

Impax Environmental Markets plc

Monthly performance commentary

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Market review

Global equities as measured by the MSCI All Country World Index (ACWI) in GBP continued to rally. Key drivers over the month included the US Federal Reserve's first cut to interest rates in 2025,¹ a package of fiscal stimulus in China,² as well as robust tech sector earnings. On September 30, President Trump announced a deal with Pfizer to cut prices on drugs prescribed through State Medicaid programs, removing some regulatory overhang from Healthcare stocks.

This market backdrop fuelled a "risk-on"³ rally, with high growth and lower quality companies performing best. At a sector level, IT, Communications, Consumer Discretionary and Materials led the market, while defensive sectors Consumer Staples and Real Estate lagged. Emerging markets were also strong, thanks to gains in China and a weaker dollar.

In Environmental Markets news, September saw Impax team members attend New York Climate Week. Participants noted a strong level of activity and optimism across events, despite changes in the political backdrop. Many events focused on the continued technological advancements that support the economics of energy transition, as well as the financial necessity of integrating climate risk such as extreme weather events into investment decisions.

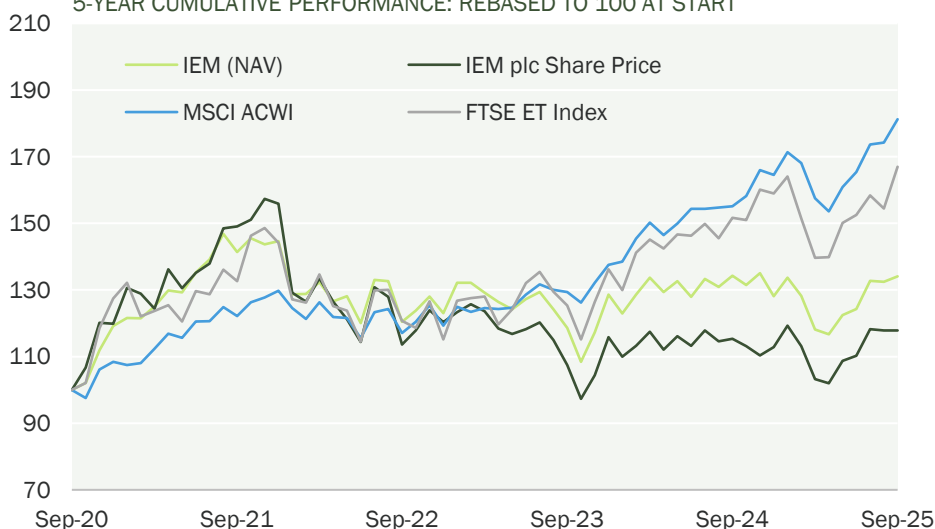
Portfolio performance

The Impax Environmental Markets plc (IEM) portfolio's Net Asset Value (NAV) delivered a total return of 1.2% in August. By comparison, the MSCI ACWI returned 4.0%. The FTSE ET 100, a more concentrated index focused on Environmental Markets, returned 8.1%.

Against an unfavourable market backdrop, the strong performance of mega-cap tech stocks (which fall outside of our investment universe) has been a significant headwind. However, this has been partially offset by IEM's growing data centre exposure, as well as stocks exposed to electrical grid investment. Weakness within the portfolio was primarily driven by some underwhelming datapoints, and profit taking.

Past performance does not predict future returns

5-YEAR CUMULATIVE PERFORMANCE: REBASED TO 100 AT START



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 September 2025. Performance is shown on a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. *On 1st October 2025 Sanjeev Lakhani joined the IEM plc Portfolio Management team as Co-Portfolio Manager. Jon Forster will be handing over his portfolio management responsibilities on 31 December 2025. The investment strategy and team-based approach remain unchanged. Please refer to the RNS announcement [here](#). ¹[Why the US is cutting interest rates - BBC News](#). ²<https://www.reuters.com/world/china-unveils-70-billion-financing-tools-bolster-investment-2025-09-29/>.

³"Risk-on rally" = a period of investor optimism where markets rise as investors buy riskier assets in pursuit of higher returns.

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Continued

We have steadily increased IEM's exposure to data centres over the year. This is through companies like **Marvell**, **KLA** and **Delta Electronics**, all of which made strong performance contributions in September following results. Marvell in particular rallied after an initially weak response to earnings, which was then clarified by comments from CEO Matt Murphy. These companies specialise in products and solutions which optimise the energy or water consumption of increasingly essential computation. While valuations across the space have risen, there is clear structural growth in the market and we believe that this is matched in the fundamentals of our holdings.

Chinese battery producer **CATL** made the biggest positive contribution to performance over the month. After strong results in July, the company benefited both from government stimulus and improving sentiment around energy storage systems (ESS) as Chinese tenders came in ahead of expectations.

Synopsys made the largest negative contribution to performance after disappointing results. The US-based provider of software for semiconductor manufacturing fell sharply on news that revenues in its Intellectual Property (IP) division had fallen due to the cancellation of Intel's 18A chip. While new chips may replace this demand in time, on top of still recovering sales in China, investors will likely wait to see the results before momentum recovers.

IEM's holdings with consumer exposure also dented returns. **DSM-Firmenich** lagged as results raised questions about volume trajectory and management failed to dispose of its animal nutrition business. Weak US housing data weighed on the share prices of **Trex**, a producer of sustainable decking, and **Carrier Global**, an air conditioning company. While Carrier reduced guidance, its valuation is low relative to history and with markets at near cyclical lows, demand has typically improved soon after.

Lastly, we saw some profit taking over the month. Shares in **Spirax Group**, **Ashtead** and **Bentley Systems** all weakened after a strong late summer run. Having ourselves taken profit in Bentley, as well as Clean **Harbors**, **Advanced Drainage** and KLA, we continue to pay particular attention to both valuations and position sizing, aiming to strike a balance between letting our winners run and judicious profit-taking.

Annualised returns (%)

	3M	1Y	3Y	5Y	10Y	SI ⁴
IEM (NAV)	7.9	-0.2	3.6	6.0	11.6	7.2
IEM plc Share Price	6.9	2.2	1.2	3.3	11.6	6.7
MSCI ACWI	9.5	16.8	15.7	12.6	13.2	8.6
FTSE ET Index	9.5	10.1	11.4	10.8	16.7	8.1

Rolling 12m returns (%)

	SEP-24 TO SEP-25	SEP-23 TO SEP-24	SEP-22 TO SEP-23	SEP-21 TO SEP-22	SEP-20 TO SEP-21	SEP-19 TO SEP-20	SEP-18 TO SEP-19	SEP-17 TO SEP-18	SEP-16 TO SEP-17	SEP-15 TO SEP-16
IEM (NAV)	-0.2	13.2	-1.5	-14.8	41.3	14.5	8.3	7.1	15.2	46.3
IEM plc Share Price	2.2	7.3	-5.4	-23.8	49.1	15.1	10.2	19.4	15.8	45.5
MSCI ACWI	16.8	19.9	10.5	-4.2	22.2	5.3	7.3	12.9	14.9	30.6
FTSE ET Index	10.1	21.0	3.8	-9.0	32.6	63.2	5.7	3.3	19.6	31.1

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Significant transactions

In September, we exited four stocks and initiated three positions.

Valuation underpinned the sale of both **Brambles**, a global leader in pallet-based logistics, and **Descartes**, a provider of logistics software. For Brambles, our medium-term thesis that operational efficiencies would enable the company to deliver stronger cash flows now appears fully priced into the shares. Similarly, Descartes trades on a forward PE multiple⁵ of ~50x,⁶ with the result that there are more attractive risk/reward dynamics elsewhere.

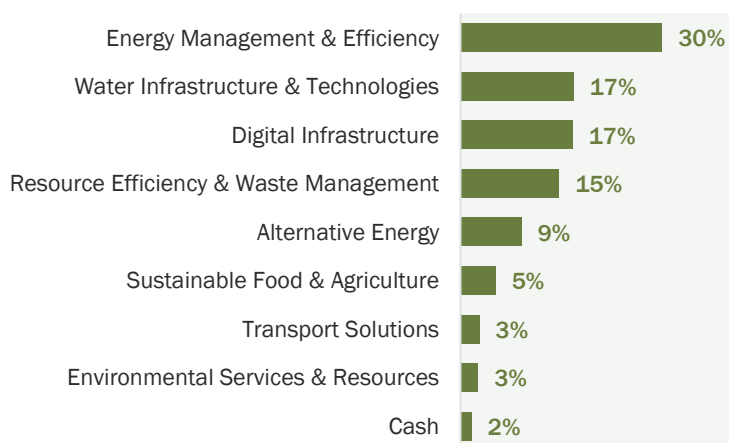
We also exited our positions in **Dabur India** and **LEM Holding**. In both cases our conviction has weakened, with Dabur facing greater demand uncertainty in some of its key domestic markets, while LEM is facing rising competition in addition to continued disruption.

We initiated positions in **Schneider Electric**, **Siemens Energy** and **Itron**. Schneider provides the hardware, software, and services needed for energy management, automation, and digital infrastructure, including data centres. Revenue growth is underpinned by rising power demand, greater connectivity and a focus on energy efficiency. A pullback in the stock enabled us to initiate a position in this company, which for the last decade has a track record of delivering above GDP growth and margin expansion.

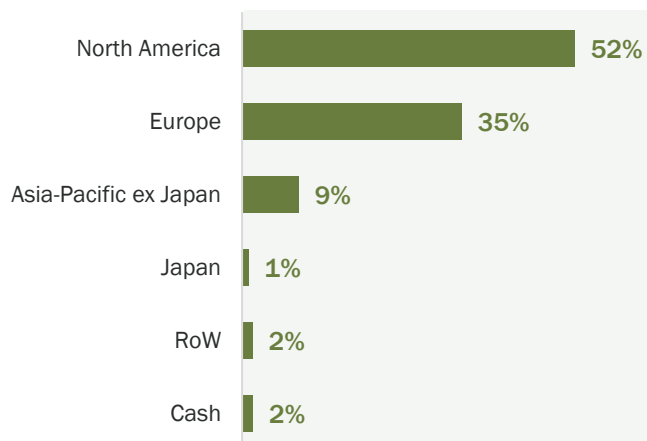
Siemens Energy is a global technology company providing products and services for energy and industrial applications. Its three main segments are Grid Technologies, Gas Services, and Transformation of Industry, complemented by a majority stake in the wind turbine manufacturer Siemens Gamesa. The company plays a critical role in enabling the energy transition by modernising grids, improving energy efficiency, and expanding renewable energy capacity. Siemens has completed the first phase of a three-year turnaround and is enjoying structurally higher demand for its gas turbines. With exposure to structural trends like electrification, decarbonisation, and energy security, we believe Siemens Energy has a clear path to higher earnings growth.

Itron produces meters and software solutions for electric, gas, and water utilities. Its products help customers manage resources efficiently and are seeing significant demand growth as the US invests in making its electrical grid larger and more resilient. The company is also transitioning towards “smarter” metering, driving a shift towards higher margin networking capabilities. Recent weakness in the shares provided an opportunity to enter the stock.

Environmental markets exposure



Geographical exposure⁷



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 September 2025. Charts may not add to 100% due to rounding. ⁵The forward price-to-earnings (P/E) multiple is a valuation ratio that divides a company's current share price by its estimated future earnings per share (EPS) for the next 12 months.

⁶Bloomberg, as at 22 September 2025. ⁷Geographic allocation by country of listing.

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Top 10 holdings ⁸	Sub-sector	Country ⁹	%
AIR LIQUIDE SA	Industrial Energy Efficiency	France	4.02
WASTE CONNECTIONS INC	General Waste Management	United States	3.53
XYLEM INC	Water Distribution & Infrastructure	United States	3.04
TRIMBLE INC	Efficient IT	United States	3.02
PTC INC	Efficient IT	United States	2.98
CONTEMPORARY AMPEREX TECHN-A	Advanced Road Vehicles & Devices	China	2.83
VEOLIA ENVIRONNEMENT	Water Utilities	France	2.81
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	2.71
SYNOPSYS INC	Efficient IT	United States	2.68
KINGSPAN GROUP PLC	Buildings Energy Efficiency	Ireland	2.24
TOTAL			29.85

Outlook

As of the end of Q3, global equities stood at all-time highs. President Trump's onslaught of tariffs has not instigated a massive surge in US inflation, and American consumers remain resilient. US government bond 10-year yields are at 4.1%, down from their peak of 4.8% in January.¹⁰ Even the long-awaited resurgence in M&A appears to have arrived, with 2025 set to be the best year for mergers since 2021.¹¹

However, this rose-tinted view of the world is not without its issues. Seven AI-linked companies now account for over 20% of the ACWI's market cap.¹² Gold – typically a safe haven asset – also now trades at all-time highs. From a macroeconomic standpoint, US inflation remains above the Federal Reserve's target rate. Meanwhile unemployment is ticking up, with a US government shutdown only muddying the picture by preventing the publication of jobs numbers. Globally, yields on long-dated bonds have surged, as investors question long-term fiscal deficits.

In this environment, active management is key. Year to date, we have taken advantage of market volatility to initiate positions in companies harnessing long-term structural growth at attractive valuations such as **KLA**. Market concentration has also enabled us to buy positions in undervalued defensive compounders, such as **Air Liquide**. Despite an active share of more than 99%, forward earnings growth almost 2x that of the ACWI, and a price-to-earnings (PE) premium¹³ of only 17%, shares in IEM continue to trade at a discount to NAV of ~10%.

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Important information

INVESTMENT OBJECTIVE & POLICY

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.

Key risks:

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

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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 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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