

PENGANA WHEB SUSTAINABLE IMPACT FUND

DESCRIPTION

The Pengana WHEB Sustainable Impact Fund invests in companies with activities providing solutions to sustainability challenges. WHEB have identified critical environmental and social challenges facing the global population over coming decades including a growing and ageing population, increasing resource scarcity, urbanisation and globalisation. The Fund invests in companies providing solutions to these sustainability challenges via nine sustainable investment themes – five of these are environmental (cleaner energy, environmental services, resource efficiency, sustainable transport and water management) and four are social (education, health, safety and well-being). WHEB's mission is 'to advance sustainability and create prosperity through positive impact investments.'

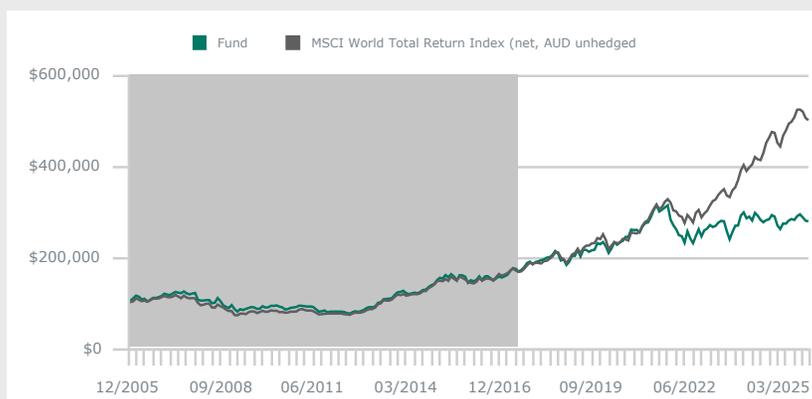
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 28 Feb 2026 ¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
WHEB Sustainable Impact Fund	-0.5%	-3.6%	2.0%	1.8%	
Strategy (partial simulation – see below)					5.2%
MSCI World Total Return Index (net, AUD unhedged)	-1.0%	5.9%	18.4%	14.4%	8.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION ²



TOP HOLDINGS (ALPHABETICALLY)

AstraZeneca PLC	Health Care
Bureau Veritas SA	Industrials
Ecolab Inc.	Materials
Globus Medical Inc Class A	Health Care
Infineon Technologies AG	Information Technology
Keyence Corporation	Information Technology
MSA Safety, Inc.	Industrials
STERIS plc	Health Care
TE Connectivity plc	Information Technology
Trimble Inc.	Information Technology

SECTOR BREAKDOWN

Consumer Discretionary	3.2%
Health Care	25.6%
Industrials	33.1%
Information Technology	26.5%
Materials	8.9%
Utilities	1.9%
Cash	0.8%

CAPITALISATION BREAKDOWN

2-10bn	19.6%
10-20bn	19%
>20bn	60.6%
Cash	0.8%

CUSTOM SECTOR BREAKDOWN

Health	22.3%
Resource Efficiency	27.2%
Sustainable Transport	11.4%
Environmental Services	6.3%
Water Management	13.6%
Safety	10.9%
Cleaner Energy	6%
Education	1.5%
Cash	0.8%

REGION BREAKDOWN

North America	61.3%
Europe ex-UK	21.4%
Japan	9%
UK	7.5%
Cash	0.8%

FEBRUARY 2026 REPORT

COMMENTARY

The Fund returned -0.5% over the month, outperforming the MSCI World Index of developed market stocks which returned -1.0%.

In this month's commentary, Ty Lee (Associate Director – Investments), considers how a major new source of water demand may come not from agriculture or heavy industry, but from digital infrastructure, particularly artificial intelligence. Public debate has primarily focused on data centre cooling but the bigger story lies elsewhere.

Market Review

Global equity markets declined in February, with the leadership within sectors continuing to shift.

One of the most notable themes during the month was a further reassessment of the technology sector. Rapid progress in artificial intelligence ("AI") capabilities, including advances in more autonomous "agent based" systems, prompted investors to reconsider how quickly new tools could reshape software, data and service industries. This led to renewed volatility across several technology and software companies that had previously been key beneficiaries of the AI investment cycle.

At the same time, investor attention increasingly shifted towards companies providing the physical infrastructure needed to support digitalisation and electrification. Continued investment in semiconductor manufacturing, power infrastructure and data centre capacity reinforced expectations that demand for energy, cooling and water management solutions will remain structurally strong as artificial intelligence deployment expands.

February also saw the US Environmental Protection Agency move to rescind its 2009 'endangerment finding,' which underpins the regulation of greenhouse gas emissions under the Clean Air Act. If this move is upheld, this would make it easier for high emitting sectors to continue to drive global warming, particularly across transport and power generation. It would also reinforce longer term policy uncertainty and the likelihood of a more uneven transition pathway. This unhelpful policy move is, however, partly offset by structural drivers such as declining clean technology costs and corporate decarbonisation commitments, which continue to support transition momentum.

Fund Review

The Fund returned -0.5% over the month, outperforming the MSCI World Index of developed market stocks which returned -1.0%.

On the positive side, the Resource Efficiency theme made the largest contribution to performance. At the stock level, **Silicon Laboratories**, a US semiconductor company specialising in low power wireless connectivity chips, was the standout performer. Shares rose sharply after the company agreed to be acquired by Texas Instruments, highlighting the strategic value of its connectivity technologies used in smart home, industrial and "Internet of Things" applications.

Japanese automation specialist **Keyence** was another notable contributor as the positive outlook for factory automation and a decisive Japanese election result benefitted shares. **Infineon Technologies** also contributed positively after posting a set of solid results driven by positive demand in AI and data centre related end markets.

The Health theme was the largest detractor during the month. **ICON**, a global provider of clinical research services, was the weakest individual contributor after the company disclosed an internal investigation into its accounting practices and delayed the release of its financial results. While the issue appears limited in scale, the resulting uncertainty weighed heavily on investor sentiment.

Elsewhere, **Arcadis**, the global design and engineering consultancy, also detracted from performance following weaker than expected results and cautious outlook commentary.

Outlook

Investor sentiment towards sustainability oriented and impact strategies remains somewhat subdued, reflecting a period in which markets have been more focused on short term earnings momentum and geopolitical developments.

However, many of the structural drivers that underpin our investment themes continue to strengthen. The rapid expansion of AI and digital infrastructure is increasing demand for electricity, cooling and water management solutions. At the same time, governments and companies are continuing to invest in more efficient industrial systems, resilient infrastructure and improved healthcare technologies.

In this environment, we believe companies that enable more efficient use of energy, water and materials are increasingly central to how the global economy evolves. While short term market leadership may continue to rotate, the long term investment case for businesses delivering solutions to these challenges remains compelling.

The next constraint on AI is not just energy – it's also water

By Ty Lee

Nearly two-thirds of the world's population now faces severe water stress annually, and global demand could outstrip supply by 2030. Water scarcity is no longer a distant environmental issue; it is an economic constraint today.

What is less recognised is that a major new source of water demand may come not from agriculture or heavy industry, but from digital infrastructure, particularly artificial intelligence. Public debate has primarily focused on data centre cooling. The bigger story lies elsewhere.

Cooling is the visible part. Power generation and chip fabrication are the iceberg

Public debate has focused heavily on data centre cooling towers and understandably so. They are local, visible and politically sensitive. Yet cooling represents only a fraction of AI's total water footprint. Most exposure sits upstream.

Chip manufacturing requires vast volumes of ultrapure water, and the most advanced chips demand increasingly complex and water-intensive production processes. Meanwhile, thermoelectric power generation, particularly in coal- and nuclear-reliant systems, remains highly water-intensive. For investors, the implication is clear: AI's most material water exposure lies beyond the data centre.

The real water cost of building and powering AI

Water demand linked to semiconductor manufacturing is projected to grow more than six-fold over the next 25 years, outpacing even the rapid expansion of data centre cooling.¹ The scale is striking. Ecolab's CEO has noted that a single advanced microelectronics fabrication facility can consume the equivalent of the annual drinking water needs of 17 million people.² That is more than the drinking water needs of London and Madrid combined.

This growth is concentrated in a handful of geographies, Taiwan, South Korea and parts of the US Southwest, many already water-stressed. Taiwanese semiconductor company TSMC reportedly uses more than 150,000 tonnes of water per day at its Hsinchu facilities, representing roughly 10% of the city's daily supply.³ As AI demand accelerates, reliance on ultrapure water intensifies in these regions.

Data centres are energy-intensive. Meeting this rising electricity demand carries its own water footprint, particularly in markets still reliant on thermoelectric generation. Coal and nuclear plants consume on average 2,100-2,400 litres of water per megawatt-hour of electricity produced.⁴ By contrast, wind and solar require negligible operational water.

Rising demand for water treatment and reuse

As AI accelerates, so too will investment in industrial water treatment and advanced recycling systems. In semiconductor manufacturing, this drives investment in advanced filtration, membrane systems and closed-loop recycling technologies.

Companies with exposure to high-specification industrial water treatment, such as Kurita and Ecolab in our portfolios, are well positioned to benefit. Ovivo Electronics, a leading provider of ultrapure water systems, and now part of Ecolab, states that its technologies deliver "some of the world's purest water," underscoring the importance of high-end purification in semiconductor manufacturing.⁵

The power sector presents a parallel opportunity. As power demand grows, thermoelectric plants are under increasing pressure to reduce freshwater intake, supporting investment in treated wastewater and system optimisation. Companies such as Xylem and Veralto, also represented in our portfolios, are positioned across this broader energy-water nexus. Xylem, for example, provides raw water intake and cooling systems for thermal and nuclear plants, alongside its Zero Liquid Discharge technologies that maximise water reuse.⁶

The emerging water infrastructure cycle

The AI supercycle is often framed in terms of semiconductors, cloud capacity and energy transition. Water rarely features in that discussion. Yet as digital infrastructure scales, the resilience of water systems becomes increasingly material. Managing AI's upstream water intensity will require sustained investment in treatment, reuse and network efficiency.

For long-term investors, the intersection of digital growth and water infrastructure may prove to be one of the more durable and underappreciated structural themes of the coming decade.

¹ <https://amp.xylem.com/m/aa10f8022757c5e/original/Watering-the-New-Economy-DIGITAL-final.pdf>

² <https://sustainabilitymag.com/news/water-and-circularity-inside-ecolabs-ovivo-takeover>

³ https://en.wikipedia.org/wiki/Semiconductor_industry_in_Taiwan

⁴ <https://visualizingenergy.org/what-methods-of-electricity-generation-use-the-most-water/>

⁵ <https://investor.ecolab.com/news/news-details/2025/Ecolab-to-Acquire-Ovivos-Electronics-Ultra-Pure-Water-Business/default.aspx>

⁶ <https://www.xylem.com/en-us/applications/zero-liquid-discharge-for-power-generation/>

FEATURES

APIR CODE	HHA0007AU
REDEMPTION PRICE	A\$ 1.5298
FEES *	Management Fee: 1.35%
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 173.46m
FUND INCEPTION DATE	31 October 2007 Relunched on 1 August 2017.*

FUND MANAGERS



Ted Franks
Managing Director, Fund Manager



Seb Beloe
Managing Director, Head of Impact Research

1. 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 (shown in the shaded area in the chart) 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 Impact 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 nulled. The Henderson Industries of the Future Fund's and the FP WHEB Sustainability Impact Fund's GBP net track record data is historical. Performance figures are calculated using net asset values after all fees and expenses, and assume reinvestment of distributions. No allowance has been made for buy/sell spreads. Please refer to the PDS for information regarding risks. Past performance is not a reliable indicator of future performance. The value of the investment can go up or down.

2. The Fund incepted on 31 October 2007 as the Hunter Hall Global Deep Green Trust. The Fund was relunched on 1 August 2017 as the Pengana WHEB Sustainable Impact Fund employing the WHEB Listed Equity strategy. This strategy was first employed on 1 January 2006 by the Henderson Industries of the Future Fund and currently by the FP WHEB Sustainability Impact Fund.

3. Annualised standard deviation since inception.

4. Relative to MSCI World Total Return Index (net, AUD unhedged)

* For further information regarding fees please see the PDS available on our website.

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