INSIGHTS

Q2 2023 REPORT

Pengana WHEB Sustainable Impact Fund

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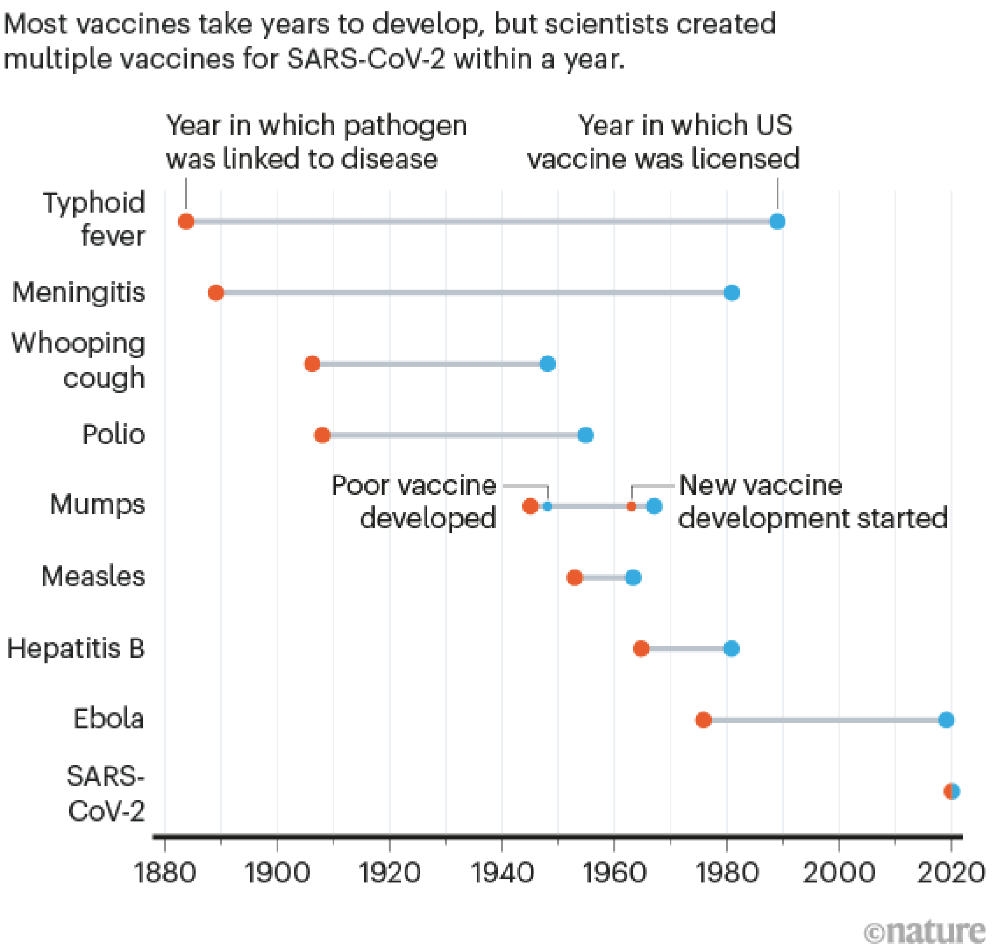
THE FUTURE OF LIFE SCIENCE TOOLS: FROM PANDEMIC RESPONSE TO SUSTAINABLE SOLUTIONS

By Ty Lee

The life sciences industry played a central role in tackling the COVID-19 pandemic. Historically, it has taken a decade on average to develop a new vaccine. During this pandemic, scientists developed several vaccines at an unprecedented speed of less than a year. This remarkable achievement showcases the vital role that life sciences research played in combating the pandemic and shaping the future of drug and therapy development.

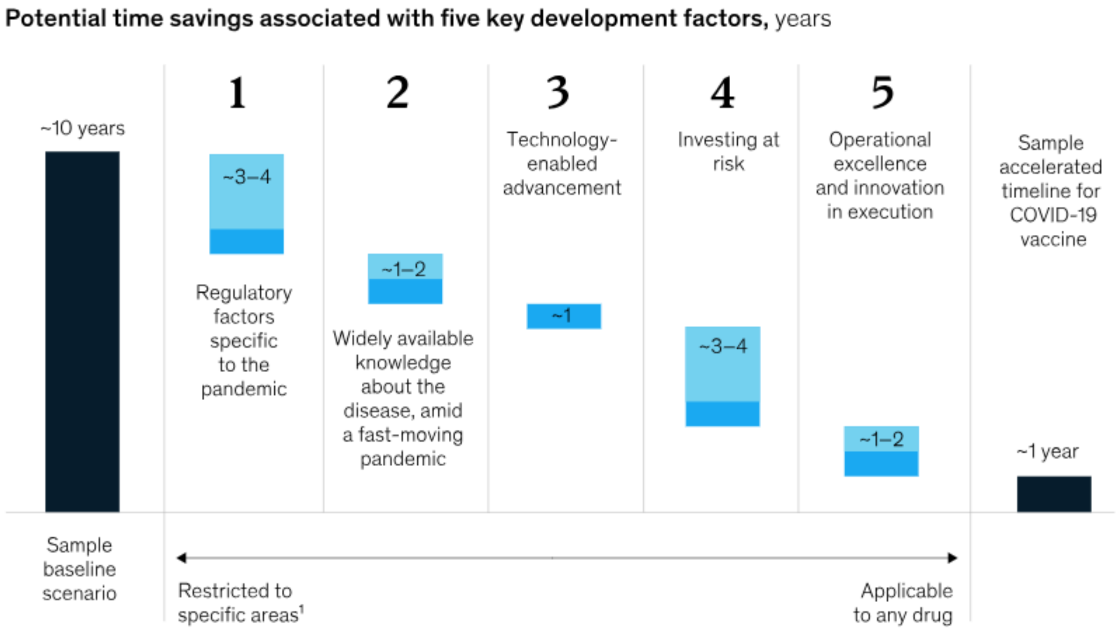
Figure 1: Vaccine innovation



Source: https://www.nature.com/articles/d41586-020-03626-1

Many factors contributed to the speed of vaccine development. Decades of life sciences research and experience in related infectious diseases provided the foundation for the development of the new vaccines. Advancements in technology and a series of breakthroughs in genome sequencing allowed the coronavirus genome sequence to be published just weeks after the first COVID cases were discovered. This compared to a period of over five months to sequence the genome for Severe Acute Respiratory Syndrome (SARS) when it broke out in 2002.

Figure 2: Five factors affected the speed with which COVID-19 vaccines were developed



Source: https://www.mckinsey.com/industries/life-sciences/our-insights/fast-forward-will-the-speed-of-covid-19-vaccine-development-reset-industry-norms

These achievements were made possible through the advancements in life science tools and equipment, which serves as the backbone of scientific research. These unsung heroes, the life science tools companies, play a crucial role in enabling these significant accomplishments. However, many of them are currently facing a multitude of challenges due to the aftermath of the pandemic.

Current challenges

Life science tools companies experienced rapid expansion during the pandemic to meet the increased demand for testing kits, lab equipment and related supplies for manufacturing vaccines. Following the end of the pandemic, the demand for testing kits and vaccines has faded. Many customers had also stocked up on supplies due to fears of supply chain shortages during the pandemic. As the supply chain has normalised, many organisations are now in the process of de-stocking their inventories. This transition poses a temporary reduction in sales for life science tools companies.

The life sciences industry heavily relies on biotech funding for research and development. However, since the boom in venture capital funding from 2018 to 2021, the biotech industry has experienced a slowdown in funding.1 The collapse of Silicon Valley Bank exacerbated the situation as it provided financing to roughly half of the US venture-backed life sciences companies. The reduction in capital has led to a slowdown in research projects and in turn reduced the demand for life science equipment.

Impact of life science tools

Despite the current challenges, life science tools companies continue to make meaningful contributions to life science research and development. These tools enable advancements in healthcare and environmental solutions. Life science tools facilitate the discovery and development of new drugs, therapies, and diagnostic tools. For instance, our portfolio companies Thermo Fisher and Danaher provide essential tools for genomics research, enabling companion diagnostics and precision medicine. Their equipment enable scientists to analyse DNA, RNA, and proteins, leading to breakthroughs in cancer research, infectious diseases, and rare genetic disorders.

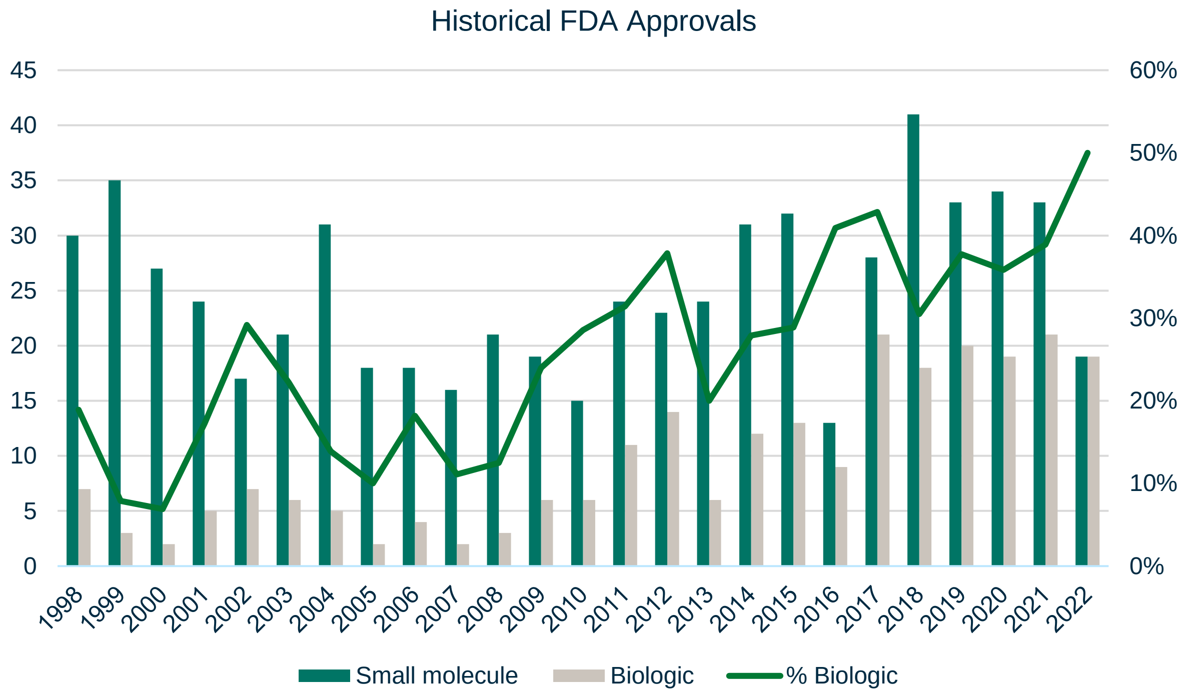
Life science equipment also plays a significant role in addressing environmental challenges. For example, our investee company Agilent Technologies offers technologies for environmental monitoring and analysis. These tools can be used to conduct environmental impact assessments to evaluate the potential effects of infrastructure projects. DNA analysis and genetic profiling can help conserve endangered species and manage biodiversity. Many life science tools are used for climate change research, assisting in understanding the impacts of climate change on ecosystems. Other applications include the development of alternative proteins such as lab-grown meat and optimisation of the efficiency of biofuel production.

Promising future for life science tools companies

Life science tools companies are well-positioned to benefit from the ongoing growth in the biopharmaceutical industry. By the end of 2022, the number of biologic approvals overtook that of small molecules for the first time.[2]

[1] https://www.mckinsey.com/industries/life-sciences/our-insights/what-are-the-biotech-investment-themes-that-will-shape-the-industry
[2] https://www.nature.com/articles/s41587-022-01630-6.

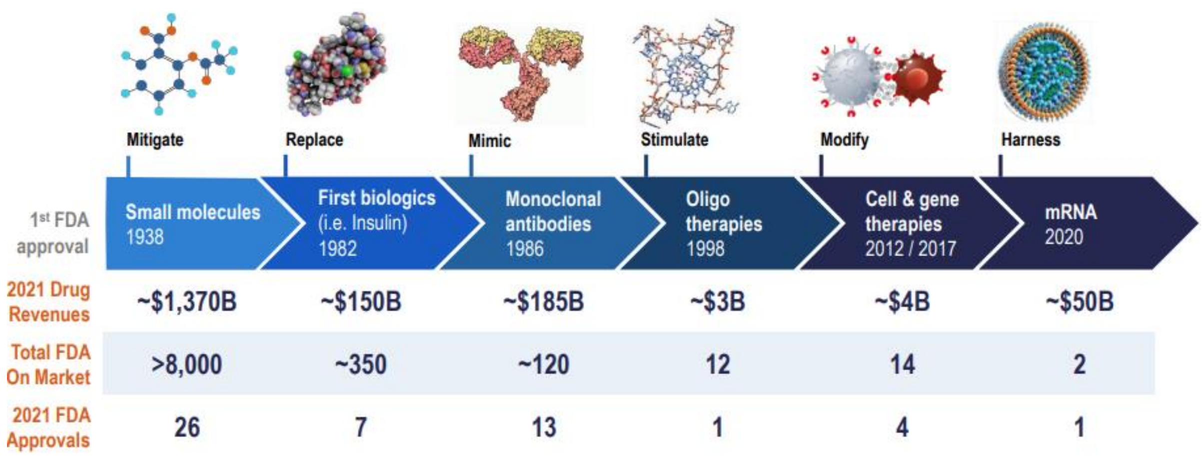
Figure 3: Historical FDA Approvals



Source: https://www.nature.com/articles/s41587-022-01630-6. Figures for 2022 as of 14th December 2022.

The development of new biologic drugs and therapies, such as monoclonal antibodies and recombinant proteins, requires sophisticated tools and equipment for manufacturing and analysis. Companies with expertise in these areas, like Thermo Fisher and Danaher, are poised to thrive as the demand for biologic therapies continues to rise.

Figure 4: The evolution of biologic therapies



Another key growth driver for life science tools companies is cell and gene therapy. While most cell and gene therapies are still in early-stage clinical trials, they hold tremendous potential for revolutionising medical treatments. Cell and gene therapies can address the underlying causes of diseases at the cellular and genetic levels, potentially providing permanent cures for certain diseases that were previously considered incurable. Life science tools companies are crucial in providing the technologies for cell culturing, gene editing, genetic analysis as well as bioproduction.

These companies also see opportunities to tackle growing issues like PFAS (per- and polyfluoroalkyl substances) contamination. Known as 'forever chemicals', PFAS are ubiquitous in the environment due to their extensive use in many applications such as non-stick cookware and fire-fighting foams. Agilent collaborates with leading researchers to develop analytical tools and extraction methods to remove PFAS from drinking water. Similarly, Thermo Fisher provides a range of solutions for the detection of PFAS in water, soil and the air.

Life science tools companies are continuously pushing the boundaries of technology to meet the evolving needs of the scientific community. For instance, Agilent Technologies acquired artificial intelligence technology last February to automate the labour-intensive tasks of gas chromatography/ mass spectrometry data analysis to improve laboratory workflow efficiency. Advancements in automation, robotics, data analysis, and imaging technologies are enhancing the efficiency and accuracy of life science research.

While life science tools companies are currently navigating through challenging times, the social and environmental impact of these companies cannot be overlooked. Their contributions to healthcare advancements and environmental solutions are significant and hold the potential to transform lives and protect the planet. The growing need to find innovative solutions to combat climate change and healthcare challenges underpins their attractiveness as long-term core holdings in our strategy.

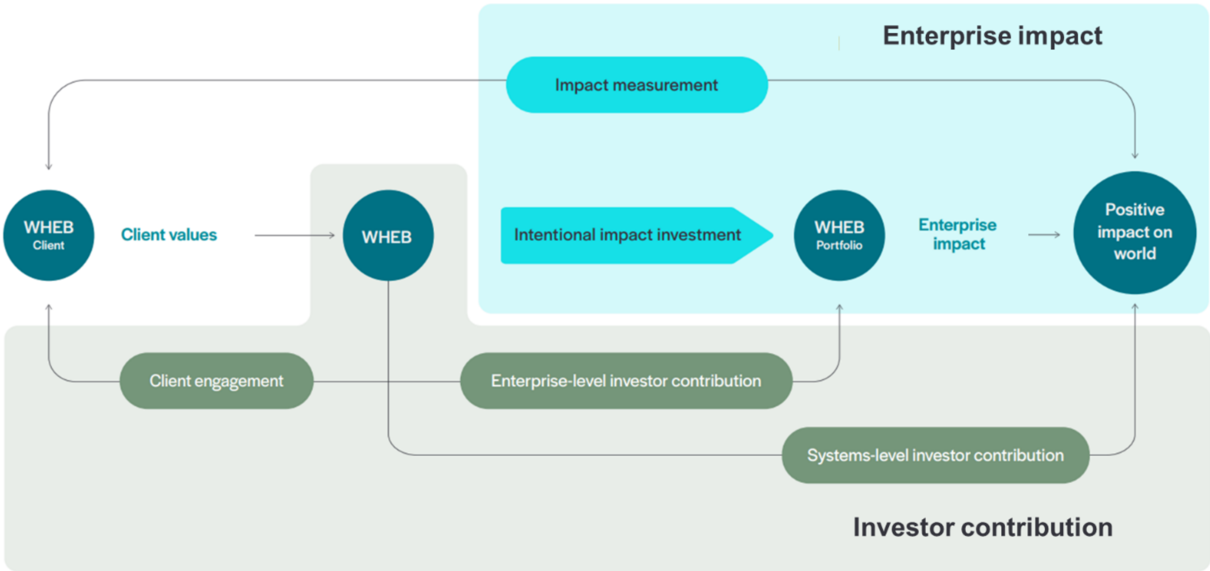
2022 IMPACT REPORT – THE AGE OF ADOPTION

By Seb Beloe

Titled 'The age of adoption', our latest impact report published in June is optimistic that the global economy is now well into the 'S-curve' of increasing deployment and market penetration of critical low and zero carbon technologies.

WHEB has made a bold claim to be a leading 'impact investor' investing in listed companies around the world. We base this claim on our model of what being an impact investor involves, shown in Figure 5[3]. This model embraces two distinct, but complementary types of impact; 'Enterprise impact' and the 'Investor contribution'. This approach is also increasingly reflected in the guidance and standards being developed by key groups like Global Impact Investing Network and the BSi to define best practice in impact investing[4]. We hope too that this model will also be evident in key public policy frameworks being developed in the UK and elsewhere.

Figure 5: WHEB's model of impact investing



Enterprise impact – investing in companies that deliver positive social or environmental impact through their products and services

At the core of what it means to be an impact investor is the concept of 'intentionality'. Specifically, when making an investment, the investor needs to intend for the investment to contribute to

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[3] For a fuller description of the model please visit https://www.whebgroup.com/investing-for-impact/about-impact-investing/our-perspective
[4] For example the GIIN's guidance on impact investing in listed equities (https://thegiin.org/research/publication/listed-equities-working-group/).

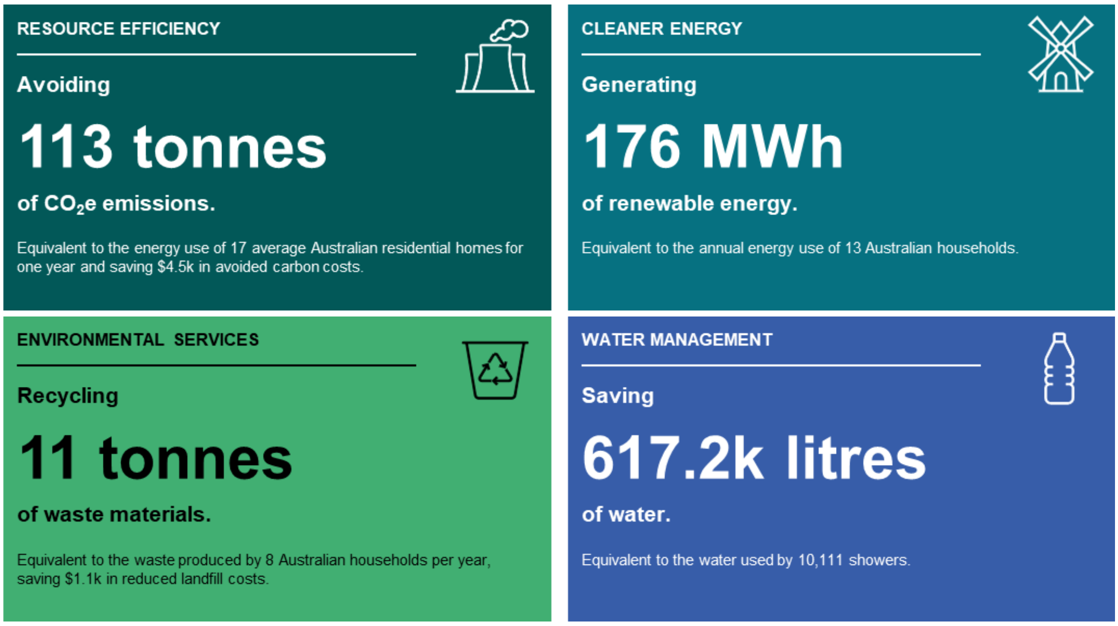
positive impact. At WHEB, for every investment we make, we set out the specific problem that we are trying to solve and the 'theory of change' that links the company's products and services with positive change in addressing the stated problem. The impact report gives examples of how this operates in practice along with a detailed worked example of how the 'impact engine' is used to assess the impact of **SolarEdge's** products[5].

Measuring impact

WHEB has for many years now pioneered the use of impact calculators as a way of measuring and reporting impact. This year, instead of collecting data from companies ourselves, and having it reviewed by a third party, we have instead used data from an independent third party. We anticipate that going forward our data will become more reliable - and comparable – with other impact managers as a consequence.

Figure 6 illustrates the positive impact associated with an investment of A$1m in the Pengana WHEB Sustainable Impact Fund. This year we have added an additional indicator that shows the amount of money that was used to buy research and development (R&D) equipment and services from WHEB portfolio companies. Although not a direct positive impact in itself, more and better R&D is critical in delivering improvement in healthcare and environmental outcomes. Our ambition next year is to expand our reporting on the negative impacts that are associated with the products and services sold by WHEB portfolio companies.

Figure 6: The impact associated with an investment of A$1m in the Pengana WHEB Sustainable Impact Fund



[5] https://www.whebgroup.com/assets/files/uploads/wheb-impactreport-2022-s2-impactintentionality.pdf?utm_source=impact_reports_page&utm_medium=wheb_website&utm_campaign=impact-22

WATER MANAGEMENT

Treating

1.6m litres

of wastewater.

Equivalent to the total annual wastewater generated by 14 Australian households.

HEALTH

Providing

21 people

with improved healthcare treatment.

EDUCATION

Students receiving

43 days

of tertiary and vocational education.

WELL-BEING

Providing

34 people

with improved well-being.

The investor contribution

Alongside the enterprise impact, to be fully-formed, impact investors should also set out how their own activities – as distinct from the activities of investee companies – help to 'support, accelerate or enhance the ability of investee companies to deliver positive impacts'[6].

WHEB does this in several ways including in the first instance through purchasing equity in the business using a long-term investment horizon. In addition though, WHEB also makes an investor contribution through our engagement with investee businesses. This engagement, along with the work we do with other stakeholders such as standard setters and regulators, is a core part of our investor contribution.

Delivering net zero carbon emissions

Alongside delivering products that help reduce greenhouse gas (GHG) emissions, one key area that we remain heavily engaged in is ensuring that WHEB portfolio businesses are also reducing their own operational GHG emissions. Having achieved our previous target three years early, at the end of 2022 we set a new target that, by 2025, 85% of our portfolio's scope one and two emissions should covered by a net zero carbon (NZC) target of 2050 at the latest. And by 2030, 100% of the portfolio should be covered. At the end of 2022, 80% of portfolio emissions were covered.

[6] Op cit 2

Meanwhile, the status of actual GHG emission reductions is more mixed. In terms of the carbon footprint of the portfolio at the end of 2022, this was down 77% from 2019[7]. This result is mainly the consequence of our selling a waste-to-energy operator in 2020.

We also measure the carbon footprint of investee companies that are held in the portfolio across the period. This number increased year on year and is now only down 3% on 2019. The main contributors to this increase were companies that increased their sales dramatically in 2022. This group included **Genmab**, **SolarEdge** and **Advanced Drainage Systems.** We expect that companies' NZC commitments will begin to bear fruit in the years ahead and hope to bring the rate of GHG emission reductions back in-line with the overall targets that we have set. These are to deliver a 50% reduction in GHG emissions by 2030 and be fully net zero carbon by 2050.

Radical transparency

This latest impact report is our ninth. We were the first listed equity impact investor to produce an impact report and see this as part of our ambition to be radically transparent to clients and other stakeholders. We are proud of the work we have done to put positive impact at the core of our investments and of our portfolio. We want our investors to be excited about the investments that we have made on their behalf and so share publicly our full portfolio with detailed profiles on each holding. But we think that all impact investors should do this as a point of principle. Every investment in an impact portfolio should have a positive impact and a clear theory of change that backs it up.

After more than ten years of pushing boundaries on transparency, we think all impact investors - perhaps all investors – should be fully transparent about their portfolios. Not just transparent about the top ten largest holdings as is often the case, but everything in the portfolio.

We hope that the additional disclosures that we provide this year – including a stand-alone net zero carbon report and a stewardship and engagement brochure – are also helpful to clients. And whether it's through more detailed carbon reporting, a clearer articulation of what being an impact investor is about or in publishing the minutes of our investment advisory committee meetings, we want to invite investors in and hopefully leave them excited and proud to be investors in our funds.

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[7] This is measured as 'financed emissions' which is calculated as the sum of each of the fund's percentage ownership (including equity and debt) in each investee business multiplied by the investee's scope one and two emissions.

STEWARDSHIP IN THE SPOTLIGHT: ACHIEVING ACCOUNTABILITY WHILE AVOIDING "ENGAGEMENT-WASHING"

By Rachael Monteiro

It's no wonder "Engagement-washing" is the latest term to do the rounds given the number of regulatory forces that are driving responsible investors to demonstrate how effective they are at delivering real change[8].

As you've probably guessed already, 'engagement-washing' occurs when investors overstate their actions or involvement in advancing sustainability outcomes when engaging. It also covers investors that exaggerate their role and contribution to outcomes when other investors have also been involved.

Evidence shows engagement-washing is a real concern. After analysing 36 Stewardship Code Reports, investment consultant Redington[9] recently discovered that managers over-emphasise quantity over quality in their reporting. Ultimately investors engage with investee businesses to change aspects of those businesses. It is not clear that the raw number of engagements is a good measure of this. There are also questions about the usefulness of the "number of engagements" metric due to major inconsistencies in how engagements get counted.

Meanwhile, some other basic but insightful statistical data, such as the split of engagements between 'E', 'S' and 'G' or the proportion of votes cast by management, are omitted by up to a third of the sample analysed[10].

Hitting the target but missing the point

A pre-occupation with wishing to 'look busy' misallocates resources that could be better spent on working towards actual engagement outcomes and exacerbates existing information asymmetries.

It also perhaps indicates that some managers are only providing a superficial level pf reporting because they lack adequate strategies, processes or systems for conducting, and therefore reporting on, proactive and ambitious stewardship.

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[8] https://www.whebgroup.com/our-thoughts/stewardship-in-the-spotlight-our-hopes-for-voting-practices-in-2023
[9] https://redington.co.uk/wp-content/uploads/2022/12/Redington-Stewardship-Code-reporting-FINAL.pdf
[10] Ibid

Meaningful, consistent and timely information is critical if asset owners and end investors are to assess how well asset managers exercise their stewardship responsibilities and determine alignment of strategies and values.

It is certainly positive that more managers are disclosing stewardship activities[11], but there is a lack of detailed guidance on *what* to report. To prevent "engagement-washing", comprehensive minimum standards on the quality of the stewardship reporting are needed.

Embarking on a quest for quality

Given the variety of approaches used in engagement and voting, and the differences in how these are applied across asset classes, developing comprehensive standards will be no small feat. Still, there are promising signs of a move towards standardisation, some of which WHEB has been actively supporting.

For example, we have fed into the Financial Conduct Authority's (FCA) Vote Reporting Group's[12] recent consultation via UK Sustainable Investment and Finance (UKSIF). We have also provided input into guidelines for credible engagement that are being developed by Shareholder's for Change. Elsewhere, the Institutional Investors Group on Climate Change (IIGCC) has released a tool[13] to promote consistent measuring of climate stewardship and engagement for asset managers and data collections for asset managers.

It will take time to finalise these standards and regulations. While we wait, WHEB has sought to develop our own approach to high quality stewardship and engagement reporting.

WHEB's approach

WHEB's award-winning[14] approach is centred around the idea of "radical transparency" in sustainability, stewardship and engagement reporting:

- Total transparency: We report all our engagement activity in our **quarterly reviews** and our voting activity - on every resolution (including whether and how we voted with justifications for votes against management) in our **voting records**.
- Qualitative and quantitative information: This is complemented by both qualitative and quantitative summary information, which together allow a more complete understanding of our activities. This includes the proportion of engagements split by issue, geography and outcomes, as well as essential voting statistics [15] (Figure 7). We also provide three **case studies** per quarter to illustrate how our policies and processes operate in practice.

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[11] https://www.frc.org.uk/getattachment/de8c91f5-c2cb-4b8b-9a98-34c31f382924/FRC-Influence-of-the-Stewardship-Code_July-2022.pdf
[12] WHEB has fed into the consultation through our involvement with UK Sustainable Investment and Finance (UKSIF) https://www.fca.org.uk/firms/climate-change-and-sustainable-finance/vote-reporting-group
[13] https://www.ipe.com/news/esg-roundup-asset-owners-move-to-standardise-climate-stewardship/10067127.article
[14] https://www.environmental-finance.com/content/awards/sustainable-investment-awards-2023/winners/best-sustainability-reporting-by-an-asset-or-fund-manager-medium-and-small-wheb.html
[15] We believe that % resolutions voted, % of votes against management and % of votes against ISS (our proxy advisor) demonstrate how we are exercising voting rights.

These narrative examples of our work are especially helpful for retail audiences that may be unable to compare manager performance across summary statistics.

- Outlining processes: We provide detailed accounts of our stewardship processes (Figure 8), policies and activities in our **Stewardship Reports** while our **Stewardship & Engagement Brochure** is designed to provide a summary overview of these activities. This year both these documents set out how we have recently reviewed our processes and introduced new milestones for assessing progress against long-term objectives (Figure 9).
- Attributing outcomes: It is difficult for investors to directly attribute engagement outcomes to their engagement and we are careful not to overstate this in our reporting. In general, we believe that it is collective engagement by multiple stakeholders that is most effective at achieving positive change at investee companies.
- Collaboration and work on public policy: We document the collaborative and **policy initiatives we contribute to, also setting out** the **nature of our involvement in supporting these activities**.
- Incorporating feedback: Continual improvement is something we value deeply and we welcome any feedback on our approach. Please do get in touch if you think we can improve our stewardship and engagement reporting. You can complete our **client feedback form** or email rachael.monteiro@whebbgroup.com.

Figure 7: WHEB's engagement reporting includes proportion of engagements split by issue, geography and effectiveness, as well as essential voting statistics

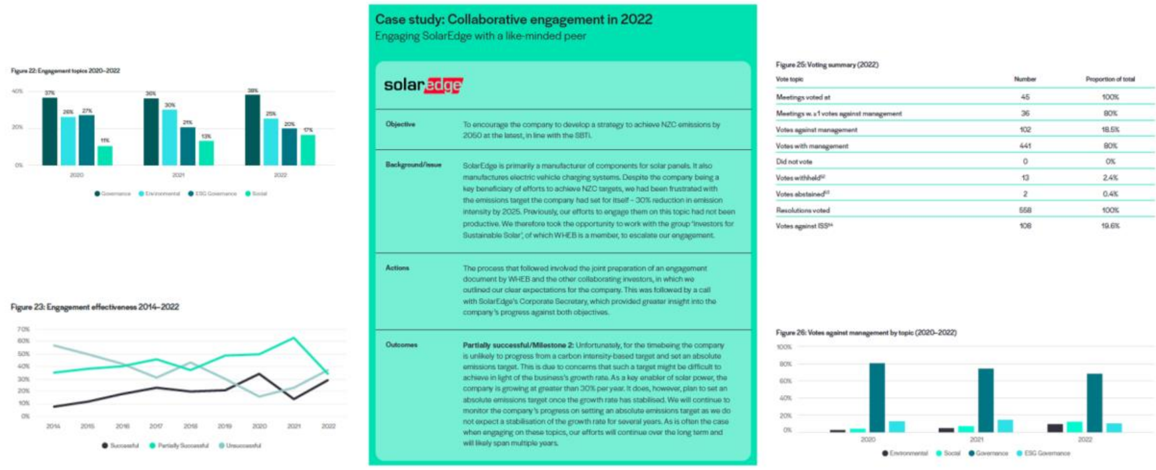


Figure 8: WHEB's stewardship process supports improvements in company strategy and performance

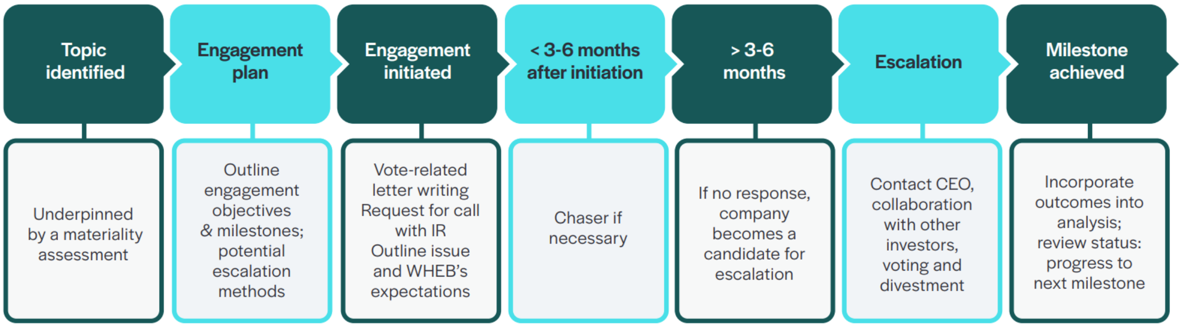
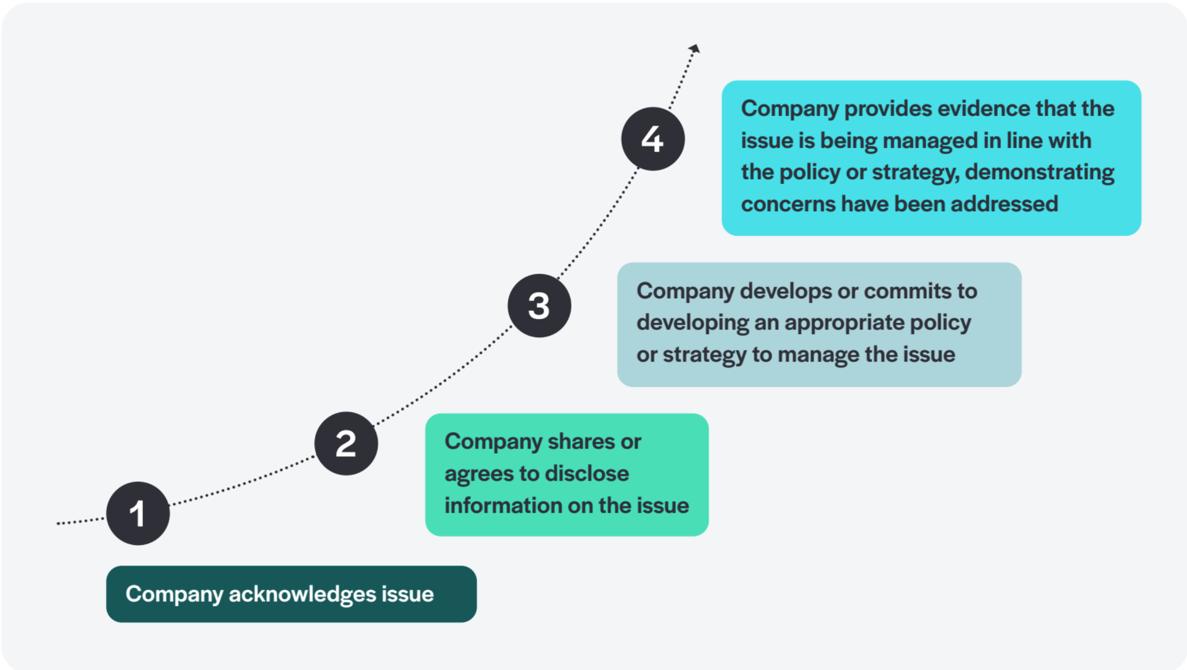


Figure 9: WHEB's engagement milestones underpin long-term objectives



PERFORMANCE COMMENTARY

Market review

Markets were volatile over the quarter with several macro issues weighing on sentiment. There were concerns over the US debt ceiling and interest rate rises, weakness in Chinese economic reopening and OPEC oil production cuts. However, global equity markets largely looked through these issues, posting strong positive performance, particularly in the US.

That said, market leadership in the US was very concentrated. The large majority of market returns were driven by a handful of mega-cap technology companies that reported strong earnings and have benefitted from the positive sentiment around Artificial Intelligence (AI). In Europe and the UK, the European Central Bank and the Bank of England respectively continued to raise rates to help combat stickier than expected inflation.

The divergence between the services and manufacturing sectors widened: recent PMI (Purchasing Managers' Index) data point to a contraction in manufacturing, while services are still expanding supported by robust labour markets. That labour market tightness and sustained strong wage growth, along with stubbornly high recent inflation data have fuelled expectations of further interest rate rises from central banks.

Technology and Consumer Discretionary were the best performing sectors while Utilities and Energy were the weakest. Growth significantly outperformed value.

Performance review

The Fund posted positive returns over the quarter, returning 2.0% versus the MSCI World's 7.5% - not holding some of the names benefiting from AI has been a headwind for relative performance.

The strategy suffered from negative contributions most notably across Health, followed by Cleaner Energy.

The biggest detractor at a stock level was **Agilent Technologies**, a specialist in the development and manufacture of bio-analytics for the life sciences and chemical analysis industries. The company reported strong 2Q23 results, but sentiment around biopharma has deteriorated and full-year guidance was lowered due to weaker instrument demand.

Within Cleaner Energy, the biggest detractors were **First Solar** and **SolarEdge**. The companies have benefited dramatically from new policy in the US - notably from the Inflation Reduction Act, which has driven share prices to historic highs. In the past month the share prices retreated from these highs as some investors ponder the next phase of growth.

On the other side of the ledger, Water and Safety were the best performing themes, driven by **Advanced Drainage Systems (ADS)** and **MSA Safety**, respectively. ADS had strong results in May and has been able to secure pricing increases. An inflationary environment should also favour plastic-recycler ADS, relative to its competitors who use concrete. These features have given investors renewed confidence in the company's business model. MSA Safety reported a strong set of results, benefiting from growth across several of its end markets, as well as significant new contract wins.

Outlook

The economic outlook remains uncertain and the signals from the data are mixed. The manufacturing sector is already under pressure with widespread declines in industrial activity since March. This is driven by excess inventories, persistent inflation, rising interest rates and uncertainty about the future demand environment.

Other areas of the economy are holding up better and continue to surprise to the upside. The labour market in particular has been very resilient. Unemployment remains low and jobs growth has exceeded expectations. This has contributed to robust consumer spending growth.

However, there are question marks about how long this will continue with core inflation remaining stubbornly high and interest rates predicted to continue to rise. The US Federal Reserve is attempting a balancing act of bringing down inflation without affecting employment or growth too severely, the "soft landing" scenario. The alternative is the "hard landing" under which unemployment rises and the economy enters an earnings recession not just an industrial one.

Several stocks in the portfolio have already responded to the weakness industrial growth, particularly within our Resource Efficiency and Environmental Themes. **Spirax-Sarco**, which makes products used in industrial heat processes, is one example which has been weaker over the last quarter because of the challenging operating environment.

Stocks exposed to consumer demand could also come under pressure if we were to see a "hard landing". **HelloFresh** is the main example which could be impacted by sentiment towards consumer spending.

However, if we were to see a significant slowdown in the economy it is likely the Federal Reserve would stop raising interest rates which would remove what has been a significant headwind for portfolio performance. These contrasting dynamics will influence short-term performance.

However, we believe that overall, the diversification and the quality of the portfolio should provide some resilience. In the medium- to long-term we continue to have conviction that the sustainable-led growth drivers and competitive advantages of the companies we invest in put the portfolio in a good position to deliver outperformance.

PORTFOLIO ACTIVITY

There were no full purchases or sales during the quarter.

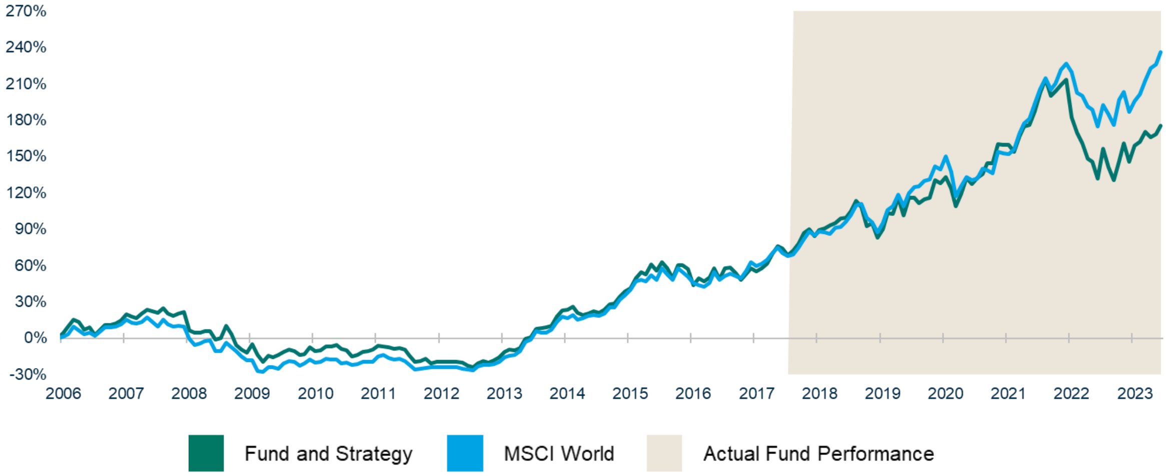
INVESTMENT PERFORMANCE

Cumulative Investment Returns

Net performance for periods ending 30 June 2023 (%)

	3 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Fund	2.0	19.0	6.7	6.7	
Strategy (partial simulation)[16]					6.0
MSCI World[17]	7.5	22.4	13.5	11.4	7.2

Performance Since Strategy Inception

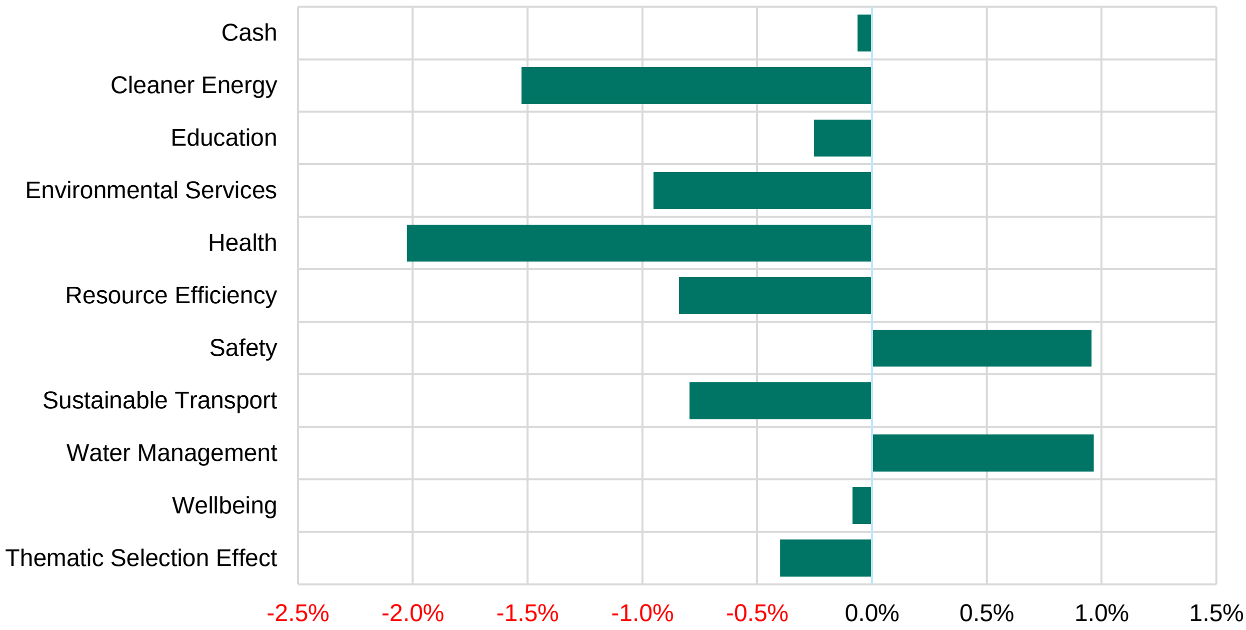


[16] From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns of the Henderson Industries of the Future Fund (from 1 January 2006 to 31 December 2011) and the FP WHEB Sustainability Fund (from 30 April 2012 to 31 July 2017). This was done by: 1) converting the GBP denominated net returns to AUD using FactSet's month-end FX rates (London 4PM); 2) adding back the relevant fund's monthly ongoing charge figure; then 3) deducting the Pengana WHEB Sustainable Impact Fund's management fee of 1.35% p.a. The WHEB Listed Equity strategy did not operate between 1 January 2012 and 29 April 2012 – during this period returns are zeroed. The Henderson Industries of the Future Fund's and the FP WHEB Sustainability Fund's GBP net track record data is historical. Past performance is not a reliable indicator of future performance. The value of the investment can go up or down.

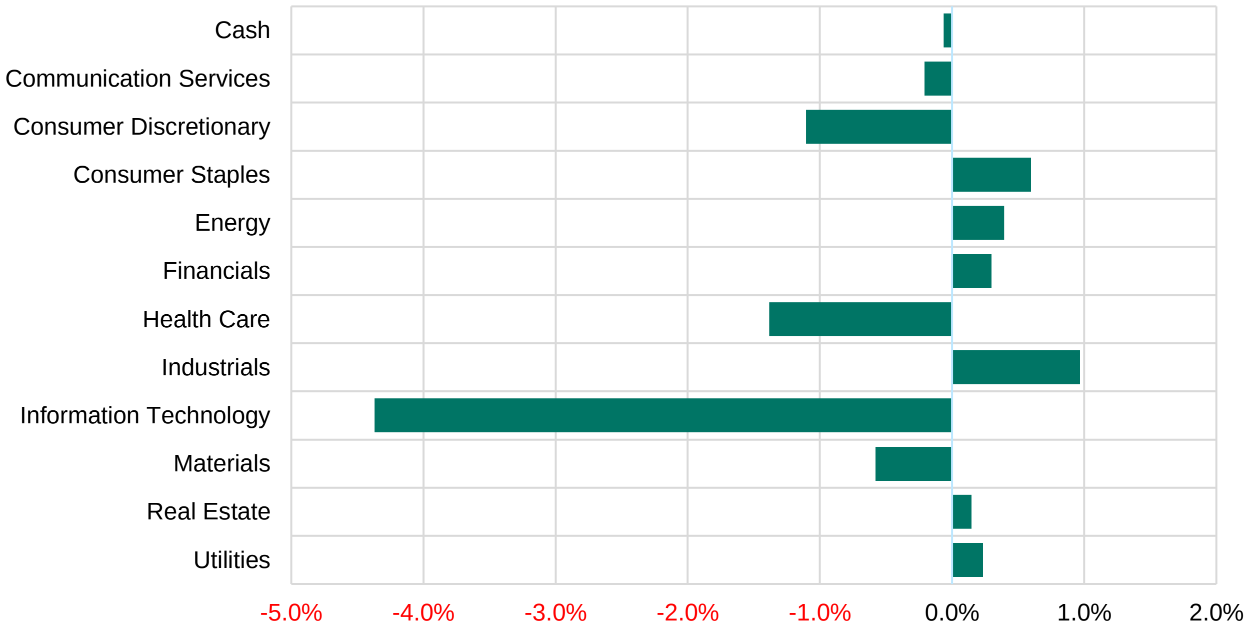
[17] MSCI World Total Return Index (net, AUD unhedged).

Performance Attribution – Last 3 Months[18]

Attribution by Sustainability Theme[19]

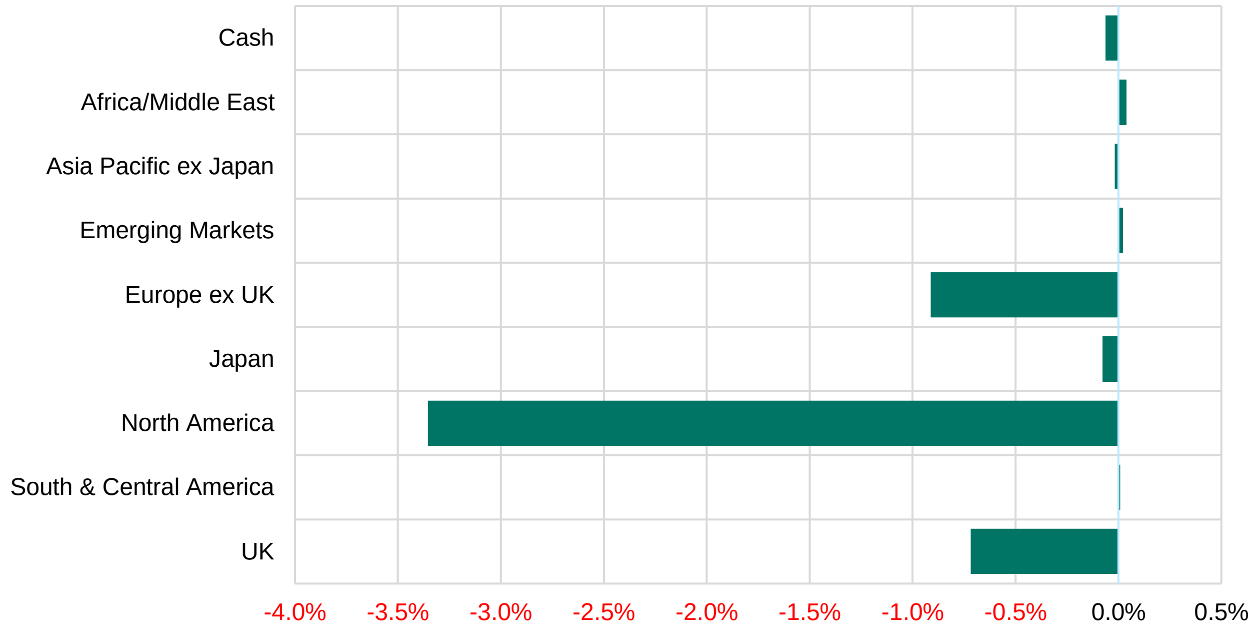


Attribution by Sector

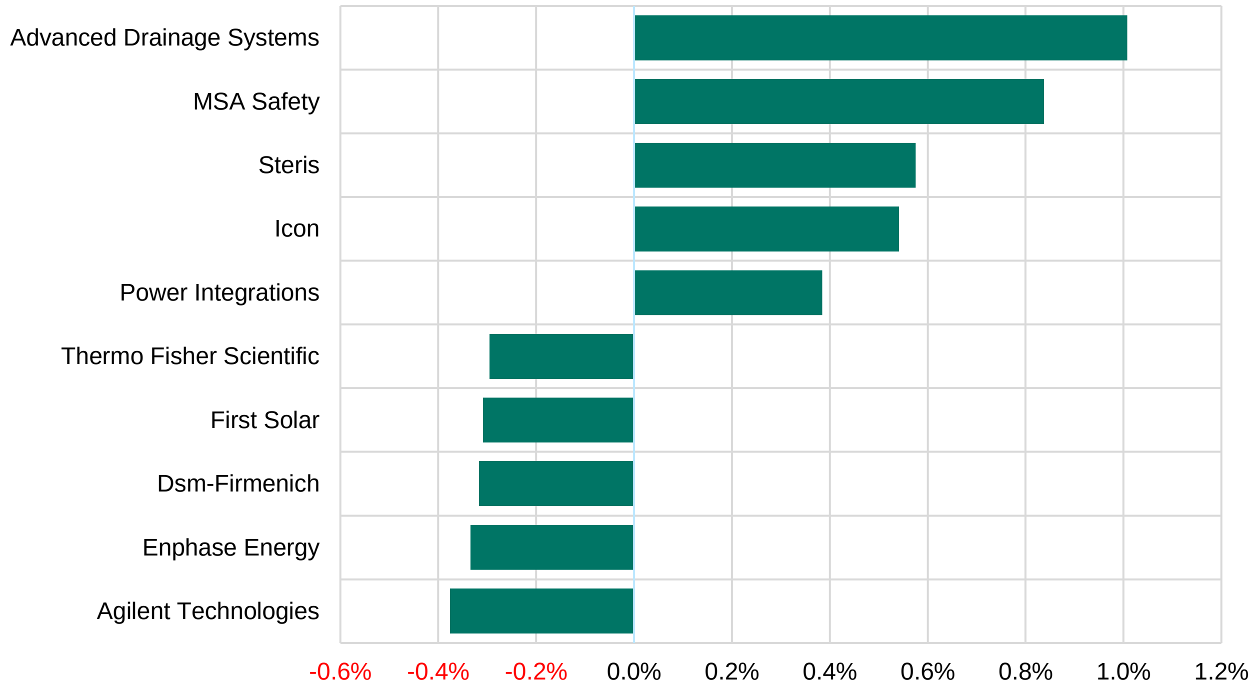


[18] Performance attribution is calculated with reference to the MSCI World Index
[19] The "Thematic Selection Effect" is calculated as the attribution from not having any holding in stocks which are constituents of the MSCI World Index but are not in WHEB's investable universe.

Attribution by Geography

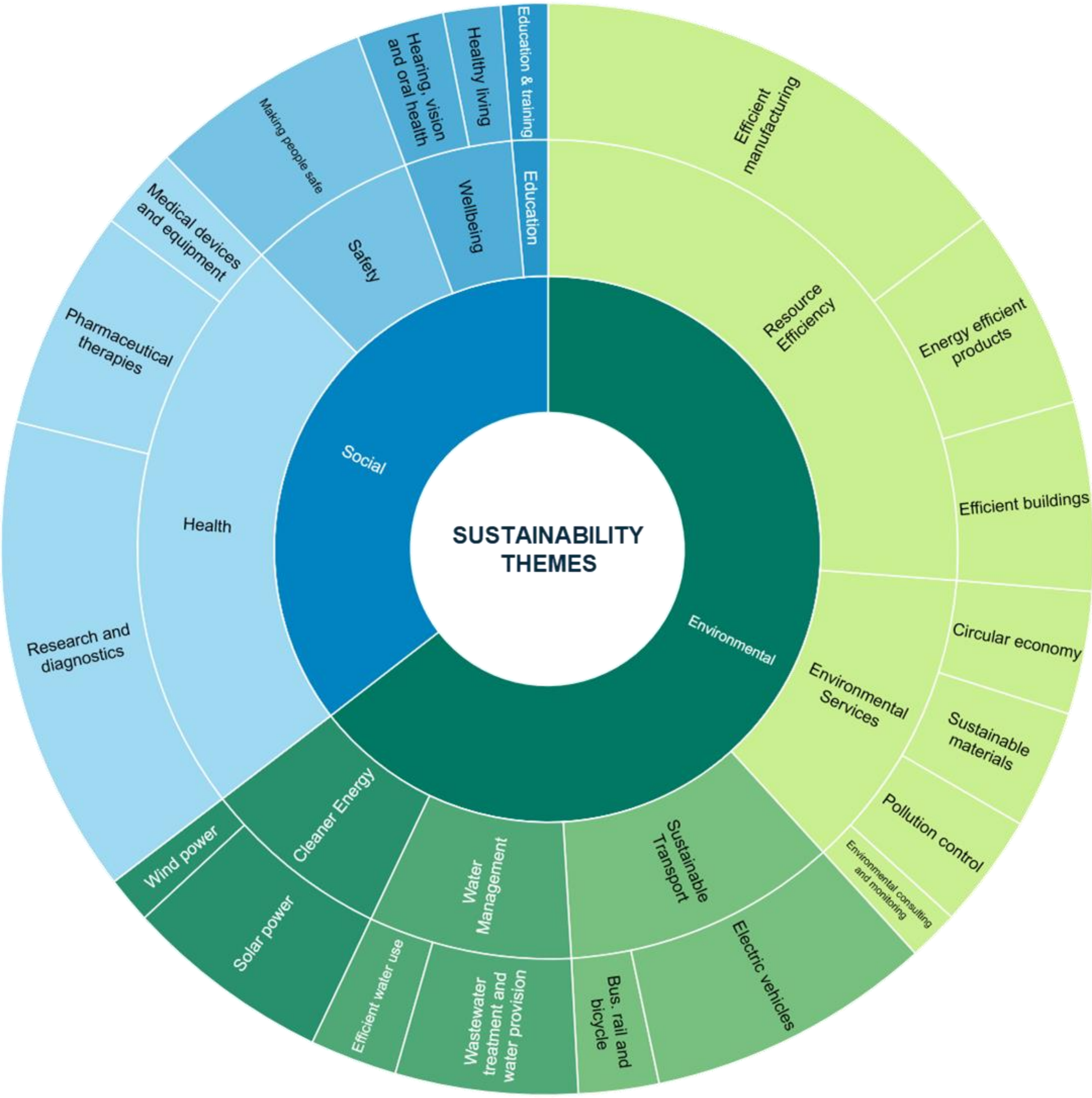


Contribution by Stock (Top and Bottom 5)



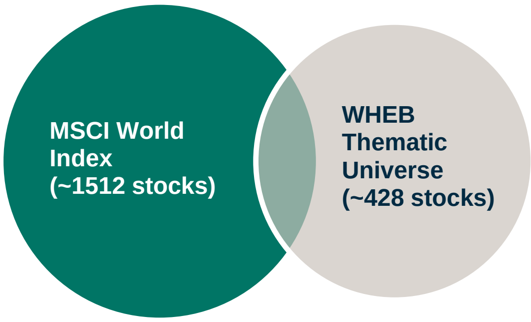
PORTFOLIO ANALYSIS AND POSITIONING[20]

Sustainability Theme Exposure



[20] As of 30 June 2023.

Theme Overlap

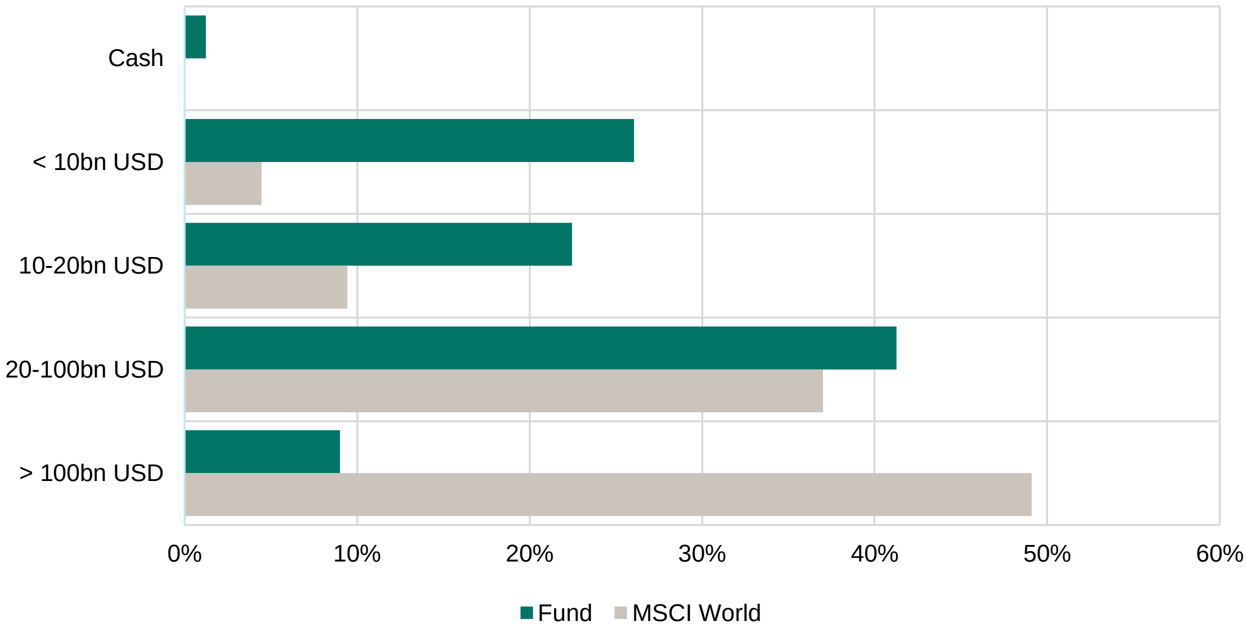


Overlap: ~208 stocks;

13.8% (as at 30 June 2023) of MSCI World Index (market-cap weighted)

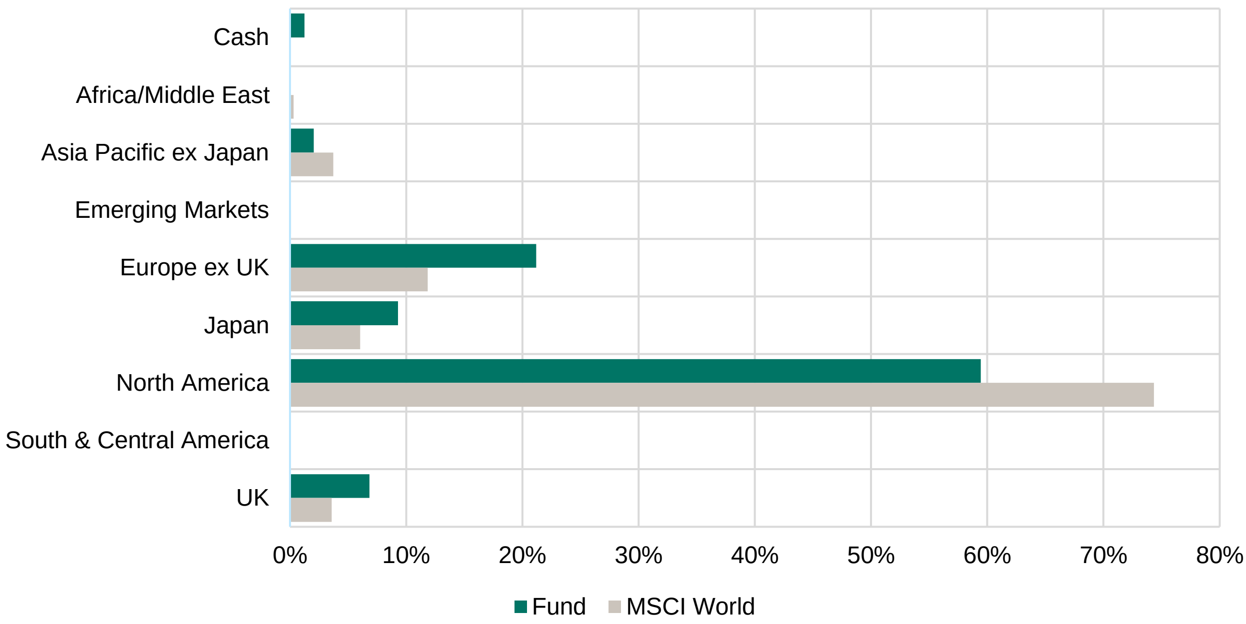
The thematic focus of the WHEB strategy means that our investable universe overlaps with the benchmark by around 15%. This leads to significant structural biases in the fund's exposure, which may make comparison to the benchmark complex. These style biases towards growth, quality and mid-cap are all derived from the strategy's focus on solutions to sustainability challenges. It means that we tend to be absent from significant sectors of traditional indices, such as financials and energy, and have significant overweights in other parts of the market, such as health and industrials.

Market Cap Exposure[21]

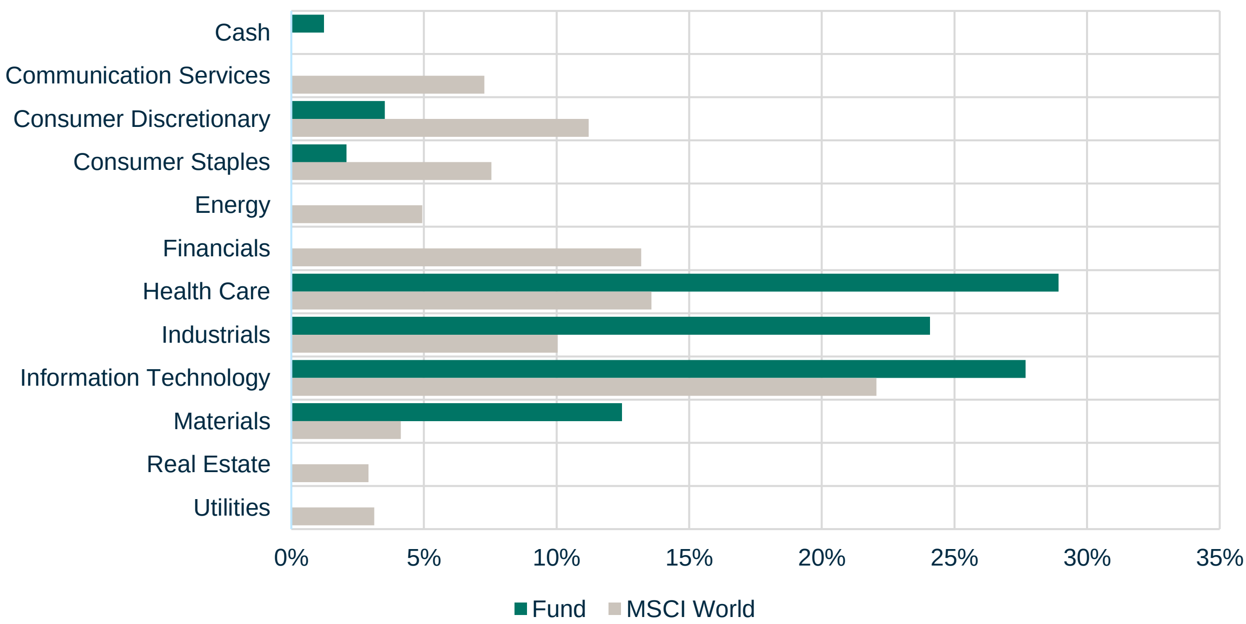


[21] As of 30 June 2023.

Regional Exposure[22]



Sector Exposure[23]



[22] As of 30 June 2023.
[23] As of 30 June 2023.

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Largest 10 Positions

Name	Sustainable Investment Theme	Description
Icon	Health	Research and diagnostics
TE Connectivity	Sustainable Transport	Electric vehicles
Linde PLC	Environmental Services	Pollution control
Steris	Safety	Making people safe
Danaher	Health	Research and diagnostics
Power Integrations Inc	Resource Efficiency	Energy efficient products
MSA Safety	Safety	Making people safe
Ansys	Resource Efficiency	Efficient manufacturing
Trane Technologies PLC	Resource Efficiency	Efficient buildings
Autodesk Inc	Resource Efficiency	Efficient manufacturing

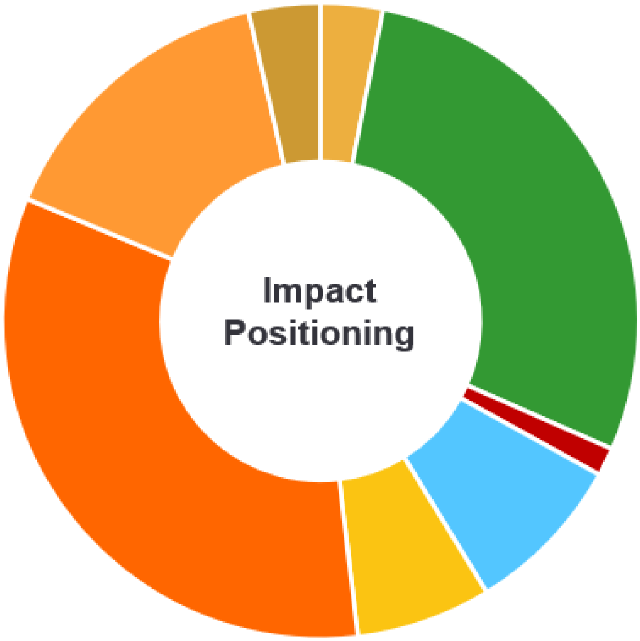
Strategy Characteristics

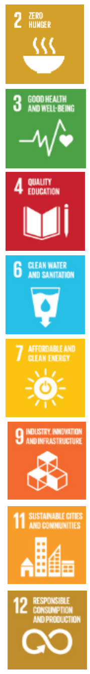
	WHEB	MSCI
FY1 Price/Earnings (PE)	21.82	16.38
FY2 Earnings Growth	17.63	13.79
FY1 PE/FY2 Earnings Growth (PEG)	1.24	1.19
3-year Volatility	15.77%	12.56%
Beta (predicted)		1.12
1-year Tracking Error (predicted)		6.37%
5-year Tracking Error (ex-post)		8.04%

Trading Activity – Significant Portfolio Changes

Stock Name	Purchase or sale	Theme	Brief description or sale rationale
None			

Impact Positioning: Supporting the UN Sustainable Development Goals[24]





3% in agriculture & nutrition

28% in health & well-being

1% in education

8% in clean water & sanitation

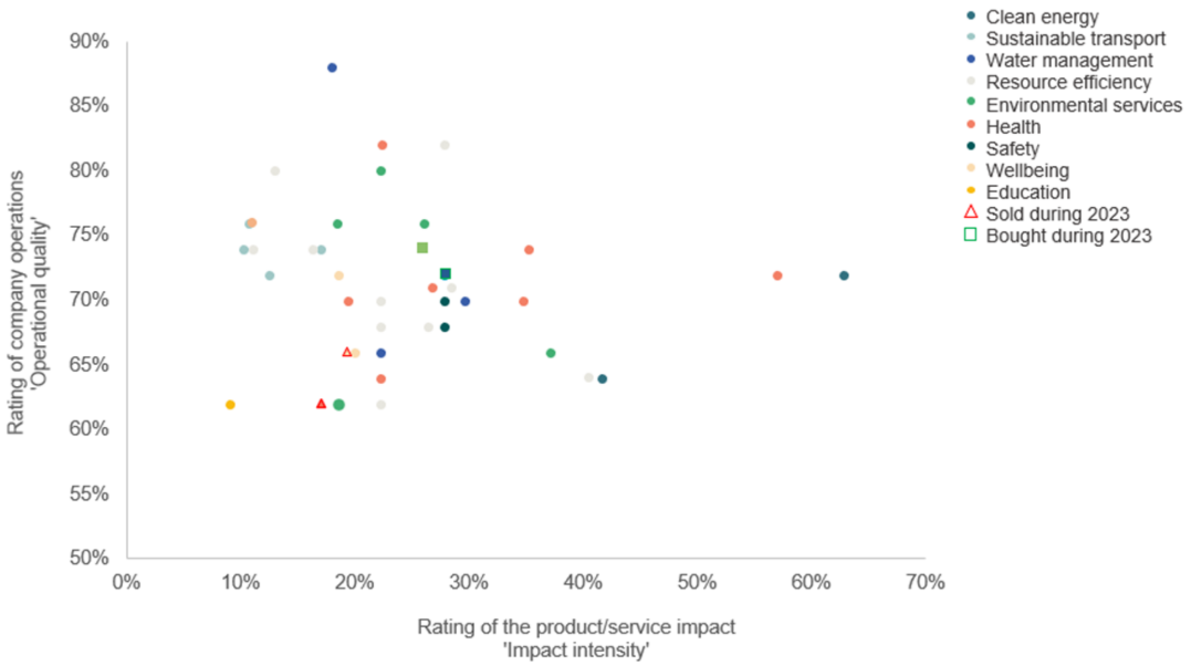
7% in affordable & clean energy

33% in industry, innovation & infrastructure

15% in sustainable cities & communities

4% in responsible consumption & production

Impact Map of the strategy's portfolio following changes in Q2 2023[25]



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[24] For descriptions of impact mapping methodologies please see WHEB's impact reports, available at https://impact.whebgroup.com/methodology/. The SDG mapping methodology is described in the 2019 Impact Methodology Report, available at https://impact.whebgroup.com/methodology/, and the impact positioning graph is described in detail in the 2019 impact report.

[25] As above.

ENGAGEMENT AND VOTING ACTIVITY

Voting Record: Q2 2023

The table below summarises the voting record at companies held in WHEB's investment strategy from 1 April 2023 to 30 June 2023. Full details of how we voted on each of the individual votes are detailed on our website: https://pengana.com/our-funds/wheb-sustainable-impact-fund/

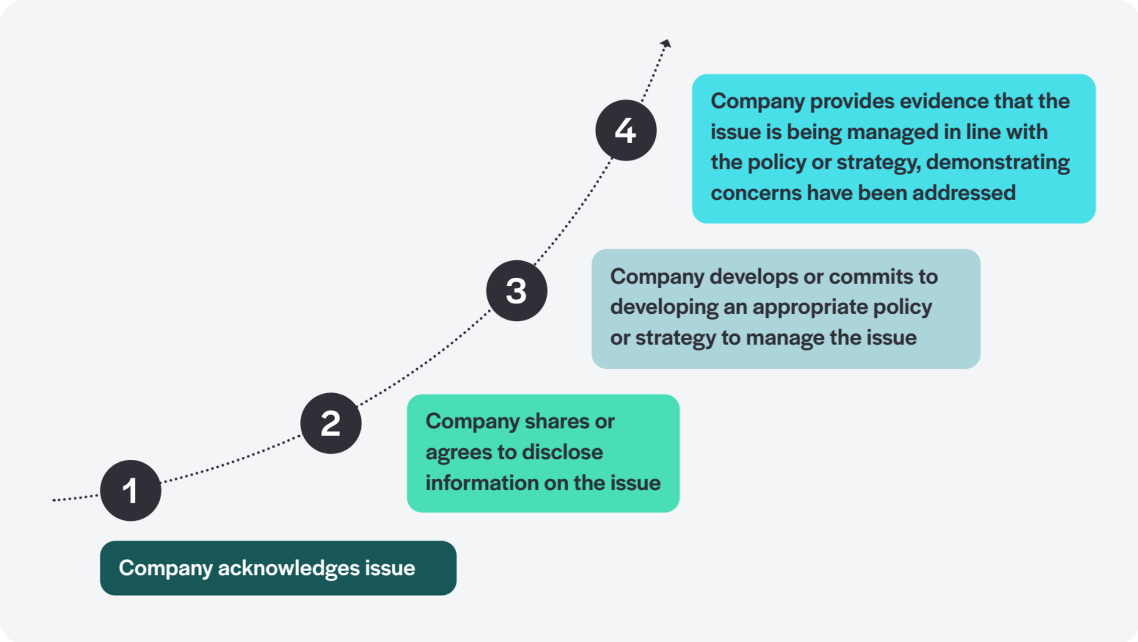
Meetings	No. of meetings	%
# votable meetings	40	
# meetings at which votes were cast	40	100%
# meetings at which we voted against management or abstained	37	93%

Resolutions	No. of resolutions	%
# resolutions	690	
# non-voting resolutions non-voting	47	7%
# resolutions eligible to vote	643	93%
# eligible resolutions voted	643	100%
# votes cast with management	502	78%
# votes cast against mgmt. or abstained or withheld (see list in appendix)	141	22%
# of which were withheld	*7*	
# of which were abstain	*2*	
# votes cast against ISS recommendations	87	14%

Company Engagement: Q2 2023

Engagement Summary	Count	%
# Companies engaged	24	
# Engagements	60	
# Milestone 0	20	33%
# Milestone 1	20	33%
# Milestone 2	14	23%
# Milestone 3	3	5%
# Milestone 4	3	5%

WHEB's engagement milestones



Company	Topic	Objective	Method	Milestone
ANSYS	Sustainability disclosure	Encouraging improved disclosure on material environmental and social issues	Vote/Letter	1
	Net zero carbon targets	Encourage the company to set a science-based net zero carbon target.	Vote/Letter	1
	Gender diversity	Encourage female board representation >33%	Vote/Letter	1
	Auditor independence	Change the auditor Deloitte as it has been in place for more than 10 years.	Vote/Letter	1
	Executive remuneration	Set compensation at justifiable level and include ESG/Sustainability metrics as part of KPIs	Vote/Letter	1
Arcadis	Biodiversity	Understand company's approach addressing biodiversity impacts	Email/Letter	2
	Living wage	Understand policies in place to ensure a fair living wage for all employees	Email	2
	Supervisory Directors	Ensure accountability of supervisory directors.	Call	2
Autodesk	Auditor independence	Tenure of the company's statutory auditor or auditors is >10yrs	Vote/Letter	1
	Executive remuneration	Vote against Remuneration Report due to lack of ESG criteria and we view the executive's remuneration as being excessive	Vote/Letter	1

Croda	Carbon targets	Collaborative engagement coordinated by ShareAction encouraging the company to increase the ambition of carbon strategy	Collaborative calls and AGM Attendance	2
Daikin	Hazardous Chemicals	Understand Daikin strategy and policy for phase out of PFAS	Call	1
	Board independence	Improve board governance. The Chair/President are both insiders and the board is not majority independent	Vote/Letter	0
	Committee independence	Clarify sub-committee structure and independence unclear	Vote/Letter	0
	Hazardous chemicals	Company to set a clear roadmap with concrete targets and a timeline to reduce and over time phase out PFAS and replace it with more environmentally friendly products	Vote/Letter	0
	Gender diversity	Improve female representation on the board to 33%	Vote/Letter	0
	Auditor independence	Improve governance by reducing the number of insider auditors	Vote/Letter	0
Daifuku	Director independence	Increase number of independent board directors	Vote/Letter	0
	Gender diversity	Increase female representation at board level	Vote/Letter	0
	Executive remuneration	Link CEO's remuneration package to relevant sustainability metrics	Vote/Letter	0
Ecolab	Product impact	Clarifying data relating to the positive environmental impact on customer operations.	Email	0
	Executive remuneration	Improve the quality of ESG metrics in compensation	Email	0
First Solar	GHG Emissions	Congratulating company on commitment to EPEAT and request for more action on Scope 1 & 2 emissions. Encouraging the company to provide more information on its current emissions, the use of sustainability metrics in compensation and use of renewables to reduce scope 2 emissions	Email/Collaborative	3
	Tax rate	Understand company's tax rate	Call	2
Grand Canyon Education	Executive compensation	Originally voted against due to a lack of explicit sustainability / CSR related targets for LTIP / STIP. CFO claimed that 25% of bonus is tied to environmental and social goals so vote revised to a "FOR" but we will want to see more details.	Vote/Letter	2
	Auditor independence	KPMG has been auditor since 2012 and should have been changed this year.	Vote/Letter	2
	Board independence	As of 2024, tenure of lead director, Ms Sara R. Dial, will be 11 years, shifting the board's independence to just 50% and the Chair and the lead director will be non-independent. We would strongly recommend the board is refreshed at the next AGM.	Vote/Letter	1
	Sustainability targets	Company to set net zero carbon target by 2050 at the latest. Company to set a more explicit assignment of CSR and sustainability responsibilities to one of the executive board members.	Vote/Letter	1

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HelloFresh	Supply chain	Follow up discussion confirming the company's approach to managing the risk of animal labour in the supply chain	Call	4
	Product impact	Encouraging the company to publish internal plastic/packaging reductions targets.	Call	2
	Marketing practices	Request for comment on reports of deceptive marketing	Call	2
Infineon	Product safety	Query about safety of electric vehicles compared to internal combustion engine vehicles	Email	1
J.B. Hunt	Labour rights	Query into potential employment litigation	Email	1
	Director independence	Increase the number of independent directors on the board	Vote/Letter	0
	Gender diversity	Improve female board representation >33%	Vote/Letter	0
	Committee independence	Improve committee independence by increasing the number of independent directors on the board	Vote/Letter	0
Linde	Sustainability disclosure	Discussion with Transition Pathway Initiative to clarify the company's scores	Email	2
Silicon Labs	Executive remuneration	Improvements in company remuneration policy following low support for 'say n pay' vote in 2022 AGM.	Vote/Letter	4
Smurfit Kappa	Executive remuneration	Understand process for evaluating CEO remuneration.	Vote/Letter	2
SolarEdge	Hazardous chemicals	Collaborative engagement on human rights and hazardous chemicals in the solar supply chain (chaser).	Collaborative /Email	0
Sonova	Carbon targets	Encourage company to have carbon targets validated by SBTi	Email	4
Sweco	Director independence	Increase the number of independent directors on the board 3- Chair is non-independent 4 - Both the remuneration and nomination committees are not majority independent.	Vote/Letter	1
	Committee independence	Improve governance through ensuring nomination and renumeration committees are majority independent.	Vote/Letter	1
	Chair independence	Improve governance by ensuring independent Chair, or else a nominated senior independent director.	Vote/Letter	1
	Auditor independence	Replace PwC as auditors as they have been in place for over 10 years.	Vote/Letter	1
TE Connectivity	Net Zero carbon emissions	Encourage company to set net zero carbon target	Vote/Letter	3
	Director overboarding	Improve board governance. Director has too many board level commitments.	Vote/Letter	2
	Auditor independence	Deloitte has served as the auditor for over 10 years	Vote/Letter	2
Vestas Wind Systems	Biodiversity	For Vestas to mitigate negative impacts and maximise positive impacts of their activities on biodiversity.	Collaboration	3

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