUIDE SA	Industrial Energy Efficiency	France	3.29
WASTE CONNECTIONS INC	General Waste Management	United States	3.27
XYLEM INC	Water Distribution & Infrastructure	United States	2.94
TRIMBLE INC	Efficient IT	United States	2.82
PTC INC	Efficient IT	United States	2.76
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	2.60
VEOLIA ENVIRONNEMENT	Water Utilities	France	2.51
DSM-FIRMENICH AG	Sustainable Agriculture	Netherlands	2.50
CONTEMPORARY AMPEREX TECHN-A	Advanced Road Vehicles & Devices	China	2.39
TOTAL			28.39

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 August 2025. Charts may not add to 100% due to rounding. ⁴Geographic allocation by country of listing. ⁵Holdings are subject to change without notice. ⁶MSCI classification if available.

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Outlook

The volatility we are seeing in some share prices after results is testament to an equity market that feels increasingly precarious. Jobs growth in the US continues to trend downwards, with unemployment recently rising to its highest level in four years at 4.3%.⁷ Meanwhile, the most recent US CPI⁸ data rose to 2.9%.⁹ Chairman Powell highlighted this inconvenient divergence, citing downside risks to employment as the main driver for a 25-basis point cut to interest rates.

There is also more qualitative evidence for an incrementally cautious stance. Results from water infrastructure company **Core & Main** (not held) point to weaker demand in residential construction. Equity market performance is once again concentrated in pool of mega-cap stocks, with the Magnificent Seven delivering almost double the performance of the MSCI ACWI in the past three months.¹⁰ While US 10-year bond yields have trended down to ~4.1%, gold continues to make new all-time highs at over 3700 USD an ounce.¹¹

Against this backdrop, we continue to prioritise investments with durable earnings growth that trade on attractive multiples relative to peers and history. This is underpinned by IEM's focus on companies harnessing structural trends that enable the cleaner, more efficient delivery of basic needs and mitigate environmental risk. Despite 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.

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. ⁷[US economy adds fewer jobs than expected in August, confirming slowdown - BBC News](#). ⁸Consumer price inflation. ⁹[United States Inflation Rate](#). ¹⁰Bloomberg, as of September 22, 2025. ¹¹Bloomberg, as of September 22, 2025.

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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