IMPAX Asset Management

Impax High Yield Bond Fund

Quarterly Commentary

All data as of 3/31/2024

Performance

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

Market review

- The fund's benchmark, the ICE BofA BB-B US Cash Pay High Yield Constrained Index, posted a positive total return of for the quarter as high yield assets benefitted from a backdrop of resilient macroeconomic data, a stabilization of credit fundamentals, and despite the uncertainty on the timing, expectations of rate cuts later in the year. A "higher for longer" theme played out throughout the quarter, however, as investors pared back their 2024 Federal Funds target rate bets from six cuts at the beginning of the year to three being priced in by the end of the quarter, the market's expectations were brought back in line with the guidance the Fed

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Performance as of 3/31/2024

	1m	Qtr	YTD	1y	3y	5y	10y	Incep[1]
Investor Class	0.80	0.69	0.69	8.45	0.13	2.97	2.75	4.79
Class A	0.80	0.86	0.86	8.62	0.20	3.00	2.77	4.81
Institutional Class	0.82	0.92	0.92	8.90	0.47	3.28	3.02	5.00
ICE BofA Merrill Lynch US High Yield Cash Pay – BB-B (Constrained 2%) Index[2]	1.18	1.30	1.30	10.11	2.06	3.97	4.36	–

Performance after sales charge as of 3/31/2024

	1m	Qtr	YTD	1y	3y	5y	10y	Incep[2]
Class A (Load)	-3.71	-3.62	-3.62	3.65	-1.36	2.06	2.30	4.61

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 5.24% (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 3.05% (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

has given. US Treasuries rose during the period with the 5- and 10-year segments rising. The spread to worst on the benchmark continued to grind tighter and ended the period at +260 bps over treasuries, tighter than at the start of the quarter. The yield to worst modestly declined while the par-weighted coupon rose 8 basis points to 5.95%.

- Lower-rated credits outperformed over the quarter. The CCC and below segment of the market (as measured by the ICE BofA CCC and Lower US Cash Pay High Yield Constrained Index), which is not part of the fund's benchmark, outperformed, followed by Single Bs (ICE BofA Single-B US Cash Pay High Yield Constrained Index) and BBs (ICE BofA BB US Cash Pay High Yield Constrained Index, March 2024). From a sector perspective, the energy and retail sectors were the top performers. The media and telecommunications sectors were the worst performers over the quarter and the only sectors to post negative total returns. The telecommunications sector was heavily impacted by the creditor-unfriendly actions of Altice France, a large index name, causing its bonds to be downgraded to CCC+/Caa1 by S&P and Moody's.
- Par-weighted high yield and leverage loan default rates, including distressed exchanges, rose during the period. The increase in these rates has been largely driven by distressed exchanges. Although the high yield rate remains well below the 25-year average, the loan rate is above the 3.0% average.
- This past quarter saw the highest new issue activity since the third quarter of 2021, with nearly two thirds of the issuance being used to refinance existing debt, especially at the higher quality ends of the credit spectrum. However, despite the strong issuance over the quarter, high yield supply remains low relative to historical averages. Accordingly, technicals for the asset class remain supportive as investor demand has been robust with significant assets flowing into mutual funds during the quarter.

Contributors

- Over the period the overweight allocation to the services, healthcare, and basic industry sectors positively contributed. Security selection among the insurance, telecommunications, and utility sectors bolstered returns. Notable companies within these sectors include **Liberty Mutual Holding Co Inc.**, **Level 3 Communications**, and **Sunnova Energy International I**.
- Other notable specific contributors include **Staples Inc.**, **Whole Earth Brands**, and **VTR Finance**. Staples Inc.'s bonds rebounded on stronger than expected fourth quarter 2023 earnings and the company reaffirming its commitment to refinance its entire capital structure, which should be achievable thanks to the company having met its leverage targets. Whole Earth Brand's term loan contributed this past quarter after an announcement that the company was going to be acquired by Ozark Holdings LLC, which would require the term loan to be taken out at par. VTR's bonds rebounded after selling off in the fourth quarter of 2023 due to a lack of financial disclosures at the newly formed joint venture level. However, a capital contribution to the joint venture during December 2023 was positively received by VTR bondholders.

Detractors

- The zero weight to the energy sector was the largest detractor to performance over the quarter. The overweight exposure to the capital goods and media sectors while being underweight the utility sectors also weighed on performance. Security selection within the media, retail and real estate sectors was also challenged. Notable companies among these sectors include **Gray Television Inc.**, **Macy's Inc.**, and **Rithm Capital Corporation**.
- Other notable specific detractors include **ARD Holdings SA**, **Altice France**, and **Charter Communications Inc.** During the fourth quarter 2023 earnings call, Altice France provided weak guidance and said they want a global restructuring and liability management exercise, implying they would seek the help from bondholders which suggests principal haircuts. ARD Holdings SA, another highly levered company that is facing a heavy wall of maturities in 2026 and 2027 sold off in sympathy with the Altice France news. The moves by these companies are aggressive and very creditor unfriendly. Charter Communications Inc.'s bonds sold off after reporting softer subscriber numbers during its fourth quarter 2023 earnings call as well as news that the rural broadband subsidy program was not renewed in the recent US Government budget agreement. The investment team views Charter's issues as temporary and believes that the negative sentiment is overdone.

Outlook

- Amidst a resilient macroeconomic backdrop and moderating inflation, the investment team remains constructive on the high yield asset class. High yield balance sheets remain in a strong state and the most recent company results have shown that in general, credit fundamentals are stabilizing. Leverage remains comfortably below long-term averages and interest coverage ratios, although coming off record highs,

Outlook, continued

also remain above long-term averages. Companies are continuing to refinance their debt and have taken the opportunity of a strong primary market during this past quarter to proactively address looming maturity walls. Company guidance has also been generally positive. High yield defaults are still expected to remain well below long-term averages and will be centered around idiosyncratic issues. Although tightening credit spreads suggest that investors are comfortable taking on credit risk, the team is mindful of just how tight spreads are relatively to historical averages and are cautious about the amount of credit risk they are willing to take in the fund at this point. The asset class has high absolute yields and the team is still finding value in higher quality new issues with attractive coupons.

Fund overview

A diversified high yield strategy that seeks to invest in issuers that are aligned with the transition to a more sustainable economy.

Portfolio management team

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

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Portfolio characteristics as of 3/31/2024

Effective durationƒ

Fund	Benchmark
3.20%	3.14%

Years to maturity~

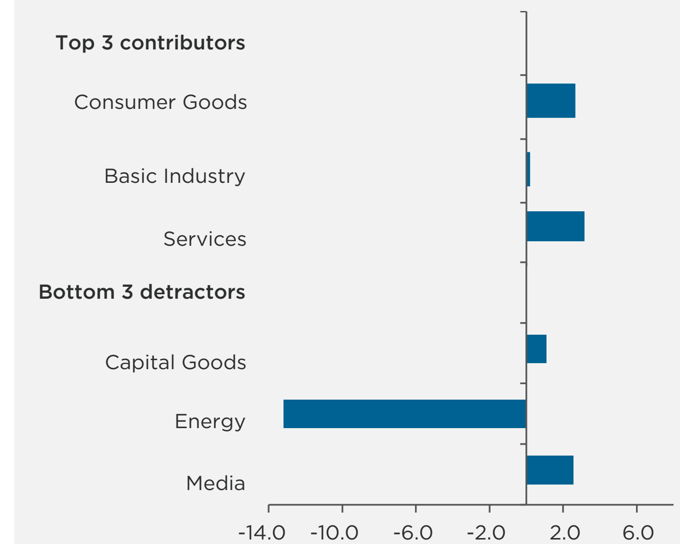
Fund	Benchmark
5.30	4.89

30-Dav SEC Yield°

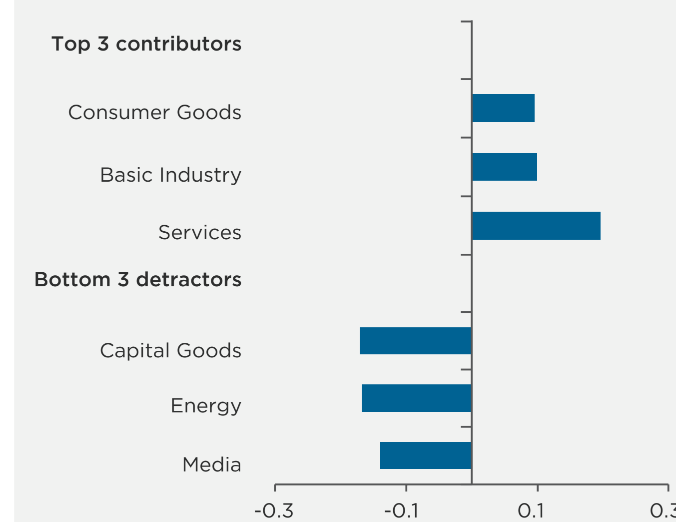
Investor	Class A	Institutional
6.54%	6.22%	6.76%

Performance attribution 12/31/2023 – 3/31/2024

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

ƒ 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 3/31/2024

Cco Holdings LLC, 4.750%, 3/1/30 1.3%, Darling Ingredients Inc. 6.0% 6/15/30 1.0%, Liberty Mutual Group, Inc. 4.125% 12/15/51 1.0%, Ncr Corp., 5.125%, 4/15/29 1.0%, Avantor Funding, Inc., 4.625%, 7/15/28 1.0%, Interface, Inc. 5.5% 12/01/28 1.0%, Vm Consolidated, Inc. 5.5% 04/15/29 0.9%, Medline Term Loan 0.9%, Bank Of America Corporation 4.3% Perp 0.9% and Graphic Packaging International, Llc 3.75% 2/01/30 0.9%. 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%.

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.

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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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