SHINING A LIGHT ON THE……
Impax Environmental Markets Plc

AT A GLANCE

Investment Objective
The Company's objective is to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste. Investments are made predominantly in quoted companies which provide, utilise, implement or advise upon technology-based systems, products or services in environmental markets, particularly those of alternative energy and energy efficiency, water treatment and pollution control, and waste technology and resource management (which includes sustainable food, agriculture and forestry).

Fund Factsheet Link	https://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=E0GBR01R9F%5D2%5D0%5DFCGBR%24%24ALL

Management	
Manager Name	**Start Date**
Bruce Jenkyn-Jones	22nd February 2002
Jon Forster	22nd February 2022
Fotis Chatzimichalakis	1st October 2021

FUND PERFORMANCE

Performance from 1st January 2016 to 30th September 2022:

	2016	2017	2018	2019	2020	2021	2022
Impax Environmental Markets Plc	37.39%	18.68%	-0.42%	32.92%	28.88%	30.08%	-27.16%
MSCI ACWI NR USD	28.66%	13.24%	-3.78%	21.71%	12.67%	19.63%	-9.76%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Impax Environmental Markets Plc	-23.81%	30.75%	72.02%	347.53%
MSCI ACWI NR USD	-4.17%	23.27%	49.36%	366.69%

You should note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
8.74	0.24	-	122.31	108.78	55.56	1.23	3.74	Mid/Growth

Volatility Measurements	
3-Yr Std Dev (volatility)	24.04%
3-Yr Mean Return (average)	9.35%

Investment Style Details	
Giant	0.00%
Large	19.80%
Mid	49.23%
Small	27.74%
Micro	2.21%

Top 5 Holdings		
Clean Harbors Inc	-	2.81%
Brambles Ltd	-	2.79%
PTC Inc	-	2.60%
Eurofins Scientific SE	-	2.51%
Generac Holdings Inc	-	2.39%

Top 5 Sectors	
Industrials	40.68%
Technology	20.99%
Utilities	13.54%
Basic Materials	8.29%
Consumer Cyclical	6.39%

Top 5 Regions	
United States	48.22%
UK	7.56%
Netherlands	6.64%
Taiwan	5.16%
Canada	4.60%

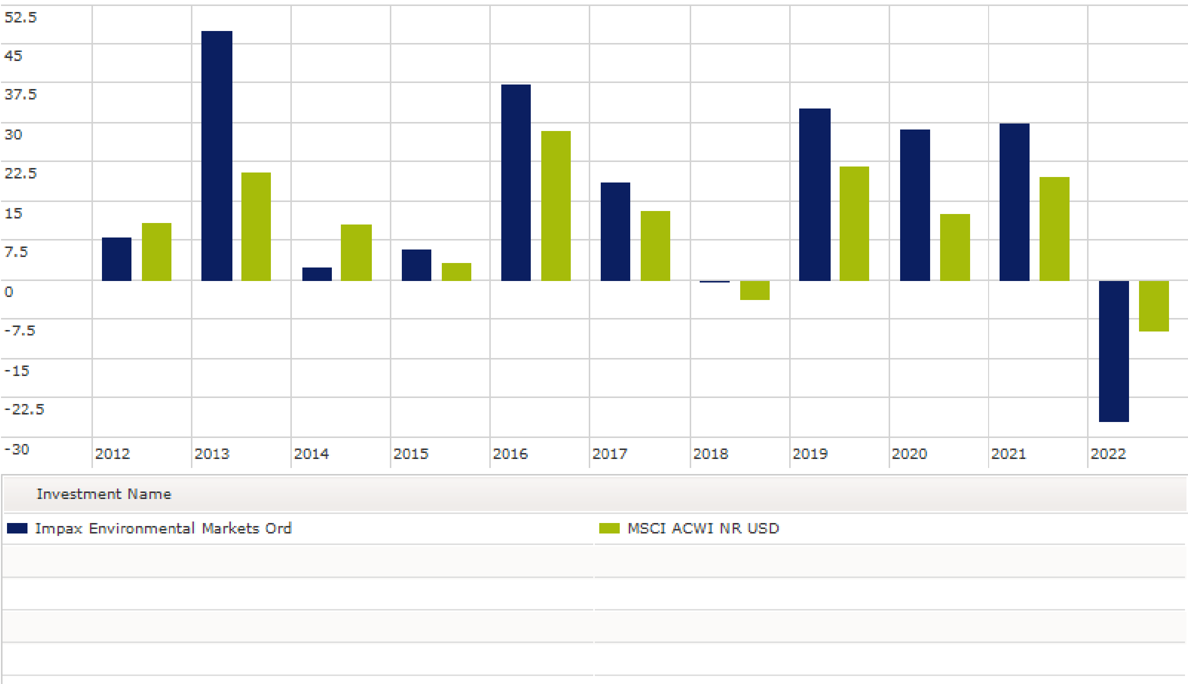
Fund Benchmark	MSCI ACWI NR USD
Fund size	£1.27 billion
Ongoing Charge (share class B)	0.85%

Bull points (pro)	Bear points (con)
• Over 20 years of experience • Strong, stable team • Excellent long-term performance • Positioned to take advantage of a key investment trend	• Small / mid cap focus so underperforms in periods of extreme market volatility • Focus on quality growth which will underperform when there is a rotation to value and / or fossil fuels • Recent underperformance

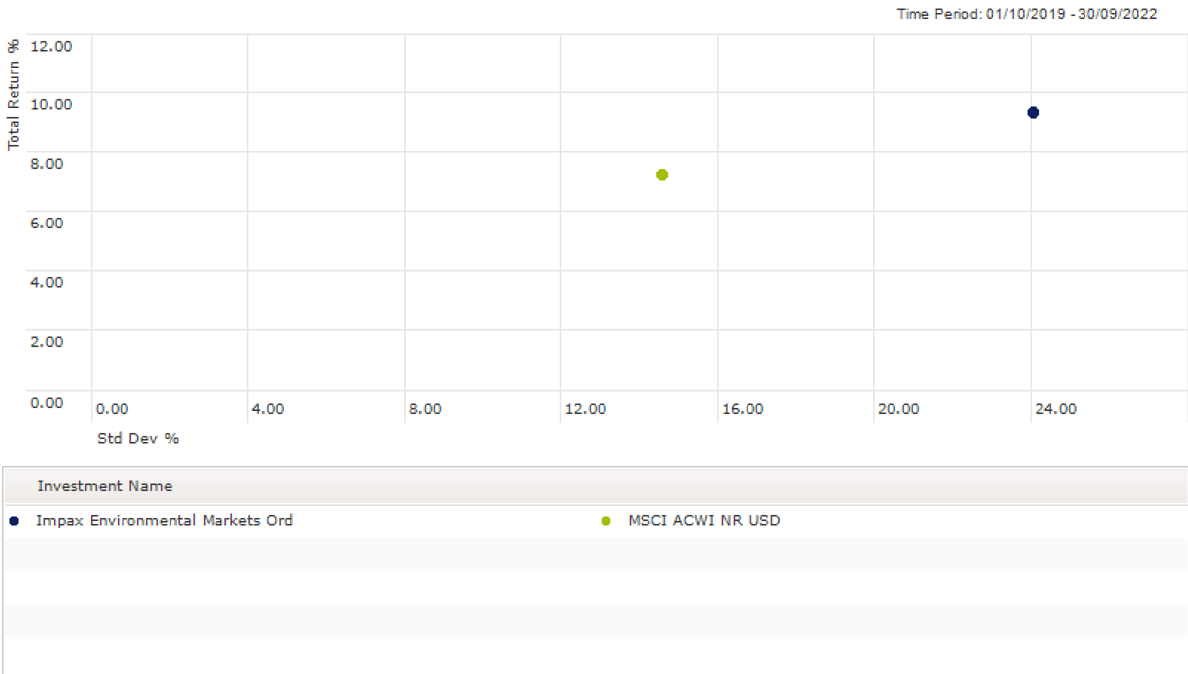
UPDATE….

The “trend” for asset managers has been to launch “environmental” strategies. Where Impax are different is that they have been doing this for over 20 years. This is the focus of the business, and it provides investors not only the expertise but also a strong stable team.

The trust has performed strongly, however it has struggled in 2022. This is for two reasons. Firstly, it has a focus on quality growth businesses whereas the market has valued cheap value businesses, especially oil, and secondly the strategy has a greater focus on small/mid-cap businesses which tend to underperform in a downturn.



The strategy has outperformed the MSCI ACWI index, but it has been more volatile.



The strategy has recently increased the number of headline themes it focuses on. This now includes energy, clean and efficient transport, sustainable food, water, circular economy, and smart environment. Within this there are sub-themes. As an example, under sustainable food there are themes such as organic and alternative, technology and logistics, safety and packaging, agri- and aquaculture, and forestry.

Companies must derive at least 50% of their revenue exposure from these themes. The process starts at the idea generation with around 1300 stocks, which is quickly reduced to their "A-List" which is the list of the companies the team can select from. They have soft limits on sectors to ensure they do have too much sector exposure risk. They are always looking for the highest quality company in any area.

Their ESG focuses across five pillars – governance, material environmental and social risks, climate change, human capital and E, D & I, and controversies. They look for companies that score highly in these areas but accept that no company is perfect and therefore engagement is important. They are long term investors and therefore build up relationships with management overtime. If companies are resistant to change then they will disinvest.

We discussed the profitability of businesses, and they explained that the group companies are all profitable businesses, however they may have divisions which are not profitable. This is because although they focus on proven technologies, they also understand that these companies need to evolve and develop new technology.

When adding holdings, they tend to have a position of 1% to 2% and tend to keep the overall portfolio flat. The holdings do grow above 2% but the aim is to ensure that no-one holding dominates the portfolio. If they exit a position they tend to do so overtime, unless something significant has happened.

The strategy performed strongly in 2020 and 2021 and they did take some profit from some of the holdings which had performed extremely well. They did feel there was a bubble building but that has all but gone. Throughout the last three years they have stayed focused on the message and so they haven't sold due to any panic brought on by the underperformance. They have sold 4 names and added 3.

We discussed interest rate sensitive businesses and they have explained that short term there could be some impact, but they are looking longer term and if they have the best businesses these can ride through this.

Some example holdings include:

Clean Harbors Inc – they are a leading provider of environmental and industrial services. Areas they cover include end-to-end waste management, emergency spill response, industrial cleaning and maintenance and recycling services.

Generac Holdings Inc – they produce power products including portable, residential, commercial and industrial generators. They also design and manufacture manual and fully automatic transfer switches and accessories for backup power applications. Other areas they cover include power washers and mobile generators.

Littlefuse Inc - the company primarily produces circuit protection products but also manufactures a variety of electronic switches and automotive sensors.

In summary, this is one of the leading strategies that invests in the environmental market focusing across six key themes. Performance has been strong although this has dropped back due to the rotation to value and market favouring sectors such as oil. The exposure to small and mid-cap has also hindered performance. The team haven't panicked and remain true to the philosophy and made very few changes this year.

The source of information in this note has been provided by Impax and is correct as of October 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.