PENGANA
CAPITAL GROUP

MONTHLY REPORT
MARCH 2025

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.'

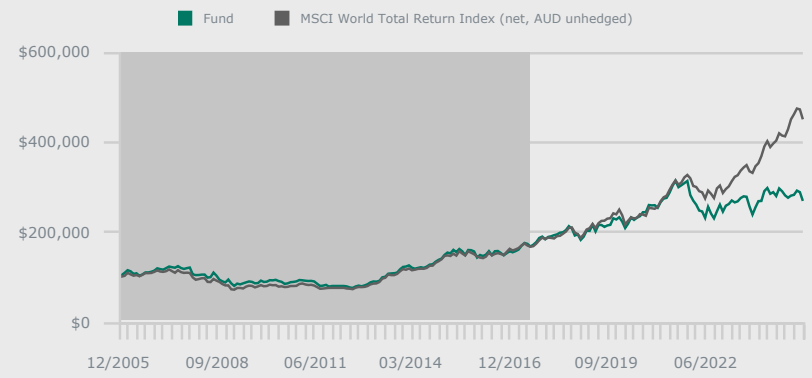
PERFORMANCE TABLE

NET PERFORMANCE FOR PERIODS ENDING 31 Mar 2025 [1]

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
WHEB Sustainable Impact Fund	-6.7%	-9.6%	1.1%	5.2%	
Strategy (partial simulation – see below)					5.3%
MSCI World Total Return Index (net, AUD unhedged)	-4.7%	12.1%	14.5%	15.7%	8.1%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION [2]



TOP HOLDINGS (ALPHABETICALLY)

AstraZeneca PLC	Health Care
Autodesk, Inc.	Information Technology
Bureau Veritas SA	Industrials
Ecolab Inc.	Materials
Keyence Corporation	Information Technology
Linde plc	Materials
TE Connectivity plc	Information Technology
Thermo Fisher Scientific Inc.	Health Care
Trimble Inc.	Information Technology
Xylem Inc.	Industrials

SECTOR BREAKDOWN

Consumer Discretionary	2.5%
Health Care	30.2%
Industrials	29.7%
Information Technology	22.4%
Materials	13%
Utilities	1.9%
Cash	0.3%

CAPITALISATION BREAKDOWN

2-10bn	23%
10-20bn	14.9%
>20bn	61.8%
Cash	0.3%

CUSTOM SECTOR BREAKDOWN

Health	25%
Resource Efficiency	23.6%
Sustainable Transport	8%
Environmental Services	10.7%
Water Management	16.3%
Safety	10.8%
Cleaner Energy	3.5%
Education	1.9%
Cash	0.3%

REGION BREAKDOWN

North America	45.1%
Europe ex-UK	34.8%
Japan	7.2%
UK	11.6%
Asia Pacific	1.1%
Cash	0.3%

GROWING SMARTER: HOW INNOVATION HELPS GROW FOOD SUSTAINABLY

COMMENTARY

This month Associate Director Ty Lee discusses the challenge of food insecurity and the need for a fundamental shift towards more sustainable agricultural practices. As impact investors, we support sustainable solutions that can make a real difference. By investing in innovative technologies like precision farming and advanced seed treatments, we can reduce pesticide reliance while ensuring long-term food security.

Global equities, represented by the MSCI World Index, fell -4.7% in March, dragged down by poor performance of the US market. Fears around trade policy grew and added to concern over the repercussions of some of the new administration's dramatic early moves. With significant and long-established policies apparently in doubt, investor confidence in a variety of assets drained away. All sustainable investment themes detracted from performance, dominated by Resource Efficiency and Health.

Market Review

Global equities, represented by the MSCI World Index, fell -4.7% in March, dragged down by poor performance of the US market. Fears around trade policy grew and added to concern over the repercussions of some of the new administration's dramatic early moves. With significant and long-established policies apparently in doubt, investor confidence in a variety of assets drained away.

Meanwhile, despite persistent growth worries in Europe and the UK, the region's stocks continued to outperform their US counterparts over the month.

In the global market, Technology was the hardest hit sector, followed by the Consumer Discretionary and Communication Services sectors. In Europe, Utilities and Energy were the only sectors to post a positive return.

Fund Review

The Fund delivered a negative return of -6.7%.

American Water Works (Water Management) and STERIS (Safety) were a couple of positive performers. American Water Works is a US water utility company, which outperformed due to its perceived defensive characteristics amid a volatile market environment.

STERIS, in our Safety theme, also has defensive characteristics. The stock benefited as STERIS announced it had reached a settlement agreement for ethylene oxide emissions claims made against a company it had previously acquired. Investors saw this as a positive outcome and a resolution to ongoing litigation concerns. We have engaged STERIS extensively on this topic and support their approach.

Novo Nordisk (Health) was the weakest performer in the period as clinical trial data from its obesity drug, CagriSema, failed to meet investor expectations. Also, the Trump administration dropped Biden's proposal of Medicare coverage of weight-loss drugs.

Silicon Labs and Power Integrations, both in the Resource Efficiency theme, were also weak due to concerns of tariff-led economic slowdown.

All sustainable investment themes detracted from performance over the month, dominated by Resource Efficiency and Health.

Outlook

Financial markets thrive on stability. Global markets have gyrated wildly as market participants have struggled to process recent news flow and understand its geopolitical and macro-economic impacts.

Our impact investing universe had already been heavily hit by dramatic changes in policy, primarily in the US, including changes to healthcare, environmental protections, clean energy, and sustainable transport, amongst others. The moves in March have broadened the uncertainty, impacting the whole economy and adding a further layer of unpredictability for all investors.

It may seem surprising then that our confidence in the prospects for the strategy have, if anything increased. However, current valuations for our holdings are extremely depressed, with many stocks now starting to price in a general recession, in addition to severe challenges to sustainability industries. Such discounted valuations will inevitably attract the attention of investors from across the investment spectrum, regardless of sustainability investment preferences.

In addition, the science behind our thematic drivers is well understood and settled. The capabilities of the technologies our companies produce are well-proven, and the need for them is increasingly apparent. As we have long known, political support alone cannot deliver sustainable changes to the economy. But by the same token, artificially constructed attempts to resist change will not succeed either.

While the coming months are likely to see ongoing volatility as the policy moves play out, we believe the rewards for sustainability investing will be clear with our patient approach.

Growing smarter: How innovation helps grow food sustainably

By Ty Lee

The growing crisis of food insecurity

At our firm's book club, we are reading Ravenous – a fascinating deep dive into the complexities of food production and its impact on society. The book explores how modern agriculture has achieved incredible productivity while also highlighting the fragility of our food systems, which are increasingly vulnerable to climate change, supply chain disruptions, and unsustainable farming practices.

Food insecurity is one of the most pressing global challenges today. One in eleven people worldwide goes to bed hungry every night,[1] and a staggering 29% of the global population experienced moderate or severe food insecurity in 2023.[2]

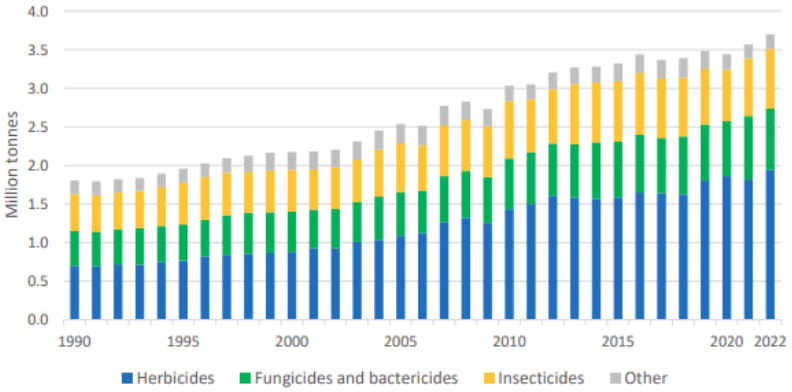
There is no single cause of food insecurity. Rather, it stems from a web of interconnected factors, including conflict, climate change, poverty, the loss of farmland, food waste, and the lingering economic effects of the COVID-19 pandemic. As a result, the world is significantly behind in achieving Sustainable Development Goal 2 – Zero Hunger by 2030, making it imperative to find more sustainable solutions.

The relationship between pesticide use and food security

As the global population grows, the need to increase crop yields has led to a significant reliance on pesticides. Historically, pesticides have played a crucial role in protecting crops from pests and diseases, contributing to higher

agricultural productivity. From 1990 to 2022, global pesticide use doubled in response to rising food demand.[3]

Global pesticides use by category[4]



However, excessive pesticide use has led to diminishing returns. Studies show that over-reliance on chemical pesticides contributes to soil depletion and degradation, water contamination, pest resistance, and biodiversity loss, ultimately threatening long-term yields.[5, 6] Synthetic nitrogen fertilisers also contribute to global warming by releasing nitrous oxide, a lesser-known greenhouse gas that traps 273 times more heat than carbon dioxide.[7] The supply chain for these fertilisers is responsible for more than 10% of global emissions from agriculture.[8]

According to the Food and Agriculture Organisation, integrated pest management offers a more sustainable approach, combining biological pest control, precision application techniques, and other strategies to minimise pesticide dependency while maintaining high crop yields.[9] A thriving ecosystem is essential for resilient food systems, as biodiversity helps buffer against external shocks like climate change. It is clear that pesticides have a role to play, but they must be used more strategically alongside sustainable farming practices.

Strengthening regulations

Recognising the risks associated with pesticides, policymakers are stepping up efforts to curb their use. The European Green Deal aims to reduce both the use and risk of chemical pesticides by 50% by 2030.[10] Similarly, the Kunming–Montreal Global Biodiversity Framework, adopted in December 2022 under the UN Convention on Biological Diversity, sets a target to cut the overall risk from pesticides and hazardous chemicals by at least half.[11]

Some estimates suggest that adopting the European Green Deal targets globally could lead to a 12% reduction in agricultural yields.[12] However, this doesn't tell the whole story. Other policies under the European Green Deal such as reducing food waste, shifting towards plant-based diets, and increasing organic farming can help offset short-term yield reductions while improving long-term food security and ecosystem health.[13]

Sustainable solutions for agriculture

To mitigate the drawbacks of excessive pesticide use, we must invest in more sustainable agricultural technologies. Precision farming is one such solution, optimising resource use and improving crop yields through advanced tools like GPS guidance and data-driven decision-making.

One of our portfolio companies, Trimble, specialises in precision agriculture technologies, spanning seeding, fertiliser application, crop protection, and water management. For example, its weed protection system precisely

applies herbicide only when a weed is detected by a sensor, potentially reducing herbicide usage by up to 90%.[14]

Another key innovator in sustainable farming is Croda, which develops solutions that reduce pesticide dependency while maintaining agricultural productivity. Croda's agricultural adjuvants improve pesticide efficiency by enhancing droplet coverage on plant leaves and minimising spray drift, ensuring that the product reaches its intended target. Additionally, Croda's advanced seed coating technologies protect seeds from pests and diseases while enhancing germination rates. By applying treatments directly to seeds, farmers can significantly reduce early-stage pesticide use by as much as 95% while maintaining crop health and yield.[15]

With growing awareness of the risks associated with excessive pesticide use and increasingly stringent environmental regulations, demand for sustainable farming solutions is accelerating. More importantly, economic benefits are driving adoption, as farmers increasingly recognise yield improvements and lower production costs as key incentives.[16] This presents a compelling opportunity for our portfolio companies, whose innovative and effective alternatives to traditional pesticides position them well to benefit from this structural shift in agriculture. In addition, the next 12-month P/E multiples of both companies are trading below their five-year averages – with Croda near its five-year low[17]– presenting, in our view, compelling investment opportunities given the strong long-term demand for their products and services.

Securing the future of food

Food insecurity isn't just an abstract global issue. It's a challenge that affects millions of people every day, which demands a fundamental shift towards more sustainable agricultural practices. As impact investors, we support sustainable solutions that can make a real difference. By investing in innovative technologies like precision farming and advanced seed treatments, we can reduce pesticide reliance while ensuring long-term food security.

[1] https://www.actionagainsthunger.org.uk/why-hunger/world-hunger-facts

[2] https://openknowledge.fao.org/server/api/core/bitstreams/d5be2ffc-f191-411c-9fee-bb737411576d/content

[3] https://openknowledge.fao.org/server/api/core/bitstreams/a8a8c2c8-ee36-42e8-a619-7e73c8daf8a6/content

[4] Food and Agriculture Organisation of the United Nations. 2024. FAOSTAT: Pesticides Use.

[5] https://pmc.ncbi.nlm.nih.gov/articles/PMC9428564/

[6] https://www.ceh.ac.uk/press/comprehensive-global-study-shows-pesticides-are-major-contributor-biodiversity-crisis

[7] https://eia-international.org/climate/nitrous-oxide/

[8] https://phys.org/news/2022-09-fertilizers-global-emissions.html

[9] https://www.fao.org/pest-and-pesticide-management/ipm/integrated-pest-management/en/

[10] https://ec.europa.eu/eip/agriculture/en/news/green-deal-halving-pesticide-use-2030.html

[11] https://www.cbd.int/gbf/targets/7

[12] Beckman, J., Ivanic, M., Jelliffe, J. L., Baquedano, F. G. & Scott, S. Economic and Food Security Impacts of Agricultural Input Reduction under the European Union Green Deal's Farm to Fork and Biodiversity Strategies (USDA ERS, 2020).

[13] https://www.eea.europa.eu/publications/how-pesticides-impact-human-health

[14] https://ptxtrimble.com/en/products/hardware/flow-application-control/weedseeker-2-spot-spray-system

[15] https://www.crodaagriculture.com/en-gb/about-us/market-areas/seed-treatment

[16] https://www.mckinsey.com/industries/agriculture/our-insights/global-farmer-insights-2024

[17] FactSet data as of 1st April 2025

FEATURES

APIR CODE	HHA0007AU
REDEMPTION PRICE	A$ 1.4799
FEES *	Management Fee: 1.35%
MINIMUM INITIAL INVESTMENT	$10,000
FUM AT MONTH END	A$ 226.22m
FUND INCEPTION DATE	31 October 2007 Relaunched 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 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 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.

PENGANA WHEB SUSTAINABLE IMPACT FUND

PENGANA CAPITAL LIMITED

ABN 30 103 800 568

AFSL 226566

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com

PENGANA CAPITAL GROUP

PENGANA.COM