

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.'

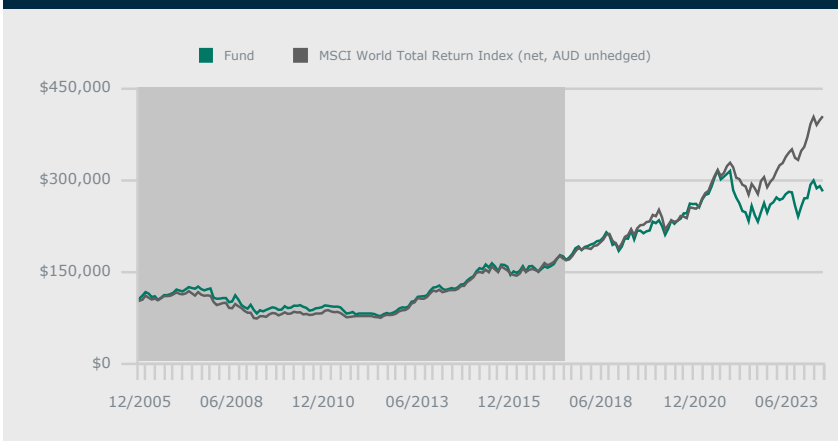
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 30 Jun 2024¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
WHEB Sustainable Impact Fund	-3.0%	1.6%	-0.9%	5.3%	
Strategy (partial simulation – see below)					5.7%
MSCI World Total Return Index (net, AUD unhedged)	1.6%	19.8%	11.1%	12.9%	7.8%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

Agilent Technologies Inc	Health Care
Autodesk Inc	Information Technology
Ecolab Inc	Materials
ICON PLC	Health Care
Keyence Corp	Information Technology
Linde PLC	Materials
MSA Safety Inc	Industrials
Schneider Electric SE	Industrials
Thermo Fisher Scientific Inc	Health Care
Xylem Inc/NY	Industrials

SECTOR BREAKDOWN

Consumer Discretionary	3.1%
Health Care	31.8%
Industrials	29.2%
Information Technology	22.6%
Materials	11%
Utilities	1.5%
Cash	0.7%

CAPITALISATION BREAKDOWN

2-10bn	20.2%
10-20bn	11%
>20bn	68.1%
Cash	0.7%

CUSTOM SECTOR BREAKDOWN

Health	27.9%
Resource Efficiency	24.9%
Sustainable Transport	7.8%
Environmental Services	9.2%
Water Management	14.3%
Safety	8.9%
Cleaner Energy	4.4%
Education	2%
Cash	0.7%

REGION BREAKDOWN

North America	42.4%
Europe ex-UK	37.1%
Japan	5.8%
UK	10.9%
Asia Pacific	3%
Cash	0.7%

FROM POSTCARDS TO PROGRAMMES: HOW ONLINE LEARNING HAS GROWN

COMMENTARY

The Fund delivered negative performance over the month and lagged the MSCI World Index. The very strong performance of the “megacap” technology stocks (including Nvidia, Apple and Microsoft) which are not qualified for impact investment, was the primary headwind.

In this month’s commentary, Chloe Tang discusses virtual learning. Did you know distance learning has origins that date back to the 18th Century? Chloe reviews the impact distance learning has on the environmental and social implications for learners. She also looks at pioneering ways to make education more accessible in the future and how education fits into the WHEB strategy.

Market Review

Global markets were up 1.6% in June, buoyed by US equities and AI-related tech stocks in particular.

US economic data has softened as investors are more hopeful for policy easing. However, the Federal Reserve remained hawkish at its June meeting, signalling only one interest rate cut in 2024.

The European Central Bank (ECB) cut interest rates by 0.25% during its June meeting to 3.75%, as was expected. However, the ECB was keen to stress that any further policy normalisation is heavily data dependent. Sticky services inflation dashed hopes of a June rate cut in the UK, despite the Bank of England (BoE) signalling it could have been an option. However, the BoE did leave open the possibility of a move in August.

Technology was by far the strongest sector in the global market, while Utilities and Materials were the weakest. Large cap stocks also outperformed.

Fund Review

The Fund delivered negative performance over the month and lagged the MSCI World Index. The very strong performance of the “megacap” technology stocks which are not qualified for impact investment, was a meaningful headwind. Not owning Nvidia, Apple and Microsoft accounted for much of the gap in performance between the Fund and the Index.

Of the stocks that we own, the largest detractor in June was the Cleaner Energy theme with stocks including Vestas and First Solar underperforming. Shares of Vestas, the wind turbine manufacturer, were weak as gains by political parties hostile to green energy spooked investors. There was also speculation that the new orders it received in the second quarter would miss expectations. First Solar stock gave back some of its recent strong gains and was hit after the first presidential debate, which went in Donald Trump’s favour.

Resource Efficiency was the main positive contributor to performance as holdings including Autodesk performed well. An investment by a noted activist investor has raised the potential for a more focused approach to growth from the company.

Outlook

Following the fall in inflation, sentiment in global equities is more positive with markets expecting that central bank

tightening is nearing its end. This environment should be more supportive for the generally smaller and more growth-orientated impact stocks we invest in.

Meanwhile, several of our key sustainability markets have cyclical challenges to overcome, as well as repositioning around China's changing role in global manufacturing. We remain convinced that the companies we invest in retain the competitive edge to deliver the transition to a more sustainable economy.

From postcards to programmes: how online learning has grown

Chloe Tang

From postcards to programmes: how online learning has grown

Would you believe me if I said the first recorded example of distance learning was in 1728? Caleb Phillips, a Boston-based professor, advertised shorthand lessons in a newspaper available to anyone in the US. He promised that students would be "as perfectly instructed as those that live in Boston," only with lessons sent weekly by post. Unsurprisingly, this early attempt didn't catch on due to the rudimentary postal system of the time. Phillips did, however, inspire others, with postcard learning being quite the hit in the 19th century.

Fast forward to today and those early efforts at distance learning pale in comparison to the e-learning revolution spurred by COVID-19. We've leapfrogged into an era of online and distance learning, where classrooms are virtual, schedules are flexible, and the biggest troublemaker is the occasional Wi-Fi glitch.

In one of our earlier articles, Seb Beloe wrote about the observed relationship between lower unemployment rates and attaining higher levels of education. The results were indisputable. However, many challenges block the path to higher levels of education – the time burden, and financial burden are arguably the biggest barriers.

Does virtual learning help?

Online learning is often completed in the comfort of the student's home, at their own pace and according to their preference. A form of self-motivated learning that appeals to certain individuals more than others. It's really the flexibility of this offering that is unmatched to traditional in-person learning. When personal and professional responsibilities take precedence, access to higher education can be reduced to none. Virtual learning is an inclusive alternative that gives students autonomy to choose when and how they study while maintaining a comprehensive curriculum.

Studies show that students often do better in online classes compared to traditional ones.¹ Students typically retain up to 60% of what they learn online, compared to just 10% in traditional settings, and cutting study time almost in half.² This is especially true for adult learners and those in higher education, where time management and self-directed learning are routine.

Feeling screen fatigue

Engagement has been more of a topic for debate. In-person classes often buzz with dynamic interactions and palpable energy,³ with a physical presence boosting motivation and participation. Virtual learning, on the other hand, can sometimes feel quite isolating.

The problem with online learning is if it is carried out in the same way as traditional learning. Screen fatigue is a real thing—listening to a virtual lecture isn't always as captivating as seeing it in person.

What's exciting about e-learning platforms is the ability to incorporate interactive elements like quizzes, virtual reality, and gamification (using game design in non-game contexts). These tools make learning not just a task, but an immersive experience. An Oxford College survey found that nearly half of online students believe that the inclusion of virtual reality would significantly enhance their learning experience.⁴ When done right, online education can be as captivating as it is convenient.

Where WHEB see opportunities

Our research into the positive impact of education has revealed that many more educational institutions are advertising virtual learning capacity and are pioneering new ways to make education accessible.

Grand Canyon Education ("GCU"), held in our portfolio under our Education theme, offers a variety of tertiary educational services to universities and institutions. GCU offers both in-person and online equivalent courses, rooted in the understanding that students have diverse learning needs. This has led to some impressive enrolment statistics – on average, 80% of GCU students enrol in an online course each year,⁵ with total enrolment growing around 7% each year over the last decade.

GCU highlights another perk of online learning – the financial benefit. Online students save about 30% on tuition fees compared to their on-campus peers,⁶ with further reductions when accounting for travel costs, presenting a more cost-effective alternative.

Looking through an institutional lens, 42% of education organisations experienced an increase in income after introducing e-learning,⁷ as higher operational costs were avoided, making it a viable option for many educational institutions.

For some education providers, online learning is still in its infancy. For these providers, fees may remain elevated as digital infrastructure and the curriculum is developed with specialist staff. As these offerings mature, costs will typically come down.

Environmental impact

One of the lesser-discussed advantages of online education is its positive environmental impact.

Traditional bricks-and-mortar schools consume vast amounts of resources, including water, electricity, and paper, resulting in excessive energy consumption and a higher carbon footprint. Older buildings, not designed to modern low-carbon standards, can generate around 100kg of CO₂e per classroom per semester.⁸

Virtual learning slashes these demands. The Open University reported that e-learning reduces energy consumption by 90% and total emissions by 85% per student compared to traditional classes.⁹ This reduction is a consequence of requiring less physical space and resources, as well as eliminating transport to and from the institution. While home-based learning still uses power and heating, it only generates 5kg of CO₂e per online classroom per semester,¹⁰ making it a far greener choice.

How does it weigh up?

There are certainly challenges presented with the online learning model; its recent acceleration has highlighted both its potential and pitfalls. The flexibility and accessibility of online education are game-changers, allowing students to learn at their own pace from anywhere. However, engagement, screen fatigue, and the digital divide highlight the need for continuous innovation and inclusive policies.

We've come a long way from postcard classes. The next generation may see virtual reality and augmented reality learning as the new norm, but for now, online learning is a vital tool in bridging the global skills gap by making higher education more accessible to all.

- ¹ https://www.researchgate.net/publication/360697318_The_Impact_of_Online_Learning_Strategies_on_Students'_Academic_Performance/link/63e676356425237563a27114/download?tp=eyJjb250ZXh0ljp7ImZpcnN0UGFnZSI6InB1YmxpY2F0aW9uInB1YmxpY2F0aW9uIn19
- ² <https://www.ucf.edu/online/leadership-management/news/why-the-future-of-learning-is-digital-and-for-everyone/>
- ³ <https://www.eschoolnews.com/innovative-teaching/2024/04/05/online-learning-vs-classroom-learning-research/>
- ⁴ <https://www.oxfordcollege.ac/news/online-education-statistics/>
- ⁵ <https://www.collegetuitioncompare.com/trends/grand-canyon-university/student-population/>
- ⁶ <https://www.gcu.edu/tuition/cost-attendance>
- ⁷ <https://radixweb.com/blog/top-elearning-statistics>
- ⁸ <https://www.nepic.co.uk/blog/memberposts/remote-learning-during-covid-and-the-environmental-benefits/>
- ⁹ <https://www.open.edu/openlearn/nature-environment/the-environmental-impact-teaching-and-learning/content-section-5.1>
- ¹⁰ <https://www.nepic.co.uk/blog/memberposts/remote-learning-during-covid-and-the-environmental-benefits/>

FEATURES

APIR CODE	HHA0007AU
REDEMPTION PRICE	A\$ 1.5396
FEES *	Management Fee: 1.35%
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 255.02m
FUND INCEPTION DATE	31 October 2007

FUND MANAGERS



Ted Franks
Partner, Head of Investment



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. 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 inception 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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