



## Excerpts from the Impax 2025 Outlook: Seizing opportunity amid disruptive change

A year ago, we wrote that “irrespective of any policy disruptions that could arise as a result of upcoming elections in 2024... the transition towards a more sustainable economy has strong momentum.”

We believe that 2025 will prove our thesis to be correct. In summary:



We observe several factors that should be constructive for global markets in 2025, including a robust US economy.



After a period of extreme market concentration, a broadening of the stockmarket towards overlooked stocks with quality business models and compelling valuations looks overdue.



Strong corporate fundamentals and US economic growth prospects provide a positive backdrop for credit.



Structural drivers of the transition to a more sustainable economy remain firmly intact. In some cases, they are accelerating.

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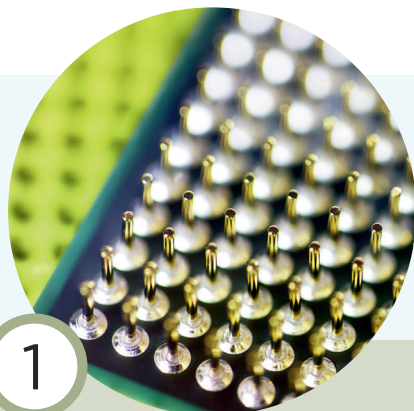
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# Equity themes in focus for 2025

Below we highlight our areas of thematic opportunity where the Listed Equities team has high conviction into 2025 and beyond.



1

## Chip-making equipment manufacturers

Pivotal to the global semiconductor industry – and the AI boom that it underpins – are a select set of specialist tools and components including lithography machines and low-resistance chip wiring.

Looking into 2025, we see three primary factors that will shape an improving opportunity set:

- **AI demand** – Training and running the latest AI models relies on ‘leading-edge’ chips for data processing speed and energy efficiency. By 2025, Goldman Sachs estimates that global AI-related expenditure could reach US\$200bn.<sup>1</sup>
- **Silicon content** – The ‘internet of things’ (IoT) drives demand for advanced chips used in connectivity, data processing and sensor integration across a broad range of devices. An estimated 55bn devices will be connected by the end of 2025.<sup>2</sup>
- **Technology sovereignty** – Major economies are pursuing greater self-sufficiency in technologies seen as critical to national security. There are currently over US\$66bn in annual government incentives for domestic chipmaking.<sup>3</sup>



2

## Digital grid infrastructure

Modern grids make extensive use of hardware (like sensors) and software to more accurately track flows of power and changes in supply and demand, and to anticipate system vulnerabilities and equipment failures.

Looking into 2025, we identify four factors supportive for suppliers of innovative smart grid solutions:

- **Rise of the ‘prosumer’** – More households than ever are both consumers and producers of electricity. Increased grid intelligence relies on the roll-out of smart metering to monitor real-time flows.
- **Cost-conscious utilities** – Digital grid infrastructure helps to improve system resilience and to avoid unnecessary investments in physical grid assets.
- **Network instability** – Sophisticated grid balancing systems help avoid costly blackouts as intermittent renewable generation grows.
- **Supportive policy landscape** – We see renewed focus to addressing grid constraints, including commitments made at COP29.<sup>4</sup>

<sup>1</sup> Goldman Sachs, August 2023: AI investment forecast to approach \$200 billion globally by 2025.

<sup>2</sup> Unisys, June 2024: The rise of IoT: Enhancing industries and everyday life.

<sup>3</sup> Evercore ISI Research, 2024.

<sup>4</sup> International Renewable Energy Agency, November 2024: Global Utilities Back COP29 Pledge to Boost Grids and Storage in Strong Implementation Signal / Rystad Energy, 2024.



3

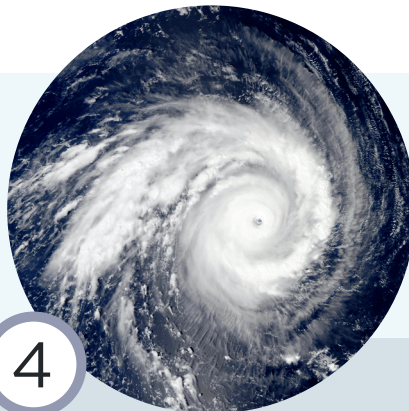
### Life science instruments

Precision analytical tools support the rising complexity of medicines and help address pressing environmental challenges like testing for 'forever chemicals.'

Looking into 2025, we believe we are observing an inflection point in the cycle for the life science tools sector after two challenging years. We are encouraged by improving customer demand and funnel activity reported by companies in late 2024.

We believe a reversion to growth in line with or above longer-term trends has the potential to drive a multi-year earnings revision cycle for these stocks.

We are focused on compelling multi-year investment opportunities created by secular drivers of growth arising from the transition to a more sustainable economy.



4

### Reinsurers

As the value of global assets at risk from extreme weather rises, the reinsurance industry is presented with an expanding opportunity set, so long as it prices risks accurately.<sup>5</sup>

Looking into 2025 and beyond, we identify two key factors that support conditions for the reinsurance industry's profitable growth.

- **Pricing of risk** – After a period when several reinsurers mispriced catastrophe-related risks, eroding investment returns, the industry has tightened underwriting terms, increased deductibles and tightened coverage.
- **The protection gap** – The difference between insured and uninsured losses highlights the size of the addressable market for the reinsurance industry. Swiss Re estimates that US\$175bn of losses from natural catastrophes in 2024 were uninsured.<sup>6</sup>

<sup>5</sup> Swiss Re Institute, 5 December 2024: Hurricanes, severe thunderstorms and floods drive insured losses above USD 100 billion for 5th consecutive year.

<sup>6</sup> See footnote 5.



# Read the full 2025 Outlook

Our conviction about the transition to a more sustainable economy is not an article of faith, nor is it grounded in hopeful optimism. It is a conviction grounded in facts: there are irreversible transformations well underway in the real economy, across a breadth of sectors. It remains our conviction that investors focused on these transformations can target better risk-adjusted returns as the transition to a more sustainable economy accelerates.

Gain more insights from our Listed Equities and Fixed Income teams by reading the full outlook at [impaxam.com/outlook-2025](https://impaxam.com/outlook-2025). **X**

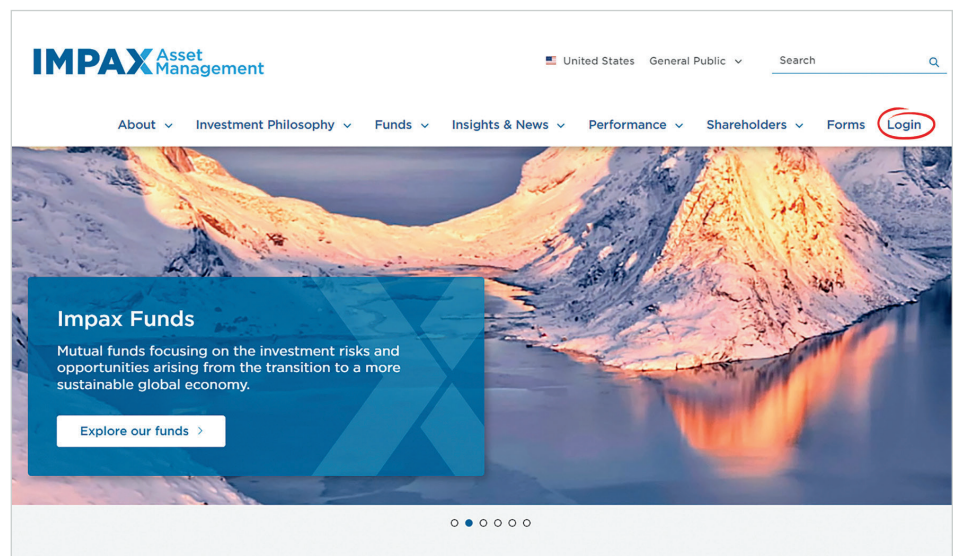
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