INSIGHTS

PENGANA
CAPITAL GROUP

Q3 2025 REPORT

Pengana WHEB
Sustainable Impact Fund

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AI-AUGMENTED HEALTH CARE IN THE (DIS)INFORMATION AGE

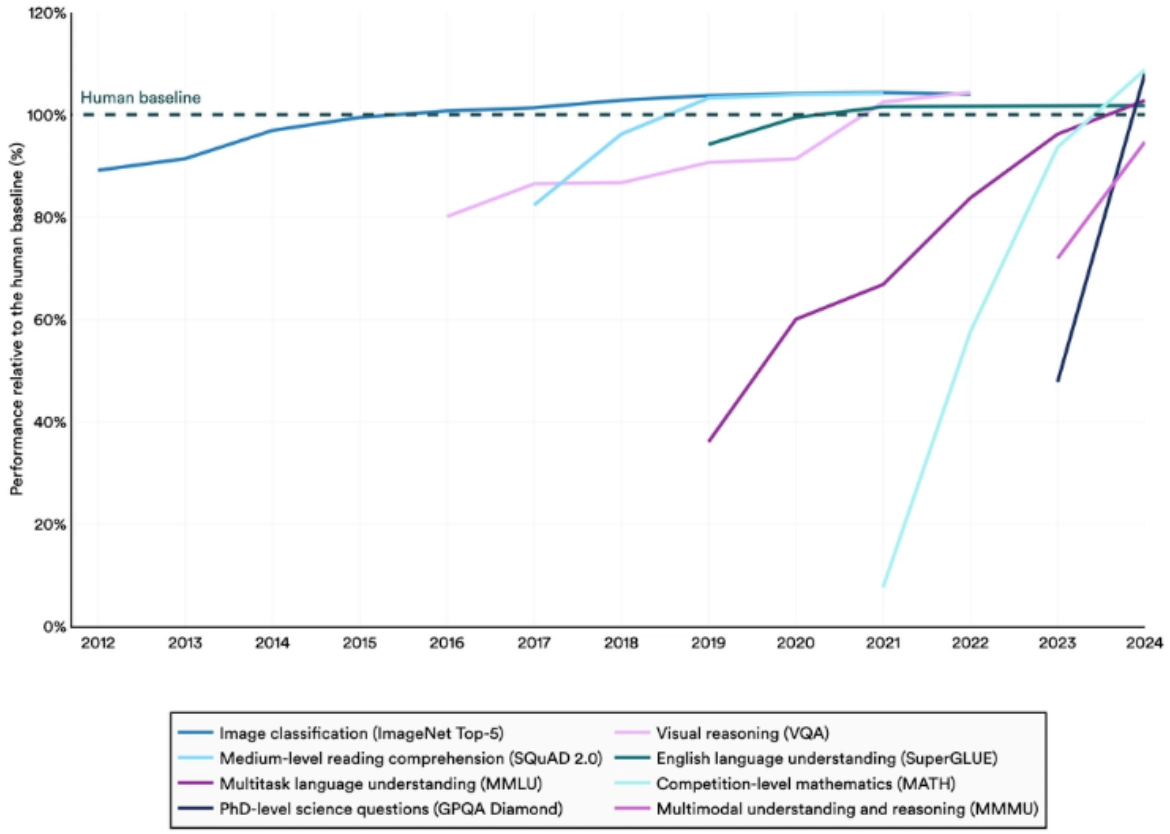
By Claire Jervis

When OpenAI first approached Microsoft for investment, following Musk's exit in 2018, the team showed Bill Gates a robotic hand that had learned to solve a Rubik's Cube through its own trial and error. Gates shrugged. Nor was he impressed by the company's documentary, 'Artificial Gamer', which showed an OpenAI agent defeating the World Champions of DOTA 2, a strategy-based video game.[1]

Gates saw AI's potential as a tool to support PhD-level research – not for playing childhood toys. The team finally won him over with a demonstration of GPT-2, which could just about summarise documents and answer questions. Microsoft invested $1 billion in OpenAI on the potential they saw in the GPT model – and so began the relentless march to harness the potential of AI in advanced research.[2]

Six years later, GPT-5 is lightyears ahead of the model presented to Gates. And in 2024, it crossed a seminal milestone – reaching human ability in solving PhD-level science questions. This could have massive implications across many areas of the economy. But one area which is especially ripe for AI-driven gains in advanced research is Healthcare.

Figure 1: Select AI Index technical performance benchmarks vs. human performance[3]

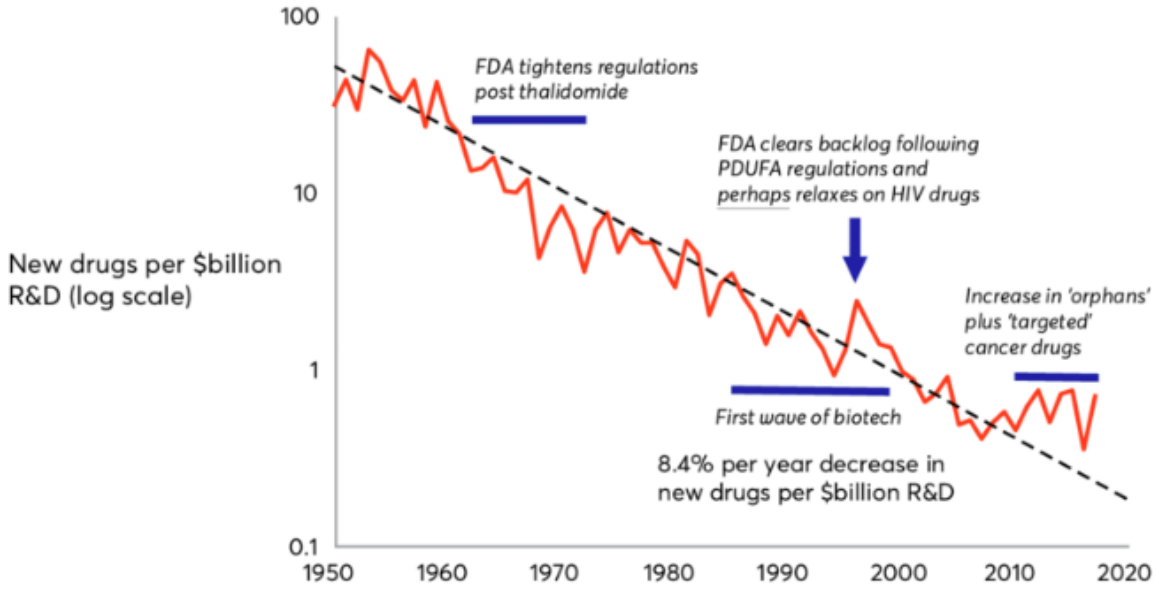


[1] https://www.artificialgamerfilm.com/
[2] A brilliant account of OpenAI's history can be found in Empire of AI, by Karen Hao of the MIT Technology Review.
[3] Stanford AI Index, https://hai.stanford.edu/ai-index/2025-ai-index-report

Research and Development (R&D) productivity in pharma has been in consistent decline

R&D costs for pharmaceutical pipelines have been steadily rising over the last 10 years, and productivity has been falling.[4] This is famously captured by 'Eroom's Law', the observation that the number of new molecules approved by the FDA per $bn in R&D spending has been in steady decline since the 1950s.

Figure 2: Eroom's Law: the number of new molecules approved by the FDA per $bn global R&D spending[5]



There is evidence that pharma companies are already beginning to adopt AI to solve this problem. The use cases we hear companies talk about the most relate to improvement of clinical trials – AI can enable better patient selection, trial design, and predictive modelling to reduce failures.

Meanwhile, a meta-study from this year finds evidence of big pharma using AI to speed up lead molecule and target identification, and using biodata to improve drugs' safety profiles.[6] However, due to the long lead times on new drug development (typically 10-15 years), and strict regulation, it may take time for us to see real evidence of this improving pharma innovation and R&D productivity.

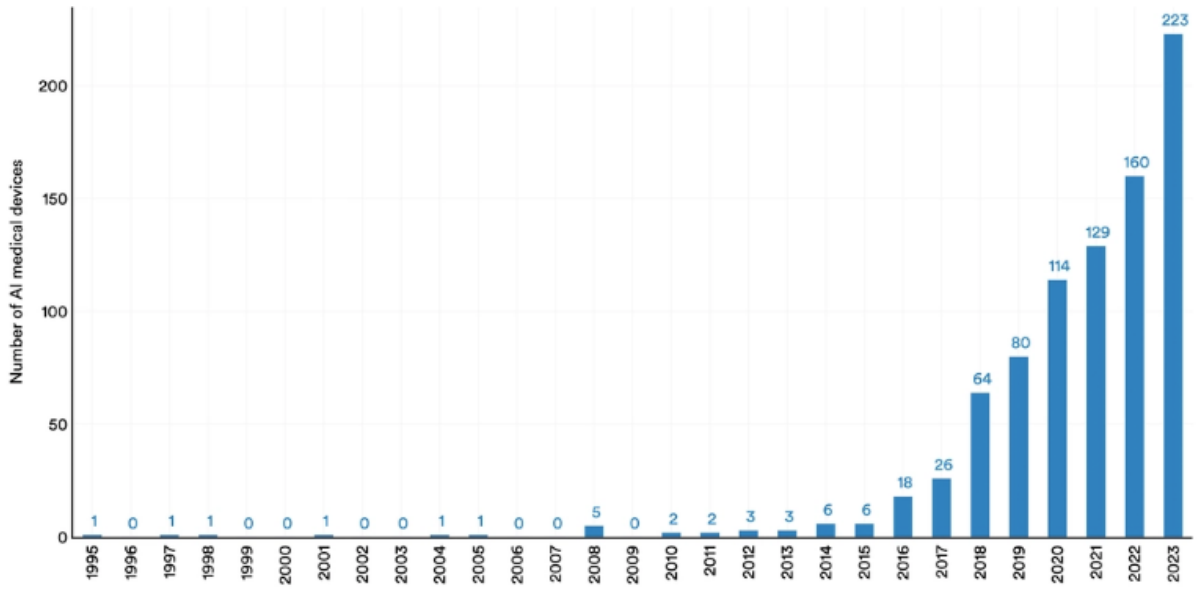
MedTech is at the forefront of R&D adoption in health care

Medical devices, or MedTech, are not burdened by the same wicked R&D environment as their peers in the pharma industry. A new medical device only takes around 3-7 years to reach approval in the US. The regulatory standard is also much lower – most medical devices can be approved on the basis of showing 'substantive equivalence' to another device on the market. When evaluating new devices, clinical trials can be considered a 'nice to have'.[7]

Applying AI to the development of medical devices therefore won't be as transformative for improving R&D productivity compared to pharma. But the lower regulatory burden means we can already see evidence of AI-augmented medical devices entering patient care regimes, and adoption of this technology could still have the potential to transform patient outcomes.

[4] https://www.deloitte.com/us/en/Industries/life-sciences-health-care/articles/measuring-return-from-pharmaceutical-innovation.html
[5] https://www.researchgate.net/figure/Erooms-law-the-number-of-new-molecules-approved-by-the-US-Food-and-Drug-Administration_fig4_326479089
[6] https://pubs.acs.org/doi/10.1021/acsomega.5c00549?utm_source=chatgpt.com
[7] https://www.fda.gov/medical-devices/premarket-submissions-selecting-and-preparing-correct-submission/premarket-notification-510k

Figure 3: Number of AI medical devices approved by the FDA, 1995-2023[8]

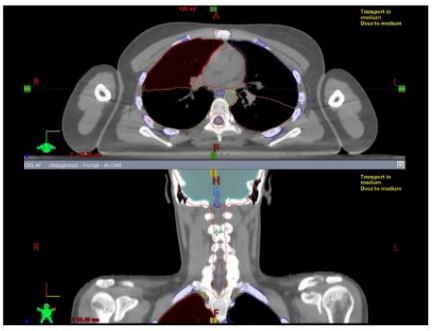


Siemens Healthineers is already using AI to improve cancer treatment

We are already seeing evidence of this in our portfolio. Siemens Healthineers is the global leader in imaging technology (like PET and CT scanners) and radiation oncology machines. They are at the forefront of leveraging AI to support early diagnosis, and better treatment, of diseases including cancer.

The FDA lists a raft of AI technologies, created by Siemens Healthineers, already approved for patient care.[9] One solution uses AI to provide automatic contouring of organs at risk of cancer. This has historically been a major bottleneck in radiation therapy planning as it is time-consuming for doctors, and errors are considered a high-risk part of the radiotherapy process.[10]

This is just one example of how MedTech companies are using AI to improve patient outcomes. We expect this will become increasingly prominent in patient care regimes, and as a competitive differentiator for companies.



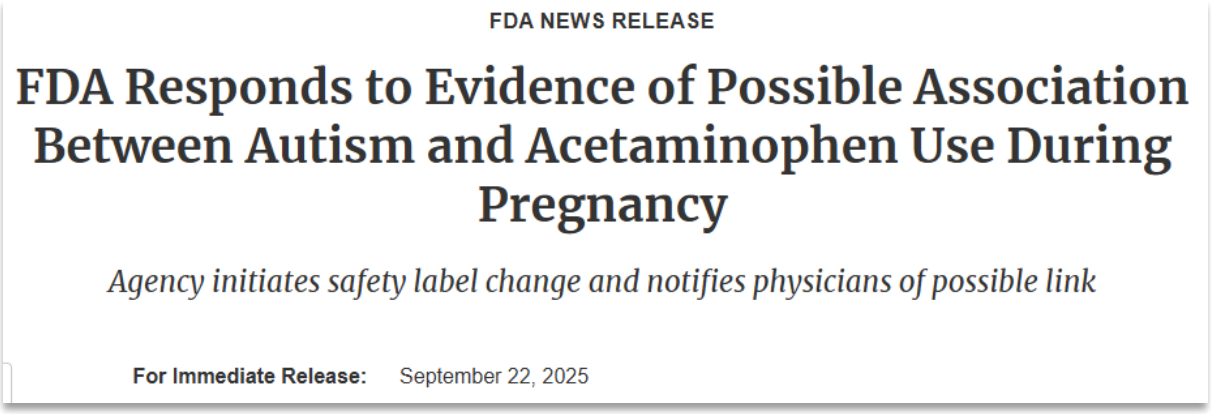
The risks posed by AI in health care innovation

While AI has the power to supercharge health care innovation and patient care, this is not without risk. Several studies have found that AI tools used by doctors may lead to poorer outcomes for women and ethnic minorities. AI tools have been seen to downplay the severity of female patients' symptoms. Large language models (LLMs) were

[8] https://hai.stanford.edu/ai-index/2025-ai-index-report
[9] https://www.fda.gov/medical-devices/software-medical-device-samd/artificial-intelligence-enabled-medical-devices
[10] https://www.siemens-healthineers.com/en-uk/radiotherapy/software-solutions/autocontouring

said to display 'less empathy' towards Black and Asian patients.[11] This is largely down to the fact that LLMs are trained on data that reflects pre-existing biases. There is empirical evidence that women and ethnic minorities are consistently underrepresented in clinical trials.[12]

While the problems highlighted by the studies above are harder to measure (downplaying severity, not displaying empathy), it is easy to imagine how gender and racial biases may have crept into AI training data. On gender, Naga Munchetty has compiled a tome of anecdotal evidence supporting the claim that doctors may not take female patients seriously.[13] It is the responsibility of health care companies and physicians to be aware of the biases that may exist in these tools – and the responsibility of tech companies to negate them. Most importantly, it is the responsibility of those in positions of power to safeguard objectivity in health care, and prevent biases and misinformation from entering training data in the first place.[14]



FDA NEWS RELEASE

FDA Responds to Evidence of Possible Association Between Autism and Acetaminophen Use During Pregnancy

Agency initiates safety label change and notifies physicians of possible link

For Immediate Release: September 22, 2025

World Health Organization | Health Topics | Countries | Newsroom | Emergencies

WHO statement on autism-related issues

24 September 2025 | Statement |Reading time: 2 min (502 words)

The World Health Organization (WHO) emphasizes that there is currently no conclusive scientific evidence confirming a possible link between autism and use of acetaminophen (also known as paracetamol) during pregnancy.

[11] https://www.ft.com/content/128ee880-acdb-42fb-8bc0-ea9b71ca11a8
[12] https://pmc.ncbi.nlm.nih.gov/articles/PMC10264921/ ; https://www.weforum.org/stories/2024/02/racial-bias-equity-future-of-healthcare-clinical-trial/
[13] https://www.amazon.co.uk/Its-Probably-Nothing-Critical-Conversations/dp/0008686572
[14] https://www.who.int/news/item/24-09-2025-who-statement-on-autism-related-issues ; https://www.fda.gov/news-events/press-announcements/fda-responds-evidence-possible-association-between-autism-and-acetaminophen-use-during-pregnancy

ENERGY SAVED IS ENERGY GENERATED

By Seb Beloe

Amory Lovins, the founder of think-tank the Rocky Mountain Institute (RMI) and adjunct professor at Stanford University, is fondly known as the 'Einstein of energy efficiency'.[15] Lovins, who bears more than a passing resemblance to the great German physicist, has spent his career advocating for the benefits of energy efficiency.

Lovins has been a life-long advocate of the old adage that 'energy saved is energy generated'. He popularised the concept of 'negawatts'. A term used to measure a unit of energy saved and equivalent to a megawatt of power generated.

In spite of Lovins' efforts, it is still renewables and other low carbon technologies that tend to garner the headlines. But every few decades or so, energy efficiency does briefly take its place in the sun. This happened most recently after Russia invaded Ukraine. This forced electricity prices across Europe to spike by over 200% in the immediate aftermath of the invasion and catalysed frantic efforts to save energy.[16] But for the most part, energy efficiency is the rather dull workhorse of the net zero transition. Laudable but unexciting.

The knock-on effects of AI

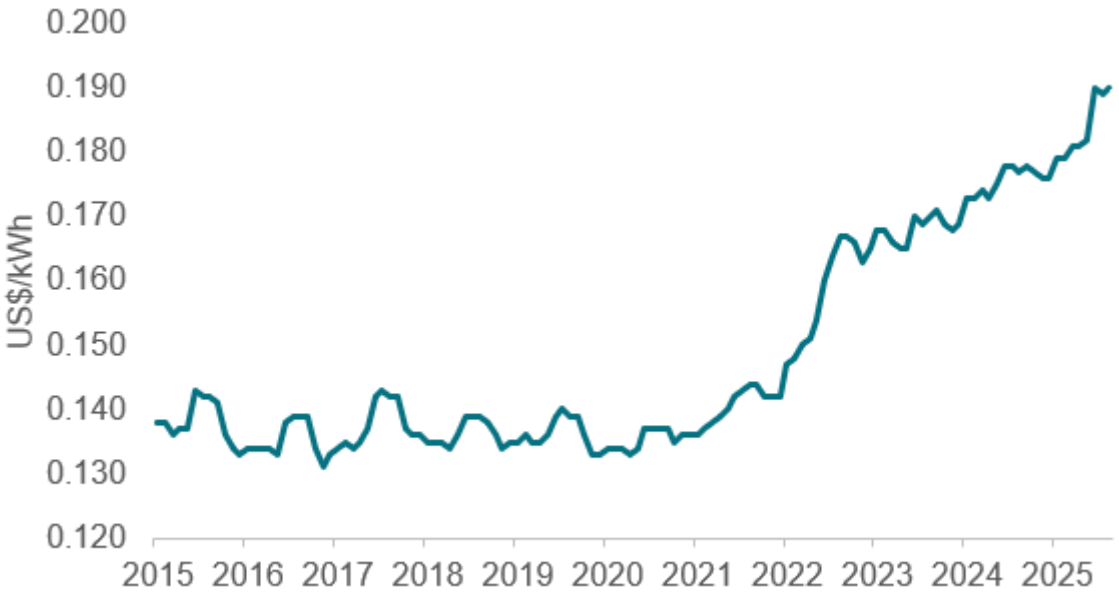
However, energy efficiency is due for another stint in the spotlight. This time the catalyst is the vast power consumption of data centres and other technology infrastructure that is powering the AI revolution. This has led to a dramatic increase in demand for power which has in turn driven an uptick in demand for everything from turbines to power transformers. Waiting times for large power transformers are now as long as four years and you won't get your hands on a new gas turbine until 2032, at the earliest.[17]

Hyperscalers are so desperate for power that they are even reputed to be considering Amory Lovins' old trick of looking for 'negawatts' by retrofitting homes and offices with heat pumps.[18] The idea is that the heat pumps improve the energy efficiency of these buildings and lower their power consumption. The spare capacity that is created can then be redeployed to power data centres.

The knock-on effect of all this demand has been to drive electricity prices higher. The average US city electricity price has increased more than 30% on average since 2020 and at almost double the rate of inflation in the past year (Figure 1). Increased power demand for AI is an important contributor to these price increases.

[15] https://rmi.org/people/amory-lovins/
[16] https://www.ecb.europa.eu/press/economic-bulletin/focus/2022/html/ecb.ebbox202204_01~68ef3c3dc6.en.html
[17] https://tinyurl.com/2wpnhsdv and https://tinyurl.com/2t7r3j3x
[18] https://www.volts.wtf/p/could-we-get-hyperscalers-to-buy

Figure 1: Average US city electricity price (2015-2025)[19]



Investing in energy efficiency

As electricity gets more expensive, the return on any investment in energy efficiency could improve. Resource Efficiency is typically one of the two largest thematic areas in the WHEB portfolio. Companies in this theme sell a range of products and services that enable higher levels of resource efficiency for their clients. For example, Trane Technologies provides a suite of efficient heating, ventilation and air conditioning (HVAC) products and services that improve energy use in buildings. Spirax Engineering and Rockwell Automation provide technologies that do the same thing but in manufacturing.

The role of semiconductors

A particular area of focus for the strategy in recent years has been the role that semiconductors play in improving the efficiency of products and of systems. Power Integrations, for example, sells semiconductors that dramatically reduce the power consumption of electrical devices. Silicon Laboratories sells semiconductor chips that allow devices to communicate with each other. This in turn enables huge efficiency gains in networks of devices, for example in automating power management in a network of water pumping stations or in a city's streetlights.

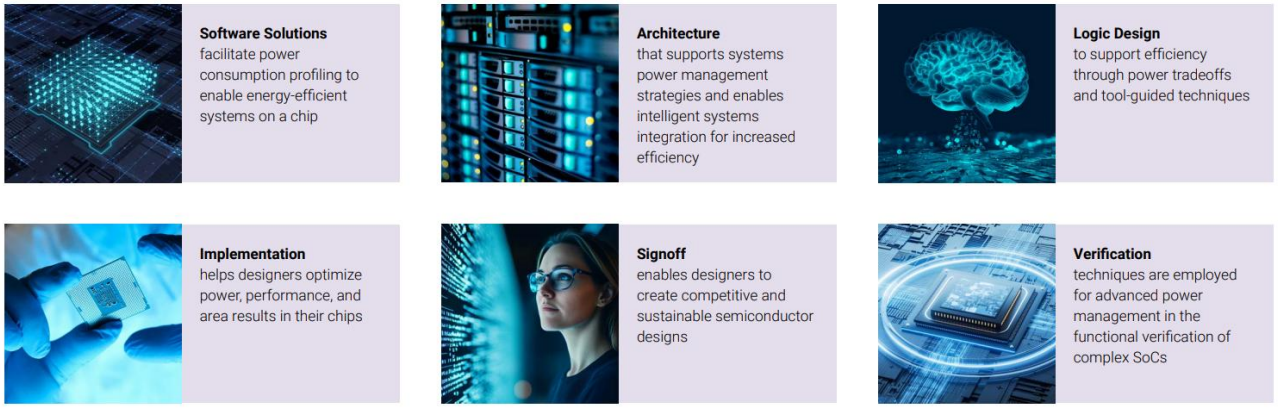
While these are some examples of semiconductor applications that help to improve energy and resource efficiency, the ubiquity of semiconductors has made the energy efficiency of these products themselves a focus of attention. This has been most evident in the ballooning energy demands of data centres, but also includes data networks, computers and other devices. Together they represent between 1-2% of global greenhouse emissions.[20] By some estimates at current growth rates this might be as much as 14% by 2040.[21] Our latest investment, in a business called Synopsys, takes direct aim at this issue by developing a variety of tools to improve the efficiency of semiconductors.

[19] Price data from the Federal Reserve Bank of St. Louis (accessible at https://fred.stlouisfed.org/series/APU000072610).
[20] https://ciandt.com/ca/en-ca/article/climate-crisis-and-technology-sector
[21] Ibid

WHEB's latest investment Synopsys Inc.

Synopsys is a global leader in electronic design automation (EDA) and develops tools and services to design, verify and manufacture integrated circuits, systems-on-chips (SoCs) and other electronic systems. Energy efficiency is a core part of the proposition offered by the company's design tools. These include tools for designing, testing and validating low power semiconductors as well as tools for reducing the amount of power needed for the design process itself. Several of their products help to reduce power usage in the design process by up to 50% and are delivering semiconductors with up to 30% improvements in power efficiency with each generation.[22] Their customers include major chip designers including AMD, Arm, Nvidia and Qualcomm as well as foundries and device designers.

Figure 2: Synopsys – Driving energy efficient through semiconductor design[23]



The scale of investment going into AI creates a real risk that the associated greenhouse gas emissions swamp reductions in emissions elsewhere. Improving the energy efficiency of the billions – and soon trillions - of semiconductor chips manufactured every year might still not garner the headlines, but the importance of this work couldn't be clearer.

[22] https://www.synopsys.com/
[23] https://www.synopsys.com/content/dam/synopsys/company/company-pdfs/synopsys-2024-responsiblebusiness-report.pdf

BEYOND THE NUMBERS: WHAT SELLING LINDE REALLY MEANS FOR OUR CLIMATE ENGAGEMENT

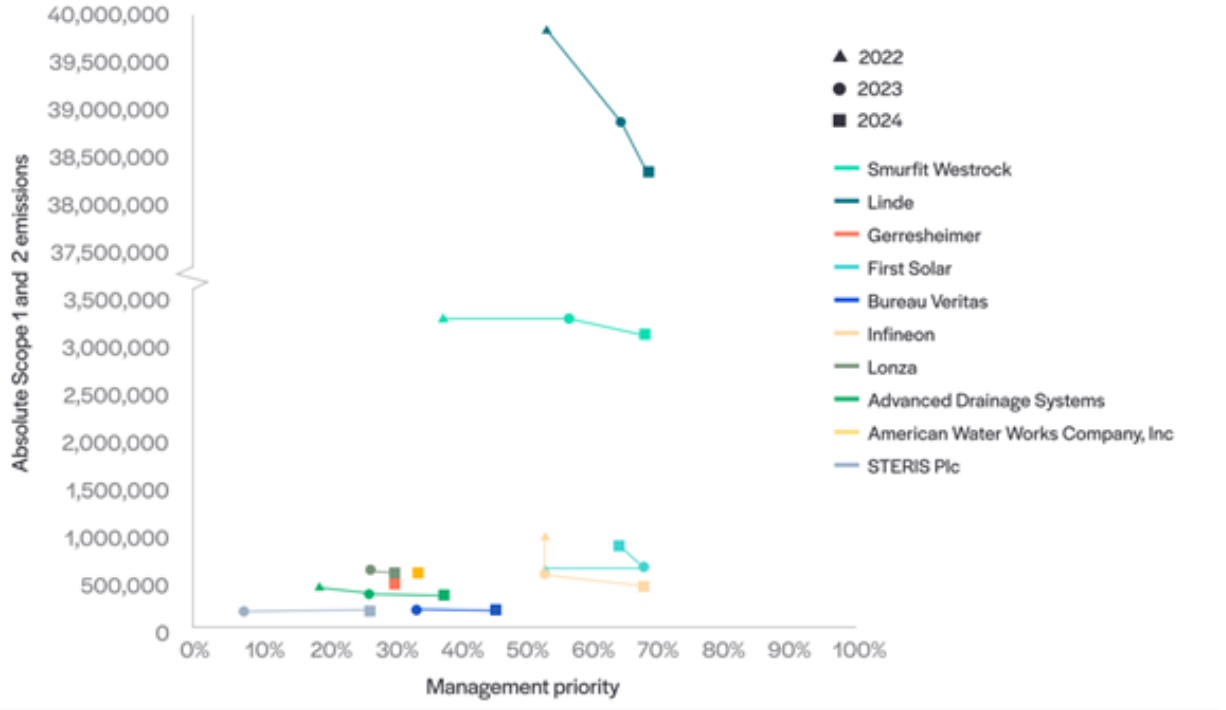
By Rachael Monteiro

This quarter we made the decision to sell the WHEB Strategy's position in Linde. Linde produces industrial gases which are used in a variety of applications that have a positive impact including healthcare, water treatment, as well as in improving energy efficiency in buildings and manufacturing processes.

However, for the period Linde was in the strategy it also represented a very significant proportion (25 -60%)[24] of our financed emissions (Figure 1). The company was therefore a priority for engagement to encourage a comprehensive approach to reducing these emissions.

In selling Linde, the portfolio's emissions have fallen sharply. But Linde's real-world emissions remain unchanged. So, where does this leave us in the context of our climate commitments and stewardship responsibilities? Does divestment undermine engagement goals? And can it still drive change?

Figure 1: Changes in Scope 1-2 emissions from the Funds' top emitters[25] (2022-2024)



[24] These figures are based on Scope 1 and 2 emissions allocated to WHEB in proportion to our ownership of Linde. Because Linde is a very large and carbon-intensive company, even a relatively small investment meant it accounted for a big share of the portfolio's financed emissions. A small change in portfolio weighting can therefore lead to a large swing in the percentage of financed emissions attributed to a single company. This is why Linde's contribution ranged from 25% to 60% over time.

[25] Top emitters defined as the ten portfolio companies with the highest financed Scope 1 and Scope 2 (market based) emissions. They are ranked in the legend in order of largest to smallest financed emissions.

A ‘fundamentals first’ decision

Financial fundamentals ultimately drove the decision to sell.

We were concerned about Linde’s ability to expand margins and its loss of share price momentum, though we continue to believe its core business delivers meaningful impact. Industrial gases will play an important role in healthcare as well as in decarbonising many downstream industries, especially in manufacturing.

The reporting paradox

Still, the production of industrial gases remains highly energy-intensive due to a reliance on fossil fuels. Given Linde’s outsized contribution to the Fund’s carbon profile, selling our position means that the Fund’s financed emissions at the end of Q3 2025 are now 38% lower than they were at the end of Q2[26].

This highlights a familiar tension between what the data shows and what happens in the real world. Financed portfolio emissions have fallen, but without a corresponding real-world impact. There’s a risk therefore that investors and their clients can end up celebrating an optical illusion.

This paradox is not unique to WHEB. It’s a reality faced by most equity investors where sell decisions made for fundamental reasons can have unintended, but superficially positive, reporting outcomes.

WHEB’s journey engaging Linde

Given its position as the portfolio’s largest emitter, Linde has been a key focus of WHEB’s climate engagement since we formalised net-zero carbon (NZC) commitments in 2019. Linde has since made meaningful progress against objectives set by WHEB and other investors to strengthen its climate strategy (shown by ‘Management priority’ in Figure 1). These included the creation of a Board-level sustainability committee, adoption of a Science Based Target initiative (SBTi)-validated NZC target, and a faster carbon reduction timetable.

More recently, we attended Linde’s 2025 AGM and had a constructive discussion with the board about accelerating the decarbonisation of its fossil-fuel-based air separation units (ASUs) and expanding renewable power purchase agreements (PPAs).

From an engagement perspective, selling our position in Linde felt premature. Progress was visible, but there was still much more to achieve.

Divestment: its role and limits

In stewardship, divestment is usually a last-resort escalation tool. Evidence suggests divestment often shifts ownership to less responsible investors, limiting its influence.[27]

But selling Linde was not an escalation, it was a decision based on fundamentals. Given the multi-year engagement and ongoing progress on exiting our investment, we wrote to Linde, explaining our position and thanking the company for over a decade of constructive dialogue, highlighting both achievements and areas for further action, including:

- Electrifying the company’s remaining fossil-fuel ASUs;
- Further expanding renewable PPAs;
- Developing blue and green hydrogen markets; and,
- Aligning public policy activities with climate goals.

Although this sale ends our direct engagement, Linde remains in our investment universe. We continue to support collaborative initiatives like the IIGCC Net Zero Engagement Initiative and ShareAction’s Chemicals

[26] Source: Net Purpose

[27] https://scholar.harvard.edu/files/hart/files/exit_vs_voice_dec2022.pdf

Decarbonisation Working Group.

It's worth noting that we still believe divestment, when used thoughtfully, has its place in engagement. Our exit from Daikin, following its involvement in white phosphorus weapons, helped reinforce broader investor pressure that ultimately led the company to end this activity.

Wait - but what about the reporting paradox?

Linde accounted for 33% of financed emissions and 68% of absolute company-level emissions at the time of sale.[28] Its removal materially improves our reported performance year-on-year but, without any corresponding reduction in atmospheric emissions.

This illustrates a core challenge in climate reporting. Our NZC reporting attempts to overcome this by using both financed emissions to guide engagement[29] and absolute company emissions to track progress[30]. Together, they ensure our influence is targeted where it can drive meaningful change.

Looking ahead: commitments and engagement

Despite selling Linde, we continue to exceed NZC Target 1 and remain on track for Target 2 (Figure 2):

- 94% of financed emissions are now covered by a net zero commitment
- 91% by SBTi-validated carbon reduction target

Figure 2: FP WHEB Sustainability Impact Fund net-zero carbon (NZC) targets and progress as of June 2025.

	Target	Target year	Progress
1.	85% of financed Scope 1 and 2 emissions covered by a NZC target of 2050 or sooner	2025	Target exceeded
2.	100% of financed Scope 1 and 2 emissions covered by a NZC target of 2050 or sooner	2028	On-track
3.	15% reduction in absolute portfolio emissions (compared to a 2019 baseline)	2025	Ahead of target
4.	7.6% portfolio company-level absolute reductions year-on-year	2030	Behind target
5.	50% reduction in portfolio carbon emissions (compared to a 2019 baseline)	2030	Ahead of target
6.	100% reduction in portfolio carbon emissions (compared to a 2019 baseline)	2050	Ahead of target

The reshaped top 10 emitters now account for 90% of financed emissions. Of these, only American Water Works, which replaces Linde in the top 10 emitters, lacks an SBTi-validated NZC target. This will likely be an engagement

[28] Source: Net Purpose

[29] **Financed emissions:** A company's Scope 1 and 2 emissions, allocated to investors based on ownership share. This highlights which holdings most affect the portfolio's carbon footprint and where engagement can be most effective.

[30] **Absolute emissions:** The total Scope 1 and 2 emissions a company produces, regardless of ownership. This shows the company's real-world climate impact and progress on decarbonisation.

priority going forward as we focus on real-world decarbonisation.

Conclusion

Effective climate stewardship is about more than presenting numbers that tell the story we might want to hear. It's about driving real, lasting decarbonisation that reduces risk and makes our investments more resilient. It also means being honest in how we report progress and clear about how divestment fits alongside engagement as part of a thoughtful, principles-based approach.

Selling Linde doesn't mark the end of our climate engagement journey. Rather, it opens the door to new ones as we renew our focus on the top emitters in the portfolio to help move the needle on real-world emissions.

PERFORMANCE COMMENTARY

Market review

News flow in the third quarter of 2025 was again dominated by major trade and policy moves by the Trump administration in the US. Many of these were unsupportive to solving sustainability challenges, and present headwinds to impact investing.

However, the pace of policy changes slowed compared to the second quarter, and many of them are now better understood and expected by the market. In particular, slowly easing trade tensions, and expectations of reducing interest rates, helped to buoy equity markets. Overall, it was a strongly positive quarter for equities, with the MSCI World Index (AUD) up +6.1%.

Meanwhile, excitement around artificial intelligence ("AI") continues to drive strong growth in technology stocks, and in particular the small number of very large "mega cap" technology stocks leading the field. These stocks lead developed markets, with Information Technology and Communication Services being the top-performing sectors.[31] The sustainability case for AI is still unproven, and these stocks are not growing because of it, but other companies are starting to use AI tools for sustainability purposes.

Elsewhere in the quarter, Chinese equities enjoyed something of a mini-boom, rallying strongly on the promise of reduced trade tensions, and a rebalancing of the domestic economy. Other emerging economies were also relatively strong.

There were important impact developments on both the social and environmental themes that the strategy invests in. Healthcare continues to face multiple headwinds. These include US government moves against academic and research institutions,[32] including universities, and pressure to equalise drug prices between the US and the rest of the world.

There were also several pronouncements from the Health and Human Services Secretary, Robert F. Kennedy Junior, and President Trump himself, which have shaken investor confidence in the scientific process for the approval of therapies - most notably, probably, the two men linking paracetamol use in pregnancy to autism, in a press conference in September.[33]

On the environmental side, the certainty provided by the passage of the "One Big Beautiful Bill" through the US legislature at the start of the quarter, prompted a relief rally in Cleaner Energy stocks, despite the Bill heavily reducing support for the sector.

Otherwise, the trade deal signed between the EU and the US in July was unhelpful for achieving the EU's ambitious climate targets. The quarter also saw further setbacks in the fight for supportive environmental policies, including policy changes at bodies such as the US Environmental Protection Agency, and a significant attempt by the US Department of Energy to undermine established climate science.[34]

Performance review

The delivered positive returns in the quarter of +3.0%, despite not matching the very strong growth of the technology sector, and the overall market. All of our themes contributed positively.

The strongest positive contribution came from the Health theme. Despite the headwinds outlined above, many of the companies in the theme reported resilient performance in the second quarter earnings season in July and

[31] MSCI; FactSet
[32] Trump administration widens Harvard rift with student aid, civil rights actions - POLITICO
[33] Trump makes unproven claims linking autism to Tylenol use by pregnant women - BBC News
[34] Climate scientists find errors in a new DOE climate report: NPR

August. Their management teams were keen to point out the recurring nature of much of their revenue, and the underlying growth of their markets.

This led to a share price recovery after the weakness of the second quarter. Key stocks fitting this pattern included life science tools company **Thermo Fisher**, contract research firm **ICON**, and drug company **AstraZeneca**.

Despite being a smaller theme, Cleaner Energy was the second strongest contributor. US solar industry stalwarts **First Solar** and **NEXTracker** rose strongly after the passage of the One Big Beautiful Bill clarified the rules around development.

The Sustainable Transport theme was also strong, led by the quarter's standout single stock performer, **TE Connectivity (TE)**. In addition to resilient automotive performance, TE has a range of datacentre products currently experiencing rapid growth.

The weakest thematic contributor was Environmental Services. UK sustainability specialist chemicals company **Croda** was notably weak as its margin turnaround is taking longer than expected. **Smurfit Westrock,** the recently-combined global paper and packaging giant, also struggled on weakening demand in the Americas.

Outlook

Further strong performance from a very small number of very large technology stocks has again highlighted the extreme concentration of global equity markets at the moment. Historically, such concentration has always unwound, and often with a general market reset at the same time. Despite the huge promise of artificial intelligence, there isn't a strong reason to believe that this time will be different.

Sustainability sectors, meanwhile, remain in the doldrums, with heavily discounted valuations and little investor interest. We continue to anticipate that the negative news flow will slow and eventually reverse. Already in the third quarter of 2025, the pace of surprising and disruptive moves by the Trump administration is slowing, and new ways of adjusting to unpredictable rulings are emerging. Before long, this may result in improving economic confidence, including in the long-term investments need to tackle sustainability challenges.

In the meantime, the ongoing resilience of the companies themselves demonstrates the long-term attraction of investing in these areas. Moreover, the sustainability challenges they address continue to worsen and become more visible to communities, companies and policymakers. When the response becomes more urgent, our companies are positioned to benefit.

PORTFOLIO ACTIVITY

We initiated two new positions and exited four positions in the fund during the quarter.

Purchases

We initiated a position in **Verra Mobility** in our Sustainable Transport theme. Verra Mobility is a leading provider of smart mobility technology across tolling, automated enforcement, and parking solutions, helping cities and fleets operate more safely and efficiently.

Verra Mobility has an attractive business model, supported by recurring contracts and long-term partnerships with municipalities and commercial operators. Momentum in public investment and legislation supporting traffic safety provides a favourable backdrop for continued expansion.

While near-term results have been affected by softer traffic volumes, the stock trades at an attractive valuation relative to its market position and earnings quality. We see long-term growth supported by the rising adoption of automated enforcement, the shift toward cashless mobility, and investment in smart city infrastructure.

We initiated a position in **Synopsys** in our Resource Efficiency theme. Synopsys is a global leader in electronic design automation (EDA) and semiconductor intellectual property (IP), serving critical functions across chip design, verification, and security.

Synopsys sits at the heart of the semiconductor value chain, with structural demand driven by artificial intelligence, automotive, and hyperscale computing. Its software is deeply embedded across design cycles, creating high switching costs and resilient recurring revenue.

Recent weakness in broader semiconductor sentiment has provided a favourable entry point. With strong visibility into multi-year design contracts and exposure to long-term silicon innovation, Synopsys offers a compelling combination of defensiveness and secular growth.

Sales

We exited our position in **Advanced Drainage Systems**, a provider of stormwater and wastewater solutions that had driven a compelling conversion story through the use of recycled plastics from concrete applications.

The stock performed well during our nearly six-year holding period, supported by rising demand due to increasing extreme weather events. It's also benefitted from a strong competitive position and tailwinds from low interest rates stimulating construction activity. However, both have recently come under pressure. Rising competition has led to price cuts, weighing on margins and signaling potential market share loss.

Meanwhile, momentum behind the conversion story has slowed, particularly among public agencies, where adoption barriers remain high. With the US construction cycle turning down and competitive risks rising, we think the risks as skewed to the downside for Advanced Drainage.

We exited our position in **Lantheus**, a leading radiopharmaceutical company offering diagnostics and therapies for early detection of cancer, cardiovascular, and neurological diseases.

Following a reassessment of its growth outlook, our conviction weakened. The company's key product, PYLARIFY, used in prostate cancer imaging, has faced unexpected pricing pressure, with competitive discounting prompting

contract renegotiations and revenue erosion. While management remains optimistic and is investing in pipeline expansion and acquisitions, these initiatives are longer-term and carry execution risk.

Recent guidance cuts and reduced earnings visibility have increased near-term uncertainty. Given the elevated risk and limited upside, we chose to exit and reallocate capital to opportunities with stronger fundamentals and clearer growth trajectories.

We exited our position in **CSL**, a global biotechnology company specialising in plasma therapies, influenza vaccines, and treatments for iron deficiency and kidney diseases.

CSL has been a long-standing holding in our fund, supported by its robust plasma therapies business and compelling impact case in treating rare diseases. However, in recent years, concerns have emerged around the company's ability to sustain its pace of innovation. CSL appears to be facing headwinds that are constraining its capacity to deliver breakthrough products as rapidly as it once did.

This has been reflected in a rising number of clinical trial setbacks, with a higher proportion of failures compared to historical norms over the past four years, a trend that has eroded its competitive position. Further compounding these concerns, the recent announcement of a demerger involving its leading influenza vaccine business, Seqirus, undermined our investment thesis.

Taken together, these developments led us to exit one of our longest-held positions.

We also exited another very long-held position, in **Linde** (formerly Praxair), a global leader in industrial gases and engineering solutions serving sectors such as healthcare, manufacturing, chemicals, and clean energy.

Linde has been a standout performer in the portfolio, delivering strong margin expansion through disciplined execution, strategic integration following the merger between Praxair and Linde, and effective pricing strategies.

Looking ahead, we see limited scope for further margin improvement. While recognising its strong track record, we exited our position in favour of opportunities with a more compelling forward outlook.

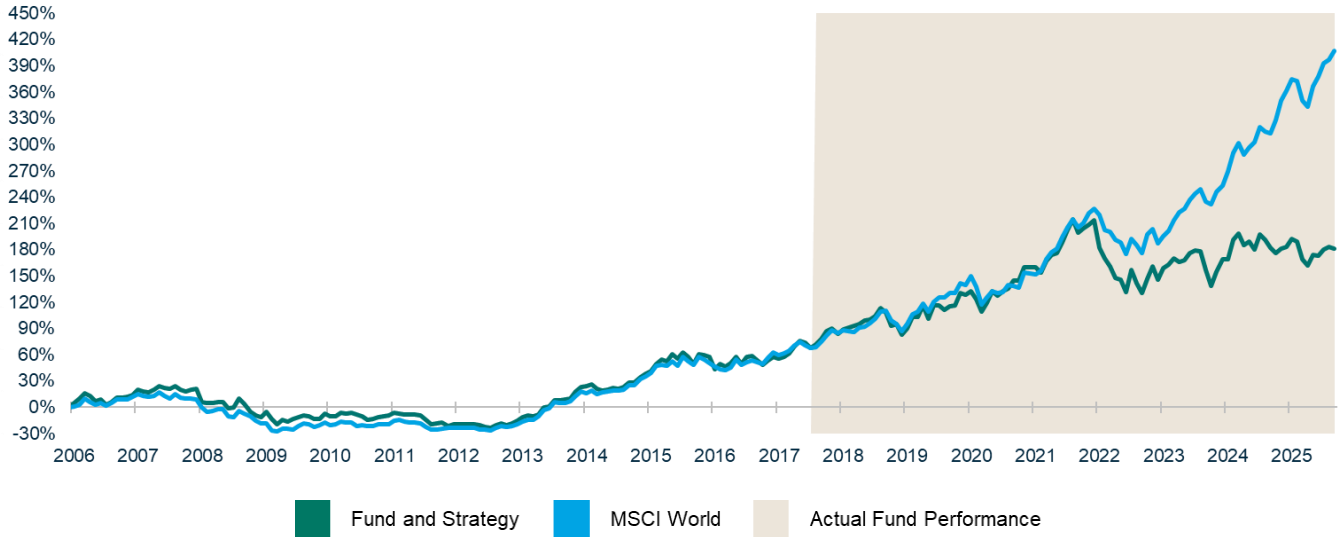
INVESTMENT PERFORMANCE

Cumulative Investment Returns

Net performance for periods ending 30 September 2025 (%)

	3 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Fund	3.0	-0.1	6.9	2.9	5.4
Strategy (partial simulation)[35]					
MSCI World[36]	6.1	22.8	22.5	16.2	8.6

Performance Since Strategy Inception

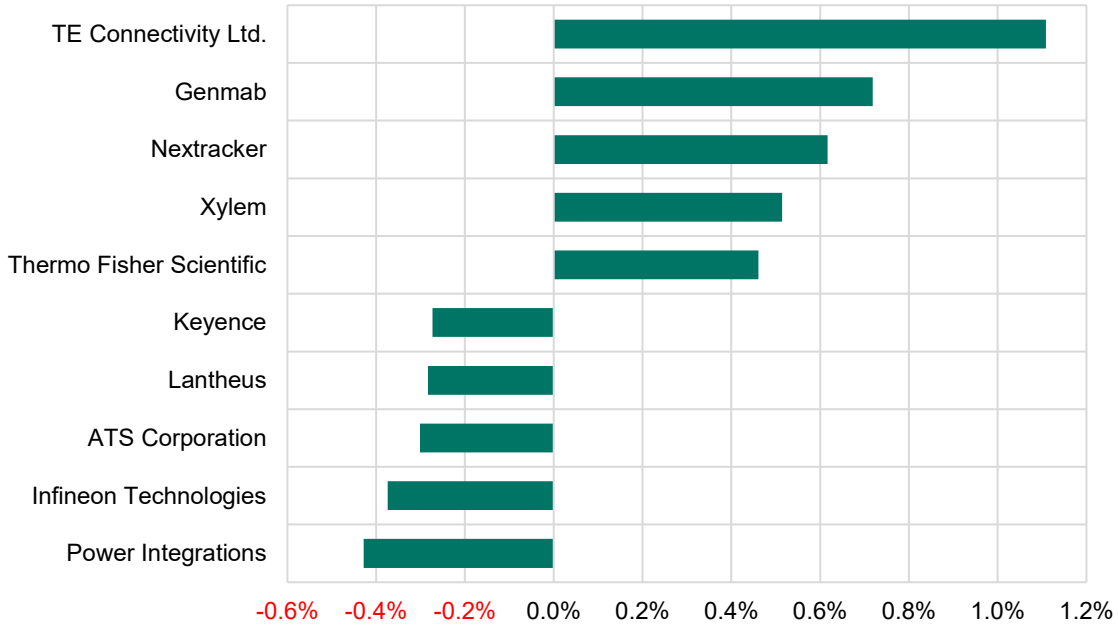


[35] From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns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

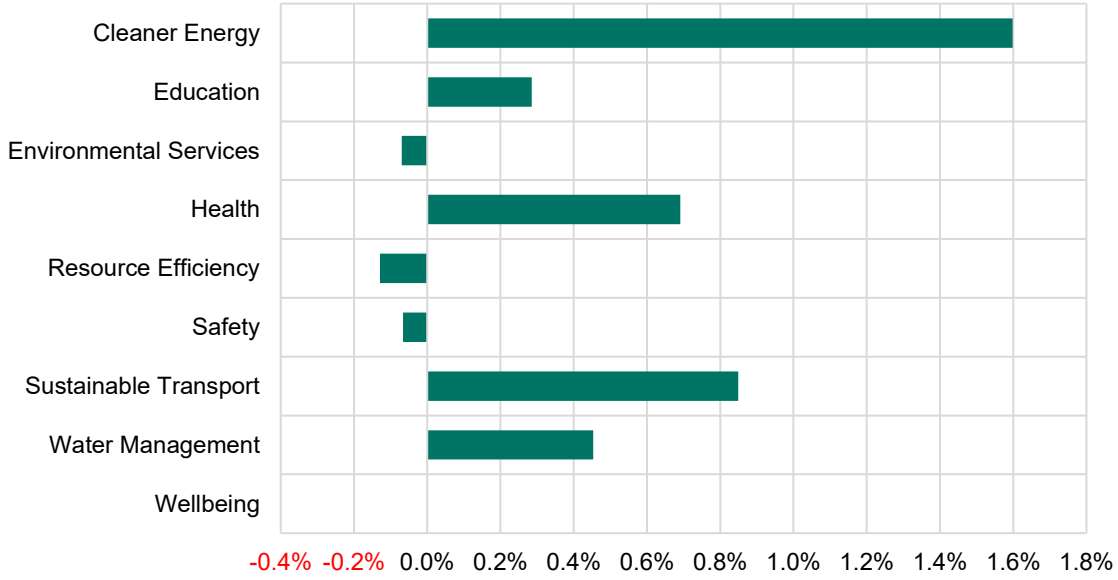
[36] MSCI World Total Return Index (net, AUD unhedged).

Quarterly Performance

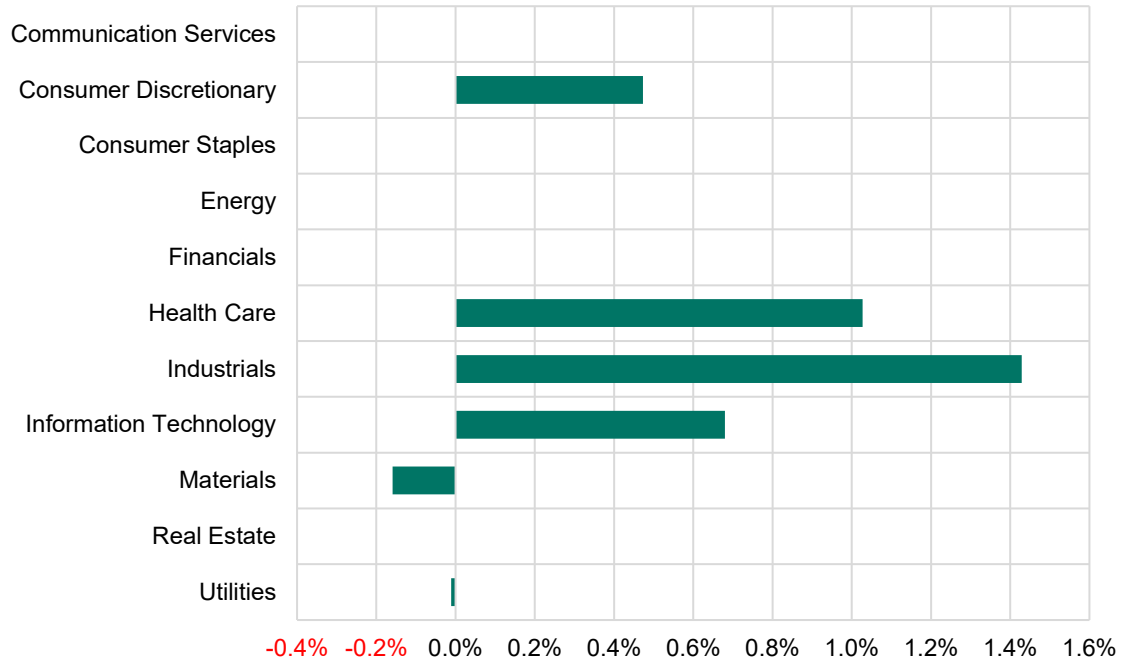
Contribution to Return by Stock (Top 5 & Bottom 5)



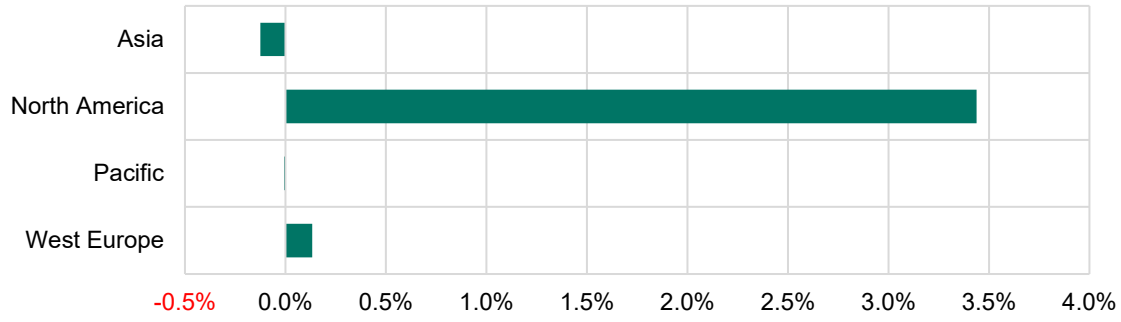
Contribution to Return by Sustainability Theme



Contribution to Return by Sector

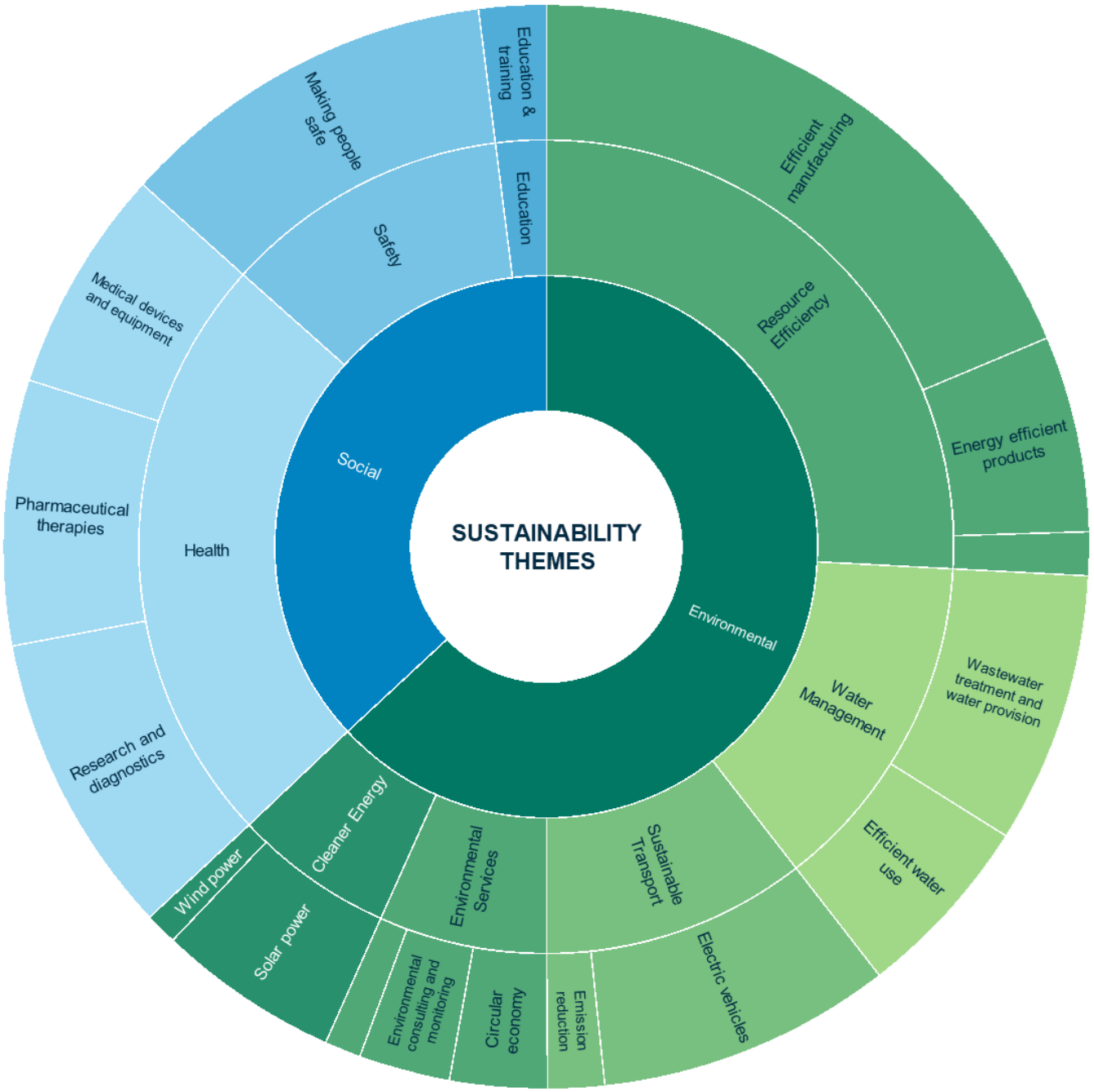


Contribution to Return by Geography

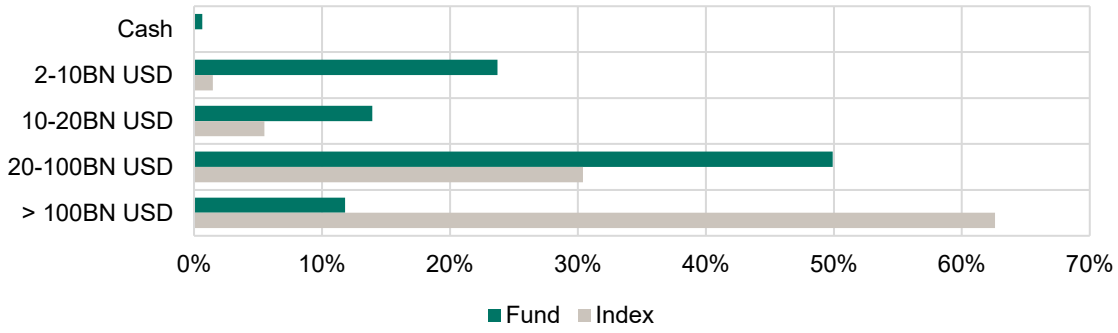


PORTFOLIO ANALYSIS AND POSITIONING OF STRATEGY

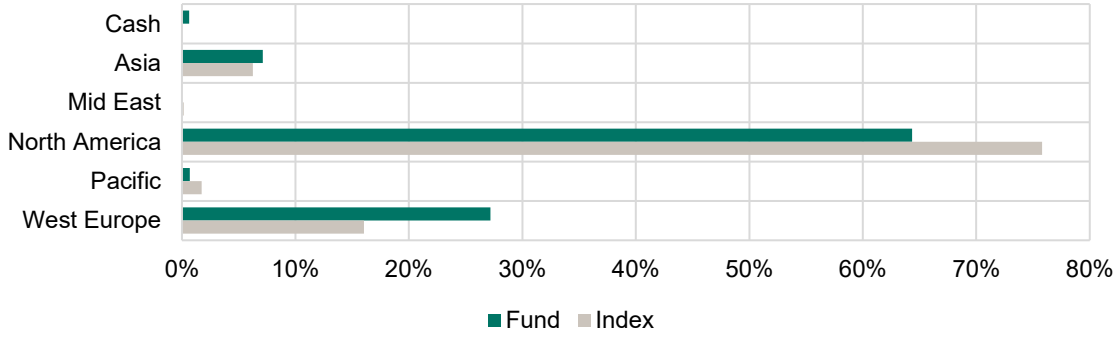
Exposure by Sustainability Theme



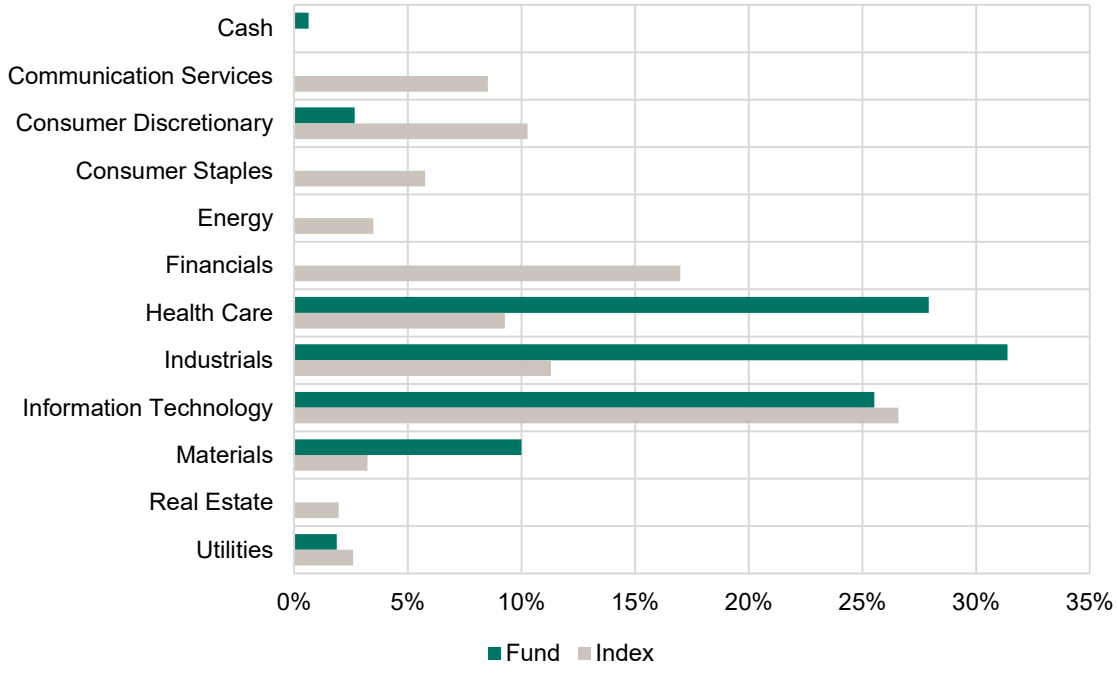
Exposure by Market Capitalisation



Exposure by Region



Exposure by Sector



Largest 10 Positions

Name	Sustainable Investment Theme	Description
Autodesk	Resource Efficiency	Efficient manufacturing
Bureau Veritas	Safety	Making people safe
Ecolab	Water Management	Efficient water use
Infineon Technologies	Sustainable Transport	Electric vehicles
Keyence Corporation	Resource Efficiency	Efficient manufacturing
MSA Safety	Safety	Making people safe
STERIS	Safety	Making people safe
TE Connectivity	Sustainable Transport	Electric vehicles
Trimble	Resource Efficiency	Efficient manufacturing
Xylem	Water Management	Wastewater treatment and water provision

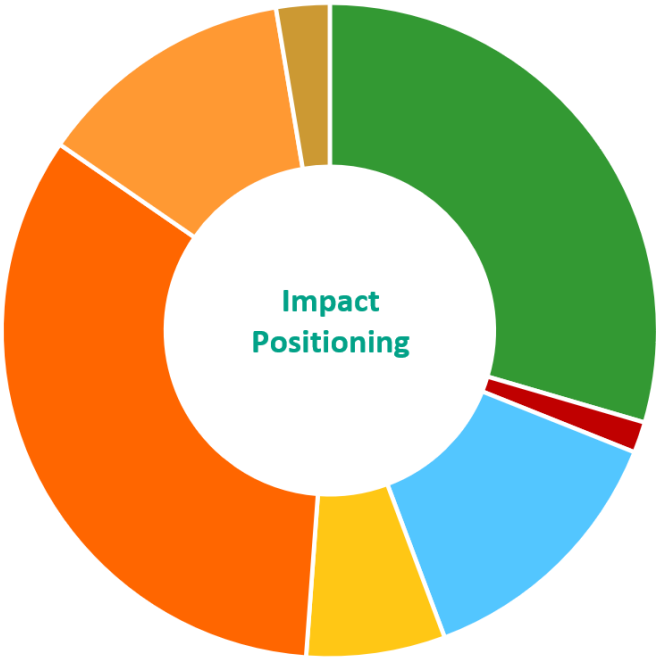
Strategy Characteristics

	WHEB	MSCI
FY1 Price/Earnings (PE)	29.10	24.60
FY2 Earnings Growth	31.64	62.35
FY1 PE/FY2 Earnings Growth (PEG)	1.48	1.76
3-year Volatility	14.01	12.77
Beta (predicted)		0.93
1-year Tracking Error (predicted)		6.92
5-year Tracking Error (ex-post)		10.39

Trading Activity – Significant Portfolio Changes

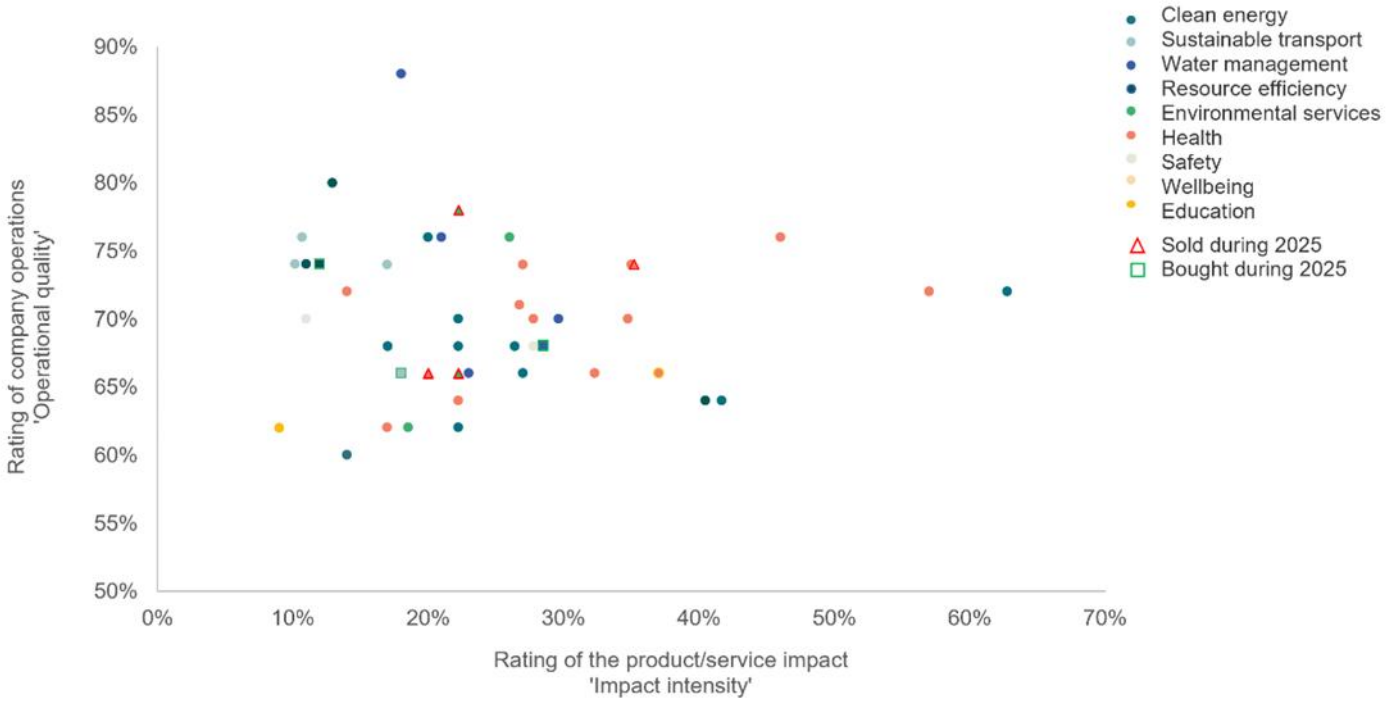
Stock Name	Purchase or sale	Theme	Brief description or sale rationale
Lantheus	Health	Sale	Exited Lantheus due to its weakened growth outlook, driven by unexpected pricing pressure on PYLARIFY, and increased uncertainty after guidance cuts.
Advanced Drainage Systems	Environmental Services	Sale	Advanced Drainage Systems losing market share in competitive environment, alongside weak construction market.
Verra Mobility	Sustainable Transport	Purchase	Leader in toll payments and road safety applications, set to benefit from investment in smart infrastructure and growing demands for traffic safety.
Synopsys	Resource Efficiency	Purchase	A leading provider of semiconductor design and simulation software, well-positioned to capture market share in a rapidly evolving industry driven by complex designs and the rise of AI applications.
CSL	Health	Sale	There was a thesis break as CSL sold its influenza vaccine unit, Seqirus. Paired with poor R&D returns prompted us to sell.
Linde	Environmental Services	Sale	We see limited further upside. After a period of strong operating margin improvement, the pace of gains is likely to moderate from here.

Impact Positioning: Supporting the UN Sustainable Development Goals[37]



- 29% in health & well-being
- 2% in education
- 13% in clean water & sanitation
- 7% in affordable & clean energy
- 33% in industry, innovation & infrastructure
- 13% in sustainable cities & communities
- 3% in responsible consumption & production

Impact Map of the strategy's portfolio following quarterly changes[38]



[37] 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.
[38] As above.

ESG profile of WHEB's investment strategy[39]

[39] Source: Impact Cubed.

Quarterly ESG performance[40]

Measure	WHEB Strategy	Proportion reported	MSCI world
Carbon intensity (scope 1 and 2)	51.6 tCO2e/£1m of revenue	93%	136 tCO2e/£1m of revenue
Scope 3 carbon efficiency	1,527 tCO2e/£1m of revenue	81%	1,328 tCO2e/£1m of revenue
Waste efficiency	9.3 tonnes / £1m of revenue	76%	432 tonnes / £1m of revenue
Water efficiency	3.8 thousand m3 of fresh water/£1m of revenue	72%	14 thousand m3 of fresh water/£1m of revenue
Gender equality	31% of board and top management positions are occupied by women	100%	31% of board and top management positions are occupied by women
Executive pay	144x – ratio of executive pay to employee pay	87%	725x - ratio of executive pay to employee pay
Board Independence	73% of board members are independent	100%	80% of board members are independent
Environmental good	39% of portfolio invested in environmental solutions	100%	13% of portfolio invested in environmental solutions
Social good	25% of portfolio allocated to help alleviate social issues	100%	11% of portfolio allocated to help alleviate social issues
Avoiding environmental harm	<1% of portfolio in industries that aggravate social issues	100%	6% 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	$55,400 – median income of portfolio-weighted area of economic activity	100%	$57,900 – median income of portfolio-weighted geography of economic activity
Avoiding water scarcity	2.4 – geographic water use	100%	2.5 – geographic water use
Employment	4.3% - unemployment in portfolio-weighted area of economic activity	100%	4.24% - unemployment in portfolio-weighted area of economic activity
Tax gap	3.58% - estimated % of tax avoided by corporate tax mitigation schemes	100%	3.91% - estimated % of tax avoided by corporate tax mitigation schemes

[40] Source: Impact Cubed.

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/

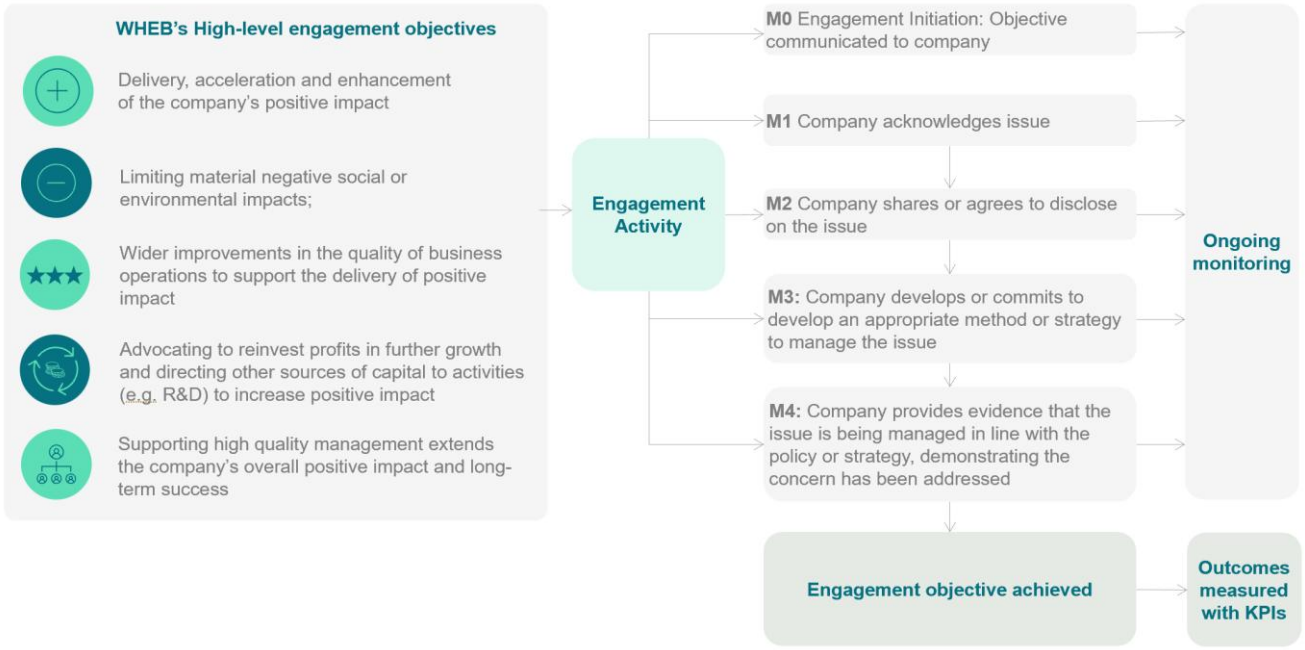
Meetings	No. of meetings	%
# votable meetings	7	
# meetings at which votes were cast	7	100%
# meetings at which we voted against management or abstained	5	71%

Resolutions	No. of resolutions	%
# votes cast with management	56	75%
# votes cast against mgmt. or abstained (see list in appendix)	19	25%
# resolutions where votes were withheld	2	3%

Company Engagement

Engagement Summary	Count	%
# Companies engaged	8	
# Engagements	21	
# Milestone 0 – company does not acknowledge issue	9	43%
# Milestone 1 – company acknowledges issue	5	24%
# Milestone 2 – company shares or agrees to disclose information on the issue	3	14%
# Milestone 3 – company develops or commits to developing an appropriate policy or strategy to manage the issue	4	19%
# 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	WHEB's High-Level Objective	Company Objective	Method	Milestone
Advanced Drainage Systems, Inc.	Auditor Independence/Tenure	Supporting high quality management extends the company's overall positive impact and long-term success	Rotate auditor (tenure currently > 20 years)	Vote/AGM Letter	0
	Director Independence/ Overboarding	Supporting high quality management extends the company's overall positive impact and long-term success	Rotate Director (tenure >10 years)	Vote/AGM Letter	0
	Committee Independence	Supporting high quality management extends the company's overall positive impact and long-term success	Rotate Director (tenure >10 years)	Vote/AGM Letter	0
	Diversity - Gender	Supporting high quality management extends the company's overall positive impact and long-term success	Increase gender diversity on the board and within the business.	Vote/AGM Letter	0
	Remuneration - Sustainability/ ESG metrics	Wider improvements in the quality of business operations to support the delivery of positive impact	To include sustainability objectives within your compensation KPIs.	Vote/AGM Letter	0
Autodesk, Inc.	Auditor Independence/Tenure	Supporting high quality management extends the company's overall positive impact and long-term success	Rotate auditor	Call	2
	Remuneration - Sustainability/ ESG metrics	Wider improvements in the quality of business operations to support the delivery of positive impact	To include sustainability objectives within compensation KPIs.	Call	3

	Remuneration - Excessive Pay	Wider improvements in the quality of business operations to support the delivery of positive impact	Challenge executive pay exceeding 100× median employee salary, unless clearly justified by exceptional circumstances.	Call	1
First Solar, Inc.	Carbon - Net Zero Target/Strategy	Limiting material negative social or environmental impacts	Progress on reducing scope 1-2 emissions	Collaborative/Group	1
	Employee/Worker Rights	Limiting material negative social or environmental impacts	Improved details of how the company manages hazardous chemicals More details on recycling effectiveness	Collaborative/Group	1
Kurita Water Industries	Diversity - Gender	Supporting high quality management extends the company's overall positive impact and long-term success	Increase gender diversity on the board and within the business.	Vote/AGM Letter	2
	Board Independence	Supporting high quality management extends the company's overall positive impact and long-term success	Improve board independence by addressing lack of director independence	Vote/AGM Letter	2
Linde plc	Carbon - Net Zero Target/Strategy	Limiting material negative social or environmental impacts	Letter explaining our decision to sell our position in Linde (for non-engagement reasons)	Formal Letter	1
	Carbon - Net Zero Target/Strategy	Limiting material negative social or environmental impacts	Question to board about accelerating the decarbonisation of its fossil-fuel-based air separation units (ASUs) and expanding renewable power purchase agreements (PPAs).	AGM attendance	3
Nextracker Inc.	Remuneration - Sustainability/ ESG metrics	Wider improvements in the quality of business operations to support the delivery of positive impact	To include sustainability objectives within compensation KPIs.	Vote/AGM Letter	3
	Remuneration - Excessive Pay	Wider improvements in the quality of business operations to support the delivery of positive impact	Challenge executive pay exceeding 100× median employee salary, unless clearly justified by exceptional circumstances.	Vote/AGM Letter	1
	Director Independence/ Overboarding	Supporting high quality management extends the company's overall positive impact and long-term success	Director to reduce number of board positions	Vote/AGM Letter	0
	Diversity - Gender	Supporting high quality management extends the company's overall positive impact and long-term success	Applaud recent improvements in board level gender diversity	Vote/AGM Letter	0
Schneider Electric	Carbon - Net Zero Target/Strategy	Delivery, acceleration and enhancement of the company's positive impact	Seek clarity on Infineon's net-zero ambition across scopes, offsetting strategy, final steps to 2030 carbon neutrality, product emissions methodology, and SBTi validation timeline.	Meeting/Video Meeting	3
Thermo Fisher Scientific Inc.	Customer Health and Safety	Limiting material negative social or environmental impacts	Clarify understanding of new information regarding previous controversy	Email	0