

Q3 2024 REPORT



Pengana WHEB Sustainable Impact Fund

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EVS ARE DEAD? – LONG LIVE EVS!

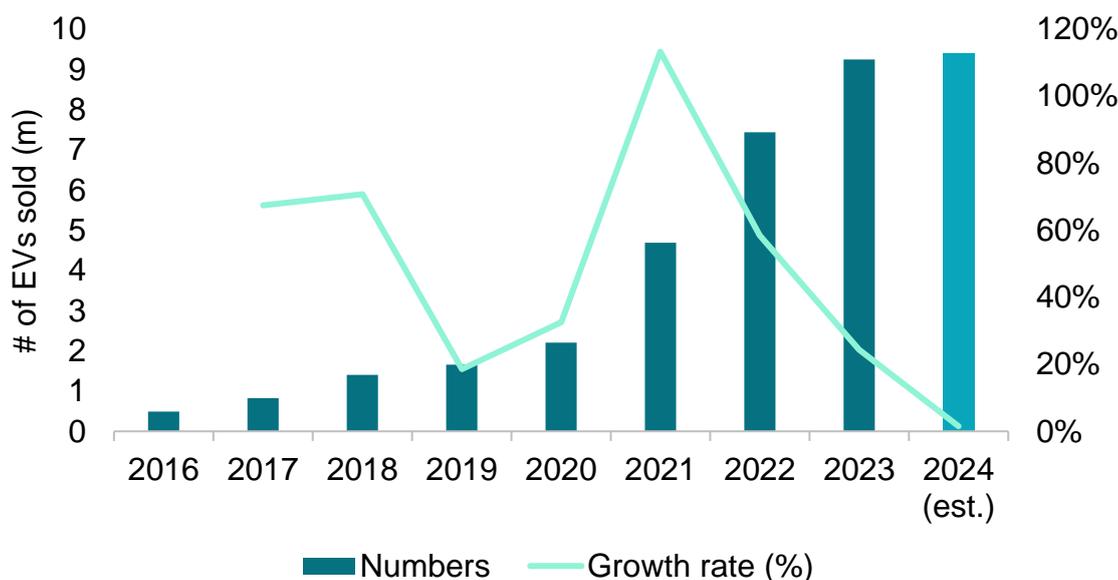
By Ben Kluffinger

There has been a lot of doom and gloom in the media about the prospects for battery electric vehicle (EV) growth¹ and adoption² this year. After the euphoria of the prior few years, what happened? Are EVs really on a long-term slow burner now?

The good times

Let's take a step back and look back at the good times. Figure 1 shows the annual global EV sales as well as the growth rates. Very healthy albeit declining growth rates until this year. Ooops.

Figure 1: Number of EVs sold by year and annual growth rate³



There were several important reasons behind the rapid growth in past years. The most important one was subsidies. This should not be surprising. Again and again, we see that temporary subsidies are a fantastic tool to kickstart a newer technology and move it down the cost curve quickly via scale. Solar PV is a prominent example of this. Back to EVs, several countries had put generous subsidies in place to work towards their net zero carbon commitments, triggering healthy demand. Examples where we saw particularly strong growth were Norway (an early mover and the poster child), China, and Germany. This went hand in hand with headline-grabbing

¹ FT 10 April 2024 "The electric vehicle revolution is running out of steam". <https://www.ft.com/content/11b02a4f-1604-46e3-b61f-00d39bd4cb76>

² FT 6 Sept 2024 "For European carmakers, EVs are a Catch-22". <https://www.ft.com/content/b475f111-68ce-476f-b774-a53a9ac4c967>

³ Statista Market Insights – August 2024

announcements from cities and countries about the phase-out or banning of internal combustion engine (ICE) cars sending strong warning signals to the automotive industry.⁴

A second important basis for EV adoption was the spiking of energy and fuel prices following Russia's invasion of Ukraine. Some EVs were suddenly cheaper than ICE cars! There were a lot of smirking faces among EV owners around that time. The author's brother being one of them.

A third reason behind the strong growth numbers was that the EV market was still largely driven by early adopters for whom the environmental benefit and owning the latest tech outweighed the often still higher cost of an EV vs its ICE equivalent.

What happened?

The EV boom slowed down during 2023 and almost completely evaporated. With the bearish commentary now dominant, what has caused the rapid slowing in growth in just two years? There are good reasons for the current hiatus:

- Firstly, and most importantly, while the total cost of ownership of an EV is usually lower than an ICE car, the upfront costs tend still to be more expensive. The withdrawal of government subsidies, most prominently in Germany and China, has exacerbated this price difference.
- At the same time, price has become much more important for two reasons. Firstly, early adopters have now, for the most part, already purchased an EV. Further growth now requires the more price-conscious mass market to buy EVs. However, the cost-of-living crisis has made this group even more price-sensitive. The withdrawal of government subsidies further eroded this group's appetite to buy EVs.
- There are technical concerns as well. A perceived lack of charging infrastructure and still slow charging times do not help. Tesla firing its entire supercharger team in April 2024 also did not improve market sentiment. Safety too has been an issue in some markets with South Korea at the forefront where the word "EV phobia" made it into local media.⁵
- Car manufacturers (OEMs) ranging from GM, Ford, Mercedes, and VW to Jaguar and Aston Martin have stepped back from prior EV expansion commitments pushing them out into the future as their balance sheets were already stretched from years of poor overall car sales and growing EV inventories.⁶
- Finally, the EU is imposing hefty tariffs on Chinese EV imports due to 'unfair Chinese subsidies' on 4 October 2024 – a move which had been in the making for over a year.⁷

What next?

This is a sobering list of headwinds, but nothing goes up in a straight line. The question is, where do we go from here? We see good reasons to assume that 2024 will be the low point and healthy EV unit growth should resume gradually.

For example, the cost of living crisis is abating with energy prices having moved well off-peak, inflation dropping back towards normal levels and interest rates coming back down. This should all help to get a steady improvement in consumer confidence.

⁴ https://en.wikipedia.org/wiki/Phase-out_of_fossil_fuel_vehicles

⁵ <https://www.bloomberg.com/news/articles/2024-09-22/a-mercedes-benz-fire-may-cloud-korea-s-ev-transition-hyperdrive>

⁶ <https://www.cnbc.com/2024/03/13/ev-euphoria-is-dead-automakers-trumpet-consumer-choice-in-us.html>

⁷ <https://www.reuters.com/business/autos-transportation/eu-governments-face-pivotal-vote-chinese-ev-tariffs-2024-10-04/>

Some EV subsidies are actually about to re-appear. For example, Germany which removed subsidies abruptly at the end of 2023 decided in September to introduce tax relief measures for EVs.⁸ In addition, EV prices are coming down. Tesla made headlines earlier in the year by reducing prices on several occasions. But others will have to follow in order to re-ignite demand and avoid costly fines due to missing fleet emission targets.

And this brings me neatly to regulation which continues to tighten. On 1 July 2025, Euro 7 will come into force in the EU mandating reduced overall particle emission numbers from vehicles. In the US, Joe Biden re-instated the annual fleet-wide emission targets which tighten the screw every year. Although slightly watered down in March 2024, they still set a clear pathway to an eventually mostly EV-based car fleet. Some individual states have even tougher standards with California at the forefront.⁹ And the new Labour government in the UK is considering reinstating the 2030 deadline for an ICE ban which had been pushed out to 2035 by the previous government.¹⁰

The only way OEMs will be able to avoid paying hefty fines is by incentivising consumers to opt increasingly for low/zero emission vehicles through price. Annually declining battery prices help. And all the OEM's individual phase-out commitment to end ICE production remain firmly in place.

It is correct that the EV charging infrastructure requires ample investment in most countries which adds to the (often unfounded) range anxiety of prospective EV owners. The good news is that there is a lot of activity importantly from a regulatory perspective (e.g., the EU) for both the rollout of home and public charging points. In 2023, the public charging stock of fast chargers increased by 55% making up over 35% of public charging points at year end.¹¹ And also here, technology is not standing still either. Charging speed is a key adoption hindrance but solutions are in the making.¹² For example, StoreDot demonstrated on a Polestar 5 their extreme fast charging (XFC) solution, cutting a 10% to 80% battery charge to just 10 minutes.¹³

Lastly, even theory is on the side of a more rapid EV adoption. The much quoted "S curve of adoption" introduced by Everett Rogers in his 1962 book "Diffusion of Innovations" seemed to show that for EVs the tipping point for mass adoption is around the 5% level of the sales mix which has been surpassed by more than 31 countries.¹⁴

Our position

So, how does WHEB position itself in the EV space? Our strategy has ample exposure to the electrification of transport via eight names, even though we stayed clear of pure-plays and reduced our exposure before the EV headwinds materialised. Portfolio stocks with EV revenue streams include **Aptiv** (vehicle electrification systems), **ATS** (EV battery assembly and test automation solutions), **Infineon** (chips / Integrated boards for EVs / EV batteries), and **TE Connectivity** (high-voltage connectivity solutions) to name a few.

EV sales have clearly hit a few bumps in the road, but our long-term conviction remains unshaken - the future of driving is electric.

⁸ <https://www.reuters.com/business/autos-transportation/german-cabinet-agrees-proposals-tax-relief-evs-source-says-2024-09-04/>

⁹ <https://ww2.arb.ca.gov/our-work/programs/low-emission-vehicle-program/about>

¹⁰ <https://www.electriccarscheme.com/blog/labour-to-reinstate-2030-ice-car-ban>

¹¹ <https://www.iea.org/reports/global-ev-outlook-2024/trends-in-electric-vehicle-charging>

¹² <https://www.avnet.com/wps/portal/us/resources/article/future-of-ev-charging>

¹³ <https://www.store-dot.com/press/storedot-and-polestar-showcase-worlds-first-electric-vehicle-10-minute-charge-with-si-dominant-cells>

¹⁴ <https://www.bloomberg.com/news/articles/2024-03-28/electric-cars-pass-adoption-tipping-point-in-31-countries>

PASSING THE ‘PEAK PAIN’ OF SDR AND WHAT THIS MEANS FOR CLIENTS

By Seb Beloe

September’s back-to-school feel was particularly pronounced this year as delegates gathered at the traditional post summer conference season. Returning from their holidays, participants were keen to hear about the progress (or lack thereof) with the UK Financial Conduct Authority’s (FCA) Sustainability Disclosure Requirements (SDR). At the time of writing, WHEB’s UK fund, the FP WHEB Sustainability Impact Fund, is still the only listed equity fund to feature the Sustainability Impact logo. This status has meant that WHEB has been in particularly high demand as a presenter at these conferences.

Perhaps counterintuitively, we are very keen to see other funds use these labels. It is for this reason that WHEB organised a webinar in late September where we shared our insights from the Fund’s authorisation process. Currently only a handful of funds are authorised to use one of the four sustainability labels. The FCA’s ambition is for the labels to be a valuable designation that the market actively uses as part of fund selection. To achieve this, we need tens if not hundreds of funds to be using the labels and covering all asset classes, regions and styles of investing.

Keeping the faith

At the many conferences that we have spoken at there is clearly real frustration with the FCA. It took WHEB five months to finally agree the changes to the prospectus wording with the FCA that allowed us to start using the label. We went through 20 iterations of the prospectus and had three in-person Zoom calls and three rounds of written feed-back with the FCA. Annex 1 of the prospectus (which is the main focus of the changes) grew from one to 15 pages. And we were the first listed equity fund over the finish line!¹⁵

But despite this frustration with the process, there is still generally solid support for the SDR itself. The fund management industry generally likes the labels. There is also support for the four categories: ‘sustainability impact’, ‘sustainability focus’, ‘sustainability improvers’ and ‘sustainability mixed goals’. The labels represent existing practices, are distinct but complementary, and should help clients find products that better suit their – or their clients’ – needs.

And while the process has been difficult, the basis for a principles-based regime is also understood to be sound. The early pain that the industry is experiencing, should bear dividends in having a regulatory regime that is flexible and able to evolve as the industry develops. Much better to have this, than a prescriptive approach that is clear, but rapidly becomes irrelevant, or worse, a barrier to innovation.

So where are we?

According to comments by FCA representatives at recent conferences there are now ten funds that have made the necessary changes to their prospectuses that allow them to use one or other of the sustainability labels. There are also, again according to the FCA, a “huge” number of applications in the pipeline. More anecdotally, our own SDR

¹⁵ Only one other fund, a real estate investment fund, beat us to it (<https://tiny.cc/fingzz>)

webinar attracted over 300 registrations of which approximately one third were other fund managers. Rumours of the premature death of SDR are, to misquote Mark Twain, 'grossly exaggerated'.

Nonetheless the FCA has itself acknowledged that the authorisation process has taken longer than anticipated. "Temporary flexibility" on the new rules, extending the deadline for some funds to adhere from 2 December 2024 to 2 April 2025, have now been agreed. Clearly the next few months will need to see a rapid acceleration in the number of funds announcing their use of the labels. Otherwise, WHEB's own achievement will represent something of a pyrrhic victory.

What's next

The critical next step is publication of the FCA's final policy statement on 'Extending the SDR regime to Portfolio Management'. This is expected in the second quarter of 2025. The regime is expected to mirror the SDR requirements for fund managers in terms of the structure of the labels as well as disclosure and reporting requirements.

One practical challenge is the extent to which model portfolio service (MPS) providers are required to 'look through' the funds they own and into their underlying holdings. This has implications for the level of due diligence that needs to be conducted as well as for reporting of key performance indicators (KPIs).

The SDR process for fund managers has clearly been onerous. We think it is right that standards are high, but there remains a danger that the additional resources that this requires make this unattractive for some providers. This balance has also to be struck in how the regime applies to portfolio managers. We believe we are past 'peak pain' for fund managers. We hope that some lessons have been learnt both by the FCA and by the industry that will ensure the process is altogether quicker and less painful for portfolio managers.

FROM OBSTACLES TO OUTCOMES: ENHANCING EFFECTIVENESS IN STEWARDSHIP AND ENGAGEMENT

By Rachael Monteiro

'More activity' appears to have become the dominant narrative in investor stewardship and engagement in recent years as the practice has entered the mainstream. In WHEB's view, this misses the point. Instead, there should be a laser focus on 'more effective' stewardship and engagement that fulfils its purpose in delivering long-term value for clients.

We have felt this sentiment acutely in recent years. The rapid evolution of the 'stewardship ecosystem', has accentuated existing obstacles to effective engagement, as well as introducing new ones. Quite rightly, concerns about ineffective engagement have raised questions as to asset managers' ability to deliver client value for money. They also give weight to apprehensions that sustainability investing does little to change firm behaviour.

In our forthcoming white paper, to be published at the end of October, we seek to set out the root causes of these obstacles as well as highlight practical solutions employed by WHEB and other practitioners, and outline how we at WHEB aim to deliver long-term client value through stewardship and engagement practices.

1. Consensus on the fundamentals

There is wide agreement within the industry on the fundamental purpose of investor stewardship; to support long-term economic, social and environmental value¹⁶. Beyond this essential role, however, there is much less consensus on the underlying elements. For example, there is not yet agreement on how or even whether stewardship and engagement should be linked with the mandate behind a given investment strategy. To be legitimate, it would seem to us essential that this link is recognised and communicated. At WHEB, we set out high-level objectives for our engagement activities. These then cascade into specific company-level engagement objectives that are linked to real-world outcomes. Achieving these outcomes, in our view, should shape our investment conviction in the stock and ultimately help create long-term value for clients.

Where engagement practitioners do agree is that engagement activity is complex, hard and often takes a long time. But what an 'engagement' actually is, and how effectiveness is assessed is still open to vigorous debate. We have our own approach at WHEB but clearly there will need to be some level of standardisation on these points if the engagement community is to realise its potential for delivering positive change.

2. Unlocking long-term value amidst resource constraints

As stewardship and engagement have become a more prominent part of asset managers' activities, so the level of resourcing required has increased. But not all engagement is effective. Better targeting of engagement through a

¹⁶ For example, the Financial Reporting Council (FRC), International Corporate Governance Network (ICGN), Investor Forum and UNPRI all define the purpose of stewardship in this way.

clearer focus on materiality would help. Being selective in this way also frees up resources to be more efficient. As an active manager, our approach at WHEB is to embrace issues that we believe are likely to be material over a long investment period. Engagement activity is also typically led by the investment team, enabling the issue to be placed in the context of wider commercial pressures and explicitly aligning our interest with that of the business.

Other styles of investment bring different strengths and priorities. Passive managers, or large diversified asset owners, for example, may not have in-depth knowledge of underlying assets. A focus on outcomes might therefore be better served if these organisations address broader market-level issues, such as improving asset-level disclosures or helping to shape public policy.

3. Demonstrating effectiveness and ensuring alignment

In its current form, engagement reporting is both resource-intensive and limited in its utility for clients wanting to evaluate effectiveness.

Challenges associated with attributing outcomes have (mis)directed the industry to focus on the data that *is* available – activity metrics. These metrics are most useful when linked to the outcomes being targeted. The purpose of engagement reporting is not to demonstrate activity, but to show activities have contributed to improved outcomes. Asset owners should be wary of unintentionally reinforcing focus on ‘activity’ over ‘effectiveness’ through their inquiries.

Nevertheless, seeking direct evidence of causality may also be a red herring. More worthwhile are endeavours to demonstrate correlation, or even an active contribution, between engagement efforts and outcomes.

Key Performance Indicators (KPIs) play a role in this, allowing measurement of any outcomes arising following engagement. Their value is further bolstered where reported alongside case studies illustrating the connection between objectives, activities and outcomes in a cohesive narrative.

The way forward

Rather than being existential threats, we see these obstacles as growing pains symbolic of the rapid development in stewardship and engagement practices. We’ve sought to highlight three areas where the accelerated dissemination of best practice could reduce barriers to effective engagement. Our aim in producing the white paper is to contribute to this process and in so doing, help underline the important role that stewardship and engagement can play at WHEB and in the wider industry in creating value for clients, the environment and wider society.

PERFORMANCE COMMENTARY

The Fund delivered negative performance over the quarter, lagging the benchmark.

The largest positive stock contributor was **Trane Technologies** in the Resource Efficiency theme, which is a world leader in air conditioning systems and services. The company continued to see strong demand for sustainable heating, ventilation and air-conditioning (HVAC) solutions, with an interesting new demand strand from its data centres business.

Bureau Veritas in the Safety theme performed well. The company is a leader in testing, inspection and certification. The outperformance was driven by its strong half-year numbers where the company surprised positively organic revenue growth above 9% and a raise in its revenue guidance.

The Health theme was the largest detractor from returns, with negative contributions from several holdings. These included **AstraZeneca**, which struggled after the failure of two drug trials. AstraZeneca has an industry-leading pipeline and these readouts are only a small part of it, but naturally the market was disappointed.

Diabetes and obesity specialist drugmaker **Novo Nordisk** suffered a setback. Phase 2 data of small molecule weight loss drug monlunabant showed lower than anticipated weight loss and was seen as disappointing. This drug development is not part of Novo's market-leading GLP-1 obesity franchise, but the market is interested in Novo's ability to maintain its leadership position.

Gerresheimer, the German drug delivery equipment company, was weak. The company issued a profit warning because demand is recovering in its glass vials business more slowly than expected, and because their manufacturing plant in North Carolina has also been impacted by flooding caused by Hurricane Helene.

Positioning in the Sustainable Transport theme hurt performance, driven by the holding in semiconductor maker **Infineon Technologies**. The share price was weak due to the persistent headwinds in the automotive sector and weakened demand in the industrial sector.

PORTFOLIO ACTIVITY

Purchases

There were no full purchases during the quarter.

Sales

We sold our position in **Fisher & Paykel** from our Healthcare theme. Fisher & Paykel is a market leader in acute and chronic respiratory care. The company has been a pioneer in humidified ventilation technology in both the hospital and home care settings.

Fisher & Paykel is a high-quality company that has maintained its market leading position and strong track record of innovation. Our investment thesis in the company was centred around the growth in its latest humidified ventilation technology, even after the exceptional orders of the Covid period fell away. Though progress was initially slow, the company has been able to successfully return to growth in recent periods.

While we remain confident in the long-term prospects for this high-quality operator, we believe that at current levels, Fisher & Paykel's stock implies even stronger prospects. So, after a nearly three-year investment, we have taken profits and exited the position.

INVESTMENT PERFORMANCE

Cumulative Investment Returns

Net performance for periods ending 30 September 2024 (%)

	3 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Fund	0.5	9.7	-2.1	5.6	
Strategy (partial simulation) ¹⁷					5.7
MSCI World ¹⁸	2.4	23.1	10.6	12.4	7.9

Performance Since Strategy Inception

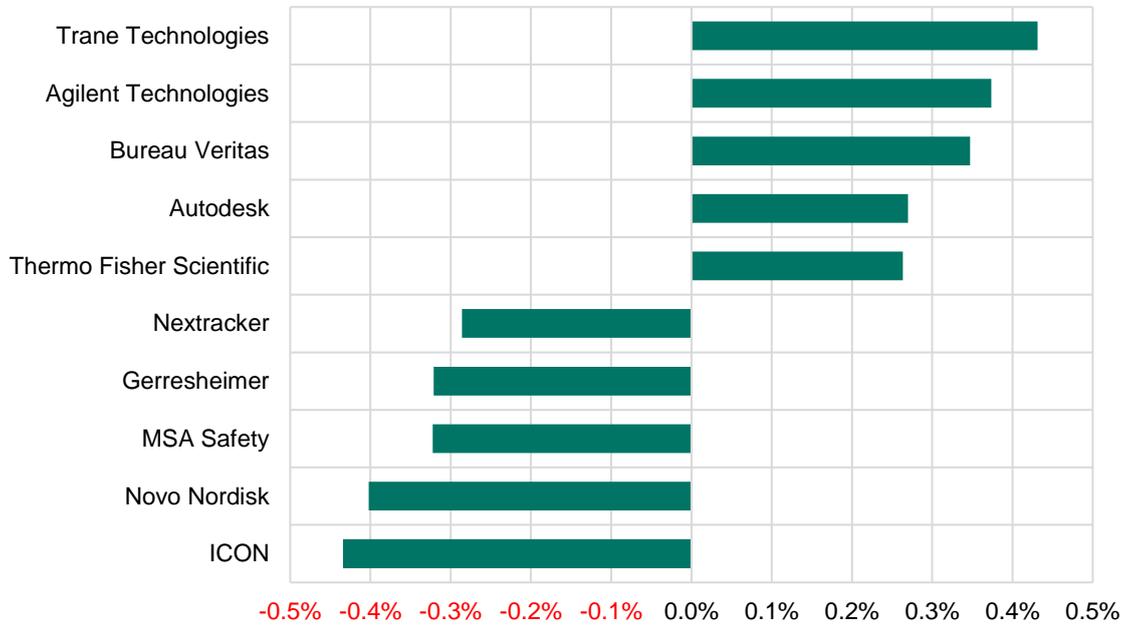


¹⁷ From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns of 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.

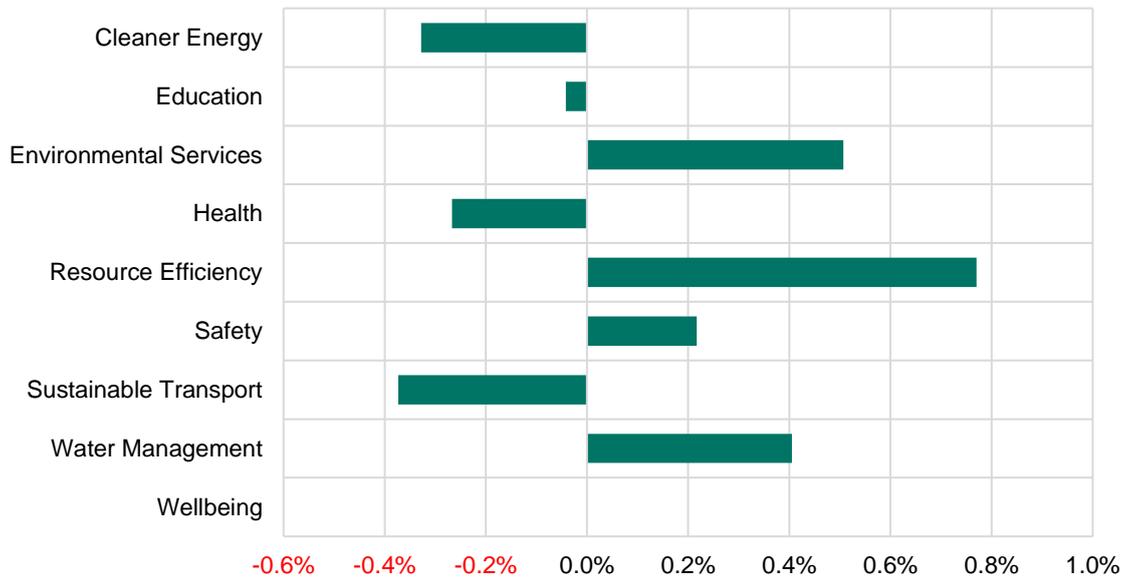
¹⁸ MSCI World Total Return Index (net, AUD unhedged).

Quarterly Performance

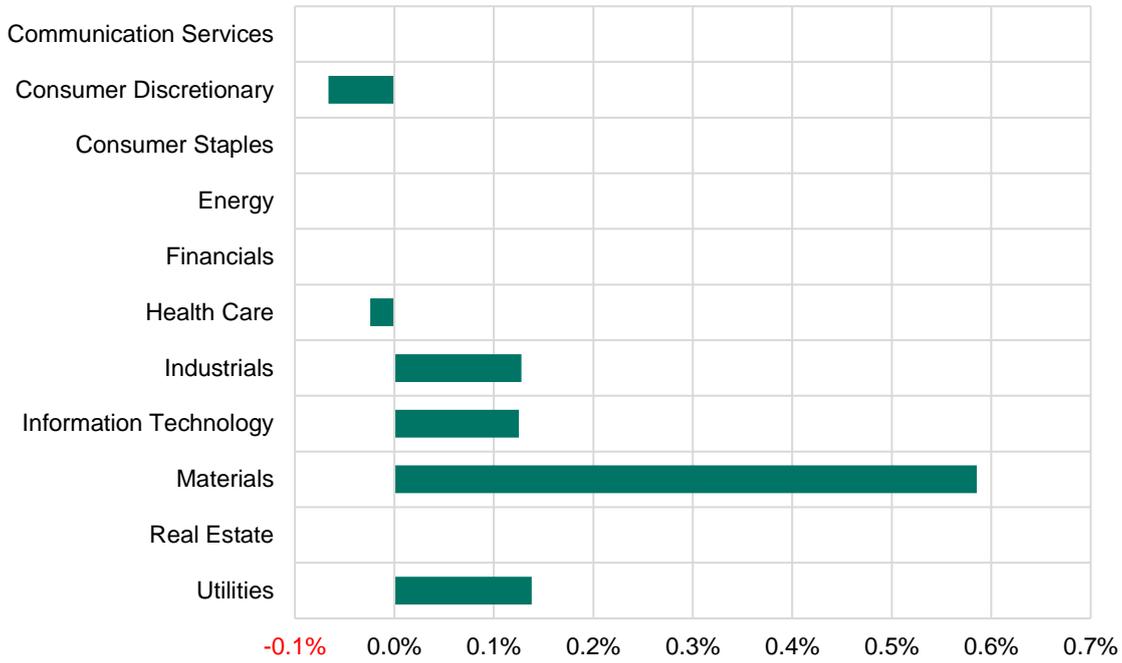
Contribution to Return by Stock (Top 5 & Bottom 5)



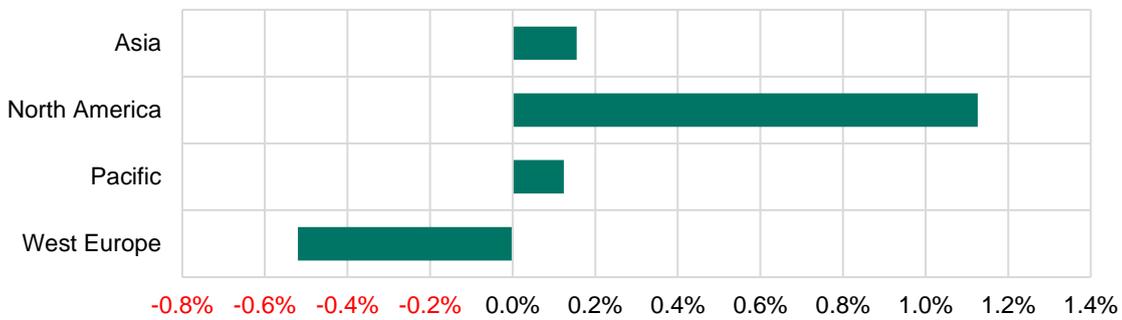
Contribution to Return by Sustainability Theme



Contribution to Return by Sector

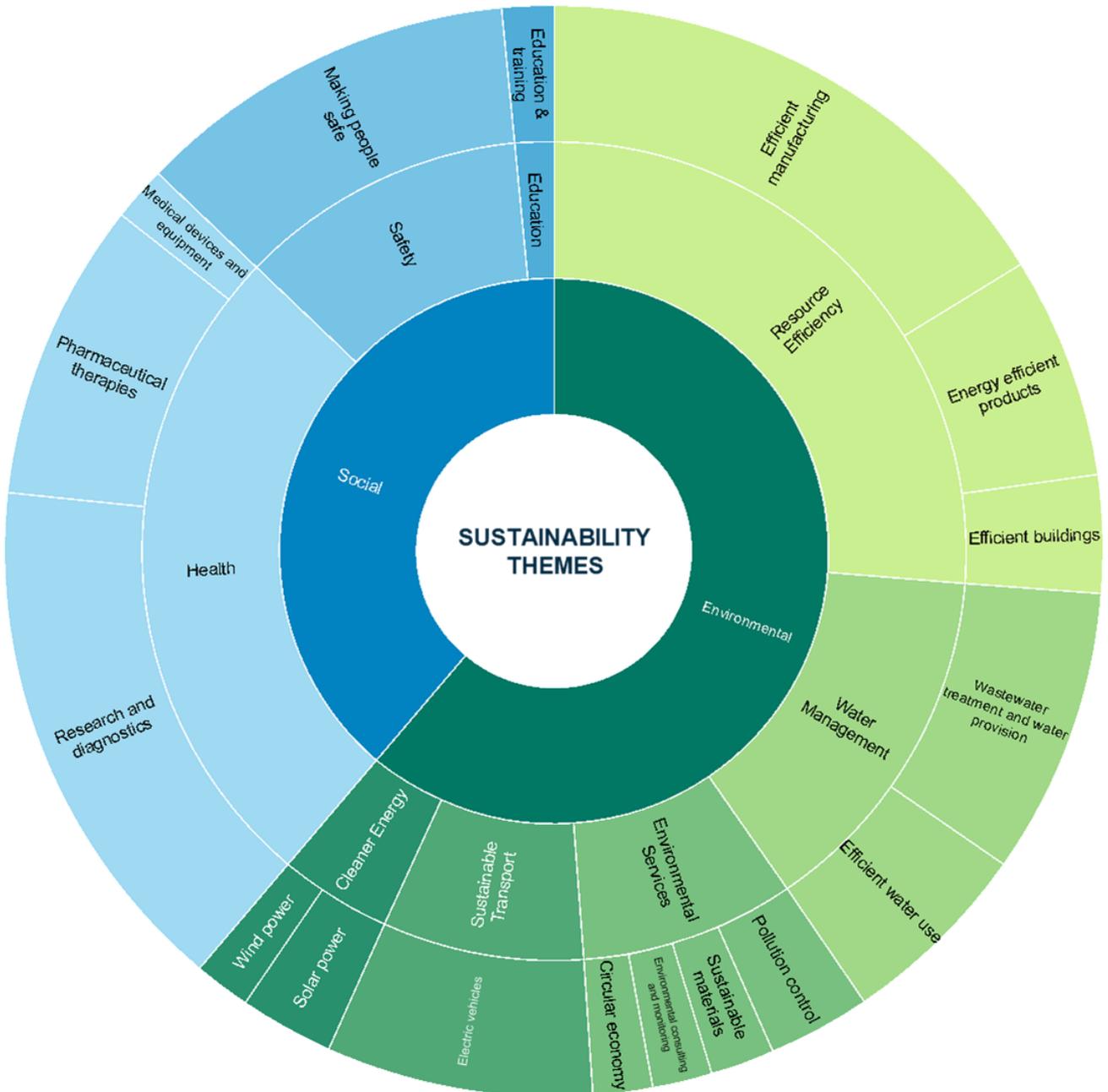


Contribution to Return by Geography

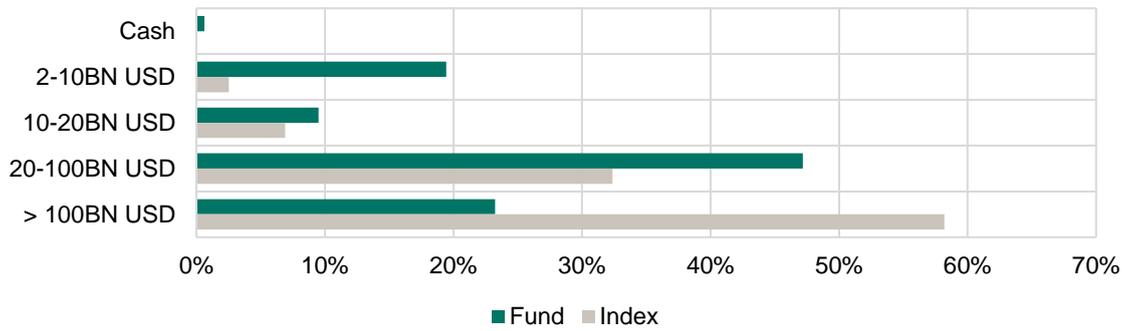


PORTFOLIO ANALYSIS AND POSITIONING OF STRATEGY

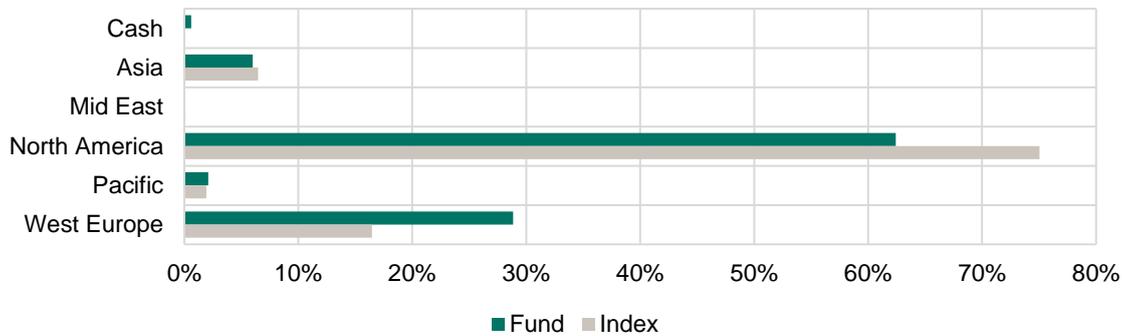
Exposure by Sustainability Theme



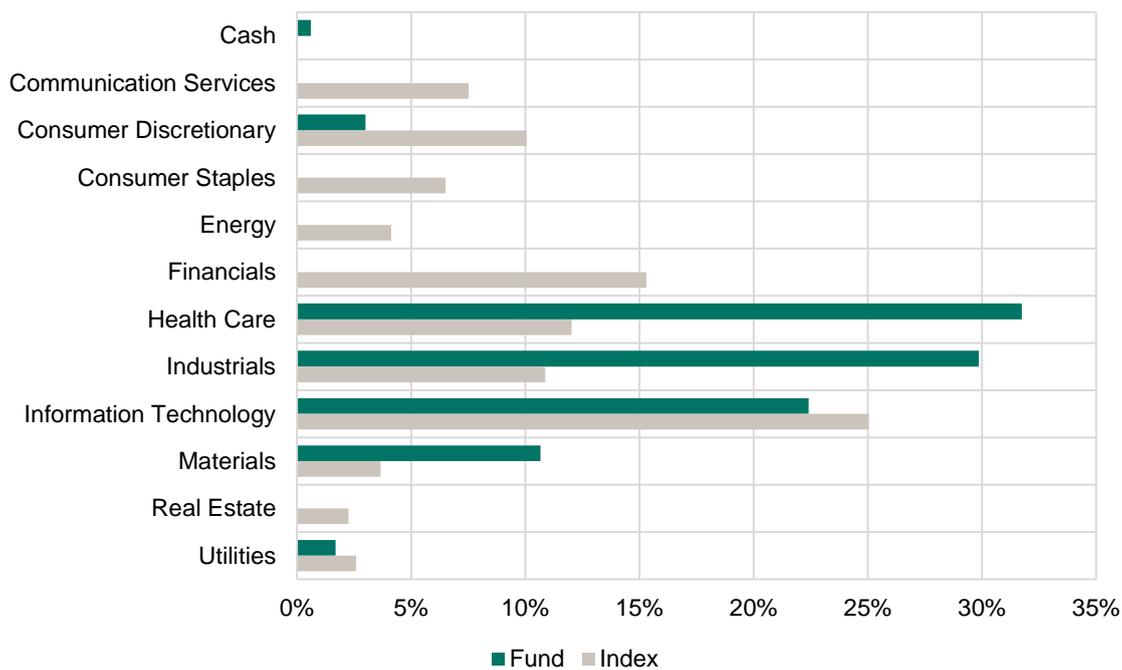
Exposure by Market Capitalisation



Exposure by Region



Exposure by Sector



Largest 10 Positions

Name	Sustainable Investment Theme	Description
Agilent Technologies	Health	Research and diagnostics
Autodesk	Resource Efficiency	Efficient manufacturing
Bureau Veritas	Safety	Making people safe
Danaher	Health	Research and diagnostics
Ecolab	Water Management	Efficient water use
Keyence	Resource Efficiency	Efficient manufacturing
Schneider Electric	Resource Efficiency	Energy efficient products
Steris	Safety	Making people safe
Thermo Fisher Scientific	Health	Research and diagnostics
Xylem	Water Management	Wastewater treatment and water provision

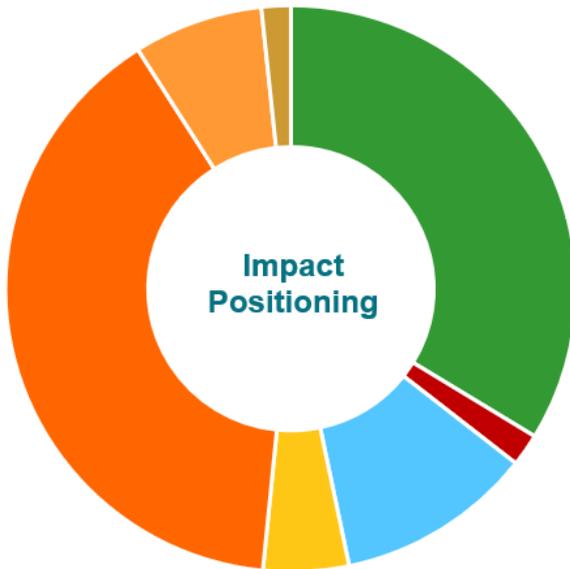
Strategy Characteristics

	WHEB	MSCI
FY1 Price/Earnings (PE)	27.82	23.50
FY2 Earnings Growth	16.24	14.53
FY1 PE/FY2 Earnings Growth (PEG)	1.71	1.62
3-year Volatility	17.14	17.01
Beta (predicted)		0.97
1-year Tracking Error (predicted)		5.69
5-year Tracking Error (ex-post)		8.62

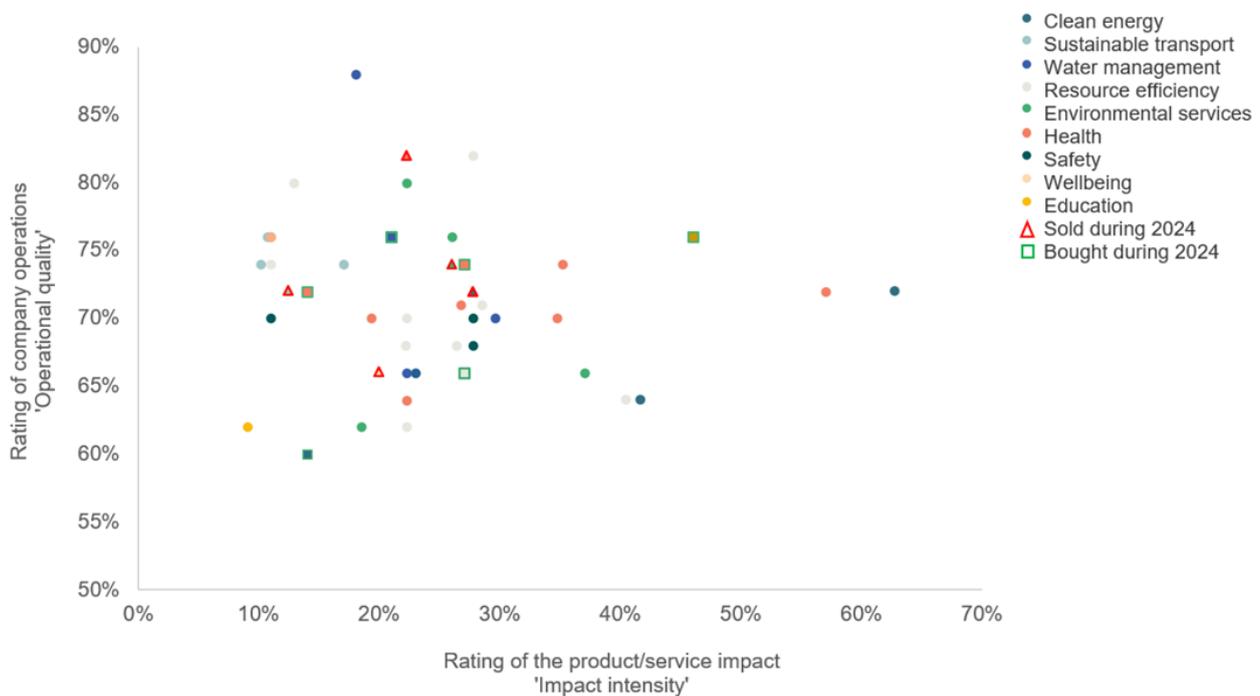
Trading Activity – Significant Portfolio Changes

Stock Name	Purchase or sale	Theme	Brief description or sale rationale
Fisher and Paykel	Sale	Health	The stock has a high valuation and we have less conviction that the penetration of humidification equipment will continue.

Impact Positioning: Supporting the UN Sustainable Development Goals¹⁹



Impact Map of the strategy's portfolio following quarterly changes²⁰



¹⁹ 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.

²⁰ As above.

ESG profile of WHEB's investment strategy



Quarterly ESG performance

	WHEB Strategy	Proportion reported	MSCI world
Weighted average carbon intensity (scope 1 and 2)	83 tCO ₂ e/£1m of revenue	97%	197 tCO ₂ e/£1m of revenue
Scope 3 carbon efficiency	1,831 tCO ₂ e/£1m of revenue	83%	935 tCO ₂ e/£1m of revenue
Waste efficiency	10 tonnes / £1m of revenue	78%	450 tonnes / £1m of revenue
Water efficiency	12,31 thousand m ³ of fresh water/£1m of revenue	72%	14.69 thousand m ³ of fresh water/£1m of revenue
Gender equality	31% of board and top management positions are occupied by women	94%	28% of board and top management positions are occupied by women
Executive pay	101x – ratio of executive pay to employee pay	82%	155x - ratio of executive pay to employee pay
Board Independence	70% of board members are independent	98%	72% of board members are independent
Environmental good	32% of portfolio invested in environmental solutions	100%	12% of portfolio invested in environmental solutions
Social good	29% of portfolio allocated to help alleviate social issues	100%	12% of portfolio allocated to help alleviate social issues
Avoiding environmental harm	<1% of portfolio in industries that aggravate social issues	100%	7% of portfolio in environmentally destructive industries
Avoiding social harm	0% of portfolio in industries that aggravate social issues	100%	4% of portfolio in industries that aggravate social issues
Economic development ²¹	\$66,234 – median income of portfolio-weighted area of economic activity	100%	\$66,103 – median income of portfolio-weighted geography of economic activity
Avoiding water scarcity ²²	2.4 – geographic water use	100%	2.5 – geographic water use
Employment ²³	4.53% - unemployment in portfolio-weighted area of economic activity	100%	4.48% - unemployment in portfolio-weighted area of economic activity
Tax gap	3.23% - estimated % of tax avoided by corporate tax mitigation schemes	100%	3.49% - estimated % of tax avoided by corporate tax mitigation schemes

²¹ A lower figure demonstrates that the strategy is more exposed to activities in lower income communities.

²² A lower figure demonstrates that the strategy is less exposed to water scarce areas (based on the World Resources Institute scale of 0-5 from least to most water scarce areas).

²³ A higher figure demonstrates that the strategy is more exposed to activities in communities suffering from higher unemployment.

QUARTERLY ENGAGEMENT AND VOTING ACTIVITY

Voting Record

The table below summarises the voting record at companies held in WHEB's investment strategy over the quarter. 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/>

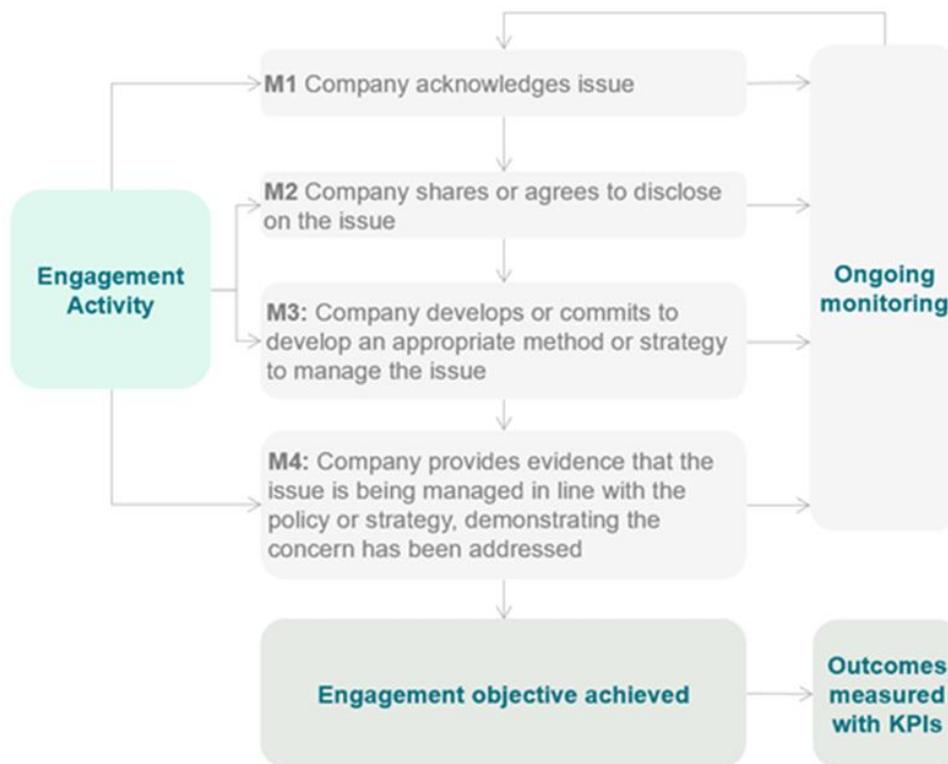
Meetings	No. of meetings	%
# votable meetings	8	
# meetings at which votes were cast	8	100%
# meetings at which we voted against management or abstained	7	88%

Resolutions	No. of resolutions	%
# votes cast with management	77	68%
# votes cast against mgmt. or abstained (see list in appendix)	36	32%
# resolutions where votes were withheld	0	0%

Company Engagement

Engagement Summary	Count	%
# Companies engaged	10	
# Engagements	20	
# Milestone 0 – company does not acknowledge issue	10	50%
# Milestone 1 – company acknowledges issue	2	10%
# Milestone 2 – company shares or agrees to disclose information on the issue	4	20%
# Milestone 3 – company develops or commits to developing an appropriate policy or strategy to manage the issue	4	20%
# Milestone 4 – Company provides evidence that the issue is being managed in line with the policy or strategy, demonstrating concerns have been addressed	0	0%

WHEB's engagement milestones



Company	Topic	Objective	Method	Milestone
Arcadis NV	Carbon/GHG - Emissions/Strategy	1) Confirm policy for use of carbon offsets 2) Highlight controversies around carbon offset projects and emphasise the importance of high quality due diligence on potential providers	Meeting/Video Meeting	M1
	Biodiversity	To understand Arcadis' strategy on biodiversity	Email	M2
Autodesk, Inc.	Auditor Independence	Change Auditor; tenure exceeds 10 years	Vote/AGM Letter	M0
	Remuneration - Excessive pay	Reduce CEO pay (currently 141 x median employee pay)	Vote/AGM Letter	
	Remuneration - Sustainability/ESG metrics	To include sustainability targets in management compensation relating to material issues and amounting to 10% to 30% of compensation.	Vote/AGM Letter	M0
	Board Independence	Minimum 50% board independence	Vote/AGM Letter	M0
Ecolab Inc.	Environmental Pollution - Hazardous chemicals	Objectives: 1. Increase transparency; 2. Publish time-bound phase-out plan of products that are, or contain, persistent chemicals; 3. Develop safer alternatives for hazardous chemicals	Email (Collaborative)	M2
Infineon Technologies AG	Carbon/GHG - Emissions/Strategy	Update on timeline for SBTi validation; challenges and lessons learned along the way.	Meeting/Video Meeting	M3
	Diversity – Gender	To set a more ambitious gender diversity target and extend targets to more junior level employees; targets for other dimensions of diversity; Set a supplier diversity policy.	Meeting/Video Meeting	M2
MSA Safety	Environmental Pollution - Hazardous chemicals	Phaseout of hazardous PFAS chemicals from manufactured firefighter turnout gear	Meeting/Video Meeting	M3

Nextracker Inc.	Remuneration - Excessive pay	Reduce CEO pay (currently 332 x median employee pay)	Vote/AGM Letter	M0
	Remuneration - Sustainability/ESG metrics	To include sustainability targets in management compensation relating to material issues and amounting to 10% to 30% of compensation.	Vote/AGM Letter	M0
Siemens Healthineers	Product impact (inc. Reporting)	Understand the impact of Varian segment, specifically its Hypersight technology, which allows better, faster understanding of patient needs and therefore adaptable therapy.	Meeting/Video Meeting	M2
Smurfit Westrock PLC	Biodiversity	Assess level of ambition on biodiversity and nature, progress with NA100 and TNFD reporting following merger between Smurfit Kappa and Westrock	Meeting/Video Meeting	M3
	Human Rights	To assess the company's overall approach for managing operations and land responsibly, particularly with regards to local communities and high-risk groups such as indigenous peoples.	Meeting/Video Meeting	M3
Steris Plc	Auditor Independence	Change Auditor; tenure exceeds 10 years	Vote/AGM Letter	M0
	Director Independence	Encouraging company to improve director independence as some directors have served for longer than 10 years.	Vote/AGM Letter	M0
	Diversity – Gender	Improve board-level female representation (>33%)	Vote/AGM Letter	M0

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