Zenith Investment Partners

Highly Recommended
Recommended
Approved
Not Rated
Redeem

Product Assessment

Report data as at 31 Oct 2020
Rating issued on 25 Nov 2020

Pengana WHEB Sustainable Impact Fund

VIEWPOINT

The Fund is managed by WHEB Asset Management (WHEB) and distributed in Australia by Pengana Capital Group Limited (Pengana). The Fund offers investors a benchmark unaware, currency unhedged exposure to global equities; with a focus on long-term trends associated with environmental and social sustainability. Zenith believes the Fund offers an attractive and differentiated exposure, and is ultimately well positioned to deliver upon its investment objectives.

WHEB is a specialist investment manager co-founded in 2009 by Ted Franks and Clare Brook. WHEB specialises in the management of a single global equity strategy focusing on sustainable and responsible investing. As at 31 October 2020, WHEB managed approximately GBP 675.6 million. Zenith has a favourable view of the arrangement between WHEB and Pengana, believing that it pairs a solid investment manager with a distribution partner that has a strong footprint in the domestic market.

WHEB's London-based investment team of four is led by Franks, who is also responsible for the Fund and has been with WHEB since its inception in 2009. However, we note that the strategy in its current iteration was initially managed at Henderson and relaunched at WHEB in 2012. Zenith views the investment team to be sufficiently experienced to manage the Fund, however we believe it would benefit from additional dedicated resourcing.

WHEB's investment philosophy is based on the belief that superior risk-adjusted returns can be generated by investing in companies operating in markets that benefit from and facilitate a shift to a more sustainable economy. The Fund is expected to have exposure to the following long-term trends; resource efficiency, environmental services, water management, health, well-being, cleaner energy, sustainable transport, safety and education. Zenith believes WHEB's investment process is strongly aligned to its differentiated investment philosophy.

The Fund's investable universe comprises approximately 770 securities that are sufficiently exposed to at least one of WHEB's long-term thematic trends. WHEB's fundamental analysis process focuses on a company's market attractiveness, competitive position, value-chain analysis, growth strategy, quality of management and approach to environmental, social and governance factors. Zenith notes that the security selection process provides the investment team sufficient investment opportunities across a range of long-term thematic trends. However, Zenith believes the process is less structured relative to peers and requires significant reliance on the investment team's judgement and skill.

To determine position sizing, Franks considers the conviction of the investment team's stock ideas and any liquidity considerations relating to specific stocks. The Fund is expected to maintain a heavy bias towards the healthcare and industrials sectors, with generally limited or no exposure to the financials and energy sectors. Zenith believes WHEB's portfolio construction process ensures that the team's best investment ideas are held in the Fund.

WHEB was appointed as investment manager of the Fund in August 2017. The track record prior to this date is attributable to another investment manager that employed a different strategy.

FUND FACTS

- Expected to hold between 40 and 60 stocks
- Mid market capitalisation bias
- Portfolio turnover is expected to be approximately 20% p.a.
- Zenith has assigned the Fund a Responsible Investment Classification of **Impact**

ABSOLUTE RISK (SECTOR)

VERY HIGH
HIGH
MODERATE
LOW
VERY LOW

RELATIVE RISK (FUND WITHIN SECTOR)

Geared
Active - Benchmark Unaware
Active - Benchmark Aware
Index - Enhanced/Fundamental
Index

INCOME DISTRIBUTIONS PER

MONTH
QUARTER
6 MONTH
ANNUM

INVESTMENT TIMEFRAME

1-2 YRS
3-4 YRS
5-6 YRS
7+ YRS

APIR Code
HHA0007AU

Asset / Sub-Asset Class
International Shares
Global (Unhedged)

Investment Style
Sustainable/Ethical

Investment Objective
To achieve capital growth over the medium to longer term. Internally, the Fund aims to outperform the MSCI World $A Index by 3% p.a. (before fees).

Zenith Assigned Benchmark
MSCI World ex Aust $A

Net Returns (% p.a.)

	5 yrs	3 yrs	1 yr
Fund	3.36	9.32	13.03
Benchmark	8.52	9.25	2.71
Median	7.82	8.44	2.79

Income (% p.a.)

	Income	Total
FY to 30 Jun 2020	0.00	5.18
FY to 30 Jun 2019	0.00	8.20
FY to 30 Jun 2018	0.00	13.21

Fees (% p.a., Incl. GST)
Management Cost: 1.35%
Performance Fee: N/A

APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, International equities also afford portfolio diversification benefits.

The Zenith “International Shares - Global (Unhedged)” sector consists of long-only funds that invest in global equity markets. The sector incorporates both benchmark aware and benchmark unaware strategies that focus predominantly on larger capitalisation stocks. The sector is one of the most competitive fields in the investment landscape, based on the number of managers and strategies available to investors.

Zenith benchmarks all funds in this sector against the MSCI World Index ex-Australia (Unhedged), which corresponds with the benchmark employed by the majority of funds in this space. The index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weightings. The index consists of approximately 1,540 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States) with the United States currently representing approximately 68% of the index; Japan and the United Kingdom being the next largest constituents, with approximately 8% and 4% respectively. Although the index excludes emerging and frontier markets, many funds retain the mandate flexibility to invest in emerging markets.

The global share market, as represented by the MSCI World ex-Australia Index, is far more diverse in terms of sector and stock exposures than the Australian market. Many sectors not well represented in the Australian market, such as information technology and communication services, are well represented in the global index, with approximate weights of 22% and 9%, respectively. In addition, the largest 10 stocks represent approximately 18% of the global index, reflecting the greater breadth and less top heavy nature of the global universe.

The Unhedged classification indicates that funds in this universe are currency unhedged, resulting in their returns being broadly affected by fluctuations in the Australian Dollar (AUD) versus other global currencies. Returns of unhedged funds are positively impacted by a depreciating AUD, whilst an appreciating AUD will negatively impact returns.

PORTFOLIO APPLICATIONS

International equities provide investors with broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency movements are considered. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities are blended with domestic equities and other asset classes such as fixed income to improve portfolio diversification.

The Fund is constructed in a benchmark unaware manner, and as such, investors should be aware that the Fund's returns may vary considerably from the benchmark and peers.

Due to the Fund's responsible investment focus, Zenith believes that it will typically exhibit a growth bias within the international shares sector. In addition, we are cognisant that the portfolio is concentrated and typically exhibits a mid market capitalisation bias. As such, Zenith believes the Fund can be blended with style-neutral and/or value-orientated international equity products to achieve a more diversified exposure.

The integration of sustainability factors within the process may appeal to investors seeking a more socially responsible international shares offering. Zenith notes that the sustainable/ethical peer group can comprise a diverse number of funds that vary in their interpretation of screening (both negative and positive) and their attitude toward exclusions. Typically, 'sustainability' funds apply a different approach to exclusions than 'ethical' or 'socially responsible investing' funds, and for this reason, Zenith believes investors should seek to familiarise themselves with a manager's ethical charter before determining which product is best for them.

The Fund's currency exposure remains unhedged, which will suit investors looking for an international equity investment with exposure to fluctuations in the Australian dollar. For investors who are concerned about the short-term risks associated with fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

The Fund’s portfolio turnover is expected to be approximately 20% p.a., which Zenith considers to be low. WHEB has indicated that approximately 50% of the expected turnover is attributed to resizing existing positions and approximately 50% is due to complete sales and new additions. Given this expected level of turnover, the majority of the Fund's returns are expected to be delivered via capital appreciation in the unit price, rather than through the realisation of capital gains in income distributions. In addition, realised capital gains are highly likely to be eligible for the capital gains tax discount. As such, holding all else equal, the Fund may be more appealing to investors who are high marginal tax rate payers as it will result in superior after-tax return outcomes.

RISKS OF THE INVESTMENT

SECTOR RISKS

The broad risks of investing in global equities include:

MARKET DOWNTURN: The biggest risk for all global equities based products is a significant downturn across global equities markets, which could lead to periods of negative performance. This risk can be significantly reduced by investors adopting a medium to long-term (7+ years) investment time frame.

AUSTRALIAN DOLLAR (AUD) CURRENCY RISK: The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. For funds that maintain an unhedged currency exposure, an appreciating AUD is likely to have a negative impact on a fund’s total return. Conversely, an unhedged fund is likely to benefit relative to hedged global equities funds in periods where the AUD depreciates. Zenith believes that over the long-term, the currency impact on performance will be minimal and therefore does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors who are concerned about the short-term risks associated with taking fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

REGULATORY RISK: The ASIC Regulatory Guide 97 'Disclosing Fees and Costs in Product Disclosure Statements and Periodic Statements' came into effect on 1 October 2017 and seeks to establish a common framework for disclosing fees with respect to registered managed investment schemes issued to retail investors.

In November 2019, ASIC released its final recommendations, with proposed changes to be phased in from 30 September 2020, with all Funds required to be compliant by 30 September 2022.

In its current form, RG97 will not impact the actual costs (or after fee returns) on existing investments. Rather, the guide is focused on providing increased transparency with respect to the costs of management. Given this, it is feasible that under RG97, investors become more sensitive to the costs charged and seek lower cost alternatives, potentially leading to fund outflows.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks

KEY PERSON RISK: Zenith believes the departure of Chief Risk Officer, George Latham or Portfolio Manager, Ted Franks would be viewed as a material loss and would trigger a review of the Fund's rating. However, Zenith believes the current equity ownership arrangement mitigates this risk, at least in the medium term.

RELATIVE PERFORMANCE RISK: Investors should be aware that the differentiated and benchmark unaware investment process may lead to performance outcomes that significantly deviate from that of the benchmark and peers. In addition, the Fund's growth style investment approach may cause the Fund to underperform at certain times during the market cycle.

LONGEVITY RISK: Funds that fail to grow funds under management (FUM) to a scalable level run the risk of being unviable to maintain over the longer term and could be wound up. The risks associated around a fund wind up are principally that of timing, performance slippage and forcing a crystallisation of tax consequences to investors that may not be suitable. As at 31 October 2020, FUM in the Australian unit trust remained relatively low at approximately $A 68 million.

CAPACITY/LIQUIDITY RISK: Excessive levels of FUM can inhibit a manager's ability to trade portfolio positions effectively, thereby limiting outperformance potential. As at 31 October 2020, approximately GBP 675.6 million was invested in the Fund's strategy. WHEB has indicated a capacity level of $US 3 billion for the strategy. At current levels of FUM, Zenith does not believe capacity to be an issue for the Fund.

QUALITATIVE DUE DILIGENCE

ORGANISATION

WHEB Asset Management (WHEB) is a specialist investment manager co-founded in 2009 by Ted Franks and Clare Brook. WHEB is privately owned, with Franks, Seb Beloe, George Latham and Geoff Hall holding a combined 40% of the firm, with the remainder held by WHEB Group. Headquartered in London, WHEB Group is an investment holding company specialising in sustainable investment management on behalf of institutional and private clients. The firm operates through its sole subsidiary WHEB.

Zenith notes that the investment team holds a minority stake in the partnership, which we believe is sub-optimal. Zenith prefers investment staff be in a position to dictate the direction of the business without potential pressure from non-investment stakeholders. However, Zenith acknowledges that the investment team has the ability to materially increase its equity stake in the business should certain targets be met, as evident from the increase from 20% ownership to 40% in 2019, giving Zenith a greater level of comfort.

WHEB specialises in the management of a single global equity strategy focusing on sustainable and responsible investing. As at 31 October 2020, WHEB managed approximately GBP 675.6 million. Zenith has been comforted by WHEB's consistent growth in assets under management (AUM), which we believe has materially reduced business risk.

The Fund is offered in Australia by Pengana Capital Limited (Pengana). Pengana is an Australian funds management boutique founded in 2003. Pengana is headquartered in Sydney, with offices in Melbourne, Perth and Brisbane. Pengana's goal is to find and support experienced fund managers with long track records. Pengana provides staff and support for its fund managers, leaving the investment staff entirely responsible for the management and performance of its funds.

In June 2017, Pengana completed a merger with Hunter Hall International Limited (ASX:HHL). As a result, HHL was renamed Pengana Capital Group Limited (ASX:PCG). The combined entity offers a diversified range of equity-based strategies totalling $A 3.3 billion in funds under management (FUM) as at 31 October 2020.

Zenith has a favourable view of the arrangement between WHEB and Pengana, believing that it pairs a solid investment manager with a distribution partner that has a strong footprint in the domestic market.

As at 31 October 2020 WHEB had FUM of approximately GBP 675.6 million invested in the Global Sustainable strategy. Of which, approximately $A 68 million was invested in the Fund.

INVESTMENT PERSONNEL

Name	Title	Tenure
Ted Franks	Portfolio Manager	11 Yr(s)

WHEB's London-based investment team of four is led by Ted Franks, who is also responsible for the Fund and has been with WHEB since its inception in 2009. However, we note that the strategy in its current iteration was initially managed at

Henderson and relaunched at WHEB in 2012.

Franks has over 15 years of investment experience and prior to WHEB, he worked as an analyst covering renewable energy and utilities sectors at Dresdner Kleinwort and KPMG. Zenith considers Franks to be a competent portfolio manager with the required experience and skill set to manage the strategy.

Franks is supported by Seb Beloe, Ty Lee and Ben Kluftinger. The investment team is dedicated to managing one strategy, global sustainable impact equities, which Zenith views positively relative to other teams that manage a number of different strategies. However, we believe the team is small relative to peers.

All members of the investment team provide analytical and research coverage of stocks. Team members are given the freedom and flexibility to cover stocks in any sector or region, rather than dividing research responsibilities amongst traditional sector or regional lines. Each stock in the portfolio and watchlist is assigned a primary analyst and responsibilities are rotated approximately every 18 months, as WHEB believes it is important to enhance diversity of investment perspectives..

With regards to remuneration, team members who hold equity stakes receive a base salary and in lieu of a bonus, receive rewards associated with equity ownership. The remaining team members receive a base salary and a bonus based on the individual's contribution to portfolio outcomes, as well as overall business success. Zenith believes that WHEB's remuneration structure provides sufficient alignment of interests between employees and investors.

Zenith views the investment team to be sufficiently experienced to manage the Fund, however, we believe it would benefit from additional dedicated resourcing.

INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

The Fund's objective is to achieve capital growth over the medium to longer term. Internally, the Fund aims to outperform the MSCI World $A Index by 3% p.a. (before fees).

WHEB's investment philosophy is based on the belief that superior risk-adjusted returns can be generated by investing in companies that are:

- Operating in sectors and markets that benefit from and facilitate a shift to a more sustainable economy
- Well-managed, with strong fundamental performance and robust environmental, social and governance practices
- Attractively valued

Specifically, the Fund is expected to have exposure to the following long-term themes associated with sustainable environmental and social trends:

- Resource efficiency
- Environmental services
- Water management
- Health
- Well-being
- Cleaner energy
- Sustainable transport
- Safety
- Education

Zenith notes that consistent with most socially responsible investing/sustainability-focused strategies, the Fund is expected to exhibit a mid capitalisation bias

Overall, Zenith believes WHEB's investment process is logical and differentiated.

The Fund transitioned to the current investment strategy in August 2017. However, Zenith notes that the strategy has a long-term track record dating back to 2006, providing us with comfort in this regard.

SECURITY SELECTION

WHEB's initial investment universe includes all global listed equities on developed market exchanges. WHEB implements a series of filters to identify companies that have at least 50% of their revenue or profit derived from at least one of the following areas:

- Resource efficiency
- Environmental services
- Water management
- Health
- Well-being
- Cleaner energy
- Sustainable transport
- Safety
- Education

Approximately 770 securities meet at least one of WHEB's long-term thematic trends and comprise WHEB's investable universe. To narrow the investable universe to a more manageable size, stocks are removed if they are illiquid or have data integrity issues. WHEB is prohibited from investing in companies with a market capitalisation of less than $US 200 million, and will typically avoid investing in securities with a market capitalisation of less than $US 500 million.

The most significant source of idea generation is through research and company visits, as well as WHEB's extensive network of industry contacts. The team also conducts in-depth research on thematic trends in order to identify investment opportunities. Examples of these sub-themes include Chinese wind farms, Japanese industrial automation and healthcare information technology.

Stocks are then filtered using a range of financial metrics, including:

- Revenue growth
- Profitability growth
- Earnings before interest, tax, depreciation and amortisation (EBITDA) margin
- Return on invested capital (ROIC)

The idea generation phase identifies approximately 40 to 60 stocks per year. The team then conducts detailed fundamental analysis; focusing on a company's market attractiveness, competitive position, value-chain analysis, growth strategy, quality of management and approach to environmental, social and governance (ESG) factors.

Analysts have discretion over the valuation techniques used. The most commonly employed techniques are listed below:

- Enterprise value/EBITDA
- Price to earnings (P/E)
- Price/earnings to growth (PEG)
- Cashflow yield

Whilst the flexibility in valuation techniques may generate inconsistencies in certain cases, Zenith believes that WHEB's investment team possess the requisite experience and undertake an appropriate level of peer review to appropriately value companies.

As a result of the fundamental analysis and valuation process, analysts assign a rating to each stock on a scale of 0 to 100. A score of 100 indicates a strong positive view while 0 indicates a strong negative view. Companies that score 0 on any single metric are excluded from investment.

Zenith notes that the security selection process allows the team to source investment opportunities across a range of long-term thematic trends. However, Zenith believes the process is less structured and robust relative to peers and relies heavily on the investment skill and experience of senior team members.

PORTFOLIO CONSTRUCTION

Franks is responsible for portfolio construction and strongly leverages the output of the stock selection process. Existing positions in the Fund are continuously reassessed relative to potential new additions according to upside potential, as determined in the fundamental analysis.

The Fund is expected to hold between 40 and 60 stocks. To determine position sizing, Franks considers the conviction of the investment team's stock ideas and any liquidity considerations relating to specific stocks. Conviction is measured in three levels:

- *A* - Highest conviction stocks, typically 2.9% weight
- *B* - High conviction stocks, typically 2.2% weight
- *C* - Medium conviction stocks, typically 1.4% weight

Individual stock positions are subject to a hard limit of 5% and must have a minimum market capitalisation of $US 200 million on inclusion in the Fund.

Zenith notes that the Fund is unconstrained at a sector level, while regional allocations are expected to be broadly in line with that of the benchmark. In addition, no more than 30% of the Fund may be invested in any of the key thematic buckets (resource efficiency, environmental services, water management, health, well-being, cleaner energy, sustainable transport, safety and education).

The Fund is expected to maintain a heavy bias towards the healthcare and industrials sectors, with generally limited or no exposure to the financials and energy sectors. In addition, the Fund generally exhibits a mid market capitalisation bias.

A stock will be sold due to the following reasons:

- A material change in the investment thesis
- A reduced conviction in management
- Better opportunities are identified

Zenith notes that WHEB may occasionally hold securities that they believe have exceeded their intrinsic value if they continue to rank well relative to the rest of the universe. As such, Zenith believes WHEB's valuation discipline is less robust compared to peers.

Portfolio turnover is expected to be approximately 20% p.a., which Zenith considers to be low.

The Fund is generally fully invested, with cash typically less than 5%. Zenith believes that active managers should remain fully invested and cash holdings be kept to a minimum.

Overall, Zenith believes WHEB's portfolio construction process ensures that the team's best investment ideas are held in the Fund.

RISK MANAGEMENT

Portfolio Constraints	Description
Security Numbers	40 to 60
Single Security Weight (%)	max: 5%, typically no greater than 3.1%
Single Theme Exposure (%)	max: 30%
Regional Weight rel. Index (%)	-3% to +3%
Minimum Investable Market Cap	$US 200 million typically $US 500 million
Cash (%)	max: 5%
ESG Constraints - Excluded Sectors	N/A

The Fund's formal investment constraints listed above attempt to ensure the portfolio is sufficiently diversified without impeding the ability of the investment team to demonstrate conviction in its best investment ideas.

At the stock selection stage, the detailed level of research undertaken serves to manage stock-specific risk. The collective peer review process also ensures that a wide range of issues are addressed and debated prior to any stock selection decision. This process ensures that only quality stocks in which the investment team has a high level of conviction are considered for investment. Zenith believes the research approach undertaken by WHEB assists analysts in understanding the risks associated with each security.

WHEB's Investment and Risk Committee (IRC) is responsible for the overall risk management of the Fund. The IRC comprises George Latham and Geoff Hall and conducts regular reviews of the following:

- Portfolio exposures - stock, sector, theme and sub-theme
- Concentration
- Liquidity
- Performance attribution

The IRC also reviews the Fund's operational risk and compliance issues.

Whilst Zenith is comfortable with the Fund's risk management process, investors should be aware that there is a significant reliance on the judgement and skill of WHEB's investment team in managing investment risk.

Responsible Investment Approach

WHEB has an established Responsible Investment Approach, last updated in 2020, that guides its investment decisions. In addition, WHEB is a signatory of the United Nations Principles for Responsible Investment (UNPRI), assigned the following ratings:

- Strategy and Governance: **A+**
- Listed Equity - Incorporation: **A+**
- Listed Equity - Active Ownership: **A+**

Zenith notes that whilst WHEB does not maintain any explicit environmental, social and governance (ESG) constraints, WHEB's investment process typically results in the Fund avoiding investments in industries such as tobacco, gaming, alcohol, armaments, pornography and any other industry that is deemed to have a negative impact on the environment and/or society. WHEB places a particular focus on its internally generated ESG research for each stock, which it believes acts as a key risk mitigation tool. Zenith believes that this qualitative analysis of a company’s operations is crucial on a forward basis, given that a company’s performance with regards to ESG considerations is increasingly being reflected in its share price. Zenith believes WHEB's ESG analysis is comprehensive.

From a classification scale of:

- Impact
- Thematic
- Integrated
- Aware
- Traditional

Zenith has assigned the Fund a Responsible Investment Classification of **Impact**.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship International Shares - Global (Unhedged) funds surveyed by Zenith.

A management cost of 1.35% p.a. applies to this Fund, with no associated performance fee.

Overall, Zenith believes the Fund's fee structure is expensive, relative to peers, given its stated objectives. In addition, we believe that investors have not been sufficiently compensated by way of risk-adjusted performance given the fees paid over the past three years (ending 30 June 2020).

There is also a buy/sell spread of 0.3% charged on Fund entry and exit.

(The fees mentioned above are reflective of the flagship version only and may differ when the product is accessed through an alternate investment vehicle such as a platform.)

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	1.35% p.a.	0.95% p.a.
	Description	
Performance Fee	N/A	
	Buy Spread	Sell Spread
Buy / Sell Spread	0.30%	0.30%

PERFORMANCE ANALYSIS

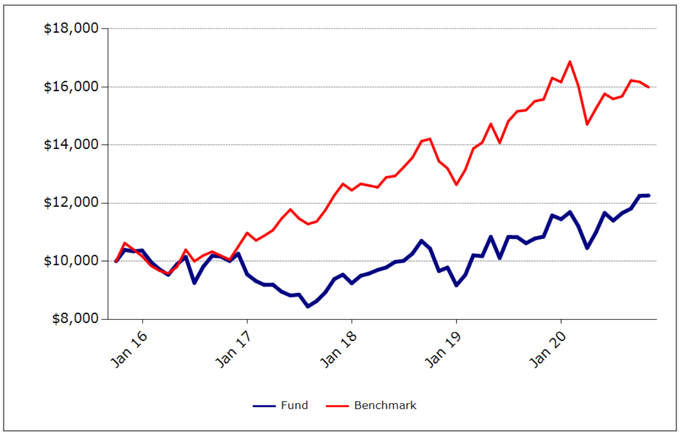
Report data: 31 Oct 2020, product inception: Nov 2007

Monthly Performance History (%, net of fees)

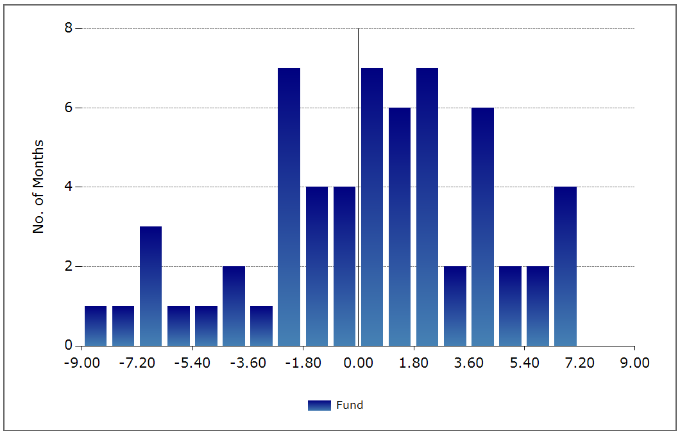
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2020	2.12	-4.07	-6.77	5.04	6.19	-2.26	2.27	1.34	3.73	0.07			7.12	-1.09
2019	3.90	7.08	-0.29	6.56	-6.75	7.20	-0.06	-1.94	1.51	0.62	6.71	-1.11	24.81	27.97
2018	2.80	0.77	1.31	0.91	1.95	0.38	2.52	4.23	-2.48	-7.42	1.26	-6.26	-0.76	1.52
2017	-2.45	-1.35	0.04	-2.63	-1.47	0.35	-4.64	2.30	3.45	5.08	1.63	-3.13	-3.24	13.38
2016	-3.84	-2.48	-1.95	3.76	2.59	-8.81	6.05	3.79	-0.21	-1.53	2.52	-6.92	-7.90	7.92

Benchmark: MSCI World ex Aust $A

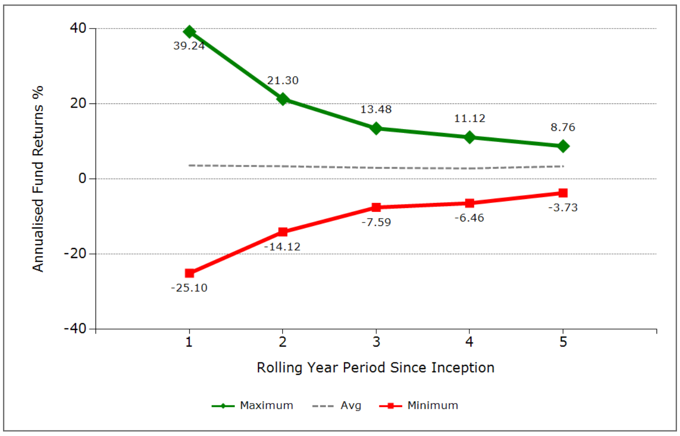
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	2.89	3.36	9.32	13.03
Benchmark (% p.a.)	6.88	8.52	9.25	2.71
Median (% p.a.)	6.09	7.82	8.44	2.79
Ranking within Sector	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund Ranking	49 / 50	87 / 94	45 / 116	24 / 131
Quartile	4th	4th	2nd	1st
Standard Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	13.82	13.22	13.47	13.72
Benchmark (% p.a.)	11.73	10.74	11.32	13.18
Median (% p.a.)	11.78	10.73	11.38	13.29
Downside Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	7.79	7.87	7.71	7.21
Benchmark (% p.a.)	6.66	5.83	6.73	8.57
Median (% p.a.)	6.66	6.15	6.77	8.65
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Sharpe Ratio - Fund	-0.02	0.13	0.59	0.91
Sortino Ratio - Fund	-0.04	0.23	1.03	1.74

Investors should note that the Fund has been managed by WHEB since August 2017. As such the Fund's performance prior to this date should not be considered when assessing WHEB's performance as the investment manager.

All commentary below is as at 31 October 2020.

The Fund's objective is to achieve capital growth over the medium to longer term. Internally, the Fund aims to outperform the MSCI World $A Index by 3% p.a. (before fees).

The Fund has marginally underperformed the benchmark over the most recent rolling three-year period, placing it in the second quartile of managers.

The Fund's level of volatility (as measured by Standard Deviation) has been higher than peers and the benchmark over the most recent rolling three-year period.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	5 yr	3 yr	1 yr
Excess Return (% p.a.)	-3.99	-5.15	0.07	10.33
% Monthly Excess (All Mkts)	48.72	48.33	52.78	66.67
% Monthly Excess (Up Mkts)	43.16	50.00	52.17	66.67
% Monthly Excess (Down Mkts)	57.38	45.83	53.85	66.67
Beta Statistics	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Beta	0.65	0.90	1.05	0.93
R-Squared	0.31	0.54	0.77	0.79
Tracking Error (% p.a.)	12.19	9.06	6.44	6.34
Correlation	0.56	0.73	0.88	0.89
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Information Ratio	-0.33	-0.57	0.01	1.63

All commentary below is as at 31 October 2020.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. The Fund has met this objective since WHEB took over as the Fund's investment manager.

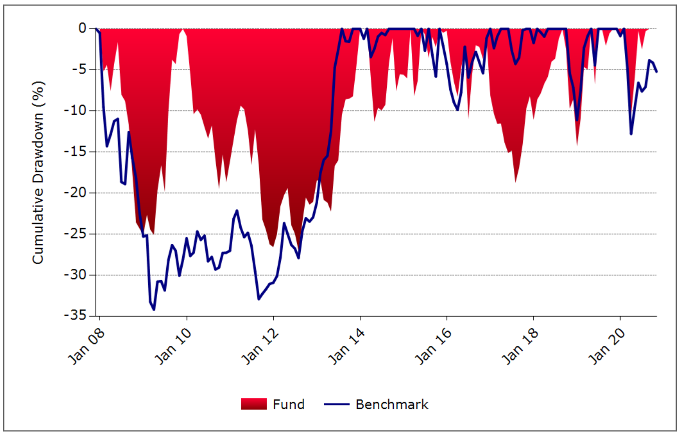
Given the Fund's benchmark unaware mandate, Tracking Error remains high compared to peers.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-27.05	-34.20
Months in Max Drawdown	32	16
Months to Recover	17	52

Worst Drawdowns	Fund	Benchmark
1	-27.05	-34.20
2	-25.10	-12.79
3	-18.78	-11.10
4	-14.30	-9.86
5	-11.33	-5.81



All commentary below is as at 31 October 2020.

The Fund has generally experienced drawdowns in line with those of the benchmark since WHEB took over as the Fund's investment manager.

INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2020	0.00%	5.18%	5.18%
FY to 30 Jun 2019	0.00%	8.20%	8.20%
FY to 30 Jun 2018	0.00%	13.21%	13.21%
FY to 30 Jun 2017	0.37%	-4.73%	-4.36%
FY to 30 Jun 2016	5.67%	-14.60%	-8.93%
FY to 30 Jun 2015	0.41%	9.92%	10.33%
FY to 30 Jun 2014	0.00%	18.33%	18.33%

The Fund does not target specific income levels.

Where necessary, the Fund typically distributes income on an annual basis. Zenith would prefer a more frequent distribution profile to alleviate potential issues involved with large distributions at 30 June.

The Fund's portfolio turnover is expected to be approximately 20% p.a., which Zenith considers to be low. WHEB has indicated that approximately 50% of the expected turnover is attributed to resizing existing positions and approximately 50% is due to complete sales and new additions. Given this expected level of turnover, the majority of the Fund's returns are expected to be delivered via capital appreciation in the unit price, rather than through the realisation of capital gains in income distributions. In addition, realised capital gains are highly likely to be eligible for the capital gains tax discount. As such, holding all else equal, the Fund may be more appealing to investors who are high marginal tax rate payers as it will result in superior after-tax return outcomes.

REPORT CERTIFICATION

Date of issue: 25 Nov 2020

Role	Analyst	Title
Author	Stephen Colwell	Investment Analyst
Sector Lead	Quan Nguyen	Head of Equities
Authoriser	Bronwen Moncrieff	Head of Research

RATING HISTORY

As At	Rating
25 Nov 2020	Recommended
27 Nov 2019	Approved
28 Nov 2018	Approved
8 Sep 2017	Not Rated - Screened Out
17 Nov 2016	Not Rated - Screened Out
Last 5 years only displayed. Longer histories available on request.	

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