Impax High Yield Bond Fund

Quarterly Commentary
All data as of 12/31/2023

Performance

- The Impax High Yield Bond Fund underperformed its benchmark during the fourth quarter.

Market review

- A spike in yields and spreads caused by heightened geopolitical risk marked the beginning of the 4th quarter. Despite the challenging start the Fund's benchmark, the ICE BofA BB-B US Cash Pay High Yield Constrained Index, posted a total return of +7.12%, the 3rd best quarterly return since the GFC, as investors re-focused their attention on the US Federal Reserve as well as an improving inflationary backdrop alongside a still resilient US economy.

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Performance as of 12/31/2023

	1m	Qtr	YTD	1y	3y	5y	10y	Incep[1]
Investor Class	3.91	6.94	11.09	11.09	-0.12	4.15	2.94	4.83
Class A	3.91	6.75	11.08	11.08	-0.11	4.16	2.96	4.82
Institutional Class	3.94	6.84	11.38	11.38	0.16	4.41	3.20	5.25
ICE BofA Merrill Lynch US High Yield Cash Pay – BB-B (Constrained 2%) Index[2]	3.41	7.11	12.55	12.55	1.71	5.18	4.52	–
Lipper High Yield Bond Funds Index[3]	3.41	6.35	12.34	12.34	2.18	5.03	4.04	–

Performance after sales charge as of 12/31/2023

	1m	Qtr	YTD	1y	3y	5y	10y	Incep[2]
Class A (Load)	-0.69	1.94	6.09	6.09	-1.64	3.22	2.48	4.62

Performance data quoted represent past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For most recent month-end performance information, visit www.impaxam.com.

Figures include reinvested dividends, capital gains distributions, and changes in principal value.

1 The inception date for the Impax High Yield Bond Fund Institutional Class is June 1, 2004, the Investor Class inception date is October 8, 1999, and the Class A shares inception date is May 1, 2013.

As of 5/1/23 prospectus, total annual High Yield Bond Fund operating expenses, gross of any fee waivers or reimbursements (excluding Acquired Fund fees and expenses), for Investor Class, Class A and Institutional Class shares are 0.92%, 0.92% and 0.67%, respectively.

The performance information shown for Institutional Class shares represents the performance of the Investor Class shares for the period prior to Institutional Class inception date (June 1, 2004). Expenses have not been adjusted to reflect the expenses allocable to Institutional Class shares. If such expenses were reflected, the returns would be higher than those shown. Institutional Class shares' average annual return since June 1, 2004 is 5.26% (annualized).

The performance information shown for Class A represents the performance of the Investor Class shares for the period prior to Class A inception. Expenses have not been adjusted to reflect the expenses allocable to Class A shares. Class A inception date return since May 1, 2013 is 3.04% (annualized). A 1.00% CDSC (contingent deferred sales charge) may be charged on any shares sold within 18 months of purchase over $1 million. POP (public offering price) reflects the maximum sales load for the Fund's Class A Shares of 4.50%.

Market review, continued

- The widely expected Fed moves led to a rally in US Treasuries with the 5-year and 10-year segments declining 76 bps and 69 bps, respectively. The spread to worst[4] on the benchmark initially widened by 44 bps in mid-October before compressing 98 bps from that peak to end the period at +296 bps over treasuries, 54 bps lower than the start of the quarter and at the tightest levels of the year and well below the US non-recession average. The yield to worst on the benchmark also declined by 125 bps to end the quarter at 6.98%. The par-weighted coupon of the benchmark, however, rose and ended the period at 5.87%.
- Despite the late surge from the lower-rated credits, ultimately the bid for duration and a focus on quality led BBs to outperform Single Bs. The CCC and below segment of the market[5], which is not part of the Strategy's benchmark, underperformed with a +7.01% return for the quarter. From a sector perspective, the banking and insurance sectors were the top performers, and in a reversal of recent trends, the energy sector was among the worst performers posting a relatively modest +5.13% return for the period.
- Par-weighted high yield and leverage loan default rates, including distressed exchanges, rose to 2.84% and 3.15%, respectively, over the quarter.[6] Although the high yield rate remains well below the 25-year average of 3.4%, the loan rate is above the 3.0% average.
- New issue activity was moderate, skewed towards the higher quality segments and overwhelmingly used to refinance existing debt. Despite an increase in fallen angels, there was yet another high yield supply shortfall in Q4. Investor demand was the strongest it's been all year with $5.3bn flowing into mutual funds.[7]

Contributors

- Over the period, the Fund's lack of exposure to the energy sector as well as the underweight to the transportation and leisure sectors positively contributed.
- Security selection among the services, technology & electronics, leisure, and basic industry bolstered returns.
- Notable companies within these sectors include Staples Inc., Park Hotels & Resorts Inc., Viking Holdings Ltd., Diebold Nixdorf, Inc., and Mercer International Inc. The Fund also benefited from having zero exposure to Enviva Inc.

Detractors

- The overweight allocation to and security selection among capital goods was the largest detractor to performance during the quarter.
- Security selection decisions within the telecommunications, healthcare, consumer goods, and retail sectors also hindered performance.
- Notable companies among these sectors include ARD Holdings SA, Ligado Networks LLC, Medline Industries Inc., Whole Earth Brands, Albertsons Cos Inc., and Southeastern Grocers Inc.

Outlook

- The High Yield asset class recovered strongly in 2023 after a very difficult year for all Fixed Income asset classes in 2022. Corporate credit spreads declined materially as the resilience of the US economy became clearer and the Fed's rate increases began to wane.
- While absolute yields are still relatively attractive and are typically the primary driver of total returns over time, we are mindful of the low spreads being offered in the market currently. Many companies in the High Yield universe still enjoy favorable liquidity positions and manageable debt loads. This has been enhanced by the recent reductions in borrowing costs and will help alleviate the pressure from looming maturity walls. Accordingly, the high yield bond market is now expecting a benign default environment in 2024, centered around idiosyncratic issues, with an estimated default rate of 2.75%, down from a forecasted 3.25% rate just a quarter ago.
- Despite this positive backdrop, we have reduced the amount of credit risk we are willing to take at this point due to the combination of low spreads and recent evidence of moderating economic activity. We are still finding value in higher quality segments of the market, particularly in new issuance coming with attractive coupons relative to existing bonds.

Fund overview

A high yield bond strategy leveraging proprietary sustainability tools and research to better identify opportunities and mitigate risks.

Portfolio management team

Peter Schwab, CFA, Senior Portfolio Manager
Kent Siefers, Portfolio Manager

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Portfolio characteristics as of 12/31/2023

Effective duration[ƒ]

Fund	Benchmark
3.27%	3.31%

Years to maturity[~]

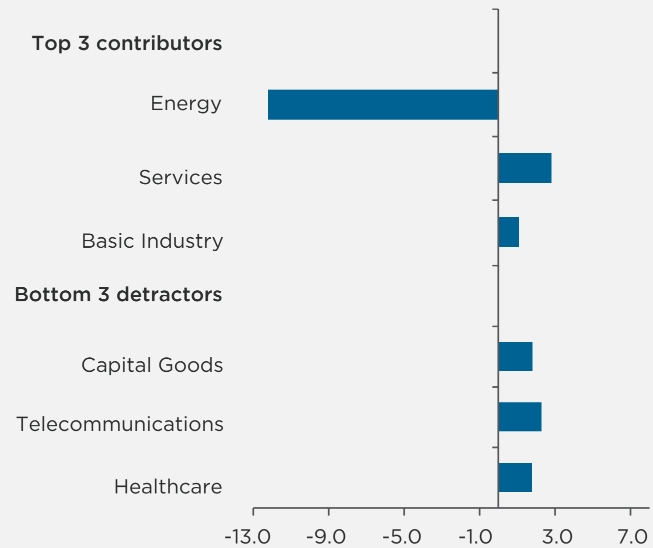
Fund	Benchmark
5.21	5.07

30-Day SEC Yield[°]

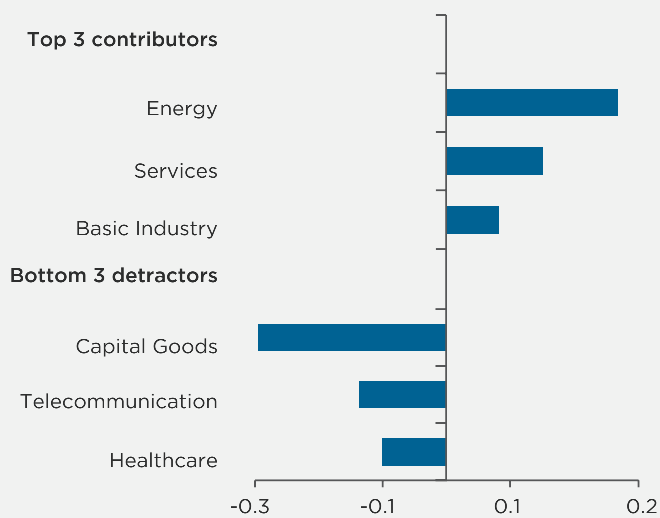
Investor	Class A	Institutional
6.86%	6.62%	7.14%

Performance attribution 9/30/2023 – 12/31/2023

Sector: Average active weights (%)



Total relative contribution (%)



Past performance is no guarantee of future results. Short-term performance may not be indicative of long-term results.

Definitions

ᶠ Effective Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

~ Years to Maturity (weighted average) is the number of years until the bond matures and/or expires.

° 30-Day SEC Yield: An annualized yield based on the most recent 30-day period.

Top 10 holdings as of 12/31/2023

Cco Holdings LLC, 4.750%, 3/1/30 1.4%, Darling Ingredients Inc. 6.0% 6/15/30 1.0%, Avantor Funding, Inc., 4.625%, 7/15/28 1.0%, Ncr Corp., 5.125%, 4/15/29 1.0%, Interface, Inc. 5.5% 12/01/28 0.9%, Medline Borrower Lp Term Loan 10/23/28 0.9%, Graphic Packaging International, Llc 3.75% 2/01/30 0.9%, Iron Mountain Incorporated 4.875% 9/15/29 0.9%, Zoominfo Technologies, Inc. 3.875% 02/01/29 0.8% and Sensata Technologies Bv 5.875% 09/01/30 0.8%. Holdings are subject to change.

Disclosures

2 The ICE BofAML US High Yield BB-B (Constrained 2%) Index tracks the performance of BB- and B-rated fixed income securities publicly issued in the major domestic or eurobond markets, with total index allocation to an individual issuer limited to 2%.

3 The Lipper High Yield Bond Funds Index tracks the results of the 30 largest mutual funds in the Lipper High Yield Bond Funds Average. The Lipper High Yield Bond Funds Average is a total return performance average of mutual funds tracked by Lipper, Inc. that aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions and tend to invest in lower grade debt issues. The Lipper High Yield Bond Funds Index is not what is typically considered an "index" because it tracks the performance of other mutual funds rather than changes in the value of a group of securities, a securities index or some other traditional economic indicator.

4 Spread-to-worst (STW) measures the dispersion of returns between the best and worst performing security. In bond markets, STW is the difference between the yield-to-worst (YTW) of a bond and the yield-to-worst (YTW) of a U.S. Treasury security with similar duration.

5 ICE BofA CCC and Lower US Cash Pay High Yield Constrained Index, December 2023.

6 JPMorgan Default Monitor, December 2023.

7 JPMorgan High Yield Bond and Leveraged Loan Market Monitor, December 2023.

One cannot invest directly in an index.

RISK: The fund can invest in "junk bonds" which are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments when due. Yield and share price will vary with changes in interest rates and market conditions. Investors should note that if interest rates rise significantly from current levels, bond fund total returns will decline and may even turn negative in the short term. There is also a chance that some of the fund's holdings may have their credit rating downgraded or may default. The Fund is actively managed. The investment techniques and decisions of the investment adviser and the Fund's portfolio manager(s), including the investment adviser's assessment of a company's ESG profile when selecting investments for the Fund, may not produce the desired results and may adversely impact the Fund's performance, including relative to other Funds that do not consider ESG factors or come to different conclusions regarding such factors.

Environmental, social, and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

The statements and opinions expressed are those of the author as of the date of this report. All information is historical and not indicative of future results and subject to change. This information is not a recommendation to buy or sell any security. Past performance does not guarantee future results. An investment in Impax Funds involves risk, including loss of principal.

You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. For this and other important information, please obtain a fund prospectus by calling 800.767.1729 or visiting www.impaxam.com. Please read it carefully before investing.

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