



# Impax Environmental Markets

Investment companies | Update | 3 December 2024

## Delayed but not derailed

The interest rate cuts that we had been hoping for have materialised, to the benefit of growth-focused strategies such as that of Impax Environmental Markets (IEM). However, the route to a more sustainable world has been made harder by the election of a new US President who seems set on rolling back measures to tackle climate change and combat biodiversity loss. Encouragingly, IEM's net asset value (NAV) has not been much affected by this, and it may be worth remembering that IEM's portfolio is a global one, and over the period between Trump's election in 2016 and his ousting in 2020, IEM's share price rose by 84%. This reflects the breadth of IEM's universe. Renewables for example, account for just 7% of its portfolio.

Even in the US, there is sufficient impetus around efficiency improvements which are financially driven, as well as net zero greenhouse gas emission policies, targets for water and waste improvements, demand for sustainable food and agriculture, and the embrace of digital infrastructure that the loss of US Federal support and funding may delay, but should not derail, efforts towards achieving these goals. IEM's recent widening of its share price discount to NAV looks overdone.

## Capital growth and a more sustainable world

IEM is designed to enable investors to benefit from a highly differentiated, well-researched, and diversified portfolio of fast-growing, globally listed companies providing innovative solutions to environmental challenges or improving resource efficiency.

Sector	Environmental
Ticker	IEM LN
Base currency	GBP
Price	376.5p
NAV	452.2p
Premium/(discount)	(16.7%)
Yield	1.2%



IEM is posting decent absolute uplifts in its NAV



Recent portfolio activity has sought to increase the emphasis on higher-conviction positions



The managers have been taking advantage of cheap valuations to build positions





## Contents

<b>Market backdrop</b>	<b>4</b>
US politics – drill, baby, drill	5
<b>Asset allocation</b>	<b>6</b>
Top 10 holdings	7
Portfolio activity – new additions	9
Portfolio activity – exits	10
<b>Performance</b>	<b>10</b>
Contributors/detractors to IEM's NAV returns	11
<b>Premium/(discount)</b>	<b>13</b>
<b>Fund profile</b>	<b>15</b>
Market-leading environmental manager	15
Measuring success	15
Previous publications	15

<b>Domicile</b>	<b>England &amp; Wales</b>
<b>Inception date</b>	<b>22 February 2002</b>
<b>Manager</b>	<b>Jon Forster, Fotis Chatzimichalakis, and Bruce Jenkyn-Jones</b>
<b>Market cap</b>	<b>920.3m</b>
<b>Shares outstanding (exc. treasury shares)</b>	<b>244,430,367</b>
<b>Daily vol. (1-yr. avg.)</b>	<b>764,473 shares</b>
<b>Net gearing</b>	<b>7.1%</b>

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### Analysts

**James Carthew**  
[jc@quoteddata.com](mailto:jc@quoteddata.com)

**Matthew Read**  
[mr@quoteddata.com](mailto:mr@quoteddata.com)

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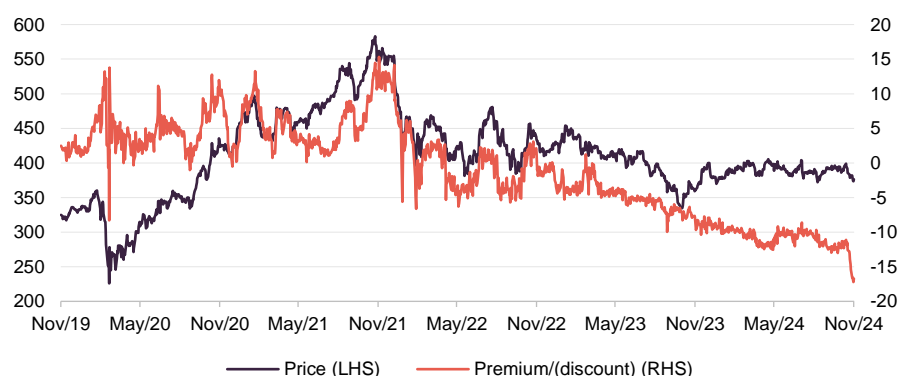
## At a glance

### Share price and discount

Over the 12 months ended 30 November 2024, IEM's share price discount to NAV moved within a range of 7.8% to 17.2% and averaged 10.7%.

The widening of IEM's discount in recent weeks may be related to the US election result. The increase in US bond yields is a setback, but outside of the US, rates are likely to continue to fall. We feel that the current discount is too wide.

### Time period 30 November 2019 to 30 November 2024



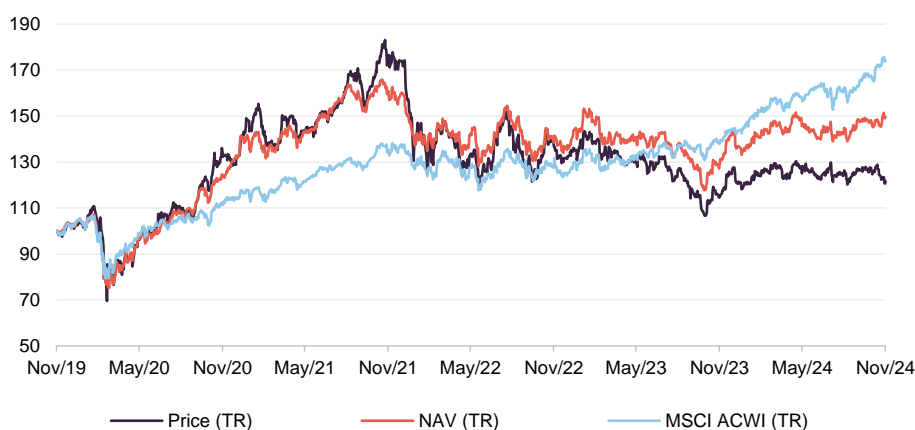
Source: Morningstar, Marten & Co

### Performance over five years

Notwithstanding the positive of falling interest rates, the distorting effect of the Magnificent Seven and associated underperformance by small and mid-cap stocks, continue to weigh on IEM's returns relative to the MSCI All Countries World Index (MSCI ACWI).

IEM is posting decent absolute uplifts in its NAV, but the discount has widened once again.

### Time period 30 November 2019 to 30 November 2024



Source: Morningstar, Marten & Co

Year ended	Share price total return (%)	NAV total return (%)	MSCI ACWI total return (%)
30/11/2020	32.4	23.7	11.4
30/11/2021	31.0	28.5	20.4
30/11/2022	(21.3)	(10.9)	(1.8)
30/11/2023	(15.7)	(8.4)	5.4
30/11/2024	5.7	15.4	25.6

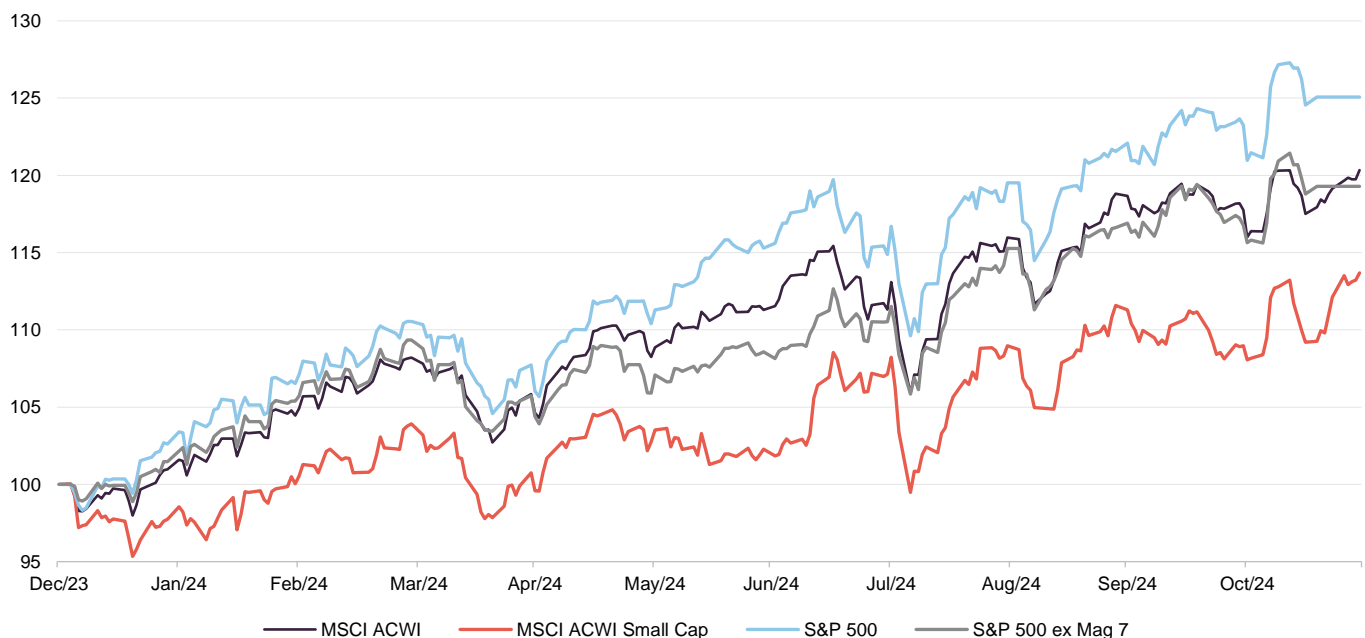
Source: Morningstar, Marten & Co

## Market backdrop

Markets have made progress, but mega-caps still dominate

Markets have continued to make progress since we last published in June. The early part of August saw a period of heightened volatility as a Japanese **interest rate** rise triggered the unwinding of yen carry trades (a strategy involving borrowing yen at low interest rates to invest in higher-**yielding** assets) and this coincided with the release of some data that suggested that the US economy was slowing rapidly. When that was disproven and the Federal Reserve cut rates as expected, markets recovered their poise.

**Figure 1: Markets over 2024, various indices rebased to 100**



Source: Bloomberg, Marten & Co

As Figure 1 illustrates, US stocks continue to outperform the wider global index, small-cap stocks are still lagging, and the mega-cap Magnificent Seven (a term used to describe seven large US technology companies thought to be beneficiaries of artificial intelligence - AI) continue to dominate.

The managers note that, against a backdrop of falling interest rates, there has been more interest in growth-focused stocks. However, markets have been volatile since we last published (particularly in early August) and the managers have been taking advantage of cheap **valuations** to build positions.

Figure 2 is a chart of US 10-year government bond yields. Whilst the US rate reductions of 50bps (basis points, where 1 basis point equals 0.01%) in September and 25bps on 7 November 2024 are encouraging, bond yields have been climbing since the middle of September, which is unhelpful for growth-focused investment strategies such as that pursued by IEM. In part, this reflects a persistence of core **inflation**, but there is also a fear that the new administration's policies will be inflationary.

US interest rates are falling but 10-year bond yields are rising

**Figure 2: US 10-year Treasury yields**



Source: Bloomberg, Marten & Co

## US politics – drill, baby, drill

Incoming administration wants increased fossil fuel production

Trump has nominated a climate-change sceptic and fracking boss Chris Wright to the role of Energy Secretary. Lee Zeldin, who would head the Environmental Protection Agency (EPA), is said to be another climate-change denier and fossil fuel advocate. He is expected to slash regulations and jobs. Doug Burgum would be Interior Secretary (covering areas such as national parks, fish, wildlife, and land management) and will also lead a new National Energy Council tasked with maximising fossil fuel production.

Clearly, therefore, the US election result threatens efforts to tackle climate change and biodiversity loss within that country and could have adverse effects on global sentiment too. However, the main message seems to be that Federal support for programmes to tackle these issues will be withdrawn but consumers, corporates and – to some extent – individual states should still be free to follow their consciences. Within IEM, renewables account for just 7% of the portfolio. At the same time, a pivot towards more conventional energy (such as oil, gas, and coal) could generate high-value waste streams (by-products with economic potential) for the portfolio's hazardous waste treatment holdings, such as Clean Harbors.

US offshore wind may stall without government backing, EV incentives withdrawn

Some programmes, such as US offshore wind, seem unlikely to proceed without Federal funding. Stocks such as Ørsted and Vestas Wind Systems dropped sharply in the wake of the election result. It has also been widely reported that the tax credits available to fund EV (electric vehicle) purchases will be scrapped, to the detriment of Rivian and other US EV manufacturers. However, Tesla is said by some to be a beneficiary of this as less-profitable competitors are driven out of business. NB none of these stocks is held within IEM's portfolio.

Inflation Reduction Act scrapped?

Power demand is rising and new generation is needed. Renewables are the cheapest way of addressing this.

Other measures that the Inflation Reduction Act introduced, such as tax credits for new renewable energy generation, energy storage, and transmission projects, may also be under threat. However, Republican states such as Texas have been big beneficiaries of the policy, and this could temper the pace of its curtailment.

## Renewables are the sensible choice to meet increased power demand from AI

In recent months, the market has come to appreciate the changing dynamics in the US power market. New demand for power is coming from data centres, and the electrification of transport, industry, and heating/cooling for buildings.

The data centre demand is being exacerbated by AI – the IEA (International Energy Agency) says that an AI-powered ChatGPT query requires 2.9 watt-hours of electricity as compared to 0.3 watt-hours for a Google search. In recognition of the changing power market and their own net zero commitments, hyperscalers (companies operating massive cloud data centres) are already securing new dedicated low-carbon generation. IEM's managers have exposure to this theme through several holdings, including Monolithic Power Systems – a maker of thermally efficient semiconductors, Prysmian – an electric cabling company, and recent addition nVent Electrical – an electrical contractor. They explored the impacts of AI in a piece published on its website on 17 September 2024, which you can read [here](#).

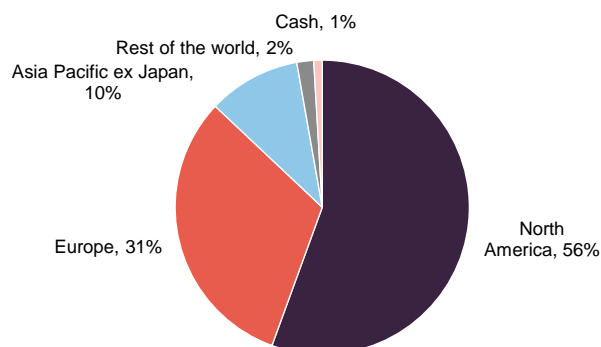
Figures produced by the US Energy Information Administration in 2023 showed that, for new plants entering service in 2028, solar photovoltaic (PV) and onshore wind were projected to have the lowest levelised cost of electricity (LCOE) (\$23.22/MWh and \$31.07/MWh, respectively). That compares to \$42.72/MWh for a new combined cycle gas plant. New tariffs on the import of the likes of solar panels and turbine blades may have an impact on these figures, but the economics could still support renewables. Either way, as previously stated, renewables account for just 7% of the portfolio, with the bulk of these held in Independent Power Producers generating electricity from a mixture of wind, solar and hydroelectricity. With long-dated contracts and multi-year planning processes, President Trump's election will have limited impact on their near-term growth expectations.

The managers observe that an overweight to utilities stocks weighed on IEM's returns when rates were rising, but this is now reversing to some extent, especially where increased demand for power is underpinning higher power prices and margins.

## Asset allocation

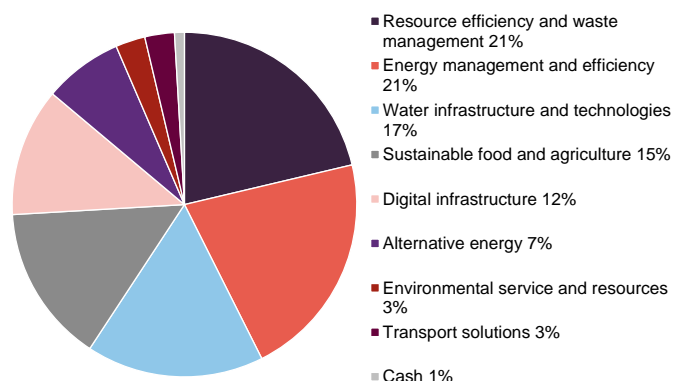
At the end of October 2024, IEM had 61 holdings (down from 62 at as 30 April 2024, the data that we used when we last published). Recent portfolio activity has sought to increase the emphasis on higher-conviction positions. As discussed below, the managers have been taking advantage of attractive valuations to build new positions.

**Figure 3: IEM portfolio by geography as at 31 October 2024<sup>1</sup>**



Source: Impax Note 1) Figures as a percentage of net assets

**Figure 4: IEM portfolio by sector as at 31 October 2024<sup>1</sup>**



Source: Impax Note 1) Figures as a percentage of net assets

Within IEM's geographic exposure, the portfolio's exposure to North America has risen at the expense of Europe. In terms of sector exposures, IEM has a bit more in energy management and efficiency; sustainable food and agriculture; and digital infrastructure; and a bit less in alternative energy; environmental service and resources; and transport solutions than it did at the end of April.

## Top 10 holdings

**Figure 5: IEM 10 largest holdings as at 31 October 2024**

Stock	Subsector	Country	As at 31/10/24 (%)	As at 30/04/24 (%)	Change (%)
PTC	Efficient IT	United States	3.2	2.9	0.3
Pentair	Water distribution and infrastructure	United States	3.1	3.2	(0.1)
STERIS	Resource circularity and efficiency	United States	2.7	n/a	n/a
DSM-Firmenich	Sustainable agriculture	Netherlands	2.7	2.8	(0.1)
Clean Harbors	Hazardous waste management	United States	2.7	2.6	0.1
Brambles	Resource circularity and efficiency	Australia	2.6	n/a	n/a
Rayonier	Sustainable forestry	United States	2.6	n/a	n/a
Trimble	Efficient IT	United States	2.5	n/a	n/a
Aalberts	Water distribution and infrastructure	Netherlands	2.4	3.3	(0.9)
Littlefuse	Industrial energy efficiency	United States	2.4	2.2	0.2
Total of top 10			26.9	26.1	

Source: Impax

Since the end of April 2024, Stericycle, Kingspan, Prysmian, and Spirax-Sarco Engineering have fallen out of the list of IEM's 10 largest holdings to be replaced by Brambles, Rayonier, STERIS, and Trimble.

In June, Waste Management Inc. announced a \$62 per share bid for Stericycle, valuing the business at \$7.2bn. Immediately ahead of the announcement, Stericycle was trading at \$49.30. This was not the only bid that IEM has benefitted from. The Greek renewables operator Terna Energy is being taken private by Masdar, an Abu Dhabi-based developer in a deal that values Terna at €3.2bn.

Looking at some of these in more detail:

**Figure 5: Brambles (AUD)**



Source: Bloomberg

## Brambles

Brambles ([brambles.com](https://www.brambles.com)) is an Australian business that operates globally, providing pallets, containers, and crates that can be re-used many times over. It is embracing digital technology and AI to track and better-manage its inventory. As a major consumer of timber, it is focused on the use of sustainable sources of supply and in reforestation and biodiversity projects. It is also using a higher proportion of recycled plastic.

Sales have compounded at 10% per annum over the last three years and the CAGR of its underlying profits has been 15% over that period. As you can see from the chart, the annual results released in August were well-received by investors. These included a commitment to raise its dividend pay-out ratio and a US\$500m share buyback over 2025.

**Figure 6: Rayonier (USD)**



Source: Bloomberg

## Rayonier

Rayonier ([rayonier.com](https://www.rayonier.com)) is a leading forestry REIT with 2.7m acres of timberland in the US and New Zealand. Its forests are managed sustainably to yield about 11m tons of timber annually. It also has a real estate development business.

Selected land disposals (target proceeds of \$1bn in total) have been used to pay down the company's debt and fund returns of capital to investors.

As the year has progressed, management has been nudging down revenue and earnings forecasts and that has weighed on the share price. However, much of this can be attributed to the impact of asset sales. It now expects full-year net income of \$343m–\$359m, EPS of \$2.30–\$2.40, and adjusted EBITDA of \$275m–\$290m.

**Figure 7: STERIS (USD)**



Source: Bloomberg

## STERIS

STERIS ([steris.com](https://www.steris.com)) describes itself as a leading global provider of products and services that support patient care with an emphasis on infection prevention. It provides a wide range of products to customers that include hospitals and surgery centres; medical device, and life science (pharmaceutical, and biotechnology) manufacturers; research and laboratories; and contract sterilisation services.

Revenue has grown at 13.5% CAGR over the past five years. Margins have expanded by 300bps, pushing its EBITDA CAGR to 16% over the same time period. Strong cash generation is being used to reinvest to fund growth, a growing dividend, mergers and acquisitions (M&A), and share repurchases. STERIS is targeting double-digit annualised EPS growth over the long term.



**Figure 8: Trimble (USD)**



Source: Bloomberg

## Trimble

Trimble ([trimble.com](https://trimble.com)) is a software business with products serving the transport & logistics market, construction, and field systems (geospatial analysis).

Trimble's third-quarter figures came in ahead of expectations, helped by improving gross margins. The company is aiming to increase recurring revenues as a proportion of total sales. In its third quarterly (Q3) statement, it said that it expects to generate between 11% and 13% **organic** annualised recurring revenue growth for its current financial year. The NASDAQ exchange has threatened it with delisting for late filing of documents. However, Trimble has sought to reassure investors and the news does not appear to have affected its share price (which was up strongly on the back of the US election result) as Figure 9 shows.

## Portfolio activity – new additions

Other new additions to the portfolio included Waste Connections, Bentley Systems, nVent Electric, and Cognex.

### Waste Connections

Waste Connections ([wasteconnections.com](https://wasteconnections.com)) is a solid waste management company, which offers the portfolio a similar type of exposure as Stericycle did. Its focus is on the US market, where waste management is geared towards landfill. Impax sees potential from Waste Connections plans to exploit the gas produced by its landfill sites (preventing greenhouse gas emissions while providing a new source of revenue). The managers note that the waste management business has strong pricing power.

### Bentley Systems

Adding Bentley Systems ([bentley.com](https://bentley.com)) to IEM's portfolio increases its exposure to software in a secular growth sector. Bentley's software is used to manage infrastructure engineering, covering the whole design, build, and operate process, including building information modelling. Impax says that Bentley's relatively low cost to clients and subscription-based business model ensures a high level of retention, with construction being one of the sectors least penetrated by software adoption. A change of CEO and concerns over cyclical business activity created an attractive entry point. The system allows for the creation of digital twins for assets, which makes it easier to manage them.

### nVent Electric

nVent Electric ([nvent.com](https://nvent.com)) designs, manufactures and installs high-performance electrical products that are used for mission-critical equipment, buildings, and essential processes in areas such as data centres, industrial automation, commercial buildings, power utilities, renewable energy, infrastructure, and energy storage applications. It has a strong presence in the fast-growing data centre market (discussed on page 6), which gives IEM indirect exposure to the AI growth story. For example, nVent recently announced a collaboration with NVIDIA to deploy nVent's liquid cooling solutions within NVIDIA-powered data centres.

## Cognex

Cognex ([cognex.com](https://cognex.com)) is a provider of machine vision and barcode-reading solutions. Its products are used in a wide variety of industries, but it is a beneficiary of advances in the fields of AI and robotics. Revenue has been growing at about 15% CAGR. While its second quarter 2024 figures showed a slowdown in its factory automation business, Q3 results were more reassuring.

## Portfolio activity – exits

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Exits from the portfolio included Eurofins, Shimano, and Cryoport.

### Eurofins Scientific

Eurofins Scientific ([eurofins.com](https://eurofins.com)) is a measuring and testing company listed in France. The company's investments in health care, combined with reduced environmental testing business, mean that company revenues have fallen below Impax's 50% threshold for environmental markets exposure.

### Shimano

The portfolio managers decided that the risk/reward dynamic of IEM's investment in Shimano ([shimano.com](https://shimano.com)) had become less favourable. The share price of the Japanese maker of bicycle components had rallied sharply, and the managers felt that the medium-term upside was limited. At the same time, a product malfunction, and allegations of forced labour at a company supplier had increased the company's perceived governance risk.

### Cryoport

Cryoport ([cryoport.com](https://cryoport.com)) provides a comprehensive range of integrated temperature-controlled supply chain solutions, supporting the biopharmaceutical, reproductive medicine, and animal health markets. The managers say that Cryoport's share price has struggled in the face of an extended period of inventory destocking. However, the managers' conversations with management also raised some concerns around Cryoport's **capital allocation** strategy. They opted to consolidate the position into Repligen, another holding in the bioprocessing space.

## Performance

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As discussed on page 3, notwithstanding the positive of falling interest rates, the distorting effect of the Magnificent Seven and associated underperformance by small and mid-cap stocks, continue to weigh on IEM's returns relative to the MSCI ACWI.

**Figure 9: IEM performance relative to MSCI ACWI over five years ended 30 November 2024**



Source: Morningstar, Marten & Co

IEM is posting decent absolute uplifts in its NAV, but the discount has widened once again.

**Figure 10: IEM cumulative returns for periods ending 30 November 2024**

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
<b>IEM price</b>	(3.7)	(5.0)	5.7	(29.9)	21.6
<b>IEM NAV</b>	3.3	2.0	15.4	(5.9)	49.6
<b>MSCI AC World Index</b>	7.3	10.7	25.6	30.0	74.3

Source: Morningstar, Marten & Co

The next section looks at the stock-specific factors that affected IEM's returns over the six months ended 30 September 2024.

You can access up to date data on IEM and other funds on our [website](#)

## Contributors/detractors to IEM's NAV returns

Impax kindly supplied us with some performance attribution figures for IEM over the six-month period ended 30 September 2024.

## Contributors

**Figure 11: IEM five largest contributors to NAV return over six months ended 30 September 2024**

	Sector	Average weight (%)	Total return (%)	Contribution (%)
<b>Prysmian</b>	Energy management & efficiency	2.16	32.98	0.58
<b>Monolithic Power Systems</b>	Digital infrastructure	1.95	28.90	0.52
<b>Contemporary Amperex Technology</b>	Transport solutions	1.43	31.70	0.46
<b>DSM-Firmenich</b>	Sustainable food & agriculture	2.69	16.89	0.46
<b>Corbion</b>	Sustainable food & agriculture	1.52	29.91	0.44

Source: Impax

**Figure 12: Prysmian (EUR)**



Source: Bloomberg

**Prysmian** was discussed in our last note (see page 15). Its power cables are in demand as transmission networks are upgraded to adapt to new renewable generation and increased demand for power. This is more than offsetting slower business in its digital solutions division.

Nine-month numbers for its 2024 financial year show improved margins, strong cash generation, organic revenue growth, and the benefits of its acquisition of Encore Wire announced in April 2024.

**Monolithic Power Systems** achieved record quarterly revenue in Q3 2024 and saw margin improvements. However, since the quarter end, an analyst's note that suggested Monolithic was losing business on NVIDIA's chips to rivals has knocked the share price. IEM's managers view this move as overdone, given Monolithic's management has telegraphed well in advance Nvidia's desire to diversify from the current sole supplier arrangement, and this change is already priced into forward guidance. Moreover, other areas of the business outside of data centres are starting to recover from periods of demand weakness.

By contrast, **CATL** (Contemporary Amperex Technology)'s share price has continued to climb since the quarter end as the Chinese battery maker (which has a 44% share of its domestic market) reported strong Q3 figures. Whilst there are some signs of slowing market for EVs, CATL's lithium iron phosphate batteries are capturing market share. New products – including a planned fast-charging battery that could charge to a range of 400km in 10 minutes, and ultra-high density “condensed batteries” that could power aircraft – offer potential for continued growth. However, elements within the new Trump administration have called for CATL to be put on a blacklist. CATL has offered to build a plant in the US and US automakers, including Tesla, are already licensing its technology.

**DSM Firmenich** supplies nutritional, natural, and renewable ingredients, and creates products across four divisions: perfumery and beauty; health, nutrition, and care; taste, texture, and health; and animal nutrition and health. Sales are growing across most of these areas, and its vitamins business has benefitted from disruption to supply chains, which will provide a temporary boost to profits. The company is also in the process of divesting (selling off) its more commoditised animal nutrition business.

**Corbion** is another ingredients business with an emphasis on sustainable products and solutions. It is investing in growth areas such as natural food preservation,

algae-based ingredients, lactic acid derivatives, and natural polymers. The company has two business units: health and nutrition; and functional ingredients and solutions. Whilst sales growth has been modest over 2024, the company has achieved a significant increase in margin and hence profitability.

## Detractors

**Figure 13: IEM five-largest detractors from NAV return over six months ended 30 September 2024**

	Sector	Average weight (%)	Total return (%)	Contribution (%)
<b>Spirax Group</b>	Energy management & efficiency	2.01	(24.26)	(0.59)
<b>Solaredge Technologies</b>	Alternative energy	0.41	(69.60)	(0.53)
<b>Aalberts</b>	Water infrastructure & technologies	2.62	(18.50)	(0.52)
<b>Cryoport</b>	Resource efficiency & waste management	0.34	(50.13)	(0.46)
<b>Vestas Wind Systems</b>	Alternative energy	1.56	(25.40)	(0.45)

Source: Impax

**Figure 14: Spirax (GBp)**



Source: Bloomberg

**Spirax Group's** share price has slipped by about 36% year to date. The company is focused on thermal energy management and fluid technology solutions. It sees a growing market for its products based on the decarbonisation of steam generation and, beyond that, the decarbonisation of thermal energy.

However, weak economies in its core markets (especially China) and adverse currency movements have been holding back progress this year. Margins have been falling and this has led to a de-rating (a reduction in the valuation multiple applied to the company's earnings or revenues).

**Solaredge Technologies** has experienced a near-90% drop in its share price over 2024. The maker of inverters and optimisers has been hit by a combination of new regulation in the US, as well as higher interest rates and weaker power prices, effectively reducing the economic appeal of residential solar installations.

**Aalberts** issued a trading update which was slightly below expectations.

**Cryoport** was discussed on page 10.

**Vestas Wind Systems** continues to win new business – announcing its first offshore project in Japan, for example – and has built up a record order book, but cost inflation has put pressure on its margins. Since the quarter end, its shares have fallen sharply on the back of the US election result.

## Premium/(discount)

Over the 12 months ended 30 November 2024, IEM's discount moved within a range of 7.8% to 17.2% and averaged 10.7%.

**Figure 15: IEM premium/(discount) over five years ended 30 November 2024**

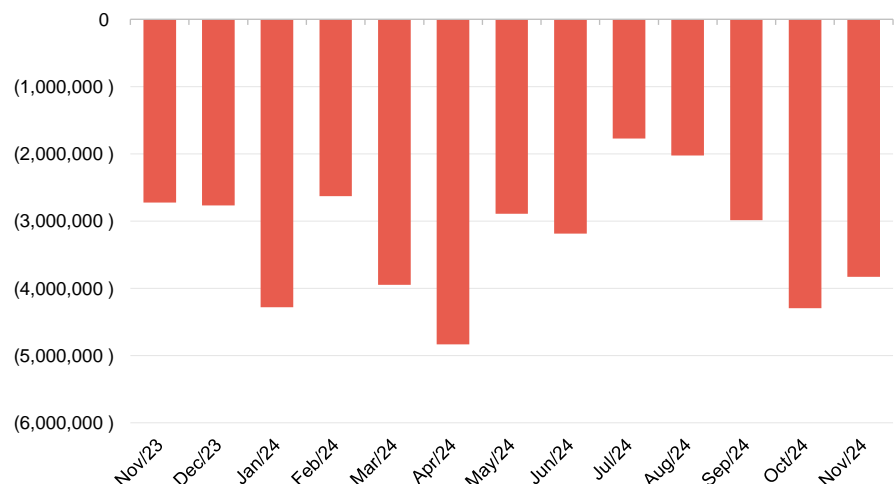


Source: Morningstar, Marten & Co

The widening of IEM's discount in recent weeks may be related to the US election result. However, the sector has been here before, and it is worth remembering that IEM's share price rose by 84% over the four-year period between Trump's first election win and his ousting in 2020. The increase in US bond yields is a setback, but outside of the US, rates are likely to continue to fall. We feel that the current discount is too wide.

As Figure 17 shows, IEM continues to buy back stock, which helps moderate discount volatility and provide liquidity to shareholders.

**Figure 16: IEM shares repurchased by month**



Source: Impax Environmental Markets, Marten & Co (figures to 30 November 2024)

More information is available at the company's website [impaxenvironmentalmarkets.co.uk](https://impaxenvironmentalmarkets.co.uk)

## Fund profile

IEM is founded on the belief that with insatiable demand for higher living standards on a finite planet, companies enabling the cleaner and more efficient delivery of basic needs – such as power, water, and food – or mitigating environmental risks such as pollution and climate change, will grow earnings faster than the global economy over the long-term. IEM provides its shareholders with exposure to this exciting growth story. The manager uses a proprietary classification system (a way to organise private information devised by an organisation) to define these higher-growth markets. As of today, the system identifies six sectors: energy, clean and efficient transport, water, circular economy, smart environment, and sustainable food. The range of activities included has naturally grown as technologies advance and more industries look to address material environmental challenges.

## Market-leading environmental manager

Impax Asset Management is one of the largest investors in the transition to a more sustainable economy, with £40bn of AUM

IEM's **AIFM** is Impax Asset Management (AIFM) Limited (Impax), which from its foundation in 1998 has grown to be one of the largest investors in the transition to a more sustainable economy, with £40bn of assets under management (AUM) at the end of 2023 and a substantial investment team based across Europe, North America, and Asia. The three lead managers working on IEM are Jon Forster, Fotis Chatzimichalakis and Bruce Jenkyn-Jones (more information on the management team was available in our initiation note – see below).

## Measuring success

For the purpose of this report, we have compared IEM with returns generated by the MSCI All Countries World Index (MSCI ACWI). IEM's factsheets use that index and another – the FTSE ET Index – which is a combination of FTSE ET100 (post 2014) and FTSE ET50 (pre-2014) indices.

The central premise of the trust is that its companies will grow faster than, and therefore outperform, a broader selection of companies

The FTSE Environmental Technologies Indices were developed in collaboration with Impax and under the direction of the independent FTSE Green Industries Advisory Committee. This index series encompasses companies that have at least 50% of their revenues derived from environmental products and services with clear and significant impact. Impax and FTSE no longer collaborate on these indices and as such, the construction methodology for inclusion has meaningfully diverged. We also feel that the central premise of the trust is that these companies will grow faster than – and therefore outperform – a broader selection of companies. Hence, we feel that MSCI ACWI is a better benchmark.

## Previous publications

Readers may wish to read our initiation note – ***Sustainable long term growth*** – which was published on 3 June 2024.



## IMPORTANT INFORMATION

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**50 Gresham Street, London EC2V 7AY**  
**0203 691 9430**

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Registered in England & Wales number 07981621,  
2nd Floor Heathmans House,  
19 Heathmans Road, London SW6 4TJ