

Impax High Yield Bond Fund

Beyond Financial Returns Report Q2 2024





Content summary

Introduction	3
Stewardship Summary	4
Engagement Examples	5
Policy Advocacy	7
Case Study	8
Weighted Average Carbon Intensity	9
Impax's current memberships	10
Definitions and Disclosures	12
Important Information	13

Introduction

At Impax, every strategy is designed to intentionally allocate clients' capital towards those companies which are expected to benefit as the global economy transitions to a more sustainable model. This Beyond Financial Returns report provides post-investment evidence of this intentionality.

Reporting this year includes information related to stewardship activity and outcomes and our policy advocacy focus.

The objective of engagement with companies is monitoring risk management and encouraging improved processes and disclosures, through company-specific, thematic and proxy-voting-related engagements, all important elements of the investment process. Impax's stewardship focus and activities can be divided into main pillars of climate, people and governance.

Impax's Policy Advocacy work is focused on shaping the markets and supporting the development and creation of public policy which will accelerate the transition to a sustainable economy. We plan to combine company engagement and policy advocacy wherever possible to accelerate positive outcomes in the real economy, so-called systematic engagement, as described in our recent [Stewardship & Advocacy Report](#).

Stewardship summary 2022

Engagement themes

Stewardship is an important part of Impax's investment process. Engagement is used both to mitigate risk and to enhance value and investment opportunities. We remain dedicated to helping issuers navigate the transition to a more sustainable economy - engagement can strengthen companies over time, making them more resilient. This process takes time and often transpires over longer horizons, with topics for engagement maturing and evolving during this journey.

Impax's engagement themes for 2022

Every year we assess and outline the thematic engagement priorities for the next 12 months. These priorities are based on market developments and emerging ESG and sustainability issues that are relevant and material for our issuers. Within these major themes, there are more detailed and specific topics, such as physical climate risks and employee health & wellness.

In 2022, we remained focused on three overarching pillars for our stewardship activities: Climate, People, and Governance. In addition, given Impax's increasing focus on Biodiversity and Nature in 2022, we have adopted this topic as a standalone pillar for engagement going forward. Companies and policymakers alike have also become more focused on their dependencies and impacts on nature.

Climate

Climate-related risks and opportunities are likely to be significant drivers of investment performance across the global economy for decades to come. Climate risks are systemic for all companies, so both transition and physical climate risks are important topics of our stewardship and advocacy activities.

People

The importance of diversity and corporate culture to long-term company performance and risk management is increasingly being recognized. We engage with investee companies on the diversity of their senior management teams, boards of directors and workforces, as well as their E,D&I processes and disclosures, talent recruitment and retention, and health and wellness policies.

Governance

Effective corporate governance is key to companies navigating the opportunities and risks arising from the transition to a more sustainable economy. We engage with our investee companies to improve their governance structures.

Nature

As a specialist investor in the transition to a more sustainable economy, Impax has long paid attention to nature and the risks associated with biodiversity loss, deforestation and the degradation of ecosystems. Yet there remains limited information about how companies are addressing these risks.

Engagement example

Governance

IQVIA Holdings, Life Sciences Tools & Services, US

IQVIA is a unique combination of a traditional Contract Research Organization ('CRO'), which conducts outsourced clinical trials, and a healthcare technology company. Formed in 2016 through the merger of the largest global provider of health care data and the world's largest CRO, the combined company provides a variety of information, technology services and contract research services to healthcare companies. IQVIA is leveraging its unmatched data assets and analytical capabilities to create a differentiated, 'next generation' CRO that can run quicker, more efficient and less costly drug trials.

Topic: Board Structure, Shareholder Rights and Executive Compensation

Start of engagement: 2018

Engagement objectives

1. Improve board structure, including independence and board declassification **(achieved, 2022)**
2. Improve board diversity across multiple dimensions of diversity, including gender, race, ethnicity, nationality, skills/expertise **(improving, progress in 2022)**
3. Improve shareholder rights **(improving)**
4. Improve executive compensation **(limited progress, engagement ongoing)**

Since 2017, we have voted against various board members and management proposals to express our concern on board independence, classification and diversity, executive compensation and supermajority vote provisions. We communicated our voting rationale to the company and had our first governance-related call in 2020 focused on board structure and composition. In 2020, the company appointed two new independent directors, and committed to improving the board's gender diversity to at least 30%. At the 2021 annual meeting, we supported a proposal to remove supermajority voting rights. We also shared our rationale for voting against the Nominating Committee Chair, since board gender diversity remained under our expectation of 30%.

Progress and outcomes

The company appointed two independent female directors, improving board independence to 91% and diversity to 36%. As a result of a shareholder proposal supported by shareholders, including Impax, the board will be declassified - meaning board members will face an annual re-election process - over a three-year period.

After many years of engagement and proxy votes against management, we have seen a number of positive outcomes in the company's board structure, and we continue to engage on the topic of executive compensation.

References to specific securities are for illustrative purposes only and should not be considered as a recommendation to buy or sell. This example was selected based on its positive outcome. Other engagement efforts may not result in similar outcomes. Impax makes no representation that any of the securities discussed were or will be profitable, or that future investment decisions will be profitable.

Engagement example

Climate

PTC, Application Software, US

PTC is an Information Technology company that offers software products which can be deployed toward leaner manufacturing: computer-aided design modelling (CAD) and Product Lifecycle Management (PLM). Importantly, PTC's industrial connectivity platform enables customers to connect 'smart' devices, analyze associated data, and create IoT applications. These solutions help to increase resource efficiency and eliminate waste in industrial processes.

Topics: Climate - GHG emissions disclosure

Start of engagement: 2020

Engagement objectives

1. Share Impax's expectations for climate-resilient and transition-aligned management **(achieved)**
2. Determine appropriate metrics and framework for data collection **(progress)**
3. enhance relevant disclosures **(progress; planned for 2024)**

Progress and outcomes

Impax has been engaging with PTC on various topics since 2019. In 2022 Impax reached out to the company to discuss sustainability governance and processes as well as reporting, in particularly reporting on GHG emissions disclosure. The company is currently setting up its related framework for collecting this data and expects to start reporting in 2024. Impax also learned that PTC has made progress in setting up a formal ESG Committee which presents to the Board Governance Committee at the executive level. While an important beneficial impact of PTC's software products pertains to resource efficiency gained by PTC's customers, Impax emphasized the importance also of measuring and reporting on the company's direct environmental impact. The next step in this process, and topic for upcoming discussions, will be target setting.

Policy advocacy priorities for 2023 and beyond

Impax's Global Policy Group brings together expertise from across the company to support policy makers in Europe, North America, and Asia in the creation of enabling environments which will accelerate the transition to a sustainable economy. This advocacy work reflects Impax's commitment to policy advocacy and utilizes a rolling three-year plan to focus on a number of important longer-term priorities.

Advancing the pursuit of net-zero emissions will continue to be a focus. Impax believes its influence can be amplified by acting in concert with like-minded members of the financial community and therefore looks to play a leading role within groups including the Institutional Investors Group on Climate Change (IIGCC) and GFANZ. Impax is a firm advocate that investors and lenders must not only focus on decarbonising their portfolios, but also finance solutions that reduce GHG emissions if the world is to achieve net-zero goals. Financing the energy transition and clean electrification and getting hard-to-abate sectors — such as aviation, shipping, steel and cement — on the path to net zero are key areas of opportunity.

Greening the financial system remains key to the transition to a more sustainable economy. Impax therefore is prioritizing work on sustainability-related disclosures, engaging with regulators including the US SEC and the UK's FCA to advocate for more rigorous reporting requirements. In addition, Impax will engage with new initiatives seeking to develop guidance on corporate transition plans to drive the net-zero transition in the real economy, in particular through Glasgow Financial Alliance for Net Zero (GFANZ), the Climate Financial Risk Forum and the UK's new Transition Plan Taskforce.

Biodiversity loss and growing awareness of **economic dependence on natural capital** has put this topic in the spotlight. The financial sector can play a critical role in addressing environmental degradation by both influencing companies to stop depleting natural resources and by deploying capital into nature-based solutions. Impax believes it can contribute through participation in initiatives like the Finance Sector Deforestation Action, Natural Capital Investment Alliance, and the Taskforce on Nature-Related Financial Disclosures, as well as through collaboration with policymakers. Impax is also partnering with Imperial College to advance understanding of nature-positive investment opportunities.

Physical impacts of climate change have been inescapable around the world, highlighting an urgent need to increase action to manage and adapt to this risk. Impax will continue to engaging policymakers and investors on **climate resilience and adaptation**. Collaborative efforts have included IIGCC's Adaptation & Resilience Working Group and development of investment frameworks and the Coalition for Climate Resilient Investment's advances on physical climate risk models. Impax is also working jointly with Oxford University on developing a consistent methodology for translating climate change into quantitative inputs.

Lastly, on the topic of **Human Capital Development and E, D&I**, Impax explores opportunities to use investor influence to push for positive social change, including ensuring that social issues are taken into consideration in the design of net-zero policies adopted by governments and corporates. Impax's advocacy here will continue to include collaborative work, such as in the Financing a Just Transition Alliance, as well as activities to promote diversity for example in Asia, through work with the Asian Corporate Governance Association. Impax has been engaging with US companies on their provision of employee wellness programs, including reproductive health care, since the Supreme Court's Dobbs decision. Impax is also anticipating the SEC's proposed rule on human capital disclosure and has developed several points to contribute for comment on that regulation.

As reported in our recent "[Stewardship and Advocacy Report](#)", we plan to increasingly combine company engagement and policy advocacy to accelerate positive outcomes in the real economy, through so-called systematic engagement, with a case study included in this report.

Case study: Combining company engagement and policy advocacy – Systematic Engagement

Physical Climate Risk – mandated disclosure of material physical asset risk

Physical climate risks are systematic risks that many companies are exposed to, but that most companies are not adequately prepared for today. Impax has combined physical climate risk engagements with companies and advocacy with regulators, systematic engagements, to accelerate progress on companies' physical climate risk management and for more detailed disclosures on companies' geo-location data of their strategic plants and facilities, enabling investors to analyse companies' risk exposures.

Objective:

Prompt companies to report the locations of their physical assets whose loss or damage would be a material event.

Key steps:

June 2020: Impax submitted to the SEC a petition that companies be required to report on the geolocations of their key assets. This petition was later turned into a publication in the Harvard Law School Forum on Corporate Governance.

August 2020: The New York State Common Retirement Fund joined Impax's efforts. This enabled asking all companies in the S&P 500 to report on the location of assets whose loss or damage would be a material event.

September 2020: Impax published a paper on Physical Climate Risks - what are they, how can they be recognized, and to whom do they apply?

September 2021: Impax published [Seeking Coordinates](#), a synthesis of what was learned from this engagement with the constituents of the S&P 500. Result: only *three* companies had given serious consideration to their exposure to physical risks, further proving the importance of this disclosure objective.

Summer 2022: Additional investors, including CalSTRS and PIMCO, joined these advocacy efforts.

Fall 2022: Impax further developed the request - asking companies not only to report on their assets, but to report also on their assessment of physical risks from climate change, and to detail their efforts to manage and adapt to those risks.

Outcome:

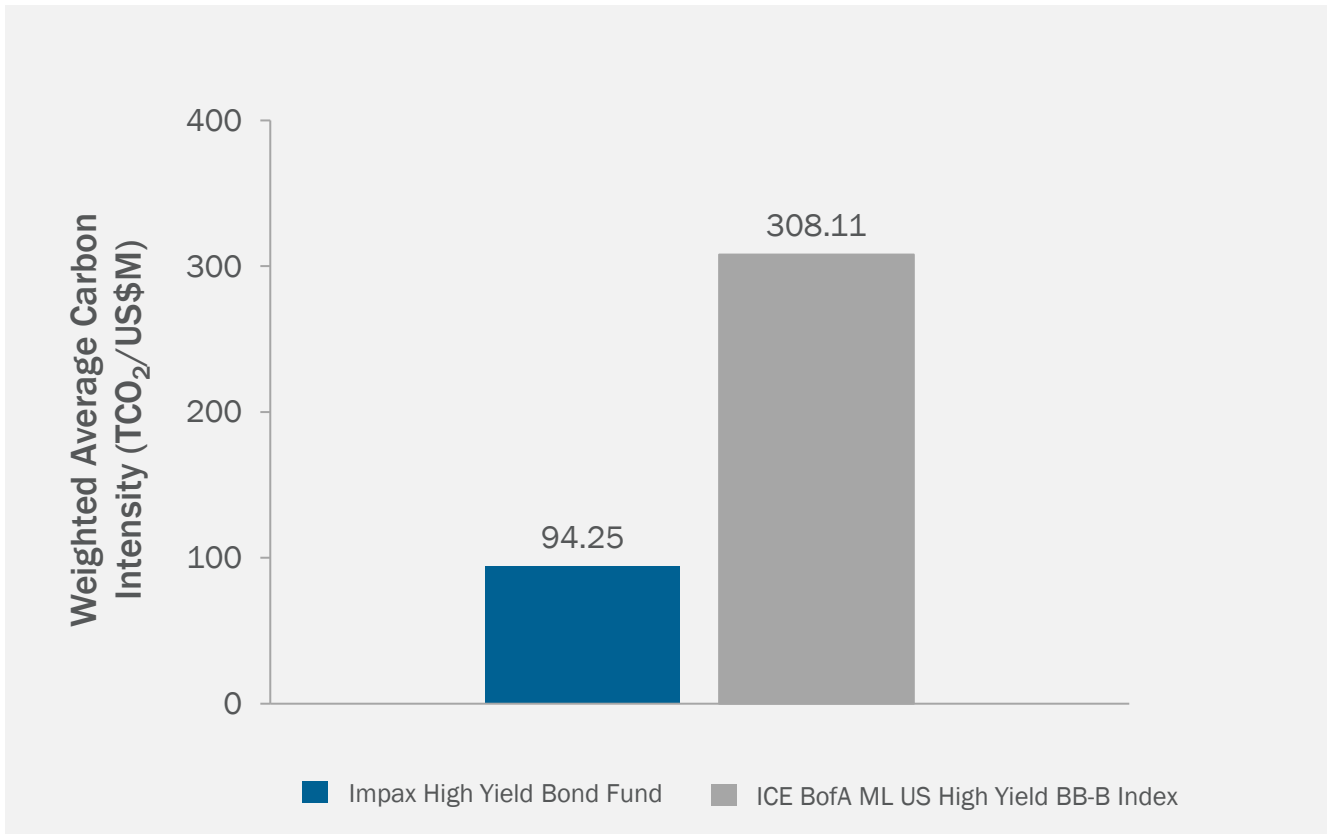
Summer 2022: After meetings with the Chair and staff of the SEC to advocate for Impax's objective, the SEC proposed its new Climate Rule, which included attention to physical risk. This rule is likely to be released in the fall of 2023.

Winter 2022 - Spring 2023: Impax engaged with semiconductor manufacturers regarding their exposure to and management of climate-related physical risks, focusing on flooding and drought.



Weighted Average Carbon Intensity (WACI)

Impax's approach to fixed income investing results in a portfolio with lower carbon intensity vs the high yield index¹



¹TCO₂/US\$M Sales data as of 06/30/2024. Source: MSCI, FactSet. For more information on Weighted Average Carbon Intensity, please refer to the end of document. The ICE BofAMerrill Lynch US High Yield BB-B 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%. Investors cannot invest directly in any index.

Impax's current memberships

Impax works collaboratively with peers to support the expansion of sustainable finance. Here is a selection of our current memberships.

A Just Transition: Looking at challenges faced when moving to a more sustainable economy and why investors need to integrate a social dimension into their climate strategies.

Asian Corporate Governance Association (ACGA): Focuses on collaborative engagement with companies and policymakers to improve governance structures and practices in Asia.

Carbon Disclosure Project (CDP): An independent organization holding the largest database of corporate climate change information in the world.

Climate Action 100+: An investor-led initiative aimed at encouraging the world's largest corporate greenhouse gas emitters to improve governance on climate change, emissions and climate-related financial disclosures.

Council of Institutional Investors (CII): Promoting strong governance and shareholder rights standards at public companies.

Defined Contribution Institutional Investment Association: A non-profit association dedicated to enhancing the retirement security of America's workers.

Energy Transitions Commission: A global coalition of leaders from across the energy landscape committed to achieving net-zero emissions by mid-century.

FAIRR: A collaborative investor network that raises awareness of the environmental, social and governance risks and opportunities brought about by industrialized livestock production.

Financing a Just Transition Alliance: Identifies the role finance can play in connecting action on climate change with inclusive development pathways.

Finance Sector Deforestation Action: Collaborative to unite organizations around a shared engagement approach to tackling deforestation and other climate and nature-related initiatives.

Global Impact Investing Network (GIIN): The largest global community of impact investors (asset owners and asset managers) and service providers engaged in impact investing.

Global ESG Benchmark for Real Assets (GRESB): Industry-led organization that provides environmental, social and governance data to financial markets.

Institutional Investors Group on Climate Change (IIGCC): A forum for collaboration on climate change for European investors.

Interfaith Center on Corporate Responsibility: Coalition of institutional investors aiming to integrate social values into corporate and investor actions.

Investor Network on Climate Risk (INCR): Partners with investors worldwide to advance investment opportunities and reduce material risks posed by sustainability challenges such as global climate change and water scarcity.

Long-term Investors in People's Health Initiative (LIPH): Giving investors the tools to improve health outcomes by sharing best practices and creating opportunities to collaborate on corporate engagement.

Natural Capital Investment Alliance: Mobilizing investment in Nature-based economic opportunities.

Net Zero Asset Managers Initiative: An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Plastic Solutions Investor Alliance (As You Sow): International coalition of investors that engages publicly traded consumer goods companies on the threat posted by plastic waste and pollution.

Impax's current memberships continued:

Powering Past Coal Alliance: Coalition of governments, businesses and organizations working to advance the transition from unabated coal power generation to clean energy.

Principles for Responsible Investment (PRI): Aims to help investors integrate ESG considerations into investment decision making and supports sharing best practice in active ownership.

PRI Sustainable Stock Exchanges Working Group: A peer-to-peer learning platform for investors, regulators, and companies. Looking at enhancing corporate transparency, and ultimately performance, on ESG risks and encouraging sustainable investment.

Race at Work: Part of BITC Business in the Community, The Prince's Responsible Business Network, this initiative seeks to accelerate change through five calls to action for organizations committed to improving equality of opportunity in the workplace.

ShareAction Investor Decarbonization Initiative: Aims to bring together investors to accelerate corporate action on climate change.

Shareholder Rights Group: Association of investors that defends share owners' rights to engage with public companies on governance and long-term value creation.

Sustainable Investment Institute: A non-profit organization conducting research and publishing reports on organized efforts to influence corporate behavior on social and environmental issues.

Task Force on Climate-related Financial Disclosures (TCFD): Develops voluntary, consistent climate-related financial risk disclosures for companies providing information to investors, lenders, insurers and other stakeholders.

Taskforce on Nature-related Financial Disclosures: Member of TNFD Forum to help develop and deliver a risk management and disclosure framework reporting and acting on nature-related risks.

The Investing and Saving Alliance (TISA): A not-for-profit membership organization with a mission to improve the financial wellbeing of UK consumers and help shape the future of the UK financial services industry.

Thirty Percent Coalition: A unique and groundbreaking US. organization committed to having women, including women of color, hold 30 percent of board seats across public companies.

Tobacco Free Portfolios: A group of financial institutions that have implemented tobacco-free finance policies and encourage others to follow suit.

UK Stewardship Code: Aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

UK Sustainable Investment and Finance Association (UKSIF): Provides services and opportunities to align investment profitability with social and environmental responsibility.

USSIF: A US-based membership association promoting sustainable, responsible and impact investment.

Women's Empowerment Principles: The UN Women's Empowerment Principles are a set of practical guidelines that businesses can use to promote gender equality in the workplace and the community.

Women in Finance: Commitment by the UK's HM Treasury to build a more balanced and fair industry, working to see gender balance at all levels across finance services firms.



Definition and disclosure

The Weighted Average Carbon Intensity (Tons CO₂/\$M Sales) is calculated using MSCI ESG Research company level research and measures a fund's exposure to carbon intensive companies. This figure represents the estimated greenhouse gas emissions per \$1 million in sales across the fund's holdings. This allows for comparisons between funds of different sizes. A portfolio's weighted average carbon intensity is achieved by calculating the carbon intensity (Scope 1 + 2 Emissions / \$M Sales) for each portfolio company and calculating the weighted average by portfolio weight.

At the company level, the carbon intensity (Scope 1 + 2 Emissions/\$M Sales) represents the company's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions normalized by sales in USD. MSCI ESG Research collects company-specific direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions data from company public documents and the Carbon Disclosure Project (CDP). If a company does not report GHG emissions, then MSCI ESG Research uses a proprietary methodology to estimate Scope 1 and Scope 2 GHG emissions. The data is updated on an annual basis. Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company. For more information, visit <https://www.msci.com/index-carbon-footprint-metrics>.

Carbon Intensity scores are determined by taking the market value of each security and company-level data to calculate the weighted average score at the portfolio level. The Fund and Index weighted average carbon intensity numbers are calculated by and sourced from FactSet, using MSCI ESG Research company-level data. As of 06/30/2024, the Fund weighted average carbon intensity was 94.25 vs. 308.11 for the benchmark. Data availability for the Fund is 68.79% (of portfolio) by weight, and 64.19% of the benchmark by weight. Data availability for the Fund and benchmark may not add up to 100% due to the limited data availability within emerging markets.

As of 06/30/2024, the top 10 issuers of the Fund: Charter Communications was 2.8%, Albertsons Companies, Inc. was 1.7%, Tenet Healthcare Corporation was 1.7%, Avantor, Inc. was 1.6%, Medline Industries Inc. was 1.3%, Ford was 1.2%, Hannon Armstrong Sustainable was 1.2%, Iron Mountain Inc. was 1.2%, Staples Inc. was 1.2%, Post Holdings, Inc. was 1.2%,

Holdings subject to change.

Important information

RISKS: 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.

This material must be preceded or accompanied by a [prospectus](#). Please read it carefully before investing. Investment return and principal value will fluctuate so that you may have a gain or a loss when you sell your shares.

You should consider a fund's investment objectives, risks and charges and expenses carefully before investing. Past performance is no guarantee of future results.

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