

AUM flat in Q4, 'solid evidence flows are stabilising'

8 October 2025

AUM closed FY25 (1 Oct 24 - 30 Sep 25) on £26.1bn, above our previous forecast of £25.0bn. In Q4 (Jul – Sep), investment performance contributed +£1.4bn (+5.3%), offset by net outflows of -£1.4bn, in a quarter of heavy outflows for equity funds more generally (page 3).

Impax's outflows were slightly up on the previous quarter (-£1.3bn), but were a marked improvement over H1, which saw £10.2bn of net outflows, dominated by the loss of £6.2bn of St James's Place mandates. We make very minor tweaks to our FY25 forecasts with FY25 results expected late-November, when we will update our FY26 (and beyond) forecasts.

Outlook solid

Impax's commentary and market data suggest an outlook that is far brighter than the last two years.

Impax has said "While we continued to register net outflows, there is **solid evidence that flows are stabilising**, including in our wholesale channel. During the quarter, we attracted material inflows from clients in Europe and North America. Encouragingly, we see widespread evidence that many asset owners are increasingly looking to partner with a specialist investor committed to understanding the opportunities and risks related to the transition to a more sustainable economy."

Meanwhile, **contrary to so many headlines, the global sustainable fund market remains large and continues to grow** (see page 2). While there are certainly headwinds (especially in the US), sustainable fund flows have mostly remained positive (driven by Europe), with **the sustainable fund market size topping US\$3.5 trillion for the first time in Jun 25**.

Indeed, Morningstar's recent [Voice of the Asset Owner Survey 2025](#) (a survey of >500 institutions) found that **44% of AUM was invested with ESG or sustainability considerations applied, up from 38% in 2022**. The survey also found that over 50% of asset owners were now using the terms 'sustainable investing' and 'responsible investing' instead of 'ESG', which seems to align with Impax's proposition of investing in the opportunities arising from the transition to a more sustainable economy.

Fundamental valuation 400p, more than double the share price

We maintain our view that Impax's differentiated offering within a large and growing market means a return to solid net inflows is just a matter of time, as is a re-rating of the share price. Our DCF valuation is 400p / share. Also, **Impax's PER of 8.0, the lowest in the sector, looks misplaced** (page 4).

Company data

| | |
|------------------------|-----------|
| EPIC | IPX.L |
| Price (last close) | 192p |
| 52 weeks Hi/Lo | 411p/121p |
| Market cap | £255m |
| ED Fair Value / share | 400p |
| Net cash** 2024A | £93m |
| Avg. daily volume (3m) | 295k |

Share price, p



Source: Investing.com

Description

Impax is a specialist asset manager, focused on the growth opportunities arising from the transition to a sustainable economy. Founded in 1998, it offers a range of listed equities, fixed income, systematic, and private markets strategies. AUM on 30 September 2025: £26.1bn

Next event

FY25 results Nov 2025

Key financials & valuation metrics

| Year to 30 Sep (£m) | FY22A | FY23A | FY24A | FY25E | FY26E |
|---------------------|-------|-------|-------|-------|-------|
| AUM (£bn) | 35.7 | 37.4 | 37.2 | 26.1 | 28.8 |
| Revenue | 175.4 | 178.4 | 170.1 | 141.4 | 129.1 |
| Adj. Op. Profit* | 67.4 | 58.1 | 52.7 | 35.9 | 29.5 |
| PAT | 59.5 | 39.2 | 36.5 | 24.3 | 22.1 |
| EPS basic (p) | 46.0 | 30.5 | 28.5 | 19.3 | 18.2 |
| EPS adj. & dil. (p) | 42.1 | 35.2 | 32.2 | 21.6 | 19.6 |
| Net cash | 110.9 | 91.5 | 93.1 | 54.8 | 58.6 |
| P/E | 4.2 | 6.3 | 6.7 | 9.9 | 10.6 |
| DPS (p) | 27.6 | 27.6 | 27.6 | 12.0 | 13.0 |
| Dividend yield | 14.4% | 14.4% | 14.4% | 6.3% | 6.8% |

Source: Company data, Equity Development, Priced at 07/10/25.

Paul Bryant (Analyst)

0207 065 2690
paul.bryant@equitydevelopment.co.uk

Andy Edmond

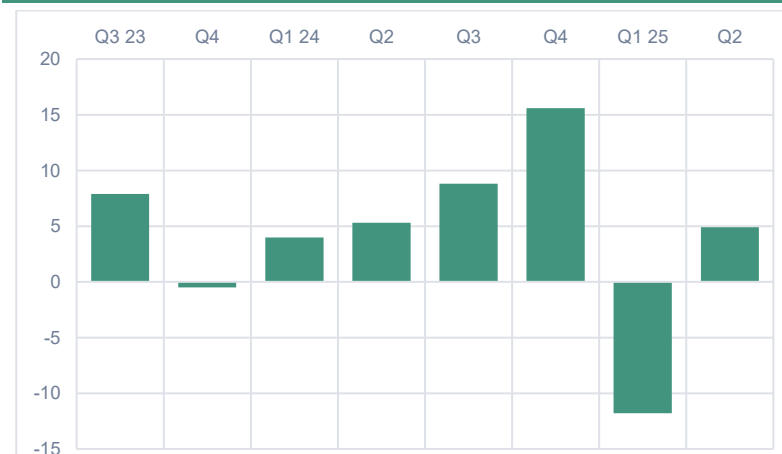
0207 065 2691
andy@equitydevelopment.co.uk

Sustainable fund market still attracting assets, and growing

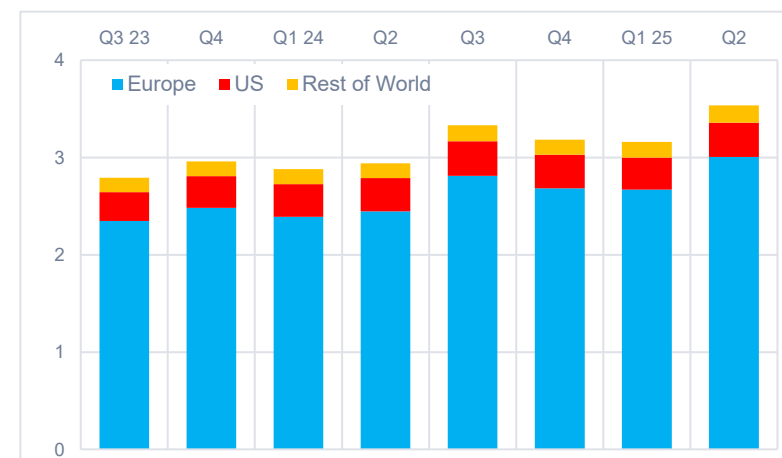
Flows recover in Q2 25 after Q1 blip

- Contrary to so many headlines, the global sustainable fund market continues to attract assets, with positive net flows recorded in six out of the last eight quarters. But flows are certainly volatile (top chart on right).
- Flows are dominated by the European market, with European flows mostly positive over the last two years. Rest-of-world flows (ex-US) have also been mostly positive, although far smaller than in Europe. But US flows have been negative for 11 consecutive quarters.
- The flow recovery in Q2 was driven by solid inflows in both active and passive funds in Europe (+\$4.1bn and +\$4.5bn respectively). Morningstar wrote:
 - *“In the second quarter, despite continued geopolitical complexities, escalating trade tensions, and further ESG rollbacks, uncertainty for European investors around the impact of anti-greenwashing measures began to ease as the ESMA fund naming guidelines approached their implementation deadline...*
 - *additionally, European sustainable strategies have kept pace with the broader equity and bond markets when looking at index performance. In the second quarter, the Morningstar Global Markets Sustainability Index and Morningstar Global Corporate Bond Sustainability Index rose by 12.6% and 4.5%, respectively. These figures compare with gains of 11.5% and 4.3% for the broader Morningstar Global Markets Index and Morningstar Global Corporate Bond Index, respectively.”*
- **The size of the global sustainable fund market topped \$3.5 trillion for the first time in Q2 25. The European market alone topped \$3.0trillion.**

Quarterly global sustainable fund net flows last 2 years, US\$bn



Global sustainable fund assets last two years, US\$trn

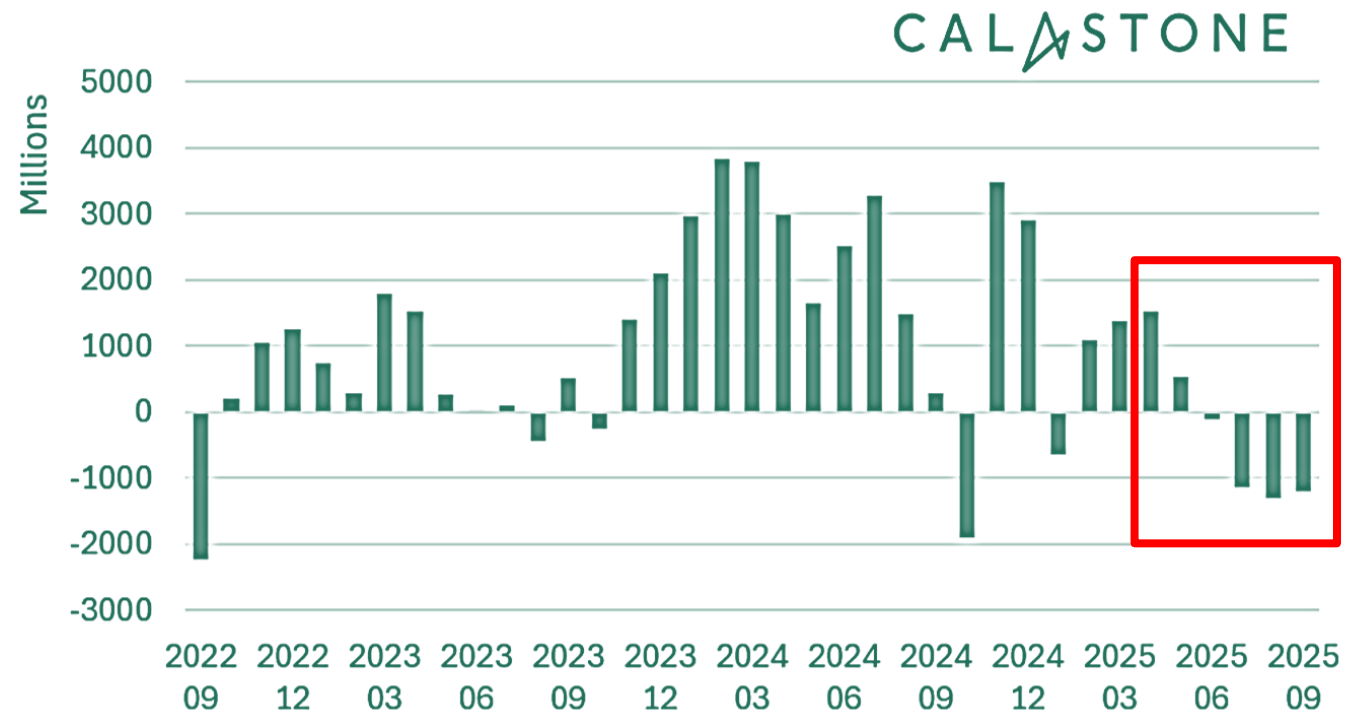


Source: Morningstar: [Global Sustainable Fund Flows: Q2 2025 in Review](#). Chart reproduced with permission. *Global sustainable fund universe encompasses open-end funds and ETFs that, by prospectus or other regulatory filings, claim to focus on sustainability; impact; or ESG factors.

UK equity funds saw heavy outflows in Q3-25*

In calendar Q3 of 2025, UK funds saw a sharp deterioration in flows compared to Q2. Data provider Calastone commented: "Q3 marked the worst quarter for equity fund outflows on record as investors ran scared of sky-high stock markets...Investors withdrew £1.20bn of their equity-fund holdings in September, taking the Q3 total to £3.64bn."

Equity Funds – Net Fund Flow, £



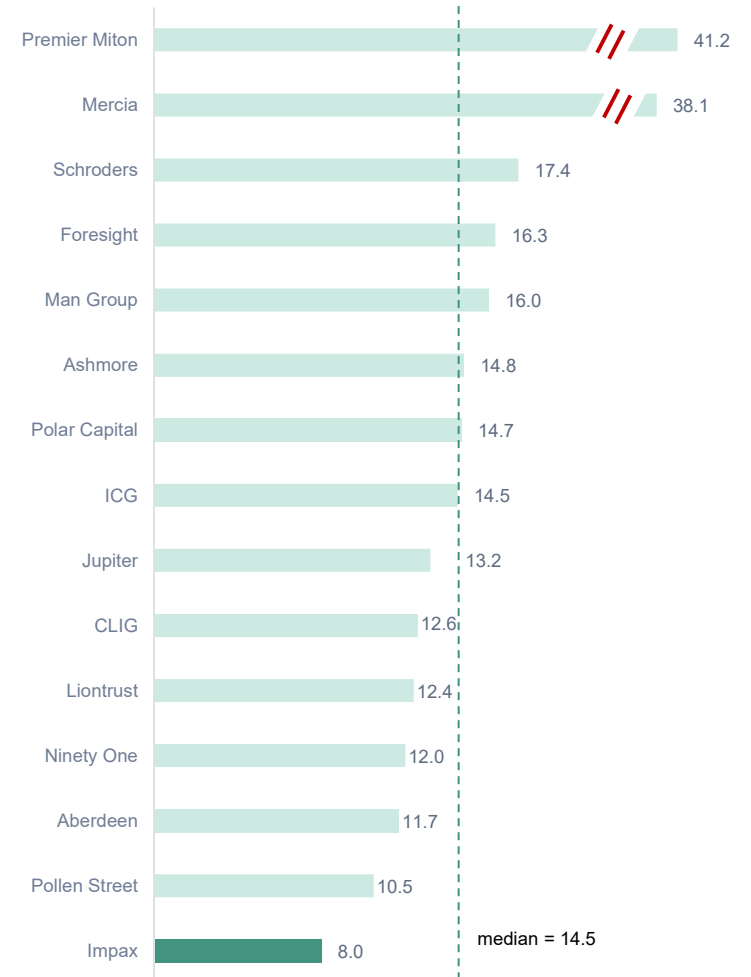
Source: Calastone Fund Flow Index: [Record-Breaking Equity Fund Exodus in Q3 as Investors Shun Stock Markets](#). [Calastone only measures orders from UK-based investors into funds domiciled in the UK. Note that this has nothing to do with where the underlying assets are invested – a UK-domiciled fund may invest in Japanese equities, Australian fixed income, a global portfolio of mixed assets, or just UK equities.]
 *Calendar Q3-25 = Impax FY Q4-25 (FY-end 30 Sep)

Impax looking grossly undervalued when compared to peers

PE Ratio of 8.0 is 45% below peer group median of 14.5

- We highlight that Impax’s current PER is just 8.0, 45% below the peer group median of 14.5.
- Given its niche strategic positioning, solid profit margins, and strong balance sheet, we see this discount as excessive with strong potential for a re-rating.

PER (TTM) peer group comparison



Source: London Stock Exchange, company announcements. PERs based on share prices on 07 Oct 25 and latest available basic EPS on Trailing Twelve Months (TTM) basis on that date.

Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Contact: info@equitydevelopment.co.uk | 020 7065 2690