QuotedData
BY MARTEN & CO

INVESTOR

Impax Environmental Markets

Investment companies | Update | 8 May 2025

Significant headwinds, but still value

Rising interest rates, a fixation on mega-cap AI stocks, and the election of a US administration that would rather "drill, baby, drill" than address the increasingly obvious and damaging effects of climate change have all combined to turn sentiment against the environmental sector.

However, as Impax Environmental Market's (IEM's) board and managers emphasise, the pressing need to address environmental issues – and the willingness of most countries (and even many US states) to do so – means that, from an economic perspective, IEM's investment case still holds. The shift of investor focus away from the US technology sector and towards Europe is positive for the portfolio, and the companies that IEM is invested in continue to grow sales and profits, but are getting cheaper. At some point, that value will be recognised.

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	354.0p
NAV	396.1p
Premium/(discount)	(10.0%)
Yield	1.4%

> The portfolio's holdings have got cheaper and at some stage their value will be recognised

> IEM has a broad opportunity set, and demonstrated in Trump's first term its ability to navigate the headwinds that he generates

> If IEM's managers are correct about the prospects for its holdings, there is the potential for a strong recovery in prices

Contents

Domicile	England & Wales
Inception date	22 February 2002
Manager	Jon Forster, Fotis Chatzimichalakis, and Bruce Jenkyn-Jones
Market cap	759.6m
Shares outstanding (exc. treasury shares)	214,584,394
Daily vol. (1-yr. avg.)	711,270
Net gearing	9.1%

Click for our most recent note

Click for an updated IEM factsheet

Click for IEM's peer group analysis

Analysts

James Carthew
jc@quoteddata.com

Matthew Read
mr@quoteddata.com

David Batchelor
db@quoteddata.com

Click to provide feedback to the company

Click if you are interested in meeting IEM's managers

Click for links to trading platforms

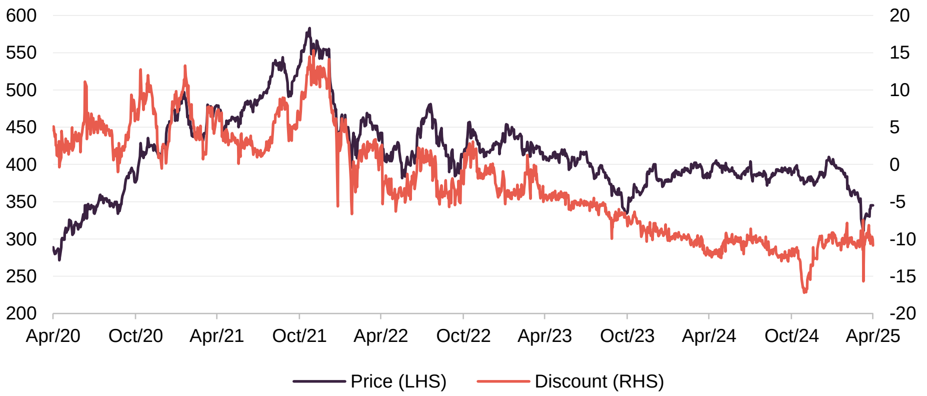
At a glance

Share price and discount

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

Since narrowing at the end of 2024, the discount has held steady at around 10% in the early part of 2025. This continues to feel too wide, despite the somewhat difficult backdrop.

Time period 30 April 2020 to 30 April 2025

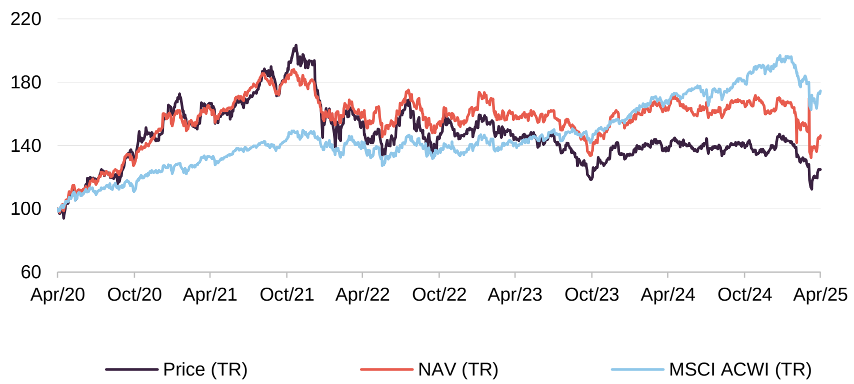


Source: Morningstar, Marten & Co

Performance over five years

IEM has struggled in recent months in the context of the volatility and fears of recession brought on by the new administration in the US, as well as the specific impact on the environmental markets sector. The portfolio's underlying holdings have got cheaper, despite continuing to grow earnings, and at some stage their value will be recognised.

Time period 30 April 2020 to 30 April 2025



Source: Morningstar, Marten & Co

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

Market backdrop

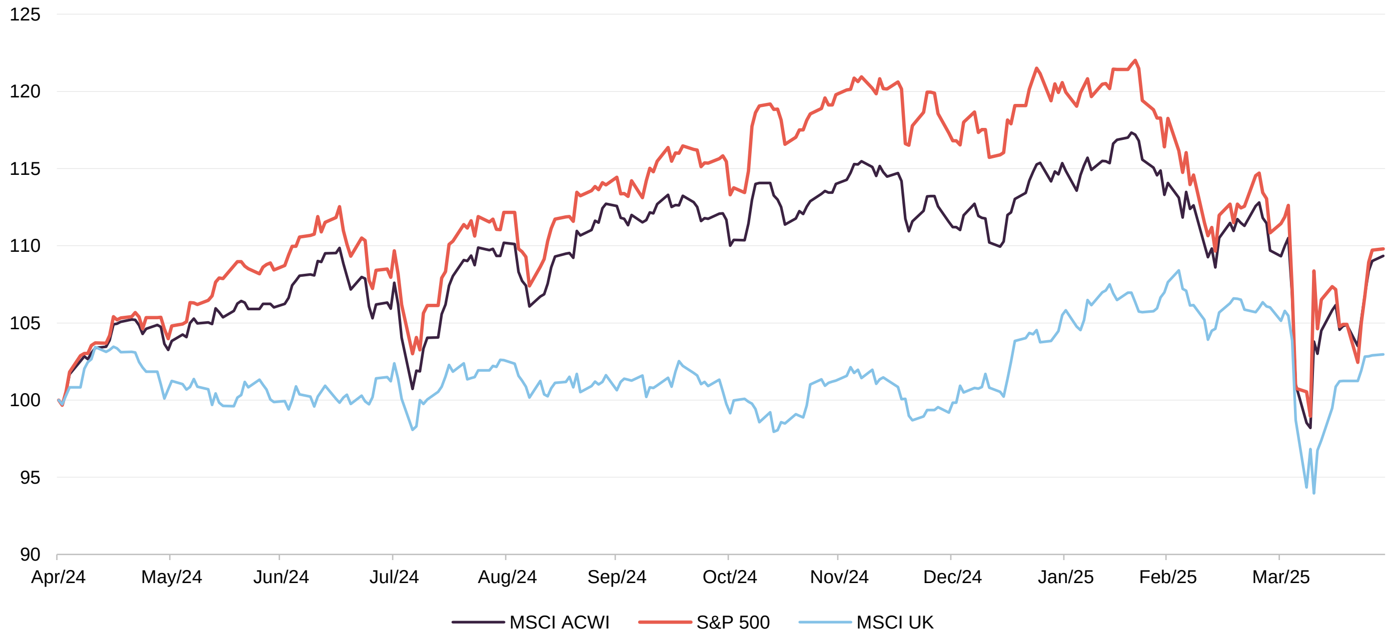
Initial optimism after the presidential election gives way to chaos on "Liberation Day".

Since our last published note in December, market moves have been dominated by the actions of the new (second) Trump administration. Investors initially reacted very favourably to the result of the election, anticipating a wave of regulatory and tax cuts for business; global stocks, led by the S&P 500 Index, rallied. However, this sentiment quickly soured as the president switched his focus to his long-held obsession of tariffs and trade protection. Initial measures against China, Mexico and Canada were a mere 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 (the difference between what the US imports from and exports to another country).

These measures, which were much more severe than investors had expected, caused turmoil across global markets. Equities sold off heavily, and in the US, this was accompanied by a highly unusual simultaneous jump in government bond yields (reflecting falling prices of government debt) and fall in the value of the dollar, as the whole US financial system came under significant pressure.

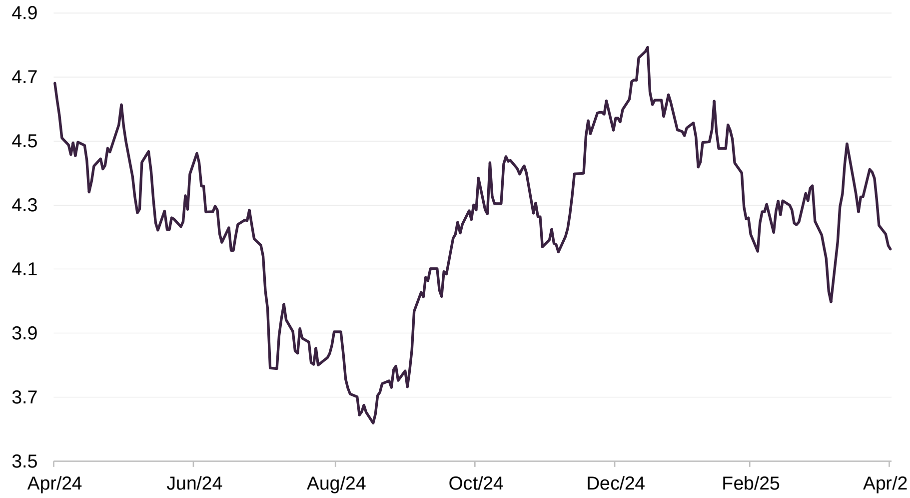
Something had to give, and one week after the initial announcement, the president introduced a 90-day pause to tariffs above the 10% baseline, with the notable exception of China (increased to an eye-watering 125%). Markets responded, with the S&P 500 recording its best one-day rally since 2008 (a year associated with the global financial crisis), 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 unhelpful 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 there remain plentiful opportunities in the likes of deeply-Democratic California. Also, paradoxically, it has been Republican states that have most benefitted from many of the environmental provisions of Biden's Inflation Reduction Act (a major 2022 US law aimed at curbing inflation and supporting clean energy investment). Looser planning laws in states such as Texas have enabled, for example, the building of large new solar farms, and this looks set 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 (non-fossil fuel energy sources, such as wind or solar). Moreover, the move towards increased fossil fuel production potentially provides opportunities for parts of the portfolio such as Clean Harbors, the hazardous waste treatment holding.

IEM is well positioned to weather turbulence in markets and policies

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

When it comes to Trump's clumsily executed tariff policy, IEM's managers have drawn on past experience, carefully examining the effects on the portfolio – for cyclical stocks (companies whose performance is closely tied to the economic cycle) 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 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 (the ability to pass higher costs onto customers without loss of demand), 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 19 for links to these). The managers feel that CATL can thrive 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 so-called Magnificent Seven - dominant US tech names like Apple, Amazon, and Nvidia).

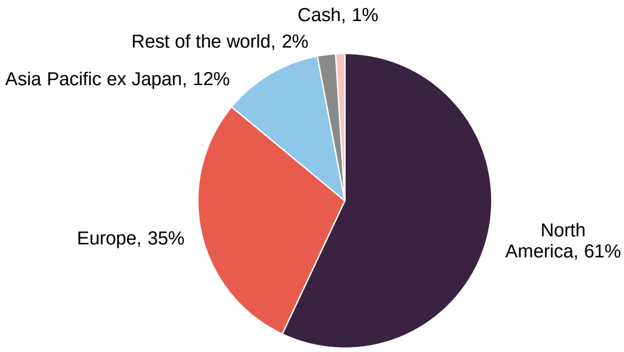
Before tariffs took over the news agenda, the German decision to dramatically boost its spending on defence, infrastructure, and climate projects was helping to drive valuations higher in Europe. €100bn has been allocated to fund climate investments, underscoring the upside potential for the sector.

IEM has a broad opportunity set, and demonstrated in Trump's first term its ability to navigate the headwinds that he generates. The focus on high-conviction, good quality and defensive names (companies that tend to be more stable and resilient in downturns) should stand it in good stead. IEM is the only logical subcontract for investors wanting exposure to the compelling long-term opportunity in small and mid-cap environmental companies.

Asset allocation

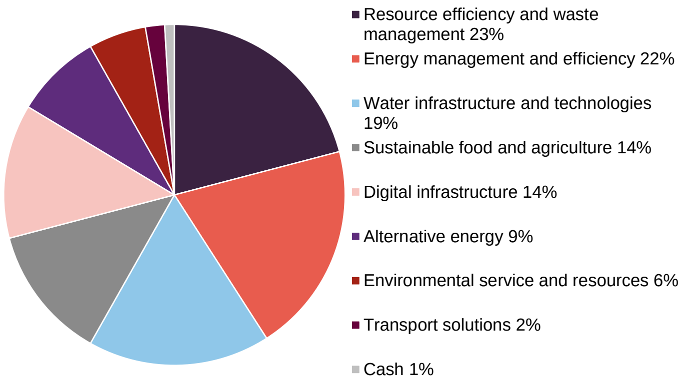
At the end of March 2025, IEM had 55 holdings (down from 61 at 31 October 2024, the data that we used when we last published). The managers have continued to emphasise higher-conviction positions in their recent activity, and a number of new positions have been added to the portfolio.

Figure 3: IEM portfolio by geography as at 31 March 2025[1]



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

Figure 4: IEM portfolio by sector as at 31 March 2025[1]



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

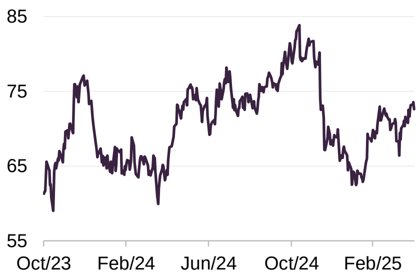
Stock	Subsector	Country	As at 31/03/25 (%)	As at 31/10/24 (%)	Change (%)
PTC	Efficient IT	United States	3.4	3.2	0.2
Waste Connections	General waste management	United States	3.3	n/a	n/a
DSM-Firmenich	Sustainable agriculture	Netherlands	3.3	2.7	0.6
Clean Harbors	Hazardous waste management	United States	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) is a geothermal power and energy storage business. Geothermal is attractive as it can provide baseload power (electricity that is consistently available, regardless of weather or time of day), 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.

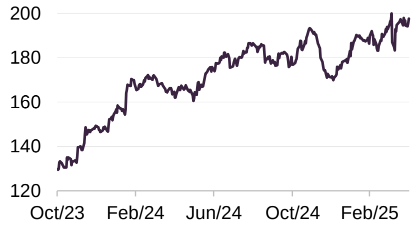
The company is a beneficiary of rising power prices as these feed through into new PPA (Power Purchase Agreement) pricing. It is in negotiations with the "hyperscalers" (that is, large cloud computing providers such as Amazon Web Services), which will clearly have significant energy challenges in the coming years. Ormat has a strong project pipeline and, crucially, it has the existing grid connections to meet demand.

Waste Connections

Waste Connections (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 very positive, and the company stands to benefit substantially 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 (shifting part of the environmental burden from municipalities to producers). 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.

Figure 7: Waste Connections (USD)



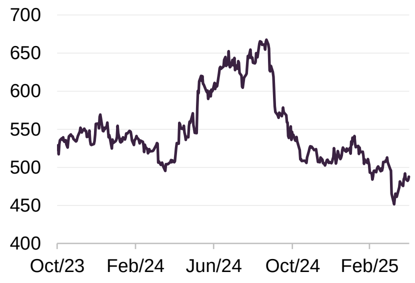
Source: Bloomberg

Dabur India

Dabur India (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 leading 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 surpassed by recycling.

The shares fell towards the e`nd of 2024 following a weak quarterly update to the market, due to subdued domestic demand trends. However, international markets continued to perform well, and management has expressed confidence in a rebound in domestic demand and has focused on improving operational efficiency and brand building.

Figure 8: Dabur India (INR)



Source: Bloomberg

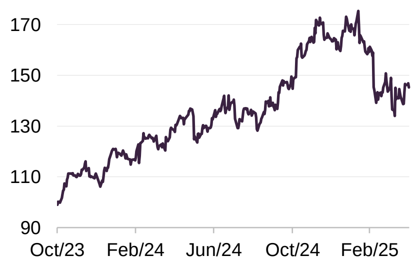
Spirax Group (formerly Spirax-Sarco Engineering) has previously been in IEM’s top 10 recently, so we have written about the company before. Other companies to have appeared in the top 10 in recent months include Descartes Systems and Repligen.

Descartes Systems

Descartes Systems (descartes.com) 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 the world’s most expansive logistics network with the industry’s broadest array of logistics management applications (tools for routing, tracking, and regulatory compliance).

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

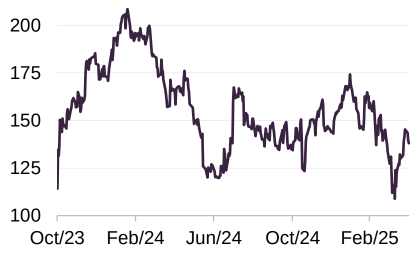
Figure 9: Descartes Systems (CAD)



Source: Bloomberg

Repligen

Figure 10: Repligen (USD)



Source: Bloomberg

Repligen (repligen.com) is an American developer and producer of materials used in the manufacture of biological drugs (medicines derived from living organisms), 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 weakness of the past year. It has signalled its desire to become a "significantly bigger business in the not-too-distant future", in the words of its CEO, suggesting it could be involved in considerable M&A (merger and acquisition) activity in the coming months and years. This will allow Repligen to offer support focused on an increasing range of new modalities (emerging types of therapies or drug delivery technologies) including viral vectors and nucleic acids, as the sector becomes increasingly complex.

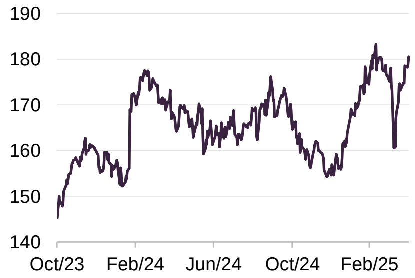
Portfolio activity – new additions

The managers have been consolidating the portfolio over the course of the first quarter of 2025 given attractive valuations and high 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 attractive valuations given market volatility. Exits have been split between loss of conviction in the investment case, and valuation discipline, of which one was crystallised by IEM's fourth takeover in less than 12 months.

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

Air Liquide

Figure 11: Air Liquide (EUR)



Source: Bloomberg

Air Liquide (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 leading provider of ultra-high purity gases for semiconductor manufacturing. It also offers exposure to the potential for green hydrogen and its ability to tackle harder to decarbonise sectors (such as heavy industry and long-haul transport).

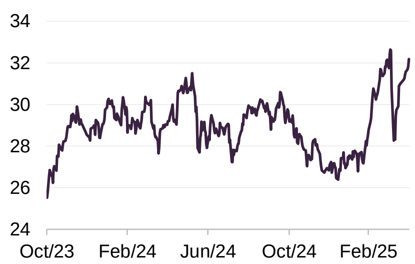
The company holds many thousands of patents (including applications) reflecting the bespoke nature of its offering in areas such as hydrogen and carbon capture and storage. Air Liquide's revenues are characterised by long-term "take or pay" arrangements (contracts under which customers pay regardless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

Veolia

Veolia (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 (technology-enabled tools that optimise the efficiency and sustainability of water supply and usage). 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 (the process of removing salt from seawater) 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 12: Veolia (EUR)



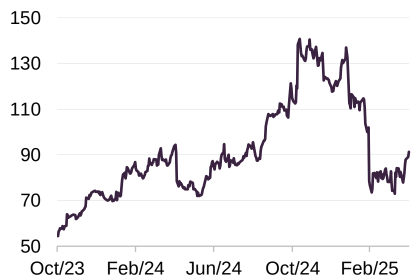
Source: Bloomberg

AAON

AAON (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 significant further growth potential in the era of AI (as AI-driven workloads require large-scale, temperature-sensitive computing infrastructure). 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 says that despite the recent sell-off, there is clearly a significant opportunity for AAON, which focuses on providing efficient, cutting-edge technologies to reduce emissions and improve sustainability. The company's size enables a large R&D budget, which keeps it at the forefront of sector developments and in turn maintains its dominant position.

Figure 13: AAON (USD)



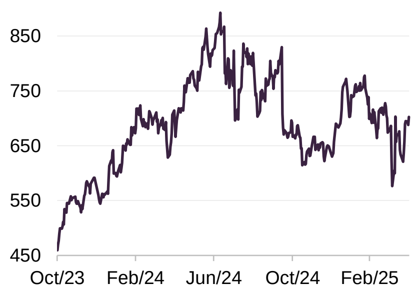
Source: Bloomberg

KLA

KLA (kla.com) is a California-based technology company that primarily makes wafer fab equipment (specialist machinery used in the production of semiconductors). 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 has a high market share and good margins.

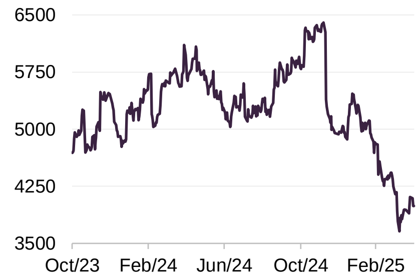
Semiconductors are a core part of the modern economy, and an industry in which precise quality control is vital. KLA's expertise and experience ensure it meets the necessary high standards. Specialised wafer inspection and review tools leverage both innovative optics technologies and AI algorithms to 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 14: KLA (USD)



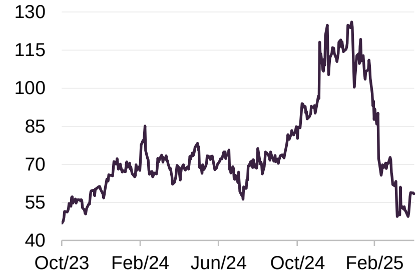
Source: Bloomberg

Figure 15: Ashtead (GBP)



Source: Bloomberg

Figure 16: Marvell Technology (USD)



Source: Bloomberg

Ashtead

Ashtead (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 intrinsically sustainable, 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 (eliminating or offsetting all operational greenhouse gas emissions) within its operations by 2050.

Marvell Technology

Marvell (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 performed very strongly towards the end of 2024 as investors hoped that its 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 industry behemoth Nvidia (the dominant provider of AI chips). 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 believes that the opportunity for the company remains vast, and the shares are decidedly undervalued at present.

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) is a leading provider of products and services that support patient care with an emphasis on infection prevention. However, it was sold following disappointing results and a corresponding weakening in conviction from IEM's managers.

Zurn Elkay

Zurn Elkay (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 strong run over 2024, which provided a good exit point as part of IEM's focus on reducing the number of stocks in the portfolio, with an increased focus on higher-conviction holdings.

Signify

Signify (signify.com) is a Dutch lighting corporation that was formed by the spin-off of the lighting division of Philips. There remains much potential for innovation in making the lighting industry more sustainable, but here the analysts at IEM had lost faith in the company, feeling that recent execution by the management team had been poor. Again, it was best to move portfolio resources elsewhere.

Bucher Industries

Bucher (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) 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 suffered from tariff-related cost increases this year, which have been harmful to its margin; total cost inflation guidance was recently trebled to 9% due to tariffs (a sharp rise in expected input costs driven by import duties on components or materials).

Performance

IEM has struggled in recent months in the context of the volatility and fears of recession brought on by the new administration in the US, as well as the specific impact on the environmental markets sector. The portfolio's underlying holdings have got cheaper, despite continuing to grow earnings, and at some stage their value will be recognised.

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

Source: Morningstar, Marten & Co

IEM's NAV has clearly 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 would be a tailwind and a reason for optimism.

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

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

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.

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 31 March 2025.

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 (i.e. before the deal was made public), 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 from previous weakness over the period, and the stock received positive analyst coverage. More broadly, signs that China's manufacturing activity appeared to be bottoming out were a boost for the shares, particularly given a clear favouring by the Chinese authorities of 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 9).

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 reflected strong 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, suggesting further upside potential.

Zurn Elkay was exited during the period, as covered above (page 12).

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 suffered a difficult 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 (a reduction in the valuation multiple applied by the market) has come in the context of the difficult recent 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 were also concerned by management's reluctance to provide detailed 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 was disappointed by 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 well flagged 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 well to company results in February. However, recent downward moves 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 (i.e., raising prices for customers to offset input cost increases).

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 tackle the problems.

Croda, the British speciality chemicals company, continued to struggle, most recently due to the loss of vaccine-related revenue and destocking headwinds (where customers delay or reduce orders to run down existing inventory). 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 macroeconomic 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%.

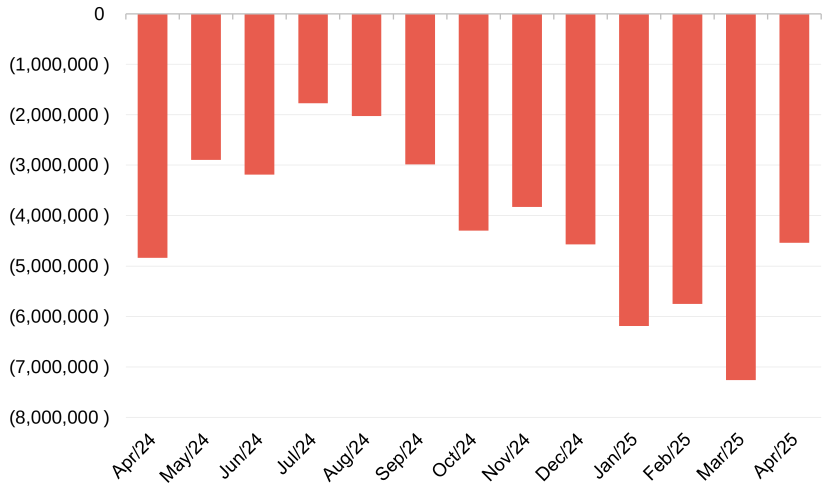
Figure 23: IEM premium/(discount) over five years ended 30 April 2025

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 continues to feel too wide, despite the somewhat difficult backdrop. Whilst there are clear near-term challenges, we would remind readers that IEM's share price almost doubled over the course of the first Trump presidency, the long-term structural trends driving its stocks appear to remain intact, 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 (i.e., valuations have fallen despite resilient fundamentals). Such an improvement in performance could trigger a significant 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

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 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 £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 assets under management 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 - a global equity benchmark covering both developed and emerging markets). IEM's factsheets use that index and another – the FTSE Environmental Technologies (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 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

IMPORTANT INFORMATION

Marten & Co (which is authorised and regulated by the Financial Conduct Authority) was paid to produce this note on Impax Environmental Markets Plc.

This note is for information purposes only and is not intended to encourage the reader to deal in the security or securities mentioned within it.

Marten & Co is not authorised to give advice to retail clients. The research does not have regard to the specific investment objectives financial situation and needs of any specific person who may receive it.

The analysts who prepared this note are not constrained from dealing ahead of it but, in practice, and in accordance with our internal code of good conduct, will refrain from doing so for the period from which they first obtained the information necessary to prepare the note until one month after the note's publication. Nevertheless, they may have an interest in any of the securities mentioned within this note.

This note has been compiled from publicly available information. This note is not directed at any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the publication or availability of this note is prohibited.

QuotedData is a trading name of Marten & Co, which is authorised and regulated by the Financial Conduct Authority.

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