

Q4 2020 REPORT

Pengana WHEB Sustainable Impact Fund



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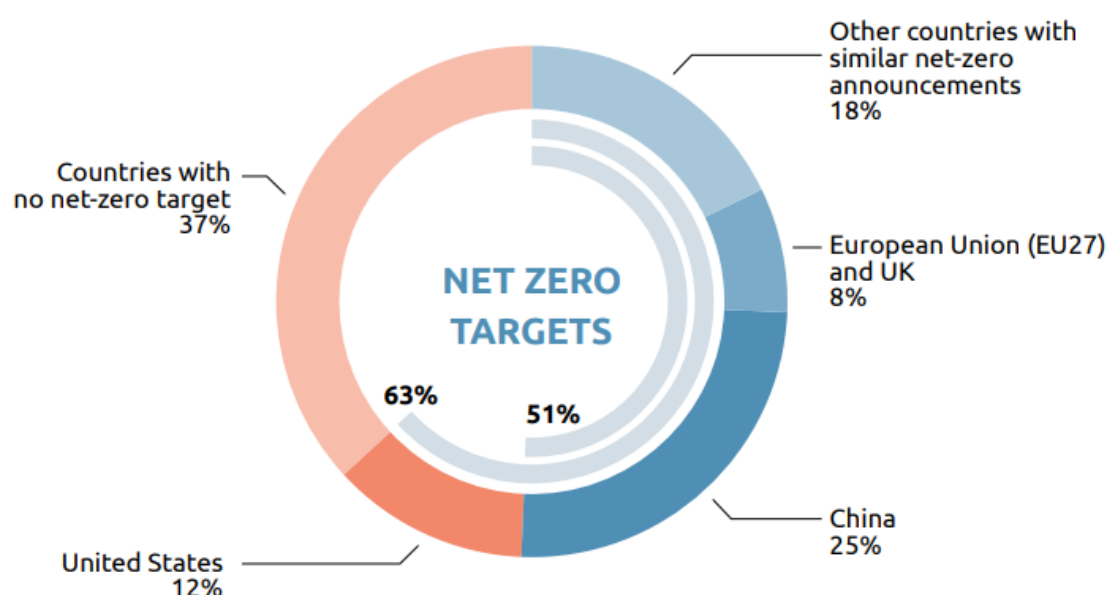
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WHY 2021 WILL BE SUCH A CRITICAL YEAR FOR THE CLIMATE

Hindsight is 2020

2020 was a monumental year on just about every level. It was a year that challenged us to reconsider almost all our prior assumptions. Even more remarkable therefore, that climate change remained a persistent issue on investors' agendas through the year. It was not just the hellacious wildfires, the overactive Atlantic hurricane season, or the grinding increases in global temperatures. 2020 also witnessed a series of remarkable commitments from governments, companies, and communities around the world. By year end, over 50% of the global economy had made in principle commitments to being net zero by 2060 at the latest.¹ With President-elect Biden expected to add the US to this list, the proportion of the global economy committed to net zero emissions will reach nearly two thirds.

Figure 1: Share of GHG emissions covered by countries that have announced net zero emission targets



COP 26 – a critical milestone

As important as 2020 was, 2021 is shaping up to be even more pivotal. The 2015 Paris Agreement requires signatories to revisit their national greenhouse gas (GHG) reduction targets every five years. Many did not achieve this in 2020 due to the COVID-19 pandemic. These commitments, and those that are still expected, will need to be legislated and submitted to the UN secretariat of the Framework Convention on Climate Change. Energetic support from the

¹ https://climateactiontracker.org/documents/829/CAT_2020-12-01_Briefing_GlobalUpdate_Paris5Years_Dec2020.pdf

incoming US administration should help to ensure that these commitments are ambitious. It is not an understatement to say that the scale of these commitments will determine whether or not the planet has any realistic chance of avoiding warming of more than two degrees.

Will we 'build back better'?

After the COVID-induced disruptions of 2020 and early 2021, the shape of the economic recovery will also become apparent in 2021. Most investors seem to be anticipating a relatively rapid snap-back. Some analysts anticipate an almost historic rally in industrial markets.² In their view, we can expect a coincident reflation in both short-cycle inventories and long-cycle capital expenditure. The recovery is expected to include autos, trucks, housing as well as general capital expenditure. Given the long horizon of many of these investments, it is clearly critical that this expenditure is aligned with the zero carbon commitments that many countries are making.

We are reasonably optimistic that a good proportion of this capital will be deployed into lower carbon infrastructure and technologies. For one thing, 2021 will almost certainly see an acceleration in the shift towards electric vehicles (EVs). EVs already accounted for more than 10% of all new vehicle sales in the EU by the end of 2020. With a growing range of models and price-points they could account for as much as 15% in 2021. Globally, passenger EV sales are expected to grow by nearly 60% this year to 4.4 million.³



Other trends that we expect to accelerate in 2021 will be further investment in factory automation. The global market for industrial robotics is expected to grow by nearly two thirds in the next five years.⁴ Demand will be driven primarily as a response to the COVID-19 pandemic but with the parallel benefit of improved energy efficiencies. We also expect to see economic stimulus packages that seek to reflate the economy by encouraging the recapitalization of key sectors with

² Liberum, Capital Goods – Sector Upgrade: Industrial earnings boom ahead, 8 December 2020

³ Bloomberg New Energy Finance

⁴ <https://www.economist.com/business/2021/01/16/after-years-of-dithering-companies-are-embracing-automation>

low and zero carbon technologies. These sectors will likely include buildings, transportation and utilities.

These trends were all readily visible in 2020. They need to accelerate in 2021. We think they will.

Beyond climate and COVID

Alongside climate change we also believe, of course, that the response to the COVID-19 pandemic will remain central in 2021. However, there are other topics that we think will gain in importance during the year.

The pandemic has laid bare many of the underlying inequalities in societies around the world. We expect this, combined with a greater awareness on racial inequality, to result in a more acute focus on the role of companies in addressing inequality. Ensuring that vulnerable and disadvantaged communities are not left behind will be an important part of the 'ESG' agenda in 2021. Businesses that are seen to be exploiting these groups will be quickly censured.⁵

The collapse in biodiversity in almost all regions of the world will continue to garner growing attention from policymakers, in our view. We expect the same to be true of the circular-economy. In both areas we anticipate the emergence of new technologies and business models that more directly and fully address these challenges in 2021. Most will still be too small and experimental to represent major investment themes for us. But these are both areas of critical importance to sustainability and we will continue to actively explore them within the WHEB investment strategy.

⁵ Already in January in the UK we have seen Compass Group suffer severe criticism for its involvement in inadequate food parcels for poor households (<https://www.ft.com/content/2162181a-be67-4feb-a5a8-ae63e3e05fce>)

ACCELERATING THE TRANSITION TO NET ZERO

As a naturally skeptical group, investors might be forgiven for expressing some suspicion at the growth in 'net zero carbon' pledges over recent months. One wag on Twitter quipped that he would like to commit to 'net zero *alcohol* by 2050'. A preferred New Year's resolution to the 'dryanuary' that would actually compel him to stop drinking alcohol!

Although understandable, we hope that investors in WHEB's strategies give us the benefit of the doubt when learning of our own commitment to achieve net zero carbon portfolio emissions by 2050 at the latest. As a business that promises to 'advance sustainability' as part of our mission, this commitment should at least not come as a surprise.

In fact, WHEB committed in 2019 to achieve net zero carbon emissions from our own business by 2025.⁶ In truth, this should be relatively straight-forward to achieve.⁷ The real challenge is in achieving net zero carbon emissions from WHEB's investment portfolios. This was the subject of the Asset Manager's Net Zero Carbon Initiative that was announced in December last year and of which WHEB is a founding signatory.⁸



⁶ <https://www.whebgroupp.com/wheb-commits-to-be-a-net-zero-carbon-business-by-2025/>

⁷ With a small direct footprint, our biggest challenges are our business travel and is convincing our suppliers to set themselves net zero carbon targets (<https://www.whebgroupp.com/how-we-plan-to-achieve-net-zero-carbon-emissions/>).

⁸ <https://www.whebgroupp.com/wheb-is-proud-to-be-a-founding-member-of-the-net-zero-asset-managers-initiative/>

The Asset Managers' Net Zero Carbon Initiative

This initiative aims to secure further backing among asset managers to eliminate greenhouse gas (GHG) emissions from their portfolios. This is an altogether more difficult task as it requires portfolio businesses themselves to achieve net zero emissions. For an asset manager like WHEB that invests in companies that supply climate solutions, this is particularly challenging. Equipment like wind turbines, electric vehicles and building insulation requires considerable amounts of energy to manufacture and distribute. It will not be enough for these businesses to rely purely on a decarbonising electricity grid to achieve their net zero objectives.



Nonetheless, our commitment is that by 2025, at least 50% of the emissions produced by WHEB investee companies will be covered by net zero carbon commitments. By 2030 this will have to be 100%. After eighteen months of engaging portfolio businesses on this topic, we have approximately 17% of the portfolio currently signed up.

In addition to securing specific commitments from investee companies, we will also track real greenhouse gas reductions from the portfolio. Our target is to achieve absolute carbon reductions that are consistent with a 50% global reduction in carbon emissions by 2030. The 50% reduction is what is considered necessary to achieve global net zero carbon emissions goal by 2050.

Making net zero normal

By the end of December nearly three hundred companies had made explicit net zero carbon commitments.⁹ The Asset Manager initiative includes thirty asset managers that together manage \$8 trillion in assets. WHEB's commitment covers 100% of our assets, whilst other signatories have to date committed just a portion of their funds under management. The numbers are significant, but both the number of signatories and volume of assets will surely grow rapidly from here. And they will have to.

At the moment, this project is being pioneered by sustainable investment specialists. In November, Vanguard, who is not a signatory to the net zero initiative, announced that they had a single fund that had more than \$1 trillion invested in it.¹⁰ Vanguard alone manages over \$6 trillion. The UN Principles for Responsible Investment has signatories that collectively manage over \$100 trillion. If these universal owners were to support this initiative, we would quickly get to a point where all listed companies would then come under pressure to adopt stricter targets.

Ultimately all managers are going to need to be fully on-board with this agenda. Encouraging companies to go carbon neutral needs to be made a normal and routine part of ownership. Given the investments that companies are likely to have to make to achieve these commitments, it is critical that they receive sustained support from their investors. With nearly two thirds of the global economy expected to commit to a zero carbon agenda in the run-up to the UN climate conference in December, maybe net zero is close to becoming normal already.

⁹ <https://unfccc.int/news/commitments-to-net-zero-double-in-less-than-a-year#:~:text=Of%20the%20businesses%20that%20have,most%20impacted%20by%20Covid%2D19.>

¹⁰ https://www.investmentweek.co.uk/news/4025062/vanguard-achieves-world-trillion-dollar-fund?utm_medium=email&utm_content=&utm_campaign=IW.Daily_RL.EU.A.U&utm_source=IW.DCM.Editors_Updates&utm_term=WHEB%20GROUP&utm_medium=email&utm_term=&utm_term=WHEB%20GROUP

ENGAGEMENT ACTIVITY

The Grenfell Tower inquiry, insulation and fire safety

Kingspan has been a holding in WHEB's investment strategy since May 2014. The company is a leading provider of building insulation materials across Europe and North America and has a strong reputation as an innovator in the development of higher efficiency insulation materials.

Kingspan's statement to the inquiry

Following the devastating fire at Grenfell Tower in 2017 that killed 72 people, an inquiry was ordered by then Prime Minister Theresa May. The inquiry has been hearing evidence over the past two years and in the Autumn focused on the role of insulation. A proportion of the Grenfell Tower used Kingspan K15 insulation panels and the company has become the subject of significant media attention as the latest phase of the inquiry has investigated the safety of the panels and their performance during the fire. The inquiry is ongoing but some key points that have emerged so far include:

A small quantity of K15 panels were used as a substitute for Celotex RS5000 insulation and made up around 5.2% (by area) of the rainscreen insulation purchased for use on Grenfell Tower. Kingspan was not aware of the use of K15 on Grenfell Tower until after the fire.

The use of K15 panels is permitted on tall buildings but only as part of cladding systems that, as a system, can be shown to be compliant with the relevant building regulations. The Grenfell Tower cladding system was not compliant with these regulations.

None of the marketing materials supplied by Kingspan at the time of the fire indicated that K15 panels were non-combustible or of limited combustibility or would comply with building regulations if combined in a cladding system of the type used at Grenfell Tower.

The inquiry has also heard that subsequent fire tests have shown that the cladding system used at Grenfell Tower would have been unsafe regardless of whether combustible or non-combustible insulation was used.

That said, Kingspan themselves have admitted publicly to some failures in their management of the product. This included changing the manufacturing process for K15 panels but not undertaking new performance tests on the new panels. The company has subsequently tested the panels that are manufactured using the new process and found them to meet the safety requirements. The company has also admitted that product literature was not sufficiently clear in explaining that safety tests were undertaken in relation to specific types of cladding systems and were not valid for all cladding systems.

Further insights from the inquiry

Kingspan has subsequently also implemented a raft of additional measures including on product traceability, new fire testing protocols, review of all performance claims, full transparency on all test reports, updated code of conduct to encourage speaking out on concerns, and more. We have spoken to the company at length, have read their submissions to the inquiry and have

watched excerpts of the testimony itself. Some of this viewing is clearly very uncomfortable and seems to indicate weaknesses in the company's approach to the safety testing of the K15 panels. There have also been allegations that the company had a culture that was dismissive of safety testing and protocols.

We take the allegations against Kingspan extremely seriously. The failures identified by the company are clearly unacceptable and the company has moved swiftly to address these issues. The accusations concerning the underlying culture at the company regarding safety are, in our view, equally serious but have as yet been unanswered.

At this point it is our view that it would be premature to take sides and sell our holding in Kingspan. The inquiry is still unfinished. Kingspan is legally barred from commenting outside of the inquiry on the accusations being made against them.

The inquiry is currently postponed due to the COVID-19 pandemic. It is expected to conclude at the end of February. The company has made clear that it will address these outstanding issues in their closing statement. We will continue to follow developments in the inquiry once it reconvenes and will assess any new evidence as part of our on-going review of Kingspan as a suitable holding for the strategy.

Net zero carbon commitments and Smurfit Kappa

Encouraging portfolio companies to adopt demanding net zero carbon targets has been a focus of our engagement activity for the last two years. Smurfit Kappa, a manufacturer of recycled cardboard packaging, is a major user of energy and the fifth largest contributor to the strategy's scope 1 and 2 carbon footprint. As such we have made it a priority to encourage the business to adopt net zero carbon targets.

We have spoken and met with the company on many occasions over the past two years to press this point, including directly with the Chief Executive Officer as well as with the Investor Relations team and the Head of Sustainability. We were therefore very pleased to hear in November that



the company has committed to achieve at least net zero carbon emissions by 2050. The company has also agreed to an intermediate target to achieve a 55% reduction in carbon intensity (equivalent to a 40-45% absolute reduction in carbon emissions) by 2030 from a 2005 baseline. They have also submitted this target to the Science Based Targets Initiative (SBTi).

The ‘devil is in the detail’

Given the high-profile nature of these commitments, and concerns about the credibility of many corporate statements of this kind, we sought to further engage the company on the strategy being used to achieve these targets.¹¹ The company admitted that the 2050 target is aspirational without a clear road map today. On this timescale there is time for new zero carbon technologies to emerge such as the use of green hydrogen in their manufacturing process. The company is participating in a green hydrogen pilot project with Siemens at the French facility, for example. Nonetheless the company’s Board have determined that this is the right ambition.

The 2030 target though is subject to a much clearer model which is composed of a series of ‘wedges’. This includes a series of specific projects that will generate carbon reductions as a core objective, often alongside production efficiencies. The company has, for example, installed a new boiler at their Austrian facility that will reduce carbon emissions by 40,000 tonnes. A second ‘wedge’ is generated by what the company calls ‘creep’ which are small incremental improvements in efficiencies. This generates annual reductions in carbon of up to 1%. Together, these two wedges enable the company to achieve approximately 50% of its 2030 target. An additional contributor will be by using a higher proportion of renewable electricity including potentially sourcing this directly from utilities. The company is not currently using any offset schemes and would only consider this as a last resort.

Absolute emissions from normalised emissions

Smurfit Kappa is one of a still relatively small number of businesses that have committed to achieve net zero carbon emissions. Within the WHEB strategy approximately 17% of the portfolio is now in this category.

A larger group have set greenhouse gas reduction targets but have chosen to achieve targets that are normalised, typically by unit of revenue. Several US holdings have recently published their first reduction targets and typically these are normalised by revenue. These targets are clearly welcome as a first and very important step. However, in most cases they are not ambitious enough to enable the companies to achieve absolute reduction in emission levels, let alone a net zero carbon target. We continue to engage with them to encourage more ambitious reduction targets that are aligned with achieve net zero carbon emissions by 2050 at the latest.

The Energy Charter Treaty

The Energy Charter Treaty is a multilateral agreement that was adopted in 1994. The Treaty was designed to protect foreign investments in the energy sector by offering the ability to enforce substantive protections (such as prohibitions against discrimination and expropriation) through a private arbitration process. The provision of the Treaty essentially de-risks private fossil fuel investments by making nation states liable to cover any assets or investments which are made

¹¹ For example, WHEB Independent Advisory Committee expressed some skepticism about corporate net zero carbon targets at their October 2020 meeting. The key points from this discussion are available at summary minutes at <https://www.whebgroupp.com/media/2020/11/202010-Summary-minutes-Final.pdf>

unprofitable as a consequence of domestic climate policy. The Treaty runs counter to the provision of Europe's and the UK's net zero carbon ambitions.



In order to address this inconsistency, the EU Climate Law was amended in October by the European Parliament. The amendment stipulated that the Union 'shall end protection of investments in fossil fuels in the context of the Energy Charter Treaty'. WHEB has supported action to ensure that this amendment is agreed by the European institutions. We have supported a letter from the Institutional Investors Group on Climate Change (IIGCC) and Seb Beloe, our Head of Research, signed a letter on behalf of WHEB that was organised by Climate Action Network (CAN) Europe and signed by nearly 500 academics, NGOs and businesses¹².

A two-day conference of the 54 parties to the Treaty took place in mid-December. According to an official statement that followed the conference, the negotiations were unable to reach agreement on the dispute settlement mechanism. Amending the treaty required unanimity which was opposed by the Japanese delegation according to reports of the conference. Four European countries, Austria, France, Luxembourg and Spain and have called on the ECT Secretariat to agree reforms to the treaty by the end of 2021.

Letter to the UK Prime Minister encouraging ambitious carbon reduction targets

WHEB was one of seventy-five businesses that wrote to the British Prime Minister in December encouraging the UK Government to submit an ambitious emissions target for 2030. The group, under the leadership of the Prince of Wales' Corporate Leaders Group, encouraged the

¹² <http://www.endfossilprotection.org/>

Government to formally submit the target, known as a Nationally Determined Contribution (NDC), to the Secretariat of the UN Framework Convention on Climate Change. The next Conference of the Parties (COP) is due to take place in the UK in 2021. The letter stressed the importance of the UK taking a strong lead by submitting an ambitious target and setting the tone and direction for subsequent submissions from other signatories.

A few days after receipt of the letter, Boris Johnson announced that the UK would set a target to reduce the UK's emissions by at least 68% by 2030 as compared to 1990 levels. While this target represented an improvement on the previous target of a 61% reduction, it was less than the 72-75% cut that NGOs and academics had been hoping for. Nonetheless, the target is seen as helpful as many other countries have still yet to submit their NDCs in advance of the COP26 summit.

PERFORMANCE COMMENTARY

Global stock markets continued to rise in the fourth quarter. In the USA, the combination of a new president-elect, and significant progress in the development and approval of COVID-19 vaccines and additional economic stimulus, together pushed the bellwether US S&P 500 index to a record high by year end.

The Fund's benchmark, the MSCI World Index also achieved an historic high, gaining +5.85% in the fourth quarter. The Fund also fared well in the period with a return of +6.19%.

The Cleaner Energy theme was the strongest positive contributor for the period followed by Sustainable Transport. In a turnaround from Q3, and indeed the rest of 2020, our Resource Efficiency theme was the biggest negative contributor.

Increasing climate ambitions, including net zero carbon emissions targets, drove a strong performance in renewable energy stocks in 2020, and particularly the latter half of the year. Our holding **TPI Composites** is one of the companies that has benefitted from this policy momentum and was our leading contributor in the quarter. It is an outsourced wind turbine blade manufacturer. In addition to the strong sentiment support, TPI delivered meaningful margin expansion in recent results due to improved factory utilisation, driven in turn by growing demand. Another wind energy holding, turbine maker **Vestas**, also contributed positively, benefitting from similar tailwinds.

Sustainable Transport was also a positive contributor this quarter. Particularly strong performance came from two of our automotive component suppliers, **Hella** and **Aptiv**. Hella is a leading automotive supplier with a focus on high-efficiency LED lighting. It also produces electronic products including sensors, driver assist systems and energy management components, which improve automotive fuel efficiency and safety. Aptiv provides advanced safety solutions and signal and power solutions. Both these companies are well positioned to benefit from the shift to electrical and autonomous vehicles. In the shorter term, the positive developments in COVID-19 vaccines has led to a strong rebound in the cyclical sectors including the automotive sector, benefitting both of these stocks.



In a turnaround from last quarter our Resource Efficiency theme ended the quarter in negative territory. Our holding in **Kingspan** was the major negative contributor in the theme. Kingspan, a leading supplier of building insulation materials, fell sharply as the official inquiry into the tragic fire at Grenfell Tower in London in 2017 got underway. Kingspan's panels were a small proportion of those used on the tower, but the inquiry has raised questions about how those panels were marketed.

It is critical that we understand the company's behaviour in the run up to those events and we are following proceedings closely. At this stage, we are still inclined to hear the company's response to the inquiry before making a decision on our position. But we are constantly evaluating any new information we uncover.

There were some sector and style rotations in the fourth quarter of 2020. Some of the stocks and themes that had performed very strongly in the pandemic, and in response to renewed monetary stimulus, had a softer end to the year.

These moves were somewhat predictable. It was reasonable to expect that the arrival of a vaccine would reverse some of the clearest pandemic trends at some point. Despite this, we believe COVID-19 has led to some permanent and long-term changes. These include increased health and safety standards and more resilient supply chains. The current increase in cases in the northern hemisphere winter has also muted the strength of the reversal.

2020 was clearly a year of challenges. But the year also saw great progress in the sustainability agenda. A significant number of countries have now set net zero carbon targets. Sustainability and health and safety have risen up corporates' agenda. Digitisation in commerce, healthcare and education has accelerated at an unprecedented speed. All these developments will have long-lasting positive effect on our societies and environment.

PORTFOLIO ACTIVITY

We initiated one position and sold three positions in the quarter.

Recent purchases

We initiated a new position in **Vestas** in our Cleaner Energy theme. It is a leading wind turbine manufacturer with the largest global installed base. It designs, manufactures, installs, and services wind turbines across the globe. Vestas is clearly a best-in-class player in a consolidated wind turbine market. It has a proven quality and technological innovation track record.

With the increasing global ambition for renewable energy, Vestas will continue to make meaningful contribution in the shift to renewable energy. With the strong tailwind for wind energy, it is one of the clear beneficiaries as the world shifts away from fossil fuels.



Recent sales

We sold **Spectris** in our Resource Efficiency theme. It supplies instrumentation and electronic controls that are used in manufacturing to enhance productivity, reduce downtime and improve efficiency. We bought the company about two years ago in the hope that the then new CEO and his new business strategy would improve the overall business quality. While the portfolio transition is still underway, the progress has been slower than expected and the expected

improvement remains to be proven. The COVID-19 pandemic has resulted in an even slower-growth outlook for the company, which prompted our exit.

We closed our position in **Roper** in our Resource Efficiency theme. It is a diversified technology company. It operates businesses that design and develop software and engineered products and solutions for a variety of niche end markets. It is a very high-quality company with a shrewd management team. We have held the company for more than 8 years and it has been a solid positive contributor to the fund performance. Unfortunately, the strategic focus of the company is not all about sustainability. As it continues to diversify into other business areas, we feel the impact story of company is being diluted and more difficult to tell. We sold our position as a result.

We also sold our position in **HMS Holdings** in our Health theme. It provides payment accuracy services to insurers and the US government. It also provides population health management solutions. Its solutions help healthcare organisations reduce medical costs and improve health outcomes. The company was bid for by Gainwell Technologies and hence we sold our position.

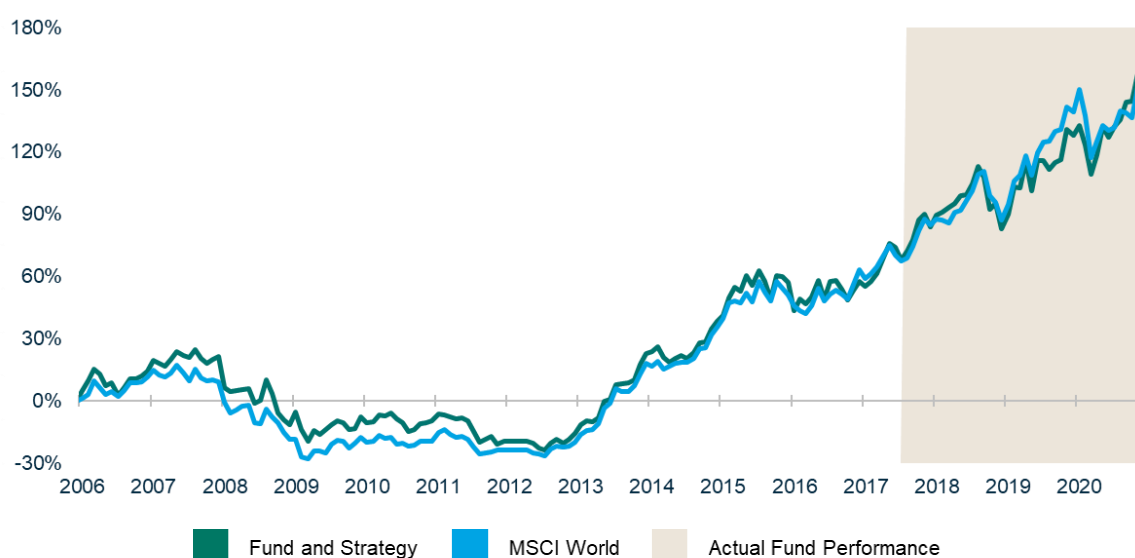
INVESTMENT PERFORMANCE

Cumulative Investment Returns

Net performance for periods ending 31 December 2020

	1 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Fund	-0.3%	13.7%	12.1%		
Strategy (partial simulation) ¹³				10.5%	6.6%
MSCI World ¹⁴	-0.5%	5.6%	11.0%	10.9%	6.4%

Performance Since Strategy Inception

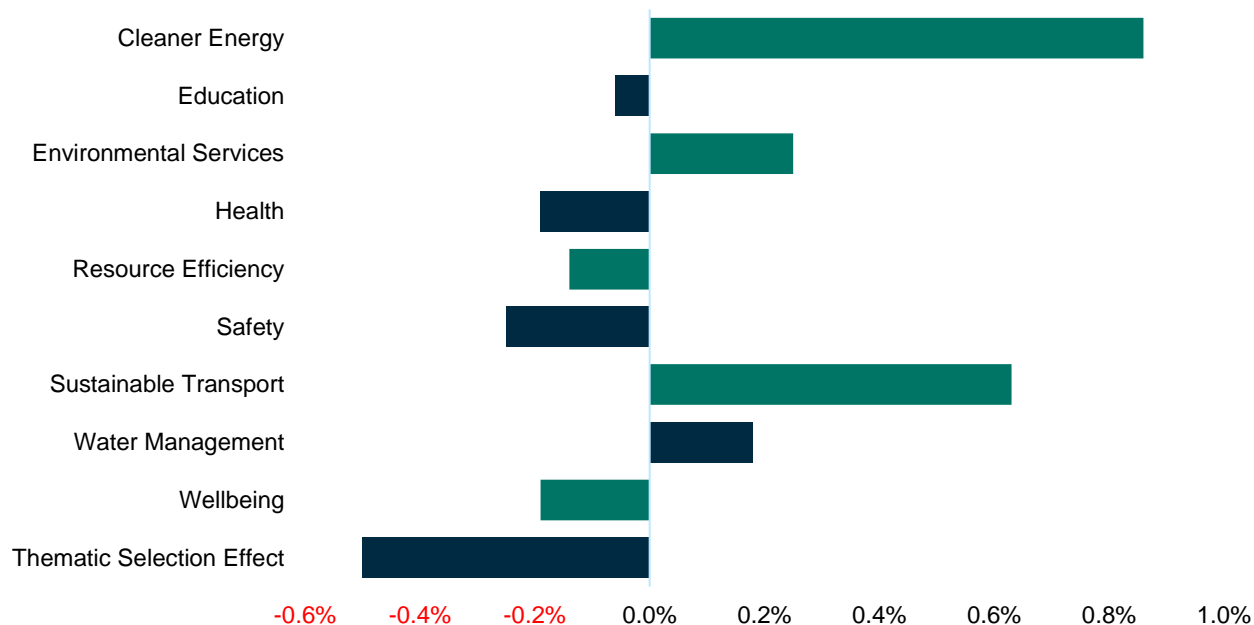


¹³ From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns of 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.

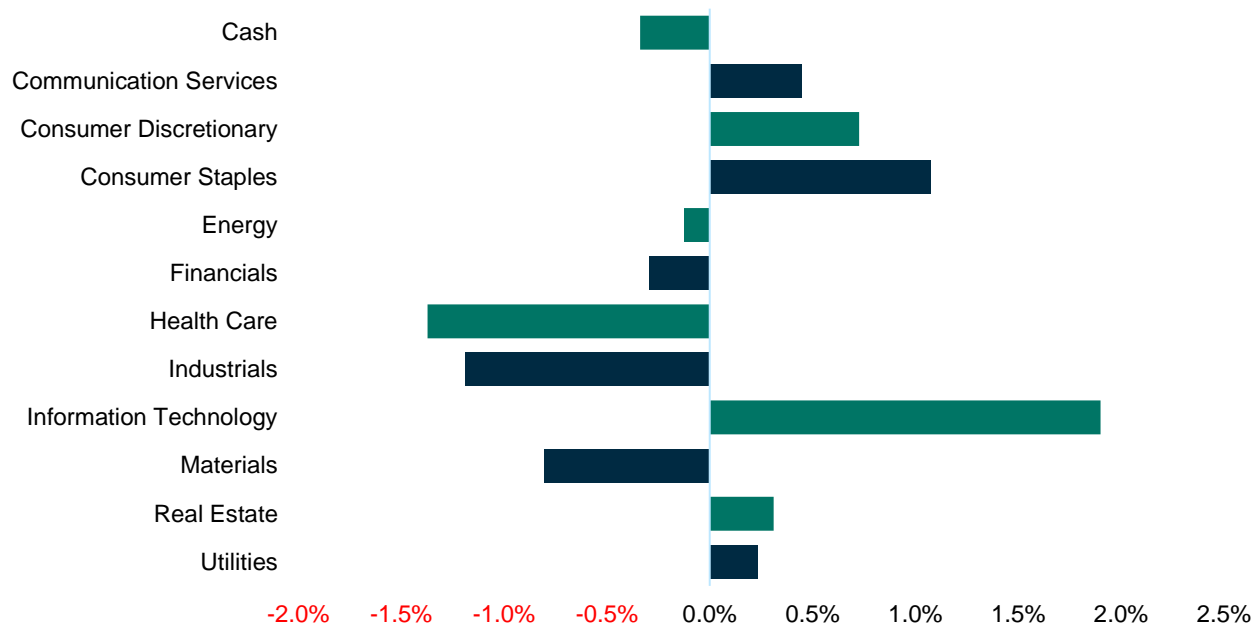
¹⁴ MSCI World Total Return Index (net, AUD unhedged).

Performance Attribution – Last 3 Months¹⁵

Attribution by Sustainability Theme¹⁶



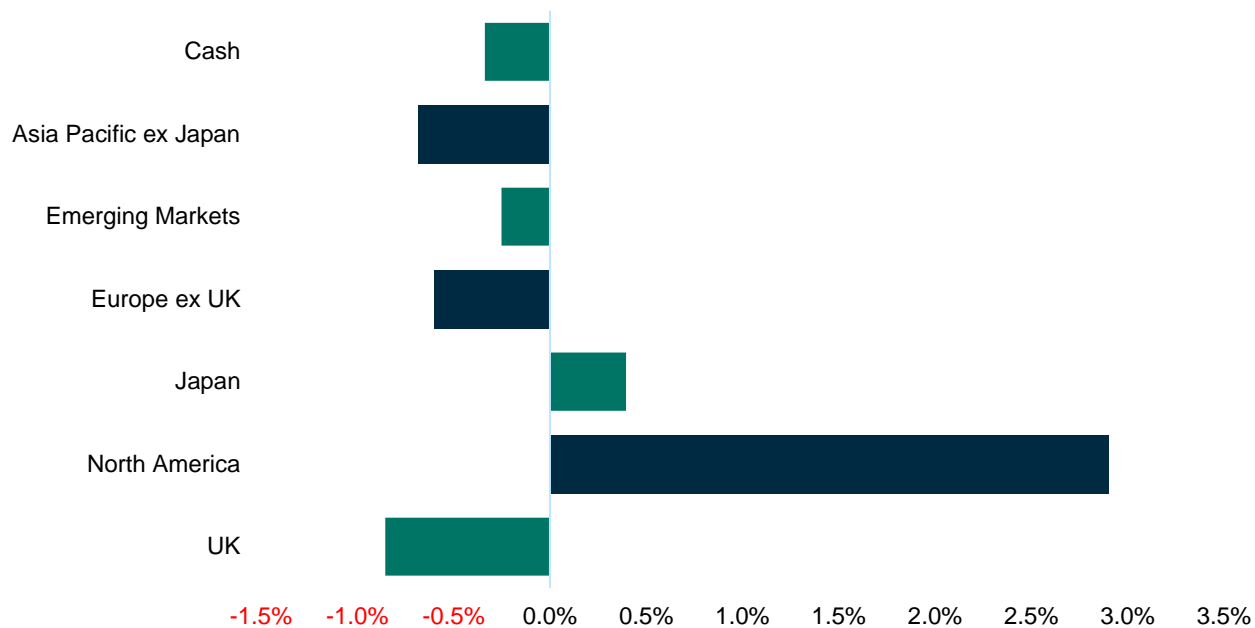
Attribution by Sector



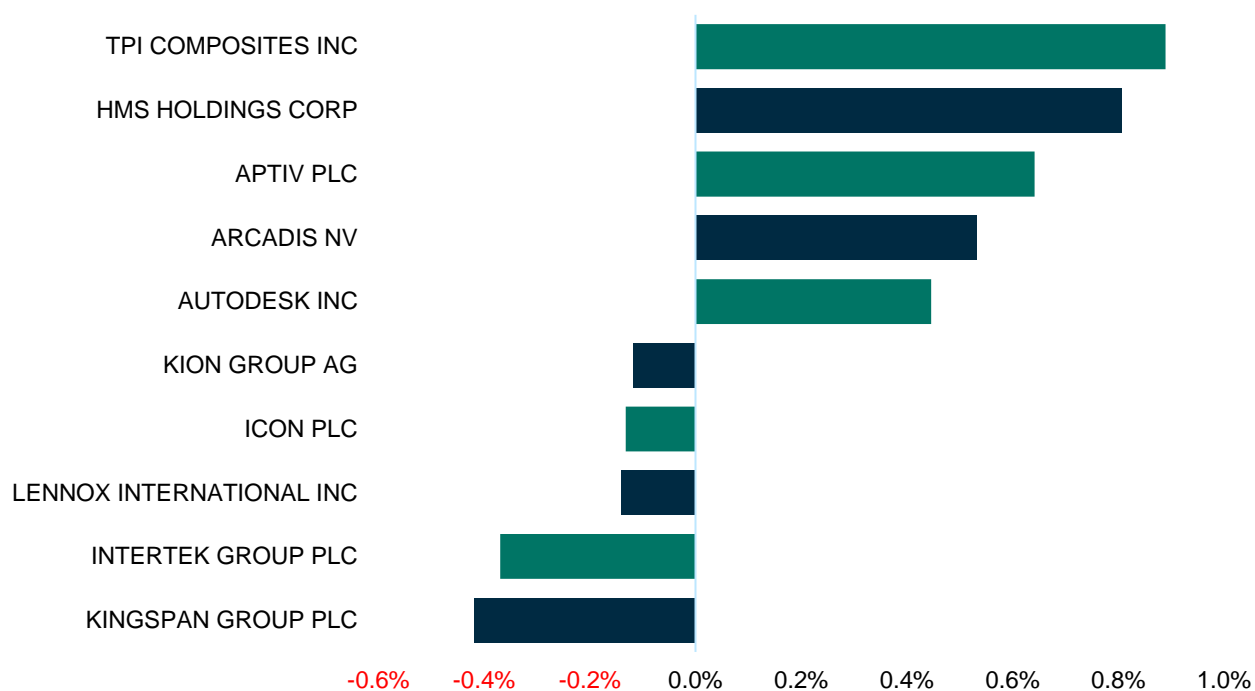
¹⁵ Performance attribution is calculated with reference to the MSCI World Index

¹⁶ 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

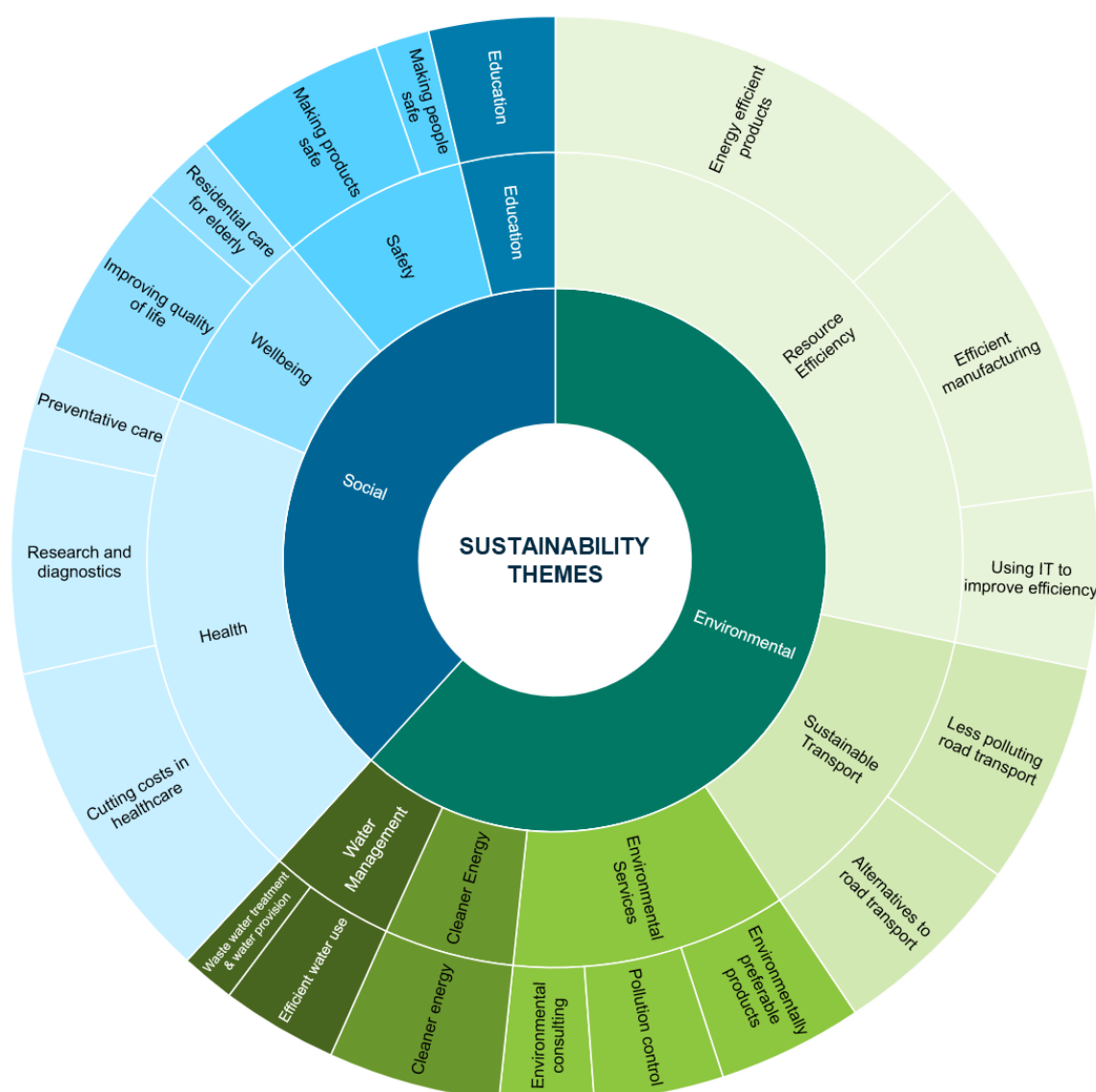


Contribution by Stock (Top and Bottom 5)



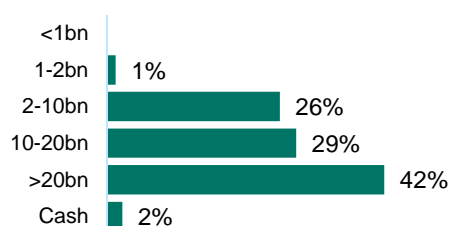
PORTFOLIO ANALYSIS AND POSITIONING¹⁷

Sustainability Theme Exposure

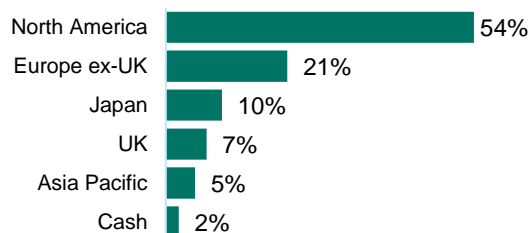


¹⁷ As at 31 December 2020.

Market Cap (U\$) Exposure



Geographic Exposure



Top 10 Stocks

Name	Sustainable Investment Theme	Description
Ansys	Resource Efficiency	Energy efficient products
Cerner	Resource Efficiency	Energy efficient products
Daifuku	Resource Efficiency	Efficient manufacturing
Icon	Resource Efficiency	Energy efficient products
Keyence	Health	Cutting costs in healthcare
Koninklijke DSM	Health	Cutting costs in healthcare
Linde	Safety	Making products safe
MSA Safety	Wellbeing	Improving quality of life
Steris	Resource Efficiency	Using IT to improve efficiency
Thermo Fisher Scientific	Sustainable Transport	Alternatives to road transport

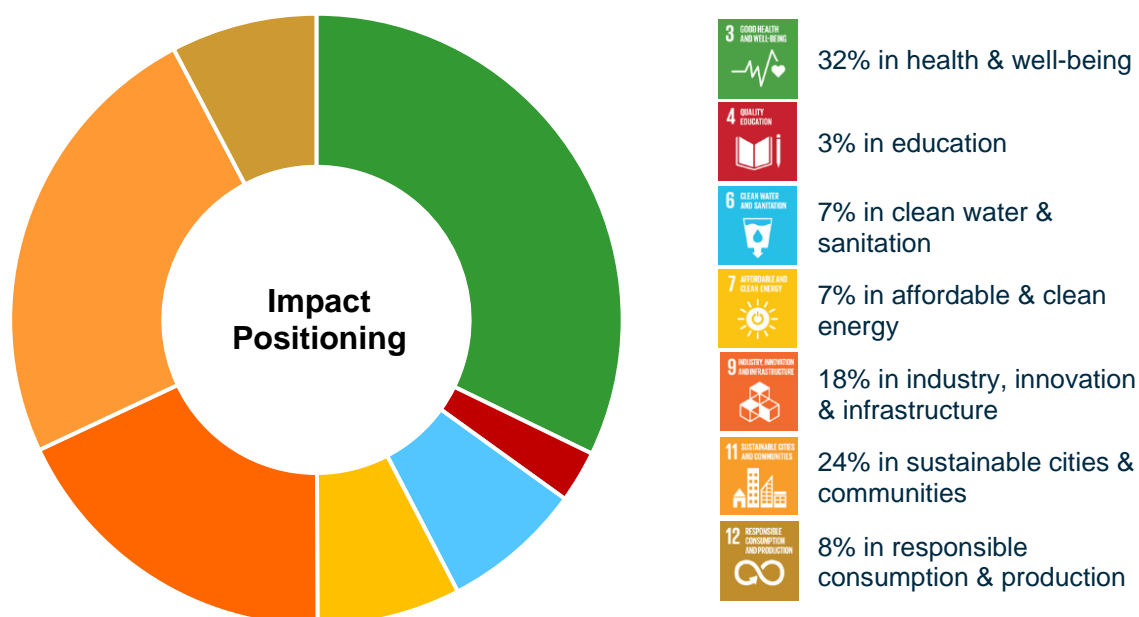
Strategy Characteristics

	WHEB	MSCI
FY1 Price/Earnings (PE)	29.20x	31.06x
FY2 Earnings Growth	21.30x	22.16x
FY1 PE/FY2 Earnings Growth (PEG)	1.51x	0.87x
3-year Volatility	17.04%	18.53%
Beta (predicted)	0.97	
1-year Tracking Error (predicted)	5.72%	
5-year Tracking Error (ex-post)	7.23%	

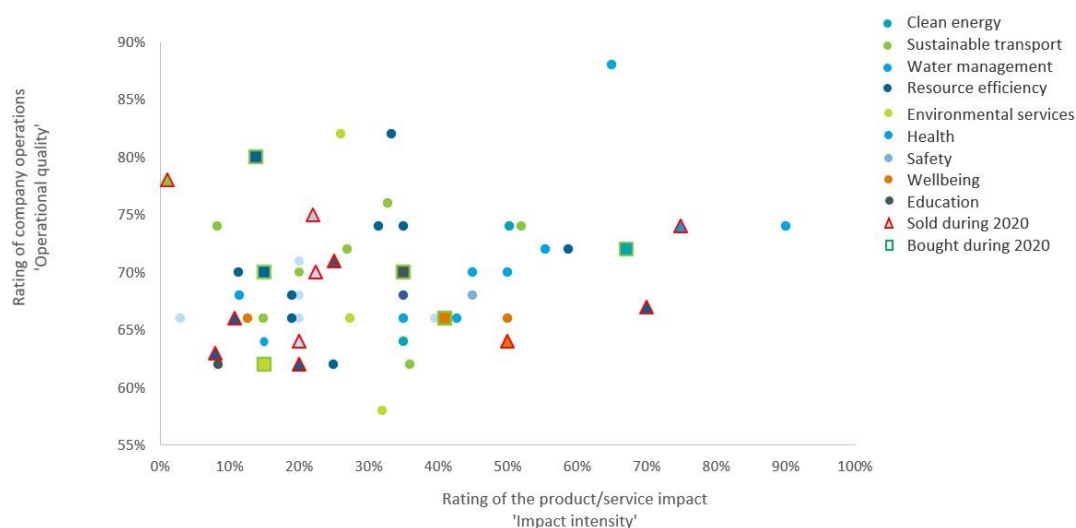
Trading Activity – Significant Portfolio Changes

Stock Name	Purchase or sale	Theme	Brief description or sale rationale
Vestas	Purchase	Cleaner Energy	Global leading wind turbine manufacturer in an oligopolistic market.
Spectris	Sale	Resource Efficiency	Portfolio transition underway but slow, and COVID has led to an even slower-growth environment
Roper	Sale	Resource Efficiency	Recent non-thematic acquisitions diluted too strongly Roper's previously positive impact
HMS Holdings	Sale	Health	The company is to be acquired by Gainwell Technologies

Impact Positioning: Supporting the UN Sustainable Development Goals¹⁸



Impact Map of the WHEB strategy's portfolio following changes in 2020¹⁸



¹⁸ For descriptions of impact mapping methodologies please see WHEB's impact reports, available at <https://impact.whebgroupp.com/methodology/>. The SDG mapping methodology is described in the 2019 Impact Methodology Report, available at <https://impact.whebgroupp.com/methodology/>, and the impact positioning graph is described in detail in the 2019 impact report.

ENGAGEMENT AND VOTING ACTIVITY

Voting Record: Q3 2020

The table below summarises the voting record at companies held in WHEB's investment strategy from 1 October – 31 December 2020. Full details of how we voted on each of the individual votes are detailed on our website: <http://www.whebgroup.com/investment-strategy/fund-governance/engagement-and-voting-records/>

Meetings	No. of meetings	%
# votable meetings	2	
# meetings at which votes were cast	2	100
# meetings at which we voted against management or abstained	2	100

Resolutions	No. of resolutions	%
# votes cast with management	6	55%
# votes cast against mgmt. or abstained (see list in appendix)	5	45%
# resolutions where votes were withheld	0	0%

Company Engagement Activity

Company	Topic	Detail	Outcome
Ansys	EU Taxonomy	We recommended to the company that they report the proportion of revenues that they believe are eligible under the EU Taxonomy.	Ongoing
AO Smith	GHG reduction targets Gender diversity	As part of our engagement with AO Smith we have spoken to sell-side brokers on our view on the need for the company to improve reporting and target setting on GHG reduction targets and gender diversity	Ongoing
Autodesk	EU Taxonomy	We recommended to the company that they report the proportion of revenues that they believe are eligible under the EU Taxonomy.	Ongoing
China Everbright Environment Group	EU Taxonomy	We recommended to the company that they report the proportion of revenues that they believe are eligible under the EU Taxonomy. The company is considering this.	Ongoing
HELLA GmbH	EU Taxonomy Poor ESG rating	Company clarified a number of its ESG programmes that are not reflected in third-party ESG ratings and is working on its exposure to EU Taxonomy activities.	Successful
Infineon Technologies	EU Taxonomy	The company is still reviewing the methodology but believes that more than 50% of revenues are in taxonomy eligible activities.	Successful
Intertek Group	Carbon reduction targets	As part of our engagement with Intertek we have had conversations with sell-side brokers on the weak carbon reduction targets adopted by the company	Ongoing
JB Hunt Transport Services	EU Taxonomy and carbon performance	The company provided detailed performance information on its intermodal business as part of the EU Taxonomy and encouraged further review of EVs.	Successful
Kingspan	Grenfell Tower Inquiry	See discussion in the report above	Ongoing
KION Group	EU Taxonomy	We recommended to the company that they report the proportion of revenues that they believe are eligible under the EU Taxonomy.	Ongoing
Lennox International	Carbon reduction targets ESG reporting	We stressed the need for the company to have demanding and science-based GHG reduction targets for scope 1,2 and 3. We encouraged the company to adopt the SASB framework for its ESG report	Ongoing
Smurfit Kappa	NZC commitment	Company has set a net zero carbon target by 2050 with an interim target for a 55% cut in carbon intensity by 2030 (see discussion in report above).	Successful
WABTEC	ESG Report Carbon reduction targets	Provided feedback on the sustainability report including on need for absolute GHG emission reduction targets including scope 3 and more transparency	Ongoing

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