

Impax Environmental Markets plc

Monthly performance commentary

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In January, IEM's Board announced a proposed Continuation Tender Offer. Doing so is designed to provide shareholders with the choice of remaining invested, or exiting at close to net asset value (NAV). The circular, along with the full terms can be found on [IEM's website](#).



Sanjeev Lakhani
Portfolio Manager



Fotis Chatzimichalakis
Portfolio Manager

Market review

Global equities as measured by the MSCI All Country World Index (ACWI) in GBP made modest gains in January. Headlines were dominated by a US operation to remove Venezuela's President Maduro, and potential takeover of Greenland. US prosecutors also launched a criminal investigation into Jerome Powell over the Federal Reserve's 2.5bn USD renovation. Despite this, robust economic data and corporate earnings growth helped stocks grind higher.

Equity performance continued to move beyond US technology stocks. The 'Magnificent Seven'¹ delivered negative returns, with **Alphabet** (not held) a notable outlier. Energy, Materials and Industrials were the strongest sectors, while Consumer Discretionary IT and Financial stocks weakened. Correspondingly, Value stocks and Emerging Markets were some of the best performing areas of the market.

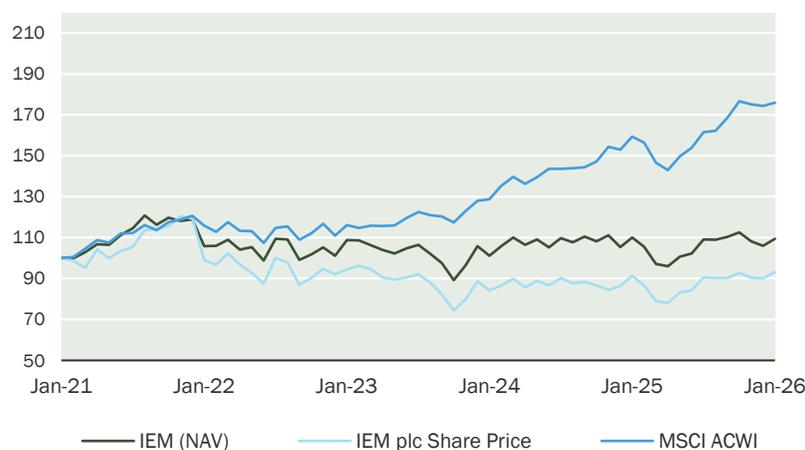
In Environmental Markets, the US announced a pivot in its federal nutrition policy.² Focusing on 'real food', the government's new guidelines mark a clear shift away from ultra-processed foods (UPFs) – which today account for 53% of calories consumed by US adults³ – towards whole, nutrient-dense alternatives. Companies with exposure to this are well-represented in the Sustainable Food sector of Impax's taxonomy. While the impact of this decision is likely to play out over years, not months, it reflects how initiatives which promote human wellbeing can garner support regardless of which party is in power.

Performance

The Impax Environmental Markets plc (IEM) portfolio's Net Asset Value (NAV) delivered a total return of 3.2% in January. By comparison, the MSCI ACWI returned 0.9%. The Solactive GEM Specialists (GEMS) Index,⁴ which exists to reflect IEM's opportunity set, returned 3.2%.

Against the ACWI, the portfolio's overweight to Industrials strongly boosted returns, as did its underweight in Financials. Not owning Energy stocks acted as a slight headwind. Sector impact was more muted against the Solactive opportunity set, where the benefit of owning fewer Consumer Discretionary stocks was offset by weaker stock selection in Materials and IT.

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 31 January 2026. Performance is shown on a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. ¹Microsoft, Apple, Meta, Amazon, Alphabet, Nvidia, Tesla. ²Kennedy, Rollins Unveil Historic Reset of U.S. Nutrition Policy. Put Real Food Back at Center of Health | USDA. ³Williams, A.M. et al., August 2025: Ultra-processed Food Consumption in Youth and Adults: United States, August 2021-August 2023. NCHS Data Brief. ⁴Refer to Solactive Environmental Markets Index Methodology Disclaimer on page 5.



Impax Environmental Markets plc

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Continued

Within the portfolio, the strongest contributions to return came from holdings exposed to electrical grid spending. **Siemens Energy**, **Prysmian**, and **Hubbell** all made robust gains, reflecting continued investor positivity for the infrastructure needed to meet rising energy demand. In particular, Siemens, a maker of wind and gas turbines, benefited following EU approval for gas-fired plant subsidies, as well as strong results from **GE Vernova** (not held). GE's numbers point to sustained order demand, which is in turn underpinning margin growth.

Datacentres and semiconductors continue to be areas of strength for the portfolio. Here, our exposure is spread across companies which improve the overall efficiency of computation, through activities such as power management, cooling and semiconductor manufacturing. This "picks and shovels" approach to AI is where we see potential for value to accrue as capital expenditure grows. Accordingly, **Monolithic Power Systems** and **Delta Electronics** made strong gains after **TSMC** and **Meta** (neither held) announced spending increases of 37% and 73%, respectively.

Shares in **Littelfuse** shares also performed well. The maker of circuit protection devices reported results which beat consensus revenue and earnings per share, citing a broad-based industrial recovery on top of a refocus on higher margin activities. The latter includes exposure to high voltage racks for use in data centres, where Littelfuse has transferrable expertise from electric vehicles.

Weakness in the portfolio continues to be driven by our software holdings. Here, the concern is that AI could destroy business models either as customers insource existing solutions, or as new competitors enter the space. Market participants are shooting first and asking questions later, with the likes of **PTC**, **Trimble** and **Cadence** all posting negative returns despite no material news. These businesses have robust fundamentals, and benefit from deep customer relationships in which the cost of failure is high. However, at this early stage of the debate and with continued volatility likely, we have trimmed our overweight relative to the opportunity set.

Other areas of relative weakness include natural ingredients and defensive growth stocks. Despite robust fundamentals, the latter remain out of favour in a market that has alternately favoured momentum and value. The former have struggled due to weakening consumer sentiment, with results from industry bellwether **Givaudan** (not held) pointing to both softer sales growth and margins. Here we have consolidated into higher quality positions **Borregaard** and **Novonosis**, and await the sale of **DSM Firmenich's** animal health division.

Annualised returns (%)

	3M	1Y	3Y	5Y	10Y	SI ⁵
IEM (NAV)	-2.7	-0.5	0.2	1.8	11.1	7.1
IEM plc Share Price	0.5	2.0	-0.4	-1.4	11.7	6.8
MSCI ACWI	-0.4	10.4	14.8	12.0	13.1	8.7
Solactive GEM Specialists	0.4	-	-	-	-	-

Rolling 12m returns (%)

	JAN-25 TO JAN-26	JAN-24 TO JAN-25	JAN-23 TO JAN-24	JAN-22 TO JAN-23	JAN-21 TO JAN-22	JAN-20 TO JAN-21	JAN-19 TO JAN-20	JAN-18 TO JAN-19	JAN-17 TO JAN-18	JAN-16 TO JAN-17
IEM (NAV)	-0.5	8.8	-7.0	2.7	5.9	34.9	22.1	-4.2	12.9	46.7
IEM plc Share Price	2.0	8.5	-10.9	-4.6	-1.1	41.7	24.4	2.9	22.3	46.8
MSCI ACWI	10.4	23.7	10.9	0.3	15.9	12.3	15.8	0.0	12.8	33.0
Solactive GEM Specialists	-	-	-	-	-	-	-	-	-	-

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 January 2026. Performance a bid-to-bid price basis, with net income reinvested, net of ongoing charges and portfolio costs. ⁵First full month since inception: March 2002.

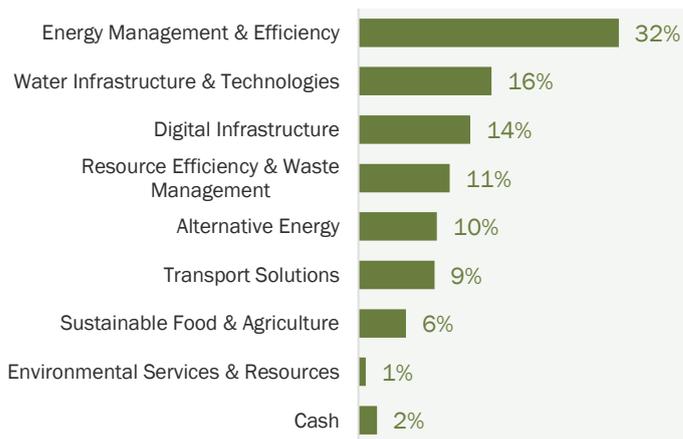
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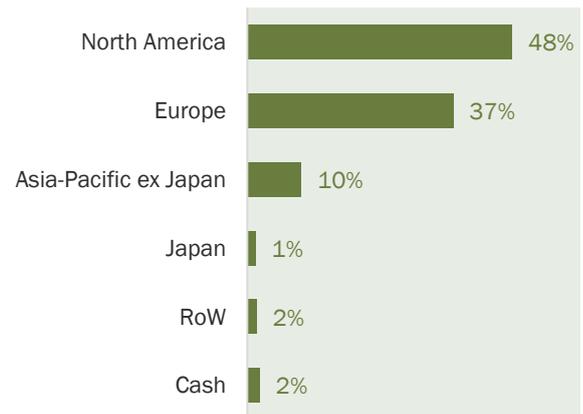
Significant transactions

We exited our position in **Synopsys**. Shares in the maker of electronic design automation (EDA) software have recovered following their pullback last year, bringing them closer to Cadence's valuation, which we also hold. Recent issues within Synopsys' intellectual property division have made us incrementally keener on Cadence's more direct exposure to AI chip complexity through EDA.

Environmental markets exposure



Geographical exposure⁶



Top 10 holdings ⁷	Sub-sector	Country ⁸	%
AIR LIQUIDE SA	Industrial Energy Efficiency	France	3.75
SIEMENS ENERGY AG	Wind Power Generation Equipment	Germany	3.73
WASTE CONNECTIONS INC	General Waste Management	United States	3.44
LITTELFUSE INC	Industrial Energy Efficiency	United States	3.06
XYLEM INC	Water Distribution & Infrastructure	United States	2.65
SSE PLC	Renewable Energy Developers & IPPs	United Kingdom	2.65
VEOLIA ENVIRONNEMENT	Water Utilities	France	2.58
PRYSMIAN SPA	Smart & Efficient Grids	Italy	2.50
NOVONESIS (NOVOZYMES) B	Sustainable Agriculture	Denmark	2.49
KLA CORP	Water Efficiency	United States	2.44
TOTAL			29.30

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 January 2026. Charts may not add to 100% due to rounding. ⁶Geographic allocation by country of listing. ⁷Holdings are subject to change without notice. ⁸MSCI classification if available.



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Outlook

The ongoing rotation out of software and into hardware is prompting broader shifts across equity markets. The Vix, a market index that measures expected volatility, has pushed upwards since late December.⁹ Year to date, the ACWI's small cap and value indices have outpaced its large cap and growth variants. At a sector level, GBP returns from Energy and Materials are meaningfully higher than those of both the Magnificent Seven and IT more broadly.¹⁰

This is about more than potential software disruption. Big Tech is set to spend 660 billion USD¹¹ on AI this year. At the same time, US fiscal policy remains expansionary, with January's ISM manufacturing index rising to its highest level since 2022.¹² Investors are thus reassessing the valuations of increasingly capital-intensive business models, whilst gaining a new-found appreciation for companies to which the strategy naturally has more exposure. This includes both the AI 'picks and shovels' as well as more cyclical mid and small caps.

Equity market performance has threatened to broaden out from big tech before. Last year's launch of DeepSeek prompted a sharp pullback which soon reversed. However, absent a single smoking gun, current proceedings feel like a much more orderly reshuffling of the deck. Against this backdrop, IEM's portfolio continues to offer a mix of high active share, robust earnings growth, and attractive valuations relative to the broader market.

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⁹Source: Bloomberg as of February 9, 2026. ¹⁰ibid. ¹¹Big Tech groups race to fund unprecedented \$660bn AI spending spree. ¹²United States ISM Manufacturing PMI.

Important information

Past performance does not predict future returns.

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

based on obsolete assumptions. Such changes will be made in accordance with the Solactive Methodology Policy and announced on the Solactive website. The terms and conditions of the Index may be subject to changes and the Index's calculation method may be subject to change as deemed necessary to prevent obvious errors or to remedy, correct, or supplement incorrect terms and conditions. Impax and the Index Administrator are not obliged to provide information on any such modifications or changes.

The Index Administrator retains the right to deviate from standard corporate action procedures in cases of unusual or complex corporate actions to preserve the comparability and representativeness of the Index.

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. 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

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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 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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