

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.'

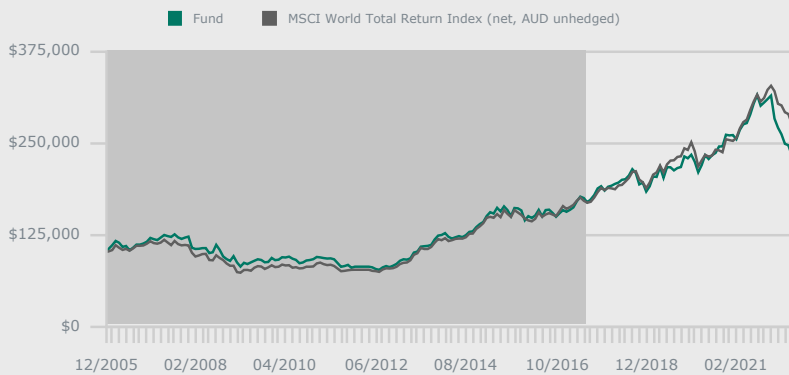
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2022¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
WHEB Sustainable Impact Fund	-5.8%	-19.5%	2.4%		
Strategy (partial simulation – see below)				5.9%	5.2%
MSCI World Total Return Index (net, AUD unhedged)	-4.7%	-6.5%	7.7%	10.0%	6.3%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Ansys	Information Technology
CSL	Health Care
Daifuku	Industrials
Danaher	Health Care
Ecolab	Materials
Globus Medical Inc	Health Care
Icon	Health Care
Linde	Materials
TE Connectivity	Information Technology
Thermo Fisher Scientific	Health Care

SECTOR BREAKDOWN

Consumer Discretionary	3.6%
Consumer Staples	2.8%
Health Care	29.6%
Industrials	25.9%
Information Technology	25.5%
Materials	10.7%
Cash	1.9%

CAPITALISATION BREAKDOWN

2-10bn	35.7%
10-20bn	12.2%
>20bn	50.2%
Cash	1.9%

CUSTOM SECTOR BREAKDOWN

Health	26.8%
Resource Efficiency	27.2%
Sustainable Transport	9.6%
Environmental Services	9%
Water Management	7%
Safety	4.8%
Cleaner Energy	5%
Wellbeing	6.9%
Education	1.7%
Cash	1.9%

REGION BREAKDOWN

North America	55.1%
Europe ex-UK	21.4%
Japan	9.4%
UK	7%
Asia Pacific	5.2%
Cash	1.9%

LOWER INCOME HOUSEHOLDS DISPROPORTIONATELY AFFECTED BY FOOD INSECURITY

COMMENTARY

With Australia's inflation rate now sitting at 5.1%, every supermarket aisle has seen price rises, and many staples including lettuce and broccoli have more than doubled in price over the last two years. Similar headlines can be seen throughout the world. This is putting immense pressure on low-income families, who are forced to spend a much larger proportion of their budget on food. Senior Analyst Claire Jervis takes a look at some of our portfolio holdings that are contributing to long term solutions for improving and increasing global food production.

We are pleased to announce that, in New Zealand, the Pengana WHEB Sustainable Impact Fund has won [Mindful Money's "Best Ethical Overseas Fund"](#). The judges were impressed by the thought leadership that Fund has shown and recognised that it looks beyond investments in companies that create positive impact to also seek out companies that can catalyse change. The judges also commended the WHEB fund on its strong analytical approach to engagement and voting, along with excellent communications to financial advisers and clients.

In other news, WHEB has been named a [2022 Best for the World™ B Corp™](#) in recognition of its exceptional positive impact on its Customers – for a fifth time. We're thrilled to have been recognised again. More details can be found [here](#).



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Global equity markets had another difficult month in June, as the MSCI World Index fell by 4.8%. Fears of continued inflation and supply chain disruption continued to weigh on markets. This was heightened by ongoing lockdowns in China and geopolitical tensions.

The Fund underperformed the index this month, returning -5.8%. While we saw relative strength from our Education and Cleaner Energy holdings, this offset only some weakness from our Sustainable Transport and Environmental Services themes.

Our Education theme performed strongly in June, as **Grand Canyon Education** recovered from last month's weakness. Grand Canyon University has seen strong enrollment numbers for its courses ahead of the September 2022 intake, as well as healthy demand for on-campus housing. This provided reassurance that the higher education sector is recovering following the pandemic.

The Cleaner Energy theme was also positive, led by **SolarEdge** which continues to see huge demand for its solar inverters and power optimisers. This is particularly true in the European commercial sector, as businesses respond to the uncertainty created by the Russia/Ukraine war. Meanwhile, we continue to be excited by SolarEdge's expanding portfolio of impactful products including EV chargers, solar batteries, and electric water heaters.

Sustainable Transport was our weakest theme in June. **Infineon**, one of our best performing companies in May, was one of our weaker names this month. Infineon is the global leader in power semiconductors which are used to power a wide range of electronic equipment and appliances. Following several quarters of strong results, investors fear that the semiconductor cycle may be entering a downturn. If true, this would imply that Infineon's earnings growth may be about to slow down. While we share these concerns, structural demand for electric vehicles and renewable energy should offer more sustainable demand for the company's products.

The Environmental Services theme was also weak. **Smurfit Kappa**, the worst performing name in this theme, produces sustainable paper-based packaging. The market fears that a weaker economy may dampen demand for Smurfit's products, and in particular, that lower global e-commerce spending in the short term may mean less demand for packaging. Over the long term, we are confident that e-commerce will continue to expand, and we think that Smurfit's positive impact will also support its growth. The company replaces environmentally damaging plastic packaging with sustainable paper-based alternatives. We also like the company's strong competitive position and high barriers to entry.

The outlook for the second half of this year remains highly uncertain. A resurgence in COVID-19 cases in many countries around the world serves as a reminder that we are not ready to claim victory over the pandemic. Divisive politics and the rising cost of living both increase the likelihood of civil unrest, and tensions between countries are heightened as competition for scarce resources increases. We are also watching the shifting relationships between the US, Europe, and China, particularly as it relates to allegations of slave labour in supply chains.

In this context, we expect markets to remain highly volatile during the coming months. We will continue to be led by the long-term opportunities for positive sustainable impact to guide us through these near-term uncertainties.

Lower income households disproportionately affected by food insecurity

Consumers around the world are under pressure from rising inflation which erodes the value of real wages and savings. But these effects are not felt equally. Due to the composition of their income and consumption, lower income households generally suffer most when inflation increases. This is reflected in increasing food insecurity in low-income countries where food consumption generally accounts for about half of total household expenditure, as well as low-income households around the world.

The question of how we got here is complex. The answer encompasses politics, war, and economic policy. We investors can't do much about any of these. But we can focus on finding solutions.

Over the long term, the best way to feed the eight billion people (and counting) who inhabit our planet is to improve crop yields and increase overall production. And to do so in a way that protects the environment and fosters biodiversity.

Trimble's precision farming technology does just that. Trimble is a pioneer in flow and application control technology. This helps farmers save precious seeds while reducing the need for harmful fertilisers. [Their products can even optimise water use – improving crop yields by up to 30%.](#)

Trimble also provides connectivity solutions and software. These enable farmers to view, map, and record crop yields over time. Armed with this data, farmers can track the performance of their crops year by year, to improve seed selection and maximise crop production.

While Trimble's innovations are great for crops, they are less equipped to help with livestock farming. Global meat consumption has been growing rapidly and, with it, greenhouse gas emissions. [Today, nearly 15% of global emissions can be attributed to livestock.](#)

The obvious (and best) solution is for wealthy Westerners to consume less meat and dairy. But realistically, this change in behaviour may take generations.

Recognising this problem, DSM has figured out how to reduce methane emissions from cattle. Bovaer® is a feed additive for cows, developed over 10 years by DSM. The product contains a molecule called 3-NOP which reduces enteric methane emissions by 30% for dairy cows and up to 90% for beef cows. This helps to mitigate the environmental damage from livestock production.

DSM has also found a way to farm fish more sustainably. [Unbelievably, around 20% of all the fish caught in the world, and 75% of harvested fish oil, is used to feed other fish.](#) This is all so that you and I can get our Omega-3.

DSM has developed Veramaris, an Omega-3 oil made from algae. Just one tonne of Veramaris can replace a whopping 60 tonnes of wild-caught fish. This can help keep us humans fed and healthy for years to come. It also means that huge quantities of wild fish are left where they belong – in the sea.

We recognise that these innovations offer little comfort to those currently suffering under a cost of living crisis. But they do give us hope that, over time, we will get better at feeding the world's swelling population.

In a sustainable society, no-one should go hungry.

FEATURES

APIR CODE	HHA0007AU
REDEMPTION PRICE	A\$ 1.2742
FEES *	Management Fee: 1.35%
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 249.96m
FUND INCEPTION DATE	31 October 2007

FUND MANAGERS



Ted Franks
Partner, Fund Manager



Seb Beloe
Partner, Head of 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 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. No allowance has been made for buy/sell spreads. Past performance is not a reliable indicator of future performance. The value of the investment can go up or down.
 2. The Fund inceptioned on 31 October 2007 as the Hunter Hall Global Deep Green Trust. The Fund was relaunched 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 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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