INSIGHTS

PENGANA
CAPITAL GROUP

Q2 2026 REPORT



Pengana WHEB
Sustainable Impact Fund

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KEEPING THE LIGHTS ON IN A HOTTER, DRIER EUROPE

By Anna Elliott

On 3 August, Romania's navy carried out a controlled explosion in the Danube. The goal was to channel water towards the Cernavodă nuclear power plant, where low river levels had already forced one of Romania's two reactors offline. Between them, they supply around 20% of the country's electricity.[1]

Romania's defence minister put the trade-off simply: 'A day of it functioning is three times more efficient than the costs of this operation'. The country recently declared a state of energy emergency, asking companies and individuals to cut their energy usage.[2]



Figure 1: Controlled explosion in the Danube to redirect water towards Cernavodă[3]

Romania's experience is also reflected across Europe as a whole. The region has endured the hottest June-July period on record and this, combined with much drier-than-average conditions, has caused widespread droughts and forest fires.[4]

These conditions have also disrupted power production across the continent. For example, low river levels have disrupted coal power plants in Serbia, reduced nuclear generation in Hungary and contributed to Europe's weakest hydropower generation in more than a decade. Austrian utility Verbund blamed drought conditions for roughly €370 million in lost earnings for H1 2026, compared to "normal" year. [5,6]

France has been particularly badly hit seeing up to 23GW of nuclear capacity shut down in June while the country faced extreme heat and high electricity demand.[7]

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[1] https://www.reuters.com/business/energy/hungarys-nuclear-plant-shutdown-due-low-danube-gets-reprieve-until-later-week-2026-08-03/
[2] Source: Guardian. https://www.theguardian.com/world/live/2026/aug/03/europe-heatwave-wildfires-migration-ceuta-spain-latest-news-updates
[3] Source: Guardian. https://www.theguardian.com/world/live/2026/aug/03/europe-heatwave-wildfires-migration-ceuta-spain-latest-news-updates
[4] https://climate.copernicus.eu/copernicus-record-heatwave-brings-hottest-june-western-europe-during-second-warmest-june-globally?utm_
[5] https://www.newscientist.com/article/2583740-drought-and-heat-push-europes-power-grid-to-breaking-point/
[6] https://www.verbund.com/en/group/news-press/press-releases/2026/7/30/corporate-news-results-for-quarters-1-22026
[7] https://ember-energy.org/latest-insights/heat-and-power-impacts-of-the-2025-heatwave-in-europe/

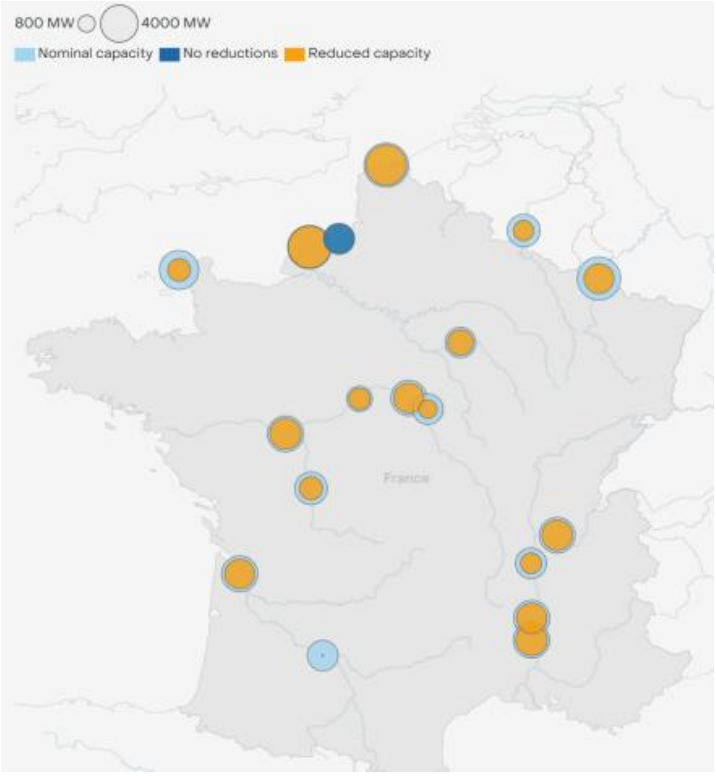


Figure 2: Map of French nuclear capacity reductions in June 2025 [8]

Meanwhile demand for electricity for data centres, heat pumps and EVs is all accelerating. So how prepared is Europe's electricity system to handle these conditions?[9]

Comparing resilience across technologies

The table below compares Europe's main generation technologies against two related but distinct stresses: extreme heat and drought. In practice, the exact impact depends on asset-level factors, such as location, design, technology, local regulation and the surrounding grid. However, a simplified overview provides some clear differences.

Technology	Extreme heat	Drought
Wind, *offshore/ onshore*	● / ●	● / ●
Solar PV	●	●
Nuclear, *freshwater cooled / seawater cooled*	● / ●	● / ●
Gas (CCGT), *freshwater cooled / seawater cooled / air cooled*	● /● / ●	● / ● / ●
Coal	●	●
Hydropower	●	●

Figure 3: Illustrative table showing the relative direct impacts on extreme heat and drought on dominant electricity generation methods in Europe. ● = little to no direct impact, ● = significant direct risk.

Wind and solar: weather-dependent but surprisingly resilient

Leading the table, offshore and onshore wind have no meaningful water dependencies during operation, making them extremely drought resilient. Heat also has limited direct effects. Most modern turbines operate well across a wide temperature range though the highest temperatures do lead to some derating and efficiency losses, but not

[8] Source: Ember. https://ember-energy.org/latest-insights/heat-and-power-impacts-of-the-2025-heatwave-in-europe/
[9] https://www.iea.org/reports/power-systems-in-transition/climate-resilience

widespread shutdowns.[10]

Beyond direct impacts, wind output remains variable, and hot high-pressure systems can coincide with lower wind speeds and so-called "wind droughts". However, this is a feature of the resource itself rather than a vulnerability to heat or water stress, and studies remain inconclusive.[11]

Solar arrays, with no water requirements, also perform well in drought conditions. Extreme heat does however, impact on generation efficiency, which drops by around 0.5% per °C above 25°C.[12] This phenomenon only affects poly-crystalline solar modules. Thin-film modules, like those produced by WHEB holding First Solar, experience smaller losses. The company estimates that as a result their modules have up to 4% higher annual energy production in hot climates.[13] Efficiency is only part of the picture though. Periods of extreme heat typically align with higher solar irradiation which generally results in higher net power generation.[14] During Europe's 2025 and 2026 heatwaves, we have seen record solar generation, supporting grids experiencing high demand from cooling systems. [15,16]

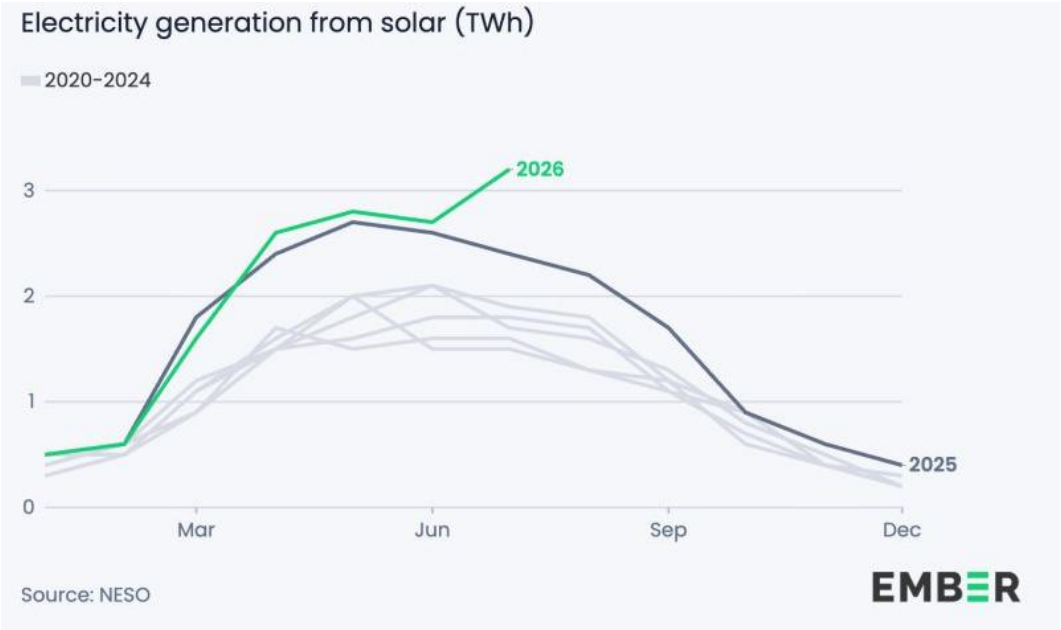


Figure 4: Graph showing record solar generation in Britain in June 2026 [17]

The issue is timing. Heat-related electricity demand does not conveniently disappear when the sun sets. This is where storage, interconnection and demand flexibility become more important. BloombergNEF analysis warns that solar deployment continues to outpace the required storage deployment in European markets. This leads to daytime curtailment and evening price spikes.[18]

Providing baseload power: thirsty work

Hydropower is the clearest example of where water stress directly affects generation, acting as the fuel itself. Lower rainfall, river flows and reservoir levels often translate directly into lower generation. Reservoirs also often have multiple purposes and drought can create tensions between hydropower, irrigation, drinking water and ecological needs.[19] Extreme heat on the other hand poses little direct risk, with the main concerns being the indirect

[10] https://www.sciencedirect.com/science/article/abs/pii/S1364032124007093
[11] https://www.carbonbrief.org/factcheck-how-nuclear-gas-wind-and-solar-power-are-affected-during-heatwaves
[12] https://www.carbonbrief.org/factcheck-how-nuclear-gas-wind-and-solar-power-are-affected-during-heatwaves#solar
[13] https://www.firstsolar.com/en/Technology/CadTel
[14] https://ember-energy.org/latest-insights/heat-and-power-impacts-of-the-2025-heatwave-in-europe/
[15] https://ember-energy.org/latest-insights/heat-and-power-impacts-of-the-2025-heatwave-in-europe/
[16] Ember on LinkedIn, 09/08/2026.
[17] Ember on LinkedIn, 09/08/2026.
[18] https://www.bnef.com/news/teyj48kiupsx00
[19] https://www.sciencedirect.com/science/article/abs/pii/S0306261924018233

impact on water availability due to increased evaporation.[20]

Thermal plants face a different version of the same problem. Nuclear, gas and coal are very different technologies, with different emission profiles. That said, the majority rely on vast amounts of water for cooling, making them highly vulnerable when water for cooling is inadequate either because volumes are too low or temperatures are too high.

Nuclear power is particularly vulnerable because it (rightly) operates within very strict safety standards. River-cooled nuclear facilities are among those most exposed to heatwaves and drought conditions. As with the Romanian example, often having to shut down completely. For plants cooled by seawater, the impact of temperature and drought are naturally much lower, making them more resilient, although high temperatures can still reduce efficiency.[21]

Gas and coal face similar issues, though generally with a more gradual efficiency effect.[22] Coal is more exposed than gas because it is less thermally efficient, so more waste heat has to be rejected. Serbia's Kostolac coal-fired plants had to cut output this summer because of a lack of water availability.[23]

These plants can be better adapted for heat and/or drought by being more efficient (less waste heat per unit of energy output or through better water management. Kurita, a holding in the WHEB impact strategy helps improve water treatment. One CCGT plant saw 11,000m³ of water savings per year while reducing emissions and costs.[24]

What does this mean for impact investors?

This summer has reinforced that the energy transition cannot be viewed solely through a mitigation lens. Clean power remains essential, because reducing emissions is still the most effective way of limiting future climate change. Yet low-carbon energy sources are not immune to the impacts of warmer, drier summers. Nuclear and hydropower provide highly valuable low-carbon electricity but remain vulnerable to drought and water stress depending on their location and design. While coastal thermal plants are more resilient to the acute risks considered here, we have not considered chronic physical risks, such as sea-level rise or coastal flooding. Wind and solar have minimal water dependencies, but their contribution depends on storage, grid flexibility and wider system integration.

Companies like Vestas and First Solar are key to mitigating climate risk by displacing higher-emissions power sources. Whilst already more resilient than thermal counterparts, they are also positioning themselves for a warmer climate. Vestas has added CoolerTop® technologies to extend operating temperature ranges and First Solar's thin-film technology sees better performance at higher temperatures than traditional panels.[25] [26]

Beyond clean energy, water management is a key theme in the WHEB strategy. Holdings such as Kurita, Ecolab and Xylem help customers reduce water consumption. As water availability has become a bigger constraint across sectors, these types of solutions have become increasingly important. Severn Trent, a water utility, is investing increasingly in nature-based solutions, recognising that healthy catchments, rivers and ecosystems can play an important role in improving long-term water security.[27]

We must couple mitigation with adaptation and consider all investments through both lenses as the climate changes, not letting one obscure the other, to build a more resilient and future-proofed energy system.

[20] https://assets.publishing.service.gov.uk/media/680b9d79521c5b6f2883cca1/impacts-on-energy-assets-from-extreme-heat-and-heatwaves.pdf
[21] https://www.carbonbrief.org/factcheck-how-nuclear-gas-wind-and-solar-power-are-affected-during-heatwaves
[22] https://www.iea.org/reports/power-systems-in-transition/climate-resilience
[23] https://www.reuters.com/business/energy/europes-shrinking-rivers-curb-power-output-transport-company-earnings-2026-07-31/
[24] https://www.kurita.eu/en/energy-water-savings-through-total-iron-control/
[25] https://www.firstsolar.com/en/Technology/CadTel
[26] https://www.vestas.com/en/energy-solutions/onshore-wind-turbines/enventus-platform/V172-7-2-MW
[27] https://www.stwater.co.uk/about-us/environment/working-with-farmers-and-land-managers/severn-trent-environmental-protection-scheme/

AVOIDED EMISSIONS: A KEY TO IMPACT, BUT PROCEED WITH CAUTION

By Rachael Monteiro

Climate reporting has, to date, largely focused on how much companies emit, and the rate at which those emissions are changing. This data, expressed in in terms Scope 1, 2 and 3 emissions, is undeniably important, both to our investment decisions and to the way we engage portfolio companies with the aim of achieving real-world emissions reductions.

As an impact strategy, however, our priorities extend beyond measuring a company's footprint. We also seek to understand the positive environmental and social outcomes associated with the products and services that companies provide.

Avoided emissions, sometimes referred to as "Scope 4" emissions, have featured in WHEB's impact reporting for more than a decade. Unlike Scope 1-3 emissions, which measure a company's own carbon footprint, avoided emissions seek to quantify the emissions reductions enabled by its products and services. In essence, they round out the picture by capturing not only the emissions a company produces, but also the emissions reductions it enables.

On that basis, avoided emissions would appear to be an ideal metric for an impact strategy focused on climate solutions. Yet the truth is that we have historically been cautious in how we use and interpret these data. But why is that?

To begin with, avoided emissions reporting remains fragmented. Many companies do not disclose avoided emissions at all and those that do often use their own methodologies, assumptions and system boundaries. This makes it difficult to compare results between companies or aggregate them at a portfolio level with any degree of confidence.

Double counting is a related challenge, with multiple companies across the same value chain often able to claim credit for the same emissions reduction. At the same time, many mainstream ESG datasets rely on broad sector classifications that can struggle to distinguish between companies genuinely enabling decarbonisation and those with a more limited contribution.

Despite these limitations, interest in Scope 4 continues to grow. As investment in climate solutions increases, so does demand for metrics that capture a company's contribution to decarbonisation.

Portfolio holding **Infineon** demonstrates why. Infineon manufactures semiconductors used in applications such as electric vehicles, renewable energy systems and power management. The company reported 2.7Mt CO_2e of Scope 1-3 emissions in fiscal year 2025.[28] During the same period, it reported 143Mt of avoided emissions, equivalent to around 53 tonnes of emissions avoided for every tonne emitted.[29] While these figures should not be netted against one another[30], they provide different perspectives on climate impact. Looking through the first lens, Infineon appears to have a material climate footprint. Looking through the second, we gain a very different perspective on

[28] https://www.infineon.com/assets/row/public/documents/corporate/company/sustainability/sustainability-at-infineon.pdf
[29] Source: Net Purpose, Climate Change - CO_2e Avoided dataset, reporting year 2025
[30] Scope 1-3 emissions measure the company's own climate footprint, while avoided emissions seek to quantify the emissions reductions enabled through the use of its products.

the contribution its products make to electrification, energy efficiency and wider decarbonisation. Together, these metrics provide a more complete picture of climate impact than either could alone.

Companies themselves are also recognising the strategic value of demonstrating how their products help customers reduce emissions. **Trane Technologies**, for example, reports the emissions reductions enabled through customer use of its products and has committed through its "Gigaton Challenge" to reduce one billion tonnes of CO_2e from customers' carbon footprints by 2030.[31]

At the same time, better Scope 3 and lifecycle data are strengthening avoided-emissions assessments. For companies such as **Spirax Group**, whose steam and thermal energy management solutions are designed to help customers improve energy efficiency and reduce fuel consumption, more granular data on product performance and lifecycle emissions can provide a stronger basis for estimating the emissions reductions enabled through their use. Calculations still rely on assumptions but improvements in the underlying data are providing a stronger foundation for them.

Guidance is maturing too. The Partnership for Carbon Accounting Financials (PCAF) and the Greenhouse Gas (GHG) Protocol recently identified avoided emissions as an area for future methodological development.[32]

With our impact focus, we see avoided emissions as an important additional perspective on climate impact.

Considering avoided emissions in WHEB's stewardship

In the WHEB Strategy, we consider avoided emissions alongside Scope 1, 2 and 3 emissions when assessing climate-related stewardship priorities. Together, these metrics provide a more complete picture of climate impact and help identify where engagement can have the greatest real-world value.

Examples of our engagements around avoided emissions include:

First Solar, a manufacturer of solar photovoltaic modules**,** enables substantial avoided emissions through the deployment of solar power. The company's latest data indicate that >8.4Mt of CO_2e were avoided during reporting year 2025.[33] At the same time, the company reported over 936Kt of Scope 1 and 2 emissions, making it one of the Strategy's largest operational emitters.

Although the net benefit is very clear, these figures do not cancel each other out, nor do they exempt First Solar from the need to decarbonise its own operations and supply chain. Rather, they provide different perspectives on climate impact, which is why operational decarbonisation remains an important engagement priority.

We began engaging with First Solar on avoided emissions in 2021, but the dialogue quickly expanded to include operational decarbonisation and climate targets. In particular we challenged the company on the fact that it was not using its own panels to power its operations. Since then, the company has committed to source 100% renewable electricity by 2028, secured SBTi validation and has signed a long-term power purchase agreement using its own modules.

Schneider Electric is one of the Strategy's larger contributors to avoided emissions (183Mt), while its own operational emissions have continued to fall. In this case, our engagement extends beyond emissions reductions alone to include climate governance, public policy engagement and the broader frameworks needed to accelerate adoption of electrification and energy-efficiency solutions. We invest in companies with large net positive impacts, and we engage with them to make sure those impacts are delivered as widely as possible.

Croda offers a different example. While its avoided emissions contribution is smaller in absolute terms (~790k tCO_2e), our engagement has explored the company's growing focus on product-level "in-use benefits" and the increasing demand from customers for environmental performance data. Discussions have centred on how Croda measures and communicates the climate benefits associated with its products and how these benefits relate to

[31] https://www.tranetechnologies.com/en/index/sustainability/gigaton-challenge.html
[32] https://carbonaccountingfinancials.com/en/newsitem/pcaf-announces-new-standard-development-priorities
[33] Source: Net Purpose, Climate Change - CO_2e Avoided dataset, reporting year 2025

both sustainability outcomes and commercial growth. Superior environmental performance has long been part of Croda's value proposition, and we are keen to see avoided emissions considered as part of that story.

Looking ahead

Looking ahead, we expect avoided emissions data to become increasingly useful. Improvements in underlying data, evolving methodologies and growing investor guidance should help strengthen consistency and transparency over time. As with everything related to climate, we see the urgency around gathering this information to only increase as the climate worsens.

In our view, however, avoided emissions are most valuable when considered alongside conventional emissions data. Together, they provide a more complete picture of climate impact, helping investors prioritise engagement, shape stewardship objectives and identify opportunities to accelerate real-world decarbonisation. For that reason, we expect avoided emissions to remain an imperfect but increasingly important tool for understanding how companies contribute to a net-zero economy.

PERFORMANCE COMMENTARY

Market review

Global equity markets delivered a strong second quarter, recovering from the volatility experienced earlier in the year as investor confidence steadily improved. While geopolitical tensions and inflation concerns continued to create uncertainty, markets became increasingly focused on the rapid expansion of artificial intelligence ("AI").

Demand for semiconductors, advanced computing and digital infrastructure continued to accelerate, supporting companies positioned at the heart of the AI ecosystem. However, by June investors had become slightly more cautious, with market leadership beginning to broaden beyond the largest technology companies as questions emerged over the pace of future capital investment and expected returns.

Central banks also remained firmly in focus. Elevated inflation expectations reinforced the view that monetary policy would remain restrictive for longer, creating headwinds for interest rate sensitive sectors despite easing energy prices towards the end of June.

Sustainability policy also continued to evolve. Europe maintained its commitment to sustainability objectives while simplifying reporting requirements through reforms to corporate disclosure and deforestation regulations. In contrast, the US continued to move towards a more fragmented regulatory landscape following the withdrawal of federal climate disclosure initiatives. June also saw the publication of the Science Based Targets initiative (SBTi) Corporate Net Zero Standard Version 2.0, introducing more rigorous governance and implementation requirements for corporate decarbonisation targets.

Performance review

The Fund delivered a strong positive return over the quarter, although performance relative to the broader market varied across the period. Following modest underperformance of the MSCI World index of stock's during April's sharp market rebound, the strategy outperformed in May before giving back some relative performance in June.

Infineon Technologies, within the Sustainable Transport theme, was the largest contributor to performance over the quarter. The company benefited from improving conditions across its automotive and industrial businesses, alongside growing demand for power semiconductors supporting AI related data centre infrastructure. As investors increasingly recognised the breadth of companies enabling AI, rather than focusing solely on the largest technology platforms, this same trend lifted other holdings in the Sustainable Transport theme, such as TE Connectivity. As a result, Sustainable Transport was the strongest performing theme over the period.

Keyence, in the Resource Efficiency theme, also delivered a strong contribution as sentiment towards industrial automation businesses improved. Investors responded positively to the company's more active capital allocation strategy, including its first meaningful share buyback, while continuing to recognise the long term demand for automation and productivity enhancing technologies.

First Solar, in the Cleaner Energy theme, was another notable contributor following strong operational execution and continued confidence in its earnings outlook. Its US manufacturing base, strong contracted order book and exposure to growing electricity demand from AI driven data centre expansion supported investor confidence despite an uncertain policy backdrop.

The principal detractor in the quarter was **Verra Mobility**, within the Safety theme. The loss of a significant automated tolling contract created uncertainty around one of its core operating divisions. As this represented a material change to our investment thesis, we exited the position.

Autodesk and **Trimble**, in the Resource Efficiency theme, were also on the weaker side as investors reassessed software valuations and the implications of rapid advances in artificial intelligence for software business models.

While sentiment weakened, we continue to believe both companies are well positioned to benefit from long term trends in digital engineering, industrial automation and productivity enhancement.

Outlook

The investment environment is likely to remain challenging. Geopolitical tensions, evolving trade relationships and uncertainty around inflation and interest rates continue to influence business confidence and investor sentiment. Market leadership also remains relatively narrow, while sustainability focused businesses continue to face a more demanding backdrop than in recent years.

Despite this, we believe the long term fundamentals underpinning the Fund's investment themes remain intact. Many of the challenges addressed by portfolio companies are becoming more pressing rather than less. Rising electricity demand associated with artificial intelligence, increasing pressure on healthcare systems, ageing water infrastructure, resource constraints and the need for greater industrial productivity continue to drive investment in more efficient and resilient technologies. While the pace of adoption may vary with economic conditions and policy priorities, demand for practical solutions to these challenges continues to grow.

We are increasingly encouraged by the outlook for our holdings in the Health theme. Following a period of weaker performance, industry conditions are beginning to improve, supported by a recovery in biotechnology funding and more stable research and development spending by pharmaceutical companies. At the same time, advances in artificial intelligence are expected to accelerate demand for clinical research services, life science tools and laboratory technologies, as AI enabled drug discovery increases the need for high quality biological data and experimental validation. We believe these trends provide a supportive backdrop for many of the Fund's healthcare holdings.

On the environmental side, while many of our holdings are more sensitive to the economic cycle, we remain encouraged by the underlying demand outlook. Although the macroeconomic backdrop remains uncertain, investment in grid infrastructure, data centre capacity and water systems continues to accelerate. Rising electricity demand, ageing infrastructure and increasingly stringent regulation are driving sustained demand for the technologies and services provided by many of our portfolio companies, reinforcing our conviction in their long-term growth prospects.

We remain focused on businesses with strong competitive positions, resilient business models and products that address these long term structural needs. Although periods of market volatility are likely to continue, we believe this disciplined approach leaves the Fund well positioned to benefit as companies delivering measurable environmental and social solutions translate structural demand into long term earnings growth, consistent with the Fund's investment objective and policy.

PORTFOLIO ACTIVITY

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

Purchases

We initiated a position in **Covista** in our Education theme. Covista is a US healthcare education provider focused on training and developing professionals across a range of in demand healthcare disciplines. These are markets where workforce demand is underpinned by persistent workforce shortages, an ageing population and growing healthcare needs.

Covista's programmes are closely aligned with employment outcomes, supporting resilient student demand and creating a strong link between educational provision and long term labour market requirements. While recent enrolment trends and regulatory uncertainty have weighed on market sentiment, we believe these concerns are more than reflected in the current valuation. This provided an attractive opportunity to initiate a position in a high quality business with defensive characteristics and long term structural growth prospects.

We initiated a position in **Sunbelt Rentals** in our Resource Efficiency theme. Sunbelt Rentals is one of North America's leading equipment rental businesses, providing a broad range of construction, industrial and specialist equipment to customers across a diverse set of end markets.

The rental model supports more efficient utilisation of capital intensive equipment, reducing unnecessary ownership while improving asset productivity and resource efficiency. Sunbelt continues to benefit from long term structural trends, including increasing rental penetration, market share gains and expansion into higher value specialty rental categories. We believe the business is well positioned to benefit from sustained infrastructure investment and a broader US customer base, supported by its scale, extensive network and strong operational execution.

We also initiated a position in **Tetra Tech**, in our Environmental Services theme. Tetra Tech is a leading provider of consulting and engineering services, specialising in water management, environmental solutions and sustainable infrastructure.

The company operates in markets benefiting from long term investment in water infrastructure, environmental remediation and climate resilience. Its technical expertise, strong client relationships and asset light business model support resilient earnings and attractive returns on capital. With governments and private sector clients continuing to prioritise environmental investment and infrastructure modernisation in the face of the worsening climate, we believe Tetra Tech is well placed to benefit from durable structural demand. Recent market weakness provided an attractive opportunity to establish a position at a valuation we believe does not fully reflect these long term growth prospects.

Sales

We exited our position in **Power Integrations**, in the Resource Efficiency theme, a semiconductor company specialising in high voltage power conversion technologies used across industrial, consumer and automotive applications.

Power Integrations has benefited from growing investor enthusiasm surrounding artificial intelligence and power management technologies. However, following a period of strong share price appreciation, we believed the valuation had become increasingly demanding, with market expectations running ahead of near term earnings potential and broader end market fundamentals. While we continue to view the business as high quality, we believe there are more compelling opportunities elsewhere.

We exited our position in **Verra Mobility**, a provider of technology solutions that improve road safety, tolling and commercial fleet management.

Although Verra Mobility operates in attractive markets with recurring revenue characteristics, the unexpected loss of a significant customer contract highlighted the business's reliance on a relatively concentrated customer base. This reinforced our concerns around revenue visibility and the durability of future growth. Given the increased uncertainty surrounding the investment case, we decided to redeploy capital into opportunities where we have greater conviction in the long term risk reward profile.

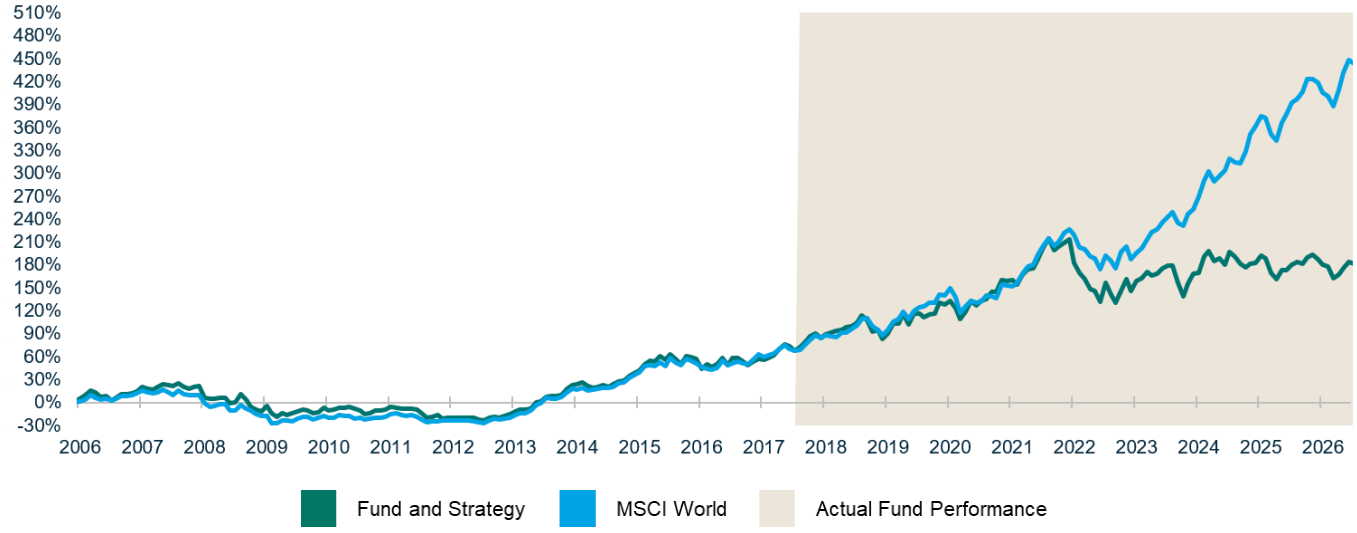
INVESTMENT PERFORMANCE

Cumulative Investment Returns

Net performance for periods ending 30 September 2026 (%)

	3 mth	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Fund &	8.3	3.8	1.0	-0.3	5.2
Strategy (partial simulation)[34]					
MSCI World[35]	12.5	14.8	17.7	13.3	8.7

Performance Since Strategy Inception

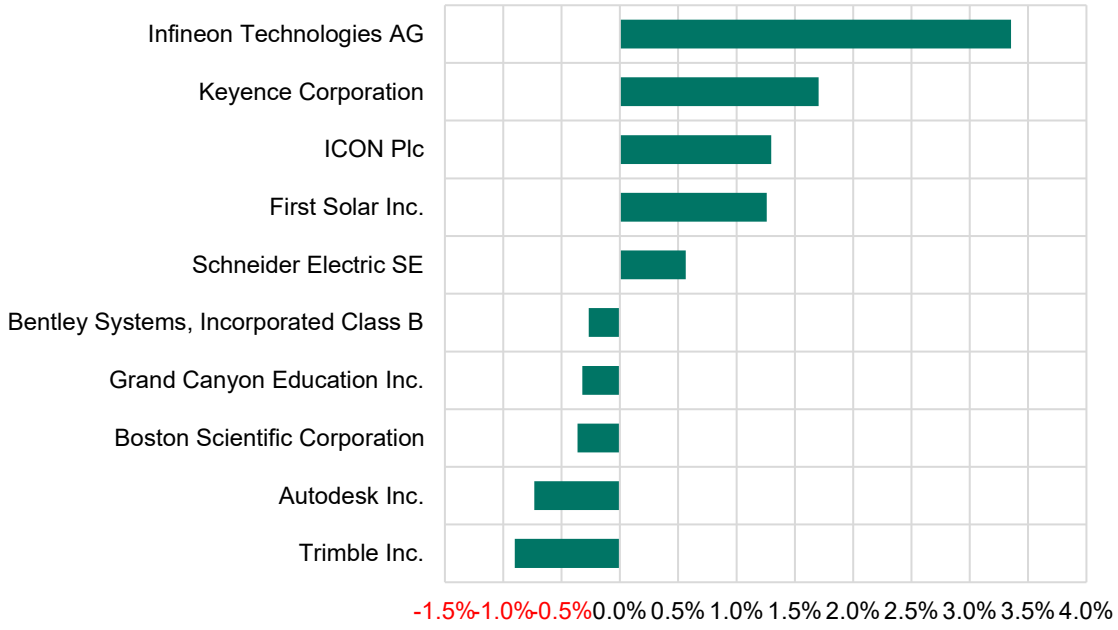


[34] From August 2017, performance figures are those of the Pengana WHEB Sustainable Impact Fund's class A units (net of fees and including reinvestment of distributions). The strategy's AUD performance between January 2006 and July 2017 has been simulated by Pengana from the monthly net GBP returns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

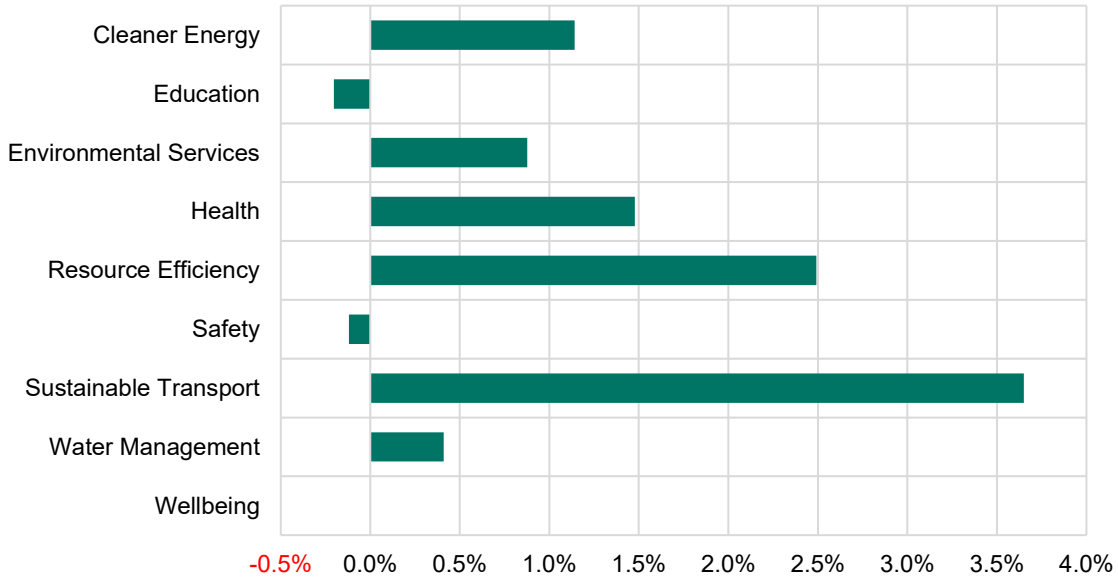
[35] MSCI World Total Return Index (net, AUD unhedged).

Quarterly Performance

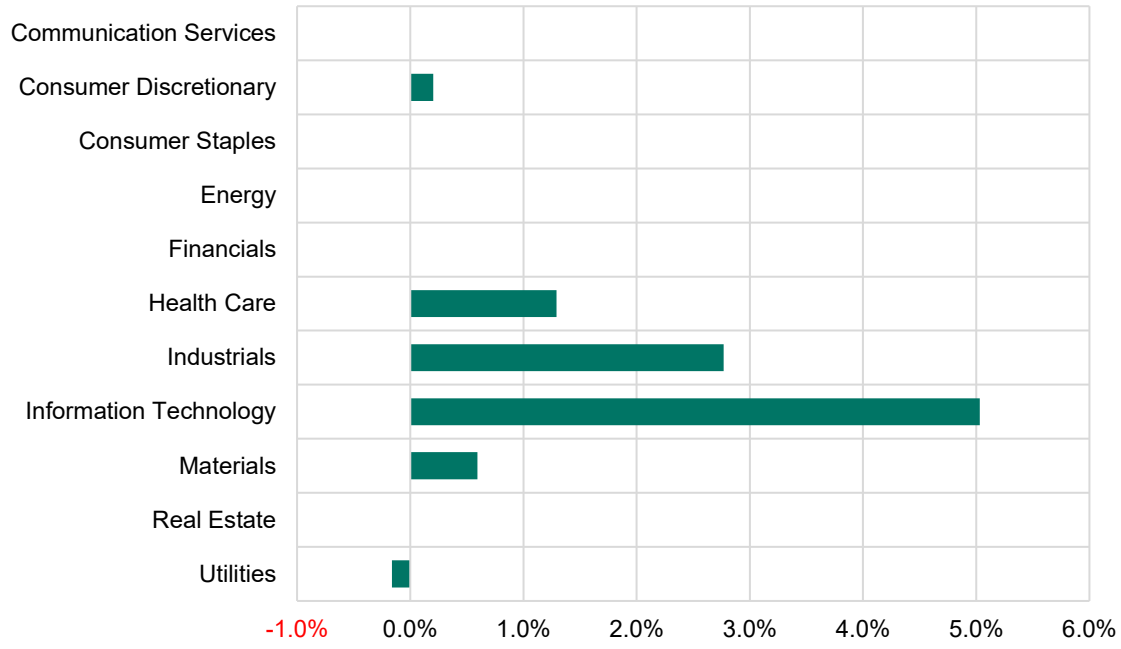
Contribution to Return by Stock (Top 5 & Bottom 5)



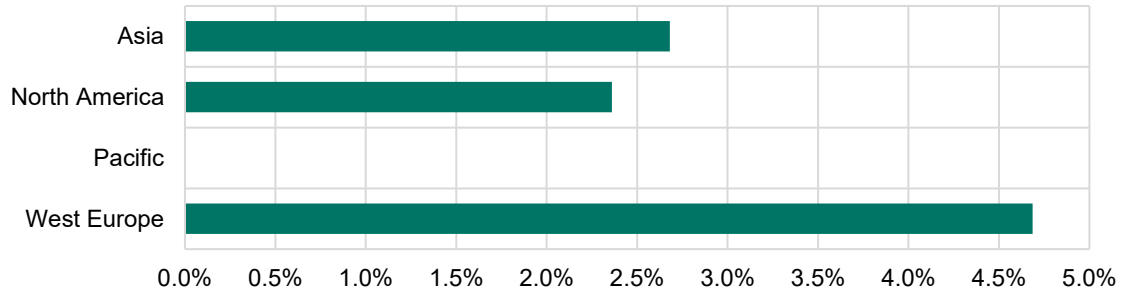
Contribution to Return by Sustainability Theme



Contribution to Return by Sector

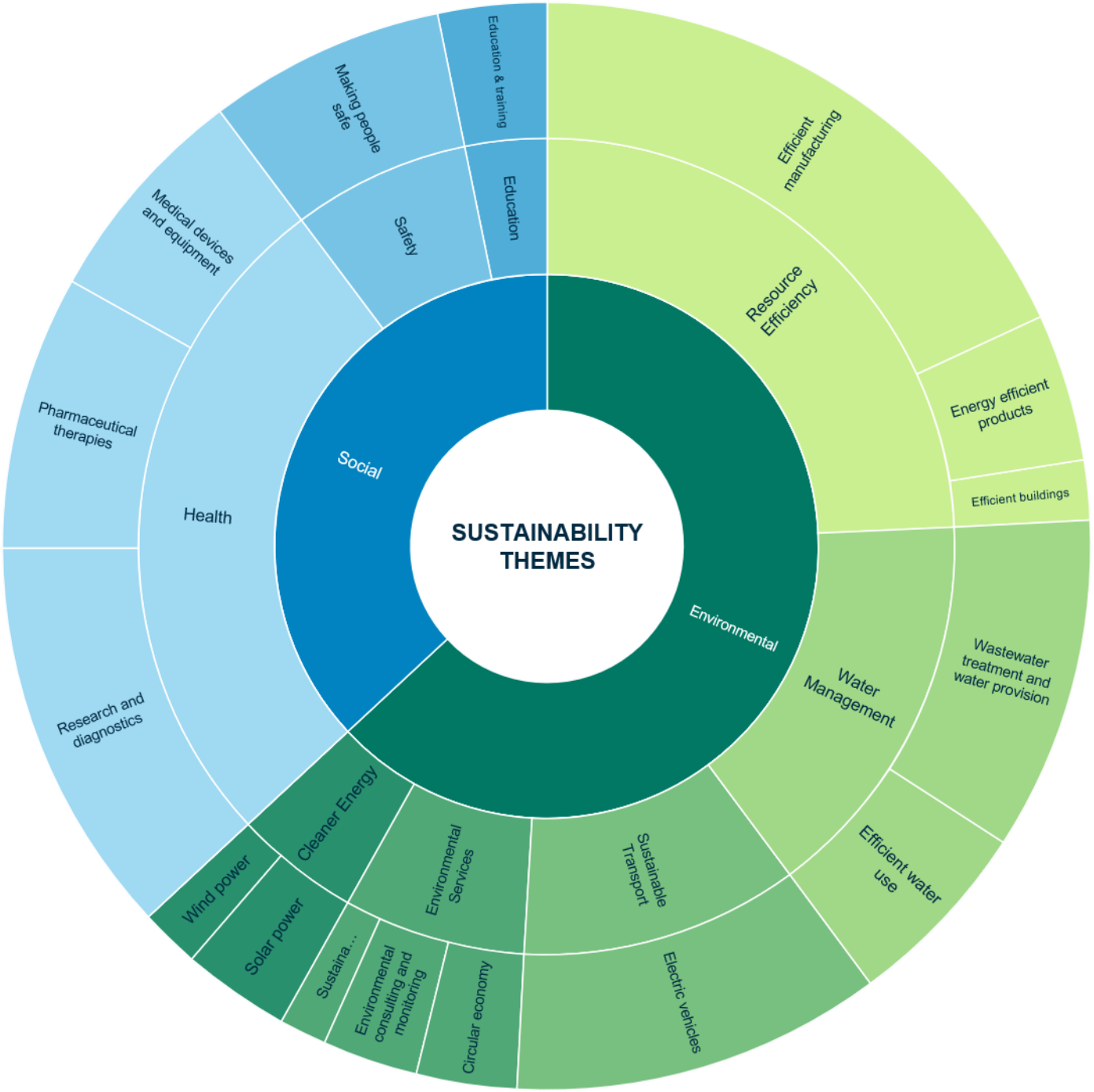


Contribution to Return by Geography

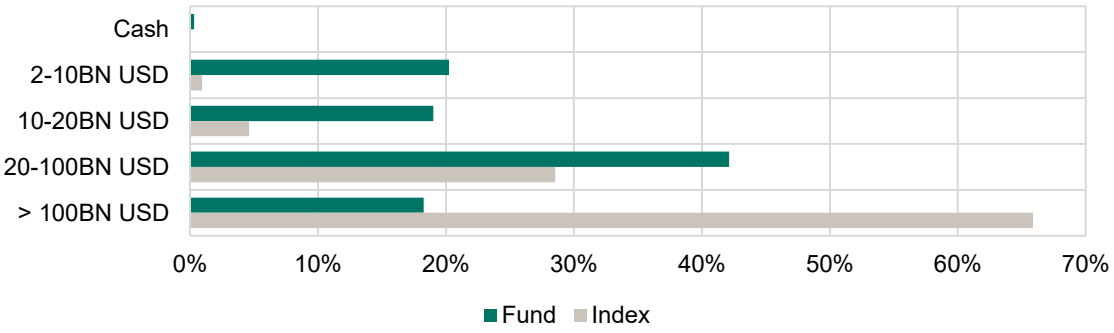


PORTFOLIO ANALYSIS AND POSITIONING OF STRATEGY

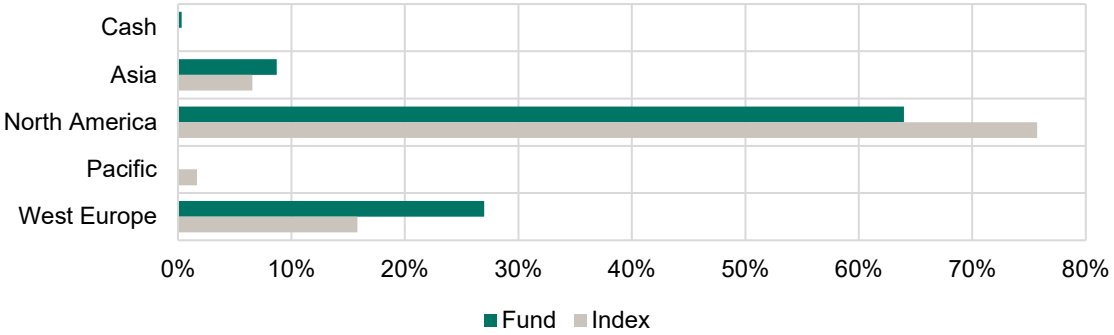
Exposure by Sustainability Theme



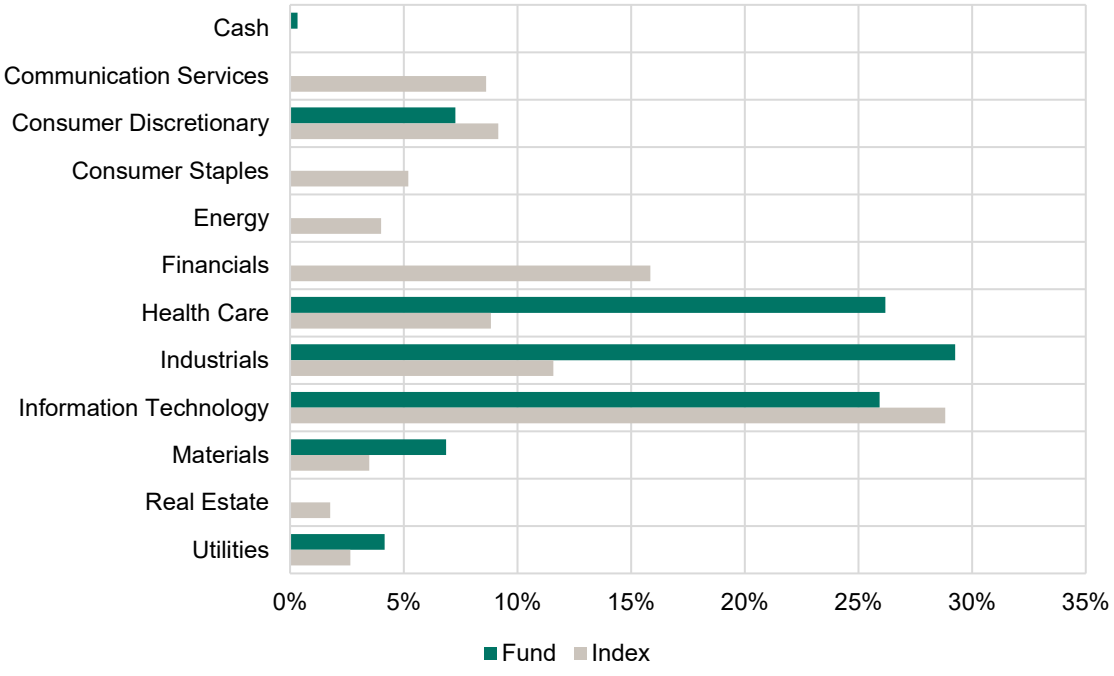
Exposure by Market Capitalisation



Exposure by Region



Exposure by Sector



Largest 10 Positions

Name	Sustainable Investment Theme	Description
Agilent Technologies, Inc.	Health	Research and diagnostics
Aptiv PLC	Sustainable Transport	Electric vehicles
AstraZeneca PLC	Health	Pharmaceutical therapies
Ecolab Inc.	Water Management	Efficient water use
Globus Medical Inc Class A	Health	Medical devices and equipment
ICON Plc	Health	Research and diagnostics
Keyence Corporation	Resource Efficiency	Efficient manufacturing
TE Connectivity plc	Sustainable Transport	Electric vehicles
Thermo Fisher Scientific Inc.	Health	Research and diagnostics
Xylem Inc.	Water Management	Wastewater treatment and water provision

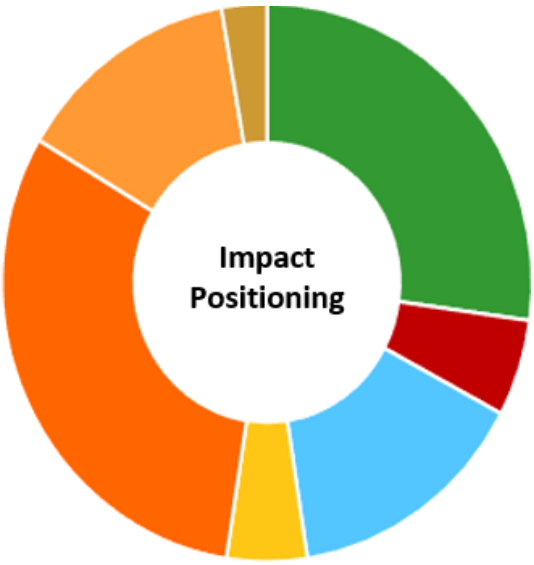
Strategy Characteristics

	WHEB	MSCI
FY1 Price/Earnings (PE)	16.4	17.9
FY2 Earnings Growth	15.3	17.4
FY1 PE/FY2 Earnings Growth (PEG)	1.1	1.0
3-year Volatility	15.4	12.5
Beta (predicted)		0.8
1-year Tracking Error (predicted)		9.4
5-year Tracking Error (ex-post)		8.5

Trading Activity – Significant Portfolio Changes

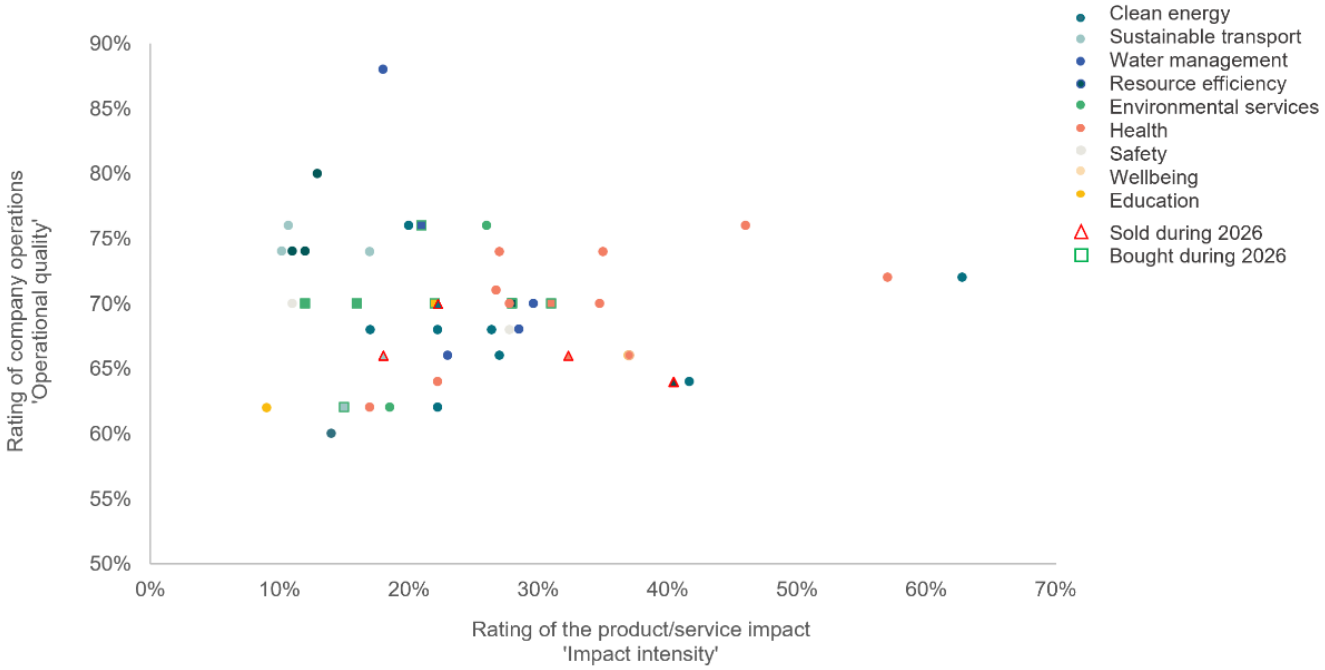
Stock Name	Theme	Purchase or sale	Rationale
Covista	Purchase	Education	Scaled US healthcare education institution, offering defensive workforcelinked growth at a valuation we believe overstates recent enrolment and regulatory concerns.
Sunbelt Rentals	Purchase	Resource Efficiency	US rental equipment company enabling more efficient asset use, with growth supported by rising rental penetration, market share gains, Specialty expansion and a broader US investor base.
Power Integrations	Sale	Resource Efficiency	Strong AI driven momentum left valuation increasingly stretched, with expectations running ahead of near term earnings delivery and broader end market fundamentals.
Tetra Tech	Purchase	Environmental Services	Highly specialised environmental consulting group supported by water, infrastructure and sustainability spending, offering resilient growth at an attractive valuation.
Verra Mobility	Sale	Safety	The unexpected loss of a key contract reinforced concerns around elevated customer concentration, limited revenue visibility, and less durable growth.

Impact Positioning: Supporting the UN Sustainable Development Goals[36]



- 28% in health & well-being
- 5% in education
- 15% in clean water & sanitation
- 5% in affordable & clean energy
- 31% in industry, innovation & infrastructure
- 13% in sustainable cities & communities
- 3% in responsible consumption & production

Impact Map of the strategy's portfolio following quarterly changes[37]



[36] For descriptions of impact mapping methodologies please see WHEB's impact reports, available at https://pengana.com/our-funds/wheb-sustainable-impact-fund/. The SDG mapping methodology is described in the 2019 Impact Methodology Report, available at https://pengana.com/our-funds/wheb-sustainable-impact-fund/, and the impact positioning graph is described in detail in the 2019 impact report.
[37] As above.

ESG profile of WHEB's investment strategy[38]



[38] Source: Impact Cubed.

Quarterly ESG performance[39]

Measure	WHEB Strategy	Proportion reported	MSCI world
Carbon intensity (scope 1 and 2)	46 tCO_2e/£1m of revenue	92%	141 tCO_2e/£1m of revenue
Scope 3 carbon efficiency	1,362 tCO_2e/£1m of revenue	80%	1,380 tCO_2e/£1m of revenue
Waste efficiency	39 tonnes / £1m of revenue	72%	379 tonnes / £1m of revenue
Water efficiency	5.2 thousand m^3 of fresh water/£1m of revenue	66%	8.5 thousand m^3 of fresh water/£1m of revenue
Gender equality	31% of board and top management positions are occupied by women	97%	31% of board and top management positions are occupied by women
Executive pay	179x – ratio of executive pay to employee pay	89%	810x - ratio of executive pay to employee pay
Board Independence	64% of board members are independent	97%	79% of board members are independent
Environmental good	37% of portfolio invested in environmental solutions	100%	12% of portfolio invested in environmental solutions
Social good	27% of portfolio allocated to help alleviate social issues	100%	11% of portfolio allocated to help alleviate social issues
Avoiding environmental harm	0% 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	$58,500 – median income of portfolio-weighted area of economic activity	100%	$59,000 – median income of portfolio-weighted geography of economic activity
Avoiding water scarcity	2.4 – geographic water use	100%	2.5 – geographic water use
Employment	4.5% - unemployment in portfolio-weighted area of economic activity	100%	4.5% - unemployment in portfolio-weighted area of economic activity
Tax gap	2.61% - estimated % of tax avoided by corporate tax mitigation schemes	100%	2.95% - estimated % of tax avoided by corporate tax mitigation schemes

[39] 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/

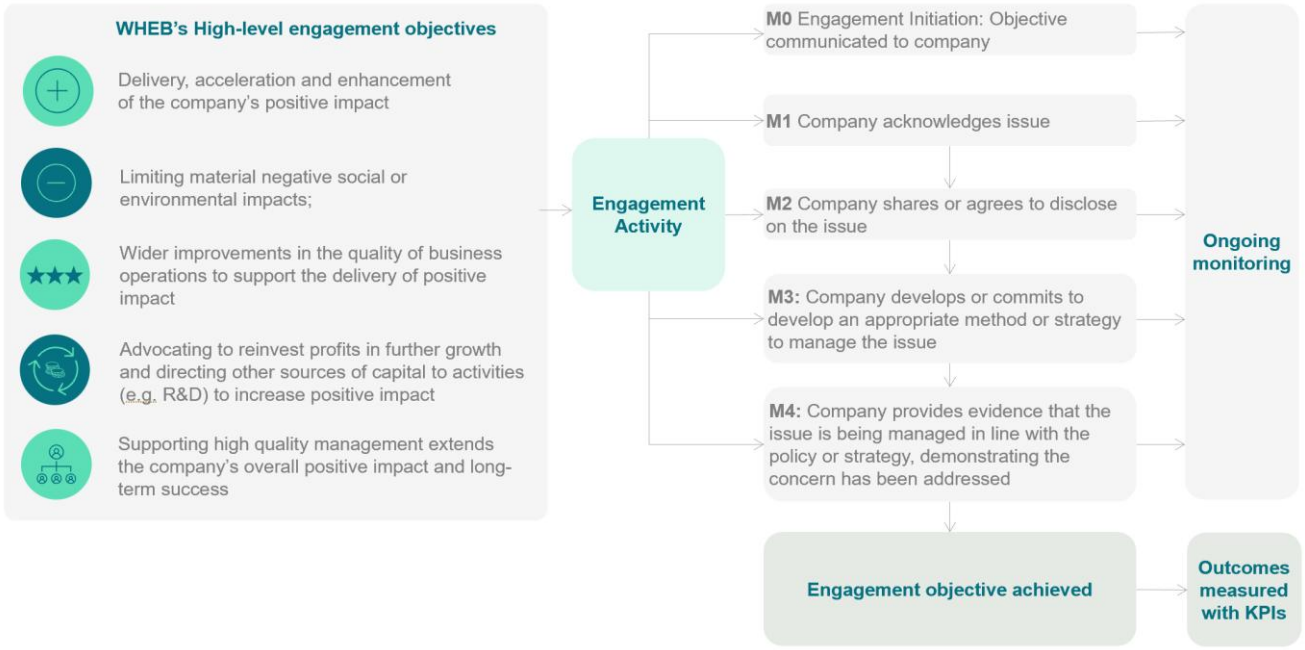
Meetings	No. of meetings	%
# votable meetings	21	
# meetings at which votes were cast	21	100%
# meetings at which we voted against management or abstained	20	95%

Resolutions	No. of resolutions	%
# votes cast with management	280	
# votes cast against mgmt. or abstained (see list in appendix)	89	32%
# resolutions where votes were withheld	191	68%

Company Engagement

Engagement Summary	Count	%
# Companies engaged	280	
# Engagements	89	32%
# Milestone 0 – company does not acknowledge issue	191	68%
# Milestone 1 – company acknowledges issue	280	
# Milestone 2 – company shares or agrees to disclose information on the issue	89	32%
# Milestone 3 – company develops or commits to developing an appropriate policy or strategy to manage the issue	191	68%
# Milestone 4 – Company provides evidence that the issue is being managed in line with the policy or strategy, demonstrating concerns have been addressed	280	

WHEB's engagement milestones



Company	Topic	WHEB's High-Level Objective	Company Objective	Method	Milestone
American Water Works Company, Inc	Auditor Independence/tenure	Supporting high quality management extends the company's overall positive impact and long-term success	Enhance auditor independence	AGM Vote/Letter	M1
.	Chair Independence	Supporting high quality management extends the company's overall positive impact and long-term success	Enhance auditor independence	AGM Vote/Letter	M1
	Director Independence/ Overboarding	Supporting high quality management extends the company's overall positive impact and long-term success	Strengthen board independence by appointing independent chair or lead director	AGM Vote/Letter	M1
	Shareholder Rights	Supporting high quality management extends the company's overall positive impact and long-term success	Maintain executive accountability and protect shareholder rights.	AGM Vote/Letter	M2
	Carbon - Net Zero Target/Strategy	Limiting material negative social or environmental impacts	Enhance the credibility, disclosure and operational integration of AWK's climate strategy. Discussion of how regulatory environment shapes approach.	Call	M1
Croda International Plc	Carbon - Net Zero Target/Strategy	Delivery, acceleration and enhancement of the company's positive impact	Improve disclosure of decarbonisation plans and product-related avoided emissions.	Call	M2
Ecolab Inc.	Auditor Independence/tenure	Supporting high quality management extends the company's overall positive impact and long-term success	Maintain executive accountability and protect shareholder rights.	AGM Vote/Letter	M1
	Combined CEO and Chair	Supporting high quality management extends the company's overall positive impact and long-term success	Improve governance and independent oversight by separating the roles of Chair and CEO.	AGM Vote/Letter	M1

	Committee Independence		Improve committee independence and governance structure		
	Remuneration - Excessive pay	Supporting high quality management extends the company's overall positive impact and long-term success	Ensure executive remuneration is proportionate, transparent, and aligned with long-term shareholder value	Formal Letter	M1
Infineon Technologies AG	Carbon - Net Zero Target/Strategy	Limiting material negative social or environmental impacts	NZEI - Address remaining emissions, target-setting and climate lobbying challenges.	Collaborative	M4
Kurita Water Industries Ltd.	Auditor Independence/Tenure	Supporting high quality management extends the company's overall positive impact and long-term success	Promote auditor independence through regular rotation.	AGM Vote/Letter	M1
Lonza Group AG	Diversity - Gender	Supporting high quality management extends the company's overall positive impact and long-term success	Encourage further diversity at the board level	AGM Vote/Letter	M1
Rockwell Automation, Inc.	Other	Limiting material negative social or environmental impacts	Cybersecurity - Enhance disclosure and management of cyber vulnerabilities and incident response.	Email	M0
Smurfit Westrock PLC	Remuneration - Excessive Pay	Wider improvements in the quality of business operations to support the delivery of positive impact	Ensure executive remuneration is proportionate, transparent, and aligned with long-term shareholder value	AGM Vote/Letter	M0
	ESG Disclosure	Wider improvements in the quality of business operations to support the delivery of positive impact	Improve ESG disclosures	AGM Vote/Letter	M0
	Carbon - Net Zero Target/Strategy	Limiting material negative social or environmental impacts	Strengthen its long-term climate strategy in line with SBTi Net Zero Standard	AGM Vote/Letter	M0
Thermo Fisher Scientific Inc.	Auditor Independence/Tenure	Supporting high quality management extends the company's overall positive impact and long-term success	Promote auditor independence through regular rotation.	AGM Vote/Letter	M0
	Committee Independence	Supporting high quality management extends the company's overall positive impact and long-term success	Appoint an independent Chair or Lead Director	AGM Vote/Letter	M0
	Combined CEO and Chair	Supporting high quality management extends the company's overall positive impact and long-term success	Improve governance and independent oversight by separating the roles of Chair and CEO.	AGM Vote/Letter	M0
	Remuneration - Excessive Pay	Supporting high quality management extends the company's overall positive impact and long-term success	Ensure executive remuneration is proportionate, transparent, and aligned with long-term shareholder value	AGM Vote/Letter	M0
	Remuneration - Sustainability/ESG Metrics	Wider improvements in the quality of business operations to support the delivery of positive impact	Ensure executive remuneration is aligned with long-term sustainability performance	AGM Vote/Letter	M0
Trane Technologies plc	Auditor Independence/tenure	Supporting high quality management extends the company's overall positive impact and long-term success	Enhance auditor independence	AGM Vote/Letter	M1
	Carbon - Net Zero Target/Strategy	Wider improvements in the quality of business operations to support the delivery of positive impact	2050 Net Zero Target	AGM Vote/Letter	M1
	Combined CEO and Chair	Supporting high quality management extends the company's overall positive impact and long-term success	Improve governance and independent oversight by separating the roles of Chair and CEO.	AGM Vote/Letter	M1

	Director independence/ overboarding	Supporting high quality management extends the company's overall positive impact and long-term success	Strengthen board independence by appointing independent chair or lead director	AGM Vote/Letter	M1
	Remuneration - Excessive Pay	Supporting high quality management extends the company's overall positive impact and long-term success	Ensure executive remuneration is proportionate, transparent, and aligned with long-term shareholder value	AGM Vote/Letter	M1
	Shareholder Rights	Supporting high quality management extends the company's overall positive impact and long-term success	Protect shareholder rights by limiting share issuance that could dilute existing shareholders.	AGM Vote/Letter	M1
	Carbon - Net Zero Target/Strategy	Wider improvements in the quality of business operations to support the delivery of positive impact	CA100+: Focused on the company's approach to measuring and disclosing environmental performance	Collaborative	M2
Veralto Corporation	Carbon - Net Zero Target/Strategy	Limiting material negative social or environmental impacts	- Encourage the company to set NZC target	AGM Vote/Letter	M0
	Remuneration - Excessive Pay	Supporting high quality management extends the company's overall positive impact and long-term success	- Advocate for integration of material sustainability metrics into compensation structures.	AGM Vote/Letter	M0
Xylem Inc.	Committee Independence	Supporting high quality management extends the company's overall positive impact and long-term success	Supporting high quality management extends the company's overall positive impact and long-term success	AGM Vote/Letter	M0

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