

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 Jul 2025¹

	1 MTH	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	SINCE INCEPTION P.A.
WHEB Sustainable Impact Fund	2.5%	-5.7%	3.0%	3.8%	
Strategy (partial simulation – see below)					5.4%
MSCI World Total Return Index (net, AUD unhedged)	3.1%	17.4%	19.0%	16.3%	8.5%

PERFORMANCE CHART

NET PERFORMANCE SINCE INCEPTION²



TOP HOLDINGS (ALPHABETICALLY)

AstraZeneca PLC	Health Care
Autodesk, Inc.	Information Technology
Bureau Veritas SA	Industrials
Ecolab Inc.	Materials
Infineon Technologies AG	Information Technology
MSA Safety, Inc.	Industrials
STERIS plc	Health Care
TE Connectivity plc	Information Technology
Trimble Inc.	Information Technology
Xylem Inc.	Industrials

SECTOR BREAKDOWN

Consumer Discretionary	2.4%
Health Care	28.3%
Industrials	29.7%
Information Technology	25.1%
Materials	10.1%
Utilities	1.9%
Cash	2.5%

CAPITALISATION BREAKDOWN

1-2bn	0.4%
2-10bn	22.8%
10-20bn	10.3%
>20bn	64%
Cash	2.5%

CUSTOM SECTOR BREAKDOWN

Health	24.3%
Resource Efficiency	24.5%
Sustainable Transport	9.7%
Environmental Services	8.1%
Water Management	13.8%
Safety	11%
Cleaner Energy	4.3%
Education	1.7%
Cash	2.5%

REGION BREAKDOWN

North America	45.7%
Europe ex-UK	35.2%
Japan	6.7%
UK	8.6%
Asia Pacific	1.2%
Cash	2.5%

THE RETURN OF THE RATIONAL OPTIMIST

COMMENTARY

The Q2 earnings season is delivering something markets haven't seen in a while – clarity. While we're only a few weeks in, there have been few surprises, and that's a good thing. The tone from companies has started to shift away from crisis management and towards resetting expectations and looking ahead. As Chloe Tang explores in her piece on the long-overdue return of rational optimism, this optimism is grounded in fundamentals not sentiment, and increasingly those fundamentals are pointing forward.

We're also delighted to announce that the Fund's investment strategy has been shortlisted for three awards at Investment Week's Sustainable Investment Awards 2025 (UK).

- Best Engagement Fund Strategy – WHEB Sustainability Impact Fund
- Best Impact Fund – WHEB Sustainability Impact Fund

We recently hosted an investor update where Ted Franks and Seb Beloe from the Pengana WHEB Sustainable Impact Fund discussed the past year's performance, addressing policy shifts, sentiment challenges, and sector headwinds, while highlighting attractive valuations, emerging opportunities, and the fund's evolving impact strategy.



Market Review

July was another positive month for global equities. After the cessation of hostilities between Israel and Iran, focus returned to financial markets. With economic data still moderately supportive and the Trump administration pushing vocally for cuts in US interest rates, markets were buoyant.

This positive mood was seen in further strength in a number of large US-listed technology companies, led by Nvidia, and in other areas which are often associated with exuberance, such as meme stocks and cryptocurrency.

As described in last month's commentary, the start of the month saw the signing into US law of the "One Big Beautiful Bill", which contained many measures viewed as unhelpful for sustainability. Some of those headwinds persisted into July, but market expectations are now so low that these measures have less power to shock. This was evident in the trade deal signed between the EU and the US at the end of the month, which included a commitment for the EU to buy so much fossil fuel from the US that it appears to threaten the bloc's Green Deal. However, the deal is sufficiently vague that this threat seems unlikely.

Around the same time, the US Department of Energy issued a report authored by some noted climate sceptics, rejecting the broad scientific consensus on climate change. It was described by one climate researcher as "[an undergraduate exercise in misrepresenting climate science](#)". The report provides some of the pretext for moves by the US Environmental Protection Agency to repeal an important 2009 ruling that greenhouse gases endanger public health and welfare, which underpins much of climate regulation in the US.

Meanwhile, health stocks continued to struggle in the face of other policy moves by the US administration. During the month Vinay Prasad, the newly appointed top vaccine official at the US Food and Drug Administration "resigned". He was apparently insufficiently sceptical of vaccines. Separately, President Trump continued to push for radical changes to drug pricing, which would have an especially challenging impact on research.

Fund Review

The Fund rose broadly in line with the global equity market in the month.

Despite the headlines above, the Health theme was the single largest positive contributor, followed by the Sustainable Transport theme.

In the Health theme, the Q2 reporting season gave companies a chance to counter the negative sentiment that had weighed on them in recent months. In particular, our companies in the drug discovery industry, such as Thermo Fisher Scientific, AstraZeneca, ICON, Danaher and Lonza, all delivered results that were much better-than-feared and rose strongly as a result. Commentary from those companies suggested that there were still headwinds in business confidence in the sector as a result of the US policy noise, but that they consider these risks to be manageable.

The Sustainable Transport theme was lifted by strong performance from TE Connectivity. After several quarters of strong growth in its industrial segment, the latest results showed improvement in the transportation division, which has been struggling more recently. Strong margins further supported the share price.

The weakest and only negatively contributing theme in the month was Education, where our only holding, Grand Canyon Education, fell on very little news.

Outlook

As in June, July was another month in which moves by the Trump administration dominated US headlines. We have previously noted that we continue to expect the frequency and scope of these policy announcements to follow the customary trajectory of presidential terms (including Trump's first), likely easing after the northern summer.

Despite the persistent negative headlines for sustainability, our portfolio companies are demonstrating the resilience of their business models and the underlying strength of demand for their products. Second-quarter results from several of our Health holdings provided a clear example, with strong performances despite the heavy sentiment against the sector in preceding months.

In the meantime, the stock prices of these companies continue to reflect a historically negative view of their future prospects. We expect sentiment to slowly turn, and for the opportunity to become increasingly clear from here.

The return of the rational optimist

By *Chloe Tang*

After two years of volatility, Q2 earnings reports are delivering something markets haven't seen in a while: clarity.

While we're only a few weeks into earning season, there have been few surprises, and that's a good thing. The tone from companies has shifted away from crisis management. It's now about resetting expectations and looking ahead.

In short, we're beginning to see the long-overdue return of rational optimism.

Crucially, this optimism isn't based on sentiment. It's grounded in fundamentals, and increasingly those fundamentals are pointing forward.

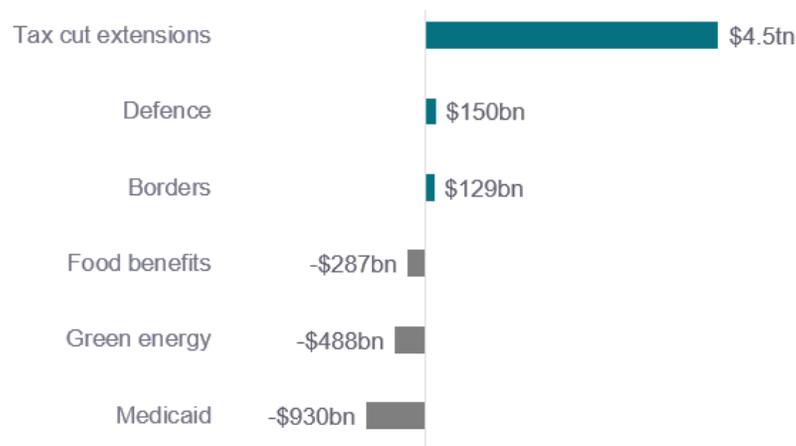
From paralysis to planning

For much of the post-pandemic era, markets were caught in a holding pattern. Businesses focused on navigating short-term pressures. Inflation, geopolitical instability, and inconsistent policymaking made long-term planning exceptionally difficult.

That's now beginning to change.

The passage of Trump's 'One Big Beautiful Bill Act' hasn't exactly enthused the sustainability space. The bill is far from climate-friendly, with a strong tilt towards extended tax cuts and a sharp pullback in healthcare and clean energy support, most notably a USD \$930 bn¹ reduction in Medicaid over the next decade and a rollback of EV incentives.

Figure 1: Key items in Trump's One Big Beautiful Bill²



In spite of this, its arrival has brought a degree of relief.

For months, uncertainty around the scope and direction of fiscal policy kept businesses in a defensive crouch. While many view the bill's content as regressive, it has at least removed the element of surprise. Clearer budget trajectories and legislative priorities means companies can start to plan with greater confidence again.

Stabilisation before acceleration

Few sectors felt the post-pandemic whiplash harder than the life science tool manufacturers, being suppliers of

critical instruments used in biotech research and diagnostics. As my colleague [Claire Jervis recently highlighted](#), the landscape has been challenging: delayed biotech funding, cautious pharma pipelines, and significant budget volatility all weighed heavily on demand.

The narrative may now be shifting.

[Thermo Fisher](#), the world's largest provider of scientific instrumentation, saw its stock rise 18%³ during the week it reported. Beyond the solid report, the key takeaway was management's revised growth guidance:⁴ 3-6% core growth in 2026/27 and 7%+ beyond. While this is lower than previous 7-9% targets, the market viewed the announcement positively as a realistic reset given the fundamental drivers in the industry.

[ICON](#), a leading provider of outsourced clinical trials, also offered early signs of recovery. As my colleague [Ben Kluftinger previously outlined](#), the company faced challenges from delayed project commitments, due to biotech funding gaps and cautious pharma R&D spending. In Q2, however, there were clear signs of stabilisation: project wins were up 11%⁵ from Q1, biotech bookings exceeded expectations, and long-term oncology partnerships regained momentum. While management still offered a cautious tone, the results suggest that the worst may be behind them. ICON's stock rose 30%⁶ in the week of its report.

Clean energy, too, is showing resilience. [First Solar](#), a key player in US solar manufacturing, faced significant uncertainty as the 45X manufacturing credit came under threat from proposed subsidy rollbacks. Encouragingly, policy shifts now appear less immediate and slower-moving than initially feared. Q2 results helped ease some of these concerns. Bookings remained strong, pricing held firm, and demand showed no signs of slowing. While policy risks remain, clearer direction on subsidies is allowing both the company and its customers to plan with more confidence.

Together, these developments show that companies are no longer operating in the dark, with early signs of a measured and long overdue sustainable turnaround.

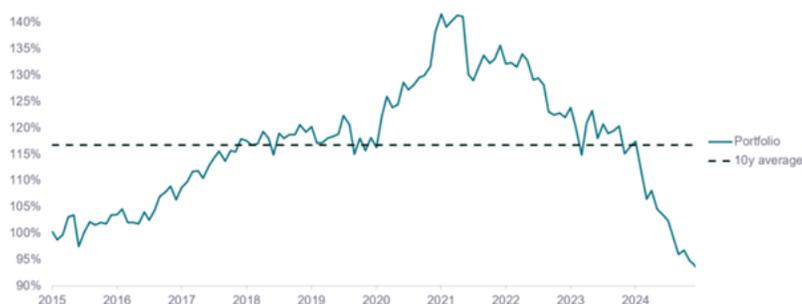
A clear valuation discount

What makes this moment particularly compelling for long-term investors is the growing disconnect between improving fundamentals and valuations.

Many high-quality businesses with long-term growth prospects, especially those aligned with sustainability, are trading at steep discounts. The forward price-to-earnings ratio of the portfolio is now well below its 10-year average and at the lowest level in a decade.

These businesses remain underappreciated, largely due to the lingering volatility of 2023/24. As fundamentals improve and political noise settles, this discount looks less like caution and more like mispricing.

Figure 2: Portfolio forward P/E ratio, relative to local markets, rebased⁷



The bigger picture: From fog to focus

The landscape is still mixed, but it's no longer quite as chaotic. The market is transitioning from reaction to recalibration. This isn't a moment for chasing momentum. It's about identifying the businesses that are quietly getting back on track.

Life science tools are resetting. Clinical Research Organisations (CROs) are stabilising. Clean energy, while politically pressured, is finding its footing again.

The fog is lifting. And in this environment, visibility might be the most valuable asset of all.

¹ BBC <https://www.bbc.co.uk/news/articles/c0eqpz23l9jo>

² Congressional Budget Office estimates; BBC <https://www.bbc.co.uk/news/articles/c0eqpz23l9jo> ; ABC News

³ FactSet as of 25th July 2025

⁴ Thermo Fisher Q2 2025 Results: <https://ir.thermofisher.com/investors/news-events/news/news-details/2025/Thermo-Fisher-Scientific-Reports-Second-Quarter-2025-Results/>

⁵ ICON Q2 2025 Results: <https://www.iconplc.com/news-events/press-releases/icon-reports-second-quarter-2025-results>

⁶ FactSet as of 25th July 2025

⁷ Mean ratio of price to next twelve months' earnings by analyst consensus, FP WHEB Sustainability Impact Fund, excluding distortions from meaningless or negative denominators in five cases: FirstSolar, Advanced Drainage Systems, Vestas, Silicon Labs, and Autodesk. Source: Factset as at 31/07/2025.

FEATURES

APIR CODE	HHA0007AU
REDEMPTION PRICE	A\$ 1.539
FEES *	Management Fee: 1.35%
MINIMUM INITIAL INVESTMENT	\$10,000
FUM AT MONTH END	A\$ 201.1m
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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