



# Impax Environmental Markets

Investment companies | Update | 8 May 2025

## Significant headwinds, but still value

Rising interest rates, a focus on mega-cap AI stocks, and the election of a US administration that has set out to “drill, baby, drill”, rather than address the damaging effects of climate change appear to have contributed to negative sentiment towards the environmental sector.

However, as IEM's board and managers highlight, the ongoing need to address environmental issues – and the policy commitments of many countries (and even many US states) to do so – supports the view that, from an economic perspective, IEM's investment case still seems to hold. The shift of investor focus away from the US technology sector and towards Europe is favourable for the portfolio, and the companies that IEM is invested in continue to grow sales and profits, while valuations have declined. This may eventually result in broader market recognition.

## 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.

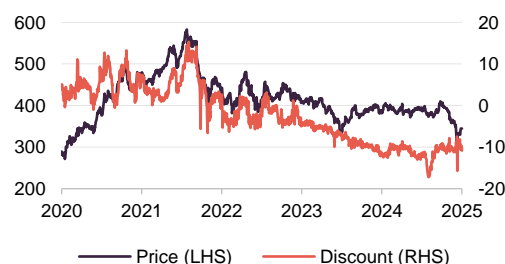
Year ended	Share price total return (%)	NAV total return (%)	MSCI ACWI total return (%)
30/04/2021	66.7	62.8	32.8
29/04/2022	(7.1)	(2.6)	4.3
28/04/2023	(6.4)	(0.1)	1.9
30/04/2024	(5.4)	2.3	17.9
30/04/2025	(9.0)	(9.8)	4.8

Source: Morningstar, Marten & Co

Sector	Environmental
Ticker	IEM LN
Base currency	GBP
Price	354.0p
NAV	396.1p
Premium/(discount)	(10.0%)
Yield	1.4%

## Share price and discount

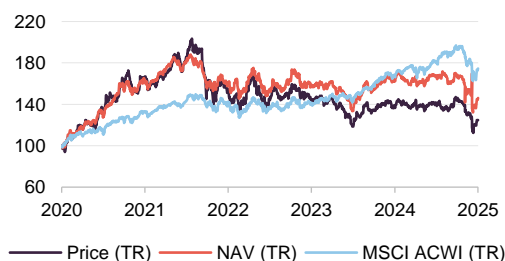
Time period 30/04/2020 to 30/04/2025



Source: Morningstar, Marten & Co

## Performance over five years

Time period 30/04/2020 to 30/04/2025



Source: Morningstar, Marten & Co



## Contents

<b>Market backdrop</b>	<b>3</b>
US politics – change, but also opportunities	4
<b>Asset allocation</b>	<b>5</b>
Top 10 holdings	7
Portfolio activity – new additions	9
Portfolio activity – exits	11
<b>Performance</b>	<b>11</b>
Contributors/detractors to IEM's NAV returns	12
<b>Premium/(discount)</b>	<b>15</b>
<b>Fund profile</b>	<b>16</b>
Market-leading environmental manager	16
Measuring success	16
<b>Previous publications</b>	<b>17</b>

<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>759.6m</b>
<b>Shares outstanding (exc. treasury shares)</b>	<b>214,584,394</b>
<b>Daily vol. (1-yr. avg.)</b>	<b>711,270</b>
<b>Net gearing</b>	<b>9.1%</b>

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### Analysts

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

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

**David Batchelor**  
[db@quoteddata.com](mailto:db@quoteddata.com)

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## Market backdrop

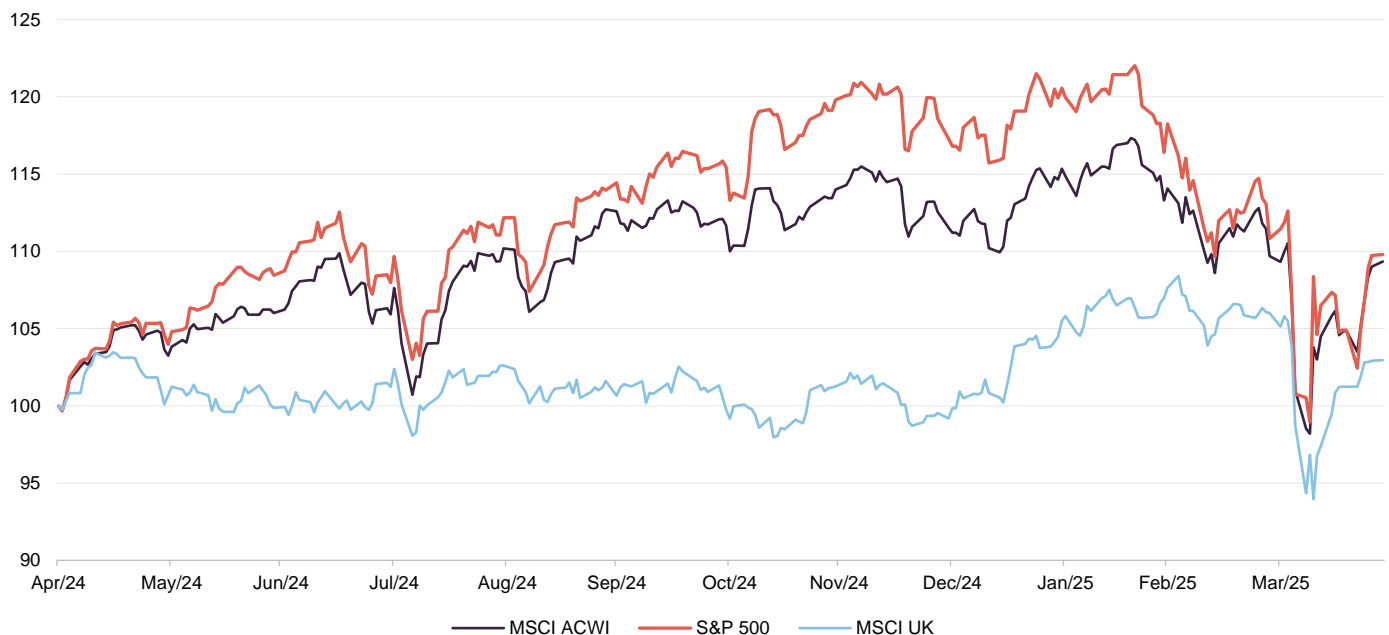
Initial optimism after the presidential election gives way to chaos on “Liberation Day”.

Since our last published note in December, market moves have been dominated by the actions of the new (second) Trump administration. Investors initially reacted positively to the result of the election, anticipating a wave of regulatory and tax cuts for business; global stocks, led by the S&P 500, rallied. However, this sentiment quickly declined as the president switched his focus to trade policy, including the implementation of tariffs and protectionist measures. Initial measures against China, Mexico and Canada were a precursor to “Liberation Day” on 2 April, with the announcement of “reciprocal tariffs” on virtually every country set at a baseline of 10% and rising in proportion with each country’s bilateral trade deficit with the US.

These measures, which appeared to have been more extensive than investors had expected, caused turmoil across global markets. Equities sold off heavily, and in the US, this was accompanied by a notable simultaneous jump in government bond yields and fall in the value of the dollar, as the whole US financial system came under significant pressure.

In response, and one week after the initial announcement, the president introduced a 90-day pause to tariffs above the 10% baseline, with the notable exception of China (increased to an eye-watering 125%). Markets responded, with the S&P 500 recording its strongest one-day rally since 2008, and pressure on government debt eased.

**Figure 1: Markets over 12 months to 30 April 2025, indices rebased to 100**



Source: Bloomberg, Marten & Co

**Figure 2: US 10-year Treasury yields (%)**



Source: Bloomberg, Marten & Co

## US politics – change, but also opportunities

The new administration is focused on traditional energy production, but many opportunities remain.

On the face of it, the arrival of the new administration in Washington is considered by some to be less favourable to sectors focused on delivering solutions within environmental markets, given a focus on cutting regulations and jobs, and scepticism about climate science from the likes of Energy Secretary Chris Wright. Moreover, individual companies are responding to the changed landscape – most obviously BP's (not held by IEM) decision to abandon its earlier pledge to reduce oil and gas output.

However, individual states retain significant power to pursue their own climate policies, so the manager believes that there remain significant opportunities in states with strong policy commitments, such as California. Also, in practice, it has been Republican states that have most benefitted from many of the environmental provisions of Biden's Inflation Reduction Act. Looser planning laws in states such as Texas have enabled, for example, the building of large new solar farms, and this trend appears likely to continue despite the harsher federal policy backdrop.

As explained in our previous note, just 8% of IEM's portfolio is accounted for by alternative energy. Moreover, the move towards increased fossil fuel production potentially may create opportunities for parts of the portfolio such as Clean Harbors, the hazardous waste treatment holding.

IEM's portfolio has broadly limited exposure to tariffs and the managers have acted where necessary.

## **IEM is well positioned to weather turbulence in markets and policies**

When it comes to the US administration's recently implemented tariff policy, IEM's managers say they have drawn on past experience, carefully examining the effects on the portfolio – for cyclical stocks in particular – and have acted where necessary. Construction-related exposure has been reduced, for example. Automotive exposure was already low at about 3%-4% of the portfolio (often this is as part of a larger, more diverse business).

Beyond these specifics, the managers' principal concern is the effect that the disruption will have on global economic growth, inflation and interest rates – concerns that are occupying the minds of most investors. IEM's managers have a low tolerance for highly geared stocks which could be sensitive to these factors in any case. To the extent that companies in the portfolio are judged to have high levels of leverage, this tends to be where management has a credible plan to reduce borrowings post an acquisition. Historically IEM has considered leverage of 3x for non-utility companies to be "high". The current exposure on that metric is 6.8%, dropping to zero post full-year 2025 Q4 results on consensus analyst numbers. Even if the threshold is lowered to 2x, exposure is only 2.4%.

Most companies in the portfolio have well-diversified revenues, and manufacturing businesses tend to be producing goods locally for local consumption rather than for export. However, there is a small number of stocks that are exporting into the US. To the extent that these have strong pricing power, that will be beneficial. Their sensitivity to tariffs may also depend on the ticket price of what they are selling and the proportion that makes up of the final product.

IEM has no exposure to the Chinese solar panel market. It does have a position in the Chinese battery technology business CATL (Contemporary Ampex Technology, which was discussed in our previous notes – see page 18 for links to these). The managers believe that CATL can perform well even if it loses its entire US business.

IEM has a natural bias to small and mid-cap companies. For the last few years, the portfolio's returns relative to global indices have been held back by its lack of exposure to US mega-cap AI stocks (notably the 'Magnificent Seven').

Before tariffs became a dominant factor in market discussions, the German decision to dramatically boost its spending on defence, infrastructure, and climate projects appeared to have been behind higher valuations in Europe. €100bn has been allocated to fund climate investments, underscoring potential growth opportunities for the sector.

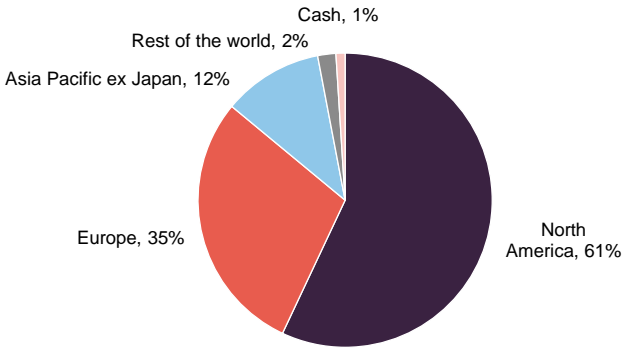
IEM's managers believe it has a broad opportunity set, and demonstrated in Trump's first term its ability to navigate challenging macroeconomic developments. The focus on high-conviction, good quality and defensive names may help support performance. IEM offers one potential route for investors seeking exposure to the compelling long-term opportunity in small and mid-cap environmental companies.

## **Asset allocation**

At the end of March 2025, IEM had 55 holdings (down from 61 at 31 October 2024, the data that we used when we last published). The managers have continued to

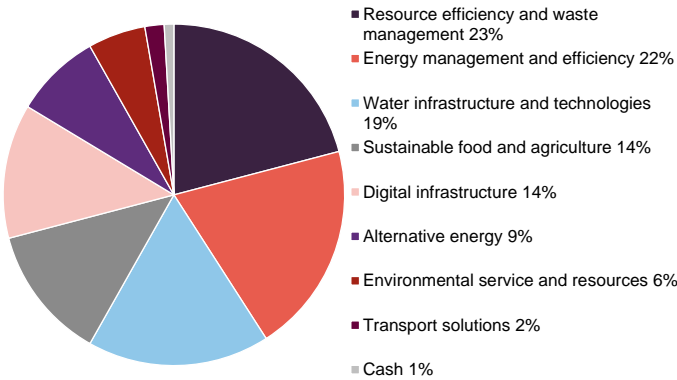
emphasise higher-conviction positions in their recent activity, and a number of new positions have been added to the portfolio.

Figure 3: IEM portfolio by geography as at 31 March 2025<sup>1</sup>



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

Figure 4: IEM portfolio by sector as at 31 March 2025<sup>1</sup>



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

IEM's geographic exposure to both North America and Asia has risen slightly in recent months, at the expense of Europe. In terms of sectors, weightings towards water infrastructure and technologies, and digital infrastructure, have increased since October, with various of the other sectors seeing very marginal decreases.

## Top 10 holdings

**Figure 5: IEM 10 largest holdings as at 31 March 2025**

Stock	Subsector	Country	As at 31/03/25 (%)	As at 31/10/24 (%)	Change (%)
PTC	Efficient IT	United States	3.4	3.2	0.2
Waste Connections	General waste management	United States	3.3	n/a	n/a
DSM-Firmenich	Sustainable agriculture	Netherlands	3.3	2.7	0.6
Clean Harbors	Hazardous waste management	United States	3.2	2.7	0.5
Trimble	Efficient IT	United States	3.2	2.5	0.7
Brambles	Resource circularity and efficiency	Australia	3.2	2.6	0.6
Ormat Technologies	Renewable energy developers and IPPs	United States	3.0	n/a	n/a
Dabur India	Recycled, recyclable products & biomaterials	India	2.6	n/a	n/a
Rayonier	Sustainable forestry	United States	2.5	n/a	n/a
Spirax Group	Industrial energy efficiency	United Kingdom	2.5	n/a	n/a
Total of top 10			30.2	26.9	

Source: Impax

Since the end of October 2024 Pentair, STERIS, Aalberts and Littelfuse have fallen out of IEM's 10 largest holdings, being replaced by Ormat Technologies, Waste Connections, Dabur India and Spirax Group.

Looking at the stocks newly in the top 10:

**Figure 6: Ormat (EUR)**



Source: Bloomberg

### Ormat Technologies

Ormat Technologies ([ormat.com](https://www.ormat.com)) is a geothermal power and energy storage business. Geothermal is considered advantageous as it can provide baseload power, which is increasingly important in an environment characterised by greater intermittency in supply with a growing proportion of energy production provided by renewable sources, such as wind and solar.

The company benefits from rising power prices as these feed through into new PPA (Power Purchase Agreement) pricing. It is in negotiations with the “hyperscalers” (that is, large cloud computing providers such as Amazon Web Services), which are expected to face increasing energy demands in the coming years. IEM's managers state that Ormat has a strong project pipeline and, importantly, it has the existing grid connections to meet demand.

**Figure 7: Waste Connections (USD)**



Source: Bloomberg

**Figure 8: Dabur India (INR)**



Source: Bloomberg

**Figure 9: Descartes Systems (CAD)**



Source: Bloomberg

## Waste Connections

Waste Connections ([wasteconnections.com](https://wasteconnections.com)) is an American waste management company that operates in the residential and business sectors across the United States and Canada. Solid waste collection is the core business line, representing around two-thirds of revenues, with more peripheral areas including waste disposal and recycling.

Recent financial results have been strong, and the company may benefit from the spread of “extended producer responsibility” laws across individual US states, whereby waste producers have additional responsibility for their products once they enter the waste system. The specific opportunity is to build materials recovery facilities where sorting technology (often AI-assisted) can be deployed to increase the proportion of a company’s waste that is recycled.

## Dabur India

Dabur India ([dabur.com](https://dabur.com)) is an Indian multinational consumer goods company. The majority of its revenues come from the consumer care business, with the remainder from its food and international units. It owns a number of widely recognised consumer goods brands in India across oral, hair and skin care, health supplements, digestives and many others. In 2022 Dabur became the first fast-moving consumer goods company in India to become “plastic waste neutral”, with its plastic packaging usage offset by recycling efforts.

The shares fell towards the end of 2024 following a weak quarterly update to the market, which it put down to subdued domestic demand trends. However, international markets continued to generate stable performance, and management has indicated expectations of a recovery in domestic demand and has focused on improving operational efficiency and brand development.

Spirax Group (formerly Spirax-Sarco Engineering) has previously been in IEM’s top 10 holdings recently, so we have written about the company before. Other companies to have appeared in the top 10 in recent months include Descartes Systems and Repligen.

## Descartes Systems

Descartes Systems ([descartes.com](https://descartes.com)) is a Canadian-headquartered technology company that focuses on improving logistics and supply chain performance and security. Its offering is centred on its Logistics Technology Platform, which combines a large-scale logistics network with a broad range of logistics management applications.

Impax’s interest in Descartes focuses on the impact the company can have in improving business efficiency, and the associated environmental effect. Through enabling reduced fuel consumption and paper usage, the company aims to reduce emissions, while potential positive impact can come from implementing technology-enabled actions like providing eco-friendly paper delivery options that minimise distance.



**Figure 10: Repligen (USD)**



Source: Bloomberg

## Repligen

Repligen ([repligen.com](https://repligen.com)) is an American developer and producer of materials used in the manufacture of biological drugs, with around half of its workforce based in Sweden.

The company has recently reported rising quarterly revenue and orders, although annual revenue was flat, reflected in the relative share price performance of the past year. It indicated plans to expand its operations, suggesting potential involvement in considerable M&A activity in the coming months and years. This could enable Repligen to offer support focused on an increasing range of new modalities including viral vectors and nucleic acids, as the sector becomes more complex.

## Portfolio activity – new additions

The managers have been consolidating the portfolio over the course of the first quarter given current valuations and portfolio conviction. This has brought IEM down from 60 to 55 stocks. New opportunities can be categorised into the following: (i) defensive business models and (ii) growth opportunities at moderate valuations amid volatility. Exits have been split between reduced confidence in the investment case, and valuation discipline, of which one was crystallised by IEM's fourth portfolio company acquisition in less than 12 months.

New additions to the portfolio were Air Liquide, Veolia, AAO, KLA, Ashtead and Marvell Technology.

**Figure 11: Air Liquide (EUR)**



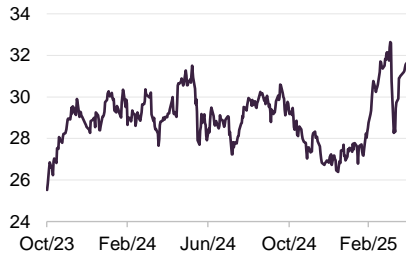
Source: Bloomberg

## Air Liquide

Air Liquide ([airliquide.com](https://airliquide.com)) is a global supplier of gas and services to business and is headquartered and listed in France. Its industrial gases business has applications in areas such as extending the shelf life of food (reduced wastage). It supplies gases for desulphurisation in oil refining and is a major provider of ultra-high purity gases for semiconductor manufacturing. It also offers exposure to the development of green hydrogen and its potential applications in harder to decarbonise sectors.

The company holds many thousands of patents (including applications) reflecting the bespoke nature of its offering in areas such as hydrogen and carbon capture and storage. Air Liquide's revenues are characterised by long-term "take or pay" arrangements, which makes revenues more predictable. Its long-term contracts are typically indexed to energy prices.

**Figure 12: Veolia (EUR)**



Source: Bloomberg

## Veolia

Veolia ([veolia.co.uk](https://www.veolia.co.uk)) is a France-based water and waste management and energy services firm. Water operations make up the bulk of revenues, which benefit from an ever-growing demand for water treatment and “smart water” systems. Veolia uses data and IT for improved and more efficient operation of water company's distribution networks.

Recent growth drivers for the company have included hazardous waste and water technologies, notably desalination projects in the Middle East and large service contracts in the US. Veolia's “Green Up” strategic programme has a target for €8bn of earnings in 2027.

**Figure 13: AAON (USD)**



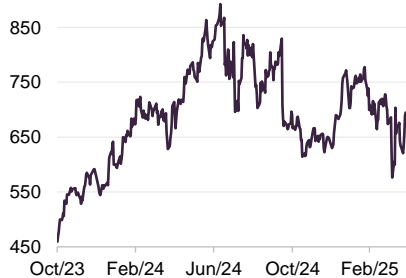
Source: Bloomberg

## AAON

AAON ([aaon.com](https://www.aaon.com)) manufactures heating, ventilation and air conditioning (HVAC) equipment for business. 20% of its business is exposed to data centres, which is an area with anticipated growth potential in the era of AI. However, the shares have recently come under pressure both in the context of the technology sector sell-off on concerns about the performance of the Chinese AI model DeepSeek, and some investor concern about management change at the company.

IEM's manager notes that despite the recent sell-off, there may be a notable opportunity for AAON, which focuses on providing efficient technologies aimed at reducing emissions and improving environmental performance. The company's size enables a large R&D budget, which supports ongoing innovation and helps maintain a competitive position.

**Figure 14: KLA (USD)**



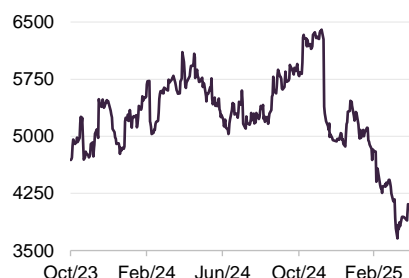
Source: Bloomberg

## KLA

KLA ([kla.com](https://www.kla.com)) is a California-based technology company that primarily makes wafer fab equipment. Semiconductor manufacturing is a complex process that requires a lot of water, and KLA is aiming to address this issue through improving the efficiency of the process. It is considered to have a high market share and strong margins.

Semiconductors are a core part of the modern economy, and an industry in which precise quality control is vital. KLA's expertise and experience support compliance with required standards. Specialised wafer inspection and review tools leverage both innovative optics technologies and AI algorithms to assess wafer surface quality and detect, count and remove defects during production. KLA's wafer manufacturing systems support process development, production monitoring and final quality check of a broad range of substrate types and sizes.

**Figure 15: Ashtead (GBP)**



Source: Bloomberg

**Figure 16: Marvell Technology (USD)**



Source: Bloomberg

## Ashtead

Ashtead ([ashtead-group.com](https://ashtead-group.com)) is an international equipment rental company that trades under the name Sunbelt Rentals throughout the US, Canada and the UK. It was brought into IEM's portfolio as a replacement for H&E Equipment Services, which was taken over by Herc.

The business model of Ashtead can be viewed as supportive of resource efficiency, as the environmental benefits of renting equipment, rather than ownership, accrue when many customers rent one piece of equipment only when needed. The company's scale and reach enable a high utilisation rate for each piece of equipment, thus reducing the overall number of assets needed to be manufactured and thereby saving resources. In addition, Ashtead has committed to being net zero within its operations by 2050.

## Marvell Technology

Marvell ([marvell.com](https://marvell.com)) is a California-based semiconductor developer and producer specialising in data infrastructure technologies. It designs and produces a broad range of integrated circuits and chipsets used in applications including data centres, enterprise networking, automotive systems and storage solutions.

The stock increased in value towards the end of 2024 as investors anticipated increased demand from clients (believed to include Alphabet, Amazon and Microsoft) would be heavy buyers of Marvell's chip designs as they sought an alternative supplier to the dominant industry player Nvidia. More recently the trade war has had a short-term cooling effect, exacerbated by reduced guidance announced alongside company results. There have also been specific concerns that Marvell will lose out on designing the next generation of Amazon's custom Trainium AI chips. However, IEM maintains a positive long-term view on the company's potential and considers the current valuation to be low relative to that outlook.

## Portfolio activity – exits

There were eleven exits from the portfolio during the first quarter: STERIS, Zurn Elkay, Signify, Altair Engineering, American Water Works, Bucher, Herc, Lennox, Lenzing, Shenzhen Inovance and Shoals Technologies.

Looking at some of these sales in more detail:

## STERIS

STERIS ([steris.com](https://steris.com)) is a well-regarded provider of products and services that support patient care with an emphasis on infection prevention. However, it was sold following less positive than expected results and a corresponding reduction in confidence from IEM's managers.

## Zurn Elkay

Zurn Elkay ([zurnelkay.com](https://zurnelkay.com)) is a water management solutions business that provides clean water solutions to promote health, conserve and protect natural resources, and keep people safe. The shares had a notable increase in value over 2024, which IEM's managers say provided a strategic exit point as part of its focus

on reducing the number of stocks in the portfolio, with an increased focus on higher-conviction holdings.

## Signify

Signify ([signify.com](https://www.signify.com)) is a Dutch lighting corporation that was formed by the spin-off of the lighting division of Philips. Although, there remains ongoing potential for innovation in making the lighting industry more sustainable, analysts at IEM had reduced their confidence in the company, citing concerns about recent management performance. The decision was made to reallocate portfolio capital.

## Bucher Industries

Bucher ([bucherindustries.com](https://www.bucherindustries.com)) is a Swiss industrial manufacturing group known for its highly specialised products and systems serving agriculture, manufacturing automation and glass container production. The company recently announced a decline in sales due to a low order backlog at the beginning of the year, and a reduced dividend.

## Lennox International

Lennox ([lennox.com](https://www.lennox.com)) is an American provider of heating, ventilation, air conditioning and refrigeration systems; it is a supplier to both the residential and commercial markets and recently joined the S&P 500. It has experienced tariff-related cost increases this year, which have negatively impacted its margin; total cost inflation guidance was recently trebled to 9% due to tariffs.

## Performance

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IEM has faced challenges in recent months in the context of market volatility and recession concerns associated with the new US administration, as well as the specific impact on the environmental markets sector. The portfolio's underlying holdings have decreased in valuation, despite continuing to grow earnings and may be more broadly recognised for their value in the future.

**Figure 17: IEM performance relative to MSCI ACWI over five years ended 30 April 2025**



Source: Morningstar, Marten & Co

IEM's NAV has been under pressure. Initially this was as inflation expectations increased towards the end of 2021, followed by rising interest rates from 2022. Inflationary fears have re-emerged at the beginning of the second Trump presidency, which have combined with the generally difficult environment for the environmental sector to put renewed pressure on the NAV. However, if inflation and interest rate expectations come down in the coming months, this could be supportive for performance.

**Figure 18: IEM cumulative returns for periods ending 30 April 2025**

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
<b>IEM price</b>	<b>(1.3)</b>	<b>(14.6)</b>	<b>(9.9)</b>	<b>(9.0)</b>	<b>(19.4)</b>
<b>IEM NAV</b>	<b>(1.5)</b>	<b>(13.0)</b>	<b>(11.4)</b>	<b>(9.8)</b>	<b>(7.8)</b>
<b>MSCI AC World Index</b>	<b>(2.5)</b>	<b>(10.4)</b>	<b>(2.9)</b>	<b>4.8</b>	<b>26.0</b>

Source: Morningstar, Marten & Co

The next section looks at the stock-specific factors that affected IEM's returns over the six months ended 31 March 2025.

## Contributors/detractors to IEM's NAV returns

Impax supplied us with some performance attribution figures for IEM over the six-month period ended 31 March 2025.

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

## Contributors

**Figure 19: IEM five largest contributors to NAV return over six months ended 31 March 2025**

	Sector	Average weight (%)	Total return (%)	Contribution (%)
Altair Engineering	Digital infrastructure	1.47	21.05	0.38
Shenzhen Inovance	Transport solutions	1.50	18.99	0.30
Waste Connections	Resource efficiency & waste management	1.78	13.82	0.22
Coway	Water infrastructure & technologies	1.63	16.46	0.22
Zurn Elkay Water Solutions	Water infrastructure & technologies	0.51	12.02	0.20

Source: Impax

**Figure 20: Shenzhen Inovance (CNY)**



Source: Bloomberg

**Altair** was acquired by Siemens at a premium to the undisturbed share price, with the deal finalised in March.

**Shenzhen Inovance** is a Chinese company that manufactures and sells electrical equipment including industrial automation control products and robotics; for the former it is the largest such company in China. The share price recovered during the period, and the stock received favourable analyst reports. More broadly, signs that China's manufacturing activity was stabilising supported the share price, particularly given government policy trends that favour domestic suppliers such as Inovance. As per page 10, the managers took advantage of the share price rally in exiting the position in the first quarter.

**Waste Connections** has been discussed in some detail above (page 8).

**Coway** is a Korea-based health appliances company specialising in the manufacture and distribution of products such as water and air purifiers and bidets. The company has the largest production and R&D facilities in the industry. Around two thirds of revenue is domestic, and a third from overseas markets. Share price performance in the period was supported by corporate results and guidance for 2025. In addition, there was a commitment from the board to increase the total shareholder return rate from 20% to 40% through cash dividends and stock buybacks. Despite this, the company is trading close to its historical valuation metrics, indicating the potential for further re-rating.

**Zurn Elkay** was exited during the period, as covered above (page 11).

## Detractors

**Figure 21: IEM five largest detractors from NAV return over six months ended 31 March 2025**

	Sector	Average weight (%)	Total return (%)	Contribution (%)
EDP Renovaveis	Alternative energy	1.53	(50.64)	(1.07)
Monolithic Power Systems	Digital infrastructure	1.95	(34.49)	(0.72)
DSM-Firmenich	Sustainable food & agriculture	2.41	(25.68)	(0.72)
LEM	Alternative energy	0.89	(48.87)	(0.62)
Croda International	Resource efficiency & waste management	1.51	(30.69)	(0.54)

Source: Impax

**Figure 22: EDP Renovaveis (EUR)**



Source: Bloomberg

**EDP Renovaveis's** share price has fallen by around 24% year-to-date, having also experienced challenges during 2024. The company is a renewable energy company headquartered in Spain. Its focus is primarily on wind farms, but also increasingly on solar energy.

The derating of the shares has come in the context of the recently challenging environment for renewable energy discussed earlier in the note. The company announced a loss of €556m in 2024; although largely due to one-off impairments, recurring profit was also down 57% year-on-year to €221m. Investors may also have been concerned by management's limited financial guidance for 2025.

**Monolithic Power Systems** is an American company that provides power circuits for systems in cloud computing and numerous other uses. Its shares fell 18% on the back of its results announcement in October, despite earnings beating expectations. The market reacted negatively to Monolithic's outlook for the next quarter, itself due partly to a delay in Nvidia Blackwell chips, but also due to concerns around a loss of market share with Nvidia. The latter, however, has been previously communicated by management and is already incorporated into guidance.

**DSM-Firmenich**, a Dutch chemicals company, was formed in April 2023 through the merger of Royal DSM and Swiss company Firmenich. During the recent period, the shares responded positively to company results in February. However, recent declines may have been due to weakness in materials sectors on resurgent inflation fears and concerns about the ability and timing of the pass-through of these price rises by the company.

**LEM** is a Swiss-based electrical measurement solutions company that has seen significant sales declines. Specifically, recent weakness has come from the downturn in renewables, automotive and automation markets. However, the company has announced a material restructuring program and appointed a new CFO to address these issues.

**Croda**, the British speciality chemicals company, continued to report weaker results, most recently due to the loss of vaccine-related revenue and destocking headwinds. Nevertheless, the company expects to see sales and profit growth return in 2025, and the recent Q1 results saw volume recovery across all three businesses, with full-year guidance reiterated despite macro uncertainty.

## Premium/(discount)

Over the 12 months ended 30 April 2025, IEM's discount moved within a range of 7.5% to 17.2% and averaged 11.2%.

**Figure 23: IEM premium/(discount) over five years ended 30 April 2025**



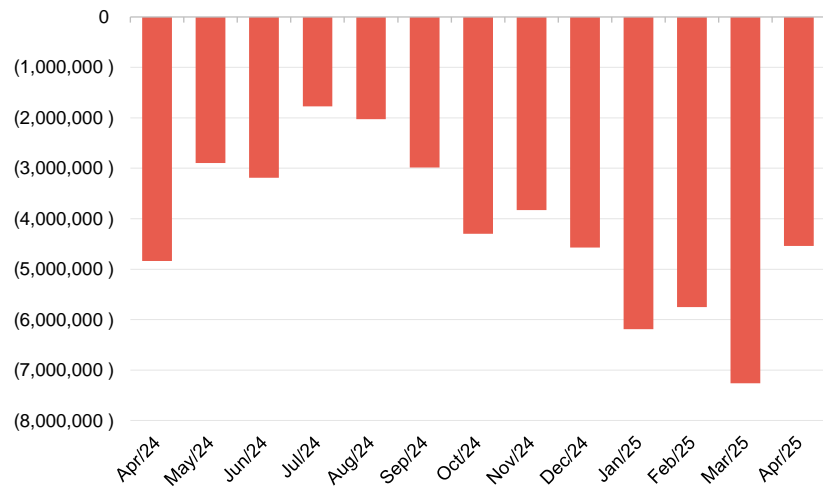
Source: Morningstar, Marten & Co

Since narrowing at the end of 2024, the discount has held steady at around 10% in the early part of 2025. This may be considered elevated, despite the current market conditions. Whilst there are clear near-term challenges, it is noted that IEM's share price almost doubled over the course of the first Trump presidency, the long-term structural trends driving its stocks appear unchanged, and its holdings generally continue to perform well at an operational level. If IEM's managers are correct about the prospects for its holdings, there is the potential for a strong recovery in prices, which are coming off a low base. Such an improvement in performance may contribute to a narrowing of IEM's discount as well, particularly if signs of an improving interest rate environment or a better outlook for economic growth were to also come through.

In the meantime, Figure 24 shows that the board has increased its level of stock buybacks in recent months, which has helped to stabilise the discount, while being NAV-accretive for remaining shareholders.



**Figure 24: IEM shares repurchased by month**



**Source:** Impax Environmental Markets, Marten & Co (figures to 31 March 2025)

## Fund profile

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

IEM is founded on the belief that with rising global 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, may experience long-term earnings growth above the global average. IEM provides its shareholders with exposure to these thematic investment areas. The manager uses a proprietary classification system to define these targeted market segments. 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 expanded over time 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 £25bn 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 £25bn of AUM as at 31 March 2025 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 Figure 25).

## 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

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

and another – the FTSE ET Index – which is a combination of FTSE ET100 (post 2014) and FTSE ET50 (pre-2014) indices.

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. Given the objective of the trust to invest in companies expected to generate above-average growth compared to global peers, MSCI ACWI is considered a more appropriate benchmark for comparison.

Previous publications

Readers interested in further information about IEM may wish to read our previous notes (details are provided in Figure 25 below). You can read the notes by clicking on them below or by visiting our website.

Figure 25: QuotedData’s previously published notes on IEM

Title	Note type	Date published
Sustainable long-term growth	Initiation	3 June 2024
Delayed but not derailed	Update	3 December 2024

Source: Marten & Co



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

**www.QuotedData.com**

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