



# 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 pulled back in November. A combination of historically rich valuations and ambitious earnings expectations in AI-related companies prompted a reversal in this year's better performing stocks. Signs of continued US economic weakness also weighed on sentiment, with unofficial jobs and consumer data emerging despite the government shutdown.

At a sector level, IT performed worst, with the Magnificent Seven<sup>1</sup> significantly underperforming the broader market. Consumer Discretionary and Industrials stocks also weakened, while Health Care continued to rally following last month's agreement between the US government and big pharma to reduce Medicaid drug prices.<sup>2</sup> Stylistically, growth stocks reversed sharply in favour of value, while Europe outpaced the US and Asia.

In Environmental Markets, November saw Brazil host COP 30. These conferences tend not to produce tangible, market-moving agreements and this year was no different. However, discussions highlighted that over 30 countries are set to follow the EU in launching a carbon border adjustment mechanism. The scheme, effective January 2026, aims to stop local industry being undercut by imports from countries lacking robust carbon pricing.<sup>3</sup> In a post 'Liberation Day' world, governments may find their climate and trade policies increasingly interlinked.

### Performance

The Impax Environmental Markets plc (IEM) portfolio's Net Asset Value (NAV) delivered a total return of -3.8% in November. By comparison, the MSCI ACWI returned -0.9%. The Solactive GEM Specialists (GEMS) Index, which exists to reflect IEM's opportunity set, returned -2.1%.<sup>4</sup>

Sector allocation detracted from the portfolio's performance relative to the ACWI, driven by its overweight to Industrials and underweight to Health Care. The impact from sector allocation against the GEMS index was neutral. However, stock selection made negative contributions against both indices, with picks in Utilities, IT and Industrials weakening returns.

5-YEAR CUMULATIVE PERFORMANCE: REBASED TO 100 AT START



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<sup>3</sup><https://as.ft.com/r/78919cf7-d122-4ecc-8dc5-e3a887fb724>. <sup>4</sup>Refer to Solactive Environmental Markets Index Methodology Disclaimer on page 5.

\*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](#).

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Past performance does not predict future returns.

Continued

The shared driver of weakness across these sectors was earnings updates. In Utilities, Canadian renewable energy company **Northland Power** reported an unexpected dividend cut, as well as delays to a major offshore site under construction. The resulting cut to next year's earnings puts more pressure on the balance sheet, just as a contract to supply power is transitioning from government to merchant (i.e. fixed to market-based) pricing. Shares in **Boralex**, another renewables stock based in Canada traded down in sympathy. Northland's update represents a change to the investment thesis, which was predicated on successfully operating rather than expanding assets. As a result, we exited the position.

In IT, weakness was predominantly driven by software names **Bentley Systems** and **PTC**. The companies specialise in computer assisted design and product lifecycle maintenance, with a focus on infrastructure and industrial production, respectively. Results from both were robust, with annual recurring revenues growing at ~10% and strong free cash flow growth. However, investors appear more concerned about the potential for AI systems to erode and eventually disintermediate software tools. For such specialised tools, these concerns look overdone, in much the same way that no one 3D prints their own furniture.

In Industrials, **Trex** reported Q3 results below expectations but also brought down full year revenue guidance. While the company has attributed this to more broad-based consumer weakness, the fact Trex has increased its marketing spend raises questions about increased competition. Having talked up sales resilience in prior earnings calls, management may have to deliver several solid quarters to rebuild trust with investors.

Earnings were also a common theme on the positive side of the ledger. Having consolidated the portfolio's bioprocessing exposure last year and endured prolonged destocking, it is comforting to see **Repligen's** continued recovery. The Health Care sector as a whole is rallying, and the supplier of bioprocessing products and solutions reported revenue growth of over 22% year on year as well as robust expectations for 2026 as demand in its end markets improve.

Other strong performers for the month included the building insulation specialist **Kingspan**, as well as recent addition to the portfolio **Siemens Energy**. Kingspan issued a solid Q3 trading update, which included a reiteration of the company's full year guidance as well as an early confirmation that consensus expectations for 2026 are viable. Siemens' results were largely in line, while new targets set for 2028 drove meaningful upgrades to consensus earnings per share estimates. In these uncertain times, companies that can guide confidently are highly prized by investors.

## Annualised returns (%)

	3M	1Y	3Y	5Y	10Y	SI <sup>5</sup>
IEM (NAV)	-0.7	-2.6	0.9	3.3	10.5	7.1
IEM plc Share Price	0.3	7.1	-1.6	-0.3	10.9	6.7
MSCI ACWI	8.0	13.4	14.5	12.1	12.8	8.7
Solactive GEM Specialists	-	-	-	-	-	-

## Rolling 12m returns (%)

	NOV-24 TO NOV- 25	NOV-23 TO NOV- 24	NOV-22 TO NOV- 23	NOV-21 TO NOV- 22	NOV-20 TO NOV- 21	NOV-19 TO NOV- 20	NOV-18 TO NOV- 19	NOV-17 TO NOV- 18	NOV-16 TO NOV- 17	NOV-15 TO NOV- 16
IEM (NAV)	-2.6	15.1	-8.4	-10.9	28.4	24.8	18.1	-1.6	18.2	34.9
IEM plc Share Price	7.1	5.7	-15.7	-21.3	31.0	32.4	20.0	7.0	22.8	36.6
MSCI ACWI	13.4	25.6	5.4	-1.8	20.4	11.4	12.1	5.1	15.0	24.9
Solactive GEM Specialists	-	-	-	-	-	-	-	-	-	-

## Significant transactions

As detailed above, we exited our holding in **Northland Power**. We also initiated five new positions:

**Aptiv** is a global technology company that develops safer, greener and more connected solutions that enable the future of mobility. The company provides the advanced smart vehicle architecture and the connected mobility ecosystem at the forefront of smarter, automated and autonomous

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Continued

driving, safety, and infotainment. With an upcoming split of its hardware and software businesses, likely to crystallise significant value, the shares appear attractively priced.

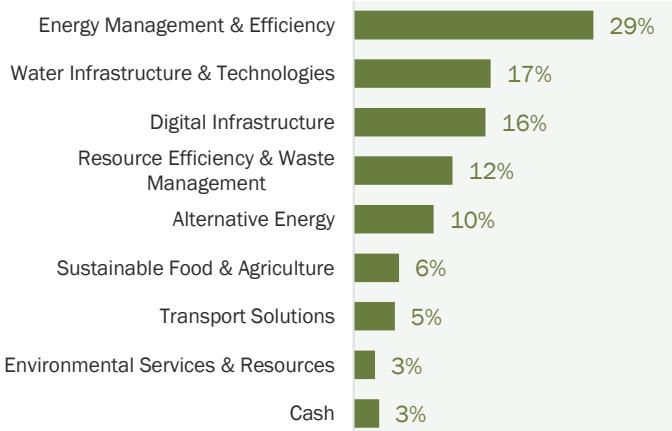
**Cadence** is a leading provider of Electronic Design Automation (EDA) tools that are used for designing semiconductor chips and electronic systems. Cadence's semiconductor design tools let enterprises combine connected systems with machinery, which contribute to improved energy efficiency through reducing required inputs and increased productivity.

**Wabtec** designs and manufactures locomotives, components, and digital systems for railway transportation. Its fuel-efficient engines, hybrid technologies, and predictive analytics help improve rail performance and reduce emissions. Demand for Wabtec's products is driven by long-term trends in rail modernisation and decarbonisation, with the company also providing aftermarket services. A long-term defensive compounder, its medium-term growth expectations appear underpriced.

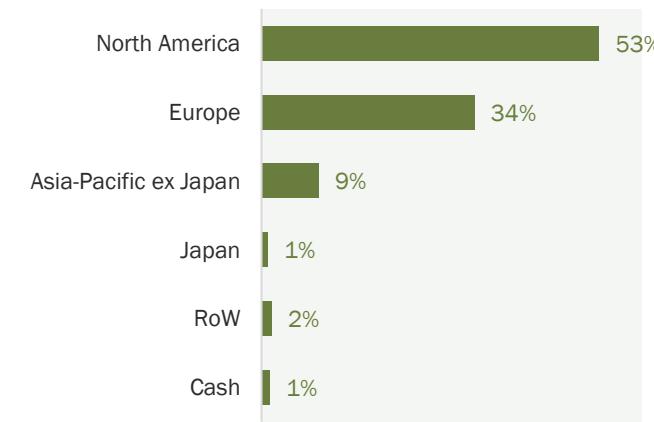
**SSE** is a UK-based energy utility, operating electricity transmission and distribution networks. Its renewable portfolio includes onshore and offshore wind, hydro, and flexible generation assets. SSE is making heavy investments in regulated areas such as grid infrastructure and renewables, which enable decarbonisation and energy security. As a result, the stock combines attractive long-term growth with reliable cash flows.

We initiated a position in **Tesla**. Having pioneered the electric vehicle (EV) market, CEO Elon Musk has now committed the business to becoming a global leader in robotaxis and humanoid robots. In doing so, Musk has set highly ambitious sales and growth targets and firmly aligned his interests to them (e.g. Tesla aims to produce 1 million robots annually within five years, with the total humanoid robot market surpassing 80mn p.a. by 2050). If Tesla can achieve these targets, there is significant upside potential to the shares. Our current position size reflects this balance of risk and reward.

## Environmental markets exposure



## Geographical exposure<sup>6</sup>



## Top 10 holdings<sup>7</sup>

Top 10 holdings <sup>7</sup>	Sub-sector	Country <sup>8</sup>	%
AIR LIQUIDE SA	Industrial Energy Efficiency	France	3.79
WASTE CONNECTIONS INC	General Waste Management	United States	3.41
XYLEM INC	Water Distribution & Infrastructure	United States	3.14
ORMAT TECHNOLOGIES INC	Renewable Energy Developers & IPPs	United States	3.02
TRIMBLE INC	Efficient IT	United States	2.98
PTC INC	Efficient IT	United States	2.95
CONTEMPORARY AMPEREX TECHN-A	Advanced Road Vehicles & Devices	China	2.77
VEOLIA ENVIRONNEMENT	Water Utilities	France	2.76
SYNOPSYS INC	Efficient IT	United States	2.50
NVENT ELECTRIC PLC	Smart & Efficient Grids	United States	2.44
<b>TOTAL</b>			29.76

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 . Charts may not add to 100% due to rounding.<sup>6</sup>Geographic allocation by country of listing. <sup>7</sup>Holdings are subject to change without notice. <sup>8</sup>MSCI classification if available.

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## Outlook

Heading into 2026, the backdrop for global equity markets remains mixed. US monetary policy is easing as inflation subsides, in turn reducing pressure on corporate and household balance sheets, and encouraging capital deployment. Barring some consumer stocks, earnings growth remains resilient, with little impact from tariffs. Geopolitical relations appear less fragmented, and corporate activity in the shape of M&A is once again on the rise.

Against this, valuations in several major indices are already pricing in near-perfect execution. These can feel particularly fragile given the increasingly interlinked nature of stocks across sectors through the sheer scale of AI capex. Meanwhile, rising default rates in areas like private credit are raising questions about the health of the broader economy, which could ripple through risk assets. Even inflation could re-accelerate if commodity markets tighten or fiscal policy becomes overly expansionary.

With so much of the market (and its gains since 2023) concentrated in a handful of AI stocks, their valuations are rightfully attracting scrutiny. However, with an active share<sup>9</sup> of over 99%, IEM's positioning is more differentiated. Indeed, while the portfolio's data centre exposure has risen, it is through companies where this is just one part of a more diverse business – e.g. **Schneider Electric**. Today, IEM's portfolio combines these long-term growth prospects with undervalued defensive compounders, in a vehicle that trades at a discount to NAV of ~7%.

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# Important information

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## Solactive Environmental Markets Index Methodology Disclaimer

Please note the following important information regarding the Solactive Environmental Markets Index Series (the "Index") and its related documentation. **More information is available upon request.**

The Solactive Environmental Markets Index Series is designed to represent global securities from issuers whose core business activities are meaningfully aligned with Environmental Markets. This alignment is determined based on revenues from products and services that support the transition to a more sustainable economy. Solactive AG acts as the Index Administrator, responsible for the ownership, calculation, and administration of the Index under the Benchmark Regulation (EU) 2016/1011 (BMR).

## Key Characteristics and Methodology of the Index

The Index Administrator first identifies the index universe by applying a rule-based process. Each index component is assigned a weight based on its free float market capitalisation. Free float refers to the share class-specific fraction of total shares available for trading by market participants, not locked in by long-term holders. The Index undergoes an ordinary rebalance on a quarterly basis. Index components are subject to minimum eligibility criteria, including but not limited to regional allocation, thematic exposure (assessed by revenue alignment) such as climate, environmental markets, food, water, etc., liquidity, free float. The Index currency for all indices within the Solactive Environmental Markets Index Series is USD.

Corporate actions that significantly impact index components between rebalancing periods are handled by adjusting the index from the cum-day to the ex-day to align with the price effect. Such adjustments are implemented in compliance with the methodology. However, the Index Administrator retains discretion to deviate from standard procedures for complex or unusual events to preserve the index's representativeness. All adjustments are announced on the Index Administrator's website with at least two trading days' notice and cover a wide range of events including cash/stock distributions, splits, mergers, acquisitions, and delistings.

## Index Risks:

Impax does not offer any explicit or tacit guarantee or assurance regarding the results from the use of the Index or its level at any specific time.

Errors in the determination process may occur from time to time due to various internal or external reasons and cannot be completely ruled out. Any identified errors are expected to be corrected within a reasonable period.

The determination of the Index may be limited or impaired during periods of illiquid or fragmented markets and market stress, which can lead to inaccurate or delayed prices for one or more index components.

The publication of the Index does not constitute a recommendation for capital investment and does not contain any assurance or opinion from Impax regarding a possible investment in a financial instrument based on the Index.

The methodology of the Index is subject to regular review, at least annually. Changes to the methodology may occur if the underlying market or economic reality changes, or if the current methodology is

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Whilst the Index Administrator endeavours to ensure the resilience and integrity of its indices, the orderly cessation of the Index may be indicated if the underlying market or economic reality changes substantially, if index rules can no longer be applied coherently, or if the index is no longer used as an underlying value for financial instruments. The Index Administrator maintains guidelines for identifying situations requiring cessation, informing stakeholders, and following procedures for termination or transition to an alternative index.

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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](http://www.impaxenvironmentalmarkets.co.uk). Please refer to IEM's Stewardship Approach for more details.

### MARKETING COMMUNICATION

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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

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## Benchmark

Impax uses the MSCI ACWI index and Solactive GEM Specialists as indicative benchmarks for its strategies. The MSCI ACWI captures all sources of equity returns across 23 developed and 26 emerging markets and assumes any net cash distributions, including dividends, are reinvested. Information about the Solactive Benchmark can be found in the methodology section.

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