Impax Sustainable Leaders Fund

IMPAX Asset Management

ARSN 615 479 662 APIR ETL8171AU

September 2024 – Quarterly Fact Sheet

Performance	1 Month %	3 Months %	FYTD %	1-Year %	2-Year %	3-Years % p.a.	5-Years % p.a.	Inception % p.a.
Fund return (gross)[1]	-0.1	4.0	4.0	21.9	19.6	5.8	11.5	11.0
Fund return (net)[2]	-0.2	3.7	3.7	20.6	18.3	4.6	10.2	9.8
Benchmark[3]	0.1	2.6	2.6	22.6	21.4	9.6	11.6	11.7

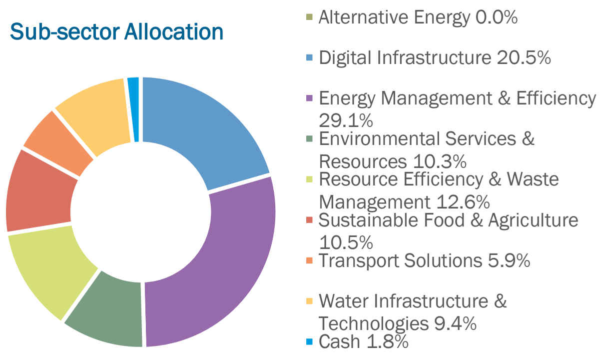
[1] Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
[2] Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
[3] Benchmark: MSCI All Country World Index Net Dividends Reinvested measured in Australian Dollars.
Past performance is not a reliable indicator of future performance. Data Source: Fidante, 30 September 2024.

Fund Facts

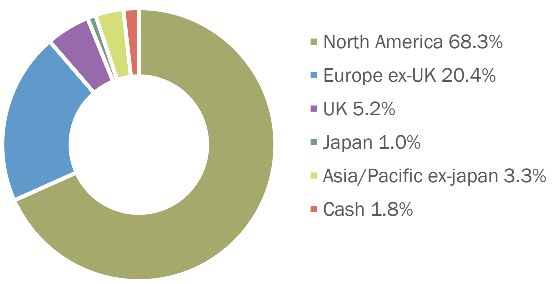
Portfolio managers	Hubert Aarts, David Winborne, Sid Jha
Inception date	6 June 2017
Management fee	1.10% p.a.
Fund Objective	To achieve sustainable, above market returns over the longer term by investing globally in companies active in the growing resource efficiency and environmental markets.
Buy/sell spread[3]	+0.30% / -0.30%
Fund size (AUD)	$354M
Currency	AUD, unhedged
Distribution Frequency	Annually

Allocation

Sub-sector Allocation



Regional Allocation



Data Source: BNP Securities Services, Impax Asset Management, 30 September 2024
*Past performance is not a reliable indicator of future performance. Impact of AUD15m invested in the strategy for one year. Based on most recently reported annual environmental data for holdings in the Impax Sustainable Leaders Fund as at 31 December 2022. Impax's impact methodology is based on equity value.

Top 10 Holdings

Security	Sub-sector	Fund (%)
MICROSOFT CORP	Systems Software	4.3
AGILENT TECHNOLOGIES INC	Life Sciences Tools & Services	4.2
LINDE PLC	Industrial Gases	4.2
WASTE MANAGEMENT INC	Environmental & Facilities Services	4.2
AIR LIQUIDE SA	Industrial Gases	3.5
SHNEIDER ELECTRIC SE	Electrical Components & Equipment	3.3
AMERICAN WATER WORKS CO INC	Water Utilities	3.1
TEXAS INSTRUMENTS INC	Semiconductors	2.9
SIEMENS AG-REG	Industrial Conglomerates	2.6
WATERS CORP	Life Sciences Tools & Services	2.6

Data Source: BNP Paribas Securities Services, Impax Asset Management 30 September 2024

Fund Features

Deep knowledge of sub-sectors: one of the longest established asset managers dedicated to investing in resource efficiency and environmental markets, and widely acknowledged as a thought leader within these markets.

Investment insight: investment team with diverse backgrounds that has a strong track record of delivering returns in excess of broader equity markets.

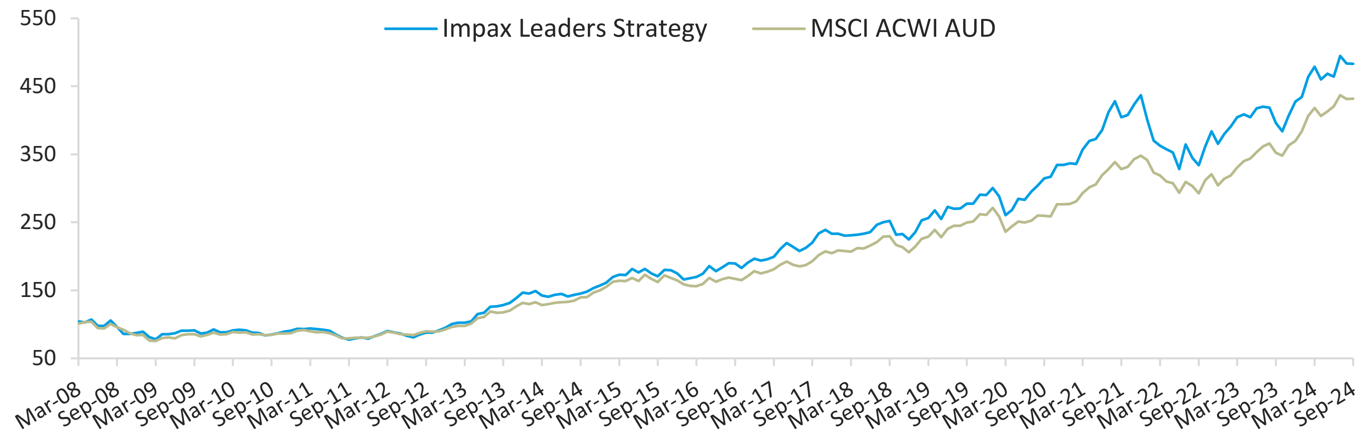
Return focused investment strategies: proprietary investment tools creating a focussed universe of companies where the underlying revenue generated by sales of environmental products or services has been assessed. Clients are also able to understand the exposure of their total portfolio to these end markets.

Environmental Impact of AUD 15M Investment*

Avoided GHG emissions (tCO2e): 1,930	1,240 cars off the road
Total water treated, saved or provided: 50 megalitres	Equivalent to 370 households' annual water consumption
Total renewable electricity generated: 440 mwh	Equivalent to 120 households' annual electricity consumption
Total materials recovered/ waste treated: 550 tonnes	Equivalent to 560 households' annual waste output

For more on environmental impact figures, read the Beyond Financial Returns Report- 2023

Long Term Performance of Investment Strategy



Data Source: Impax Asset Management, 30 September 2024. Strategy Inception March 2008. The Fund commenced on 6 June 2017. To give a longer-term view, the above chart shows the composite returns for Impax Asset Management's Leaders Strategy (gross of fees and converted to AUD on the last business day of each month), according to which the Fund is managed. The performance of the Fund will however differ from the Leaders Strategy due to factors such as fees and charges applicable to the Fund, and the impact of applications and withdrawals. Please note the performance calculation methodology applied to the Fund may differ from the composite returns presented.

Commentary

Q3 2024

Strategy returns advanced higher during the third quarter and outperformed its primary benchmark, the MSCI ACWI. Following an extended period of extreme market narrowness, the portfolio benefited from a reversal in mega-cap outperformance and improved market breadth in third quarter. In absolute terms, broad gains across the portfolio's Industrial exposure was a primary driver of positive returns. Portfolio holdings providing energy efficiency solutions, such as heat pumps and HVAC technology, continue to benefit from resilient end-market demand and reshoring themes, while secular growth drivers for power demand and the increasing need for energy optimization solutions supported further share price momentum for Smart & Efficient Grid holdings. The portfolio also experienced strong returns within Materials and Health Care. Better-than-expected quarterly results and indications of end-market improvement led to a share price recovery in de-rated holdings that had suffered from temporary destocking headwinds, such as Natural Ingredients and Environmental Testing & Monitoring. Information Technology was the only sector that detracted from absolute performance during the quarter. Factors such as weaker guidance, the prospects of stricter trade restrictions between the US and China, and moderating investor enthusiasm for AI opportunities led to underperformance for Efficient IT and Industrial Energy Efficiency holdings.

Market Review

Global equities, as measured by the MSCI All Country World Index (MSCI ACWI), delivered positive returns as monetary easing from the US and Chinese central banks brought new momentum to markets and offset political and geopolitical uncertainty during the quarter. The final weeks of the period saw the start of a new rate-cutting cycle in the US, catalysed by softening inflation and employment data.

The US Federal Reserve's larger-than-expected 50 basis point rate cut followed a politically volatile period that saw a change in presidential candidate in the US and new leadership in Europe and the UK. In the Middle East, rising tensions between Israel and Hezbollah were worsened by the direct involvement of Iran. Throughout this period, markets maintained their poise amid evidence that central banks were willing to respond to economic conditions with additional monetary stimulus.

At the sector level, market breadth improved as the prospect of lower interest rates drove the defensive sectors, including Real Estate and Utilities, to outperform. Energy was a notable laggard, weighed down by declining oil prices, while Technology also lagged as investors rotated away from year-to-date winners.

We maintain a positive bias into year-end. While a soft landing remains our base case for the global economy, we expect elevated political uncertainty into 2025. The earnings growth outlook for companies across our portfolios remains solid, however, going into the Q3 reporting season, we are closely monitoring how the macroeconomic backdrop impacts investee companies' margins as inflation abates.

Contributors

- **Pentair (Water Distribution & Infrastructure, US) –** Pentair is an American company focused on water treatment, having disposed of its electrical business in 2018. The company's operations comprise of three divisions: Pool, Water Solutions and Industrial Flow & Technologies. Pentair's products address a range of residential, commercial, industrial, infrastructure and agricultural end-markets. Its sales are focused on providing more energy and water-efficient systems including variable speed, intelligent pumps for pools and biological commercial filter equipment for fish farming. Pentair has a history of strong operational margins. The company's management, assembled following the split of the businesses, is focused on improving growth. Pentair should benefit from a continuing global drive, from both an environmental and economic perspective, to implement smart and sustainable water solutions across a wide range of end markets. The stock rose in the quarter as Pentair delivered better than expected results across the business and continued to indicate a high level of confidence in margin improvement opportunities into the remainder of 2024 and beyond.

- **Carrier Global (Buildings Energy Efficiency, US) –** Carrier Global Corporation manufactures HVAC equipment. The Company offers heating, air-conditioning, and refrigeration solutions. Carrier estimate that 50% of revenues in HVAC and Transport Technology came from clean technology in 2022. 47% of US Residential HVAC sales were Energy Star qualified products. They have also introduced zero emission electric truck refrigeration technology. Carrier have a 2030 target to help customers avoid more than 1GT of cumulative emissions, and have committed to adopting 1.5°C aligned Science Based targets (announced in February 23), aiming to target net-zero GHG emissions across their entire value chain by 2050. Carrier outperformed over the quarter after delivering good results, in particular HVAC (heating, ventilation and cooling) orders. The company also announced the final disposal as part of its plans to become an HVAC pure play with the sale of its Residential & Commercial Fire security business. HVAC data points in general continued to point towards a new recovery in the US Residential HVAC segment, along with secular trends in Commercial HVAC continuing.

- **Waters Corp (Environmental Testing & Monitoring, US)** – Waters Corp is a leading supplier of liquid chromatography equipment and services, Waters Corp distributes products to a wide range of industries such as pharmaceuticals, chemicals, and environmental testing. Waters and peers reported better than expected earnings results during the quarter. Waters noted how leading indicators continue to improve for its instrument business.

- **Agilent Technologies (Environmental Testing & Monitoring, US)** - Agilent is a Health Care company and a leading provider of liquid chromatography and mass spectrometry equipment, which serve environmental and life sciences markets. It provides analytical instruments, software and services to laboratories which in turn sell to the food, environmental and pharmaceutical industries. The stock rebounded during the quarter driven by an encouraging earnings release, indicating improving end-market conditions. Q3 top- and bottom-line results exceeded expectations, driven by strength in their instruments business. Guidance was modestly raised, and the company's book-to-bill ratio was greater than 1 for the second consecutive quarter.

- **American Water Works (Water Utilities, US)** – American Water Works is the largest public US water utility. It provides drinking water, wastewater and other water-related services in North America. The company provides defensiveness in addition to a dependable long-term outlook for earnings growth. The reset in expectations for the 10-year yield on US government debt which culminated in the first cut to interest rates in more than 4 years supported better than market share price returns for American Water Works over the course of Q3.

Detractors

- **Applied Materials (Efficient IT, US)** – Applied Materials develops, manufactures, markets and services semiconductor wafer fabrication equipment and related spare parts for the worldwide semiconductor industry. The company directly contributes to resource efficiency and semiconductor efficiency via R&D and by providing equipment and services to the semiconductor manufacturers. Semiconductors are intrinsically tied to the cloud, efficient networks including 5G, as well as automation of machinery, which contributes to enhanced productivity. The company also offers products to foundries and Integrated Device Manufacturers (IDMs) that help users mitigate the negative environmental aspects of semiconductor manufacturing. The stock declined during the period on reports that the US may impose additional restrictions on China's access to semiconductors and equipment. This, combined with a cautious outlook from European semiconductor equipment leader ASML, prompted significant selling through the first half of the quarter as geopolitical tensions raised investor concerns about potential supply chain disruptions and the possibility of tariffs or sanctions. Positive quarterly results, and management enthusiasm for multi-year prospects helped to moderate fear-based selling in July and early August.

- **ASML Holding (Efficient IT, Netherlands** – ASML is part of the semiconductor equipment industry and produces a very unique piece of equipment which enables the production of smaller and more energy efficient chips – advanced light ray lithography patterning tools. With substantial economy of scale, close relationships with customers, and continued heavy investments in R&D, ASML enjoys a strong competitive edge, high margins, and consistent strong profitability with high returns on capital. Similarly to other semiconductor production-equipment makers, the ASML share price has been under pressure on speculation the US may impose additional restrictions on China's access to semiconductors and equipment. In addition, Intel's results raised investors' concerns that ASML would be disproportionately affected by a cutback on capex at Intel, which is a significant customer. The investment team believes these concerns are largely overblown given ASML's dominant position in extreme ultraviolet (EUV) lithography for advanced chips, which is where current investment is focused.

- **Cognex (Industrial Energy Efficiency, US)** – Cognex Corporation designs, develops, manufactures, and markets machine vision systems. The company's systems are used to automate the manufacture of a variety of discrete items and to assure their quality. Cognex has regional offices located throughout North America, Japan, Europe, and Southeast Asia. As a critical component of factory automation, the environmental themes are largely derived from waste reduction, which include scrap rate reduction from quality control, improved inventory control (from label recognition and Stock Keeping Unit (SKU) tracking) and higher production line efficiency. The stock sold off in the third quarter following a negative market reaction to the release of Q2 results. The share price had been moving higher throughout most of 2024 in anticipation of a recovery from factory automation weakness, with green shoots indicating abating headwinds and earnings normalization. While Q2 earnings exceeded expectations, below consensus Q3 guidance, management's shift to a more cautious tone, and concerns of a weaker macro-economic backdrop for this shorter-cycle, economically sensitive business, all contributed to a sharp sell-off. Despite a potential interruption of sequential improvement in their recovery, the long-term thesis remains intact.

- **Synopsys (Efficient IT, US)** – Synopsys supplies electronic design automation (EDA) solutions to the global electronics market. The company provides design technologies to creators of advanced integrated circuits, electronic systems, and systems on a chip. Synopsys also provides consulting services and support to its customers to streamline the overall design process and accelerate time to market. Synopsys is a mission critical piece in the design and creation of next generation chips and systems. Without these EDA and IP systems, the semiconductor industry would not be able to progress at the same pace they are able to today. Electronic design automation names like Synopsis and Cadence declined over the quarter due to concerns about further China restrictions and from decreased investment by Intel. These fears have largely been overblown and are not a material concern for the long-term health of the industry.

- **Mediatek (Efficient IT, Taiwan)** – Mediatek is the world's 4th largest global fabless semiconductor company. As essential components of most electronic devices and circuits, semiconductor chips are the building blocks of connectivity for all industries. The company's strong R&D focus continuously drives improvements in processing speeds whilst reducing production cost and energy consumption. Mediatek is rapidly closing the gap with industry leaders in this the chip design space and successfully capturing the structural growth in the demand for chip. The stock fell after a fairly volatile period for the sector driven by cell phones taking a bit longer than expected to recover even when AI capabilities are starting to be used in high-end smartphone.restrictions.

Key Model Portfolio Activity

The following stock was added to the portfolio in the quarter:

- **Ashtead (Resource Circularity & Efficiency, UK),** a leading industrial rental equipment company was purchased during the third quarter on the back of more attractive upside return potential relative to its main competitor, United Rentals, which was exited to fund this new position. As a well-managed, cash-generative business with dominant market share, Ashtead is well positioned to benefit from industry's structural shift from owning to renting capital intensive equipment.

- **RenaissanceRe Holdings (Finance & Investment, US)),** a global provider of insurance and reinsurance, was added to the portfolio in Q3. Climate change is one of several factors exacerbating natural catastrophe losses, driving the need for insurers and reinsurers to absorb the volatility that climate change puts on economic markets. The investment team has high conviction in this company's role as a key enabler in the mitigation of the negative effects of extreme weather events. RenRe is benefiting from favourable industry price dynamics which the investment team believes are sustainable over the longer term.

- **Union Pacific (Railways, US)** was initiated on the attractive potential for margin expansion and volume recovery over the medium term. Union Pacific offers long-haul routes from all major west coast and gulf coast ports to eastern gateways. It also connects with Canada's rail systems and serves major gateways to Mexico. Rail is the most fuel-efficient way to move freight over land with substantial GHG-emission reductions when compared to commercial trucks.

The following stocks were sold in the month:

- **Shimano (E-Bikes & Bicycles, Japan)** was exited from the portfolio after a share price recovery throughout 2024 caused the name to trade at a full valuation. Accordingly, the investment team's conviction was lowered based on the view that Shimano's destocking recovery was largely reflected in the current share price.

- **International Flavors & Fragrances (Sustainable Agriculture, US)** was exited from the portfolio as share price appreciation caused the name to trade above estimated intrinsic value.

- **Eurofins Scientific (Environmental Testing & Monitoring, France)** - was exited from the portfolio given lower confidence in management and higher conviction in existing Health Care Equipment and Testing holdings.

- **United Rentals (Resource Circularity & Efficiency, US)** - was exited during the third quarter in favour of a new position in Ashtead, a main competitor with more attractive upside return potential. United Rentals has been among the strongest portfolio contributors since initiation in the first quarter of 2022.

Outlook

The investment team believes that, from a longer-term point of view, the market environment remains supportive of opportunities across a wide range of sustainable solutions. The recent interest rate cut from the US Federal Reserve and the potential for future accommodative monetary policy should support industrial and consumer spending, helping expected earnings growth remain positive for 2024. With the belief that end-market stabilisation is a matter of when, not if, the portfolio is positioned for a re-rating in sectors that have suffered from temporary destocking issues where the long-term thesis remains unimpaired, such as Health Care Environmental Testing & Monitoring and Natural Ingredient holdings. This thesis was supported in the recent quarter by encouraging earnings results. Meanwhile, themes such as energy efficiency, grid upgrades, and AI-related opportunities remain tailwinds for a number of portfolio holdings. Policy tailwinds are accelerating opportunities within Environmental Markets, including the US Inflation Reduction Act, the CHIPS and Science Act, the Infrastructure Investment & Jobs Act, and re-shoring opportunities. The focus remains on high quality companies with resilient operational business profiles, demonstrable pricing power and above average earnings growth, underpinned by the secular drivers of environmental markets.

Disclaimer

Year	Total Firm Assets (Millions)	Composite Assets (Millions)	Number of Portfolios	Annual Gross Return	Annual Net Return	MSCI AC World Return	FTSE EOAS Return	Asset Weighted StdDev*	3yr Annualized Std Dev**	MSCI AC World 3yr Annualized Std Dev**	FTSE EOAS 3yr Annualized Std Dev**
2021	74,123.17	14,758.56	11	30.58	29.54	25.81	27.85	0.42	12.77	10.72	13.39
2020	42,788.43	8,240.42	10	15.24	14.31	5.90	27.40	0.66	12.91	11.34	13.70
2019	28,727.11	5,179.81	11	29.15	28.14	26.79	31.73	0.43	11.44	9.22	11.01
2018	19,071.96	3,108.75	9	-3.64	-4.41	0.64	-2.89	0.32	11.16	9.04	10.26
2017	12,756.09	2,686.88	8	18.62	17.69	14.77	21.29	0.35	11.29	10.07	11.38
2016	7,535.03	1,435.47	6	12.42	11.56	8.38	12.21	--	10.54	9.81	10.67
2015	5,331.83	1,025.66	4	11.29	10.68	9.82	10.32	--	11.15	10.19	11.96
2014	4,304.10	781.53	4	7.11	6.52	13.87	9.47	--	11.03	8.68	11.12
2013	3,611.87	601.79	4	54.44	53.60	42.51	53.08	--	12.66	9.97	13.44
2012	2,263.20	322.80	4	20.17	19.51	14.68	15.19	--	10.89	8.26	11.24
2011	2,169.77	248.00	5	-12.67	-13.14	-7.36	-13.56	--	12.43	10.66	13.36
2010	2,842.22	175.12	4	-2.06	-3.51	-1.15	3.68	--	--	--	--
2009	2,404.10	178.65	4	5.94	4.37	4.37	7.16	--	--	--	--
2008	1,720.95	119.82	3	-12.76	-13.84	-15.76	-16.40	--	--	--	--

**The asset weighted standard deviation is not shown when there were less than six accounts in the composite for the entire year.
** The 3 years ex-post standard deviation is not shown for the composite and benchmarks if 36 rolling monthly returns are not available.
Results shown for the year 2008 represent partial period performance from March 1, 2008 through December 31, 2008.
Both the internal and external risk figures are calculated using monthly gross-of-fee returns.

Composite Description
The Leaders Composite contains long only accounts, which invest globally in companies that are developing innovative solutions to resource challenges in environmental markets. These markets address a number of long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources. Investments are made in companies which have >20% of their underlying revenue generated by sales of products or services in environmental markets. Leaders is a fossil fuel free strategy. The Leaders Composite was created October 1, 2008. The inception date of the composite's performance was March 1, 2008. The composite name changed from The Environmental Long Only All Cap Composite to The Environmental Leaders Composite in January 2010. As of 31 March 2013, the Environmental Leaders Composite has been renamed the Leaders Composite.
Claiming GIPS Compliance
Impax Asset Management claims compliance with Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Impax Asset Management has been independently verified for the periods March 1, 2002 through to December 31, 2020. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Leaders Composite has been examined for the periods March 1, 2008 through to December 31, 2020. The verification and performance examination reports are available upon request.
Firm Information
Impax Asset Management is defined as Impax Asset Management Limited, Impax Asset Management (AIFM) Limited and Impax Asset Management LLC. These entities are subsidiaries of Impax Asset Management Group plc ('IAM') which is a publicly traded investment management company registered in the United Kingdom, and is headquartered in London, UK. For GIPS purposes the firm includes discretionary and non-discretionary accounts but excludes accounts which have a mandate to invest entirely in private equity or property. Prior to January 2018, Impax Asset Management only included Impax Asset Management Limited and Impax Asset Management (AIFM). The firm was redefined to also include Impax Asset Management LLC to reflect the acquisition of Pax World Management LLC. The firm's List of Composite, Limited Distribution Pooled Fund, and Broad Distribution Pooled Fund descriptions is available upon request.
Benchmark Description
The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. It covers 23 developed and 23 emerging market country indexes. FTSE Environmental Opportunities All-Share Index includes global companies for which at least 20% of their business comes from environmental markets and technologies. Effective from June 2014 the MSCI All Country World index was added as a new benchmark to better reflect the investment objectives of the composite. Prior to March 2015 the composite was also measured against MSCI World Index. The index was removed to match the official marketing material and to simplify the GIPS Reports. All indices are displayed in AUD.
Calculation Methodology
Returns are calculated using the asset-weighted method and individual portfolios are revalued daily or monthly, depending on their structure. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Withholding taxes may vary according to the investor's domicile. Net of fees returns are calculated by reducing monthly gross returns by the maximum applicable fee according to the stated fee schedule below. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value. MSCI All Country World performance is presented net of foreign withholding taxes on dividends, interest income and capital gains while FTSE Environmental Opportunities All-Share performance is presented gross of foreign withholding taxes on dividends, interest income and capital gains, given the unavailability of net of withholding taxes returns by FTSE. Starting March 2015 the MSCI AC World Index performance presented was changed from gross of withholding taxes to net of withholding taxes The amendment was applied retroactively to more accurately reflect the composite performance.
Fees and Expenses
Impax Asset Management uses a model fee, which is the maximum applicable fee, for the computation of composite net-of-fee returns. Since February 2016, the highest annual management fee for the composite is 0.80%. Previously, the highest was 0.55% from January 2011 to January 2016, and prior to that the highest was 1.50%. Actual investment advisory fees incurred by portfolios may vary.
From January 2002 to October 2018 the gross returns for the separate accounts were calculated using the fee applicable to Impax Asset Management, whilst since December 2018 the fee used to gross up the returns is the actual total expense. From January 2002 to October 2018 the highest fee used to calculate the net of fee performance returns was only applicable to Impax Asset Management, whilst since December 2018 the highest fee used for the computation is the total management fee which is expected to be paid by the relevant account.
Other Disclosures
Trading may occur in local currency, but it is converted to base currency based on Bloomberg exchange rates as of 6pm Greenwich Mean Time each day, therefore performance is affected by currency translation. Since October 2010 base currency is converted using WM Reuters exchange rates as of 4pm Greenwich Mean Time.
The AUD is the currency used to express performance, results are affected by currency translation. Returns are presented gross and net of management fees and include the reinvestment of all income. Policies for valuing portfolios, calculating performance, and preparing GIPS Reports are available upon request.
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